

**NON-GOVERNMENT PRIMARY EDUCATION**

**BACKGROUND**

*Category definition*

1. In the 1999 Review, the non-government primary education category comprised of expenditure on subsidies, grants and services provided to non-government systems or institutions that provided primary education.

*Specific purpose payments*

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

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

*Importance of the category*

3. Table 2-1 shows the gross expenses standard for this category in the 2003 Update. In 2001-02, the category standard was \$126.63 per capita; this represented 2.53 per cent of total gross standard expenses.

**Table 2-1** NON-GOVERNMENT PRIMARY EDUCATION — STANDARD EXPENSES, 1999 REVIEW

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Standard expenses (\$pc)	78.84	86.70	98.01	106.14	118.57	126.63
% of total gross standard expenses	2.14	2.25	2.15	2.29	2.44	2.53
Gross standard user charges (\$pc)	0.00	0.03	0.03	0.04	0.04	0.04
% of category gross standard expenses	0.00	0.03	0.03	0.04	0.03	0.03

4. In the 2003 Update, compared with an equal per capita assessment, this category redistributed \$86.1 million. The redistribution increased the grants of New South Wales, Victoria and the ACT. The factor which had the largest impact on grant shares was the socio-demographic composition factor. Compared with an equal per capita assessment, the socio-demographic composition factor redistributed \$94.4 million in the 2003 Update assessment. The redistribution increased the grants of New South Wales, Victoria and the ACT.

***Structure of the assessment***

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

**Table 2-2** ASSESSMENT STRUCTURE FOR NON-GOVERNMENT PRIMARY EDUCATION, 1999 REVIEW

Expenditure component	Component weight	Factors	Basis of calculation
Scale-affected expenditure	0.78	Administrative scale	General method.
Schools	99.22	Non-government schools cost	Based on State differences in SPP funding expressed in per student terms.
		Socio-demographic composition	Based on actual numbers of students aged 6-14 (excluding year 7 students) and notional students for year 7 and aged 5 and under.

***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.

### *Specific purpose payments*

8. The main change from the 2003 Update is that all SPPs for non-government schools will be excluded in the 2004 Review. The *Draft Assessment Paper CGC 2003/78 Specific Purpose Payments*, sets out the SPPs associated with the Non-government Primary Education category, their methods of treatment and the reasons for these treatments. This is also discussed in the main body of this paper.

### *Commission's decisions.*

9. The Commission's decisions are summarised in Table 2-3.

**Table 2-3** 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.
Treat both recurrent and capital SPPs to non-government schools by exclusion.	To exclude Commonwealth payments for non-government schools because, in being passed on in full to non-government schools, they bypass State budgets.

## FIXED COSTS COMPONENT

10. 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*

11. **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.

12. **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.

13. 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.

14. The administrative scale factors for this category, shown in Table 2-4, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$0.16 million per State. The Commission also assessed extra fixed costs of \$0.09 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 \$1.30 million, which represents 1.65 per cent of the category standard.

**Table 2-4** 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

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

## SCHOOLS COMPONENT

16. This component is the largest in this category. It includes the socio-demographic composition and the non-government school costs factors.

17. **Non-government schools cost.** This factor accounts for differences among States in the cost per student of providing non-government primary education. The general discussion on this factor is in the main paper.

18. Table 2-5 shows the non-government schools cost factors assessed for the non-government primary education category for all years. Table 2-6 compares the 2003 Update and the 2004 Review factors for 2001-02.

**Table 2-5** NON-GOVERNMENT SCHOOLS COST FACTORS — SCHOOLS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.00744	0.95777	0.99195	1.02630	0.97199	0.94824	0.97864	1.70116
1998-99	1.00958	0.95898	0.99020	1.02284	0.96994	0.94431	0.98051	1.68824
1999-2000	1.01265	0.95834	0.98752	1.02494	0.96644	0.93649	0.98370	1.67861
2000-01	1.01349	0.95989	0.98578	1.02498	0.96524	0.93267	0.98126	1.67062
2001-02	1.01288	0.96134	0.98481	1.02635	0.96938	0.93179	0.97714	1.66463

**Table 2-6** COMPARISON OF NON-GOVERNMENT SCHOOLS COST FACTORS, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	0.99083	0.98941	1.02730	1.01550	1.00200	0.96714	0.95845	1.09312
2004 Review	1.01288	0.96134	0.98481	1.02635	0.96938	0.93179	0.97714	1.66463

***Socio-demographic composition — schools component***

19. This factor accounts for the number of enrolments in non-government primary education. The main paper discusses this factor in more detail.

20. **Table 2-7** shows the socio-demographic composition factors assessed for this component for the 2004 Review. Table 2-8 compares the 2003 Update and the 2004 Review factors for 2001-02.

**Table 2-7** SOCIO-DEMOGRAPHIC COMPOSITION FACTORS — SCHOOLS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.00395	1.15416	0.84498	0.90813	0.94251	0.93534	1.36350	0.80330
1998-99	1.00669	1.14926	0.85245	0.90484	0.94807	0.91126	1.34393	0.79379
1999-2000	1.01124	1.14203	0.85975	0.89844	0.95256	0.88847	1.33446	0.79480
2000-01	1.01661	1.12804	0.86429	0.89936	0.96341	0.88246	1.33618	0.80011
2001-02	1.02441	1.11614	0.85839	0.90185	0.98234	0.87443	1.34149	0.79058

**Table 2-8** SOCIO-DEMOGRAPHIC COMPOSITION FACTORS — SCHOOLS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	1.02441	1.11614	0.85839	0.90185	0.98234	0.87443	1.34149	0.79058
2004 Review	1.02441	1.11614	0.85839	0.90185	0.98234	0.87443	1.34149	0.79058

### PROPOSED METHOD OF ASSESSMENT

21. Table 2-9 shows the proposed assessment structure for Non-government Primary Education category. This differs from that of the 1999 Review in that the measurement of the non-government school costs factor has changed.

**Table 2-9** ASSESSMENT STRUCTURE,— NON-GOVERNMENT PRIMARY EDUCATION, 2004 REVIEW

Component	Component weight	Factors	Basis of calculation
<b>Expenses</b>	%		
Fixed costs	1.65	Administrative scale	General method.
Schools	98.35	Non-government schools cost	Based on differences among States in per student costs in government primary schools.
		Socio-demographic composition	Based on actual numbers of students aged 6-14 (excluding year 7 students) and notional students for year 7 and aged 5 and under.

### *Derivation of the category factor*

22. Table 2-10 summarises the components, component weights and disability factors assessed for this category for 2001-02. It shows how the category factor is derived.

**Table 2-10** NON-GOVERNMENT PRIMARY EDUCATION — DERIVATION OF THE CATEGORY FACTOR FOR, 2004 REVIEW

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>FIXED COSTS (FC) (component weight = 1.65%)</b>								
Administrative Scale (s)	0.34518	0.47215	0.62452	1.19502	1.50943	4.84445	7.10408	17.77059
Component factor	0.34518	0.47215	0.62452	1.19502	1.50943	4.84445	7.10408	17.77059
Cont. to category factor	0.00570	0.00779	0.01030	0.01972	0.02491	0.07993	0.11722	0.29321
<b>SCHOOLS (SCH) (component weight = 98.35%)</b>								
Socio-demographic Composition (sdc)	1.02441	1.11614	0.85839	0.90185	0.98234	0.87443	1.34149	0.79058
Non-government Schools Cost (ngc)	1.01288	0.96134	0.98481	1.02635	0.96938	0.93179	0.97714	1.66463
Component factor	1.04308	1.07865	0.84981	0.93050	0.95728	0.81909	1.31774	1.32297
Cont. to category factor	1.02587	1.06085	0.83579	0.91515	0.94149	0.80557	1.29600	1.30114
<b>Category Factor</b>	<b>1.03157</b>	<b>1.06864</b>	<b>0.84609</b>	<b>0.93487</b>	<b>0.96639</b>	<b>0.88551</b>	<b>1.41322</b>	<b>1.59436</b>

### *Calculation formula*

23. 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.

$$\begin{aligned} \text{FC} &= 0.0165 * (s) \\ \text{SCH} &= 0.9835 * (\text{sdc} * \text{ngc}) \\ \text{Category Factor} &= \text{FC} + \text{SCH} \end{aligned}$$

### *Standardised expenses*

24. Table 2-11 compares the category factors derived for the 2004 Review draft assessment within the 2003 Update.

**Table 2-11** COMPARISON OF CATEGORY FACTORS, 2003 UPDATE AND DRAFT ASSESSMENT, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	1.01277	1.10211	0.88200	0.91913	0.98857	0.86737	1.31731	0.92706
<b>Draft Assessment - 2004 Review</b>	<b>1.03157</b>	<b>1.06864</b>	<b>0.84609</b>	<b>0.93487</b>	<b>0.96639</b>	<b>0.88551</b>	<b>1.41322</b>	<b>1.59436</b>

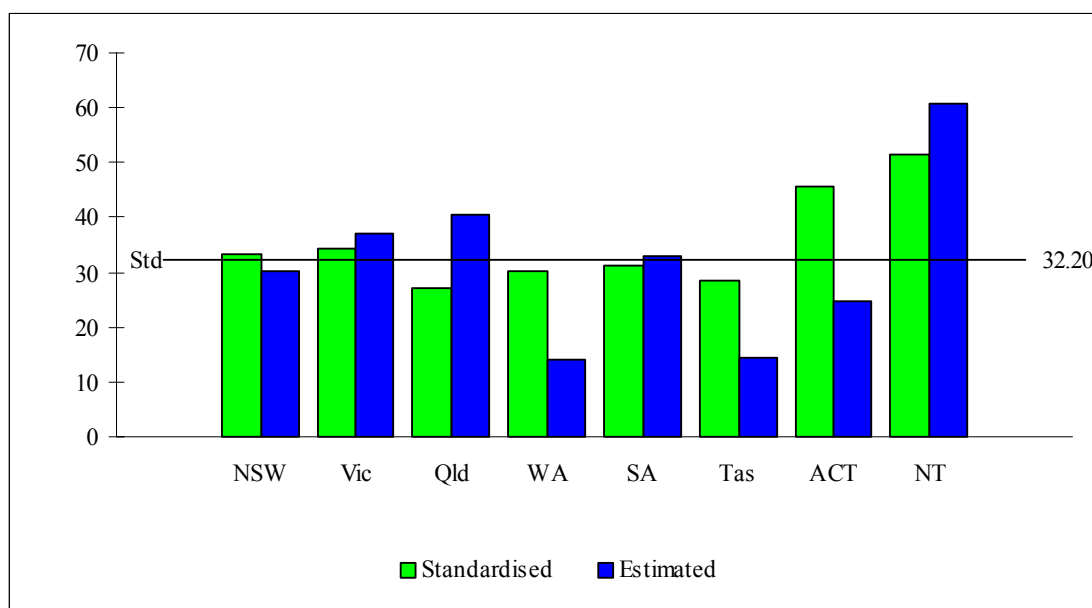
25. Table 2-12 presents, for 2001-02, the draft assessment standardised expenses and compares them with the 2003 Update results.

**Table 2-12** ESTIMATED, STANDARD AND STANDARDISED EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>2003 Update -</b>									
Estimated expenses									
\$m		824.95	633.42	484.99	219.27	195.49	43.86	44.41	35.35
\$ per capita		124.22	130.47	132.13	114.31	128.73	92.69	137.63	176.80
Standardised expenses									
\$m		851.65	677.54	409.93	223.25	190.10	51.97	53.82	23.47
\$ per capita	126.63	128.24	139.56	111.68	116.39	125.18	109.83	166.81	117.39
<b>2004 Review</b>									
Estimated expenses									
\$m		199.643	179.646	148.047	26.670	50.111	6.864	7.946	12.166
\$ per capita		30.06	37.00	40.33	13.90	33.00	14.51	24.62	60.85
Standardised expenses									
\$m		220.589	167.062	100.000	57.743	47.257	13.492	14.683	10.265
\$ per capita	32.20	33.22	34.41	27.24	30.10	31.12	28.51	45.51	51.34

26. Figure 2.1 shows the gross expenses per capita for 2001-02 in terms of standardised, estimated and gross standard expenses.

**Figure 2.1** NON-GOVERNMENT PRIMARY EDUCATION — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



***Effect of assessment on grants***

27. Table 2-13 shows the redistribution of grants resulting from the assessment in the 2003 Update and in the Draft Assessment for the 2004 Review.

28. Compared to an equal per capita assessment, the Draft Assessment redistributed \$27.4 million away from Queensland, Western Australia, South Australia and Tasmania to the other States, \$66.0 million less than in the 2003 Update.

29. Compared with the 2003 Update, the grant shares of all States except Victoria and the ACT increased. The main reasons for the change in grants were:

- (i) the exclusion of SPPs had substantial effects by reducing the category standard. This has led to an decrease in grants for New South Wales, Victoria and the ACT;
- (ii) the changes in the non-government schools cost factor also had large effects which increased in the redistribution towards New South Wales, Western Australia, the ACT and the Northern Territory away from Victoria, Queensland South Australia and Tasmania; and
- (iii) 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 2-13** EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION —  
NON-GOVERNMENT PRIMARY 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 relativities <sup>(b)</sup>	1.1	71.8	-55.2	-16.1	-6.7	-6.4	13.3	-1.7	86.1
Contribution to 2004 Review Draft Assessments relativities <sup>(b)</sup>	4.0	14.4	-19.1	-4.2	-2.8	-1.3	4.6	4.4	27.4
Total change	3.0	-57.4	36.0	11.9	3.9	5.2	-8.6	6.1	66.0 <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

30. 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.

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