

## GOVERNMENT SECONDARY EDUCATION

### BACKGROUND

#### *Category definition*

1. In the 1999 Review, the government secondary comprised of expenditure on administration, inspection, support and operation of educational programs at government institutions that extend secondary programs on a more subject-oriented pattern for a maximum period of 6 years. It also included expenditure on:

- (i) secondary education courses for adults and young people, other than those offered by colleges of technical and further education, including education programs for persons enrolled in part-time and evening secondary grades;
- (ii) education programs for students with special needs enrolled in secondary grades, including those with disabilities; and
- (iii) an allocation of central administration and other costs that cannot be directly assigned to specific education categories.

#### *Specific purpose payments*

2. *Draft Assessment Paper CGC 2003/78 Specific Purpose Payments*, sets out the SPPs which were associated with the Government Secondary Education category and which were treated by inclusion for the 2003 Update. These SPPs were:

- (i) Government Schools;
- (ii) Targeted Programs – Government Schools and Joint Initiatives; and
- (iii) Indigenous Education Strategic Initiatives Program – Government.

#### *Importance of the category*

3. Table 3-1 shows the gross expenses standard for this category in the 2003 Update. In 2001-02, the category standard was \$345.52 per capita; this represented 6.90 per cent of total standard gross expenses.

**Table 3-1** GOVERNMENT SECONDARY EDUCATION — GROSS STANDARD EXPENSES, 2003 UPDATE

|                                       | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 |
|---------------------------------------|---------|---------|---------|-----------|---------|---------|
| \$pc                                  | 255.16  | 274.63  | 299.94  | 314.16    | 329.05  | 345.52  |
| % of total gross standard expenses    | 6.93    | 7.11    | 6.59    | 6.78      | 6.78    | 6.90    |
| Gross standard user charges (\$pc)    | 2.53    | 3.15    | 4.31    | 4.61      | 4.98    | 5.36    |
| % of category gross standard expenses | 0.99    | 1.15    | 1.44    | 1.47      | 1.51    | 1.55    |

4. In the 2003 Update, compared with an equal per capita assessment, this category redistributed \$338.6 million. The redistribution reduced the grants of New South Wales, Victoria and South Australia. The factor which had the largest impact on grant shares was the socio-demographic composition factor. Compared with an equal per capita assessment, this factor redistributed \$253.0 million. This redistribution reduced the grants of New South Wales, Victoria, South Australia and the ACT.

***Structure of the assessment***

5. Table 3-2 shows the expenses assessment structure that was used in the 1999 Review.

**Table 3-2** ASSESSMENT STRUCTURE FOR GOVERNMENT SECONDARY EDUCATION — 1999 REVIEW

| Expenditure component      | Component weight | Factors                       | Basis of calculation   |
|----------------------------|------------------|-------------------------------|--|
|                            | %                |                               |  |
| Scale-affected expenditure | 0.78             | Input costs                   | General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.   |
|                            |                  | Administrative scale          | General method.  |
| Schools                    | 97.98            | Dispersion                    | General method.  |
|                            |                  | Grade cost                    | The notional number of Year 11 and 12 students was weighted by 1.2.  |
|                            |                  | Input costs                   | General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.   |
|                            |                  | Service delivery scale        | Based on estimated additional notional staffing required for schools in urban centres judged to have less than 800 students attending government secondary schools and schools in the rural balance. |
|                            |                  | Socio-demographic composition | Based on notional enrolments with additional weights given to students from disadvantaged backgrounds. The additional weights ranged from 0.10 to 0.45.  |
|                            |                  | Cross-border                  | Takes account of the net flow of students aged 15 years and over resident in New South Wales attending ACT schools — based on relative participation rates of 14-year-olds.                          |
| Isolation                  | 0.20             | Isolation                     | General method.  |
| Vandalism                  | 1.00             | Vandalism and security        | Populations in larger urban centres were given additional cost weights. The additional weights ranged from 1 to 5.   |
| National Capital           | 0.04             | National capital              | A national capital allowance of \$2 000 000 a year was assessed.   |

### *User Charges*

6. User charges for this category were assessed by the equal per capita method.

## PROPOSED CATEGORY DEFINITION AND STRUCTURE

7. No issues have been raised concerning the definition of this category or the assessment structure.

8. **Commission's decisions.** The Commission's decisions are summarised in Table 3-3.

**Table 3-3** COMMISSION DECISIONS – CATEGORY DEFINITION, ASSESSMENT STRUCTURE AND COMPONENT WEIGHTS

| Decision   | Reason  |
|--|---|
| Retain the current category definition.  | Maintaining a distinction between primary and secondary education levels, and between government and non-government sectors, leads to a more transparent assessment given the marked differences in unit costs.               |
| To vary the 1999 Review component structure by deleting the vandalism and security, and the national capital components. | The vandalism and security to be included in the schools component as part of the socio-demographic composition factor. The estimated additional cost associated with national capital influences is not considered material. |
| Treatment of SPPs  | No changes from the 2003 Update.  |

## FIXED COSTS COMPONENT

9. This component consists of expenses on core head office functions relating to the administration, planning, regulation and subsidisation of the electricity and gas industry. The costs of these activities are inevitably greater in per capita terms in less populous States. Administrative scale and input costs factors have been assessed for the fixed cost component of this category.

### *Administrative scale – fixed costs component*

10. **1999 Review.** The administrative scale factor was assessed to account for differences in per capita costs of providing central office functions and whole of State services. Scale-affected expenses for this category were assessed as \$13 million, of which \$8 million was considered as fixed cost and \$5 million as variable cost. The scale-affected expenses component represented 0.78 per cent of expenses in this category.

11. **2004 Review.** *Draft Assessment Paper 2003/60 Administrative Scale* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the fixed cost component in each category. The States did not raise issues specific to this category.

12. The Commission has decided that an administrative scale factor will be assessed for this category to recognise the unavoidable costs each State would incur to have the policy and administrative infrastructure necessary to provide the service regardless of the size of the task.

13. The administrative scale factors for this category, shown in Table 3-4, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$0.47 million per State. The Commission also assessed extra fixed costs of \$0.26 million for the Northern Territory to recognise the extra costs it incurs through the dual policy development tasks it must perform because of the high proportion of Indigenous people in its population. Total fixed costs for this category have been estimated to be \$3.78 million, which represents 0.45 per cent of the category standard.

**Table 3-4** ADMINISTRATIVE SCALE FACTORS — FIXED COSTS COMPONENT

|           | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT       |
|-----------|---------|---------|---------|---------|---------|---------|---------|----------|
| 1997-98   | 0.34487 | 0.47141 | 0.63651 | 1.20391 | 1.46724 | 4.60875 | 7.03915 | 17.87223 |
| 1998-1999 | 0.34482 | 0.47200 | 0.63408 | 1.19857 | 1.47645 | 4.67348 | 7.07127 | 17.77111 |
| 1999-2000 | 0.34484 | 0.47231 | 0.63138 | 1.19613 | 1.48613 | 4.73247 | 7.08520 | 17.69123 |
| 2000-01   | 0.34476 | 0.47241 | 0.62841 | 1.19549 | 1.49842 | 4.79253 | 7.08979 | 17.66644 |
| 2001-02   | 0.34518 | 0.47215 | 0.62452 | 1.19502 | 1.50943 | 4.84445 | 7.10408 | 17.77059 |

14. The factor based on estimated resident populations and the component weight will be updated annually.

#### ***Input costs — fixed cost component***

15. **1999 Review.** The input costs factor was assessed to recognise differences between States in per capita costs of labour, office accommodation and electricity. A separate factor was calculated for each of these inputs. For the scale affected costs component, these factors were applied to the following proportions of standard expenses:

- wages and salaries                      80 per cent;
- accommodation                            2 per cent; and
- electricity                                    1 per cent.

16. **2004 Review.** *Discussion Paper CGC 2003/04 Input Costs* discusses the issues raised by the States regarding the assessment of wages and salaries costs. The paper sets out the Commission's proposals for the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for wages and salaries. *Draft Assessment Paper CGC 2003/79 Input Costs - Electricity and Accommodation* discusses the issues raised by the States regarding the assessment of input costs relating to accommodation and electricity. The paper sets out the Commission's

decisions on the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for accommodation costs and electricity costs. The States did not raise issues specific to this category.

17. The Commission considered that the prices of labour, accommodation and electricity used in providing fixed cost services differ across States for reasons beyond the control of individual States. It has therefore decided that input costs will be assessed for this component.

18. The input costs factors for the fixed cost component of this category, shown in Table 3-5, have been calculated according to the 2004 Review general methods. The standard expense proportions applied were 80 per cent for wages and salaries, 2 per cent for accommodation and 1 per cent for electricity.

**Table 3-5** INPUT COSTS FACTORS — FIXED COST EXPENSES COMPONENT

|           | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1997-98   | 1.03302 | 0.98766 | 0.98151 | 0.98039 | 0.97094 | 0.93703 | 1.00802 | 1.09279 |
| 1998-99   | 1.03482 | 0.98866 | 0.97958 | 0.97693 | 0.96902 | 0.93459 | 1.01228 | 1.08820 |
| 1999-2000 | 1.03762 | 0.98781 | 0.97671 | 0.97892 | 0.96546 | 0.92795 | 1.01666 | 1.08353 |
| 2000-01   | 1.03819 | 0.98920 | 0.97482 | 0.97886 | 0.96427 | 0.92509 | 1.01589 | 1.08084 |
| 2001-02   | 1.03714 | 0.99034 | 0.97354 | 0.97996 | 0.96824 | 0.92479 | 1.01291 | 1.07737 |

19. The factors will be updated annually. The proportions represented by wages and salaries, accommodation and electricity will not be re-examined until the next review.

20. The input cost disabilities shown in Table 3-5 were also applied in the Schools component within this category.

## SCHOOLS COMPONENT

21. This component is the largest in this category. It covers the school-based expenses associated with providing services in government secondary schools. Service delivery scale, socio-demographic composition, grade costs, cross-border, input costs and dispersion factors are assessed for this component.

### *Service delivery scale – schools component*

22. The general discussion on this factor is in the main paper.

23. Table 3-6 shows the service delivery scale factors assessed for this component for the 2004 Review. This factor is used for all years.

**Table 3-6** SERVICE DELIVERY SCALE FACTOR FOR GOVERNMENT SECONDARY SCHOOLS, 2004 REVIEW

| State       | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1999 Review | 0.99406 | 0.99245 | 1.00300 | 1.00622 | 1.00799 | 1.04011 | 0.96058 | 1.10444 |
| 2004 Review | 0.99303 | 0.99493 | 1.00251 | 1.00934 | 1.01826 | 1.02678 | 0.98020 | 1.07748 |

***Socio-demographic composition – schools component***

24. The general discussion on this factor is in the main paper.

25. Table 3-7 shows the socio-demographic composition factors assessed for the Government secondary education category. Table 3-8 compares the 2003 Update and the 2004 Review factors for 2001-02.

**Table 3-7** SOCIO-DEMOGRAPHIC COMPOSITION FACTORS, SCHOOLS COMPONENT

|           | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1997-98   | 0.97596 | 0.89217 | 1.09311 | 1.15178 | 0.97798 | 1.13166 | 0.96818 | 1.19674 |
| 1998-99   | 0.97151 | 0.89346 | 1.09664 | 1.15347 | 0.98621 | 1.12863 | 0.95615 | 1.18237 |
| 1999-2000 | 0.96769 | 0.89630 | 1.09878 | 1.15529 | 0.99342 | 1.10348 | 0.95152 | 1.18679 |
| 2000-01   | 0.96378 | 0.90115 | 1.10217 | 1.15422 | 0.99764 | 1.08241 | 0.93766 | 1.18116 |
| 2001-02   | 0.96408 | 0.90091 | 1.10805 | 1.15000 | 0.99332 | 1.06903 | 0.92619 | 1.18290 |

**Table 3-8** SOCIO-DEMOGRAPHIC COMPOSITION FACTORS

|             | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2003 Update | 0.96024 | 0.89076 | 1.11545 | 1.17156 | 0.98273 | 1.07912 | 0.95852 | 1.21887 |
| 2004 Review | 0.96408 | 0.90091 | 1.10805 | 1.15000 | 0.99332 | 1.06903 | 0.92619 | 1.18290 |

***Grade cost — schools component***

26. The general discussion on this factor is in the main paper.

27. Table 3-9 shows the grade cost factors assessed for the Government secondary education category. Table 3-10 compares the 2003 Update and the 2004 Review factors for 2001-02.

**Table 3-9** GRADE COST FACTORS, SCHOOLS COMPONENT

|           | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1997-98   | 1.00189 | 1.00363 | 0.99623 | 0.99394 | 0.99903 | 1.00000 | 1.00851 | 0.99408 |
| 1998-99   | 1.00192 | 1.00333 | 0.99630 | 0.99398 | 0.99929 | 1.00100 | 1.00847 | 0.99407 |
| 1999-2000 | 1.00183 | 1.00319 | 0.99616 | 0.99416 | 0.99964 | 1.00306 | 1.00808 | 0.99447 |
| 2000-01   | 1.00178 | 1.00322 | 0.99576 | 0.99434 | 1.00004 | 1.00474 | 1.00724 | 0.99608 |
| 2001-02   | 1.00199 | 1.00342 | 0.99505 | 0.99453 | 1.00031 | 1.00498 | 1.00632 | 0.99715 |

**Table 3-10** COMPARISON OF GRADE COST FACTORS, 2001-02

|             | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2003 Update | 1.00172 | 1.00267 | 0.99545 | 0.99595 | 0.99965 | 1.00527 | 1.00736 | 1.00311 |
| 2004 Review | 1.00199 | 1.00342 | 0.99505 | 0.99453 | 1.00031 | 1.00498 | 1.00632 | 0.99715 |

***Cross border — schools component***

28. The general discussion on this factor is in the main paper.

29. Table 3-11 shows the cross border factors assessed for the Government secondary education category. Table 3-12 compares the 2003 Update and the 2004 Review factors for 2001-02.

**Table 3-11** CROSS BORDER FACTORS, SCHOOLS COMPONENT

|           | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1997-98   | 0.99796 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.03731 | 1.00000 |
| 1998-99   | 0.99829 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.03178 | 1.00000 |
| 1999-2000 | 0.99789 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.03961 | 1.00000 |
| 2000-01   | 0.99720 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.05297 | 1.00000 |
| 2001-02   | 0.99727 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.05164 | 1.00000 |

**Table 3-12** COMPARISON OF CROSS BORDER FACTORS, 2001-02

|             | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2003 Update | 0.99726 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.05059 | 1.00000 |
| 2004 Review | 0.99727 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.05164 | 1.00000 |

***Input costs — schools component***

30. **1999 Review.** The following standard expense proportions were applied to each of the factors assessed for this component:

- wages and salaries 70 per cent;
- accommodation 2 per cent; and
- electricity 1 per cent.

31. **2004 Review.** The input costs factors for the schools component of this category, shown in Table 3-13, have been calculated according to the general method outlined in *Discussion Paper CGC 2003/04 Input Costs* and in *Draft Assessment Paper CGC 2003/79 Input Costs – Electricity and Accommodation*. The standard expense proportions applied were 70 per cent for wages and salaries, 2 per cent for accommodation and 0.5 per cent for electricity.

**Table 3-13** INPUT COSTS FACTORS — SCHOOLS COMPONENT

|           | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1997-98   | 1.02932 | 0.98903 | 0.98351 | 0.98292 | 0.97413 | 0.94405 | 1.00688 | 1.08142 |
| 1998-99   | 1.03090 | 0.98991 | 0.98183 | 0.97989 | 0.97245 | 0.94192 | 1.01061 | 1.07740 |
| 1999-2000 | 1.03335 | 0.98917 | 0.97931 | 0.98163 | 0.96934 | 0.93610 | 1.01444 | 1.07331 |
| 2000-01   | 1.03385 | 0.99038 | 0.97766 | 0.98158 | 0.96830 | 0.93360 | 1.01376 | 1.07096 |
| 2001-02   | 1.03293 | 0.99138 | 0.97654 | 0.98254 | 0.97177 | 0.93334 | 1.01116 | 1.06793 |

***Dispersion – schools component***

32. **1999 Review.** The dispersion factor was assessed to account for differences in per capita costs of providing services arising from differences between States in the spread of their population. The factor reflects the effects of population dispersion on State expenses associated with telecommunication, freight, travel and staffing on-costs.

33. There were seven indexes within the dispersion factor, each reflecting the effect of interstate differences in population dispersion on a separate type of

dispersion-affected cost. The indexes were weighted by the proportions of standard expenses affected by each type of dispersion-affected cost and combined to form the overall dispersion factor. The proportions of standard expenses estimated for this component are shown in Table 3-14.

**Table 3-14** DISPERSION COST WEIGHTS FOR GOVERNMENT SECONDARY SCHOOLS, 1999 REVIEW

| Telephone | Freight | Air Travel | Road Travel    |         | Remote Removals | Locality Allowances |
|-----------|---------|------------|----------------|---------|-----------------|---------------------|
|           |         |            | Inter Regional | Local   |                 |                     |
| 0.00288   | 0.0032  | 0.00066    | 0.00519        | 0.00231 | 0.00169         | 0.00635             |

Source: 2003 Update Working Papers Volume 4, p73.

34. **2004 Review.** *Draft Assessment Paper CGC 2003/63 Dispersion* discusses the issues raised by the States regarding the assessment of the dispersion factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the standard expense proportions estimated for each of the nine elements of dispersion-affected expenses. The States did not raise issues specific to this category

35. The Commission noted that the expenses incurred in providing Schools component include costs that are affected by population dispersal. It has therefore decided that a dispersion disability will be assessed.

36. The dispersion factors for the Schools component have been calculated according to the 2004 Review general method. There were nine indexes within the dispersion factor for the 2004 Review. Table 3-15 shows the proportions of standard expenses estimated for each of the nine elements of dispersion affected expenses for this component.

**Table 3-15** 2004 REVIEW DISPERSION COST WEIGHTS, SCHOOLS COMPONENT

| Telecommunication |           | Freight, General | Air Travel | Road Travel    |        | Repairs and Maintenance | Remote Staff Turnover | Locality Allowances |
|-------------------|-----------|------------------|------------|----------------|--------|-------------------------|-----------------------|---------------------|
| Voice             | Non-voice |                  |            | Inter Regional | Local  |                         |                       |                     |
| 0.0030            | 0.0045    | 0.0019           | 0.0010     | 0.0051         | 0.0023 | 0.0021                  | 0.0023                | 0.0115              |

37. Table 3-16 shows the dispersion factors assessed for Schools component for the 2004 Review.

**Table 3-16** 2004 REVIEW DISPERSION FACTORS, SCHOOLS COMPONENT

|                    | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT      |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Dispersion factors | 0.98860 | 0.98413 | 1.01472 | 1.04138 | 0.99241 | 0.98789 | 0.96783 | 1.23496 |

38. Neither the factor nor the dispersion costs weights will be updated before the next review.

### ISOLATION COMPONENT

#### *Isolation – isolation component*

39. **1999 Review.** The isolation factor was assessed to account for differences in per capita costs of service provision for some States because of their economic and geographical isolation from the main interstate sources of supply in South Eastern Australia. It reflected the combined effect of isolation on labour-related costs, interstate freight costs, professional infrastructure costs, commercial goods costs, airfares, travel allowances and other travel-related subsidies. The isolation-affected expenses component represented 0.20 per cent of expenses in this category.

40. **2004 Review.** *Draft Assessment Paper CGC 2003/65 Isolation* discusses the issues raised by the States regarding the assessment of isolation. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the isolation-affected expenses component for relevant categories. The States did not raise issues specific to this category.

41. The isolation factors for the isolation component, shown in Table 3-17, have been calculated according to the 2004 Review general method. Isolation-affected expenses for this category have been estimated to be 0.09 per cent of the category standard.

**Table 3-17** ISOLATION FACTORS — ISOLATION COMPONENT

|           | NSW     | Vic     | Qld     | WA      | SA      | Tas     | ACT     | NT       |
|-----------|---------|---------|---------|---------|---------|---------|---------|----------|
| All years | 0.05107 | 0.10737 | 0.17783 | 0.74776 | 0.56469 | 3.49490 | 1.51842 | 68.27218 |

42. The factor and component weight will not be updated until the next review. This means that isolation-affected expenses will grow at the same rate as category expenses.

## **NATIONAL CAPITAL COMPONENT**

43. No allowance has been assessed. See main paper for a discussion of this issue.

## **PROPOSED METHOD OF ASSESSMENT**

44. Table 3-18 shows the proposed assessment structure for Government Secondary Education category. This differs from that of the 1999 Review in that there are no longer separate components for Vandalism or National Capital factor expenses.

**Table 3-18** ASSESSMENT STRUCTURE, GOVERNMENT SECONDARY EDUCATION

| Component       | Component weight | Factors                       | Basis of calculation  |
|-----------------|------------------|-------------------------------|---|
|                 | %                |                               |   |
| <b>Expenses</b> |                  |                               |   |
| Fixed Costs     | 0.45             | Administrative scale          | General method.   |
|                 |                  | Input costs                   | General method with weights of 80% for wages, 2% for accommodation and 0.5% for electricity.  |
| Schools         | 99.46            | Dispersion                    | Assessed by the general method.   |
|                 |                  | Input costs                   | Assessed by the general method with a weighting of 70% for wages, 2% for accommodation and 0.5% for electricity.  |
|                 |                  | Service delivery scale        | Based on estimated additional notional staffing required for schools in urban centres judged to have less than 350 students attending government secondary schools and schools in the rural balance.  |
|                 |                  | Socio-demographic composition | A joint factor assessing relevant population and socio-economic composition disabilities. This factor uses a mixture of actual and notional enrolments (for students of non-compulsory school age). Students from disadvantaged backgrounds are cost weighted. The additional weights ranged from 0.10 to 0.70. Additional weights are also applied for urban influences. The factor also includes a small element to cover higher costs associated with humanitarian migrants. |
|                 |                  | Cross border                  | Takes account of the net flow of students aged 15 years and over resident in New South Wales attending ACT schools — based on relative participation rates of 14-year-olds.   |
|                 |                  | Grade cost                    | Recognises the additional costs associated with senior secondary students. Students in Years 11 and 12 are cost weighted by 1.2.  |
| Isolation       | 0.09             | Isolation                     | General method.   |

***Derivation of the category factor***

45. Table 3-19 summarises the components, component weights and disability factors assessed for this category for 2001-02. It shows how the category factor is derived.

**Table 3-19 GOVERNMENT SECONDARY EDUCATION — DERIVATION OF THE CATEGORY FACTOR FOR 2001-02**

| Factors  | NSW            | Vic            | Qld            | WA             | SA             | Tas            | ACT            | NT             |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>FIXED COSTS (FC) (component weight = 0.45%)</b> |                |                |                |                |                |                |                |                |
| Administrative scale (s)                           | 0.34518        | 0.47215        | 0.62452        | 1.19502        | 1.50943        | 4.84445        | 7.10408        | 17.77059       |
| Input costs (ic_fc)                                | 1.03714        | 0.99034        | 0.97354        | 0.97996        | 0.96824        | 0.92479        | 1.01291        | 1.07737        |
| Component factor                                   | 0.35771        | 0.46721        | 0.60751        | 1.17013        | 1.46032        | 4.47650        | 7.19007        | 19.13020       |
| Cont. to category factor                           | 0.00161        | 0.00210        | 0.00273        | 0.00527        | 0.00657        | 0.02014        | 0.03236        | 0.08609        |
| <b>SCHOOLS (SCH) (component weight = 99.46%)</b>   |                |                |                |                |                |                |                |                |
| Dispersion (d)                                     | 0.98860        | 0.98413        | 1.01472        | 1.04138        | 0.99241        | 0.98789        | 0.96783        | 1.23496        |
| Input Costs (ic_sch)                               | 1.03293        | 0.99138        | 0.97654        | 0.98254        | 0.97177        | 0.93334        | 1.01116        | 1.06793        |
| Socio-demographic Composition (sdc)                | 0.96408        | 0.90091        | 1.10805        | 1.15000        | 0.99332        | 1.06903        | 0.92619        | 1.18290        |
| Service Delivery Scale (sds)                       | 0.99303        | 0.99493        | 1.00251        | 1.00934        | 1.01826        | 1.02678        | 0.98020        | 1.07748        |
| Grade Cost Factor (gc)                             | 1.00199        | 1.00342        | 0.99505        | 0.99453        | 1.00031        | 1.00498        | 1.00632        | 0.99715        |
| Cross Border Factor (x)                            | 0.99727        | 1.00000        | 1.00000        | 1.00000        | 1.00000        | 1.00000        | 1.05164        | 1.00000        |
| Component factor                                   | 0.97544        | 0.87576        | 1.09364        | 1.17982        | 0.97372        | 1.01434        | 0.93883        | 1.65280        |
| Cont. to category factor                           | 0.97017        | 0.87103        | 1.08774        | 1.17345        | 0.96846        | 1.00886        | 0.93376        | 1.64387        |
| <b>ISOLATION (ISO) (component weight = 0.09%)</b>  |                |                |                |                |                |                |                |                |
| Isolation (iso)                                    | 0.05107        | 0.10737        | 0.17783        | 0.74776        | 0.56469        | 3.49490        | 1.51842        | 68.27218       |
| Component factor                                   | 0.05107        | 0.10737        | 0.17783        | 0.74776        | 0.56469        | 3.49490        | 1.51842        | 68.27218       |
| Cont. to category factor                           | 0.00005        | 0.00010        | 0.00016        | 0.00067        | 0.00051        | 0.00315        | 0.00137        | 0.06144        |
| <b>Category Factor</b>                             | <b>0.97183</b> | <b>0.87323</b> | <b>1.09063</b> | <b>1.17939</b> | <b>0.97554</b> | <b>1.03215</b> | <b>0.96749</b> | <b>1.79140</b> |

***Calculation formula***

46. The following formulas were used to calculate the contribution of each expenses component to the overall category factor. In each case, the contributions are calculated as the expenses component weight multiplied by the component factor (the bracketed terms in the formulas). Each contribution to category factor was rescaled to ensure that the sum of standardised equals the sum of actual expenses.

$$\begin{aligned}
 \text{FC} &= 0.0045 * (s*ic\_fc) \\
 \text{SCH} &= 0.9946 * ([d+ic\_sch]*sds*sdc*gc*x) \\
 \text{ISO} &= 0.0009 * (iso) \\
 \text{Category Factor} &= \text{FC} + \text{SCH} + \text{ISO}
 \end{aligned}$$

### *Standardised expenses*

47. Table 3-20 compares the category factors derived for the 2004 Review draft assessment within the 2003 Update.

**Table 3-20** COMPARISON OF CATEGORY FACTORS, 2003 UPDATE AND THE DRAFT ASSESSMENT FOR THE 2004 REVIEW

|                                       | NSW            | Vic            | Qld            | WA             | SA             | Tas            | ACT            | NT             |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 2003 Update                           | 0.96103        | 0.87825        | 1.08882        | 1.20350        | 0.96005        | 1.11435        | 1.03017        | 1.65174        |
| <b>Draft Assessment - 2004 Review</b> | <b>0.97183</b> | <b>0.87323</b> | <b>1.09063</b> | <b>1.17939</b> | <b>0.97554</b> | <b>1.03215</b> | <b>0.96749</b> | <b>1.79140</b> |

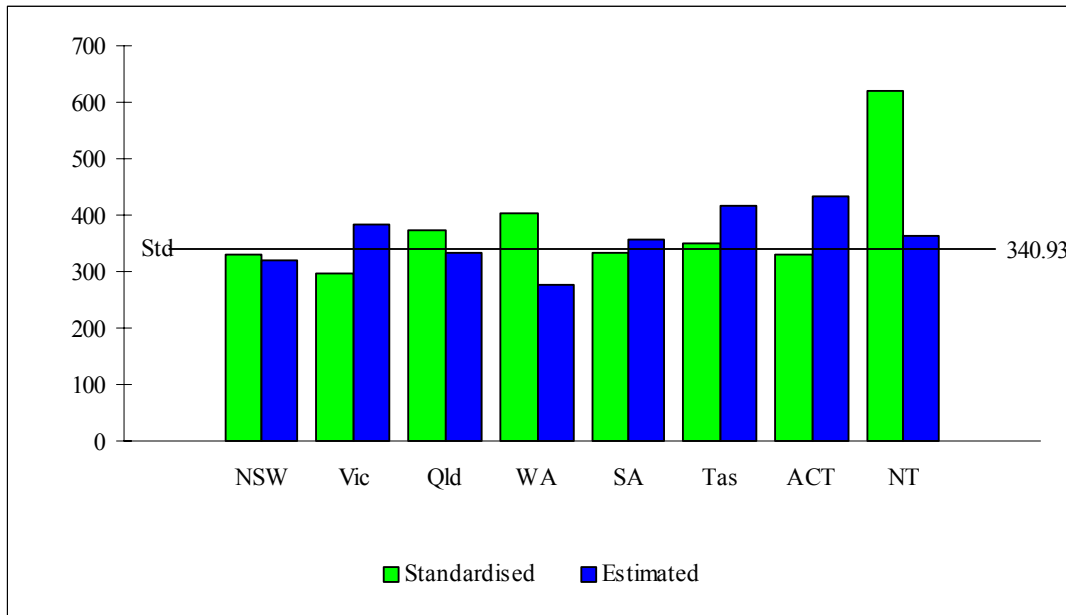
48. Table 3-21 presents, for 2001-02, the draft assessment standardised expenses and compares them with the 2003 Update results.

**Table 3-21** ESTIMATED, STANDARD AND STANDARDISED EXPENSES, 2001-02

|                       | Standard | NSW      | Vic      | Qld      | WA      | SA      | Tas     | ACT     | NT      |
|-----------------------|----------|----------|----------|----------|---------|---------|---------|---------|---------|
| <b>2003 Update -</b>  |          |          |          |          |         |         |         |         |         |
| Estimated expenses    |          |          |          |          |         |         |         |         |         |
| \$m                   |          | 2195.717 | 1707.485 | 1231.488 | 622.712 | 583.404 | 212.998 | 140.098 | 77.948  |
| \$ per capita         |          | 330.640  | 351.700  | 335.510  | 324.630 | 384.160 | 450.140 | 343.180 | 389.860 |
| Standardised expenses |          |          |          |          |         |         |         |         |         |
| \$m                   |          | 2205.156 | 1473.269 | 1380.872 | 797.648 | 503.758 | 182.187 | 114.853 | 114.107 |
| \$ per capita         | 345.520  | 332.060  | 303.450  | 376.210  | 415.830 | 331.720 | 385.030 | 355.940 | 570.710 |
| <b>2004 Review</b>    |          |          |          |          |         |         |         |         |         |
| Estimated expenses    |          |          |          |          |         |         |         |         |         |
| \$m                   |          | 2119.925 | 1857.135 | 1223.474 | 531.251 | 540.655 | 196.875 | 140.098 | 72.548  |
| \$ per capita         |          | 319.222  | 382.521  | 333.329  | 276.953 | 356.012 | 416.070 | 434.182 | 362.852 |
| Standardised expenses |          |          |          |          |         |         |         |         |         |
| \$m                   |          | 2195.389 | 1445.350 | 1365.877 | 772.615 | 506.643 | 165.615 | 106.421 | 124.051 |
| \$ per capita         | 340.934  | 330.586  | 297.704  | 372.126  | 402.782 | 333.616 | 350.006 | 329.814 | 620.443 |

49. Figure 3-1 shows the gross expenses per capita for 2001-02 in terms of standardised, estimated and gross standard expenses.

**Figure 3-1** GOVERNMENT SECONDARY EDUCATION — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



***Effect of assessment on grants***

50. Table 3-22 shows the redistribution of grants resulting from the assessment in the 2003 Update and in the Draft Assessment for the 2004 Review.

51. Compared to an equal per capita assessment, the Draft Assessment redistributed \$313.7 million away from New South Wales, Victoria, South Australia and the Australian Capital Territory to the other States, \$47.6 million less than in the 2003 Update. This is consistent with our understanding that the standardised expenses have risen relative to the corresponding amount for 2003 Update.

52. Compared with the 2003 Update, the grant shares of New South Wales, Queensland, South Australia and the Northern Territory have increased and those of the other States have fallen. The main reasons for the change in grants were:

- (i) the changes in the input costs factors which had substantial effects and led to increases in the redistribution towards New South Wales the ACT and the Northern Territory from Victoria, Western Australia and Tasmania;

- (ii) the changes to the method of calculating the notional numbers of post-compulsory enrolments, in the socio-demographic composition factor, redistributed grants to New South Wales, Victoria, and South Australia from the other States — particularly, Western Australia, the ACT and the Northern Territory — although, for the Northern Territory, this impact was mitigated by the increased cost weights for Indigenous students in remote areas;
- (iii) the changes to the service delivery scale factor redistributed grants to South Australia and the ACT from Tasmania and the Northern Territory;
- (iv) discontinuing the national capital factor reduced the share for the ACT; and
- (v) reducing the impact of the administrative scale assessment (by reducing the size of the component to which it applies) also had some impact on the assessment.

**Table 3-22** EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION —  
GOVERNMENT SECONDARY EDUCATION

|   | NSW   | Vic    | Qld   | WA    | SA    | Tas   | ACT  | NT   | Total <sup>(a)</sup> |
|---|-------|--------|-------|-------|-------|-------|------|------|----------------------|
|   | \$m   | \$m    | \$m   | \$m   | \$m   | \$m   | \$m  | \$m  | \$m                  |
| Contribution to 2003 Update<br>relativities <sup>(b)</sup>                      | -89.2 | -227.0 | 113.8 | 146.4 | -22.4 | 25.6  | 5.2  | 47.6 | 338.6                |
| Contribution to 2004 Review<br>Draft Assessments<br>relativities <sup>(b)</sup> | -64.6 | -233.3 | 115.9 | 127.2 | -14.2 | 10.4  | -1.7 | 60.3 | 313.8                |
| Total change  | 24.6  | -6.3   | 2.1   | -19.2 | 8.2   | -15.2 | -6.8 | 12.7 | 47.6 <sup>(c)</sup>  |

(a) Total redistribution.

(b) Assuming same pool and a constant population.

(c) This figure shows the change in the amount redistributed among the States between the 2003 Update and the 2004 Review Draft Assessment. It does not necessarily equal the difference in the total contributions to the relativities between the two inquiries.

## USER CHARGES

53. The quantum of user charges for this category is small and remains policy influenced. No States commented on the user charges assessment for this category.

54. The Commission has decided that user charges for this category should continue to be assessed by the equal per capita method.