

**Welfare expenditure Australia
2005–06**

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Australian Institute of Health and Welfare

Board Chair

Hon. Peter Collins, AM, QC

Director

Penny Allbon

Any enquiries about or comments on this publication should be directed to:

Mr John Goss

Australian Institute of Health and Welfare

GPO Box 570

Canberra ACT 2601

Phone: (02) 6244 1151

Email: john.goss@aihw.gov.au

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Preface

Welfare expenditure Australia 2005–06 continues the Australian Institute of Health and Welfare's series of reports on national welfare expenditure, which have been produced annually since 1995. These reports initially provided information only on welfare services (benefits-in-kind) but now include income support payments provided to four broad target groups: families and children, older people, people with disabilities, and others not elsewhere classified. It now provides a comprehensive picture of assistance provided to these groups, and is therefore an important reference for policy makers and those working in this field.

Welfare expenditure was \$90 billion in 2005–06. Of this, \$28.9 billion was expenditure on welfare services which represented 3.0% of gross domestic product (GDP). The estimate of welfare services expenditure in this report includes high-level residential care expenditure which was previously classified to health services. There is a separate chapter in this report which provides detailed information on the rationale for and implications of moving this expenditure from health to welfare services. The data in this report are not comparable to those reported in earlier issues because of this reclassification.

The estimate of welfare services expenditure is conservative as there are areas of welfare services expenditure which are not yet included, either because the information is unreliable or unavailable. In the government sector, for example concessions for disadvantaged groups on items such as postal services, telephone allowance, and dog registration have not been included. The value of goods donated to non-government community services organisations is also not included. The Institute will continue to improve these statistics so that a more complete estimate of welfare services expenditure can be provided in the future.

Penny Allbon
Director
Australian Institute of Health and Welfare

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- Department of Families, Community Services and Indigenous Affairs
- Department of Health and Ageing
- The Australian Bureau of Statistics
- former Department of Immigration and Multicultural Affairs–now Department of Immigration and Citizenship
- Victoria Department of Human Services
- Queensland Department of Communities
- South Australia Department for Families and Communities
- South Australia Department for Transport, Energy and Infrastructure
- Australian Capital Territory Department of Disability, Housing and Community Services
- Northern Territory Department of Health and Community Services
- Australian Council of Social Services.

Thanks are due to John Goss and Jenny Hargreaves who provided valuable comments.

Abbreviations

ABS	Australian Bureau of Statistics
ACCMIS	Aged and Community Care Management Information System
ACOSS	Australian Council of Social Services
ACFI	Aged Care Funding Instrument
AGD	Attorney General's Department
AIFS	Australian Institute of Family Studies
AIHW	Australian Institute of Health and Welfare
DEWR	Department of Employment and Workplace Relations
DHAC	(former) Department of Health and Aged Care
DIMA	Department of Immigration and Multicultural Affairs
DIMIA	Department of Immigration, Multicultural and Indigenous Affairs
DoFA	Department of Finance and Administration
DoHA	Department of Health and Ageing
DVA	Department of Veterans' Affairs
FaCS	(former) Department of Families and Community Services
FaCSIA	Department of Families, Community Services and Indigenous Affairs
GDP	Gross Domestic Product
GFCE	Government Final Consumption Expenditure
GFS	Government Finance Statistics
GPC	Government Purpose Classification
HACC	Home and Community Care
IPD	Implicit Price Deflator
NGCSO	Non-government community service organisation
SCRGSP	Steering Committee for the Review of Government Service Provision
RCS	Resident Classification Scale
RoGS	Report on Government Services
SAAP	Supported Accommodation Assistance Program
SPPs	Specific Purpose Payments

Symbols

n.a.	not available
..	not applicable
n.e.c.	not elsewhere classified
–	nil or rounded down to zero

Executive summary

At \$90 billion in 2005-06, welfare expenditure is of a similar scale to health expenditure (\$87 billion).

Over the last eight years (since 1998-99) welfare expenditure has continued to rise each year. Although annual increases have fluctuated from year to year, on average they exceeded the inflation rate.

Governments continue to be the major funders of welfare cash benefits and services, while non-government community service organisations (NGCSOs) are major providers of welfare services.

Welfare expenditure comprises cash payments and services specifically directed to older people, families and children, people with disabilities and other groups (such as widows and migrants).

The \$90 billion amount *excludes* unemployment benefit payments and services which (in terms of government purposes) are classified as 'labour and employment affairs' rather than 'welfare'.

Payments and related services that *are* categorised as welfare expenditure include (among many others) the Family Tax Benefit, Maternity Allowance, the Age Pension, the Disability Support Pension, Support for Carers, and the War Widows Pension.

Older people and families and children account for around one-third each of total welfare expenditure, followed by *people with disabilities* (at roughly one-sixth), then other groups.

Welfare expenditure payments and services

- Between 1998-99 and 2005-06, welfare expenditure rose from \$57 billion to \$90 billion (Table 2.1).
- Approximately \$81 billion of total welfare expenditure can be allocated to one of the four target groups. Expenditure on older people was the highest at \$34 billion, while families and children received \$27 billion, people with disabilities \$17 billion, and other recipients about \$3 billion (Table 2.1).
- Of the \$90 billion expenditure in 2005-06, cash benefits accounted for \$61 billion (68%) and welfare services (benefits-in-kind) the remaining \$29 billion (32%) (Table 2.1).
- The Australian Government funded all cash benefits in 2005-06 (\$61 billion).
- Governments (Australian, state and territory, and local) funded 71% (\$20 billion out of \$29 billion) of total welfare services expenditure, with the non-government sector funding the remaining 29% (about \$8 billion) (Table 3.5).
- NGCSOs provided most welfare services (\$20 billion worth out of \$29 billion) in 2005-06 (Table 3.3).
- Between 1998-99 and 2005-06, the Australian Government funded, on average, 40% of total welfare services expenditure; state and territory governments funded 29%; and local governments funded about 2%. Funding by households (through payment of client fees) accounted, on average, for 19% of total welfare services expenditure, and the remaining 10% was funded by NGCSOs (Table 3.5).

Government funding of welfare services by welfare services category

Australian Government

- In 2005–06, the highest recurrent funding for welfare services by the Australian Government was for older people (64%). About one-quarter (21%) went to families and children. Welfare services for people with disabilities accounted for 13% of welfare funding, and the remaining 2% funded ‘other welfare’ (Table 3.7).
- Over the period 1998–99 to 2005–06, average growth for families and children was 5.8% per year. Welfare services for people with disabilities grew by 4.2% per year, and welfare services for older people 2.6% per year (Table 3.8).

State and territory governments

- In 2005–06, the highest recurrent funding for welfare services by state and territory governments was for people with disabilities (39%). Welfare services expenditure for families and children accounted for 26%, for older people 25%, and ‘other welfare’ 10%.
- Over the period 1998–99 to 2005–06, the most rapid growth of welfare services funding by state and territory governments was for families and children, averaging 6.7% per year after allowing for inflation. Welfare services for people with disabilities increased on average by 3.9% per year, and welfare services for older people by 1.1% per year. Average growth in ‘other welfare’ declined 1.0% per year (Table 3.8).
- State and territory government funding of welfare services averaged \$421 per person in 2005–06, ranging from \$358 in Queensland to \$604 in the Northern Territory (Table 3.10).

Funding of non-government welfare services expenditure

- In 2005–06, almost two-thirds (62%) of NGCSO expenditure on welfare services was funded by governments; one-quarter was funded by households in the form of client fees (25%), and 13% came from NGCSO own funding (Table 3.11).
- In 2005–06, 86% of client fees paid by households was for services provided by NGCSOs, 10% was for services provided by governments, and the remaining 4% was for informal child care provided by the household sector itself (Table 3.13).

1 Introduction

1.1 Background

This report provides information on welfare expenditure for the period 1998–99 to 2005–06. The last issue of this report released in September 2006 covered the period from 1998–99 to 2003–04. The Australian Institute of Health and Welfare (AIHW) compiled both the 2004–05 and 2005–06 data for this issue. Time-series data are presented from 1998–99 when the accounting system in the government sector changed from cash to accrual.

Welfare expenditure includes social security payments and expenditure on welfare services provided to four target groups – families and children, older people, people with disabilities, and others (such as widows, Indigenous Australians, and migrants).

These four groups are based on the Government Purpose Classification (GPC) system used by the Australian Bureau of Statistics (ABS):

- GPC 2621 – Family and child welfare services
- GPC 2622 – Welfare services for the aged
- GPC 2623 – Welfare services for people with disabilities
- GPC 2629 – Other welfare services not elsewhere classified (referred to as ‘other welfare’ in this report).

For more information on the inclusions in these GPC categories see the technical notes at the back of this publication. Box 1.1 provides a description of items not in scope of this report.

Box 1.1: Items not included in welfare expenditure estimates

Data in this report are generally confined to the four welfare services GPCs above. There are cash benefits that are provided to target groups other than to the target groups identified in the four welfare services GPCs. Though some of them are classified within the ABS social security and welfare GPCs, they are out-of-scope of this report. These items are:

- 1. Income support for unemployed persons, such as Newstart Allowance, Mature Age Allowance. They are classified in GPC2616 (Unemployment benefits), the recipients of which are classified in GPC3333 (Labour and employment affairs).*
- 2. Income support or financial assistant to students, such as Austudy and Abstudy. They are classified in GPC 24(Education).*
- 3. Long-term housing assistance in the form of rental assistance and public mortgage assistance. They belong to GPC27 (Housing and community amenities). However, supported accommodation assistance programs and crisis accommodation program are included here.*

Originally, these reports included only welfare services expenditure on these four target groups. However, since the eighth edition (covering the period from 1998–99 to 2000–01) was published in February 2003, social security payments have also been added into the report. This provides a more comprehensive picture of the level of assistance given to these target groups. Consequently the name of this report was changed from *Welfare services expenditure* to its current title *Welfare expenditure Australia*.

The estimates in this issue include estimates of expenditure on high-care residential care. This is now consistent with the way other government departments – the Department of Finance and Administration (DoFA), the ABS, the Productivity Commission (PC), and the Department of Health and Ageing (DoHA) – have been reporting. The rationale for including this expenditure is further discussed in Chapter 5 of this report. This change means that the data in this report are not comparable with the data published in the earlier issues of the report and comparisons over time should be made using the data in this report, rather than by reference to previous reports.

The structure of this report is as follows:

- Chapter 2 – overview of benefits – cash and in-kind – provided for each of the four welfare services categories.
- Chapter 3 – detailed information on welfare services expenditure (in-kind benefits), including expenditure by sector and funding source.
- Chapter 4 – detailed information on concession and tax expenditures.
- Chapter 5 – background history on, and a discussion of, the issues associated with classifying the components of residential aged care expenditure as either health expenditure or welfare expenditure.
- Chapter 6 – technical notes on the data used.

Scope

The analysis in this report is limited to expenditure for the four welfare services categories plus the cash benefits paid to individuals within these groups.

Cash benefits provided to *Families and children* include:

- Double Orphan Pension
- More Help for Families – One-off payments under Family Assistance Legislation Amendment 2004
- Family Tax Benefit
- Maternity Allowances
- Maternity Payment
- Partner Allowance
- Partner Benefits
- Parenting Payments (partnered and single).

Cash benefits to *Older people* include:

- Age Pension
- Aged Persons Savings Bonus
- Self-funded Retirees' Supplementary Bonus
- Seniors Concession Allowance
- Telephone Allowance for Commonwealth Seniors Health Card Holders
- Utilities Allowance
- Wife Pension (Age)

- Support for Carers (Aged)
- Department of Veteran Affairs (DVA) Service Pension
- DVA Income Support Pension.

Cash benefits to *People with disabilities* include:

- Disability Support Pension
- Support for Carers (for people with disabilities)
- Mobility Allowance
- Sickness Allowance
- Wife Pension (for people with disabilities)
- DVA Disability Pension.

Cash benefits to *Other welfare* include:

- Bereavement allowance
- Widow Allowance
- Widow B Pension
- Special benefit
- DVA Dependents and Widows Pension
- War Widows Pension.

Not included in this report are cash payments and services provided to the recipients of unemployment benefits. This group belongs to GPC333 – Labour and employment affairs, and is therefore out of scope of this report.

Data sources

The sources of data for this report relate to expenditure by four sectors of the economy. These sectors are the Australian Government, the state and territory governments, non-government community service organisations (NGCSO), and the household sector.

1. Data for social security payments and welfare services expenditure by the Australian Government are derived from the following organisations:
 - (a) Department of Families, Community Services and Indigenous Affairs (FaCSIA)
 - (b) Department of Health and Ageing (DoHA)
 - (c) Department of Veterans' Affairs (DVA)
 - (d) Department of Employment and Workplace Relations (DEWR)
 - (e) former Department of Immigration and Multicultural Affairs (DIMA) now Department of Immigration and Citizenship
 - (f) Australian Institute of Family Studies (AIFS)
 - (g) Australian Institute of Health and Welfare (AIHW).
2. Comprehensive data for state and territory governments are not as readily available as data for the Australian Government. The quality of the data varies across jurisdictions and

across years. Data on welfare services expenditure by state and territory governments are sourced from:

- (a) The Reports on Government Services (RoGS) produced by the Steering Committee for the Review of Government Service Provision (SCRGSP)
- (b) Government Finance Statistics (GFS) by the ABS
- (c) Department of Human Services (DHS), Victoria (Table 6.1).

Data on concession expenditure by state and territory governments are from the relevant state budget papers – for New South Wales, Western Australia, and Tasmania – and from the departments administering the services for the remaining jurisdictions.

3. Estimates of expenditure and funding by NGCSOs are based on two sets of data:
 - (a) Data on the level of recurrent grants to NGCSOs were provided by the ABS GFS (for all jurisdictions other than Victoria) and the Victorian Department of Human Services (for Victoria).
 - (b) Estimates of expenditure and funding were derived by the AIHW from the Australian Council of Social Services (ACOSS) 2006 survey and from financial reports of the medium to large NGCSOs compiled by the AIHW.
4. Expenditure by households was obtained from the following sources:
 - (a) ABS GFS data was used for services provided by governments.
 - (b) The Aged and Community Care Management Information System (ACCMIS) maintained by the Department of Health and Ageing was used for high-care and low-care residential aged care expenditure.
 - (c) The ABS Child Care Survey was used for child care fees.
 - (d) Household expenditure on other services was estimated using ACOSS survey data and annual reports from a number of large and medium-sized NGCSOs.

1.2 Revisions to previously published estimates

AIHW always attempts to improve the reliability of the data when new data become available. In this issue, revisions have been made for all years (1998–99 to 2003–04), for all funding sources, and for all welfare service categories based on the availability of new more reliable sources of data (see also Table 6.2, p. 56).

Australian Government

A major revision in this issue is the inclusion of the estimate of expenditure on high-level residential care as welfare services expenditure. AIHW previously classified high-level residential care expenditure to health. Each year, the amount accounted for about 83% of the Australian Government residential care subsidies. The estimates of total welfare services expenditure in this issue have been revised accordingly from previous issues for the period 1998–99 to 2003–04.

There were also minor revisions to the classification of Australian Government expenditure and funding. Programs such as Green Corps, and Job Placement, Employment and Training,

previously administered by FaCSIA were placed under the DEWR portfolio from October 2004. The nature of these programs was considered to be predominantly supporting employment rather than welfare services. Hence, expenditures for these programs have been removed from welfare services expenditure estimates.

State, territory and local governments

State and territory government and local government expenditure were revised by the ABS. Revisions were made in a number of expenditure areas including the estimates of grants to NGCSOs, and fees for services.

Expenditure by state and territory governments on high-level residential care is included in this issue.

Concessions

In previous reports, concessions for electricity, public transport, water and sewerage, and motor vehicle registration were allocated to the 'other welfare' category. Concessions on council rates were all allocated to welfare services for older people. These concession expenditure items are now allocated to the four GPC categories (pages 3 and 52) based on the number of social security recipients by type of income support. This revision has had an impact on the estimates of the distribution of funding by both the Australian Government and state and territory governments across the four GPC categories. Funding estimates on welfare services for older people and on 'other welfare' are markedly reduced.

Non-government sector

In the non-government sector, estimates of expenditure and funding by households and NGCSOs were revised for the whole period from 1998-99 to 2003-04 for three reasons.

One is the revision by the ABS of estimated government grants provided to NGCSOs. The method of estimating the NGCSO contributions uses information on the amount of government grants provided to NGCSOs. The Institute assumes that there is a relationship between the amount of government funding and NGCSO funding, and that the ratio of NGCSO funding to every \$1 grant from government varies depending on the service type provided.

The second reason is that the AIHW now uses ACCMIS data (from 1999-00 onwards) in estimating residential care payments by individual households instead of using the results from the ABS 1999-00 Community Services Industry survey.

The third reason is that the AIHW now includes high-level residential care in welfare services for older people. The estimates of NGCSO own source funding and residential care payments by individual households are higher because of this inclusion.

Child care

Results from the ABS 2005 Child Care Survey were published in 2006. The estimates of child care out-of-pocket cost between the surveys (carried out every 3 years) have been revised by

AIHW using interpolation and growth projections. Furthermore, the scope of the survey has been broadened from children aged 0–11 years old to 0–12 years old. In the 2005 survey, the number of children aged 12 years who used child care was about 69,200 (ABS 2006). Hence, the estimates of child care cost paid by households from 1998–99 to 2003–04 were revised to include out-of-pocket child care costs paid for the 12-year-old children.

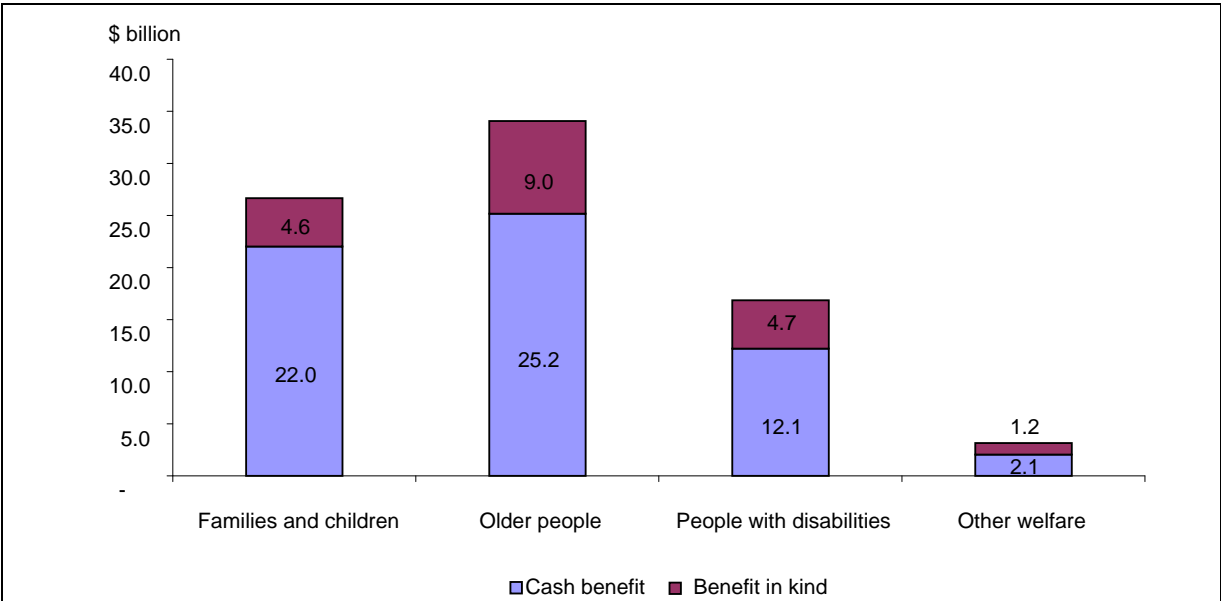
2 Welfare expenditure by welfare service categories

Welfare expenditure consists of cash paid to recipients of income support and welfare services (benefits-in-kind). Welfare services are provided, usually at significantly subsidised prices or free, to target groups of people classified according to the four welfare services GPCs – families and children, older people, people with disabilities, and ‘other welfare’.

In 2005–06, cash benefits accounted for 68.0% (\$61 billion) of total welfare expenditure and the remaining 32.0% (\$29 billion) was for benefits-in-kind (welfare services) (derived from Table 2.1).

In 2005–06, most (\$80.8 billion) of the total welfare expenditure of \$90.2 billion could be allocated by welfare category. Welfare expenditure for older people was the highest at \$34.2 billion. Families and children and people with disabilities received \$26.6 billion and \$16.9 billion respectively, and \$3.2 billion was provided for ‘other welfare’ (Table 2.1).

The distribution across the four categories between 1998–99 and 2005–06 was about the same as that for 2005–06. Welfare expenditure for older people was the highest, accounting for 43.6% on average of combined Australian Government and state and territory government expenditure. About one-third (33.2%) of welfare expenditure was for families and children. Just under one-fifth (19.2%) went to people with disabilities and the remaining 4.1% to ‘other’.



Source: Table 2.1.

Figure 2.1: Welfare expenditure by the four welfare service categories, 2005–06

Table 2.1: Welfare expenditure in current prices by welfare service category, 1998–99 to 2005–06

	1998–99 (\$m)	1999–00 (\$m)	2000–01 (\$m)	2001–02 (\$m)	2002–03 (\$m)	2003–04 (\$m)	2004–05 (\$m)	2005–06 (\$m)	Average proportion 1998–99 to 2005–06 (per cent)
Australian Government and state and territory government^(a)									
Families and children	16,088	17,329	20,168	21,893	22,195	27,122	25,760	26,580	33.2
Cash benefits	13,714	14,531	17,198	18,438	18,530	23,291	21,433	21,984	27.9
Benefits-in-kind	2,374	2,798	2,970	3,456	3,665	3,831	4,327	4,597	5.2
Older people	23,362	23,650	28,981	27,594	29,228	32,378	33,308	34,160	43.6
Cash benefits	17,323	17,752	22,324	20,845	22,001	24,185	24,853	25,172	32.7
Benefits-in-kind	6,039	5,898	6,657	6,750	7,227	8,193	8,455	8,987	10.9
People with disabilities	9,916	10,326	11,232	12,158	13,051	14,138	14,671	16,870	19.2
Cash benefits	7,080	7,309	8,070	8,742	9,255	10,076	10,317	12,130	13.7
Benefits-in-kind	2,836	3,017	3,162	3,416	3,796	4,062	4,355	4,739	5.5
Other welfare	2,363	2,280	2,597	2,652	2,823	2,918	3,182	3,230	4.1
Cash benefits	1,550	1,562	1,742	1,895	1,985	2,087	2,181	2,065	2.8
Benefits-in-kind	813	717	855	757	839	830	1,001	1,165	1.3
<i>Four category subtotal</i>	<i>51,728</i>	<i>53,584</i>	<i>62,979</i>	<i>64,298</i>	<i>67,297</i>	<i>76,555</i>	<i>76,922</i>	<i>80,840</i>	<i>100.0</i>
<i>Cash benefits</i>	<i>39,667</i>	<i>41,155</i>	<i>49,334</i>	<i>49,920</i>	<i>51,770</i>	<i>59,639</i>	<i>58,784</i>	<i>61,352</i>	<i>77.1</i>
<i>Benefits-in-kind</i>	<i>12,061</i>	<i>12,430</i>	<i>13,644</i>	<i>14,378</i>	<i>15,527</i>	<i>16,917</i>	<i>18,138</i>	<i>19,489</i>	<i>22.9</i>
Other unable to allocate by category ^(b)									
Benefits-in-kind	5,686	5,914	6,111	6,416	7,479	8,503	8,759	9,387	..
Grand total	57,415	59,498	69,089	70,714	74,777	85,058	85,681	90,227	..
Cash benefits	39,667	41,155	49,334	49,920	51,770	59,639	58,784	61,352	..
Benefits-in-kind	17,748	18,343	19,755	20,795	23,007	25,420	26,897	28,875	..

Note: Totals may not add due to rounding.

(a) For the benefits-in-kind category, Australian Government expenditure includes both recurrent and capital expenditure but the state and territory government expenditure comprises recurrent expenditure only.

(b) Included are state and territory capital expenditure, and expenditure by local government (both recurrent and capital), NGCSOs and households.

Welfare expenditure for people with disabilities increased each year – from \$9.9 billion in 1998–99 to \$16.9 billion in 2005–06.

Welfare expenditure for the other three groups did not increase every year. Welfare expenditure for older people fell in 2001–02, after one-off large cash-benefit payments that occurred in 2000–01, reflecting Australian Government One-off Payments (for older persons on low income) and Self-funded Retirees Supplementary Bonuses.

The One-off Payments provided a single lump sum of \$300 to Australians on low incomes and over Age Pension age. The number of One-off Payment recipients was 1,811,895 in 2000–01 (FaCS 2001a: 207) and 34,900 in 2001–02 (FaCS 2002: 203). The majority of payments were made automatically in 2000–01 to income support clients over Age Pension age.

Recipients in 2001–02 were a smaller group of people of Age Pension age who were outside the income support and personal tax systems and did not have a partner in either system. This group had to claim the payment by December 2001.

Self-funded Retirees Supplementary Bonuses were payable to people aged at least 55 years old who were retired but did not receive a taxpayer-funded income support payment, and who met certain income and activity criteria. About 38,000 people received the bonuses in 2000–01 and this amounted to \$67.5 million (FaCS 2001a: 207). In 2001–02, a further \$28.5 million was paid in claims for bonuses which had been submitted by 30 June 2001, but were not processed in that financial year (FaCS 2002: 210).

Families and children welfare expenditure fell from \$27.1 billion in 2003–04 to \$25.8 billion in 2004–05, due mainly to the one-off ‘more help for families’ family assistance payment included mostly in 2003–04. \$2.2 billion was paid out in 2003–04, \$174.4 million in 2004–05 and \$0.2 billion in 2005–06.

Expenditure for ‘other welfare’ fell between 1998–99 and 1999–00. But benefits-in-kind for ‘other welfare’ fluctuated over the period from 1998–99 to 2005–06. This category comprises items such as emergency relief that can be abnormally high in one year because of a natural disaster. In 2005–06, payments for tropical cyclone Larry assistance alone came to \$43.3 million.

3 Expenditure and funding for welfare services

3.1 Expenditure on welfare services

In 2005–06, total expenditure on welfare services, in current prices, was estimated at \$28.9 billion, up \$2.0 billion from the previous year (Table 3.1).

Expenditure on welfare services in 2005–06 was 3.0% of GDP. The share varied between 2.8% (in 1999–00 and 2001–02) and 3.0% (in the last three years).

Table 3.1: Expenditure on welfare services and GDP, current prices, 1998–99 to 2005–06

Year	Welfare services expenditure (\$ million)	GDP (\$ million)	Welfare services expenditure share of GDP (per cent)
1998–99	17,748	607,759	2.9
1999–00	18,343	645,058	2.8
2000–01	19,755	689,262	2.9
2001–02	20,795	735,714	2.8
2002–03	23,007	781,675	2.9
2003–04	25,420	840,285	3.0
2004–05	26,897	896,568	3.0
2005–06	28,875	966,442	3.0

Sources: Expenditure: AIHW welfare expenditure database; GDP: ABS 2007.

The welfare services expenditure-to-GDP ratio can increase during a period for one or both of the following reasons:

- (a) The level of use of welfare goods and services can grow at a higher rate than the growth in the use of all goods and services in the economy (a volume effect); and/or
- (b) Price changes for welfare services can be higher than price changes in the broader economy. This is a price effect.

Expenditure on welfare services in current prices is the product of the quantity (volume) of welfare services and current year prices for the services.

Both quantity and price level change each year. Changes in price level show us the inflation rate, while changes in the quantity (volume) of services reflect real growth.

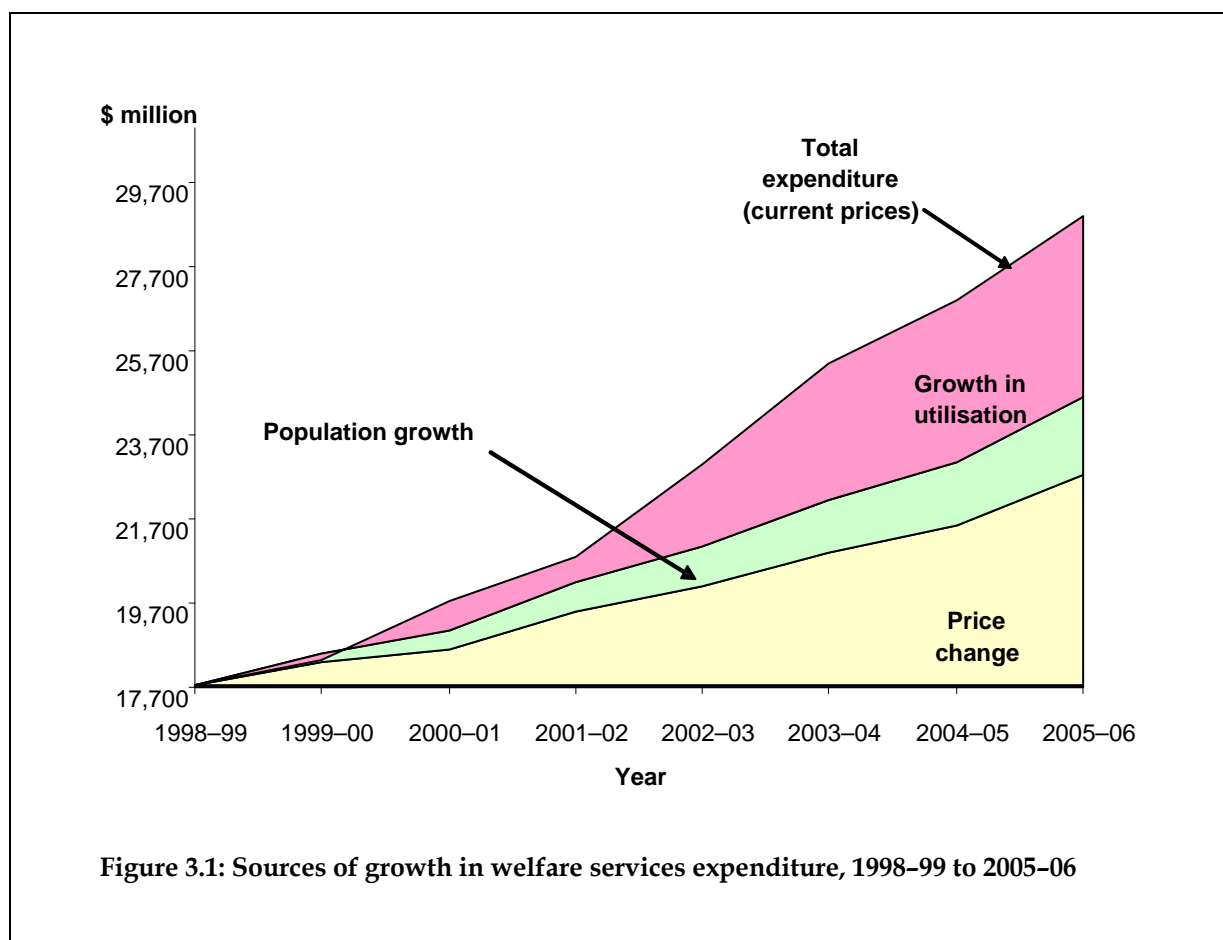
Real growth reflects the combined effects of changes in the growth in population (overall population size) and the average level of provision and use of services per person.

Changes in per person use reflect changes in:

- population composition – both age and sex (as distinct from changes in the overall population size)

- composition of services provided and their associated costs
- eligibility for and accessibility of welfare services
- government policy that may affect service usage.

Over the period from 1998–99 to 2005–06, total welfare services expenditure in current prices rose by 62% (Figure 3.1). Of the total increase, 38.4% was due to an increase in utilisation (real expenditure per person), 44.9% was due to inflation, and the remaining 16.6% was due to population growth.



Between 1998–99 and 2005–06, real growth in welfare services expenditure grew at an average of 3.7% per year, slightly higher than GDP growth at 3.2% per year. Both welfare services expenditure and GDP growth rates fluctuated over the period (Table 3.2). Real welfare services expenditure growth rates ranged between 1.5% (in 1999–00 and 2004–05) and 7.8% in 2003–04, while that of GDP ranged between 1.9% in 2000–01 and 4.1% in 2003–04. The high real growth rate in welfare services expenditure that occurred in 2003–04 partly reflected the high growth rate in the non-government sector (Table 3.6).

Inflation rates in both the economy and the welfare services sector fluctuated over the period 1998–99 to 2005–06, averaging 3.5% per year in the economy and 3.4% in the welfare services sector. The inflation rates in the welfare services sector and the economy were the same in 2005–06 at 4.7%. The highest inflation rate in the welfare services sector was in 2005–06, at 4.7%, while that in the economy as a whole was in 2000–01, at 4.8%.

Expenditure incurred in providing services is an indicator of the role that the sector plays in providing welfare services. NGCSOs incur expenditure in providing services to the community and this expenditure is funded from three major sources: governments (the Australian Government, state and territory governments, and local governments), NGCSOs (own funding), and households (in the form of fees for services).

Table 3.2: Expenditure on welfare services and GDP, constant prices^(a), and rate of inflation, 1998–99 to 2005–06

Year	Welfare services expenditure		Annual rate of welfare services price change ^(b) (per cent)	GDP		Annual rate of GDP price change ^(c) (per cent)
	Amount (\$m)	Growth rate (per cent)		Amount (\$m)	Growth rate (per cent)	
1998–99	22,432	..	..	774,632	..	..
1999–00	22,765	1.5	1.8	805,440	4.0	2.1
2000–01	23,499	3.2	4.3	821,120	1.9	4.8
2001–02	24,025	2.2	3.0	852,043	3.8	2.9
2002–03	25,744	7.2	3.3	878,901	3.2	3.0
2003–04	27,758	7.8	2.5	914,521	4.1	3.3
2004–05	28,164	1.5	4.3	938,998	2.7	3.9
2005–06	28,875	2.5	4.7	966,442	2.9	4.7
Average annual growth rate						
1998–99 to 2005–06	..	3.7	3.4	..	3.2	3.5

(a) Constant price estimates of welfare services expenditure and GDP are expressed in terms of 2005–06 prices.

(b) Based on Government Final Consumption Expenditure (GFCE), Implicit Price Deflator (IPD) and gross fixed capital formation chain price index combined.

(c) Based on IPD for GDP.

Sources: Expenditure: AIHW welfare expenditure database, GDP: ABS 2007; GFCE IPD and gross fixed capital formation chain price index: ABS unpublished.

NGCSOs are major providers of welfare services. In 2005–06, more than two-thirds of all welfare services expenditure in Australia (\$20.3 billion out of \$28.9 billion) was incurred by NGCSOs (Table 3.3). For each year over the period from 1998–99 to 2005–06, expenditure incurred by NGCSOs accounted for about two-thirds of all welfare services expenditure – an average of 67.3%. The government sector incurred 31.9% of all welfare services expenditure and the remaining 0.8% was incurred by households in providing informal child care.

Expenditure on welfare services per person was estimated at \$1,404 in 2005–06 – up \$78 from 2004–05 and \$461 from 1998–99 (Table 3.4).

Real growth in welfare services expenditure per person averaged 2.4% over the period 1998–99 to 2005–06 – ranging from 0.2% in 2004–05 to 6.5% in 2003–04.

Table 3.3: Welfare services expenditure, by sector providing services, current prices, 1998–99 to 2005–06 (\$ million)

	Government sector	Non-government sector			Total all sectors
	Total	NGCSO	Households ^(a)	Total	
1998–99	6,443	11,112	192	11,305	17,748
1999–00	6,248	11,916	179	12,095	18,343
2000–01	6,869	12,720	167	12,887	19,755
2001–02	6,877	13,763	155	13,918	20,795
2002–03	7,496	15,339	172	15,511	23,007
2003–04	7,279	17,950	191	18,141	25,420
2004–05	7,237	19,449	211	19,660	26,897
2005–06	8,352	20,289	234	20,523	28,875
<i>Average proportion 1998–99 to 2005–06</i>	<i>31.9</i>	<i>67.3</i>	<i>0.8</i>	<i>68.1</i>	<i>..</i>

(a) Relates only to informal child care.

Note: Totals may not add due to rounding.

Source: AIHW welfare expenditure database.

Table 3.4: Average per person^(a) expenditure on welfare services and growth rates, current and constant prices^(b), 1998–99 to 2005–06

	Amount (\$)		Growth rate (per cent)	
	Current prices	Constant prices	Current prices	Constant prices
1998–99	943	1,192	..	..
1999–00	963	1,195	2.1	0.3
2000–01	1,024	1,219	6.4	1.9
2001–02	1,064	1,230	3.9	0.9
2002–03	1,163	1,301	9.3	5.8
2003–04	1,269	1,386	9.1	6.5
2004–05	1,327	1,389	4.5	0.2
2005–06	1,404	1,404	5.9	1.1
<i>Average annual growth rate 1998–99 to 2005–06</i>	<i>..</i>	<i>..</i>	<i>5.9</i>	<i>2.4</i>

(a) Based on annual mean resident population, calculated using ABS quarterly resident population estimates.

(b) Constant price estimates of welfare services expenditure and GDP are expressed in terms of 2005–06 prices.

Sources: Expenditure: AIHW, GDP: ABS 2007; GFCE IPD and gross fixed capital formation chain price index: ABS unpublished.

3.2 Funding of welfare services

There are two major sectors that provide funding on welfare services: the government sector and the non-government sector. The government sector comprises the Australian Government, state and territory governments and local governments. The non-government sector comprises NGCSOs and households.

The government sector is the major funder of welfare services expenditure. In 2005–06, 70.8% (\$20.4 billion) of total welfare services expenditure was funded by governments, with

the remaining 29.2% (\$8.4 billion) funded by the non-government sector (Table 3.5 and Figure 3.2).

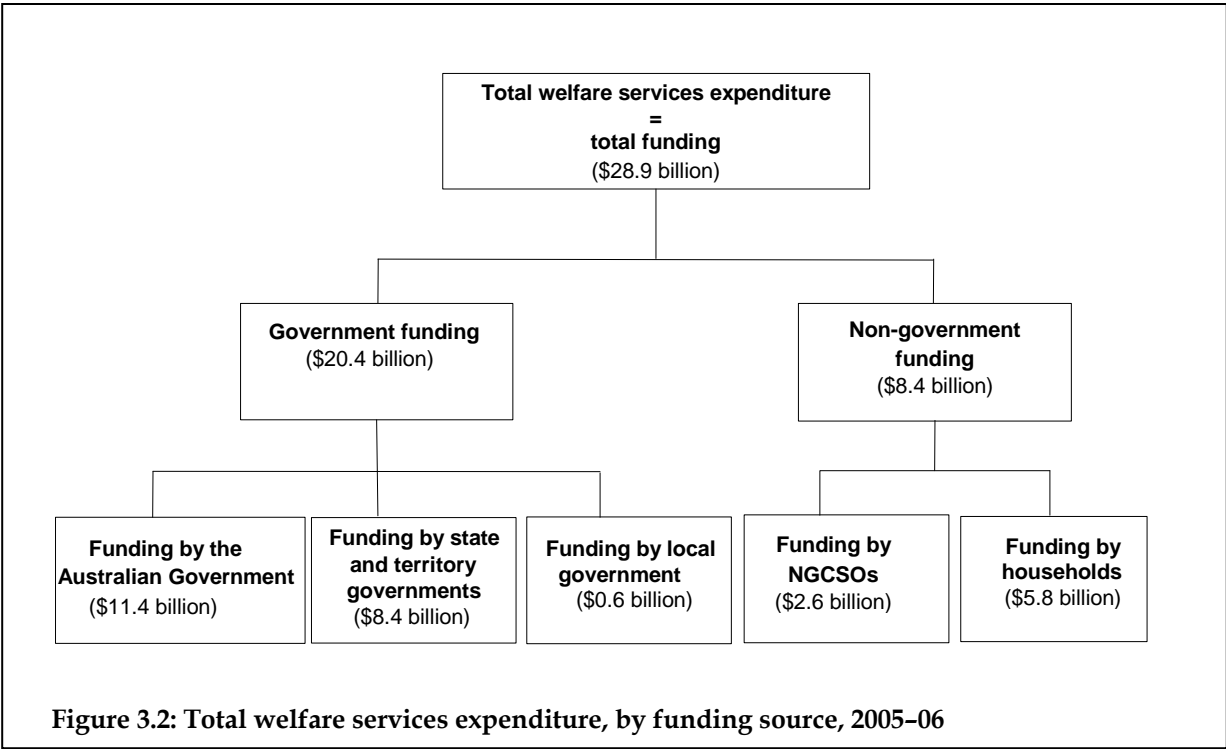
In 2005-06, funding in current prices by the Australian Government, state and territory governments, local governments and by households rose, but that by NGCSOs fell.

The share of total welfare services expenditure funded by NGCSOs was highest in 2003-04 (11.7%). In 2005-06, both the amount and share fell.

Over the period from 1998-99 to 2005-06, the average share of government and non-government sector funding was 70.7% and 29.3% respectively. For each year during this period, the funding shares fluctuated but remained relatively stable.

Within the government sector, funding by the Australian Government was, on average, 40.0% of total welfare services expenditure; state and territory governments, 28.8%; and local governments 1.8%.

Within the non-government sector, funding by households, through payment of client fees, accounted on average for 19.2% of total welfare services expenditure. The remaining 10.1% was funded out of NGCSO resources.



Over the period from 1998-99 to 2005-06, the average annual real growth rate of total welfare services expenditure was 3.7%. Funding by the government sector grew by an average of 3.8% per year which was a higher average annual growth rate than funding by the non-government sector (3.4%) (Table 3.6).

Australian Government funding grew in real terms by an average of 3.6% per year. High real growth occurred in 2000-01 at 9.1%, and in 2003-04 at 9.0%. (More detailed analysis is given below in the section on government funding by welfare service categories).

Table 3.5: Funding of welfare services, current prices, 1998–99 to 2005–06

	Government sector				Non-government sector			Total all sectors
	Australian	State and territory	Local	Total	NGCSO	Households	Total	
Amount (\$ million)								
1998–99	7,062	5,174	254	12,490	1,713	3,545	5,258	17,748
1999–00	7,107	5,519	249	12,875	1,914	3,554	5,468	18,343
2000–01	8,099	5,798	238	14,134	1,951	3,670	5,621	19,755
2001–02	8,542	6,024	314	14,879	2,000	3,915	5,915	20,795
2002–03	9,175	6,515	616	16,306	2,392	4,309	6,700	23,007
2003–04	10,242	6,883	627	17,753	2,973	4,694	7,667	25,420
2004–05	10,708	7,701	537	18,947	2,660	5,291	7,950	26,897
2005–06	11,413	8,414	610	20,437	2,589	5,848	8,438	28,875
Proportion of total funding (per cent)								
1998–99	39.8	29.2	1.4	70.4	9.7	20.0	29.6	100.0
1999–00	38.7	30.1	1.4	70.2	10.4	19.4	29.8	100.0
2000–01	41.0	29.3	1.2	71.5	9.9	18.6	28.5	100.0
2001–02	41.1	29.0	1.5	71.6	9.6	18.8	28.4	100.0
2002–03	39.9	28.3	2.7	70.9	10.4	18.7	29.1	100.0
2003–04	40.3	27.1	2.5	69.8	11.7	18.5	30.2	100.0
2004–05	39.8	28.6	2.0	70.4	9.9	19.7	29.6	100.0
2005–06	39.5	29.1	2.1	70.8	9.0	20.3	29.2	100.0
<i>8-year average</i>	<i>40.0</i>	<i>28.8</i>	<i>1.8</i>	<i>70.7</i>	<i>10.1</i>	<i>19.2</i>	<i>29.3</i>	<i>100.0</i>

Note: Totals may not add due to rounding.

Sources:

Australian Government: compiled from DHAC 1999, 2000, 2001; DoHA 2002, 2003, 2004, 2005a, 2006; FaCS 1999, 2000, 2001a, 2001b, 2002, 2003, 2004; FaCSIA, 2005, 2006; DEWR 2005, 2006; Department of Immigration and Multicultural Affairs unpublished data; DVA unpublished data.

State and territory: recurrent expenditure other than Victoria—ABS unpublished; SCRGSP 2006, 2007. Victoria: Department of Human Services.

Local governments: recurrent and capital expenditure—ABS unpublished public finance data.

NGCSO: AIHW estimates based on ACOSS database and a sample of NGCSO financial reports.

Households: Client fees for services provided by governments are based on ABS data. Client fees for residential care services provided by NGCSOs are estimated based on ACCMIS data. Client fees for other services by NGCSOs are estimated by the AIHW in the process of estimating the NGCSO own source funding contribution. Client fees for services provided by the household sector only cover child care services. Data are not available to estimate costs of services provided to older people and to people with disabilities. Estimates of client fees for child care services provided by the household sector are based on ABS 1997, 2000, 2003, and 2006.

State and territory government funding grew in real terms by an average of 3.6% per year, the same rate as that of the Australian Government. The highest real growth was in 2004–05 (7.4%).

Real growth of funding by local governments fluctuated widely over the period from 1998–99 to 2005–06, ranging from a decline of funding at 17.7% in 2004–05 to an increase of funding between 2001–02 and 2002–03 of 89.8%. The average real growth rate was 9.9% per year.

Real growth of funding by NGCSOs averaged 2.6% per year between 1998–99 and 2005–06. Following high growth in two successive years, in 2002–03 (15.6%) and in 2003–04

(21.3%), the following two years, 2004–05 and 2005–06, saw a decline in NGCSO funding of 14.3% and 7.0% respectively.

Real growth of funding by households averaged 3.9% per year between 1998–99 and 2005–06. It declined in real terms at 1.5% between 1998–99 and 1999–00 and 1.2% between 1999–00 and 2000–01. The highest real growth at 8.0% occurred between 2003–04 and 2004–05.

Table 3.6: Funding of welfare services, constant prices^(a), 1998–99 to 2005–06

	Government sector				Non-government sector			Total all sectors
	Australian	State and territory	Local	Total	NGCSO	House-holds	Total	
Amount (\$ million)								
1998–99	8,908	6,550	316	15,774	2,169	4,488	6,657	22,432
1999–00	8,803	6,860	303	15,966	2,380	4,419	6,799	22,765
2000–01	9,308	6,924	280	16,811	2,321	4,366	6,688	23,499
2001–02	9,872	6,941	361	17,174	2,316	4,535	6,851	24,025
2002–03	10,256	7,299	686	18,240	2,678	4,825	7,503	25,744
2003–04	11,183	7,513	683	19,379	3,249	5,130	8,379	27,758
2004–05	11,207	8,071	562	19,840	2,785	5,539	8,324	28,164
2005–06	11,413	8,414	610	20,437	2,589	5,848	8,438	28,875
Growth rate (per cent)								
1998–99 to 1999–00	-1.2	4.7	-4.0	1.2	-9.7	-1.5	2.1	1.5
1999–00 to 2000–01	9.1	0.9	-7.7	5.3	-2.5	-1.2	-1.6	3.2
2000–01 to 2001–02	2.7	0.2	29.2	2.2	-0.2	3.9	2.4	2.2
2001–02 to 2002–03	3.9	5.2	89.8	6.2	15.6	6.4	9.5	7.2
2002–03 to 2003–04	9.0	2.9	-0.4	6.2	21.3	6.3	11.7	7.8
2003–04 to 2004–05	0.2	7.4	-17.7	2.4	-14.3	8.0	-0.7	1.5
2004–05 to 2005–06	1.8	4.3	8.6	2.7	-7.0	5.6	1.4	2.5
<i>Average annual growth rate 1998–99 to 2003–04</i>	3.6	3.6	9.9	3.8	2.6	3.9	3.4	3.7

(a) Constant price welfare services expenditure for 1998–99 to 2004–05 is expressed in terms of 2005–06 prices.

Note: Components may not add to totals due to rounding.

Sources: Expenditure: as for Table 3.5; GFCE deflator and gross fixed capital formation chain price index: ABS unpublished.

3.2.1 Government funding by welfare service categories

The analysis in this section is limited to recurrent funding by two levels of government: the Australian Government and the state and territory governments. This is because estimates of expenditure on capital (which accounted for 1.3% of total expenditure in 2005–06), and local government expenditure (2.1% of total expenditure) cannot reliably be split across the different welfare service categories within the GPC.

The use of the term ‘government funding’ in this section therefore refers to recurrent funding by the Australian Government and state and territory governments.

Distribution of government funding

On average, almost half (47.5%) of recurrent government funding of welfare services between 1998–99 and 2005–06 was directed to older people. Just under a quarter each went to people with disabilities (24.0%) and families and children (22.9%). The remaining 5.7% was for ‘other welfare’ (Table 3.7).

Australian Government

Recurrent funding for welfare services by the Australian Government in 2005–06 was estimated at \$11,354 million, an increase of \$719 million from 2004–05 (Table 3.7).

This was mainly related to funding programs administered at the time by the following departments:

- FaCSIA
- DEWR
- DoHA
- DVA
- DIMIA.

Funding by these departments includes administration expenditure and funding provided to state, territory and local governments by way of specific purpose payments (SPPs) and to NGCSOs to support welfare services that, respectively, governments and the NGCSOs provide to the community.

In 2005–06, the highest proportion of Australian Government funding was for welfare services for older people (63.6%) and for families and children (21.0%). Welfare services for people with disabilities accounted for 13.1% of Australian Government funding. The remaining 2.4% was for ‘other welfare’ (Table 3.7).

Over the period from 1998–99 to 2005–06, the pattern of funding by the Australian Government was relatively consistent. Welfare services for older people accounted for just under two-thirds (64.2%) of the Australian Government recurrent funding on average. Services for families and children received about one-fifth (20.1%), for people with disabilities 13.1%. The remaining 2.6% went to ‘other welfare’.

State and territory governments

In 2005–06, recurrent funding for welfare services by state and territory governments was estimated at \$8,134 million, an increase of \$632 million from the previous year (Table 3.7). The highest proportion of this funding was for people with disabilities (38.9%). About a quarter each went to fund welfare services for families and children (25.7%), and welfare services for older people (25.0%) and the remaining 10.4% was for ‘other welfare’.

Disability services received the highest proportion of state and territory welfare services funding for all years between 1998–99 and 2005–06 – between 38.1% and 40.2%. During that period the proportion of funding for welfare services for families and children increased from 23.5% to 25.7%. As a result, the share of welfare services funding for older people decreased slightly – from 25.5% in 1998–99 to 25.0% in 2005–06. There was also a small decrease for ‘other welfare’ from 12.6% in 1998–99 to 10.4% in 2005–06.

Table 3.7: Recurrent government funding for welfare services, by welfare service categories^(a), current prices, 1998–99 to 2005–06

	Australian Government		State and territory governments		Total	
	Amount (\$ million)	Share of total (per cent)	Amount (\$ million)	Share of total (per cent)	Amount (\$ million)	Share of total (per cent)
Family and child welfare services						
1998–99	1,182	16.9	1,192	23.5	2,374	19.7
1999–00	1,430	20.3	1,367	25.3	2,798	22.5
2000–01	1,577	19.7	1,393	24.8	2,970	21.8
2001–02	1,907	22.5	1,548	26.2	3,456	24.0
2002–03	1,961	21.6	1,705	26.5	3,665	23.6
2003–04	1,991	20.2	1,841	25.3	3,831	22.3
2004–05	2,157	20.9	2,170	25.6	4,327	22.8
2005–06	2,214	21.0	2,382	25.7	4,597	22.9
<i>8-year average</i>	..	20.1	..	26.8	..	22.9
Welfare services for older people						
1998–99	4,746	67.8	1,293	25.5	6,039	50.1
1999–00	4,522	64.3	1,376	25.5	5,898	47.5
2000–01	5,235	65.2	1,422	25.3	6,657	48.8
2001–02	5,231	61.7	1,518	25.7	6,750	46.9
2002–03	5,707	62.7	1,520	23.6	7,227	46.5
2003–04	6,600	64.4	1,592	25.1	8,193	48.0
2004–05	6,832	63.7	1,623	25.1	8,455	47.5
2005–06	7,215	63.6	1,772	25.0	8,987	47.6
<i>8-year average</i>	..	64.2	..	23.8	..	47.5
Welfare services for people with disabilities						
1998–99	896	12.8	1,940	38.3	2,836	23.5
1999–00	908	12.9	2,109	39.0	3,017	24.3
2000–01	1,021	12.7	2,141	38.1	3,162	23.2
2001–02	1,145	13.5	2,271	38.5	3,416	23.8
2002–03	1,211	13.3	2,585	40.2	3,796	24.4
2003–04	1,325	13.1	2,737	38.8	4,062	23.8
2004–05	1,381	13.1	2,974	38.9	4,355	23.9
2005–06	1,512	13.1	3,227	38.9	4,739	23.8
<i>8-year average</i>	..	13.1	..	39.3	..	24.0
Other welfare						
1998–99	174	2.5	639	12.6	813	6.7
1999–00	169	2.4	548	10.1	717	5.8
2000–01	193	2.4	663	11.8	855	6.3
2001–02	191	2.2	567	9.6	757	5.3
2002–03	217	2.4	622	9.7	839	5.4
2003–04	240	2.4	591	10.8	830	5.9
2004–05	266	2.4	736	10.4	1,001	5.7
2005–06	412	2.4	753	10.4	1,165	5.7
<i>8-year average</i>	..	2.6	..	10.1	..	5.7
Total recurrent						
1998–99	6,998	100.0	5,064	100.0	12,061	100.0
1999–00	7,029	100.0	5,401	100.0	12,430	100.0
2000–01	8,026	100.0	5,619	100.0	13,644	100.0
2001–02	8,474	100.0	5,904	100.0	14,378	100.0
2002–03	9,095	100.0	6,432	100.0	15,527	100.0
2003–04	10,156	100.0	6,761	100.0	16,917	100.0
2004–05	10,635	100.0	7,503	100.0	18,138	100.0
2005–06	11,354	100.0	8,134	100.0	19,489	100.0

(a) See Chapter 6 for definitions of the four welfare services categories.

Sources: As for Table 3.5.

Growth in government recurrent funding, by welfare services category

Recurrent funding by the Australian Government and state and territory governments for welfare services grew, in real terms, by an average 3.5% per year between 1998–99 and 2005–06 (Table 3.8). The two highest areas of real growth were services for families and children and services for people with disabilities (6.2% and 4.0% per year, respectively). Services for older people grew by 2.3% per year; ‘other welfare’ grew at an average of 1.8% per year.

Australian Government

Average real growth in the Australian Government’s recurrent funding for welfare services, in the period 1998–99 to 2005–06, was estimated at 3.6% per year (Table 3.8). The period of highest real growth was between 1999–00 and 2000–01 (9.2%) and the lowest growth was between 1998–99 and 1999–00 (–1.3%).

Across the whole period 1998–99 to 2005–06, funding of services for older people was the largest component (64.2% on average) of the Australian Government’s welfare funding (Table 3.7). Funding on these services in 2003–04 increased in real terms by 12.9% to \$7,214 million (Table 3.8). Part of this increase was a one-off payment in 2003–04 of \$518 million (in current prices) to approved residential aged care providers for improvements to building standards for aged care homes (DoHA 2004: 134). In current price terms, funding for community care and support for carers also increased in 2003–04 by \$87 million – from \$1,106 million in 2002–03 to \$1,193 million (DoHA 2004: 128). However, as a result of the one-off increase in 2003–04, in 2004–05 real funding for welfare services for older people decreased by 0.8% (\$61 million) to \$7,153 million (Table 3.8).

The highest growth for the Australian Government was in funding of ‘other welfare’ which grew, in real terms, at an average of 9.4% per year between 1998–99 and 2005–06. As mentioned earlier, this category comprises emergency relief and assistance provided to victims of natural disasters. In 2005–06, there were payments made to assist people affected by tropical cyclone Larry on top of the budgeted emergency relief.

Welfare services for families and children grew, in real terms, at an average of 5.8% per year between 1998–99 and 2005–06. Between 2004–05 and 2005–06 funding for this group increased in current prices terms from \$2,157 million to \$2,214 million. This was a decline of 2.0% in real terms (Table 3.8).

There have been significant fluctuations in growth in this welfare services category. For example, between 1998–99 and 1999–00 funding grew, in real terms, by 18.9% – mainly in funding for childcare assistance. In current price terms, funding for childcare assistance grew from \$635 million in 1998–99 to \$732 million in 1999–00 (a current price increase of 15.3%). Current price funding of other services for families and children also rose markedly, from \$155 million to \$179 million (15.5% current price increase) (FaCS 1999: 183; FaCS 2000: 192).

In 2000–01, real funding of services for families and children increased by 5.5% (Table 3.8). There was a reduction in some funding as certain welfare services expenditures were replaced with social security payments following the restructure of family assistance from 1 July 2000 as part of the government’s tax reform package. However, expenditure on child care support was revised in this period to include service delivery costs of Centrelink and other agencies – an additional \$91 million in 2000–01.

Table 3.8: Recurrent government funding for welfare services, by welfare services category^(a), constant prices^(b), and growth rates, 1998–99 to 2005–06

	Australian Government		State and territory governments		Total	
	Amount (\$ million)	Growth (per cent)	Amount (\$ million)	Growth (per cent)	Amount (\$ million)	Growth (per cent)
Family and child welfare services						
1998–99	1,496	..	1,517	..	3,013	..
1999–00	1,779	18.9	1,703	12.3	3,481	15.6
2000–01	1,876	5.5	1,670	-1.9	3,546	1.9
2001–02	2,209	17.7	1,788	7.0	3,996	12.7
2002–03	2,196	-0.6	1,911	6.9	4,106	2.8
2003–04	2,176	-0.9	2,011	5.2	4,187	2.0
2004–05	2,259	3.8	2,276	13.2	4,535	8.3
2005–06	2,214	-2.0	2,382	4.7	4,597	1.4
<i>Annual growth rate 1998–99 to 2005–06</i>	..	5.8	..	6.7	..	6.2
Welfare services for older people						
1998–99	6,008	..	1,645	..	7,653	..
1999–00	5,623	-6.4	1,714	4.2	7,336	-4.1
2000–01	6,228	10.8	1,704	-0.6	7,932	8.1
2001–02	6,059	-2.7	1,752	2.8	7,811	-1.5
2002–03	6,390	5.5	1,703	-2.8	8,093	3.6
2003–04	7,214	12.9	1,739	2.1	8,953	10.6
2004–05	7,153	-0.8	1,701	-2.2	8,854	-1.1
2005–06	7,215	0.9	1,772	4.2	8,987	1.5
<i>Annual growth rate 1998–99 to 2005–06</i>	..	2.6	..	1.1	..	2.3
Welfare services for people with disabilities						
1998–99	1,134	..	2,465	..	3,599	..
1999–00	1,129	-0.5	2,630	6.7	3,759	4.5
2000–01	1,215	7.6	2,566	-2.4	3,781	0.6
2001–02	1,326	9.2	2,619	2.1	3,946	4.4
2002–03	1,356	2.2	2,898	10.6	4,254	7.8
2003–04	1,448	6.8	2,990	3.2	4,438	4.3
2004–05	1,445	-0.2	3,118	4.3	4,563	2.8
2005–06	1,512	4.6	3,227	3.5	4,739	3.9
<i>Annual growth rate 1998–99 to 2005–06</i>	..	4.2	..	3.9	..	4.0
Other welfare						
1998–99	220	..	806	..	1,026	..
1999–00	210	-4.6	686	-14.8	896	-12.6
2000–01	229	9.1	795	15.8	1,024	14.2
2001–02	221	-3.8	655	-17.6	876	-14.5
2002–03	243	9.9	699	6.8	942	7.6
2003–04	262	7.9	644	-7.9	906	-3.8
2004–05	278	6.2	772	19.8	1,050	15.9
2005–06	412	48.3	753	-2.5	1,165	10.9
<i>Annual growth rate 1998–99 to 2005–06</i>	..	9.4	..	-1.0	..	1.8

(continued)

Table 3.8 (continued): Recurrent government funding for welfare services, by welfare services category^(a), constant prices^(b), and growth rates, 1998–99 to 2005–06

	Australian Government		State and territory governments		Total	
	Amount (\$ million)	Growth (per cent)	Amount (\$ million)	Growth (per cent)	Amount (\$ million)	Growth (per cent)
Total recurrent						
1998–99	8,859	..	6,432	..	15,291	..
1999–00	8,741	-1.3	6,733	4.7	15,474	1.2
2000–01	9,549	9.2	6,734	—	16,283	5.2
2001–02	9,815	2.8	6,814	1.2	16,629	2.1
2002–03	10,184	3.8	7,212	5.8	17,396	4.6
2003–04	11,099	9.0	7,385	2.4	18,484	6.3
2004–05	11,135	0.3	7,867	6.5	19,003	2.8
2005–06	11,354	2.0	8,134	3.4	19,489	2.6
<i>Annual growth rate 1998–99 to 2005–06</i>	..	3.6	..	3.4	..	3.5

(a) See Chapter 6 for definitions of the four welfare services categories.

(b) Constant price social expenditure for 1998–99 to 2005–06 is expressed in terms of 2005–06 prices.

Note: Totals may not add due to rounding.

Sources: As for Table 3.5.

The next year (2001–02) saw funding of services for families and children increase by 17.7%. This happened across the whole range of child care and child welfare programs. For example, the Australian Government's funding for family assistance increased from \$42.0 million, in 2000–01, to \$54.0 million, while child care support grew from \$1,210 million to \$1,515 million (FaCS: 2001a, 2002).

Funding of services for people with disabilities grew, in real terms, at an average of 4.2% per year between 1998–99 and 2005–06 (Table 3.8). In 2004–05, though funding increased over the previous year by \$56 million in current prices, it fell 0.2% in real terms to \$1,445 million. The high real growth from 1999–00 to 2000–01 was largely due to an increase in funding under the Commonwealth/State Disability Agreement. In current prices it grew from \$355.6 million to \$427.7 million (FaCS: 2000, 2001a).

State and territory governments

Average real growth in recurrent funding by state and territory governments was 3.4% per year over the period from 1998–99 to 2005–06.

While funding of services for people with disabilities was the largest component of state and territory government welfare funding, the fastest growing component was services for families and children which grew, on average, 6.7% per year in real terms – more than the average real growth of Australian Government funding (5.8%).

From 1998–99 to 2005–06, real growth in funding of services for people with disabilities averaged 3.9% per year, slightly lower than the average real growth rate of Australian Government funding (4.2%). The average real growth rate of welfare services for older people was 1.1% per year. For 'other welfare' the year-by-year real growth fluctuated widely, with an average decline of 1.0% per year.

State and territory comparisons

This part of the analysis refers only to funding of welfare services by state and territory governments from their own resources. This is made up of funding of those services that their own agencies provide, plus the funding they give to support services provided by NGCSOs and by local government authorities. State and territory government funding is net of both the Australian Government's welfare SPPs and client fees revenue.

The estimates of funding for two GPC categories – services for older people and services for people with disabilities – have been combined because of limitations in the supporting data from some jurisdictions.

There were large variations across jurisdictions in terms of both the total amount spent and the distribution of that funding across service types. These variations largely reflect differences in:

- provision and funding policies of the various governments
- the funding roles assumed by both NGCSOs and local governments in the different states and territories
- demography, including age, sex and ethnic make-up of each state and territory's population
- inconsistency in the boundaries around the types of services that different states and territories classify as welfare services.

Also, some of these factors have changed within states and territories over time, and this affects the trends within jurisdictions.

State and territory governments' own source funding of recurrent welfare services expenditure was estimated at \$8.1 billion in 2005–06 (Table A2, p. 59).

Aggregate funding by individual jurisdictions was broadly in line with their population sizes (Figure 3.3). However, in 2005–06 New South Wales, with 33.2% of the national population, provided 32.4% of total state and territory own source welfare services funding. Queensland, with 19.5% of the total population, funded 18.2% of the total.

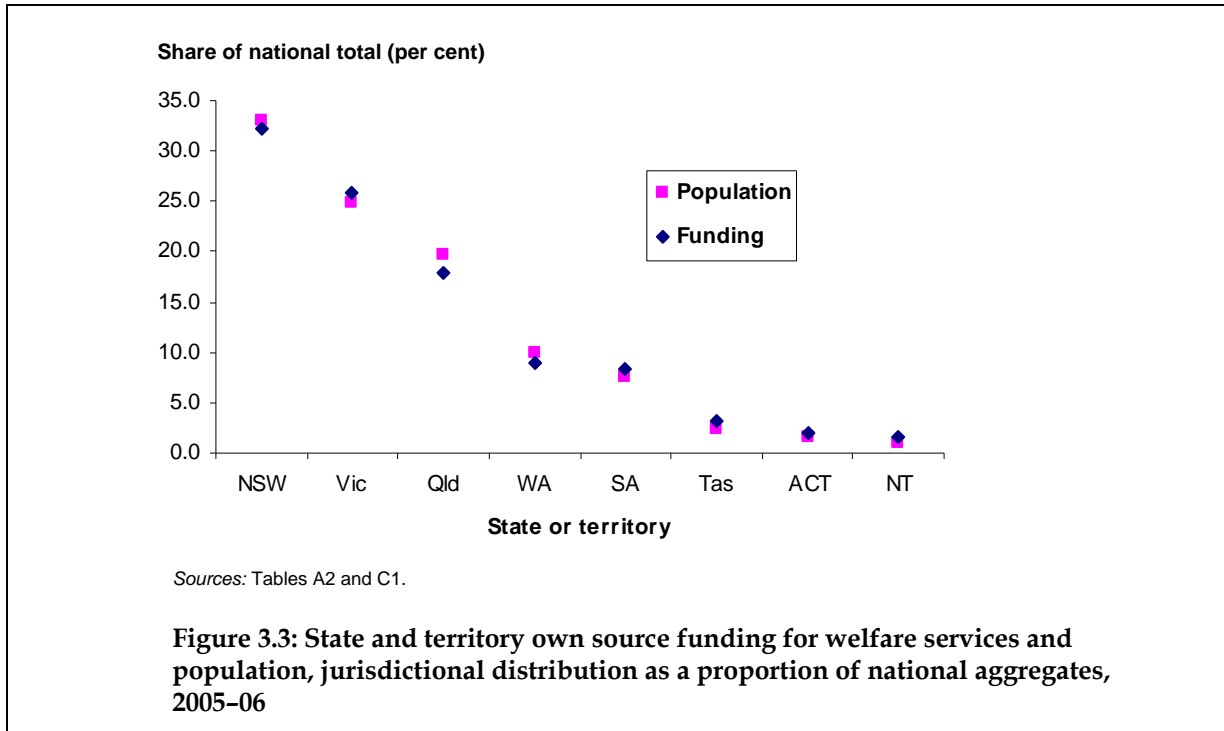
Distribution of recurrent funding across welfare service categories

Over the period 1998–99 to 2005–06, on average 63.3% of welfare services funding provided by state and territory governments each year went to services for older people and people with disabilities. A further 26.5% was for welfare services for families and children and the remainder (10.2%) was for 'other welfare' (Table 3.9 and Figure 3.4).

On a state-by-state basis, the distribution of funding for welfare services varied markedly.

The two territories, which have population structures that were younger than the average, spent above the national average proportion on services for families and children (Northern Territory – 42.2% and Australian Capital Territory – 42.1%). Tasmania, on the other hand, with its relatively older population structure, had the lowest proportion of its funding directed to services for families and children (15.0%).

In the case of services for older people and people with disabilities, Victoria spent the highest proportion on average (72.1% in total), and the Australian Capital Territory (49.0%), the lowest.



Average funding per person

Funding of recurrent expenditure on welfare services by all state and territory governments averaged \$421 per person in 2005-06 (Table 3.10). The states with the lowest average government funding were Queensland (\$358) and Western Australia (\$361). The Northern Territory (\$604) had the highest.

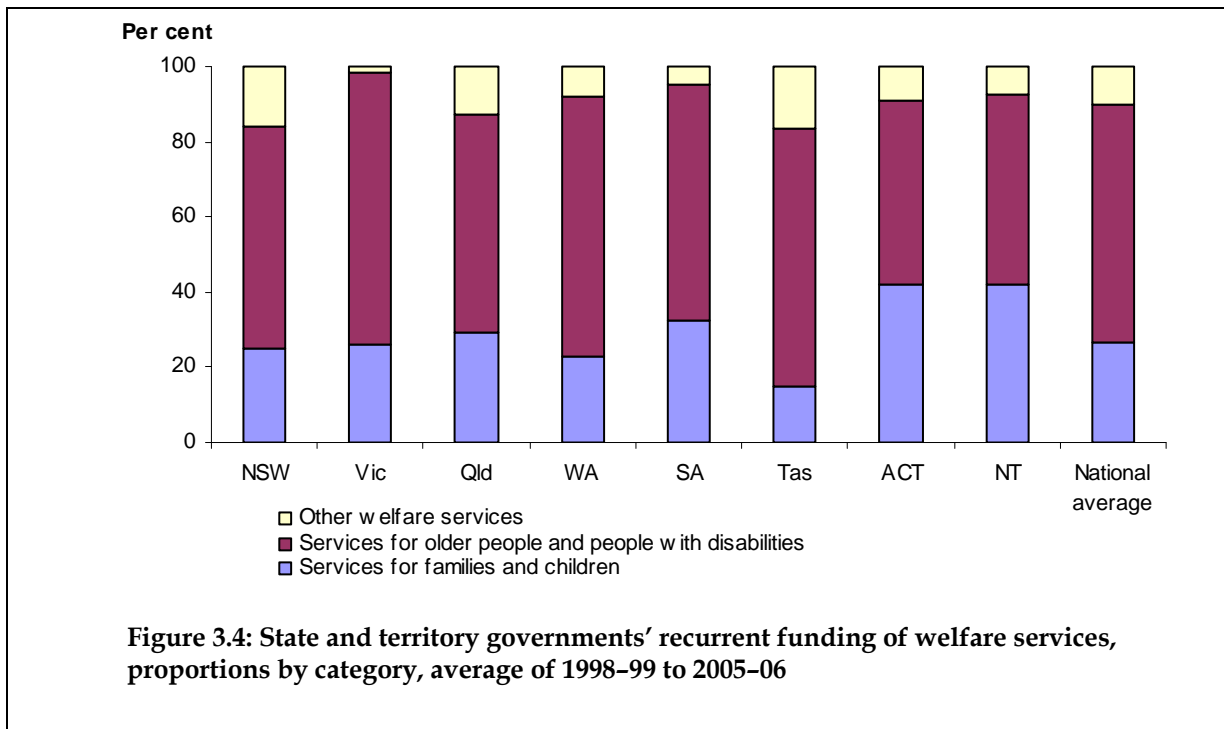


Table 3.9: Recurrent funding of welfare services by state and territory governments, current prices, 1998–99 to 2005–06 (per cent)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Family and child welfare services									
1998–99	22.1	25.0	22.7	18.5	28.4	18.8	43.4	49.7	23.5
1999–00	22.5	26.2	23.8	19.4	40.8	14.5	42.2	44.4	25.3
2000–01	24.0	26.8	25.2	17.0	29.0	13.7	47.5	44.4	24.8
2001–02	25.9	26.6	28.5	18.7	32.3	13.5	40.2	44.3	26.2
2002–03	26.3	26.1	26.3	26.4	29.8	15.2	36.9	40.8	26.5
2003–04	26.3	25.9	29.3	26.9	36.3	13.4	33.5	42.4	27.2
2004–05	26.9	26.0	37.2	27.4	32.7	15.7	45.8	40.9	28.9
2005–06	27.3	26.2	38.9	28.0	28.5	15.3	47.2	30.3	29.3
<i>8-year average</i>	<i>25.2</i>	<i>26.1</i>	<i>29.0</i>	<i>22.8</i>	<i>32.2</i>	<i>15.0</i>	<i>42.1</i>	<i>42.2</i>	<i>26.5</i>
Welfare services for older people and people with disabilities, combined									
1998–99	59.9	73.5	53.8	70.5	69.2	65.5	45.3	45.2	68.8
1999–00	60.2	72.5	57.8	78.3	57.6	72.6	48.7	51.2	69.5
2000–01	59.3	71.9	57.6	61.4	69.0	69.4	47.6	51.0	67.9
2001–02	58.9	71.7	60.6	68.9	65.7	68.7	48.2	50.8	68.1
2002–03	57.4	72.0	60.8	69.9	68.0	66.0	55.2	55.1	67.0
2003–04	57.5	72.2	65.3	68.6	62.7	64.4	53.3	54.7	67.3
2004–05	55.6	71.9	54.6	67.1	60.8	69.6	45.3	54.9	64.1
2005–06	60.0	71.1	53.5	68.0	50.7	70.4	48.1	40.8	61.5
<i>8-year average</i>	<i>58.6</i>	<i>72.1</i>	<i>58.0</i>	<i>69.1</i>	<i>63.0</i>	<i>68.3</i>	<i>49.0</i>	<i>50.5</i>	<i>63.3</i>
Other welfare									
1998–99	18.0	1.4	23.5	11.1	2.4	15.7	11.4	5.2	12.6
1999–00	17.2	1.3	18.5	2.2	1.5	12.9	9.1	4.4	10.1
2000–01	16.7	1.3	17.1	21.6	2.0	16.9	4.9	4.6	11.8
2001–02	15.2	1.7	10.8	12.5	2.1	17.8	11.6	4.9	9.6
2002–03	16.3	1.9	12.9	3.7	2.2	18.8	7.9	4.1	9.7
2003–04	16.1	2.0	5.4	4.6	1.1	22.2	13.3	2.9	8.7
2004–05	17.6	2.2	8.2	5.6	6.6	14.7	8.9	4.2	9.8
2005–06	12.7	2.7	7.7	4.0	20.8	14.3	4.7	29.0	9.3
<i>8-year average</i>	<i>16.2</i>	<i>1.8</i>	<i>13.0</i>	<i>8.2</i>	<i>4.8</i>	<i>16.7</i>	<i>9.0</i>	<i>7.4</i>	<i>10.2</i>

Note: Totals may not add due to rounding.

Sources: See Table 6.1.

Table 3.10: Average state and territory government funding per person for recurrent expenditure on welfare services, by state and territory, current prices, 1998–99 to 2005–06 (\$)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National average
Family and child welfare services									
1998–99	67	69	49	44	67	67	135	84	63
1999–00	69	79	52	48	132	49	123	95	72
2000–01	77	87	54	51	67	47	135	99	72
2001–02	87	93	56	55	81	45	141	103	79
2002–03	96	94	62	79	75	60	146	138	86
2003–04	99	97	69	87	103	57	133	147	92
2004–05	107	100	108	95	118	78	243	153	107
2005–06	105	108	139	101	126	81	220	183	116
Welfare services for older people and people with disabilities									
1998–99	182	203	117	166	163	233	140	77	172
1999–00	184	219	125	195	186	245	142	110	185
2000–01	189	234	123	186	161	235	136	114	189
2001–02	198	252	119	204	165	228	169	118	201
2002–03	209	260	144	209	171	260	219	186	218
2003–04	217	269	154	221	178	272	211	190	230
2004–05	221	276	158	232	220	346	241	206	244
2005–06	231	294	191	245	223	371	224	246	266
Other welfare									
1998–99	54	4	51	26	6	56	35	9	34
1999–00	53	4	40	6	5	44	26	9	29
2000–01	53	4	36	65	5	57	14	10	35
2001–02	51	6	21	37	5	59	41	11	30
2002–03	60	7	30	11	5	74	31	14	33
2003–04	61	7	13	15	3	93	53	10	31
2004–05	70	8	24	19	24	73	47	16	39
2005–06	49	11	27	15	92	75	22	175	40
Total welfare services									
1998–99	303	276	218	236	236	356	310	170	269
1999–00	306	302	217	249	322	338	291	215	286
2000–01	319	325	213	303	233	339	285	223	297
2001–02	337	351	196	297	252	332	350	233	311
2002–03	365	361	237	299	251	393	397	338	337
2003–04	378	373	236	323	284	422	397	347	353
2004–05	398	385	290	346	363	497	531	374	390
2005–06	385	414	358	361	441	527	466	604	421

Note: Totals may not add due to rounding.

Sources: Expenditure: Table 6.1. Population: calculated using unpublished quarterly population estimates from the ABS.

3.2.2 Funding by the non-government sector

The non-government sector comprises NGCSOs and households. The estimates of funding by NGCSOs are residuals and relate to those portions of their expenditure on welfare services they provide that are not covered by funding from governments or by fees charged to clients (see the 'own source' column in Table 3.11). Funding by households refers to the fees that clients within the household sector pay to all service providers – government, NGCSO and other households (Table 3.13).

Funding by NGCSOs

The NGCSOs include both for-profit and not-for-profit organisations. Some receive funding from governments, some are fully self-funding and others rely on a combination of funding sources, including fees charged to clients, to support their activities.

NGCSO own funding comes from a variety of sources, including donations, legacies and bequests, fund-raising activities and the proceeds of opportunity shops. It also includes income from commercial activities, such as income from employment services (for organisations providing services for people with disabilities). Also included are earnings on investments and profits from sale of assets. The estimate of funding by NGCSOs is made by subtracting government funding and client fees (which are regarded as funding by households) from operating expenses as shown in the equation below:

$$\text{NGCSO funding} = \text{Expenses} - \text{government funding} - \text{client fees}$$

Estimates of funding of welfare services by NGCSOs are based on financial data provided by a number of NGCSOs. These data were collected by ACOSS, for small to medium-sized organisations, and by the Institute, for larger organisations.

NGCSO expenditure on welfare services was estimated at \$20.3 billion in 2005-06 (Table 3.11). Almost two-thirds (62.4%) of this was funded by governments (\$12.7 billion); a quarter (24.9%) by client fees (\$5.0 billion); and the remainder by the NGCSOs out of their own funding sources (12.8% or \$2.6 billion).

Government funding to NGCSOs doubled over the period, from \$6,295 million in 1998-99 to \$12,652 million in 2005-06. NGCSO own source funding was highest in 2003-04 (\$2,973 million). In 2005-06 it was \$2,589 million, an increase in current prices of 51% from 1998-99. Over the same period, funding by clients increased, by 63% from \$3,104 million in 1998-99 to \$5,048 million in 2005-06.

In terms of relative shares, government share of funding displayed an increasing trend, from 56.7% in 1998-99 to 62.4% in 2005-06. The share of funding from NGCSO own funds fluctuated over the period and ranged from 12.8% in 2005-06 to 16.6% in 2003-04. The share of funding from client fees also fluctuated and ranged between 22.8% in 2003-04 and 27.9% in 1998-99.

Table 3.11: Expenditure by NGCSOs and sources of funding, current prices, 1998–99 to 2005–06

Year	Amount in current prices (\$ million)				Share (per cent)			Total
	NGCSO expenditure	Funding source			Funding source			
		Government ^(a)	Client	Own source	Government ^(a)	Client	Own source	
		(\$ million)			(%)			
1998–99	11,112	6,295	3,104	1,713	56.7	27.9	15.4	100.0
1999–00	11,916	6,900	3,102	1,914	57.9	26.0	16.1	100.0
2000–01	12,720	7,580	3,189	1,951	59.6	25.1	15.3	100.0
2001–02	13,763	8,355	3,408	2,000	60.7	24.8	14.5	100.0
2002–03	15,339	9,211	3,736	2,392	60.1	24.4	15.6	100.0
2003–04	17,950	10,888	4,089	2,973	60.7	22.8	16.6	100.0
2004–05	19,449	12,091	4,698	2,660	62.2	24.2	13.7	100.0
2005–06	20,289	12,652	5,048	2,589	62.4	24.9	12.8	100.0
Average share								
1998–99 to 2005–06	..	..	..	..	60.4	24.8	14.8	100.0

(a) Funding to NGCSOs from all three levels of government.

Note: Totals may not add due to rounding.

Sources: As for Table 3.5.

NGCSO expenditure grew at 5.4% per year in real terms between 1998–99 and 2005–06 (Table 3.12). Funding of these expenditures from governments grew at a higher rate than expenditure funded by NGCSO own source (at 6.8% and 2.6% respectively). The highest growth in expenditure by NGCSOs (14.2%) occurred in 2003–04 (Table 3.12). The rapid growth in expenditure was attributable to high growth from both NGCSO own sources (21.3%) and governments (15.4%). The highest growth in funding from clients was 10.1% between 2003–04 and 2004–05.

Funding by households

Households have multiple roles in relation to welfare services. They are providers and users of welfare services and, because they pay for some services they use, they are also funders of services. Payments made are well defined in respect of services provided by NGCSOs and governments. Most of these payments are for child care. However, many services are provided by informal carers in the household sector and for some of these there are charges; the only client fees data available for these informal services are for child care services. These totalled \$234 million in 2005–06. It is possible that informal care provided to older people and people with disabilities may also attract fees, but these are not captured in the reported expenditure data.

Client fees for welfare services were estimated at \$5.8 billion in 2005–06. Of this, 86.3% was for services provided by NGCSOs, 9.7% for government provided services and 4.0% for informal child care services. These relative shares fluctuated somewhat over the period from 1998–99 to 2005–06 (Table 3.13).

Table 3.12: Funding of expenditure by NGCSOs, constant 2005–06 prices, 1998–99 to 2003–04

Year	Amount (\$ million)				Growth (per cent)				
	NGCSO expenditure	Funding source			NGCSO expenditure	Funding source			
		Government ^(a)	Client	Own source		Government ^(a)	Client	Own source	
1998–99	14,068	7,970	3,929	2,169	..	..	..	..
1999–00	14,817	8,580	3,857	2,380	5.3	7.7	–1.8	9.7	
2000–01	15,134	9,019	3,794	2,321	2.1	5.1	–1.6	–2.5	
2001–02	15,940	9,676	3,947	2,316	5.3	7.3	4.0	–0.2	
2002–03	17,176	10,314	4,184	2,678	7.8	6.6	6.0	15.6	
2003–04	19,618	11,900	4,469	3,249	14.2	15.4	6.8	21.3	
2004–05	20,363	12,659	4,919	2,785	3.8	6.4	10.1	–14.3	
2005–06	20,289	12,652	5,048	2,589	–0.4	–0.1	2.6	–7.0	
Average growth rate									
1998–99 to 2005–06	..	..	..	..	5.4	6.8	3.6	2.6

(a) Funding to NGCSOs from all three levels of government.

Note: Totals may not add due to rounding.

Sources: As for Table 3.5.

Table 3.13: Client fees for welfare services, current prices, 1998–99 to 2005–06

Year	Service providers			Total
	Governments	NGCSOs	Households ^(a)	
Amount (\$ million)				
1998–99	249	3,104	192	3,545
1999–00	273	3,102	179	3,554
2000–01	315	3,189	167	3,470
2001–02	352	3,408	155	3,915
2002–03	401	3,736	172	4,309
2003–04	414	4,089	191	4,694
2004–05	381	4,698	211	5,291
2005–06	566	5,048	234	5,848
Proportion (per cent)				
1998–99	7.0	87.6	5.4	100.0
1999–00	7.7	87.3	5.0	100.0
2000–01	8.6	86.9	4.5	100.0
2001–02	9.0	87.0	4.0	100.0
2002–03	9.3	86.7	4.0	100.0
2003–04	8.8	87.1	4.1	100.0
2004–05	7.2	88.8	4.0	100.0
2005–06	9.7	86.3	4.0	100.0
8-year average	8.5	87.2	4.3	100.0

(a) Relates only to informal child care.

Note: Totals may not add due to rounding.

Sources: As for Table 3.5.

4 Concessions to households

The provision of concessions is an important form of support for those in need in Australia. There are two broad categories of such concessions:

- those that are directed to households (individuals) through
 - (a) reduced fees and charges for services provided by state and territory governments and local authorities, and
 - (b) tax expenditures by the Australian Government
- those that flow to NGCSO providers of welfare services, through tax concessions (tax expenditures) for these organisations.

This report provides information only on the first type, that is concessions that are directed to households. Data on tax concessions for organisations are no longer available after the abolition of wholesale sales tax and the introduction of the goods and services tax.

Both tax expenditures and concessions to households (individuals) are revenue forgone by the public sector. The Australian Treasury and state and territory treasuries estimate the value of revenue forgone and report them on an annual basis.

Concessions are included as welfare services as defined in the GPC, but tax expenditures are not (see Technical notes for definition). However, the distinction between the two is not always clear. The same item can be treated as a concession in one state, but as tax expenditure in another state. For example, the New South Wales Treasury treats the motor vehicle registration fees exemption for pensioners as a tax expenditure, while Western Australia treats it as a concession.

The Australian Government provides specific purpose payments (SPPs) entitled 'Compensation for extension of fringe benefits' to states and territories, under bilateral agreements. These SPPs are payments made to state and territory governments to compensate for the additional people entitled to state and territory government concessions following the extension of the Pensioner Concession Card to all part-rate pensioners in 1993. These SPPs are for core services, namely energy (electricity and gas), public transport, water/sewerage services, local government rates, and motor vehicle registration fees (more details in Section 4.1).

Regardless of the different classifications of some services in each state, this report groups expenditure related to the five types of services as concessions and not tax expenditure.

Total concessions and tax expenditure to households in 2005–06 were estimated at \$27.5 billion (Table 4.1). Of this amount, \$25.7 billion (93.6%) was tax expenditure to individuals funded by the Australian Government and is not included as part of either welfare services expenditure or welfare expenditure (Table 4.1 and 4.3). If Australian Government tax expenditure were to be included, welfare expenditure would have increased from \$90.2 billion (Table 2.1) to \$116.0 billion.

Table 4.1: Government funding of concessions and tax expenditures, by source of funds, current prices, 1998–99 to 2005–06 (\$ million)

Source of funds	Year							
	1998–99	1998–99	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
Australian Government								
Tax expenditures for individuals ^(a)	15,130	15,890	17,770	17,737	16,912	21,570	22,283	25,740
SPPs for compensation for extension of fringe benefits ^(b)	152	155	164	171	178	185	191	198
<i>Total Australian Government funding</i>	<i>15,282</i>	<i>16,045</i>	<i>17,934</i>	<i>17,908</i>	<i>17,090</i>	<i>21,755</i>	<i>22,474</i>	<i>25,938</i>
States and territories and local government ^(b)	1,122	1,158	1,203	1,302	1,339	1,422	1,452	1,549
All funding sources	16,404	17,203	19,138	19,210	18,429	23,178	23,925	27,487

(a) Not included in welfare expenditure or welfare services expenditure.

(b) Included in welfare services expenditure.

Sources: Treasury 2003, 2004, 2005, 2006 and 2007.

4.1 Concessions through state and territory governments and local government authorities

Concessions to households delivered through state/territory and local government authorities are broadly described in terms of ‘core’ and ‘non-core’ concessions. Core concession items are confined to payments made under the ‘Compensation for extension of fringe benefits’ SPP explained earlier. Non-core concessions include concessions mostly by state and territory governments for pet registration, country/regional rail and/or bus, ship/ferry services, drivers’ licences, emergency services levies, fire services levies – urban and rural, land rent for residential lease, redirection of postal services, private telephone bills, stamp duty on properties and financial institution debit tax exemption. This publication only reports estimates of expenditure on core concessions.

Recipients of social security payments gain access to core concessions through holding a Pensioner Concession Card. In some circumstances, some Health Care Card (HCC) and Commonwealth Senior Health Care Card holders are also able to access some core concessions. Veterans and their dependants may gain access to similar concessions through their Department of Veterans’ Affairs (DVA) concession cards. These cards have different eligibility criteria and conditions. Access to the associated concessions depends on a client meeting those criteria. The Health Care Card, for example, is short term and subject to review every 3–6 months, while the Pensioner Concession Card is issued annually to pensioners and certain older benefit recipients who have received income support payment for at least 39 weeks. DVA card holders have ongoing eligibility for concessions of the type that are available to the other social security recipients.

Most core concessions are funded by state and territory governments. However, the Australian Government provides SPPs – for compensation for extension of fringe benefits – to states and territories under bilateral agreements that require the states and territories concerned to extend eligibility for core concessions to recipients of part-pensions.

The total value of core concessions in 2005–06 was estimated at \$1.7 billion (Table 4.2). Of this, the states and territories funded an estimated \$1.5 billion. The Australian Government funded the rest through SPPs for compensation for extension of fringe benefits to part-pensioners. The net funding of core concessions by state and territory governments – that is, after deducting the SPPs from the Australian Government – has been included in the estimates of state and territory government welfare services expenditure and funding throughout this publication. On average, they represented about 21% of total funding of welfare services by state and territory governments over the period 1998–99 to 2005–06 (derived from Table 3.7 and Table 4.2).

Table 4.2: State and territory core concessions expenditure, by concession category, current prices, 1998–99 to 2005–06 (\$ million)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total states and territories
Energy									
1998–99	59	42	33	19	13	7	3	3	179
1999–00	61	69	35	18	13	10	3	3	213
2000–01	66	79	37	19	14	10	3	2	229
2001–02	101	80	41	20	14	10	4	2	271
2002–03	81	87	45	21	14	10	4	3	264
2003–04	86	106	49	21	8	14	5	3	292
2004–05	87	118	52	29	29	19	5	3	342
2005–06	88	9	59	29	27	20	3	3	328
Public transport									
1998–99	249	53	43	30	13	19	4	1	412
1999–00	231	56	48	30	13	19	4	1	403
2000–01	234	59	50	40	14	19	4	2	421
2001–02	228	62	56	43	14	20	5	2	429
2002–03	233	64	56	42	15	21	5	2	439
2003–04	237	67	63	46	17	23	5	2	461
2004–05	245	75	61	65	17	25	5	2	495
2005–06	209	97	166	73	19	27	5	3	598
Water and sewerage									
1998–99	46	61	—	28	23	—	2	—	161
1999–00	46	62	—	28	23	—	3	—	162
2000–01	59	64	—	30	23	—	3	—	179
2001–02	65	61	—	36	24	—	3	—	189
2002–03	79	62	—	38	23	—	4	1	207
2003–04	76	65	—	40	23	—	6	1	211
2004–05	72	72	—	41	24	—	6	1	216
2005–06	75	77	—	43	24	—	4	1	223
Council rates									
1998–99	71	54	39	21	22	10	3	—	222
1999–00	71	55	39	23	23	12	3	—	226
2000–01	72	49	38	24	23	12	3	1	221
2001–02	74	49	41	34	32	14	4	1	248
2002–03	74	57	41	38	28	15	4	1	258
2003–04	75	55	47	45	31	14	4	1	271
2004–05	79	64	42	50	32	14	4	1	288
2005–06	76	65	45	52	27	15	5	1	286
Motor vehicle registration									
1998–99	113	102	38	35	8	2	2	—	301
1999–00	118	102	40	37	9	2	2	1	310
2000–01	123	99	43	39	10	2	2	1	318
2001–02	130	108	43	42	10	2	2	1	336
2002–03	143	102	45	43	11	2	1	1	348
2003–04	150	112	48	46	11	2	2	1	372
2004–05	156	61	49	20	11	1	2	1	301
2005–06	165	57	51	21	12	2	2	1	311

(continued)

Table 4.2 (continued): State and territory core concessions expenditure, by concession category, current prices, 1998–99 to 2005–06 (\$ million)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total states and territories
Total, including Australian Government funding through SPPs for Compensation for extension of fringe benefits									
1998–99	539	313	154	132	79	39	14	5	1,274
1999–00	528	344	162	136	80	43	15	6	1,313
2000–01	554	349	167	150	83	43	16	5	1,368
2001–02	598	359	181	174	94	46	17	5	1,473
2002–03	610	374	188	183	91	47	18	7	1,517
2003–04	624	406	207	198	90	54	22	7	1,608
2004–05	639	390	205	206	114	60	22	7	1,642
2005–06	613	395	322	217	109	64	19	8	1,747
Net state and territory funding, excluding Australian Government funding through SPPs									
1998–99	486	275	127	119	64	34	13	4	1,122
1999–00	474	305	135	122	65	38	14	5	1,158
2000–01	495	308	139	136	67	38	15	5	1,203
2001–02	538	317	152	159	77	40	16	4	1,303
2002–03	548	329	157	168	73	42	16	6	1,339
2003–04	560	360	175	182	71	48	20	6	1,423
2004–05	573	343	172	190	95	54	21	6	1,452
2005–06	544	345	287	200	89	58	17	7	1,549

Note: Totals may not add due to rounding.

Sources: As for Table 3.5.

4.2 Australian Government tax expenditures

A tax expenditure is a tax concession that provides a benefit to a specified activity or class of taxpayer. Various forms of tax expenditure include tax exemptions, tax deductions, tax offsets, concessional tax rates and deferral of tax liability. Australia measures tax expenditures using an approach that treats the expenditure as revenue forgone, consistent with OECD (Organization for Economic Co-operation and Development) reporting methods. This approach measures how much tax revenue is reduced relative to a benchmark for each tax expenditure.

Tax expenditure by the Australian Government in 2005–06 was estimated at \$25.7 billion (Table 4.3). Of this, 80% was directed at older people and a further 11% was for families and children. Total welfare expenditure would have been higher had the amount of tax expenditure been included.

Concessional taxation of superannuation

A significant proportion of the Australian Government's tax expenditures directed at older people was by way of its concessional taxation of superannuation – estimated at \$18.1 billion or 87.9% of all social tax expenditures for older people by the Australian Government in 2005–06 (Table 4.3).

Table 4.3: Australian Government tax expenditures to individual tax-payers, current prices, 1999–00 to 2004–05 (\$ million)

Tax expenditure type	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
Tax expenditure for older people								
Superannuation concession	10,100	10,675	9,920	11,140	10,100	13,540	16,600	18,080
Transitional tax exemption for certain life insurance management fees	—	—	180	270	200	250	290	—
Concessional treatment of non-superannuation termination benefits	1,130	1,050	970	410	360	320	320	30
Capped taxation rates for lump sum payments for unused recreation and long service leave	260	250	210	230	210	190	180	150
Capital gains tax exemption on the sale of a small business at retirement	25	25	35	55	85	120	185	180
Senior Australians' tax offset	25	30	1,490	1,480	1,620	1,800	1,920	1,830
Savings tax offset	350	520	—	—	—	—	—	—
Exemption from income tax of one-off payment to senior Australians	—	—	540	2	—	—	—	—
Small business 15-year capital gains tax exemption	—	—	—	5	10	16	13	—
<i>Total tax expenditure for older people</i>	<i>11,890</i>	<i>12,550</i>	<i>13,345</i>	<i>13,592</i>	<i>12,585</i>	<i>16,236</i>	<i>19,508</i>	<i>20,580</i>
Tax expenditure for families								
Exemption from income tax of Family Tax Benefit, including expense equivalent	—	—	1,980	1,800	1,720	2,560	2,370	2,400
Family Tax Assistance Parts A and B	400	380	—	—	—	—	—	—
Exemption from income tax of Child Care Benefit	—	—	330	340	360	360	380	390
Tax offset for sole parents	250	260	50	—	—	—	—	—
Exemption from income tax of the Baby Bonus	—	—	—	—	7	19	30	35
<i>Total tax expenditure for families</i>	<i>650</i>	<i>640</i>	<i>2,360</i>	<i>2,140</i>	<i>2,087</i>	<i>2,939</i>	<i>2,780</i>	<i>2,825</i>
Tax expenditure for others								
Taxation of 5% of unused long service leave accumulated by 15 August 1978	160	160	135	115	100	85	90	85
Tax offset for dependant spouse, etc. who cares for a prescribed dependant	420	430	360	350	360	370	390	390
Tax offset for low-income earners	490	440	460	410	410	400	670	690
Exemption of certain income support benefits, pensions or allowances from income tax	1,330	1,460	880	900	940	980	990	940
Capped exemption from FBT for public benevolent institutions	190	210	230	230	165	210	250	250
<i>Total other tax expenditure</i>	<i>2,590</i>	<i>2,700</i>	<i>2,065</i>	<i>2,005</i>	<i>1,975</i>	<i>2,045</i>	<i>2,390</i>	<i>2,335</i>
Total tax expenditure	15,130	15,890	17,770	17,737	16,647	21,220	24,678	25,740

Sources: Treasury 2003, 2004, 2005, 2006 and 2007a.

In its estimation of concessional taxation of superannuation, the Australian Treasury has produced separate estimates in respect of funded and unfunded superannuation schemes. The estimate in respect of funded superannuation was \$17.9 billion, and for unfunded lump sum payments it was \$0.2 billion.

The amounts for concessional taxation of funded superannuation in 2001–02 were revised up from \$9.3 billion to \$11.1 billion, and the amounts for 2002–03 were revised down from \$10.5 billion to \$10.1 billion. This led to a drop of \$1.0 billion between these 2 years, and contributed to the fall in total tax expenditures between these 2 years.

The key features of the taxation of superannuation relate to the treatment of contributions, earnings and benefits. In Australia in 2005–06, funded superannuation was taxed at three stages:

- when contributions are made to a fund
- when investments in superannuation funds earn income
- when superannuation benefits are paid out.

In order to determine the level of tax expenditure, the Treasury (Treasury 2007a) has developed the following benchmark in relation to the treatment of superannuation:

- contributions are taxed like any other income in the hands of employees
- earnings are taxed like any other investments in the hands of investors
- benefits are untaxed
- additionally, any costs associated with superannuation investments are assumed to be deductible.

Australia's taxation treatment of funded superannuation varies from the benchmark in that contributions and earnings are taxed concessional (15%) relative to the benchmark, but this has, to date, been partially offset through the taxation of benefits. A possible consequence of the estimating tax expenditures method is that, over the longer term, it may be expected that these concessions will diminish. This could occur if the taxation of benefits grows with the increasing numbers of superannuants drawing down their superannuation savings relative to the numbers in the accumulation phase. See a full discussion of issues relating to the development of these estimates in the annual tax expenditures statements (Treasury 2005). The changes announced in the 2006 Budget with regard to taxation of superannuation will affect this calculation of tax expenditure.

In the case of unfunded superannuation lump sum payments, no employer contribution is made until the actual benefit is provided on the member's retirement. The appropriate benchmark treatment for these amounts is, therefore, taxation at personal marginal rates on receipt by the members. The actual tax levied on these amounts is 15% (plus Medicare levy) for taxpayers aged 55 or over, and 30% (plus Medicare levy) where the taxpayer is under 55 years of age.

Other tax expenditures for older people

Of the remaining \$2,500 million of tax expenditures aimed at older people in 2005–06, about two-thirds (\$1,830 million) was through the Senior Australians' tax offset arrangements. This is a concession available to taxpayers who are eligible to receive the Age Pension or a veteran's benefit, pension or allowance – including people who qualify for but do not receive

a benefit. This entitles senior citizens to earn up to the effective tax-free threshold before they start paying income tax. The offset begins to phase out once taxable income exceeds the rebate threshold, at a rate of 12.5 cents for each additional dollar of taxable income.

Tax expenditures for families and children

A large proportion (85.0%) of the estimated \$2,825 million in 2005-06 tax expenditures for families was due to the exemption from income tax of the family tax benefit. The Child Care Tax Rebate Act passed in December 2005 applies to out-of-pocket expenses for approved child care incurred since 1 July 2004. This rebate could be claimed for the first time in 2005-06 tax returns for the 2004-05 financial year. Household expenditure and government expenditure in the form of tax rebates will be revised in future publications to take this rebate into account.

5 Classification of residential aged care expenditure

5.1 Background

This chapter provides some historical background on the shifting of the classification of expenditure for residential aged care facilities from being part health and part welfare services to being all welfare services.

Residential aged care expenditure is classified differently by different government agencies. These include Department of Finance and Administration (DoFA), the ABS, DoHA, Productivity Commission and Treasury (Table 5.1).

The DoFA classifies residential aged care expenditure under the GPC 2622 – Welfare services for the aged. This expenditure is placed under the social security and welfare function for reporting in the annual Final Budget Outcome and other budget papers produced by the Treasury. These data are passed to the ABS and they report residential aged care expenditure under ‘Welfare services for the aged’.

The DoHA reports residential aged care subsidies under Outcome 3 – Aged Care and Population Ageing in its annual reports. It does not split these subsidies between ‘health’ and ‘welfare’ services.

The AIHW in previous publications has been splitting residential aged care expenditure into health and welfare services based on the Resident Classification Scale (RCS) categories. That is, expenditure for residents classified as RCS 1 to 4 (high level care) was allocated to health expenditure and expenditure for those classified as RCS 5 to 8 (low level care) was allocated to welfare services expenditure.

Table 5.1: Classification of residential aged care by various Australian Government agencies

Australian Government agencies	Classification	Publication
DoFA	GPC2622—Welfare services for the aged	Final Budget Outcome, Treasury (annual)
ABS	Same as DoFA	Government Finance Statistics (annual)
DoHA	Not split up between health and welfare	Annual report: Outcome 3 Aged Care and Population ageing
Productivity Commission	Community services category	<i>Report on Government Services (annual)</i>
	Non-health	<i>Economic Implications of an Ageing Australia</i>
Treasury	Aged care	Intergenerational Report (Treasury 2002, 2007b)
AIHW	Part health and part welfare	<i>Health expenditure Australia, and Welfare expenditure Australia</i>

Except for the AIHW, other Australian Government agencies have been reporting residential aged care expenditure in either a community services/welfare services or aged care

category. Section 5.2 provides a summary of policy developments from 1974 to the present (more detailed information on policy development is in *Health expenditure Australia 2005–06*). Section 5.3 provides a summary of the results obtained from more recent evidence on the nature of care provided in residential care facilities, which can be used to assess the argument for and against reporting residential aged care expenditure as welfare services.

5.2 History

Up to 1996, there were two separate Acts underpinning funding on nursing homes and hostels for the aged or people with disabilities. Payment of nursing home benefits was provided for under the National Health Act (AGD 1953) and was allowed under the hospital benefits provision of Section 51 (xxiiiA) of the Constitution. These were benefits paid by the Commonwealth to individual patients in nursing homes (under Section 49B of the National Health Act 1953). The fact that the hospital benefits provision of the constitution was used was an indication that nursing home benefits were seen as having a health purpose. On the other hand, the deficit funding arrangements under the Nursing Homes Assistance Act 1974 (AGD 1974) authorise assistance to particular categories of nursing homes, rather than to individuals. It is likely, however, that it too came under Section 51 (xxiiiA).

The Commonwealth Government's involvement in respect of hostels was under the Aged or Disabled Persons Care Act 1954 (AGD 1954). This legislation was probably enacted pursuant to the provisions of Section xxiii of the Constitution, which gives the Parliament [of the Commonwealth] power to legislate with respect of 'Invalid and old-age pensions'. It took the form of capital and recurrent funding to institutions that provided care to aged and/or disabled people.

The classification to health and welfare services in relation to the Australian Government's expenditure on services to the aged and the frail has changed over time. The Commonwealth Government viewpoint on nursing homes during the earlier period, particularly 1974 to 1984, was that nursing homes were clearly 'health' institutions. This was evident both from the admissions procedures adopted in respect of patients and the nature of the type of care that was required to be delivered to patients. However, this view has gradually changed with evidence on the nature of care provided to older people living in residential care facilities indicating that it is more 'welfare services' than 'health'. The change became more evident after the 1986 Nursing Homes and Hostels Review (DCSH 1986).

The Aged Care Act 1997 (AGD 1997), which replaced the two Acts above, unified nursing home and hostel sectors. The Commonwealth Government's new Residential Aged Care facilities funding arrangements enabled a single form of funding in respect of care provided to all people cared for in Residential Aged Care facilities (formerly hostels and nursing homes). Funding varied according to each resident's assessed need. The instrument used in assessing needs is called the Resident Classification Scale (RCS). There are 8 RCS categories from RCS1 to RCS8.

Table 5.2: Changes in aged care arrangements and policy since 1974

Year	Committee/Department/Act	Review	Changes
1974	Hospitals and Allied Services Advisory Committee (HASAC)	Nursing home staffing levels and physical standards	Eligibility certified by a registered medical practitioner. Minimum 3 hours care by registered nurse per week, and 7 hours care by unregistered nurses.
1982	The House of Representatives Standing Committee on Expenditure	Accommodation and home care for the aged	Recommendations of uniform standard 'nursing hours'.
1985	The Senate Select Committee on Private Hospitals and Nursing Homes	Accommodation and home care for the aged	Recommendations of uniform standard 'nursing hours'.
1986	Department of Community Services and Health	Nursing Homes and Hostels Review	Home and Community Care (HACC) extended through community housing for the elderly, self-contained units and hostels to nursing home care. Various programs supporting residential facilities for the aged and disabled were amalgamated into a single 'Residential Care Program'. The differential between 'personal care subsidy' for residents in hostels, and 'ordinary nursing home benefit' provided to moderately dependent patients in nursing homes, was narrowed. 'Ordinary nursing care' and 'extensive nursing care' categories were differentiated. This allowed ordinary care beds to be progressively absorbed into providing 'extensive nursing care'.
1997	Aged Care Act 1997	Structure of aged care services	Nursing home and hostel sectors were unified. Providers offered both high and low care. Single funding to all people cared for in residential aged care facilities, through the 8 Residential Classification Scale (RCS) categories.

These are ranked progressively in terms of intensity of need. RCS 1 to 4 are described as high-level care, and RCS 5 to 8 are low-level care. Funding for residents assessed in category 1 was the highest. Residents classified in category 8 do not attract any funding.

Some have associated higher level care categories with higher needs for health services. However, just because illness is the cause of the need for care does not mean that the provided type of care has a health purpose. A service has a health purpose if the service is actively aiming to improve a person's health or to prevent illness or injury. Most residential aged care services have a care focus rather than a cure focus. Most of the services are to cater for needs for personal care that have developed because of declines in health status in the past, but are not directly attempting to reverse that health status decline.

The questions used to determine the resident's intensity-of-care needs cover the areas listed below (Table 5.3). The majority of these activities (excluding 17 to 19) fall under the category of personal care assistance rather than health care. These activities can be performed by people without health qualifications, and this is another indication that they do not primarily have a health purpose.

Table 5.3: RCS question set for resident aged care population June 2003

RCS question	Description
1	Communication
2	Mobility
3	Meals and drinks
4	Personal hygiene
5	Toileting
6	Bladder management
7	Bowel management
8	Understanding and undertaking living activities
9	Problem wandering and intrusive behaviour
10	Verbally disruptive or noisy
11	Physically aggressive
12	Emotional dependence
13	Danger to self or others
14	Other behaviour
15	Social and human need—care recipient
16	Social and human need—families and friends
17	Medication
18	Technical and complex nursing procedures
19	Therapy
20	Other services

Source: DoHA 2005b.

In the 2004 Budget, the Australian Government announced a number of further changes to the residential aged care system. These changes are being implemented progressively over 4 years and have implications for data reporting from 2004–05 onwards. The changes with data implications are:

- The replacement of the 8 RCS funding classifications with Aged Care Funding Instrument (ACFI) categories (low, medium, high) and two new supplements, each paid at three levels (low, medium and high) for mental and behavioural conditions, including dementia and the other for complex health care needs, including palliative care.
- From 20 March 2008 a new assessment instrument, the ACFI, which uses a different question set (12 questions) to the RCS classification, will be introduced. From the date of ACFI's introduction for the foreseeable future, the residential data set will be a mix of reporting based on the new question set (the ACFI) (see Table 5.4) and on the previous question set (the 20 RCS questions).

Table 5.4: Proposed ACFI questions for resident aged care population March 2008

RCS question	Description	Care needs	Assistance level or measurement
1	Nutrition	Readiness to eat/eating	Independent OR supervision OR physical assistance
2	Mobility	Transfers/locomotion	Independent OR supervision OR physical assistance OR mechanical lift equipment
3	Personal hygiene	Dressing/washing/grooming	Independent OR supervision OR physical assistance
4	Toileting	Use of toilet/toilet completion	Independent OR supervision OR physical assistance
5	Continence	Urinary continence and faecal continence	Frequency
6	Cognitive skills	Needs arising from cognitive impairment	None, mild, moderate, severe
7	Wandering	Absconding or interfering whilst wandering	Frequency
8	Verbal	Verbal behaviour	Frequency
9	Physically	Physical behaviour	Frequency
10	Depression	Depressive symptoms	None, mild, moderate, severe
11	Medication	Assistance with medications	Complexity, frequency and assistance time
12	Complex health care	Complex health care procedures	Complexity and frequency

Source: DoHA 2007.

5.3 Residential aged care expenditures: estimating the distribution of expenditure across different service needs

Residential aged care facilities currently assess the level of care required for each resident based on the 20 RCS questions shown in Appendix B. Weightings are in brackets and total 100. The level of funding for each client is determined by the RCS. Each resident is classified according to the answers given to the RCS questionnaire. Each answer has a different weight applied (Appendix B) and the sum of these weights gives an overall score for the resident which in turn determines the amount of subsidy.

The RCS questions cover 20 main areas where assistance is required. To estimate the impact of allocating these questions to either health or welfare the AIHW estimated the funding that is allocated for each RCS question based on the residential aged care population as at June 2003 (Table 5.5).

Method of calculation

These estimates of funding are derived from the aged care database (ACCMIS) using the answers to each RCS question. The population used was residents who had valid RCS assessments for a period including 30 June 2003. This population was assumed to be representative of the population in residential aged care for the whole 12 months of 2003.

The cost for each type of assistance (i.e. each question) was determined by first calculating the current total level of basic subsidy funding for residential aged care based on the total RCS scores for the population in the study.

Second, the level of basic subsidy funding for residential aged care that would be paid if the residents did not have a communication difficulty (RCS question 1) is calculated. This is done by assuming a weight of 0 for each of the levels A, B, C and D that applies to this question. This has the effect of reducing the RCS score for the resident, and the new RCS score may mean the resident moves to a different RCS level for which a lower subsidy is paid. This procedure is followed for each resident on the database, and a new estimate of subsidy paid is made. The difference between the 2 numbers is the estimate of the cost of assisting with problems due to the communication difficulty. This procedure is followed for each client and for all of the RCS questions.

Table 5.5: RCS questions and funding subsidies for residential aged care population, June 2003

RCS question	Description	Residential aged care basic subsidy (\$million)	Percentage of total basic subsidy
1	Communication	26.8	0.6
2	Mobility	98.9	2.2
3	Meals and drinks	64.8	1.5
4	Personal hygiene	942.0	21.2
5	Toileting	618.0	13.9
6	Bladder management	191.2	4.3
7	Bowel management	362.9	8.2
8	Understanding and undertaking living activities	115.3	2.6
9	Problem wandering and intrusive behaviour	69.0	1.6
10	Verbally disruptive or noisy	118.4	2.7
11	Physically aggressive	49.9	1.1
12	Emotional dependence	131.9	3.0
13	Danger to self or others	78.4	1.8
14	Other behaviour	142.9	3.2
15	Social and human need—care recipient	148.1	3.3
16	Social and human need—families and friends	32.6	0.7
17	Medication	493.1	11.1
18	Technical and complex nursing procedures	376.1	8.5
19	Therapy	356.5	8.0
20	Other services	24.2	0.5
Total		4,441.1	100.0

Source: Calculated by AIHW based on data from the DoHA ACCMIS database.

As noted earlier, the following three areas could be considered health services: medication; technical and complex nursing procedures; and therapy. The other 17 areas, that mostly involve assistance with activities of daily living, could be considered welfare services.

On that basis, and using the calculations outlined above, the three areas allocated to health (RCS questions 17 to 19) accounted for 28% of the total government basic subsidy for residential aged care. The 17 areas allocated to welfare services accounted for 72% of the government basic subsidy.

5.4 Rationale for and implications of classifying all residential care expenditure as welfare services

The AIHW has in the past split residential care expenditure into health and welfare services. Prior to the 1997 Aged Care Act the split was simple because funding for nursing homes (providing mainly health services) and hostels (providing mainly welfare services) was separate from each other under different Acts. Funding to nursing homes was under the National Health Act 1953, and funding for hostels was under the Aged and Disabled Persons Care Act 1954. When the nursing home and hostel sectors were unified under the Aged Care Act 1997, the health and welfare expenditure split for residential care became somewhat arbitrary, as it was based on the RCS categories (RCS 1–4 being considered ‘health’, and RCS 5–8 being considered ‘welfare services’). But the RCS categories represent extent of need for services not the type of services provided. Each category of RCS attracted different subsidy rates, with RCS 1 attracting the highest subsidy and RCS 8 residents receiving nothing.

The rationale for classifying all residential care expenditure as welfare services is:

- As shown above, the majority (about 70%) of expenditure on residential care facilities is of a welfare services nature.
- Classifying residential aged care as welfare services is consistent with other Australian Government agencies: – DoFA, the ABS, DoHA, and the Productivity Commission – which have been classifying residential aged care expenditure under community/welfare services or as part of a separate ‘aged care’ category.

The AIHW consulted on this issue with DoHA, the ABS, the AIHW Health Expenditure Advisory Committee and the state and territory health authorities, and decided to classify all expenditure for residential aged care facilities under welfare services from this report onwards. All data appearing in this report for prior years have been revised accordingly.

The total amount of high-level residential aged care expenditure (funded by the Australian Government, state and territory governments, and residents) is quite substantial. For example, it was \$5.8 billion in 2004–05 and \$6.1 billion in 2005–06 (Table 5.6). The inclusion of high-level care expenditure in this report results in higher welfare services expenditure.

The implication of this reclassification is that the welfare services expenditure to GDP ratio is increased while the health expenditure to GDP ratio is correspondingly reduced. The welfare services expenditure to GDP ratio increased 0.65 percentage points in 2004–05 from 2.4 percent of GDP to 3.0 per cent. The increase in 2005–06 was 0.63 percentage points of GDP. There was an equivalent reduction in the health expenditure to GDP ratio.

Total residential care expenditure grew in current prices each year between 1998–99 and 2005–06. It fell in real terms in the last two years after an abnormally high growth of 14.0% in 2003–04 which was due to one-off payments for improvements to the infrastructure in residential aged care. Average annual growth between 1998–99 and 2005–06 was 3.3% (Table 5.7).

Table 5.6: Residential care expenditure by source of funding, high and low level care, 1989-99 to 2005-06 (\$ million)

Year	Government			Non-government			Total	Proportion of GDP (per cent)
	Australian Government	State and territory	Total	Residents	NGCSOs	Total		
High care								
1998-99	2,743	253	2,996	599	16	615	3,611	0.594
1999-00	2,915	267	3,182	672	17	689	3,870	0.600
2000-01	3,074	253	3,327	721	18	739	4,065	0.590
2001-02	3,316	230	3,546	784	19	803	4,349	0.591
2002-03	3,577	207	3,784	904	21	925	4,708	0.602
2003-04	4,292	218	4,510	1,042	25	1,066	5,576	0.684
2004-05	4,392	214	4,606	1,176	25	1,201	5,807	0.648
2005-06	4,598	232	4,830	1,235	26	1,261	6,091	0.630
Low care								
1998-99	597	—	597	437	77	514	1,111	..
1999-00	658	—	658	427	87	515	1,172	..
2000-01	667	—	667	441	99	540	1,207	..
2001-02	692	—	692	465	93	559	1,250	..
2002-03	734	—	734	469	98	567	1,301	..
2003-04	834	—	834	497	111	607	1,442	..
2004-05	815	—	815	498	127	626	1,440	..
2005-06	802	—	802	493	106	599	1,401	..
Total								
1998-99	3,340	253	3,593	1,036	93	1,129	4,722	..
1999-00	3,572	267	3,839	1,099	104	1,203	5,043	..
2000-01	3,741	253	3,994	1,162	117	1,278	5,273	..
2001-02	4,007	230	4,237	1,250	112	1,362	5,599	..
2002-03	4,311	207	4,518	1,373	118	1,492	6,010	..
2003-04	5,126	218	5,344	1,539	135	1,674	7,018	..
2004-05	5,207	214	5,421	1,674	153	1,826	7,247	..
2005-06	5,400	232	5,632	1,728	132	1,860	7,492	..

Sources: Australian Government: DoHA ACCMIS database; State and territory governments: unpublished data from various state and territory health departments; Residents: AIHW estimates based on DoHA ACCMIS database; NGCSOs: AIHW estimates.

Table 5.7: Residential aged care expenditure^(a), current and constant prices^(b), 1998–99 to 2005–06

Period	Current prices (\$ m)	Constant prices (\$ m)	Growth rate in constant prices (per cent)
1998–99	4,722	5,978	..
1999–00	5,043	6,271	4.9
2000–01	5,273	6,273	—
2001–02	5,599	6,485	3.4
2002–03	6,010	6,730	3.8
2003–04	7,018	7,670	14.0
2004–05	7,247	7,588	–1.1
2005–06	7,492	7,492	–1.3
Average annual growth rate	..	..	3.3

(a) Residential aged care subsidies from DVA, DoHA, state and territory governments, non-government organisations, injury compensation insurers, and fees from residents. Also includes payments for the Extended Aged Care in the Home program.

(b) Constant price health expenditure for 1999–00 to 2005–06 is expressed in terms of 2005–06 prices.

Source: AIHW welfare expenditure database.

6 Technical notes

6.1 Government Purpose Classification

The Government Purpose Classification (GPC) in the Government Finance Statistics is used to group expenses by purpose (education, health, etc.). It also facilitates the study of the broad function of general government spending and the effectiveness of that spending in meeting government policy objectives. Descriptions of the welfare services and social security categories in the GPC are below.

Welfare services

GPC 2621—Family and child welfare services

Child care services and services for children, which are developmental in nature.

Includes outlays on:

- long-day care centres, family day care, occasional care/other centres and outside school-hours care
- subsidies for child care assistance and child care rebate.¹

Child, youth and family welfare services which are protective (children), developmental (youth) and supportive (families) in nature.

Includes outlays on:

- substitute care (short term and permanent)
- information, advice and referral, particularly in adoption
- development and monitoring of family/household management skills
- Supported Accommodation Assistance Program (SAAP) for youth
- protective investigation, protective supervision, statutory guardianship management, protective accommodation
- services delivered by residential institutions, such as centres, villages, shelters, hostels, orphanages, youth refuges, juvenile hostels, campus homes and family group homes marriage and child/juvenile counselling
- assessment and evaluation of offenders by non-judicial bodies.

¹ From July 2000, the child care assistance and child care rebate have been replaced by Childcare benefits. The Institute considers this payment as expenditure for welfare services because the payments are only made available to parents who spend on child care. Child Care Benefit can be paid directly to child care service providers to reduce the fees charged. Alternatively, the payment can be made directly to parents as a lump sum at the end of the income year (Treasury, 2005: 60).

GPC 2622—Welfare services for older people

Welfare services for older people are programs providing services primarily intended for persons aged 65 and over.

Includes outlays on:

- respite care
- domestic and personal assistance, e.g. services provided through the Home and Community Care (HACC) program
- services delivered by residential aged care facilities
- financial assistance not primarily related to inadequate earning capacity, e.g. concessions for aged persons (transport and material assistance, etc.)
- community centres, e.g. senior citizen centres.

GPC 2623—Welfare services for people with disabilities

Includes outlays on:

- respite care
- developmental care
- substitute care
- domestic and personal assistance, e.g. services provided through the HACC program
- services delivered by residential establishments, e.g. hostels, group homes and other services provided under the Commonwealth State Territory Disability Agreements
- transport other than public transport
- supported employment and rehabilitation, e.g. supported employment, training centres for people with disabilities
- community centres, e.g. day care centres for people with disabilities
- nursing homes for people with disabilities
- financial assistance not primarily related to inadequate earning capacity, e.g. concessions specifically for people with disabilities (transport and material assistance, etc.).

GPC 2629—Other welfare services not elsewhere classified

Includes outlays on:

- homeless persons' assistance, e.g. SAAP for people other than youth
- information, advice and referral services
- prisoners' aid
- care of refugees
- premarital education
- Aboriginal welfare services
- women's shelters
- general casework services which lead to the determination of eligibility for income assistance or welfare services

- multi-client services (food and clothing) in times of personal and family emergencies and relief of victims of disasters²
- departments, bureaus or program units which serve the welfare services system including those that disseminate information, prepare budgets, formulate policy and undertake research
- financial assistance (other than for older people and the disabled) not primarily related to inadequate earning capacity
- management support.

Cash benefits

GPC 2611—Sickness benefit

Pensions and other benefits paid to persons who are sick and thereby suffer loss of income due to work incapacity.

Includes outlays on sickness benefits and miners phthisis compensation, specifically:

- Sickness Allowance: a means-tested income support for people who are temporarily incapacitated for work or study due to illness and have a job or course of study to which they expect to return.

Excludes outlays on:

- special benefits classified to GPC 2619 (Social security, n.e.c.); workers compensation payments classified to purpose; and, payments for health services classified to the appropriate subgroup of major group GPC 25.

GPC 2612—Benefits to ex-service personnel and their dependants

Pensions and other benefits paid to ex-service personnel to compensate for invalidity and other permanent disablement resulting from service in the defence forces, and to war widows and war orphans.

Includes outlays on ex-service personnel disability pensions and allowances; and service pensions, specifically:

- DVA Services Pension: means-tested income support pensions and allowances for eligible veterans and their dependants.
- DVA Pension and Allowance for veterans and dependants: payments to compensate eligible veterans and other eligible people for loss of physical or mental wellbeing resulting from incapacity caused by eligible war or defence services, and the effects of that loss on lifestyle.

Excludes outlays on:

- pensions from Defence Forces Retirement and Death Benefits Scheme; old age pensions, disability benefits, etc. paid through the general social security system to ex-service personnel; and health goods and services.

² The Institute includes payments by FaCSIA to assist victims of natural disaster, such as Tropical Cyclone Larry.

GPC 2613—Permanent disability benefit

Disability service pensions and other benefits paid to compensate for the permanent loss of income due to full or partial disablement.

Includes outlays on payments to chronically ill and disabled persons, specifically:

- Carer Allowance: an annually indexed income supplement available to people who provide daily care and attention to a person who is frail, aged, has severe disability or a medical condition. Carer Allowance is not means-tested.
- Carer Payment: a means-tested income support payment for people whose caring responsibilities prevent them from undertaking substantial workforce participation.
- Disability Support Pension: a means-tested income support payment for people with a physical, intellectual or psychiatric impairment resulting in an inability to work 30 hours per week.
- Mobility Allowance: an income supplement, not means-tested, that is aimed at assisting with transport costs for people with disabilities who are in employment, vocational training, a combination of work or training, voluntary work or job search who are unable to use public transport without substantial assistance.
- Wife Pension (DSP): an income support payment available to female partners of Disability Support Pension recipients who were on payment as at 30 June 1995. Since 1 July 1995, this payment has been closed to new applicants.

Excludes outlays on:

- repatriation and other disablement benefits payable only to ex-service personnel classified to GPC 2612; and, health goods and services classified to the appropriate subgroup of major group GPC 25 (Health).

GPC 2614—Old age benefits

Payments of old age pensions, specifically:

- Age Pension: payment for people of age pension age who cannot support themselves fully in retirement, or to supplement the retirement incomes of those with low levels of private retirement savings. Age pension age is currently 65 for men and 63 for women. The alignment of qualifying ages for men and women (to 65 years) will occur on 1 January 2014.
- Wife Pension (Age): for the female partner of age pensioners (for those who claimed before 1 July 1995).

Excludes outlays on:

- pensions payable only to ex-service personnel and their dependants classified to GPC 2612; and health goods and services classified to the appropriate subgroup of major group GPC 25 (Health).

GPC 2615—Widows, deserted wives, divorcees and orphans benefits

Pensions and other benefits paid to widows, deserted wives and divorcees that are not made on the grounds of the need to support a dependent child. Pensions and other benefits paid where both parents of a child are deceased or if the whereabouts of a sole surviving parent is unknown.

Includes outlays on widow's pensions and orphans pensions, specifically:

- Bereavement Allowance: an income test- short-term payment available to recently widowed people without dependent children in the period immediately following the death of a spouse or partner. It is payable for up to 14 weeks only.
- Double Orphan Pension: a payment, not means-tested, for children with at least one deceased parent, who cannot have contact with the other (for example, because that parent is a long-term prisoner or his/her whereabouts are unknown).
- Special Benefit: provides assistance to people in severe financial need and for whom no other pension, allowance or other support is available.
- Widow Allowance: an income support payment for older single women who lost a spouse after they were aged 40 and who have no recent workforce experience.
- Department of Veterans' Affairs pension for war widows and dependants: to compensate dependants for the death of a spouse/partner or parent as the result of eligible war or defence service.

Excludes outlays on:

- war widows and war orphans pensions classified to GPC 2612; and
- Class A widow's pension and supporting parent benefits which are based on the need to support a dependent child classified to GPC 2618.

GPC 2616—Unemployment benefits

Unemployment benefits paid to compensate for loss of income due to unemployment, specifically:

- Newstart Allowance: paid to people 21 years or over and under Age Pension age who are unemployed. Newstart Allowance recipients must satisfy the activity test by actively seeking work and/or undertaking an activity designed to improve their employment prospects. They also must accept offers of suitable employment.
- Mature Age Allowance: an income support payment for some unemployed people aged 60 years to Age Pension age who have no recent workforce experience.

Excludes outlays on:

- government labour exchanges classified to GPC 3339 (Other labour and employment affairs); unemployment relief grants through schemes such as National Employment and Training, Community Youth Support Scheme and Youth Employment and Support Services classified to the purpose which the industry serves or GPC 3339; pensions and other benefits paid to persons who are sick and thereby suffer loss of income due to work incapacity classified to GPC 2611; Special Benefits classified to GPC 2619; and, welfare assistance to the unemployed classified to GPC 2629.

GPC 2617—Family and child benefits and support programs

Income assistance paid to families irrespective of whether anyone in the household is earning an income.

Includes payments to households on a per child basis such as family allowances; and, payments to children with a disability not made to institutions, such as child disability allowances, specifically:

- Family Allowance: this allowance has been replaced by Family Tax Benefit as of 1 July 2000.
- Family Tax Payment: the Family Tax Payment has been replaced by the Family Tax Benefit as of 1 July 2000.
- Family Tax Benefit (Part A): paid to eligible families and children up to 21 years and young people between 21 and 24 who are studying full-time (and not receiving Youth Allowance or a similar payment).
- Family Tax Benefit (Part B): paid to families with only one main income earner, including single parent families, where the youngest child is aged up to 15 or up to 18 if a full-time student. A higher rate is paid where the youngest child is aged under 5 years.
- Maternity Allowance: this has been replaced by Maternity Payment as of 1 July 2004.
- Maternity Payment: a one-off universal lump sum paid to families following the birth or adoption of a baby. The claim must be made within 26 weeks of the child's birth, or, in the case of local adoption, within 26 weeks of the coming into the care of the adoptive family. For overseas adoption the claim must be made within 26 weeks of the child entering Australia.
- Maternity Immunisation Allowance: paid for children aged 18–24 months who are fully immunised and must be claimed on or before the child turns 2 years of age. It may also be paid if an approved immunisation exemption has been obtained for the child.
- Double Orphan Pension: paid to guardians or approved care organisations in meeting the costs of caring for children who are double orphans.
- Rent Assistance: paid to Family Tax Benefit Part A customers who are receiving more than the base rate and paying private rent over a certain amount.
- Child Support Program: provides services to assist in ensuring the payment of child support.
- Childcare Benefits³: scaled assistance to families using approved child care services or registered carers. This assistance is higher for lower income families.
- Parenting Payment: paid to one parent who is the primary carer of a dependent child. Parenting Payment (partnered) is payable to partnered parents. FaCS pays Parenting Payment to people under various international social security agreements.
- Partner Pension and Benefit: a non-activity tested income support payment for partners who were born on or before 1 July 1955, have no dependent children and no recent workforce experience.

Excludes payments to:

- dependants of ex-service personnel classified to GPC 2612; widows, deserted wives, divorcees and orphans classified to GPC 2615; single parent households with dependent children classified to GPC 2618; and institutions for children with a disability classified to GPC 2623.

³ AIHW now classifies this item to Family and child welfare services.

GPC 2618—Sole parent benefits

Income assistance payments to single parent households with dependent children.

Includes parenting payment: paid to one parent who is the primary carer of a dependent child. Only Parenting Payment (single) is payable to sole parents, specifically:

- supporting parent's benefits; and Class A widows pensions.

Excludes:

- payments to single parent households that are not made on the basis of the support of a dependent child (such as Class B and C widows pensions) classified to GPC 2615; war widows pensions classified to GPC 2612; and payments to households on a per child basis (such as child allowances) classified to GPC 2617.

GPC 2619—Social security not elsewhere classified

Outlays on administration, provision, support, operation, etc. of social security affairs that cannot be assigned to one of the preceding subgroups of GPC 261, including administration costs that can be separated from the provision of welfare services.

Includes outlays on:

- special benefits
- funeral benefits and compassionate allowances
- assistance to individuals or households with inadequate earning capacity, in the nature of concessions (such as telephone rental, postal, transport and rate concessions);
- other income assistance not included in the preceding subgroups of GPC 261.

Also includes outlays by departments, bureaux or program units which serve the social security system including those that disseminate information, prepare budgets and conduct or support research into social security affairs.

Excludes outlays on:

- student transport concessions which are considered to be education outlays and are classified to GPC 244 (Transportation of students).

6.2 Eligibility for Pensioner Concession, Health Care, and Commonwealth Seniors Health Cards

Pensioner Concession Card

In order to qualify, the person must be:

- receiving one of the following:
 - A pension
 - Parenting payment (single)
 - Mature Age Allowance
 - Carer Payment.

- aged over 60 and have been receiving one (or a combination) of the following payments continuously for more than 9 months:
 - Newstart Allowance
 - Sickness Allowance
 - Widow Allowance
 - Partner Allowance
 - Parenting Payment or Special Benefit.

The card entitles holders to reduced cost medicines as well as other concessions.

Health Care Card

In order to qualify, the person must be receiving one or more of the following:

- Newstart Allowance
- Sickness Allowance
- Widow Allowance
- Partner Allowance
- Parenting Payment (partnered)
- Special Benefit
- Youth Allowance (jobseekers)
- The maximum rate of Family Tax Benefit Part A in fortnightly instalments
- Mobility Allowance, and not hold a Pensioner Concession Card
- Carer Allowance (for a child under 16 years with a disability)
- Exceptional Circumstances Relief Payment
- Farm Family Restart.

Low income earners and foster children can also obtain specific types of Health Care Cards.

The card entitles holders to reduced cost medicines and other concessions in some states and territories.

Commonwealth Seniors Health Card

Cards are available to self-funded retirees who:

- are not receiving a social security pension or benefit, or a service pension or income support supplement
- are of Age, or Veteran Pension age
- meet an annual adjusted taxable income test, but no assets test is required.

Holders of the card (not their dependants) are entitled to Pharmaceutical Benefits Scheme medicines at the concession rate, Telephone Allowance if an eligible telephone subscriber, and the Seniors Concession Allowance. The Seniors Concession Allowance recognises that most self-funded retirees do not receive concessions for energy, rates, water and sewerage, and motor vehicle registration from state and territory governments.

See *A guide to Centrelink Concession Cards* online for more detailed information on each of these cards:

<[http://www.centrelink.gov.au/internet/internet.nsf/filestores/co153_0412/\\$file/co153_0412en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co153_0412/$file/co153_0412en.pdf)>.

6.3 Key data sources for state and territory government expenditure and funding

The AIHW continues to use a variety of data sources in estimating expenditure and funding by state and territory governments. Key data sources for recurrent expenditure not including concessions expenditure are displayed in Table 6.1.

Table 6.1: Key data sources for state and territory government expenditure and funding

State and territory	Area of services	Source ^(a)							
		1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
NSW	(1) Families and children	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(2) Older people	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(3) People with disabilities	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW
	(2) & (3) combined	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(4) Other welfare	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
Vic	(5) Total expenditure	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(1) Families and children	<-----DHS Vic----->							
	(2) Older people	<-----DHS Vic----->							
	(3) People with disabilities	<-----DHS Vic----->							
	(2) & (3) combined	<-----DHS Vic----->							
Qld	(4) Other welfare	<-----DHS Vic----->							
	(1) Families and children	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(2) Older people	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(3) People with disabilities	AIHW	AIHW	AIHW	RoGS	AIHW	AIHW	AIHW	AIHW
	(2) & (3) combined	ABS	ABS	ABS	RoGS	ABS	ABS	ABS	ABS
WA	(4) Other welfare	ABS	ABS	ABS	AIHW	ABS	ABS	ABS	ABS
	(5) Total expenditure	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(1) Families and children	ABS	ABS	AIHW	ABS	ABS	ABS	ABS	ABS
	(2) Older people	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(3) People with disabilities	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
SA	(2) & (3) combined	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(4) Other welfare	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW
	(5) Total expenditure	ABS	AIHW	ABS	ABS	AIHW	ABS	ABS	ABS
	(1) Families and children	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(2) Older people	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
Tas	(3) People with disabilities	AIHW	AIHW	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(2) & (3) combined	ABS	ABS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(4) Other welfare	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW
	(5) Total expenditure	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(1) Families and children	ABS	ABS	ABS	ABS	ABS	RoGS	ABS	ABS
ACT	(2) Older people	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(3) People with disabilities	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	RoGS
	(2) & (3) combined	ABS	ABS	ABS	ABS	ABS	ABS	ABS	RoGS
	(4) Other welfare	ABS	ABS	ABS	AIHW	ABS	ABS	ABS	AIHW
	(5) Total expenditure	ABS	ABS	AIHW	AIHW	ABS	ABS	ABS	ABS
NT	(1) Families and children	ABS	ABS	ABS	ABS	AIHW	AIHW	AIHW	ABS
	(2) Older people	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS	RoGS
	(3) People with disabilities	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW
	(2) & (3) combined	ABS	ABS	ABS	ABS	ABS	ABS	ABS	ABS
	(4) Other welfare	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	ABS
	(5) Total expenditure	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	AIHW	ABS

(a) Data provided by AIHW are estimates.

6.4 1998–99 to 2003–04 data revisions

Data have been revised for all areas, all sources of funding, and for all years, that is from 1998–99 to 2003–04 (Table 6.2). With the inclusion of expenditure on high-level residential care, total all sector welfare services expenditure for all years are higher than reported in earlier reports. Data on funding by state and territory governments and local governments were mainly from the ABS. For some years, they were revised downward, and some years upward.

Table 6.2: Aggregate revisions to the 1998–99 to 2003–04 estimates (per cent)

Year	Government				Non-government			Total all sectors
	Australian Government	State and territory	Local	Total government	NGCSO	Households	Total non-government	
1998–99	87	11	5	44	25	56	44	44
1999–00	77	8	-2	37	24	39	33	36
2000–01	87	5	-1	40	20	33	29	37
2001–02	73	-1	9	32	15	37	29	31
2002–03	68	-1	27	30	18	33	28	30
2003–04	59	1	17	29	1	39	22	26

Appendix A: Welfare services expenditure

Table A1: Funding of recurrent and capital expenditure on welfare services by the Australian Government, state and territory governments and local governments, current prices, 1998–99 to 2005–06

	Australian Government		State and territory governments		Local governments		Total government (\$m)
	Amount (\$m)	Proportion of Australian Government (per cent)	Amount (\$m)	Proportion of state and territory governments (per cent)	Amount (\$m)	Proportion of local governments (per cent)	
Recurrent							
1998–99	6,998	57.0	5,064	41.2	225	1.8	12,286
1999–00	7,029	55.6	5,401	42.7	211	1.7	12,641
2000–01	8,026	57.9	5,619	40.5	215	1.6	13,859
2001–02	8,474	57.7	5,904	40.2	296	2.0	14,675
2002–03	9,095	56.6	6,432	40.0	554	3.4	16,081
2003–04	10,156	58.1	6,761	38.7	561	3.2	17,478
2004–05	10,635	57.0	7,503	40.2	508	2.7	18,646
2005–06	11,354	56.6	8,134	40.6	564	2.8	20,053
<i>8-year average</i>	..	57.1	..	40.4	..	2.5	100.0
Capital							
1998–99	64	31.6	110	54.1	29	14.2	203
1999–00	78	33.4	118	50.5	38	16.1	234
2000–01	73	26.5	179	65.2	23	8.3	275
2001–02	67	32.9	120	58.6	17	8.5	205
2002–03	80	35.4	83	36.9	62	27.7	225
2003–04	87	31.5	122	44.4	66	24.1	275
2004–05	73	24.2	199	66.0	30	9.9	301
2005–06	59	15.3	280	82.2	46	12.0	340
<i>8-year average</i>	..	27.6	..	57.6	..	14.8	100.0
Total							
1998–99	7,062	56.5	5,174	41.4	254	100.0	12,490
1999–00	7,107	55.2	5,519	42.9	249	100.0	12,875
2000–01	8,099	57.3	5,798	41.0	238	100.0	14,134
2001–02	8,542	57.4	6,024	40.5	314	100.0	14,879
2002–03	9,175	56.3	6,515	40.0	616	100.0	16,306
2003–04	10,242	57.7	6,883	38.8	627	100.0	17,753
2004–05	10,708	56.5	7,701	40.6	537	100.0	18,947
2005–06	11,413	55.8	8,414	41.2	610	100.0	20,437

Source: As for Table 3.5.

Table A2: Recurrent funding^(a) of welfare services by state and territory governments, current prices, 1998–99 to 2005–06 (\$ million)

Service type	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Family and child welfare services									
1998–99	428	322	172	80	100	32	42	16	1,192
1999–00	444	373	182	90	198	23	39	19	1,367
2000–01	501	416	192	97	102	22	43	19	1,393
2001–02	577	450	205	106	123	21	45	20	1,548
2002–03	638	461	235	153	114	28	47	28	1,705
2003–04	666	479	267	171	159	27	43	30	1,841
2004–05	720	501	427	190	183	38	80	31	2,170
2005–06	715	552	563	206	196	39	73	38	2,382
Welfare services for older people and people with disabilities									
1998–99	1,160	948	407	305	244	110	44	15	3,233
1999–00	1,188	1,031	443	363	279	116	44	21	3,485
2000–01	1,237	1,116	441	351	243	111	43	22	3,563
2001–02	1,309	1,217	436	391	251	108	54	23	3,789
2002–03	1,393	1,273	542	406	260	123	71	37	4,106
2003–04	1,455	1,334	594	435	274	131	69	38	4,330
2004–05	1,490	1,388	626	465	341	168	79	42	4,598
2005–06	1,570	1,499	775	500	348	181	75	51	4,999
Other welfare									
1998–99	347	19	178	48	8	26	11	2	639
1999–00	340	18	142	10	7	21	8	2	548
2000–01	348	20	131	123	7	27	4	2	663
2001–02	338	29	78	71	8	28	13	2	567
2002–03	397	33	115	21	8	35	10	3	622
2003–04	408	36	49	29	5	45	17	2	591
2004–05	470	42	93	39	37	36	16	3	736
2005–06	332	56	111	30	143	37	7	37	753
Total welfare services									
1998–99	1,935	1,289	757	433	352	168	96	33	5,064
1999–00	1,971	1,422	767	463	484	159	91	42	5,401
2000–01	2,085	1,552	764	572	351	160	90	44	5,619
2001–02	2,224	1,696	719	568	382	157	112	46	5,904
2002–03	2,428	1,768	891	580	383	187	129	67	6,432
2003–04	2,528	1,849	911	635	437	203	129	70	6,761
2004–05	2,680	1,931	1,146	693	561	241	174	76	7,503
2005–06	2,617	2,107	1,450	735	687	257	155	126	8,134

(a) Excludes funding for capital purposes.

Source: Recurrent expenditure not including concession: See Table 6.1: Concession expenditure: state departments.

Table A3: Recurrent funding^(a) of welfare services by state and territory governments, constant prices^(b), 1998–99 to 2005–06 (\$ million)

Service type	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Family and child welfare services									
1998–99	530	420	221	101	127	40	57	20	1,517
1999–00	543	469	242	110	239	29	50	22	1,703
2000–01	599	497	237	115	121	27	53	22	1,670
2001–02	663	519	244	121	139	25	54	23	1,788
2002–03	712	512	271	171	129	32	54	30	1,911
2003–04	726	521	297	186	174	30	47	32	2,011
2004–05	755	523	456	198	191	40	82	33	2,276
2005–06	715	552	563	206	196	39	73	38	2,382
Welfare services for older people and people with disabilities									
1998–99	1,436	1,236	525	387	309	140	59	18	4,109
1999–00	1,452	1,297	587	443	337	145	57	25	4,344
2000–01	1,479	1,335	541	414	288	134	53	26	4,270
2001–02	1,505	1,401	518	446	284	126	64	26	4,371
2002–03	1,554	1,413	625	453	294	141	80	41	4,602
2003–04	1,585	1,451	662	474	300	142	75	41	4,729
2004–05	1,563	1,448	669	485	355	176	81	44	4,820
2005–06	1,571	1,499	775	500	348	181	75	51	4,999
Other welfare									
1998–99	430	24	230	61	11	33	15	2	806
1999–00	415	23	188	13	9	26	11	2	686
2000–01	416	24	161	145	8	33	5	2	795
2001–02	389	33	93	81	9	33	15	3	655
2002–03	443	36	132	24	9	40	12	3	699
2003–04	444	39	55	32	5	49	19	2	644
2004–05	494	44	100	40	38	37	16	3	772
2005–06	332	56	111	30	143	37	7	37	753
Total welfare services									
1998–99	2,397	1,680	975	549	446	213	131	40	6,432
1999–00	2,411	1,789	1,017	566	585	200	118	48	6,733
2000–01	2,494	1,856	938	674	418	193	111	50	6,734
2001–02	2,558	1,953	855	648	432	183	134	52	6,814
2002–03	2,710	1,961	1,028	648	432	213	145	75	7,212
2003–04	2,754	2,011	1,014	691	479	220	140	76	7,385
2004–05	2,812	2,014	1,224	723	584	253	179	80	7,868
2005–06	2,617	2,107	1,450	735	687	257	155	126	8,134

(a) Excluding funding for capital purposes.

(b) Constant price welfare funding for 1998–99 to 2005–06 is expressed in terms of 2004–05 prices.

Source: Recurrent expenditure not including concession: See Table 6.1; Concession expenditure: state departments.

Appendix B: Residential Classification Scale questions and weightings

Table B1: The 20 RCS questions and weightings

RCS questions	A	B	C	D
RCS1	This question refers to the degree of assistance that the care recipient needs in communicating with staff, relatives and friends, and other care recipients, for whatever reason. (0.00)	If the care recipient has no difficulty with communication. (0.28)	If a care recipient requires assistance with cleaning and fitting of aids. (0.36)	If facility staff are required to spend additional time listening, speaking slowly and clearly, encouraging the care recipient to communicate or occasionally use non verbal cues. (0.83)
RCS2	This question refers to the degree of assistance required by a care recipient with regard to mobility. (0.00)	If the care recipient usually changes location independently. (1.19)	If the care recipient requires assistance from staff for transfers or if the care recipient needs to be accompanied or supervised when walking. (1.54)	If the care recipient requires assistance from facility staff on almost all occasions to communicate by translating or interpreting, or non-verbally. (1.82)
RCS3	This question refers to the degree of assistance that the care recipient requires with eating and drinking. (0.00)	Eats and drinks independently, observation only. (0.67)	Requires individual assistance with eating or drinking. (0.75)	Requires one-to-one individual assistance with all meal time activities. (2.65)

(continued)

Table B1 (continued): The 20 RCS questions and weightings

RCS questions	A	B	C	D	
RCS4	This question refers to the degree of assistance that the care recipient requires with showering and washing, dressing and undressing and personal hygiene including all grooming activities and the routine application of moisturisers for dry skin.	Attends to personal hygiene independently. (0.00)	Requires assistance with some activities. (5.34)	Requires 1 staff to carry out all activities. (14.17)	Requires staff to encourage or persuade the care recipient on a one-to-one basis to optimise self care function; OR Requires 2 staff to carry out most activities. (14.61)
RCS5	This question refers to the degree of assistance that the care recipient requires to use a toilet.	Attends to toileting independently or cannot use any kind of toilet. (0.00)	Requires setting up and some assistance. (5.98)	Requires staff to encourage and persuade care recipient to optimise self-care. (10.65)	Requires staff to carry out all activities. (13.70)
RCS6	This question relates to continence of urine and maintenance of continence of urine and the reduction of incontinence.	If the care recipient maintains continence independently and needs no program to remain continent. (0.00)	If the care recipient would be occasionally incontinent and his/her continence is supported by prompting only, or by using continence aids. (2.22)	If the care recipient is frequently incontinent and this cannot be improved by a continence program and continence aids such as pads, or urinary drainage systems are used at all times and are the only procedures used. OR If the care recipient is frequently incontinent and this cannot be improved by a continence program and, for behavioural or other reasons, he/she cannot use continence aids. (3.82)	If the care recipient would be frequently incontinent, but his/her continence level is optimised through an individualised continence program, record D. (4.19)

(continued)

Table B1 (continued): The 20 RCS questions and weightings

RCS questions	A	B	C	D	
RCS7	This question relates to continence of faeces and maintenance of continence of faeces and the reduction of incontinence.	If the care recipient maintains continence of faeces independently and needs no program to remain continent. (0.00)	If appropriate appliances such as pads are the only procedure used. (3.32)	If the care recipient is on a bowel management program for the prevention of constipation. (5.72)	If the care recipient would usually be incontinent but has an individualised continence program in place to optimise his/her continence level. (6.30)
RCS8	This question relates to the care recipient's ability to remember, understand, plan for, initiate and perform general living activities, and to react appropriately to information provided.	Understands and undertakes living activities independently. (0.00)	Needs cues or prompting to initiate, undertake or complete living activities. (0.79)	Has major difficulty ascertaining, initiating, undertaking, or completing most living activities and requires repetition and reminding. (1.11)	Cannot undertake living activities and needs to be shown or have explained every time. OR Unable to respond to any prompts. (3.40)
RCS9	This question relates to a care recipient wandering, absconding or interfering with other people or their belongings.	If the care recipient does not require observation for wandering or intrusive behaviour. (0.00)	If the care recipient has been assessed as exhibiting problem wandering or intrusive behaviour and recorded as needing observation or intervention for occasional, irregular and short-lived occurrences of the behaviour. (0.80)	For both new and reappraised care recipients, if observation and intervention to prevent or manage behaviours are required at least weekly. (1.58)	If observation and intervention are required daily. (4.00)
RCS10	This question relates to verbally disruptive or noisy behaviour of a care recipient, including abusive language and verbalised threats directed at another care recipient, a visitor or a member of staff.	If the care recipient does not require observation for verbally disruptive or noisy behaviour. (0.00)	If the care recipient has been assessed as exhibiting verbally disruptive or noisy behaviour and recorded as needing observation or intervention for occasional, irregular and short-lived occurrence of the behaviour. (1.19)	For both new and reappraised care recipients, if observation and intervention to prevent or manage behaviours are required at least weekly. (1.75)	If observation and intervention are required daily. (4.60)

Table B1 (continued): The 20 RCS questions and weightings

RCS questions	A	B	C	D	
RCS11	This question covers any physical conduct that is threatening and has the potential to harm another care recipient, a visitor or a member of staff. It includes, but is not limited to, hitting, pushing, kicking or biting. (0.00)	If the care recipient does not require observation for physically aggressive behaviour. (0.00)	If the care recipient has been assessed as exhibiting physically aggressive behaviour and recorded as needing observation or intervention for occasional, irregular and short-lived occurrences of the behaviour. (2.34)	For both new and reappraised care recipients, if observation and intervention to prevent or manage behaviours are required at least weekly. (2.69)	If observation and intervention are required daily. (3.05)
RCS12	This question relates to one-on-one interventions required by staff to respond to, manage and alleviate behaviours which result from a care recipient having a strong attachment or reliance on another person or persons. (0.00)	If the care recipient does not require observation for emotionally dependent behaviour. (0.00)	Requires observation or intervention. (0.28)	Requires observation for recurrence and intervention at least weekly, but less than daily. (1.50)	Requires observation for recurrence and intervention daily. (3.84)
RCS13	This question covers high-risk behaviour requiring observation or intervention and strategies to prevent, reduce or manage the behaviour. (0.00)	If the care recipient does not require observation for high-risk behaviour. (0.00)	If the care recipient has been assessed as exhibiting behaviour endangering themselves or others and recorded as needing observation or intervention for occasional, irregular and short-lived occurrences of the behaviour. (1.11)	For both new and reappraised care recipients, if observation and intervention to prevent or manage behaviours are required at least weekly. (1.54)	If observation and intervention are required daily. (1.98)

(continued)

Table B1 (continued): The 20 RCS questions and weightings

RCS questions	A	B	C	D	
RCS14	This question covers behaviours not covered in Questions 9 to 13 that require staff to spend time and effort in addition to support for daily activities.	If the care recipient does not require observation for high-risk behaviour. (0.00)	If the care recipient has been assessed as exhibiting behaviour endangering themselves or others and recorded as needing observation or intervention for occasional, irregular and short-lived occurrences of the behaviour. (0.91)	For both new and reappraised care recipients, if observation and intervention to prevent or manage behaviours are required at least weekly. (1.82)	If observation and intervention are required daily. (2.61)
RCS15	This question relates to the care recipient's need for support other than physical care.	If the care recipient does not require observation for high-risk behaviour. (0.00)	Some minor support means the care recipient is assisted by staff to participate in a group activity, other than routine, in-house activities, at least once a week, or in a 1:1 activity at least once in a 21 day period. (0.95)	Major support means the care recipient is assisted by staff to participate in a group activity, other than routine, in-house activities, on at least a daily basis, or in a 1:1 activity at least weekly. (1.98)	Extensive support means staff dedicate at least 30 minutes a day for the above activities in a one-on-one situation with the care recipient. (3.01)
RCS16	This question relates to activities related to the care recipient, involving one or more staff members interacting with families, friends, or the community.	Requires no specific support. (0.00)	some means less frequently than weekly. (0.28)	Requires support weekly or more often. (0.55)	Requires support daily or more often. (0.91)

(continued)

Table B1 (continued): The 20 RCS questions and weightings

RCS questions	A	B	C	D
RCS17	Medication - administered on a regular basis. (0.00)	Requires no specific support. (0.79)	Requires staff to give medication(s) to the care recipient, the care recipient takes the medication(s) him/herself and staff confirm that the medication(s) has been ingested. (8.55)	Requires staff to administer and assist with the taking of medication(s). OR Care recipient is resistant to medication(s) administration and staff are required to give significant encouragement (greater than prompting and reminding). (11.40)
RCS18	This question relates to technical and complex nursing procedures. (0.00)	No procedures are provided. (1.54)	A procedure or procedures from list 1 totalling 1 to 3 procedures daily. (5.54)	A procedure or procedures from list 2 totalling 1 to 3 procedures daily. OR A procedure or procedures from list 1 totalling 4 to 6 procedures daily. (11.16)
RCS19	This question relates to therapy provided to care recipients where the facility provides the therapy, or the facility pays for the therapy and the therapy is documented as a care need. (0.00)	No therapy required. (3.64)	Therapy provided 1 or 2 times a week. (6.10)	Therapy program provided either daily or at least 3 times a week in large blocks of time. (7.01)
RCS20	This question relates to services provided to care recipients where the facility provides the service or the facility pays for the service and the service is documented as a care need. (0.00)	No other services required. (0.71)	Other services provided 1 or 2 times a week. (1.46)	Other services provided 3 or more times a week but not daily. (2.93)

Source: DoHA 2005b

Appendix C: Population data

Table C1: Estimated mean resident population, by state, 1998–99 to 2005–06 ('000)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Other territories	Australia
1998–99	6,376.2	4,663.1	3,474.2	1,837.1	1,493.7	471.8	310.8	191.3	2.7	18,820.9
1999–00	6,449.8	4,715.3	3,531.4	1,863.2	1,502.1	471.6	313.8	194.2	2.6	19,043.9
2000–01	6,531.0	4,774.0	3,594.4	1,888.5	1,508.4	471.5	317.1	196.5	2.6	19,284.1
2001–02	6,605.9	4,835.4	3,672.2	1,914.4	1,516.5	472.3	320.9	198.5	2.6	19,538.7
2002–03	6,652.9	4,895.4	3,767.4	1,938.5	1,526.3	475.0	324.1	199.4	2.4	19,781.7
2003–04	6,692.5	4,956.1	3,862.7	1,968.2	1,536.3	480.7	326.2	200.9	2.4	20,026.1
2004–05	6,732.7	5,019.4	3,956.4	2,000.0	1,546.6	484.8	328.5	204.3	2.4	20,275.2
2005–06	6,789.0	5,091.0	4,048.9	2,038.6	1,560.5	488.5	332.2	208.7	2.4	20,559.8

Source: AIHW estimates based on the ABS quarterly resident population estimates.

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