

# Welfare

## Review outcomes

- The following changes were made to the assessment.
  - A separate assessment for homelessness services will be introduced, using Australian Institute of Health and Welfare data on the use of specialist homelessness services. This is in response to the increase in state spending on homelessness services.
  - Data on state contributions to the National Disability Insurance Scheme (NDIS) will be collected from the Department of Social Services instead of the states.
  - Non-National Disability Insurance Scheme disability services, aged care, National Redress Scheme and other welfare assessments will be combined into a single other welfare assessment. The Commission recognises that if there are substantial changes to non-NDIS disability supports, this could require a different assessment approach.
  - The Commission will no longer collect state expenses on the national redress scheme for institutional sexual abuse because the assessment does not have a material impact on state shares of GST.
- The Commission considered but did not to change the following.
  - The National Disability Insurance Scheme assessment method is considered fit for purpose.
  - There is insufficient evidence to support removing the service delivery scale adjustment from the child protection and family services assessment.
  - There is insufficient data to develop a welfare specific regional cost gradient.
  - There is insufficient data to develop a First Nations child protection cost weight for the child protection and family services assessment.
  - There is insufficient data to include a service delivery scale adjustment in the other welfare services component.
- The Commission will consider the aggregation of remoteness areas in child protection and family services assessment in the 2026 Update. This is because data were not available in time to investigate the change as part of the 2025 Review.
- As part of the Commission’s forward work program, it will work with states and relevant data providers to consider how cultural and linguistic diversity affects the cost of services.

## Introduction

- 1 On 6 July 2024, the Commission published the [Draft Report](#) for the 2025 Methodology Review.

- 2 The Draft Report included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission's [consultation paper](#).
- 3 State submissions on the Draft Report can be viewed [here](#).
- 4 This chapter includes:
  - an overview of the issues considered throughout the review
  - the Commission's response and decision on each issue
  - GST impacts of method changes.
- 5 A description of the assessment method, incorporating changes made in the 2025 Review, can be found in the welfare chapter of the *Commission's Assessment Methodology*.

## Issues considered

### Introducing a homelessness services assessment

- 6 The Commission proposed to introduce a homelessness services assessment, in response to the increase in state homelessness services expenses.
- 7 The Commission proposed to define homelessness services using the same definition as reported in the Productivity Commission Report on Government Services.<sup>1</sup>
- 8 To facilitate the assessment, the Commission proposed to collect state homelessness services expenses by classification of functions of government - Australia (COFOG-A) from the states. If states were not able to provide expense data, the Commission proposed to split homelessness services expenses from the Productivity Commission Report on Government Services 50/50 between the welfare and housing categories. These data would allow the Commission to ensure relevant state expenses are assessed in the welfare category.
- 9 The Commission proposed to assess state expenses using Australian Institute of Health and Welfare (AIHW) data on the use of specialist homelessness services by remoteness, Indigenous status, socio-economic status and age.
- 10 The Commission also considered assessing homelessness services expenses using additional drivers such as mental health conditions, family and domestic violence, overcrowding and drug and alcohol use. However, fit-for-purpose data is not available to support the inclusion of these drivers.
- 11 The Commission also proposed to include regional and wage cost adjustments and maintain the existing homelessness services cross-border cost adjustment for New South Wales and the ACT. The regional cost adjustment recognises that the cost of state service provision increases with remoteness. The wage cost adjustment

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<sup>1</sup> Productivity Commission (PC), [Report on Government Services 2024, Section 19: Homelessness services](#), PC, Australian Government, 2024, accessed 1 April 2024.

recognises that states have different public sector wage levels. The cross-border adjustment recognises that some services are provided by the ACT to residents of New South Wales and vice versa.

## State views

### Conceptual case

- 12 All states except Victoria supported or did not comment on the conceptual case for the development of a homelessness services assessment.
- 13 Victoria questioned whether there was evidence to overturn the 2020 Review Commission finding that there was no evidence of causal drivers of homelessness.

### Identifying Homelessness services expenses

- 14 Most states supported the Commission's proposal to use the Productivity Commission definition of homelessness services and the proposal to collect homelessness services expenses by COFOG-A code from the states to ensure homelessness expenses are assessed in the welfare category. However, some states said they could not identify their homelessness services expenses by COFOG-A code in the ABS Government Finance Statistics.
- 15 New South Wales sought clarification on the treatment of its temporary accommodation programs because these are not included in its submission to the Productivity Commission Report on Government Services.
- 16 Victoria said that it would be difficult to identify homelessness services expenses by COFOG-A. It said it was concerned by the potential for inconsistencies between state definitions of homelessness services.
- 17 South Australia said that its emergency accommodation and the preventative component of its private rental assistance programs are not included in the homelessness services expenses data in the Productivity Commission Report on Government Services. South Australia proposed a delay in introducing the assessment to ensure consistency of expense data between states, or if the Commission proceeded with an assessment, a discount in recognition of data inconsistency.
- 18 The ACT considered that expense data limitations prevent a separate assessment of homelessness services. It said its temporary accommodation expenses are included in the Report on Government Services expense data in contrast to New South Wales and South Australia.
- 19 New South Wales, Victoria and ACT said the proposed 50/50 split seemed arbitrary. New South Wales proposed an alternative method based on a weighted average of state reported expenses to allocate Report on Government Services spending between COFOG-As for non-reporting states.

### **Identifying users of state services using Australian Institute of Health and Welfare specialist homelessness services data**

- 20 New South Wales, South Australia and the ACT said the AIHW data did not have sufficient coverage of state temporary accommodation programs and state specific circumstances.
- 21 New South Wales and South Australia said that their temporary accommodation programs were excluded from AIHW specialist homelessness services use data.
- 22 The ACT said that the AIHW data does not consistently reflect service use across the states. The ACT said that this could result in a mismatch between expenses and service use.
- 23 The Northern Territory said the Commission should consider using ABS census data on homelessness rather than the AIHW specialist homelessness services data.

### **Identifying drivers of service use**

- 24 There was mixed support for the drivers proposed by the Commission. However, states accepted that the Commission would include additional drivers if appropriate data became available.
- 25 New South Wales and Queensland supported the proposed drivers of homelessness services expenses.
- 26 Victoria said that the proposed drivers are not appropriate because they do not measure the causes of homelessness such as housing affordability and family and domestic violence. It also said other drivers which increase the cost of service provision were not included such as cultural and linguistic diversity. Victoria said the proposed drivers did not consider unique urban pressures on homelessness services. It suggested using social housing waitlists to capture urban pressures because a lack of affordable housing leads to greater demand for social housing and subsequently homelessness services. However, Victoria also acknowledged that the proposed drivers do have a link to the cost of providing homelessness services.
- 27 Victoria was also concerned by the difference between its assessed and actual homelessness services expenses (based on the proposed assessment). It said that the magnitude of the differences supported the case that the drivers were not capturing all state expense needs.
- 28 South Australia suggested that the Commission delay the assessment to undertake further work on drivers of state expenses. South Australia suggested that if the Commission proceeds with the assessment, a discount should be included to reflect omitted drivers.
- 29 The ACT said that the proposed drivers reflect needs for social housing rather than homelessness services.
- 30 States supported or did not comment on the proposal to include the regional cost, wage cost and cross border adjustments in the assessment.

- 31 Queensland said that a service delivery scale adjustment should be included in the homelessness services assessment in recognition of the fixed cost of service delivery in regional and remote localities.

## **Commission response**

### **Conceptual case**

- 32 The Commission notes that the homelessness assessment does not seek to measure the causal drivers of homelessness services. Instead, the proposed assessment seeks to recognise which population groups are more likely to access homelessness services, and the distribution of these population groups across states.

### **Identifying homelessness services expenses**

- 33 The Commission notes the challenges in collecting homelessness services expenses data across agencies or departments and allocating expenses to relevant COFOG-A classifications.
- 34 The Commission agrees with states on the need to minimise data inconsistencies. It considers that the proposed approach adequately addresses this issue. In its data request, the Commission will request state expenses by COFOG-A, using the same definition used in the Productivity Commission's Report on Government Services.<sup>2</sup> The consistent definition allows for the Commission to use state homelessness services expenses in the Report on Government Services when states are not able to provide data directly to the Commission. Further, the Commission will cross-check state reported expenses to ensure consistent reporting. State homelessness services expenses which are not reported in the Report on Government Services, such as New South Wales' temporary accommodation program, will not be included in the homelessness services assessment. Instead, these expenses will be assessed in the category where states report these expenses.
- 35 The Commission does not consider that a discount due to inconsistencies in state expense data is necessary. The use of a consistent expense definition and cross-checking the Report on Government Services will enable the Commission to monitor data quality and adjust for any inconsistencies in expense data, where possible.
- 36 The Commission acknowledges state concerns on the proposed 50/50 split between housing and welfare expenses reported in the Productivity Commission's Report on Government Services. The Commission agrees that using an average of state reported COFOG-A expenses would be a better approach.
- 37 For states that are unable to provide COFOG-A expenses data, the Commission will use the available state data to estimate the average share of state expenses for each COFOG-A code. The Commission will then use the average shares to allocate

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<sup>2</sup> The Productivity Commission defines homelessness services as 'supported accommodation, counselling, advocacy, links to housing, health, education and employment services, outreach support, brokerage and meals services, and financial and employment assistance.' PC, [Report on Government Services 2024, Section 19: Homelessness services](#).

homelessness services spending from the Report on Government Services to each COFOG-A code.

- 38 For example, a six-state average of state reported expenses may indicate that 10% of state homelessness services spending is reported in the housing category. For states which do not provide COFOG-A classified data, the Commission will assume 10% of reported homelessness services spending from the Report on Government Services is classified in housing.

#### **Identifying users of state services using Australian Institute of Health and Welfare specialist homelessness services data**

- 39 The Commission agrees on the need for nationally consistent data on service use to assess the drivers of state homelessness services expenses.
- 40 The Commission consulted the AIHW on the coverage of their homelessness services use data. The AIHW said that users of New South Wales' temporary accommodation services which supplements specialist homelessness services are excluded. The Commission considers it should not adjust service use to include New South Wales and South Australia's temporary accommodation programs. This is to be consistent with the Productivity Commission definition of homelessness services, which has been adopted by the Commission.
- 41 The Commission considers that the count of homeless people from the 2021 Census is not fit for purpose. The census captures the level of homelessness (including overcrowding) on census night. However, the census excludes the population at risk of homelessness which also use services. If the Commission assessed the population that reported being homeless on census night and assumed all people experiencing homelessness used services, 56% of the users of homelessness services would be excluded from the assessment.

#### **Identifying drivers of service use**

- 42 The Commission considers an assessment of homelessness services using Indigenous status, socio-economic status, age and remoteness provides a better assessment of state spending needs on homelessness than the 2020 Review equal per capita assessment.
- 43 The Commission considered a range of other drivers proposed by states to assess homelessness services expenses (Table 1). Although the Commission considers there is a conceptual case to include housing affordability, family and domestic violence, drug and alcohol use, the presence of a disability and mental health conditions, they cannot be assessed at this stage because of a lack of fit-for-purpose data.
- 44 For the Commission to be able to include a driver in a socio-demographic assessment, it must satisfy 2 conditions:
- the population of service users must be able to be cross-classified by the proposed driver (i.e. mental health conditions) and other drivers

- the population of each state must be able to be cross-classified by the proposed drivers. This is necessary to derive a national policy neutral level of service use and assess state's different population characteristics.

45 Additional data considerations include broadly consistent definitions to ensure comparability and sufficient sample size to ensure that cross-classification does not result in excessive data loss, confidentiality concerns or null values for variables of interest.

46 Table 1 summarises the Commission's analysis of potential data sources and their limitations.

**Table 1 Feasibility of assessing proposed drivers using different data sources**

Proposed driver	Available in AIHW data	National data source	Cross-classifiable person level data	Sufficient sample size and data quality	Definition consistent with AIHW definition
Indigenous status	✓	ABS Estimated resident population	✓	✓	✓
Age	✓	ABS Estimated resident population	✓	✓	✓
Socio-economic status	✓	ABS Estimated resident population	✓	✓	✓
Remoteness	✓	ABS Estimated resident population	✓	✓	✓
Overcrowding	✗	Homelessness operation groups (OPGP) — Census of Population and Housing: Estimating Homelessness	✓	✓	n/a
Housing affordability	✓	Rent affordability indicator (RAID) — Census of Population and Housing	✗	✓	✗
Family and Domestic Violence	✓	2021–22 ABS Personal Safety Survey	✗	✗	✓
Drug and Alcohol use	✓	ABS National Health Survey 2020-21	✓	✗	✗
Disability	✓	ABS Survey of Disability, Ageing and Carers	✓	✗	✓
Disability	✓	Core activity need for assistance (ASSNP) — ABS Census of Population and Housing	✓	✗	✗
Disability	✓	ABS National Health Survey 2020-21	✓	✗	✗
Mental Health	✓	ABS National Study of Mental Health and Wellbeing 2020-22	✗	✗	✓
Mental Health	✓	Has mental health condition — ABS Census of Population and Housing	✓	✗	✓
Mental Health	✓	ABS National Health Survey 2020-21	✓	✗	✓

47 The Commission's assessment method does not aim to consider the causal factors of homelessness. Rather, it assesses the factors which influence the use of specialist homelessness services. The Commission also considers that the drivers capture the urban pressures on homelessness services use, as well as new and

emerging cohorts of service users. All users of homelessness services are included in the assessment if data are reported to the AIHW. If the rate of service use in metropolitan areas is higher than in regional or remote areas it will be captured by the classification of service users by remoteness areas.

- 48 The Commission notes the difference between Victoria's actual and assessed homelessness expenses. The differences between states' assessed and actual spending could be driven by other factors instead of the omission of drivers, such as state decisions to deliver different standards of services or the misclassification of expenses.
- 49 The Commission does not support South Australia's proposal to include a discount for omitted drivers because this is inconsistent with the Commission's framework for using discounts.
- 50 The Commission has not identified any evidence to support a specific service delivery scale adjustment for the homelessness services assessment.

### **Commission decision**

- 51 The Commission will introduce a separate homelessness services assessment in the welfare category using expense data collected from the states. Where some states are unable to provide data to the Commission, the Commission will use a weighted average of data from those states that have provided data to determine the share of state spending assessed in the housing and other category assessments (such as health).
- 52 The Commission will use specialist homelessness services data from the AIHW to identify the use of services by the identified socio-demographic drivers of need:
  - Indigenous status
  - socio-economic status
  - age
  - remoteness.
- 53 The Commission will also include regional cost, wage cost and cross-border cost adjustments.
- 54 The Commission will continue to monitor opportunities for improvements in data quality for other drivers of need such as mental health conditions, family and domestic violence, person with a disability, housing affordability and service delivery scale. It will also engage with the ABS and external data agencies on potential data improvements.



## Collecting state National Disability Insurance Scheme expenses from the Department of Social Services

- 55 The Commission proposed to collect state NDIS expense data from the Department of Social Services portfolio budget statement and stop collecting disability services expenses from the states.

### State views

- 56 All states except South Australia supported the Commission's proposal to collect state NDIS contributions from Commonwealth Budget Papers, specifically the Social Services Portfolio Budget Statement.
- 57 South Australia questioned whether state NDIS funding arrangements would be harmonised after the current funding negotiations. It noted that the states and Commonwealth will work together to implement legislative and other changes to the NDIS following the 2023 Review of the NDIS.
- 58 Western Australia questioned how the Commission would determine the share of state expenses on non-NDIS disability services, which are currently collected from the states.

### Commission response

- 59 The Commission considers it is unlikely that there will be a significant divergence in Commonwealth-state NDIS funding arrangements over the course of the 2025 Review period which would impact its proposed approach. New funding agreements for 7 states have been negotiated as variations to the existing agreements. The Commonwealth and Western Australia are negotiating an agreement on full NDIS implementation. However, the current agreements have a clause ensuring that should a state negotiate more favourable terms with the Commonwealth, these terms will also be reflected in all other funding agreements. This is expected to maintain harmonisation between states.
- 60 Since 2021–22, state provided data are around 97% of the total state and in-kind contributions to the NDIS.<sup>3</sup> The remaining 3% represents the in-kind contributions from Commonwealth agencies. The NDIS assessment method in the 2020 Review, based on equal per capita at the most recent census, results in this discrepancy being distributed on a population basis across all states.

### Commission decision

- 61 The Commission will collect state contributions to the NDIS from the Commonwealth Department of Social Services Portfolio Budget Statement.

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<sup>3</sup> Department of Social Services (DSS), [Budget and Additional Estimates Statements](#), DSS website, 2024, accessed 5 May 2024. Commonwealth Grants Commission (CGC), [2025 Methodology Review, Draft report](#), CGC, Australian Government, , 2024, p 201, accessed 5 September 2024.

62 The Commission will derive state spending on non-NDIS disability services as the difference between total state spending on disability services and state NDIS spending from the Commonwealth Department of Social Services Portfolio Budget Statement.

## **Maintaining the 2020 Review National Disability Insurance Scheme assessment method**

63 The Commission proposed to maintain the 2020 Review National Disability Insurance Scheme assessment method.

### **State views**

64 All states except South Australia supported maintaining the existing NDIS assessment.

65 South Australia raised the potential impact of changes to NDIS funding arrangements. It also cited the potential for divergence in the state funding arrangements. The ACT said that the Commission should remain open to changing the assessment method if the NDIS funding allocations change.

### **Commission response**

66 The Commission agrees with South Australia and the ACT that if Commonwealth-state NDIS funding arrangements change, the Commission would reflect the changes in the assessment method.

### **Commission decision**

67 The Commission will maintain the 2020 Review National Disability Insurance Scheme assessment method. If the NDIS funding arrangements change, the Commission will consider the implications for the assessment method. The terms of reference for annual updates of GST relativities typically allow for a change of assessment method when there has been a change in Commonwealth-state relations.

## **Combining other welfare and non-NDIS disability services, aged care and national redress scheme components.**

68 The Commission proposed to combine the non-NDIS disability services, aged care, and national redress scheme component, and the other welfare component because they are both non-deliberative equal per capita assessments.

### **State views**

69 All states except South Australia supported combining the other welfare and non-NDIS disability services, aged care and national redress scheme component assessments.

70 South Australia did not agree because of the potential for expansion in state provided non-NDIS disability services, and uncertainty on the scope of the non-NDIS foundational supports agreed by states and the Commonwealth on 6 December 2023.<sup>4</sup>

### **Commission response**

71 The Commission agrees that if there are substantial changes to non-NDIS disability supports, this could require a change to the assessment.

### **Commission decision**

72 The Commission will combine the other welfare and non-NDIS disability services, aged care and national redress scheme component assessments into a single other welfare assessment that will be assessed equal per capita, with a wage and regional cost adjustment.

## **Ceasing to collect National Redress Scheme expenses from the states**

73 The Commission proposed to stop collecting state expense data on the National Redress Scheme for Institutional Child Sexual Abuse because it does not have a material impact on GST shares.

### **State views**

74 All states supported the Commission's proposal to stop collecting state expenses on the National Redress Scheme for Institutional Child Sexual Abuse.

### **Commission decision**

75 The Commission will stop separately collecting National Redress Scheme expenses from the states because it does not have a material impact on GST shares. These expenses will be assessed where they are reported by states in Government Finance Statistics.

## **Excluding service delivery scale from the child protection and family services component**

76 In response to state comments, the Commission reconsidered the inclusion of service delivery scale as a driver of state child protection and family services expenses.

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<sup>4</sup> A Albanese, [Meeting of National Cabinet – the Federation working for Australia](#) [media release], Australian Government, 2023, accessed 1 April 2024

## State views

- 77 New South Wales said that the introduction of the service delivery scale factor in the child protection and family services assessment was not supported by sufficient evidence in the 2010 Review.

## Commission response

- 78 The Commission considers that, as for many services, there is a conceptual case that the cost of providing child protection and family services in regional and remote communities increases because of the small scale of service provision in these communities. While the adoption of the service delivery scale factor in the 2010 Review was not underpinned by specific data, the Commission has not identified any data that would support discontinuing the recognition of service delivery scale in the child protection and family services assessment.

## Commission decision

- 79 The Commission will continue to apply the service delivery scale factor to child protection and family services expenses.
- 80 The Commission will continue to monitor the availability of data or other evidence regarding service delivery scale, including working with states to estimate how the scale of service delivery affects the costs of service provision in regional and remote areas.

## Introducing a welfare category specific regional cost gradient

- 81 In response to state comments, the Commission reconsidered if it could use a welfare specific regional cost gradient when estimating the impact of remoteness on state expenses on child protection and family, homelessness, and other welfare services.

## State views

- 82 New South Wales said the Commission should use a welfare specific regional cost gradient instead of using the general regional and service delivery scale cost gradients. New South Wales provided internal research that suggested the general regional and service delivery scale cost gradient overstates the cost of travel to deliver child protection services to regional and remote communities after considering traffic in major cities.

## Commission response

- 83 The research referenced by New South Wales contained analysis for one year only and it did not include analysis for other states. The Commission considers this does not provide sufficient evidence to discontinue the use of the general regional and service delivery scale cost gradient in the welfare assessment. Further, the

Commission has not identified any other sources of fit-for-purpose data that would enable it to develop a welfare specific regional cost gradient.

### **Commission decision**

84 The Commission will continue to use the general regional and service delivery scale cost gradient in the welfare component assessments. The Commission will continue to monitor the availability and quality of data which could be used to develop a welfare specific regional cost gradient.

## **Introducing cultural and linguistic diversity as a driver of state welfare expenses**

85 In response to state comments, the Commission considered the introduction of a cultural and linguistic diversity driver in the welfare assessment.

### **State views**

86 New South Wales and Victoria said the Commission should include a cultural and linguistic diversity cost or use weight, citing the increased cost of providing support to migrants and refugees.

### **Commission response**

87 The Commission considers that there is a conceptual case that states incur additional costs in providing welfare services to culturally and linguistically diverse populations.

88 A substantial amount of work is required to develop, test and consult with states on a potential cultural and linguistic diversity driver for the welfare assessment. This includes the appropriate definition of cultural and linguistic diversity for welfare services as well as identifying fit-for-purpose data. This work will be included in the Commission's forward work program.

### **Commission decision**

89 The Commission will not introduce a culturally and linguistically diverse cost or use weight in the welfare assessment.

90 The Commission will consider how cultural and linguistic diversity affects state service costs as a part of its forward work program.

## **Introducing a First Nations cost weight in child protection and family services**

91 In response to state comments, the Commission considered introducing a First Nations cost weight in the child protection and family services assessment.

## State views

- 92 Western Australia said the Commission should include a First Nations cost weight to represent the costs associated with providing child protection and family services to First Nations Australians.
- 93 Western Australia said that the funding model for child protection and out of home care services has differential cost profiles for locations with a high proportion of First Nations children. This is to facilitate the additional staff needed to provide culturally appropriate services.
- 94 Queensland supported the inclusion of a First Nations cost weight. Queensland said that not applying a First Nations cost weight reinforced the need to remove the discount on the general regional cost and service delivery scale gradient.

## Commission response

- 95 This issue was raised by the Northern Territory in the 2020 Review. The Commission concluded that a First Nations cost weight was not justified because Productivity Commission data showed there are no differences in the average time spent in out of home care by First Nations and non-Indigenous children. The Commission is not aware of a reliable nationally consistent data source that would support the inclusion of a First Nations cost weight.

## Commission decision

- 96 The Commission will not include a First Nations cost weight in the child protection and family services assessment.

## Aggregating remoteness areas in the child protection and family services component

- 97 In response to state comments, the Commission revisited the aggregation of remoteness areas in the socio-demographic assessment of child protection and family services.

## State views

- 98 Queensland said that the higher average substantiation rate for children in non-remote areas, compared to remote areas in the Commissions assessment does not reflect its experience of the pattern of service delivery.<sup>5</sup>

## Commission response

- 99 In the 2020 Review, the Commission aggregated major cities, inner and outer regional areas into a single non-remote grouping and remote and very remote areas into a

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<sup>5</sup> A substantiation is the outcome of an investigated notification that has led to the conclusion that there is reasonable cause to believe a child has been, is being or is likely to be abused, neglected, or otherwise harmed. For further details see: PC, [Report on Government Services 2024, 16: Child protection services](#), 2024, accessed 26 August 2024.

remote grouping. This was necessary because of data confidentiality concerns which prevented the Commission accessing disaggregated data from the AIHW.

- 100 The Commission agrees that the higher average substantiation rate for non-remote children may be counterintuitive. Data from the AIHW will not be available in time to undertake necessary analysis as part of the 2025 Review. When the data are available, the Commission will consider whether there is a need to change the remoteness and socio-economic status aggregation in the child protection and family services assessment in the 2026 Update.

### **Commission decision**

- 101 The Commission will investigate the aggregation of the remoteness and socio-economic status classifications in the child protection and family services component assessment as part of the 2026 Update.

## **Introducing service delivery scale in the other welfare services component**

- 102 In response to state comments, the Commission considered the conceptual case for introducing a service delivery scale adjustment in the other welfare services assessment.

### **State views**

- 103 Queensland said that the Commission should include the general service delivery scale cost gradient in the other welfare services assessment. This was to recognise the fixed costs of providing services in regional and remote areas.

### **Commission response**

- 104 Queensland did not provide evidence to inform the Commission's decision on the conceptual case for including the general service delivery scale cost gradient in the assessments. In the absence of relevant evidence or data, the Commission is unable to further consider the issue.

### **Commission decision**

- 105 The Commission will not introduce a service delivery scale factor in the other welfare services component assessment.

## **Discounting adjustments for regional costs and service delivery scale**

- 106 Queensland questioned whether the current 25% discount on the general regional and service delivery scale cost gradient remained appropriate. Queensland said that the reason for the discounts is conceptually flawed.
- 107 Discounting of the regional cost gradient and service delivery scale is discussed in the geography chapter of *Review Outcomes*.

## GST impacts of method changes

108 The impact on the GST distribution from the method changes is shown in Table 2.

**Table 2** Impact on GST distribution of method changes, welfare, 2024-25 to 2025-26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
New homelessness services assessment	-11	-74	52	7	-8	6	-8	36	101
Change in general regional and service delivery scale cost gradient	6	5	-2	-1	-1	-2	0	-5	11
Moving expenses between components	0	-2	-1	3	-1	0	0	1	5
<b>Total</b>	<b>-5</b>	<b>-71</b>	<b>48</b>	<b>8</b>	<b>-10</b>	<b>4</b>	<b>-8</b>	<b>33</b>	<b>94</b>
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
New homelessness services assessment	-1	-10	9	2	-4	11	-17	142	4
Change in general regional and service delivery scale cost gradient	1	1	0	0	0	-3	1	-19	0
Moving expenses between components	0	0	0	1	-1	0	0	6	0
<b>Total</b>	<b>-1</b>	<b>-10</b>	<b>8</b>	<b>3</b>	<b>-5</b>	<b>7</b>	<b>-16</b>	<b>128</b>	<b>3</b>

Note: Changes to the wage costs assessment are not included. They are shown in the wage costs chapter of *Review Outcomes*.

- 109 The changes to the welfare assessment increased the assessed GST needs of Queensland, Western Australia, Tasmania and the Northern Territory. The largest driver of change was the introduction of a socio-demographic assessment of state expenses on specialist homelessness services. Under the new method, these states are assessed as having higher expense needs because they have a higher proportion of population groups with a higher use of homelessness services (for example, First Nations people).
- 110 The changes to the general regional and service delivery scale cost gradient are explained in the geography chapter of *Review Outcomes*. The changes reduced the estimated cost of child protection and family services in inner regional, outer regional and remote Australia. The general regional and service delivery scale cost gradient for very remote Australia was unchanged. The changes to the gradient reduced the assessed GST needs of states with an above average share of populations in inner regional, outer regional and remote Australia including Tasmania and Northern Territory.