

PRESCHOOL EDUCATION

- 1 This working paper describes how the Commission estimates what each State would need to spend to provide the average level of preschool education services to its residents. The development of the assessment method is discussed in Volume 4 of the 2004 Review working papers.

PRESCHOOL EDUCATION SERVICES

- 2 All States provide and/or fund preschool education services. These services are generally provided to children aged from 3 to 5, but all States differ in the ages of children in preschool education.
- 3 The Preschool Education category covers expenses on preschool services, consisting of administration, inspection, support and operation of preschool education programs provided on a sessional basis for children up to 5 years of age delivered in a school type environment. More specifically, the category included:
 - direct provision of preschools and kindergartens;
 - payment of subsidies and grants to non-government and local government operators of preschools and kindergartens; and
 - education programs for preschool age children with special needs, including children with disabilities.
- 4 Australian and State governments spent \$0.5 billion (\$22.91 per capita) on preschool education in 2006-07. State Governments financed 99.34 per cent of this amount and the Australian Government 0.66 per cent. The Commission treats some Australian Government funding as specific purpose funding and includes it in category expenses.
- 5 Australian Government Specific Purpose Payments (SPPs) included in the category were parts of the Indigenous Education Strategic Initiatives – Government. Indigenous Education Strategic Initiatives – Non-Government were treated by exclusion.

WHY EXPENSES ON PRESCHOOL EDUCATION SERVICES DIFFER

6 The per capita amount spent by each State on preschool education services varies considerably. The Commission seeks to understand why these figures vary. If the sole source of variation is different government policies, then the differences do not impact on State GST shares. If the variation is due to circumstances beyond a State's control, the differences will be reflected in State GST shares. Table 1 shows Preschool Education expenses per capita for each State and the average overall.

Table 1 Preschool Education, expenses per capita, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2002-03	2.57	18.68	31.04	12.07	30.04	44.21	18.51	70.19	16.97
2003-04	2.56	21.23	32.06	17.46	34.44	49.82	30.66	74.65	19.10
2004-05	3.15	21.91	34.12	19.28	26.58	55.69	39.57	78.31	19.82
2005-06	3.09	22.79	38.78	21.28	29.54	69.61	45.15	95.80	22.01
2006-07	3.06	24.60	40.86	21.22	29.46	70.55	45.92	94.25	22.91

Source: Derived from Government Finance Statistics (GFS) data collated by the ABS using CGC coding rules (and adjustments).

Box 1: The Commission's concept of average

The Australian average expense per capita is not a simple average of the experience of the eight States. It is calculated as the total expenses incurred by all States divided by total State population. This is a population weighted average. Population weighting gives equal weight to each Australian's experience. Since more Australians experience the New South Wales level of service, it carries more weight in the calculation of the average. 33 per cent of Australians reside in New South Wales and 1 per cent reside in the Northern Territory. Population weighting gives the experience of New South Wales (\$3.06 per capita in 2006-07) 33 times the weight of the experience of the Northern Territory (\$94.25 per capita). This approach means the average expense per capita is generally much closer to the New South Wales expense per capita than the Northern Territory expense per capita.

The concept of using this average also applies to the assessment of factors. If the Commission were trying to estimate the cost of providing services to Indigenous people living in remote areas, it would give most weight to the Northern Territory's experience (38 per cent of remote Indigenous people live in the Territory) and least to Tasmania (less than 0.2 per cent), Victoria (less than 0.1 per cent) and the ACT (0 per cent).

7 Differences in State expenses per capita are likely to reflect differences in:

- the costs and number of resources provided to each student; and
- the number of preschool students in State populations.

8 Table 2 shows a measure of the cost of resources (expenses per student) and the number of students per capita. It shows, for example that the ACT provides preschool education services at more than the average costs per capita despite having a lower proportion of preschool students in its population. However, numbers of students are influenced by State policies. So, it would be inappropriate for the Commission to accept actual numbers of students as a measure of what States would need to spend to provide the average level of service.

Table 2 State expenses for preschool education, 2006-07¹

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
(a) General indicators									
Expenses (\$m)	122.4	118.2	99.0	57.9	79.8	21.6	20.0	21.8	540.6
Students (No.)	65 514	59 453	63 650	25 569	21 170	5 994	3 550	3 272	248 172
Population ('000)	6 856	5 168	4 136	2 082	1 577	492	337	213	20 859
(b) Ratios									
Expense per capita (\$)	18	23	24	28	51	44	59	102	26
Expense per student (\$)	1 868	1 989	1 556	2 263	3 770	3 599	5 630	6 666	2 179
Students per '000 persons	10	12	15	12	13	12	11	15	12
(c) Comparisons of State ratio to average ratio									
Expense per capita (%)	-31.1	-11.7	-7.6	7.2	95.3	69.3	129.0	295.4	0.0
Expense per student (%)	-14.3	-8.7	-28.6	3.9	73.1	65.2	158.5	206.0	0.0
Students per capita (%)	-19.7	-3.3	29.4	3.2	12.9	2.5	-11.4	29.2	0.0

Source: Productivity Commission - Report on Government Services 2008, Tables 3A.5, 3A.11
 ABS, Special Data Request: Mean Resident Population

¹ The availability of comprehensive preschool enrolment and cost data that is comparable across States is limited and the source of the data in Tables 2 and 3 is accompanied with cautionary notes about the interpretation of the data because of issues around synchronisation of data collection times, overestimation of attendance and double counting in several jurisdictions.

9 Table 3 provides information on some of the characteristics of preschool students in each State and the proportion of total enrolments. Table 4 shows State's shares of preschool age population (age 3 to 5 years) and enrolments.

Table 3 General indicators for Preschool Education, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Population aged 3 to 5	258 625	190 143	162 468	79 009	54 668	17 799	12 148	10 519
Enrolments								
All students	65 514	59 453	63 650	25 569	21 170	5 994	3 550	3 272
Indigenous	2 384	504	3 858	2 322	1 240	285	106	1 378
LBOTE	6 399	9 721	993	na	2 180	na	523	na
Regional ^(a)	20 149	19 652	30 762	7 525	5 920	5 903	37	1 476
Remote ^(b)	829	149	5 244	2 338	1 190	91	na	1 796

(a) Geographic location is based on the ABS's Australian Standard Geographical Classification of Remoteness Areas. The regional classification was derived by adding data for inner regional and outer regional areas.

(b) The remote classification was derived by adding data for remote, very remote and migratory areas.

Source: ABS, Population by Age and Sex, Cat No. 3201.0, June 2007

Productivity Commission - Report on Government Services 2008, Tables 3A.11, 3A.37, 3A.45, 3A.53, 3A.61, 3A.69, 3A.77, 3A.85, 3A.93

Table 4 Preschool Education, shares of indicators, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Population aged 3 to 5	32.9	24.2	20.7	10.1	7.0	2.3	1.5	1.3
Total enrolment	26.4	24.0	25.6	10.3	8.5	2.4	1.4	1.3
Indigenous	19.7	4.2	31.9	19.2	10.3	2.4	0.9	11.4
LBOTE	32.3	49.1	5.0	na	11.0	na	2.6	na
Regional	22.0	21.5	33.6	8.2	6.5	6.5	0.0	1.6
Remote	7.1	1.3	45.1	20.1	10.2	0.8	na	15.4

10 States' expenses per capita are affected by:

- efficiency of service delivery
- the number of enrolments; and
- the number of students in special needs groups.

11 The Commission seeks measures of need that are not influenced by States policies.

Efficiency of service delivery

12 A State may provide government preschool education services more or less efficiently than the average for all States. This is a policy decision that affects the cost of providing government preschool education services.

The number of enrolments

- 13 At the beginning of August 2007, there were 248 172 children in Australia² attending preschool. 89.0 per cent were eligible to attend school in the following year and 11.0 per cent of them would not be eligible to attend school for two years. Most States offer limited numbers of places for younger children from special needs groups two years before starting school. The services provided to special needs groups are policy decisions.
- 14 Other policy decisions include:
- the starting age of school;
 - preschool not being compulsory;
 - the hours of attendance — preschool education programs are sessional and vary from about 10 to 12.5 hour per week;
 - the number of places made available for younger children;
 - the cost to parents — in some States preschool fees are charged to attend preschool; and
 - the location of the preschool.
- 15 The proportion of children aged 3 to 5 in the total population who are eligible to attend preschool education varies between States. This is a circumstance that is beyond the control of an individual State government.

Number of preschool education students in special needs groups.

- 16 Certain groups of children in preschool education have special needs. It costs more to provide services for these students. In its report, the Productivity Commission identified the following special needs groups.
- Indigenous students;
 - students from language backgrounds other than English (LBOTE);
 - students with disabilities;
 - geographically remote students; and
 - students from families of low socio-economic status.
- 17 The proportion of students in each special needs group is another example of circumstances that affect the cost of providing government preschool education and which are beyond the control of an individual State government.

² Productivity Commission – Report on Government Services 2008, Table 3A.11

ASSESSING STATES' COSTS OF PROVIDING PRESCHOOL EDUCATION SERVICES

The equalisation task

- 18 The Commission aims to identify why it costs some States more to provide preschool education services and then using this information to estimate what it would cost each State to provide these services using the average policy and practice of all States. This estimate is called a State's *assessed expense*.
- 19 The process the Commission follows is twofold. First, it starts with the average expense that captures the average policies, efficiency and circumstances of all States. Second, it attempts to quantify how a State varies from the average in some underlying characteristic (for example, the proportion of its student population attending preschools) and what effect such a variation could have on its total expenses. Bringing them together shows how much a State could be expected to vary from the average, solely because of its innate characteristics. The resultant estimate is its assessed expense. This section discusses how the Commission identifies these characteristics; the following sections discuss how it measures them.
- 20 The Commission identifies the major influences that cause States to have different expenses per capita and estimates their financial impact on either:
 - assessed service use; or
 - assessed unit costs.

Assessed service use

- 21 For preschool education services, the influences which affect assessed service use are:
- the proportion of the population who are children of preschool age;
 - the proportion of eligible children attending school; and
 - the proportion of preschool students in special needs groups. For example, students from low income families, Indigenous students, students with low English fluency and students who live in remote areas generally cost more per student than the general student population.

Assessed unit costs

- 22 For preschool education services, the influences which affect assessed unit costs are:
- the small size of some preschools. Small towns have small preschools which incur diseconomies of small scale;
 - the cost of geographically remote preschools. Preschools located in remote areas have higher costs associated with their remoteness (travel, freight, staff relocation etc);
 - the cost of bringing supplies in from outside the State;
 - the size of the preschool education sector. There is a minimum cost associated with setting up, regulating and administering a preschool education system; and
 - the unit cost of inputs. States face differing costs in relation to the price of labour, accommodation consumables and electricity.
- 23 While some of these influences, such as wage levels and electricity costs, may be partially affected by government policies, the Commission attempts to take account of only that part of the influence that is beyond the control of individual State governments.

OVERVIEW OF THE METHOD FOR DETERMINING ASSESSED EXPENSES

24 The box below provides a brief step by step overview of the framework the Commission uses to determine each States’ assessed expenses for preschool education.

Box 2: Assessment framework

Step 1: Derive the average expense per capita
This is done by dividing the total expenses incurred by all States by total State population. This figure captures the average financial impact of the policies, practices and particular State circumstances that impact on the cost of delivering the service across the nation.

Step 2: Identify different types of expenses
The Commission examines the service to determine whether parts of the total expense are affected by different influences. If the differences are material, the expense is divided into component parts to ensure that the various influences are accurately matched with the expenses they affect. The different expense types identified are referred to as components. To identify components, the Commission analyses information and data on the nature of the service (that is, what States do and how they do it), States’ policies concerning the service and submissions. The proportion of total expense attributable to a particular component is referred to as the component weight. The Commission uses GFS data, State public accounts, annual reports and other data to estimate these proportions.

Step 3: Identify the influences for each component
The Commission identifies the influences that affect each component and the extent to which they are beyond the control of individual State governments. To identify influences, the Commission analyses information and data on the nature of the service (that is, what States do and how they do it), States’ policies concerning the service, submissions and other publications.

Step 4: Measure the size of each influence
The Commission estimates the relative financial impact of each influence on each State’s cost of providing the service, but only to the extent it is beyond the control of individual State governments. The relative impact is measured by relating the State’s experience to the average experience. The relative impacts are presented as factors. A factor measures the percentage increase (or decrease) that the influence has on a State’s cost of providing the service. There is at least one factor assessment for each component. In most cases there is more than one.

Step 5: Derive component factors
The factors calculated for each cost component are combined together to derive a component factor. If the Commission considers that one factor compounds with another, it multiplies them. If the Commission considers that two factors are independent of one another, it adds them.

Step 6: Derive category factors
The component factors are weighted to reflect the importance of the component in the category. This is done by multiplying each component factor by its component weight. The category factor is calculated by adding the weighted component factors together. The category factor represents the Commission’s estimate of the combined financial impact of all the influences on a State’s cost of providing the service.

Step 7: Derive assessed expense per capita
Each State’s assessed expense per capita is calculated by applying its category factor to the average expense per capita. A State’s assessed expense per capita is the Commission’s estimate of how much it would cost the State (per capita) to provide the average level of service.
The difference between a State’s assessed expense per capita and the average expense per capita is a measure of the financial impact of circumstances beyond its control. The difference between its assessed expense per capita and its actual expense per capita is a measure of the financial impact of circumstances within its control.

DERIVING COMPONENTS AND COMPONENT WEIGHTS

- 25 The Commission examines the service to decide whether parts of the total expense are affected by different influences. If the differences are material, the expense is divided into component parts to ensure that the various influences are accurately matched with the expenses they affect. The different expense types identified are referred to as *components*. The proportion of total expense attributable to a particular component is referred to as the *component weight*.
- 26 The Commission identified three components for Preschool Education and estimated the proportion of expenses that each cost component contributed to total Preschool Education costs. The components and component weights are presented in Table 5.

Table 5 Components and component weights, 2006-07

	\$m	%
Fixed Costs	2.540	0.53
Isolation	1.365	0.29
Schools	474.002	99.18
Total	477.907	100.00

- 27 The component weights for fixed costs and isolation were calculated directly. For 2006-07, fixed costs were calculated as \$2.5 million and isolation costs at \$1.4 million.³ The corresponding component weights are calculated by dividing these amounts by total category expenses. The schools component weight was calculated as the residual amount.
- 28 The Commission identifies the influences affecting each component. They are, in the Commission’s assessment, the reasons why States spend more (or less) than the average expense per capita to provide the average level of service. The Commission presents these influences as factors.

Box 3: Commission factors

A factor is the Commission’s estimate of the relative financial impact a particular influence has on a State’s cost of providing a service. Factors are only calculated for the part of the influence that is beyond the control of individual State governments.

A factor value of 1 means the Commission considers the State could provide the average level of service by spending the average expense per capita. A factor value of more than 1 means the Commission considers the State will have to spend more than the average expense per capita to provide the average level of service. A factor value of less than 1 means the Commission considers the State can provide the average level of service by spending less than the average expense per capita.

- 29 Table 6 lists each component and associated factors for the Preschool Education category.

³ The fixed costs and isolation sections of Volume 4 of these working papers describe how the Commission determines the size of the administrative scale and isolation costs.

Table 6 Components and factors, 2008 Update

	Component weight	Factors	Influence measured by factor
Fixed costs	0.53%	Administrative scale	Recognises the unavoidable costs each State incurred to provide the policy and administrative infrastructure necessary to provide the minimum unavoidable service, regardless of the size of the task.
		Fixed costs input costs	Recognises the differences between States in the prices of head office labour, accommodation, and electricity used in providing services.
Schools	99.18%	Socio-demographic composition	Recognises the differences between States in the proportion of their population attending preschools. Cost weights are applied to recognise the higher costs of providing services to students with particular characteristics (for example, Indigeneity, low socio-economic status, low English fluency, living in geographically remote locations).
		Service delivery scale	Recognises that additional costs are incurred by schools in small urban centres. The Government Primary School Education factor was used, with the adjustment for distance education removed.
		Schools input costs	Recognises the differences between States in the prices of labour, accommodation and electricity used in providing services.
		Dispersion	Recognises the differences in per capita costs of service provision associated with the spread of population.
Isolation	0.29%	Isolation	Recognises the additional costs incurred by the States, attributable to the distance of the State from other State capitals and sources of supply.

30 An explanation of the reasoning behind each factor assessment in the Preschool Education category and the method of assessment are presented below.

DERIVING THE FIXED COST COMPONENT FACTOR

31 The Commission considers the amount of fixed costs required to be spent by each State is influenced by administrative scale and differences in the price of labour, accommodation and electricity.

Administrative scale factor

32 The administrative scale factor is assessed to recognise the unavoidable cost each State incurs to provide central administrative services to plan, regulate, and subsidise education services, regardless of the size of its population. In total, each State is assessed to require a similar level

of administration, around \$191.2 million in 2006-07. The Northern Territory requires \$5.2 million more, because its high proportion of Indigenous students necessitates dual planning and administrative structures. The ACT requires \$7.7 million less, because the Commission considers it has zero or very low needs in certain categories (for example, Services to Indigenous Communities).

- 33 The disabilities for administrative scale factors are assessed by a common method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.
- 34 For 2006-07, the level of unavoidable fixed cost assessed for this category is \$0.315 million for each State. Another \$0.021 million is assessed for the Northern Territory because its high proportion of indigenous students necessitates dual planning and administrative structures. For this category, the ACT is assessed to have the same disability as the six States.
- 35 Table 7 shows the amount assessed for each State and the per capita equivalent. It also shows the administrative scale factor that is calculated by dividing each States' per capita amount by the average per capita amount.

Table 7 Preschool Education, calculation of administrative scale factor, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Fixed cost amount	\$m	0.315	0.315	0.315	0.315	0.315	0.315	0.315	0.315	2.519
Dual policy amount	\$m								0.021	0.021
Fixed costs	\$m	0.315	0.315	0.315	0.315	0.315	0.315	0.315	0.336	2.540
Population	m	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
Fixed costs per capita	\$pc	0.05	0.06	0.08	0.15	0.20	0.64	0.94	1.58	0.12
Factor		0.37715	0.50037	0.62523	1.24190	1.64000	5.25924	7.67972	12.96474	1.00000

- 36 The administrative scale factor is revised annually by adjusting the unavoidable fixed cost to reflect changes in the labour price index (80 per cent weight) and consumer price index (20 per cent weight).

Fixed costs input costs factor

- 37 The input costs factor is assessed to recognise interstate differences, beyond the control of States, in the price of labour, accommodation and electricity used in providing administrative services.
- 38 The disabilities for the input costs factors are assessed by a common method. The method is discussed in Volume 2 of the 2004 Review working papers under the section for common factors.

39 The input costs factor depends on the proportion of fixed costs expenses deemed to relate to wages, accommodation expenses and electricity expenses. For this component, these are 80% for wages, 2% for accommodation and 0.5% for electricity. Table 8 shows:

- the price differentials for labour (wages), accommodation and electricity assessed by the Commission. For example, average wages in New South Wales are, for reasons beyond its control, 3.0 per cent higher than average;
- the proportion of fixed costs expenses that relate to wages, accommodation and electricity expenses;
- a total price differential — obtained by weighting each price differential by the proportion of the fixed costs expenses it influences; and
- the 2006-07 fixed costs input costs factor — which is one plus the total price differential.

Table 8 Derivation of fixed costs input costs factor, 2006-07

	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Wages	80.0	3.0	-0.5	-2.7	-1.4	-2.2	-4.1	2.5	2.5
Accommodation	2.0	5.0	-19.6	29.4	13.2	-34.2	-41.6	-1.1	-35.8
Electricity	0.5	-1.9	-1.9	-1.9	13.6	2.6	-40.3	-1.9	90.1
Balance of expenses	17.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total price ^(a)	100.0	2.5	-0.8	-1.6	-0.8	-2.4	-4.3	1.9	1.8
Factor		1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769

(a) May not add due to rounding.

Box 4: Weighting factors

The Commission weights a factor when it is to be applied to all of a component expense but it only affects part of that expense.

As an example, the fixed costs input costs factor is to be applied to all of the administrative scale expenses, but it only affects the wages (80 per cent), accommodation (2 per cent) and electricity (1/2 per cent) parts of these expenses. So, the Commission weights each subfactor according to the share of expenses it affects.

The formula is:

$$\text{Weighted factor} = \sum_i \text{Weight}_i * \text{subfactor}_i + (100\% - \sum_i \text{Weight}_i) * \text{EPC factor}$$

Where: i = the number of subfactors. For example, wages, accommodation and electricity

Weight_i = the share of expenses affected by the relevant subfactor

$(100\% - \sum_i \text{Weight}_i)$ = the share of expenses not affected by any of the subfactors.

For the fixed costs input costs factor, the formula is:

$$\text{Weighted factor} = 80\% * \text{wages subfactor} + 2\% * \text{accommodation subfactor} + 0.5\% * \text{electricity subfactor} + 17.5\% * \text{EPC factor}$$

Weighting factors according to the proportion of expenses they affect is important. Weighting factors allows the Commission to combine them. After weighting, a percentage increase in one factor has the same impact on expenses as the same percentage increase in any other factor.

- 40 The input cost factor is revised annually to allow for changes in the prices of labour, accommodation and electricity.

Fixed costs component factor

- 41 The fixed costs component factor is calculated using the formula:

$$\text{Fixed costs component factor} = [\text{administrative scale} * \text{fixed costs input costs}]$$

- 42 The Commission combines these factors multiplicatively because it recognises that States will vary around their administrative scale assessment due to differences in the price of inputs. For example, Table 8 showed price differences added 2.5 per cent to New South Wales costs, so it would cost New South Wales 2.5 per cent more than its administrative scale assessment (\$0.315 million) to finance the minimum structures required to provide State services.
- 43 Table 9 shows the derivation of the component factor. It shows that it is the same as a component factor obtained by multiplying the administrative scale and fixed costs input costs factors.

44 The component factor is calculated by:

- estimating the impact of differences in the unit cost of inputs between States on the fixed costs assessed in Table 7;
- adding this impact to States' fixed costs;
- dividing each State's total fixed costs by its population; and
- calculating the component factor by dividing each States' per capita figure by the average per capita figure.

Table 9 Preschool Education, calculation of fixed costs component factor, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Fixed costs amount (from Table 7)										
Amount	\$m	0.315	0.315	0.315	0.315	0.315	0.315	0.315	0.336	2.540
B. Differences in price of inputs (from Table 8)										
Difference	%	2.5	-0.8	-1.6	-0.8	-2.4	-4.3	1.9	1.8	0.0
C. Impact of price differences (A * B)										
Amount	\$m	0.008	-0.002	-0.005	-0.003	-0.008	-0.014	0.006	0.006	-0.011
D. Total fixed costs (A + C)										
Amount	\$m	0.323	0.312	0.310	0.312	0.307	0.301	0.321	0.342	2.529
Population	m	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
E. Total fixed costs per capita										
Expense per capita	\$pc	0.05	0.06	0.07	0.15	0.19	0.61	0.95	1.61	0.12
Factor (E / E_{Aust})										
Factor	^(a)	0.38842	0.49866	0.61790	1.23748	1.60748	5.05379	7.86378	13.25328	1.00000

(a) The component factor shown here is the component factor after it has been scaled to ensure total assessed expenses equals average expenses (see Box 6). The component factor shown in Table 25 is the component factor prior to scaling.

DERIVING THE SCHOOLS COMPONENT FACTOR

- 45 The Commission considers each States' level of schools costs to be influenced by the number of preschool students and differences in:
- the costs of providing services to students with particular characteristics (special needs groups);
 - costs associated with the geographical dispersion of a States' population;
 - the price of labour, accommodation and electricity; and
 - costs of providing small schools in sparsely populated areas.

Socio-demographic composition factor

- 46 A socio-demographic composition (SDC) factor is assessed to take account of State differences in:
- the use of services — the use of services is measured by adjusting enrolments to remove the influence of State policies; and
 - the unit cost of providing services to students in special needs groups. The special needs groups are Indigenous students (remote and non-remote), students from a low socio-economic background and students with low English fluency.

Box 5: Socio-demographic composition factor

Step 1: Remove the influence of State policies on the commencement age for preschool and the provision of preschool services to younger children.

Enrolments are calculated by:

- the 3 year old population of children from low income families;
- the 4 year old population; and
- the 5 year old population not attending school.

The enrolments are adjusted to obtain comparable numbers of preschool enrolments each State funds.

Step 2: Adjust for students who are New South Wales residents attending ACT preschools.

The ACT provides preschool education services to children aged 5 who are New South Wales residents. They are subtracted from the New South Wales nominal enrolments and added to the ACT nominal enrolments.

Step 3: Add in diplomatic children aged 5 and under.

The ACT provides preschool education services to children aged 5 and under from diplomatic. Children aged 5 and under from diplomatic families are not included in the standardisation step above because overseas diplomats are not included in the Census data used to calculate populations in Step 1. The number of preschool students aged 5 and under from diplomatic families are added to the ACT. This ensures the cost associated with the provision of services to these children remains with the ACT.

Step 4: Allow for the additional costs of providing services to particular student groups

It costs more to provide schooling to some students. The Commission takes into account the additional costs of providing schooling to students from low income families, Indigenous students, students from low socio-economic backgrounds, students living in geographically remote areas and students with low fluency in English.

Use of services

- 47 States do not apply common policies to the provision of preschool services. For example, New South Wales has the lowest starting age for attendance (age 4 by 31 July in the year of entry) and Tasmania the oldest (age 4 by 1 January in the year of entry). New South Wales and Queensland had the longest hours of attendance (12 hours and 30 mins per week) and Tasmania and Victoria had the lowest (10 hours per week). The Commission removes the impact of State policies by replacing actual enrolments with nominal enrolments.
- 48 The Commission estimates the use of preschool services as:
- the 3 year old population with special needs. The Commission uses low income status as its indicator of special needs. The proportion of 3 year olds from low income families is calculated from Census data. The 2001 Census proportion is used for 2001-02, 2002-03 and 2003-04. The 2006 Census proportion is used for 2004-05, 2005-06 and 2006-07. These proportions are applied to the estimated resident 3 year old population.
 - the 4 year old population — using the ABS estimated resident population;

- the 5 year old population not attending school — calculated by subtracting the number of 5 year olds attending primary school⁴ from the estimated resident 5 year old population; and
- the number of children from diplomatic families attending ACT preschools. This information is provided by the ACT; and
- the number of children who are residents of New South Wales but attend ACT preschools. This information is provided by the ACT.

⁴ The student numbers are derived from the Government Primary School Education and Non-government Primary School Education assessments.

49 The calculation of the notional enrolments is shown in Table 10.

Table 10 Preschool Education, calculation of notional enrolments, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Population of 3 year olds by socio-economic status (a)									
A. High socio-economic status	68 040	50 199	41 831	20 767	13 740	4 215	3 525	2 454	204 771
B. Low socio-economic status	18 828	12 747	10 605	4 956	4 203	1 460	475	1 131	54 405
C. Total	86 868	62 946	52 437	25 723	17 943	5 675	4 000	3 585	259 177
D. Proportion of 3 year olds from low income families (B / C)									
Percentage	21.7	20.3	20.2	19.3	23.4	25.7	11.9	31.5	21.
E. Estimated resident population for 3 year olds, 2006-07									
Number	86 219	63 715	54 044	26 279	18 215	5 834	4 161	3 424	261 891
F. Number of 3 year old population from low income families (D * E)									
Number	18 687	12 903	10 930	5 063	4 267	1 501	494	1 080	54 926
G. Estimated resident population for 4 years olds, 2006-07									
Number	86 359	63 161	53 582	26 195	18 036	5 900	4 021	3 597	260 851
H. Estimated resident population for 5 years olds, 2006-07									
Number	86 047	63 267	54 842	26 535	18 417	6 065	3 966	3 498	262 637
I. Number of 5 year olds in primary school									
Number	71 795	52 788	45 759	22 140	15 367	5 060	3 349	2 919	219 177
J. Number of 5 year olds not attending school (H - I)									
Number	14 252	10 479	9 083	4 395	3 050	1 005	617	579	43 460
K. Number of enrolments (F + G + J)									
Number	119 298	86 542	73 596	35 653	25 354	8 406	5 132	5 256	359 236
L. Number of cross-border students									
Number	- 121	0	0	0	0	0	121	0	0
M. Diplomatic children aged 5 and under									
Number	0	0	0	0	0	0	16	0	16
Notional enrolments (K + L + M)									
Number	119 177	86 542	73 596	35 653	25 354	8 406	5 268	5 256	359 252

(a) Three year olds by socio-economic status, ABS Census 2006 – special data request

50 Table 11 shows the Preschool Education notional enrolments for the 2008 Update.

Table 11 Preschool Education, notional enrolments, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2001-02	122 259	86 750	72 474	36 438	26 814	9 126	5 498	5 190	364 547
2002-03	123 775	87 485	74 337	37 413	27 208	9 565	5 655	5 138	370 576
2003-04	124 704	88 199	76 161	37 455	26 972	9 466	5 552	5 178	373 687
2004-05	121 193	86 201	74 007	35 519	25 654	8 854	5 308	5 287	362 023
2005-06	119 909	86 629	74 200	35 676	25 639	8 678	5 209	5 289	361 230
2006-07	119 177	86 542	73 596	35 653	25 354	8 406	5 268	5 256	359 252

Unit cost of supplying services

51 Certain groups of students in preschool education have special needs. It costs more to provide preschool services to these students. The Commission takes account of the additional costs of providing preschool services to:

- Indigenous students;
- Indigenous students living in geographically remote areas;
- students from families with low socio-economic backgrounds; and
- students with low fluency in English.

52 The Commission developed cost weights to recognise the additional average cost of providing services to students in special needs groups. The costs weights were derived from State information on the extra resources devoted to particular groups of students. States provided this information in response to the Commission's special data collections, in submissions and through workplace discussions. Table 12 shows the cost weights assessed by the Commission.

53 The cost weights imply, for example, that an Indigenous student living in a remote area with low socio-demographic status and low fluency in English costs 1.7 times the cost of a non-Indigenous student living in a non-remote area, who does not have low socio-demographic status and is fluent in English.

Table 12 Socio-demographic composition cost weights for Preschool Education, 2008 Update

	Low English Fluency	Fluent in English
Indigenous persons - remote		
Low socio-demographic status	1.70	1.50
Other	1.45	1.30
Indigenous persons - non-remote		
Low socio-demographic status	1.35	1.25
Other	1.20	1.10
Non-Indigenous persons		
Low socio-demographic status	1.25	1.15
Other	1.10	1.00

Source: 2004 Review working papers, volume 4, table 12, p20.

54 The Commission calculates the additional cost of supplying services to particular students by:

- apportioning the notional enrolments from Table 11 into 12 student groups⁵;
- applying a cost weight to the notional enrolments in each group; and
- totalling the cost weighted enrolments by aggregating across groups.

⁵ The Commission separates enrolments into groups. The number of groups is dependent on the number of characteristics of interest to the Commission. In this assessment there were 12 groups: 2 Indigenous x 2 socio-economic x 2 English proficiency plus an additional 4 remote Indigenous groups.

Table 13 Proportion of persons by characteristic, 2006 Census

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Indigenous persons								
(a) non-remote								
High socio-demographic and fluent	1.7	0.5	3.0	1.8	1.2	3.5	2.4	5.3
High socio-demographic and low fluency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Low socio-demographic and fluent	2.1	0.6	2.2	1.8	1.4	2.7	1.2	3.4
Low socio-demographic and low fluency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(b) remote								
High socio-demographic and fluent	0.1	0.0	0.7	1.1	0.2	0.0	0.0	9.6
High socio-demographic and low fluency	0.0	0.0	0.2	0.1	0.0	0.0	0.0	4.5
Low socio-demographic and fluent	0.2	0.0	0.5	1.2	0.1	0.0	0.0	12.0
Low socio-demographic and low fluency	0.0	0.0	0.1	0.1	0.1	0.0	0.0	9.8
Non-Indigenous persons								
High socio-demographic and fluent	73.1	76.6	74.7	76.5	74.0	69.1	83.6	48.4
High socio-demographic and low fluency	2.8	2.5	1.0	1.3	1.3	0.6	1.8	1.1
Low socio-demographic and fluent	17.9	17.5	17.0	15.1	20.4	23.8	10.2	5.4
Low socio-demographic and low fluency	2.2	2.3	0.6	0.9	1.3	0.4	0.7	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 14 **Apportioned notional enrolments using 2006 Census data, 2006-07**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Indigenous persons								
(a) non-remote								
High socio-demographic and fluent	1 991	438	2 209	636	308	290	129	276
High socio-demographic and low fluency	0	12	18	0	0	0	0	0
Low socio-demographic and fluent	2 504	524	1 617	657	361	227	62	181
Low socio-demographic and low fluency	8	0	21	8	0	0	0	0
(b) remote								
High socio-demographic and fluent	141	0	539	396	50	0	0	503
High socio-demographic and low fluency	0	0	117	20	4	0	0	236
Low socio-demographic and fluent	193	0	389	443	35	0	0	631
Low socio-demographic and low fluency	0	0	81	44	14	0	0	517
Non-Indigenous persons								
High socio-demographic and fluent	87 101	66 275	54 947	27 286	18 769	5 805	4 406	2 546
High socio-demographic and low fluency	3 367	2 204	729	450	322	50	97	56
Low socio-demographic and fluent	21 295	15 117	12 499	5 379	5 165	2 000	540	286
Low socio-demographic and low fluency	2 576	1 973	430	333	327	34	36	24
Total	119 177	86 542	73 596	35 653	25 354	8 406	5 268	5 256

Table 15 Cost weights by characteristic, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Indigenous persons - non-remote								
High socio-demographic and fluent	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000
High socio-demographic and low fluency	1.2000	1.2000	1.2000	1.2000	1.2000	1.2000	1.2000	1.2000
Low socio-demographic and fluent	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
Low socio-demographic and low fluency	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500
Indigenous persons - remote								
High socio-demographic and fluent	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000	1.3000
High socio-demographic and low fluency	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500
Low socio-demographic and fluent	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
Low socio-demographic and low fluency	1.7000	1.7000	1.7000	1.7000	1.7000	1.7000	1.7000	1.7000
Non-Indigenous persons								
High socio-demographic and fluent	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
High socio-demographic and low fluency	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000
Low socio-demographic and fluent	1.1500	1.1500	1.1500	1.1500	1.1500	1.1500	1.1500	1.1500
Low socio-demographic and low fluency	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500

Table 16 Cost weighted notional enrolments, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Indigenous persons								
(a) non-remote								
High socio-demographic and fluent	2 190	481	2 430	699	338	320	142	304
High socio-demographic and low fluency	0	15	22	0	0	0	0	0
Low socio-demographic and fluent	3 131	655	2 021	821	451	283	77	226
Low socio-demographic and low fluency	10	0	28	11	0	0	0	0
(b) remote								
High socio-demographic and fluent	184	0	700	515	65	0	0	654
High socio-demographic and low fluency	0	0	170	29	6	0	0	342
Low socio-demographic and fluent	290	0	583	665	53	0	0	947
Low socio-demographic and low fluency	0	0	138	75	23	0	0	879
Non-Indigenous persons								
High socio-demographic and fluent	87 101	66 275	54 947	27 286	18 769	5 805	4 406	2 546
High socio-demographic and low fluency	3 703	2 425	802	495	354	55	107	62
Low socio-demographic and fluent	24 490	17 384	14 373	6 186	5 940	2 300	621	328
Low socio-demographic and low fluency	3 220	2 466	538	416	408	43	45	30
Total	124 319	89 701	76 753	37 199	26 407	8 805	5 396	6 319

55 The notional enrolment figures at the bottom of this table are actual enrolments adjusted to:

- remove the effects of differences in State policies; and
- allow for the cost of providing services to particular student groups.

56 Table 17 shows the derivation of the socio-demographic composition factor for 2006-07.

Table 17 Derivation of socio-demographic composition factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Notional enrolment									
Number	124 319	89 701	76 753	37 199	26 407	8 805	5 396	6 319	374 898
B. Population									
Number (m)	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
C. Notional enrolment per capita (A /B)									
Ratio	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.02
Factor (C / C_{Aust})	1.00892	0.96580	1.03259	0.99407	0.93188	0.99645	0.89170	1.65204	1.00000

- 57 The socio-demographic composition factors are revised annually to allow for changes in enrolments and State populations. Table 18 shows the assessed factors for the 2008 Update.

Table 18 Preschool Education, socio-demographic composition factor, 2007 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	0.99038	0.94523	1.05743	1.03358	0.95079	1.08198	0.91018	1.58131	1.00000
2003-04	0.99579	0.94495	1.06080	1.02310	0.94011	1.06233	0.89131	1.58829	1.00000
2004-05	1.00760	0.95517	1.04681	0.99432	0.92704	1.02650	0.88795	1.66962	1.00000
2005-06	1.00475	0.96182	1.04225	0.99574	0.93323	1.01481	0.87580	1.66117	1.00000
2006-07	1.00892	0.96580	1.03259	0.99407	0.93188	0.99645	0.89170	1.65204	1.00000

Service delivery scale factor

- 58 The service delivery scale factor recognises the diseconomies associated with the cost of providing small preschools in sparsely populated areas.
- 59 In the absence of preschool education data, the assessment was based on the government primary school assessment with one exception. No allowance was made for preschool services to be delivered using distance education.
- 60 Details of the calculation for the service delivery scale for Government Primary School Education can be found in Volume 4 of the 2004 Review working papers.
- 61 Table 19 shows the calculation of the service delivery scale factor for Preschool Education for 2006-07. It is only revised in a review.

Table 19 Service delivery scale factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Number of staff when an allowance is made for diseconomies of small scale^(a)									
Number	36 439	24 598	22 363	12 862	9 027	2 891	1 658	1 847	111 684
B. Number of staff when no allowance is made for diseconomies of small scale^(a)									
Number	35 980	24 328	21 934	12 599	8 836	2 818	1 658	1 639	109 793
C. Ratio (A / B)									
Ratio	1.01277	1.01109	1.01956	1.02084	1.02157	1.02599	1.00000	1.12642	1.01723
Factor (C / C_{Aust})									
Unscaled factor	0.99561	0.99396	1.00229	1.00355	1.00427	1.00861	0.98306	1.10734	1.00000
Scaled factor ^(b)	0.99639	0.99474	1.00308	1.00433	1.00506	1.00940	0.98383	1.10820	1.00000

(a) The number of staff is derived from the Government Primary School category assessment excluding the distance education assessment.

(b) Factors are scaled so that the sum of assessed expenses equals average expenses.

Box 6: Scaling factors

Some factor assessments cause total assessed expenses to move away from average expenses. To prevent gaps opening up in the assessments, the Commission scales these factors to ensure total assessed expenses equals average expenses. It also scales component factors.

The scaling procedure is to:

- (i) apply the factor to mean resident population;
- (ii) calculate the total weighted population by aggregating across States;
- (iii) divide total mean resident population by the total weighted population; and
- (iv) scale each State's factor using this ratio.

Schools input costs factor

- 62 The input costs factor is assessed to recognise interstate differences, beyond the control of States, in the price of labour, accommodation and electricity used in providing services for central and regional administrative services. The disabilities for the input costs factors are assessed by a common method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.
- 63 The input costs factor depends on the proportion of schools expenses deemed to relate to wages, accommodation expenses and electricity expenses. For this component, these are 70% for wages, 2% for accommodations and 0.5% for electricity. Table 20 shows:
- the price differentials for labour (wages), accommodation and electricity assessed by the Commission;
 - the proportion of schools expenses which relate to wages, accommodation and electricity expenses;
 - a total price differential — obtained by weighting each price differential by the proportion of schools expenses it influences; and
 - the 2006-07 schools input costs factor — which is one plus the total price differential.

Table 20 Derivation of schools input costs factor, 2006-07

	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Wages	70.0	3.0	-0.5	-2.7	-1.4	-2.2	-4.1	2.5	2.5
Accommodation	2.0	5.0	-19.6	29.4	13.2	-34.2	-41.6	-1.1	-35.8
Electricity	0.5	-1.9	-1.9	-1.9	13.6	2.6	-40.3	-1.9	90.1
Balance of expenses	27.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total price (a)	100.0	2.2	-0.7	-1.3	-0.7	-2.2	-3.9	1.7	1.5
Factor		1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515

(a) May not add due to rounding.

- 64 The input costs factor is revised annually to allow for changes in the price of labour, accommodation and electricity.-

Dispersion factor

65 The dispersion factor is assessed to recognise differences in the per capita costs of service provision associated with the geographic dispersion of population. The dispersion factor reflects the combined differences in State expenses associated with telecommunication, freight, travel and other costs associated with providing services to dispersed localities. The disabilities for the dispersion factors are assessed by a common method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.

66 Table 21 shows:

- the price differentials for each of the 11 types of expenses covered by the dispersion factor;
- the proportion of schools expenses which relate to each type of expense;
- a total price differential — obtained by weighting each price differential by the proportion of schools expenses it influences; and
- the 2006-07 schools dispersion factor — which is one plus the total price differential.

Table 21 Derivation of dispersion factor, 2006-07

Expense type	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Voice technology	0.1	-1.3	-13.8	16.6	12.2	-8.9	-4.5	-61.3	138.7
Non-voice technology	0.0	-0.2	0.0	0.0	0.3	0.0	-0.1	0.5	0.7
General freight	0.3	3.8	-7.8	25.8	-0.9	-46.1	-5.1	-92.1	115.9
Air travel	0.0	10.0	-85.3	135.9	-9.8	-51.1	-99.6	-100.0	138.5
Inter-regional travel	0.4	8.1	-11.8	-10.3	-8.7	16.0	100.2	-85.6	68.6
Local travel	0.2	-3.0	-5.2	-3.0	22.0	-12.8	-32.7	-46.0	331.8
Remote removals	0.2	-56.4	-96.9	89.9	220.4	-20.7	-65.2	-100.0	964.6
Locality allowances	0.4	-58.5	-97.6	92.0	207.7	-41.9	-89.2	-100.0	1360.7
Repairs and maintenance	0.1	-69.7	-95.5	28.6	184.7	47.0	-38.1	-100.0	2281.6
Technology related repairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technology related support	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance of expenses	98.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total price (a)	100.0	-0.4	-0.8	0.6	1.4	-0.3	-0.3	-1.5	10.7
Factor		0.99624	0.99212	1.00637	1.01398	0.99664	0.99726	0.98488	1.10698

(a) May not add due to rounding.

67 The dispersion factor is only revised in a review.

Schools component factor

68 The schools component factor represents the combined impact of assessed service use and assessed unit costs on schools expenses. The socio-demographic composition factor captures the assessed service use and differences in the unit cost of providing services to students with particular characteristics. The Commission recognises that the costs of providing school services will vary between States because:

- the unit costs of providing small preschools in small urban centres varies between States;
- the unit costs of inputs varies between States; and
- the unit costs of service provision associated with the geographic dispersion of population varies between States.

69 Table 22 shows the derivation of a combined input costs and dispersion factor. It shows that the two factors influence different types of expenses and so do not interact. Consequently, these factors can be combined by addition.

Table 22 Derivation of combined input costs and dispersion factor, 2006-07

	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Input costs sub-total	72.5	2.2	-0.7	-1.3	-0.7	-2.2	-3.9	1.7	1.5
Dispersion sub-total	1.8	-0.4	-0.8	0.6	1.4	-0.3	-0.3	-1.5	10.7
Balance	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total price ^(a)	100.0	1.8	-1.5	-0.7	0.7	-2.5	-4.2	0.2	12.2
Factor		1.01848	0.98473	0.99298	1.00738	0.97462	0.95804	1.00181	1.12213

(a) May not add due to rounding.

70 The Commission combines these influences by:

- using notional enrolments from Table 17 as an indicator of assessed service use;
- adjusting the assessed service use for differences in the costs of providing small preschools in small urban centres;
- adjusting notional enrolments for the combined effect of differences in the price of labour, accommodation and electricity and the costs of service provision associated with the geographic dispersion of population;
- dividing each State's cost and price weighted notional enrolments by its population; and
- calculating the component factor by dividing each States' per capita figure by the average per capita figure.

71 Table 23 shows the derivation of the schools component factor for 2006-7. The same schools component factor could be calculated using the formula:

$$\text{Schools component factor} = [\text{socio-demographic composition} * \text{service delivery scale} * (\text{dispersion} + \text{input costs}-1)]$$

72 The calculation shows that the dispersion and input costs factors should be added and then combined with the socio-demographic composition and service delivery scale factors by multiplication.

Table 23 Calculation of schools component factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Assessed service use (notional enrolments from Table 17)									
Enrolments	124 319	89 701	76 753	37 199	26 407	8 805	5 396	6 319	374 898
Differences in prices and units costs									
B. Small Schools	-0.4	-0.6	0.2	0.4	0.4	0.9	-1.7	10.7	0.0
C. Input costs and dispersion	1.8	-1.5	-0.7	0.7	-2.5	-4.2	0.2	12.2	0.0
D. Price of services ^(a)									
Price difference	1.4	-2.1	-0.5	1.1	-2.1	-3.4	-1.5	24.3	0.0
E. Impact of differences in prices (A * D)									
Number	1 741	-1 903	- 365	408	- 560	- 297	- 82	1 533	474
F. Notional enrolments (A + E)									
Number	126 060	87 797	76 388	37 606	25 847	8 508	5 314	7 851	375 372
G. Population									
Population (m)	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
H. Enrolments per capita (F / G)									
Ratio	0.01839	0.01699	0.01847	0.01806	0.01639	0.01731	0.01578	0.03689	0.01800
I. Factor (H / H _{Aust})									
Factor ^(b)	1.02175	0.94412	1.02639	1.00369	0.91095	0.96164	0.87708	2.05018	1.00000

(a) Care is required when combining price impacts. Table 19 shows the small schools price impact for New South Wales is 0.99561 (that is its unit costs are 0.1% below average) and Table 22 shows its combined input costs and dispersion price impact is 1.01848 (that is, its unit costs are 1.8% above average). So, its total price impact is 1.4% (0.99561 * 1.01848) - 1*100).

(b) This is the component factor after it has been scaled to ensure total assessed expenses equals average expenses (see Box 6). The component factor shown in Table 25 is the component factor prior to scaling.

DERIVING THE ISOLATION COMPONENT FACTOR

73 One factor is assessed for the isolation component.

Isolation factor

74 The isolation factor recognises the additional costs incurred by some States due to their distance from other State capitals and sources of supply. It is calculated by a general method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.

75 For 2006-07, the Commission assessed total isolation expenses of \$1.4 million. Table 24 shows the amount assessed for each State and the per capita equivalent. It also shows the isolation factor which is calculated by dividing each States' per capita amount by the average per capita amount.

Table 24 Isolation assessment and isolation factor, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Isolation amount	\$m	0.018	0.023	0.031	0.246	0.113	0.088	0.027	0.818	1.365
Population	m	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
Amount per capita	\$pc	0.00267	0.00453	0.00740	0.11829	0.07157	0.18000	0.08039	3.84396	0.06544
Factor		0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083	1.00000

76 ***Isolation component factor*** As only one factor is assessed for this component, the isolation component factor is assessed using the formula:

$$\text{Isolation component factor} = [\text{isolation}]$$

77 The isolation factor is revised annually to reflect changes in isolation expenses.

CALCULATING CATEGORY FACTORS

78 Category factors measure the combined impact on a State of those circumstances that are beyond its control and that impact on its cost of providing preschool education services. Category factors are calculated by:

- weighting the component factors to reflect the importance of the component in the category. This is done by multiplying each component factor by its component weight; and
- adding the weighted component factors together.

79 Table 25 summarises the components, component weights and factors, for this category factor for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

Table 25 Preschool Education, derivation of category factor, 2008 Update, 2006-07

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 0.53 %)								
Administrative scale	0.37715	0.50037	0.62523	1.24190	1.64000	5.25924	7.67972	12.96474
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.38669	0.49643	0.61514	1.23195	1.60029	5.03121	7.82864	13.19405
A Wgtd comp factor	0.00206	0.00265	0.00328	0.00658	0.00854	0.02686	0.04180	0.07045
Schools (component weight = 99.18 %)								
Socio-demographic composition	1.00892	0.96580	1.03259	0.99407	0.93188	0.99645	0.89170	1.65204
Service delivery scale	0.99639	0.99474	1.00308	1.00433	1.00506	1.00940	0.98383	1.10820
Dispersion	0.99624	0.99212	1.00637	1.01398	0.99664	0.99726	0.98488	1.10698
Input costs	1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515
Component factor	1.02385	0.94605	1.02849	1.00574	0.91282	0.96361	0.87887	2.05438
B Wgtd comp factor	1.01340	0.93640	1.01800	0.99548	0.90351	0.95378	0.86991	2.03343
Isolation (component weight = 0.29 %)								
Isolation	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
Component factor	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
C Wgtd comp factor	0.00012	0.00020	0.00032	0.00516	0.00312	0.00786	0.00351	0.16777
Category factor	1.01558	0.93925	1.02161	1.00722	0.91518	0.98850	0.91522	2.27165

- (a) For each component, the component factor is calculated using the formula in the following paragraph. The weighted component factor is the component factor multiplied by the component weight. This is then population weighted to ensure that the sum of the assessed expenses equals average expenses.
- (b) Category factor is the sum of the weighted component factors. It equals A + B + C.

80 The category factor was calculated as follows:

$$\begin{aligned}
 \text{Category factor} &= \text{fixed costs} + \text{schools} + \text{isolation} \\
 \text{Fixed costs} &= 0.0053 [\text{administrative scale} * \text{fixed costs input costs}] \\
 \text{Schools} &= 0.9918 [\text{socio-demographic composition} * \text{service delivery scale} * (\text{dispersion} + \text{schools input costs} - 1)] \\
 \text{Isolation} &= 0.0029 [\text{isolation}]
 \end{aligned}$$

81 In each case, the contribution to the category factor was calculated as the component weight (the percentages in the table) multiplied by the component factor (the bracketed terms in the formulas). Each component's contribution to the category factor was scaled to ensure the sum of assessed expenses equalled average expenses.

RESULTS FOR 2006-07

82 Assessed expenses per capita are calculated by multiplying each States' category factor by the average expense per capita. Table 26 shows, for 2006-07, the actual, average and assessed expenses per capita and the assessed cost of providing services ratios. The assessed cost of providing services ratios are equivalent to the category factors shown in Table 25.

Table 26 Preschool Education, assessment results, 2006-07

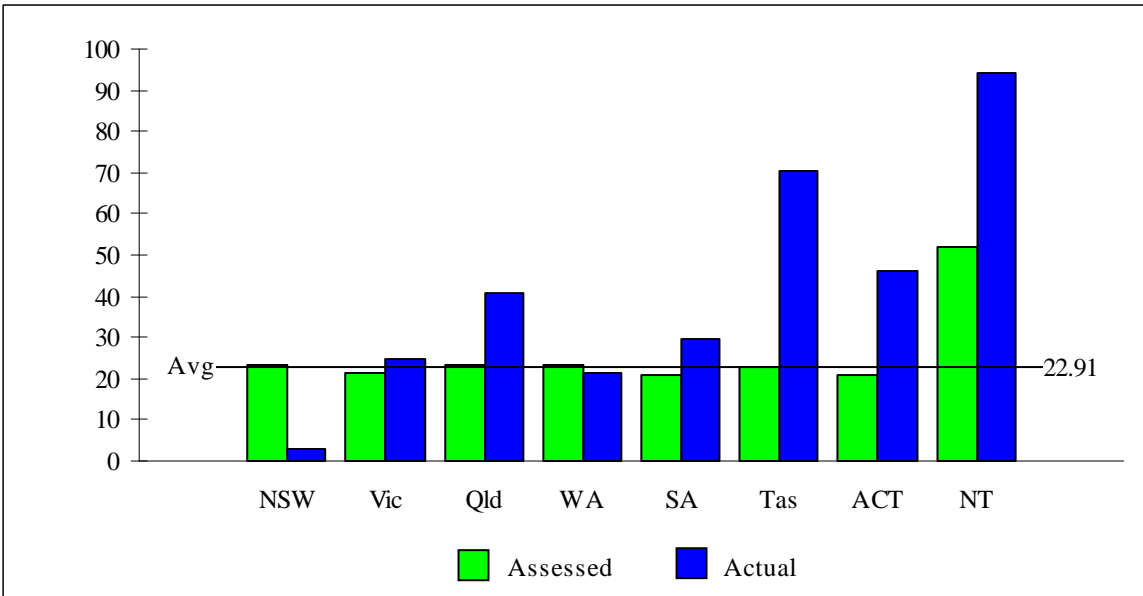
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	3.06	24.60	40.86	21.22	29.46	70.55	45.92	94.25	22.91
Assessed expenses	23.27	21.52	23.41	23.08	20.97	22.65	20.97	52.05	22.91
Cost of service provision ratio (a)	101.56	93.93	102.16	100.72	91.52	98.85	91.52	227.16	100.00

(a) The cost of services provision ratio is the ratio of assessed expenses per capita to average expenses per capita.

83 Table 33 at the end of this section shows the actual, average and assessed expenses for each State for all years of the 2008 Update.

84 Figure 2 illustrates the per capita actual, average and assessed expenses for Preschool Education for 2006-07.

Figure 2 Preschool Education, expenses per capita — assessed, actual and average, 2006-07



CONTRIBUTION TO GST REVENUE DISTRIBUTION

85 The assessed difference from average in millions dollars provides an indication of the impact of this assessment on GST shares. This can be calculated by:

- subtracting the average expense per capita from each State's assessed expenses per capita; and
- multiplying by each State's population.

86 Table 27 shows this calculation for 2006-07.

Table 27 Assessed difference from average, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Assessed expenses per capita	\$pc	23.27	21.52	23.41	23.08	20.97	22.65	20.97	52.05	22.91
Assessed difference from average per capita	\$pc	0.36	-1.39	0.50	0.17	-1.94	-0.26	-1.94	29.14	0.00
Population	m	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
Assessed difference from average	\$m	2.4	-7.2	2.0	0.3	-3.1	-0.1	-0.7	6.2	0.0

87 Table 28 shows the assessed difference from average in millions of dollars. The average of these amounts over the five year assessment period provides an indication of impact of the assessment on GST shares. The actual impact depends on the growth in the size of the pool between the assessment years and the application year.

Table 28 Assessed difference from average, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust ^(a)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2002-03	0.5	-6.4	1.8	1.3	-1.8	0.6	-0.3	4.2	8.5
2003-04	1.1	-7.2	2.5	1.0	-2.3	0.5	-0.5	4.7	10.0
2004-05	2.5	-6.7	1.9	-0.1	-2.7	0.2	-0.5	5.4	10.0
2005-06	2.2	-6.9	2.0	0.1	-2.8	0.1	-0.7	6.0	10.4
2006-07	2.4	-7.2	2.0	0.3	-3.1	-0.1	-0.7	6.2	11.0
Average	1.8	-6.9	2.1	0.5	-2.5	0.3	-0.5	5.3	9.9

(a) Total redistribution. It is the sum of the positive (or the negative) items in the row.

88 The impact of Preschool Education on the distribution of GST revenue and health care grants (hereafter GST revenue) is equal to the average from the table above scaled by the growth in the pool. This impact can be sub-divided to show the effect of each factor.

89 Table 29 shows the category's contribution to the distribution of GST revenue. It also shows the contribution of each factor and component.

Table 29 **Preschool Education, contribution to GST revenue distribution, 2008 Update**

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	-0.6	-0.3	-0.2	0.1	0.1	0.3	0.3	0.3	1.1
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Component factor	-0.6	-0.3	-0.2	0.1	0.1	0.3	0.3	0.4	1.1
Schools									
Socio-demographic composition	0.2	-5.4	4.5	0.3	-2.3	0.4	-0.8	3.1	8.6
Service delivery scale	-0.6	-0.6	0.3	0.2	0.2	0.1	-0.1	0.5	1.3
Dispersion	-0.6	-0.9	0.6	0.7	-0.1	0.0	-0.1	0.5	1.8
Input costs	4.3	-0.4	-2.2	-0.6	-0.8	-0.4	0.1	0.1	4.5
Component factor	3.0	-7.5	3.0	0.5	-3.1	0.0	-0.9	5.1	11.6
Isolation									
Isolation	-0.5	-0.4	-0.3	0.1	0.0	0.1	0.0	0.9	1.1
Component factor	-0.5	-0.4	-0.3	0.1	0.0	0.1	0.0	0.9	1.1
Redistribution from EPC resulting from the 2008 Update assessment									
	2.0	-8.2	2.5	0.7	-2.9	0.3	-0.6	6.3	11.8

Note: The redistribution due to the component factors includes the effect of interactions between factors. Therefore the component factor figure may not equal the sum of its factors' redistribution.

DIFFERENCES FROM AN EQUAL PER CAPITA ASSESSMENT

90 The table indicates that the disabilities which had the biggest impact on the assessment were:

- socio-demographic composition factor — which recognised differences in the proportion of a State's population who attended preschools and differences in the costs of providing services to students with particular characteristics (for example, low socio-economic status, Indigeneity, low English fluency and live in geographically remote locations); and
- input costs factor — which recognised the interstate differences in the costs of inputs used to provide services (labour, office accommodation and electricity).

91 The category factor reflected the following on a State by State basis.

- New South Wales — New South Wales was assessed to have a positive GST redistribution. This was due to its higher than average labour costs and an above average proportion of its population who attended preschools.
- Victoria — Victoria had the largest negative GST redistribution. This was mainly due to a below average proportion of its population who attended preschools.
- Queensland — It was assessed to have a positive GST redistribution. This was due to an above average proportion of its population who attended preschools. This positive influence was partially offset by its lower labour costs.
- Western Australia — It was assessed to have a positive GST redistribution. This was due to its greater dispersion and an above average proportion of its population who attended preschools. These positive influences were partially offset by its lower labour costs.
- South Australia — Its negative GST redistribution was due to its lower labour costs and a below average proportion of its population who attended preschools.
- Tasmania — It was assessed to have a positive GST redistribution. This was due to an above average proportion of its population who attended preschools and higher head office costs.
- The ACT — It was assessed to have a negative GST redistribution. This was due to a below average proportion of its population who attended preschools. This negative influence was partially offset by higher labour costs and higher head office costs.
- The Northern Territory — The Northern Territory had the largest positive GST redistribution. This was due to its higher labour costs, higher head office costs, greater isolation and an above average proportion of its population who attended preschools.

CHANGES IN GST REVENUE DISTRIBUTION: 2008 UPDATE COMPARED TO 2007 UPDATE

Effect of assessment on distribution of the GST revenue

92 Table 30 shows the redistribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It also shows the sources of change.

93 Changes in the distribution of GST revenue between the 2007 Update and the 2008 Update were brought about because the Commission:

- used revised financial data in the average expenses and other revised data in updating factor calculations for the years 2001-02 to 2005-06; and
- replaced 2001-02 average expenses and factors with those of 2006-07 to move forward the five year period on which GST revenue distribution was based. Moving the five year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic and economic circumstances which affect the relative costs of the services.
- replaced 2001 Census population data with 2006 Census data from 2004-05.

Table 30 **Preschool Education, effect of the assessment on GST revenue distribution, 2007 Update to 2008 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2007 Update assessment (a)	-0.7	-8.8	4.4	1.5	-2.8	0.7	-0.5	6.2	12.8
Effect of revising category averages and factors for 2001- 02 to 2005-06									
Category average	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Category factors	2.2	0.5	-1.8	-0.6	0.0	-0.2	0.0	0.0	2.7
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.3	0.4	-1.8	-0.6	-0.1	-0.2	-0.1	0.1	2.7
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Category factors	0.4	0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.6
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.4	0.2	-0.1	-0.2	-0.1	-0.1	0.0	0.0	0.6
Redistribution from EPC resulting from the 2008 Update assessment (a)	2.0	-8.2	2.5	0.7	-2.9	0.3	-0.6	6.3	11.8
Total effect of revisions and updating (b)	2.6	0.5	-1.9	-0.8	-0.1	-0.3	-0.1	0.1	3.3

(a) Using the same pool and populations that were used to calculate the 2008 Update redistribution.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

- 94 Compared with equal per capita assessment, the 2008 Update redistributed \$11.8 million away from Victoria, South Australia and the ACT. Compared with the 2007 Update, the biggest changes have been to New South Wales (\$2.6 million) and Queensland (-\$1.9 million).
- 95 Table 31 shows the changes in GST revenue attributable to changes in each factor, arising from both revising data for 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07.

Table 31 **Preschool Education, effect of the change in the assessment on GST revenue distribution by factor, 2007 Update to 2008 Update**

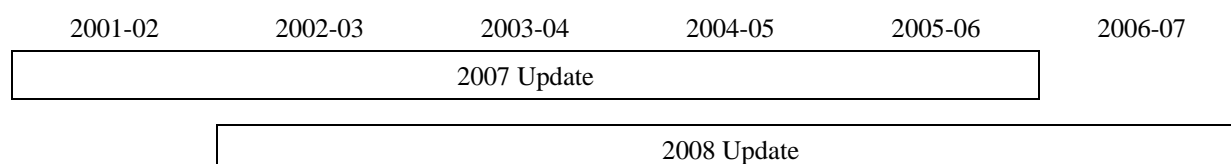
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Schools									
Socio-demographic composition	2.2	0.5	-1.2	-0.8	-0.4	-0.4	-0.1	0.2	2.9
Service delivery scale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Input costs	-0.3	-0.2	0.3	0.1	0.0	0.0	0.0	0.0	0.5
Isolation									
Isolation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

Note: The total change may not equal the total effect of revisions and updating on the previous table due to the effect of interactions between factors.

WHAT HAS CHANGED?

- 96 The main changes the Commission examines are:
- revisions to the financial and assessment data that were used in the 2007 Update; and
 - advancing the reference period one year — a new year enters the reference period and the oldest year drops out.
- 97 Figure 3 shows the reference periods for the two inquiries.

Figure 3 **Advancing the reference period, 2008 Update**



98 The effect of revisions is estimated by replacing 2007 Update data with 2008 Update data for the years 2001-02 to 2005-06. The effect of advancing the reference period one year is estimated by comparing the data of the new year entering the reference period (2006-07) with the financial and assessment data of the year dropping out (2001-02). In both cases, the Commission considers the impact of replacing financial data (actual expenses) separately from the effect of replacing assessment data (category factors).

Changes due to revising average expenses and factors for years 2001-2002 to 2005-06

Revising average expenses

99 Upward revisions to average expenses for 2001-02 and 2005-6 resulted in a small increase in the redistribution (\$0.1 million) towards the States assessed to have above average costs of providing services ratios (Queensland, Western Australia, Tasmania and the Northern Territory). The revisions were the result of State UPF data understating State spending on this service in 2005-06 and an upward revision of \$5 million by Victoria for 2001-02.

Revising category factors

100 Revisions were made to States' cost of providing services ratio for the years 2001-02 to 2005-06, resulting in a redistribution of GST revenue (\$2.7 million) towards New South Wales and Victoria and away from the other States. The revisions were the result of replacing Census data and revisions to estimated resident population (ERP). Revisions to ERP had a very small impact on the redistribution.

101 In this Update, 2001 Census data were replaced with 2006 Census data in the calculation of cost-weighted populations for 2004-05, 2005-06 and 2006-07. The changes in Census data between 2001 and 2006 are discussed in the section on replacing category factors below. It should be noted, however, that these changes are classified as revision effects for 2004-05 and 2005-06 and replacement effects for 2006-07.

Changes in State circumstance —replacing 2001-02 with 2006-07 data

Replacing average expense

102 Since 2001-02, State spending on this function has increased (51.5 per cent), at a faster rate than growth in the GST pool (43.9 per cent). So, replacing 2001-02 average expenses with 2006-07 average expenses led to a small increase in the amount of GST redistributed (\$0.1 million). It increased the GST revenue shares of States assessed to have above average cost of providing services ratios (New South Wales, Queensland, Western Australia, Tasmania and the Northern Territory). It reduced the GST revenue shares of other States.

Replacing category factors

103 Between 2001-02 and 2006-7, the assessed cost of providing services ratio increased for New South Wales and Victoria (Table 32). So, replacing the 2001-02 factors with 2006-07 factors increased the GST distribution to those States (\$0.6 million). The shares of the other States were reduced.

- 104 The changes to States' assessed cost of providing services ratio were the result of the replacement of 2001 Census data with 2006 Census data and the replacement of 2001-02 estimated resident population (ERP) and primary school enrolment data with 2006-07 data
- 105 The new ERP data showed that between 2001-02 and 2006-07 the population aged 3 to 5 fell as a proportion of total population for all States, but it fell slower than average in New South Wales, Victoria, Queensland and Northern Territory. The new enrolment data showed the number of 5 years olds not in primary school increased in all States. It increased faster than the national average in Queensland and Western Australia and the Northern Territory.
- 106 The biggest change in Census change data has been the fall in the proportion of the population from low income households. Both three and four year olds from low income households fell as a proportion of total population in all States. However, New South Wales, Victoria and the ACT had slower than average falls. The greater than average fall in Queensland and the Northern Territory more than offset the changes in ERP and enrolments. The combined effect of the changes was to increase assessed cost of providing services ratio for New South Wales and Victoria and reduce the ratio for the other States.
- 107 Table 32 shows the cost of providing services increased in New South Wales and Victoria between 2001-02 and 2006-07. As a result, replacing the 2001-02 factors with 2006-07 factors increased their GST revenue shares (\$0.6 million). The GST revenue shares of the other States fell.

Table 32 Preschool Education, actual expenses and cost of service provision, 2001-02 to 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	2.14	16.61	29.69	11.78	29.55	48.12	31.16	60.25	16.15
2006-07	3.06	24.60	40.86	21.22	29.46	70.55	45.92	94.25	22.91
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	43.27	48.09	37.63	80.18	-0.31	46.63	47.36	56.42	41.87
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	16.23	15.02	16.64	16.60	14.91	16.83	15.10	37.16	16.15
2006-07	23.27	21.52	23.41	23.08	20.97	22.65	20.97	52.05	22.91
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	100.48	92.99	103.04	102.82	92.35	104.22	93.53	230.10	100.00
2006-07	101.56	93.93	102.16	100.72	91.52	98.85	91.52	227.16	100.00

This chapter was prepared by the Expense — Education section of the Commonwealth Grants Commission. If you have any questions about its content please contact Nick Reddan on (02) 6229 8869 or nick.reddan@cg.gov.au.



Date: 29/2/08

Table 33 Assessment of expenses, Preschool Education

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Standard Expenditure		16.97		19.10		19.82		22.01		22.91
New South Wales										
Assessed difference	0.522	0.08	1.150	0.17	2.469	0.37	2.223	0.33	2.448	0.36
Expenses - Assessed	113.448	17.05	128.974	19.27	135.924	20.19	151.655	22.34	159.525	23.27
Actual	17.107	2.57	17.138	2.56	21.185	3.15	21.000	3.09	21.000	3.06
Victoria										
Assessed difference	-6.378	-1.30	-7.215	-1.46	-6.679	-1.33	-6.925	-1.36	-7.192	-1.39
Expenses - Assessed	76.715	15.67	87.444	17.64	92.815	18.49	105.132	20.65	111.203	21.52
Actual	91.429	18.68	105.234	21.23	110.000	21.91	116.000	22.79	127.098	24.60
Queensland										
Assessed difference	1.813	0.48	2.523	0.65	1.909	0.48	1.997	0.49	2.048	0.50
Expenses - Assessed	65.761	17.46	76.299	19.75	80.332	20.30	91.116	22.50	96.801	23.41
Actual	116.940	31.04	123.846	32.06	134.999	34.12	157.000	38.78	168.969	40.86
Western Australia										
Assessed difference	1.275	0.66	1.043	0.53	-0.063	-0.03	0.122	0.06	0.345	0.17
Expenses - Assessed	34.178	17.63	38.635	19.63	39.581	19.79	44.993	22.07	48.047	23.08
Actual	23.406	12.07	34.367	17.46	38.552	19.28	43.389	21.28	44.184	21.22
South Australia										
Assessed difference	-1.806	-1.18	-2.282	-1.49	-2.720	-1.76	-2.784	-1.78	-3.064	-1.94
Expenses - Assessed	24.102	15.79	27.060	17.61	27.938	18.06	31.564	20.23	33.059	20.97
Actual	45.849	30.04	52.912	34.44	41.113	26.58	46.102	29.54	46.451	29.46
Tasmania										
Assessed difference	0.635	1.34	0.529	1.10	0.216	0.45	0.109	0.22	-0.130	-0.26
Expenses - Assessed	8.699	18.31	9.710	20.20	9.826	20.27	10.860	22.23	11.135	22.65
Actual	21.000	44.21	23.946	49.82	27.000	55.69	34.000	69.61	34.688	70.55
Australian Capital Territory										
Assessed difference	-0.304	-0.94	-0.487	-1.49	-0.540	-1.64	-0.715	-2.15	-0.654	-1.94
Expenses - Assessed	5.198	16.04	5.743	17.61	5.972	18.18	6.598	19.86	7.060	20.97
Actual	6.000	18.51	10.000	30.66	13.000	39.57	15.000	45.15	15.460	45.92
Northern Territory										
Assessed difference	4.244	21.28	4.739	23.59	5.408	26.48	5.974	28.62	6.200	29.14
Expenses - Assessed	7.629	38.25	8.576	42.69	9.457	46.30	10.569	50.63	11.076	52.05
Actual	13.998	70.19	14.998	74.65	15.997	78.31	19.995	95.80	20.056	94.25

Note: Refer to Attachment A of the 2008 Update, *Relative Fiscal Capacity of States* for how these figures are compiled.