

GOVERNMENT PRIMARY SCHOOL EDUCATION

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

GOVERNMENT PRIMARY SCHOOL EDUCATION SERVICES

- 2 All States provide government primary school education services. These services are generally provided to children aged from 5 to about 11, but all States differ in the ages of children in primary education.
- 3 The Government Primary School Education category covers expenses incurred in providing education services in government primary schools. The category includes:
 - expenses on education programs for children enrolled in primary grades in government schools; and
 - central administration and other overhead costs that relate to primary education.
- 4 Australian and State governments spent \$10.8 billion (\$516.26 per capita) on government primary school education in 2006-07. State Governments financed 85.7 per cent of this amount and the Australian Government 14.3 per cent. The Commission treats Australian Government funding as specific purpose funding and includes it in category expenses.
- 5 The Australian Government Specific Purpose Payments (SPPs) included in the category were parts of the Government Schools, the Targeted and Joint Programs Government Schools and the Indigenous Education Strategic Initiatives Program – Government SPPs.

WHY EXPENSES ON GOVERNMENT PRIMARY SCHOOL EDUCATION SERVICES DIFFER

- 6 The per capita amount spent by each State on government primary school 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 States' control, the differences will be reflected in State GST shares. Table 1 shows Government Primary School Education expenses per capita for each State and the Australian average. Box 1 explains the Commission concept of an average.

Table 1 Government Primary School 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	421.91	383.73	492.89	518.68	493.11	534.09	412.72	837.37	447.69
2003-04	416.06	397.14	486.82	538.39	537.81	561.51	480.94	876.11	455.56
2004-05	461.11	406.24	533.54	582.19	542.42	553.95	501.71	1 045.95	488.58
2005-06	446.94	415.83	531.61	607.23	607.75	676.11	489.95	1 160.82	497.40
2006-07	459.16	448.87	560.13	638.90	606.08	573.31	486.61	1 189.73	516.26

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 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 (\$459.16 per capita in 2006-07) 33 times the weight of the experience of the Northern Territory (\$1189.73 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 and the ACT (0 per cent).

- 7 Differences in State expenses per capita are likely to reflect differences in:
 - the cost of resources provided to each student;
 - the number of resources provided to each student; and
 - the number of government primary students in State populations.

- 8 Table 2 shows a measure of the cost of resources (expenses per teacher), a measure of the number of resources provided (teachers per student) and the number of government primary students per capita. It shows, for example, that New South Wales provides government primary education services at less than the average cost per capita, despite experiencing higher than average costs of resources.

- 9 However, numbers of teachers and numbers of government primary students are influenced by State policies. So, it would be inappropriate for the Commission to accept actual numbers

of teachers and students as the measure of what States would need to spend to provide the average level of service.

Table 2 Possible drivers of State expense per capita, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
(a) General indicators									
Expenses (\$m)	2 688.6	2 010.6	2 017.2	1 177.4	841.7	246.8	145.6	222.6	9 350.4
Teaching staff (FTE)	26 786	19 733	18 670	9 271	6 814	2 199	1 503	1 395	86 368
Students (FT)	434 366	312 771	288 408	149 968	106 818	34 839	19 183	19 906	1 366 259
Population ('000)	6 789	5 091	4 049	2 039	1 560	488	332	209	20 557
(b) Ratios									
Expense per capita (\$)	396.03	394.93	498.22	577.54	539.37	505.17	438.37	1066.38	454.85
Expense per teacher (\$)	100 374	101 889	108 046	126 995	123 522	112 214	96 902	159 553	108 263
Teachers per '000 student	62	63	65	62	64	63	78	70	63
Students per '000 persons	64	61	71	74	68	71	58	95	66
(c) Comparison of State ratio to average ratio									
	%	%	%	%	%	%	%	%	%
Expense per capita	-12.9	-13.2	9.5	27.0	18.6	11.1	-3.6	134.4	0.0
Expense per teacher	-7.3	-5.9	-0.2	17.3	14.1	3.6	-10.5	47.4	0.0
Teachers per student	-2.4	-0.2	2.4	-2.2	0.9	-0.2	23.9	10.9	0.0
Students per capita	-3.7	-7.6	7.2	10.7	3.0	7.3	-13.1	43.5	0.0

Note: Year 7 students in QLD, WA, SA and NT are part of primary schools. NSW, VIC, TAS and ACT year 7 students are part of secondary schools and are not included in this table. See Figure 1 for more detail.

Source: Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Education
ABS GFS data and population data.

- 10 Table 3 provides information on some of the characteristics of each State's government primary education sector. Table 4 shows States' shares of primary school age population (population aged 5 to 11), schools, enrolments and staff.

Table 3 Government Primary School Education, general indicators, 2006

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Population aged 5 to 11	618 609	453 757	393 847	193 679	134 979	44 882	28 768	23 929	1 892 450
Schools (a)	1 644	1 211	961	504	434	140	66	83	5 043
Full Time Enrolments									
All students	434 366	312 771	288 408	149 968	106 818	34 839	19 183	19 906	1 366 259
Indigenous	23 059	4 558	23 343	12 648	5 000	2 604	557	8 968	80 737
Staff (FTE)									
Out of school staff (b)	1 847	1 273	1 916	1 572	1 071	443	341	448	8 911
Teaching staff	26 786	19 733	18 670	9 271	6 814	2 199	1 503	1 395	86 368
Non-teaching staff	8 762	5 831	7 277	4 701	2 819	980	645	422	31 437
Average size									
School size	264	258	300	298	246	249	291	240	271
Class size	16.2	15.9	15.4	16.2	15.7	15.8	12.8	14.3	15.8

(a) Primary schools only, does not include primary/secondary combined schools or special schools.

(b) Out of school staff for government schools. Staff are not allocated to primary or secondary sector.

Note: Year 7 students in QLD, WA, SA and NT are part of primary schools. NSW, VIC, TAS and ACT year 7 students are part of secondary schools and are not included in this table. See Figure 1 for more detail.

Source: Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Schools Education. ABS, 2006 Census.

Table 4 Government Primary School Education, shares of indicators, 2006

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Population aged 5 to 11	32.7	24.0	20.8	10.2	7.1	2.4	1.5	1.3
Schools	32.6	24.0	19.1	10.0	8.6	2.8	1.3	1.6
Full Time Enrolments								
All students	31.8	22.9	21.1	11.0	7.8	2.5	1.4	1.5
Indigenous	28.6	5.6	28.9	15.7	6.2	3.2	0.7	11.1
Staff (FTE)								
Out of school staff	20.7	14.3	21.5	17.6	12.0	5.0	3.8	5.0
Teaching staff	31.0	22.8	21.6	10.7	7.9	2.5	1.7	1.6
Non-teaching staff	27.9	18.5	23.1	15.0	9.0	3.1	2.1	1.3

Note: Year 7 students in QLD, WA, SA and NT are part of primary schools. NSW, VIC, TAS and ACT year 7 students are part of secondary schools and are not included in this table. See Figure 1 for more detail.

Source: Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Schools Education.

11 State expenses per capita are affected by:

- the structure of school education;

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

12 The Commission seeks measures of need (or disability) that are not influenced by State policies.

Structure of school education

13 The structure of school education varies across States. States divide school education into compulsory and non-compulsory components based on age, not grade. School education is compulsory in all States for children between 6 and 14 years of age. Figure 1 shows the structure of school education across Australia.

Figure 1 Structure of primary and secondary schooling, 2006

<i>Level</i>	<i>NSW, Vic, Tas, ACT</i>	<i>Qld, WA, SA, NT^a</i>
Year 12	SECONDARY	SECONDARY
Year 11		
Year 10		
Year 9		
Year 8		
Year 7		
Year 6	PRIMARY	PRIMARY
Year 5		
Year 4		
Year 3		
Year 2		
Year 1		
Pre-year 1	Kindergarten (NSW, ACT) Preparatory (Vic, Tas)	Preparatory (Qld) ^b Pre-primary (WA) Reception (SA) ^c Transition (NT) ^d

- (a) In some places in the NT, secondary schooling begins at Year 7.
 (b) In QLD a preparatory year of schooling for pre-Year 1 (which will replace the part-time preschool program) is being progressively phased in prior to 2007 when a half cohort of students will commence to align with the change to the compulsory school starting age in 2008.
 (c) SA has an intake for each term.
 (d) The NT has an intake for terms 1 to 3 of its 4 terms.

Source Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Schools Education, page 4.6.

14 A State’s decision on the age at which children can commence primary school education, the compulsory ages and whether Year 7 is placed within primary or secondary schools are examples of policy decisions which affect the cost of providing government primary

education services. The Commission's calculations are based on the average structure of schooling.

- 15 At the beginning of August 2006, there were 5 043 government primary schools in Australia. The Northern Territory had the highest proportion of very small primary schools, those with 20 or fewer students, (17.1 per cent)¹.
- 16 Settlement patterns and the age distribution of the population are examples of circumstances which affect the distribution of schools by size and level and which are beyond the control of an individual State government. The availability and incorporation of the 2006 Census data, for the years 2004-05 through 2006-07, provides an update of these settlement patterns and the population age distribution.

Efficiency of service delivery

- 17 A State may provide government primary education services more or less efficiently than the average for all States. This is another policy decision that affects the cost of providing government primary education services.

Number of enrolments

- 18 At the beginning of August 2006, there were 1 366 259 full time government primary school enrolments in Australia.²
- 19 The proportion of children aged 5 to 11 in the total population and the proportion of those attending government primary schools vary between the States. They are a further example of circumstances that affect the number of enrolments in government primary schools and which are beyond the control of an individual State government. These differences are shown in Table 5.

Table 5 Proportion of population aged 5 to 11 and proportion of primary students attending government schools, 2006

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Population	9.1	8.9	9.7	9.5	8.6	9.2	8.7	11.5	9.2
Govt. Students	70.0	68.9	73.1	71.7	68.1	76.1	62.0	79.0	70.6

Source: Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Schools Education.

¹ Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Schools Education, tables 4A.1 and 4A.14.

² Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Schools Education, table 4A.1.

Number of students in special needs groups

- 20 Certain groups of students in school education have special needs. It costs more to provide services to 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.
- 21 The proportion of students in each special needs group is another example of circumstances that affect the cost of providing government primary education services and which are beyond the control of an individual State government.

ASSESSING STATES' COSTS OF PROVIDING GOVERNMENT PRIMARY EDUCATION SERVICES

The equalisation task

- 22 The Commission aims to identify why it costs some States more to provide government primary education services and then use this information to estimate what it would cost each State to provide government primary education services using the average policy and practice of all States. This estimate is called a State's *assessed expense*.
- 23 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 reflecting some underlying characteristic (for example, the proportion of its student population attending government schools) 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.
- 24 The Commission identifies the major disabilities 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

- 25 For government primary education services, the disabilities which affect assessed service use are:

- the proportion of people of primary school age;
- the proportion of primary students attending government schools; and
- the proportion of students in special needs groups. For example, 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

- 26 For government primary education services, the disabilities which affect assessed unit costs are:
- the small size of some schools. Small towns have small schools which incur diseconomies of small scale;
 - the cost of geographically remote schools. Schools 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 education sector. There is a minimum cost associated with setting up a school education system; and
 - the unit cost of inputs. States face differing costs in relation to the price of labour, accommodation and electricity.
- 27 While some of these disabilities, such as the price of labour and electricity costs, may be partially affected by government policies, the Commission attempts to take account of only that part of the disability that is beyond the control of States.

OVERVIEW OF THE METHOD FOR DETERMINING ASSESSED EXPENSES

- 28 Box 2 below provides a brief step by step overview of the framework the Commission uses to determine each States' assessed expenses for government primary 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 disabilities. If the differences are material, the expense is divided into component parts to ensure that the various disabilities 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 disabilities for each component

The Commission identifies the disabilities that affect each component and the extent to which they are beyond the control of States. To identify disabilities, 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 States. 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 or interacts 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 disabilities 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

29 The Commission examines the service to decide whether parts of the total expense are affected by different disabilities. If the differences are material, the expense is divided into component parts to ensure that the various disabilities 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*.

30 The Commission identified three components for government primary school education and calculated the proportion of expenses that each cost component contributed to total government primary education costs. The components and component weights are presented in Table 6.

Table 6 **Components and component weights, 2006-07**

	\$m	%
Fixed costs	41.966	0.39
Isolation	17.607	0.16
Schools	10 709.057	99.45
Total	10 768.629	100.00

- 31 The component weights for fixed costs and isolation were calculated directly. For 2006-07, fixed costs were calculated at \$42.0 million and isolation costs at \$17.6 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.
- 32 The Commission identifies the disabilities 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 disabilities as factors (see Box 3 for an explanation).

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 States.

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.

- 33 Table 7 lists each component and associated factors for government primary education services.

³ The Administrative Scale 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 7 Components and factors, 2008 Update

Component	Component weight	Factors	Influence measured by factor
Fixed costs	0.39%	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	99.45%	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 and in the provision of distance education services.
		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	0.16%	Isolation	Recognises the additional costs incurred by the States, attributable to the distance of the State from other State capitals and sources of supply.

34 An explanation of the reasoning behind each factor assessment in the Government Primary School Education category and the method of assessment is presented below.

DERIVING THE FIXED COST COMPONENT FACTOR

35 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

36 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. Each State is assessed to require a similar level of administration.

- 37 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.
- 38 For 2006-07, the level of unavoidable fixed cost assessed for this category is \$5.2 million for each State. Another \$0.349 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.
- 39 Table 8 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 8 Calculation of administrative scale factor, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Fixed cost amount	\$m	5.202	5.202	5.202	5.202	5.202	5.202	5.202	5.202	41.617
Dual policy amount	\$m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.349	0.349
Fixed costs	\$m	5.202	5.202	5.202	5.202	5.202	5.202	5.202	5.551	41.966
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	0.76	1.01	1.26	2.50	3.30	10.58	15.45	26.08	2.01
Factor		0.37715	0.50037	0.62523	1.24190	1.64000	5.25924	7.67972	12.96474	1.00000

- 40 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

- 41 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.
- 42 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.
- 43 The input costs factor depends on the proportion of fixed costs expenses deemed to relate to the price of labour (wages), accommodation expenses and electricity expenses. For this component, these are 80% for labour, 2% for accommodation and 0.5% for electricity. Table 9 shows:

- the price differentials for labour, accommodation and electricity assessed by the Commission. For example, the average price of labour in New South Wales is, for reasons beyond its control, 3.0 per cent higher than average;
- the proportion of fixed costs expenses that relate to the price of labour, 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 9 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 labour (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, labour, 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:

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

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.

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

Fixed costs component factor

45 The fixed costs component factor is calculated using the formula:

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

46 The Commission combines these factors multiplicatively because it recognises that States will vary around their administrative scale assessment due to differences in the assessed unit cost. For example, Table 9 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 (\$5.2 million) to finance the minimum structures required to provide State services.

47 Table 10 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.

48 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 8;
- 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 10 Government Primary School Education, calculation of fixed costs component factor, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Fixed costs amount (from Table 8)										
Amount	\$m	5.202	5.202	5.202	5.202	5.202	5.202	5.202	5.551	41.966
B. Differences in price of inputs (from Table 9)										
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	0.132	-0.041	-0.084	-0.042	-0.126	-0.226	0.101	0.098	0.000
D. Total fixed costs (A + C)										
Amount	\$m	5.334	5.161	5.118	5.160	5.076	4.977	5.303	5.649	41.966
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										
Expenses										
per capita	\$pc	0.77798	0.99877	1.23759	2.47856	3.21962	10.12228	15.75042	26.54507	2.01190
F. Factor (E / E _{Aust})										
Factor		0.38669	0.49643	0.61514	1.23195	1.60029	5.03121	7.82864	13.19405	1.00000

Source: CGC Assessment System

Note: The component factor shown here is the component factor after it has been scaled to ensure total assessed expenses equals average expenses (see Box 7).

DERIVING THE SCHOOLS COMPONENT FACTOR

49 The Commission considers each States' level of schools costs to be influenced by the number of people attending its government primary schools and differences in:

- the costs of providing services to students with particular characteristics (special needs groups);
- the price of labour, accommodation and electricity;
- costs associated with the geographical dispersion of a States' population; and
- costs of providing small schools in sparsely populated areas.

Socio-demographic composition factor

50 With the availability of 2006 Census data, these have now been included in the calculation of this factor for the years 2004 05 through 2006 07, while 2001 Census data have continued to be used in the calculations for the earlier assessment years.

51 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 actual enrolments to remove the influence of State policies; and

- the unit cost of providing services to students in special needs groups. For example, some of these groups are Indigenous students, Indigenous students living in remote areas, students from a low socio-economic background, and students with low fluency in English.

Box 5: Socio-demographic composition factor

Step 1: Adjust ABS actual enrolments to make them comparable for funding purposes

The number of enrolments for each State is obtained from the ABS. The enrolments are adjusted to obtain comparable numbers of government primary school enrolments that each State must fund.

Step 2: Remove the influence of State policies on the commencement age of schooling

State policies on the age at which children can commence schooling affect actual enrolments aged 5 and under. Replace actual enrolments aged 5 and under with notional enrolments aged 5 and under to remove the influence of State policies.

Step 3: Add in diplomatic children aged 5 and under

The ACT provides primary education services to children aged 5 and under from diplomatic families. 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 notional enrolments in Step 2. This ensures the cost associated with the provision of services to these children remains with the ACT.

Step 4: Remove the influence of State policies on the structure of schooling

State policies on the placement of Year 7 in the primary or secondary sector affect the actual enrolments of Year 7 students in primary education. Replace actual Year 7 enrolments with notional Year 7 enrolments to reflect the average policy on the placement of Year 7.

Step 5: 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 for example the additional costs of providing schooling to Indigenous students, students from low socio-economic backgrounds, students living in geographically remote areas, and students with low fluency in English.

Adjusting ABS enrolment data

52 The ABS's definition of primary school enrolments differs from the Commission's definition. The adjustments made to ABS actual enrolment data are:

- The ABS does not classify Queensland's Pre-year 1 students as primary school students. The Commission includes them in the actual enrolment numbers it uses because the Department of Education, Science and Training classifies them as primary school students;
- The ABS classifies Northern Territory students in the former 'mission schools' as non-government students. The Commission includes them in the actual enrolment numbers it uses because these students are fully funded by the Northern Territory Government; and
- The ACT provides government primary education services to Jervis Bay under a Memorandum of Understanding (MOU) with the Australian Government. The ABS classifies Jervis Bay primary school enrolments as ACT students. The Commission

does not include Jervis Bay students as primary school enrolments because the Australian Government contracts the ACT to provide the service to these students.

Use of services

- 53 The compulsory years of schooling are assumed to be 6 to 14. Since all States apply a common policy of compulsory schooling for children in this age range, actual enrolments can be used as the measure of use.
- 54 This is not the case with the non-compulsory years of schooling. Actual enrolments in these years are influenced by State policies. The Commission adjusts the actual enrolments to reflect average policy. The State policies operating in this area are:
- differences in the commencement age of students; and
 - the structure of schooling.
- 55 A separate adjustment is made for children aged 5 and under from diplomatic families. This adjustment ensures that their use of services is attributed to the ACT.
- 56 ***The commencement age of students.*** Actual enrolments aged 5 and under are influenced by State policies on the age at which students can commence schooling. The Commission applies the average policy by imposing the average participation rate for children aged 5 and under on each State. It does this by:
- calculating the average participation rate for 5 and under. This is total enrolments aged 5 and under divided by total population aged 5;
 - estimating each State's notional enrolments aged 5 and under by applying the average participation rate to its population aged 5; and
 - apportioning each State's notional enrolments aged 5 and under between its government and non-government sectors using its actual proportion of children aged 5 and under attending government schools.
- 57 This calculation for 2006-07 is shown in Table 11. The adjustment:
- increases the enrolments in States which experience below average participation rates. Their actual enrolments are replaced with a higher notional enrolment; and
 - reduces the enrolments in States which experience above average participation rates. Their actual enrolments are replaced with a lower notional enrolment.

Table 11 Calculation of adjustment for commencement age of students, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Actual enrolments 5 and under									
A. Government	51 253	28 550	35 925	19 180	12 846	2 360	2 013	2 563	154 687
Non-government	20 194	12 901	16 269	7 095	5 569	732	1 165	527	64 450
B. Total	71 447	41 451	52 193	26 275	18 415	3 092	3 178	3 089	219 137
C. Proportion of enrolments aged 5 and under government sector (A/B)									
Difference	71.7%	68.9%	68.8%	73.0%	69.8%	76.3%	63.3%	83.0%	70.6%
D. Population aged 5									
Population	86 047	63 267	54 842	26 535	18 417	6 065	3 966	3 498	262 637
E. Average participation rate (B_{Aust}/D_{Aust})									83.4%
F. Notional enrolments (D*E)									
Total	71 795	52 788	45 759	22 140	15 367	5 060	3 309	2 919	219 137
G. Apportion notional enrolments between sectors (F*C)									
Government	51 503	36 359	31 496	16 162	10 720	3 862	2 096	2 421	154 618
Non-government	20 293	16 430	14 263	5 978	4 647	1 198	1 213	497	64 519
Total	71 795	52 788	45 759	22 140	15 367	5 060	3 309	2 919	219 137
H. Difference between notional and actual enrolments (G-A)									
Government	250	7 809	- 4 429	- 3 018	- 2 126	1 503	83	- 141	- 69
Non-government	99	3 529	- 2 006	- 1 116	- 922	466	48	- 29	69
Total	349	11 338	- 6 435	- 4 134	- 3 048	1 969	132	- 170	0

58 **Diplomatic children in non-compulsory years of schooling.** As mentioned, children aged 5 and under from diplomatic families use primary schools in the ACT.

59 Consequently, for the ACT, the actual number of diplomatic children aged 5 and under is added to its notional enrolment figures for both government and non-government⁴ schools. The 2006-07 adjustment for government primary schools is 17 children.

60 **The structure of schooling.** Actual enrolments in primary schools are affected by whether States place Year 7 in their primary sector or their secondary sector. The Commission applies the average policy by assuming each State has the average proportion of Year 7 students in its primary schools. It does this by:

- calculating the average proportion of Year 7 students in primary schools;
- estimating each State's notional Year 7 students in primary schools by applying the average proportion to its actual number of Year 7 students; and

⁴ These children from diplomatic families are not included in the enrolment or population data used to average enrolments for children aged 5 and under. They are added to the ACT's assessed enrolment figures to attribute their use of services to the ACT.

- apportioning each State's Year 7 enrolments between the government and non-government sectors using each State's actual proportion of Year 6 students attending government schools.⁵

61 This calculation for 2006-07 is shown in Table 12. The adjustment:

- increases the primary school enrolments for States which place Year 7 in secondary schools, because it replaces their nil actual enrolments with a notional enrolment; and
- reduces the primary school enrolments for States which place Year 7 in primary schools, because it replaces their actual enrolments with a lower notional enrolment.

⁵ The Year 6 proportions are used in preference to the Year 7 proportions. The Commission accepts that a major decision point for parents in the choice between government and non-government education occurs when the child is about to commence secondary school. The Commission accepts the actual proportion of Year 7 enrolments in government schools is affected by the placement of Year 7 within the school structure.

Table 12 Calculation of adjustment for school structure, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Actual enrolments Year 7									
(i) Primary									
A. Government	0	0	41 229	20 048	12 976	0	0	2 285	76 537
B. Non-government	0	0	16 180	8 539	6 591	0	0	685	31 993
(ii) Secondary									
Government	54 711	39 254	0	0	0	4 646	2 510	0	101 121
Non-government	33 175	27 224	0	0	0	2 193	2 378	0	64 969
C. Total	87 886	66 478	57 408	28 586	19 567	6 839	4 888	2 969	274 619
D. Average proportion of enrolments in primary schools $(A_{Aust}+B_{Aust})/C_{Aust}$									39.5%
E. Notional Year 7 enrolments in primary schools (C*D)									
Number	34 732	26 272	22 688	11 297	7 733	2 703	1 932	1 173	108 530
Actual Year 6 enrolments									
F. Government	61 019	44 600	40 943	20 015	13 123	5 026	2 742	2 556	190 022
Non-Government	26 928	21 273	15 587	8 109	6 413	1 773	1 870	575	82 527
G. Total	87 947	65 873	56 529	28 124	19 536	6 799	4 612	3 130	272 549
H. Proportion of of Year 6 enrolments in government sector (F/G)									
Proportion	69.4%	67.7%	72.4%	71.2%	67.2%	73.9%	59.5%	81.6%	69.7%
I. Apportion notional year 7 enrolments between sectors (E*H)									
Government	24 098	17 788	16 432	8 040	5 194	1 998	1 148	958	75 656
Non-Government	10 635	8 484	6 256	3 257	2 538	705	783	215	32 874
Total	34 732	26 272	22 688	11 297	7 733	2 703	1 932	1 173	108 530
J Difference between notional and actual enrolments (I-A)									
Government	24 098	17 788	- 24 796	- 12 008	- 7 782	1 998	1 148	- 1 327	- 881
Non-Government	10 635	8 484	- 9 924	- 5 281	- 4 052	705	783	- 469	881
Total	34 732	26 272	- 34 720	- 17 289	- 11 834	2 703	1 932	- 1 796	0

62 Table 13 summarises the changes made to actual enrolments for each policy influence for 2006-07. The notional enrolment figures in this table are actual enrolments adjusted to remove the effects of:

- differences in definition, placing enrolments on a comparable basis; and
- differences in State policies.

Table 13 Government Primary School Education, actual and notional enrolments, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Actual enrolments									
Students aged 5 and under	51 253	28 550	35 925	19 180	12 846	2 360	2 013	2 563	154 687
Diplomatic students 5 and under	0	0	0	0	0	0	25	0	25
Compulsory years of schooling	381 740	283 588	228 919	110 742	80 779	32 002	16 934	15 992	1 150 695
Year 7	0	0	41 229	20 048	12 976	0	0	2 285	76 537
Total	432 992	312 137	306 072	149 970	106 601	34 361	18 972	20 839	1 381 944
B. Notional enrolments									
Students aged 5 and under	51 503	36 359	31 496	16 162	10 720	3 862	2 096	2 421	154 618
Diplomatic students 5 and under	0	0	0	0	0	0	25	0	25
Compulsory years of schooling	381 740	283 588	228 919	110 742	80 779	32 002	16 934	15 992	1 150 695
Year 7	24 098	17 788	16 432	8 040	5 194	1 998	1 148	958	75 656
Total	457 340	337 734	276 847	134 944	96 693	37 862	20 204	19 371	1 380 994
C. Differences (B - A)									
Students aged 5 and under	250	7 809	-4 429	-3 018	-2 126	1 503	83	- 141	- 69
Diplomatic students 5 and under	0	0	0	0	0	0	0	0	0
Compulsory years of schooling	0	0	0	0	0	0	0	0	0
Year 7	24 098	17 788	-24 796	-12 008	-7 782	1 998	1 148	-1 327	- 881
Total	24 348	25 597	-29 225	-15 026	-9 908	3 501	1 232	-1 468	- 950

63 Table 14 and Table 15 show actual and notional government primary enrolments for the 2008 Update.

Table 14 Government Primary School Education, actual enrolments, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	447 168	316 659	303 232	150 734	111 164	36 125	20 531	20 915	1 406 527
2003-04	442 582	316 309	304 738	150 046	109 502	35 947	19 988	20 680	1 399 790
2004-05	438 430	315 448	304 303	149 916	108 180	35 626	19 550	20 467	1 391 918
2005-06	435 459	313 762	303 299	149 789	107 196	35 086	19 253	20 533	1 384 376
2006-07	432 992	312 137	306 072	149 970	106 601	34 361	18 972	20 839	1 381 944

Table 15 Government Primary School Education, notional enrolments, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	470 420	340 151	277 259	135 596	100 473	39 422	21 774	19 388	1 404 484
2003-04	466 113	340 374	277 232	135 253	99 123	39 650	21 299	19 106	1 398 149
2004-05	462 614	340 079	276 484	134 541	97 914	39 197	20 799	19 075	1 390 705
2005-06	459 313	338 680	275 457	134 588	97 104	38 605	20 476	19 217	1 383 438
2006-07	457 340	337 734	276 847	134 944	96 693	37 862	20 204	19 371	1 380 994

Unit cost of supplying services

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

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

65 The Commission also takes into account the additional costs arising from urban influences due to school vandalism in very large urban centres.

66 The Commission measures these additional costs in two steps. The first deals with students who are in special needs groups other than those who are humanitarian refugees, the second deals exclusively with students who are humanitarian refugees.

67 ***Students other than humanitarian refugees.*** The Commission developed cost weights to recognise the additional average cost of providing services to students in special needs groups. The cost 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 16 shows the cost weights assessed by the Commission.

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

Table 16 Socio-demographic composition cost weights for Government Primary School 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 - remote		
Low socio-demographic status	1.25	1.15
Other	1.10	1.00

Source: 2004 Review working papers, volume 4, Table 12, p68.

69 The urban influences cost weights are 1 per cent for Sydney and Melbourne, ½ per cent for Brisbane, Perth and Adelaide and 0 per cent for all other areas.

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

- apportioning the notional enrolments from Table 15 into 20 student groups⁶;
- applying a cost weight to the notional enrolments in each group; and
- totalling the cost weighted enrolments by aggregating across groups.

⁶ 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 20 groups: 2 Indigenous x 2 socio-demographic composition x 2 English proficiency x 2 location plus an additional 4 remote Indigenous groups.

Table 17 Proportion of persons by characteristic, 2006 Census

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Indigenous persons								
(a) major metropolitan								
High socio-demographic and fluent	0.6	0.3	1.0	1.1	0.8	0.0	0.0	0.0
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	0.7	0.3	0.7	1.2	1.2	0.0	0.0	0.0
Loc socio-demographic and low fluency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(b) non-remote								
High socio-demographic and fluent	1.7	0.4	2.6	1.3	0.7	4.0	1.5	7.3
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	2.0	0.5	2.0	1.5	0.9	3.0	1.3	7.0
Loc socio-demographic and low fluency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(c) remote								
High socio-demographic and fluent	0.2	0.0	0.9	1.5	0.2	0.1	0.0	11.1
High socio-demographic and low fluency	0.0	0.0	0.1	0.0	0.0	0.0	0.0	3.0
Low socio-demographic and fluent	0.2	0.0	0.6	1.5	0.2	0.0	0.0	12.7
Loc socio-demographic and low fluency	0.0	0.0	0.1	0.1	0.1	0.0	0.0	5.4
Non-Indigenous persons								
(a) major metropolitan								
High socio-demographic and fluent	37.0	47.2	30.2	43.4	43.5	0.0	0.0	0.0
High socio-demographic and low fluency	0.6	0.5	0.2	0.3	0.4	0.0	0.0	0.0
Low socio-demographic and fluent	11.1	13.5	7.8	10.5	15.5	0.0	0.0	0.0
Loc socio-demographic and low fluency	0.6	0.5	0.1	0.3	0.5	0.0	0.0	0.0
(b) rest of State								
High socio-demographic and fluent	33.2	27.3	40.4	29.5	26.6	66.4	82.5	45.7
High socio-demographic and low fluency	0.1	0.0	0.1	0.1	0.1	0.1	0.7	0.4
Low socio-demographic and fluent	12.1	9.5	13.1	7.8	9.4	26.2	13.7	7.1
Loc socio-demographic and low fluency	0.1	0.0	0.1	0.0	0.0	0.1	0.3	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 18 Apportioned notional enrolments using 2006 Census data, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Indigenous persons								
(a) major metropolitan								
High socio-demographic and fluent	2 675	1 014	2 836	1 525	802	0	0	0
High socio-demographic and low fluency	20	10	5	0	0	0	0	0
Low socio-demographic and fluent	3 290	923	2 026	1 661	1 172	0	0	0
Low socio-demographic and low fluency	21	8	12	0	0	0	0	0
(b) non-remote								
High socio-demographic and fluent	7 829	1 365	7 146	1 729	680	1 516	309	1 420
High socio-demographic and low fluency	10	3	12	0	0	0	0	0
Low socio-demographic and fluent	9 100	1 759	5 653	1 970	843	1 130	272	1 355
Low socio-demographic and low fluency	6	0	6	4	10	0	0	9
(c) remote								
High socio-demographic and fluent	698	5	2 573	2 043	189	22	0	2 152
High socio-demographic and low fluency	3	0	256	28	18	0	0	590
Low socio-demographic and fluent	987	4	1 654	2 004	224	11	0	2 452
Low socio-demographic and low fluency	0	0	176	70	58	0	0	1 051
Non-Indigenous persons								
(a) major metropolitan								
High socio-demographic and fluent	169 345	159 257	83 693	58 570	42 029	0	0	0
High socio-demographic and low fluency	2 602	1 668	510	439	348	0	0	0
Low socio-demographic and fluent	50 634	45 435	21 529	14 186	14 987	0	0	0
Low socio-demographic and low fluency	2 610	1 715	403	353	438	0	0	0
(b) rest of State								
High socio-demographic and fluent	151 667	92 286	111 748	39 780	25 716	25 157	16 674	8 857
High socio-demographic and low fluency	245	161	242	76	58	53	134	73
Low socio-demographic and fluent	55 364	31 981	36 146	10 475	9 100	9 919	2 760	1 370
Low socio-demographic and low fluency	234	141	221	32	23	54	55	43
Total	457 340	337 734	276 847	134 944	96 693	37 862	20 204	19 371

Table 19 Cost weights by characteristic, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Indigenous persons								
(a) major metropolitan								
High socio-demographic and fluent	1.1100	1.1100	1.1050	1.1050	1.1050	1.1000	1.1000	1.1000
High socio-demographic and low fluency	1.2100	1.2100	1.2050	1.2050	1.2050	1.2000	1.2000	1.2000
Low socio-demographic and fluent	1.2600	1.2600	1.2550	1.2550	1.2550	1.2500	1.2500	1.2500
Low socio-demographic and low fluency	1.3600	1.3600	1.3550	1.3550	1.3550	1.3500	1.3500	1.3500
(b) 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
(c) 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								
(a) major metropolitan								
High socio-demographic and fluent	1.0100	1.0100	1.0050	1.0050	1.0050	1.0000	1.0000	1.0000
High socio-demographic and low fluency	1.1100	1.1100	1.1050	1.1050	1.1050	1.1000	1.1000	1.1000
Low socio-demographic and fluent	1.1600	1.1600	1.1550	1.1550	1.1550	1.1500	1.1500	1.1500
Low socio-demographic and low fluency	1.2600	1.2600	1.2550	1.2550	1.2550	1.2500	1.2500	1.2500
(b) rest of State								
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 20 Cost weighted notional enrolments, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Indigenous persons								
(a) major metropolitan								
High socio-demographic and fluent	2 969	1 125	3 134	1 685	886	0	0	0
High socio-demographic and low fluency	25	12	7	0	0	0	0	0
Low socio-demographic and fluent	4 145	1 163	2 543	2 084	1 471	0	0	0
Low socio-demographic and low fluency	28	10	16	0	0	0	0	0
(b) non-remote								
High socio-demographic and fluent	8 612	1 502	7 861	1 902	747	1 668	340	1 562
High socio-demographic and low fluency	12	3	14	0	0	0	0	0
Low socio-demographic and fluent	11 375	2 199	7 066	2 462	1 053	1 412	339	1 694
Low socio-demographic and low fluency	8	0	8	5	13	0	0	11
(c) remote								
High socio-demographic and fluent	908	7	3 345	2 656	245	29	0	2 798
High socio-demographic and low fluency	4	0	372	41	26	0	0	856
Low socio-demographic and fluent	1 481	6	2 481	3 005	336	16	0	3 679
Low socio-demographic and low fluency	0	0	299	118	98	0	0	1 787
Non-Indigenous persons								
(a) major metropolitan								
High socio-demographic and fluent	171 038	160 850	84 111	58 863	42 239	0	0	0
High socio-demographic and low fluency	2 888	1 851	563	485	385	0	0	0
Low socio-demographic and fluent	58 735	52 704	24 866	16 385	17 310	0	0	0
Low socio-demographic and low fluency	3 289	2 161	506	443	549	0	0	0
(b) rest of State								
High socio-demographic and fluent	151 667	92 286	111 748	39 780	25 716	25 157	16 674	8 857
High socio-demographic and low fluency	269	177	266	83	64	59	148	80
Low socio-demographic and fluent	63 669	36 778	41 568	12 047	10 465	11 407	3 174	1 575
Low socio-demographic and low fluency	293	176	276	39	29	68	68	54
Total	481 415	353 010	291 049	142 085	101 633	39 814	20 744	22 951

- 71 The notional enrolment figures at the bottom of this table are actual enrolments adjusted to:
- remove the effects of differences in definition, placing enrolments on a comparable basis;
 - remove the effects of differences in State policies; and
 - allow for the cost of providing services to particular student groups (excluding students who are humanitarian refugees).
- 72 Table 21 calculates each State's share of the 2006-07 notional enrolments. As diplomats and their children are not included in Census data they are not part of the cost weighting process, with diplomatic children added separately.

Table 21 States' shares of notional enrolments, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Notional enrolments									
Enrolments	481 415	353 010	291 049	142 085	101 633	39 814	20 744	22 951	1 452 702
B. Students from diplomatic families (aged 5 years and under)									
Enrolments(a)	0	0	0	0	0	0	17	0	17
C. Total Notional enrolments (A + B)									
Enrolments	481 415	353 010	291 049	142 085	101 633	39 814	20 761	22 951	1 452 720
State share (C / C_{Aust})	33.1	24.3	20.0	9.8	7.0	2.7	1.4	1.6	100.0

(a) Students from diplomatic families who have low English fluency.

- 73 *Students who are humanitarian refugees.* An assessment is also made for the additional cost of providing services to students who are humanitarian refugees. Data are not available on how many government primary students are humanitarian refugees.
- 74 In 2006-07, there were 97 060 humanitarian refugees in the general population. The proportion of government primary students calculated to be humanitarian refugees was 0.0298 per cent. The Commission applies a cost weight of 5 to this group⁷, so the humanitarian refugee proportion of notional students is considered to be 0.15 per cent (0.0298*5) or 2 161 students.
- 75 The Commission estimates the effect of humanitarian refugees on notional enrolments by:
- apportioning the 2 161 students using States' shares of humanitarian refugees;
 - apportioning the remaining 1 450 558 (1 452 720 less 2 161) using States' shares of total enrolments from Table 21.
- 76 The Commission estimates State's shares of humanitarian refugees by:

⁷ This implies humanitarian refugees have a different cost profile from other students. The weight of 5 captures the additional cost of providing government primary education services to students who are humanitarian refugees.

- applying the proportion of each State’s population who are at government primary schools to its number of humanitarian refugees;
- calculating each State’s share of the resultant figures.

77 Table 22 shows the calculation.

Table 22 Calculation of humanitarian refugee students, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Number of humanitarian refugees									
Number	33 167	29404	9 960	11 229	9 255	2 207	938	900	97 060
B. Proportion of Census population in government primary schools									
Proportion	6.3%	6.0%	7.0%	6.7%	6.6%	7.4%	5.5%	9.5%	6.5%
C. Potential number of government primary students who are humanitarian refugees (A * B)									
Enrolments	2 080	1766	693	754	614	163	52	86	6 207
State share	33.5	28.4	11.2	12.1	9.9	2.6	0.8	1.4	100.0

78 The socio-demographic composition factor is calculated by:

- adding the number of government primary students who are humanitarian refugees (2 161) to other students (1 450 558);
- dividing by each State’s population; and
- dividing each States per capita figure by the average per capita figure.

79 Table 23 shows the derivation of the socio-demographic composition factor for 2006-07. The notional enrolment figures at the bottom of this table differ from those at the top — they include the impact of providing services to students who are humanitarian refugees. Thus, they are actual enrolments adjusted to:

- remove the effects of differences in definition, placing enrolments on a comparable basis;
- remove the effects of differences in State policies; and
- allow for the cost of providing services to particular student groups (including students who are humanitarian refugees).

Table 23 Derivation of socio-demographic composition factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Number of notional enrolments who are humanitarian refugees									
State share	33.5	28.4	11.2	12.1	9.9	2.6	0.8	1.4	100.0
Number	724	615	241	262	214	57	18	30	2 161
B. Number of notional enrolments who are not humanitarian refugees									
State share	33.1	24.3	20.0	9.8	7.0	2.7	1.4	1.6	100.0
Number	480 699	352 485	290 616	141 874	101 482	39 755	20 730	22 917	1 450 558
C. Total notional enrolments (A + B)									
Enrolments	481 423	353 100	290 858	142 136	101 696	39 812	20 748	22 947	1 452 720
D. Population									
Number (m)	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
E. Notional enrolments per capita (C / D)									
Enrolments	0.07022	0.06833	0.07033	0.06827	0.06450	0.08098	0.06162	0.10783	0.06965
F. Factor (E / E_{Aust})									
Factor	1.00827	0.98112	1.00983	0.98022	0.92614	1.16269	0.88482	1.54832	1.00000

80 These notional enrolment figures are a measure of the differences in the assessed use (including the unit cost of supplying services to students with particular characteristics) of government primary education services. The following sections focus on differences in the price of providing these services.

81 The socio-demographic composition factors are revised annually to allow for changes in enrolments and State populations. Table 24 shows the assessed factors for the 2008 Update.

82 With the availability of the 2006 Census data, these data have now been included in the calculation of the factor for the years 2004-05 through 2006-07, while 2001 Census data have continued to be used in calculating the factor for the earlier assessment years.

Table 24 Government Primary School Education, socio-demographic composition factor, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	0.99385	0.97107	1.04068	0.98799	0.92774	1.17342	0.92429	1.52653	1.00000
2003-04	0.99552	0.97610	1.03205	0.98710	0.92482	1.18621	0.91362	1.51860	1.00000
2004-05	1.00240	0.98161	1.01758	0.98188	0.92249	1.17812	0.90109	1.53294	1.00000
2005-06	1.00607	0.98248	1.00975	0.98227	0.92437	1.17391	0.89410	1.54069	1.00000
2006-07	1.00827	0.98112	1.00983	0.98022	0.92614	1.16269	0.88482	1.54832	1.00000

Source: CGC calculation

Service delivery scale factor

- 83 The service delivery scale factor recognises the diseconomies associated with the cost of providing small schools in sparsely populated areas. It allows for both:
- the higher costs per unit of service in small schools compared with large schools. These schools require additional staffing which leads to lower student-staff ratios; and
 - the impact of the different State settlement patterns on the numbers of small schools.
- 84 Service delivery scale was assessed by estimating the additional staffing required for schools in small urban centres judged to have less than 120 students attending government primary schools and for provision of out of school tuition to rural students not living in or close to urban centres.

Box 6: Service delivery scale

Step 1: Calculate the notional number of students in each urban centre and urban locality

The notional number of primary school students in each urban centre or urban locality (UCL) can be calculated by applying the proportion of government students to the population aged 5 to 11.

Step 2: Assign a student-staff ratio to the number of students in each UCL

Each UCL can be assigned a student-staff ratio.

- (i) some parts of each State are deemed not to experience diseconomies of small size. The UCLs in these areas are assigned the average student-staff ratio for schools with more than 120 students;
- (ii) the remaining UCLs are assigned to one of six school sizes and receive the student-staff ratio for schools of that size. The lower the number of students the lower the student-staff ratio. The ratios are the national student-staff ratio for schools of that size; and
- (iii) students receiving distance education services are assigned a distance education student-staff ratio.

Step 3: Estimate the number of staff required for each school

The number of staff required for each school can be calculated by applying the assigned student-staff ratio to each school's notional enrolments. This is the number of staff required because some schools suffer from diseconomies of small size.

Step 4: Calculate the total number of notional staff for each State

For each State, the total number of staff required can be calculated by aggregating across all schools.

Step 5: Calculate the number of staff required if no school experienced diseconomies of small size

The total number of staff required if no school experienced diseconomies of small size can be calculated by applying the average student-staff ratio for schools deemed not to experience diseconomies of small size to the State's total enrolments.

Step 6: Calculate the service delivery scale factor

A State ratio can be calculated by dividing the total staff required when some schools suffer diseconomies of small size by the total staff required when no school suffers diseconomies of small size. The difference in these two figures is an estimate of the additional number of staff required because small schools are provided in sparsely populated areas, the ratio measures the percentage increase (or decrease) on the State's cost of providing the service because of the additional staff required. The service delivery scale factor is calculated by dividing the State ratio by the average ratio.

- 85 Staffing was used as a proxy for all in-school costs. Staffing data, both teaching and non-teaching, were taken from the Commission's Education Special Data Collection from States. Average student-staff ratios for a range of school size groups were derived by dividing total students in the group by total staff in the group.
- 86 The groups were decided with the aid of a regression model that depicted changes in the student-staff ratios against primary school size. Starting with the smallest schools, cut-off points for the groups were set at the points on the regression curve where student-staff ratios commenced to change. Six such cut-off points were noted. The sixth cut-off point (120 students) was unique, in that it denoted the transition to a constant rate of change in student-staff ratio.
- 87 These student-staff ratios are applied to notional numbers of government primary students. Notional students are calculated using the population aged 5-11 located in or within 60 kilometres of an urban centre or urban locality (UCL). These notional students are apportioned between government and non-government schools.⁸ Population is used because it circumvents the influence of State policies on the number and location of schools and the 60 kilometre distance⁹ is used because the Commission considered it to be the maximum distance primary students were expected to travel to school. It assumed that distance education would be provided to students living more than 60 kilometres from a school.
- 88 Each UCL is grouped by size and assigned a student-staff ratio:
- some parts of each State are deemed not to experience diseconomies of small size. The UCLs within those areas are assigned the average student-staff ratio for schools with 120 or more students;
 - the remaining UCLs are assigned to one of the six school sizes depending on their number of notional students in the UCL. They receive the student-staff ratio for schools of that size; and
 - students receiving distance education are assigned the distance education student-staff ratio¹⁰.
- 89 Table 25 shows average student-staff ratios for each school size group and for distance education.

⁸ The proportion was based on the government to non-government school proportion at the statistical division level or statistical subdivision level.

⁹ A sinuosity adjustment was made to adjust straight line distances to actual road distances.

¹⁰ The Commission identified geographical areas within which students were able to travel conveniently to school. The costs of providing services to students in the rest of the State (areas regarded as the rural balance) were assumed to be the same as the costs of providing distance education services. The actual numbers of enrolments in these areas were used to derive an average student-staff ratio for distance education. This information indicated the average student-staff ratio for primary students receiving distance education was 11.0.

Table 25 Government Primary School Education, student-staff ratio, 2008 Update

School Size Group (Students)	0-15	15-30	30-55	55-80	80-120	120+	Distance Education
Average students per staff ratio	5.83	8.33	9.48	10.42	10.76	12.95	11.00

Source: CGC Assessment System

- 90 If no school in the State experienced diseconomies of small size, the number of staff the State would require can be calculated by applying the student-staff ratio derived for schools deemed not to experience diseconomies of scale (the student-staff ratio of 12.95) to its total notional students. This total is also the number of staff required when no allowance is made for diseconomies of small scale.
- 91 But the Commission accepts some schools experience diseconomies of scale. It calculates the number of staff required in each UCL by applying the assigned student-staff ratio to the UCL’s notional students. A total number of staff can be calculated by aggregating across all UCLs in the State. This total is the number of staff required when an allowance is made for diseconomies of small scale.
- 92 A ratio for each State is calculated by dividing the total number of staff required when an allowance is made for diseconomies of small scale and the total number of staff required when no allowance is made for diseconomies of small scale.

$$\text{SDS ratio for a State} = \frac{\text{Total number of staff required when an allowance is made for diseconomies of small scale}}{\text{Total number of staff required when no allowance is made for diseconomies of small scale}}$$

Calculating the service delivery scale factor

The SDS factor is calculated by dividing a State’s ratio by the average ratio as shown in Table 26. The SDS factor is revised only in a review.

Table 26 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 economies of small scale									
Number	36 361	24 590	22 196	12 750	8 967	2 865	1 658	1 711	111 098
B. Number of staff when no allowance is made for economies of small scale									
Number	35 976	24 326	21 932	12 598	8 835	2 817	1 658	1 639	109 782
C. Ratio (A / B)									
Ratio	1.01069	1.01086	1.01206	1.01207	1.01486	1.01684	1.00000	1.04393	1.01199
D. Factor (C / C_{Aust})									
Unscaled factor	0.99872	0.99889	1.00007	1.00009	1.00284	1.00479	0.98815	1.03157	1.00000
Scaled factor ^(a)	0.99893	0.99910	1.00029	1.00030	1.00306	1.00501	0.98837	1.03179	1.00000

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

Box 7: 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

93 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. This method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors (as is the method for assessing Isolation.)

94 The input costs factor depends on the proportion of schools expenses deemed to relate to the price of labour, accommodation expenses and electricity expenses. For this component, these are 70% for the price of labour, 2% for accommodations and 0.5% for electricity. Table 27 shows:

- the price differentials for labour (wages), accommodation and electricity assessed by the Commission;
- the proportion of schools expenses which relate to labour, 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 27 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.

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

Dispersion factor

96 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.

97 Table 28 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 28 Derivation of dispersion factor, 2006-07

Expense type	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Voice technology	0.7	-1.3	-13.8	16.6	12.2	-8.9	-4.5	-61.3	138.7
Non-voice technology	0.1	-0.2	0.0	0.0	0.3	0.0	-0.1	0.5	0.7
General freight	0.1	3.8	-7.8	25.8	-0.9	-46.1	-5.1	-92.1	115.9
Air travel	0.1	10.0	-85.3	135.9	-9.8	-51.1	-99.6	-100.0	138.5
Inter-regional travel	0.5	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	1.1	-58.5	-97.6	92.0	207.7	-41.9	-89.2	-100.0	1360.7
Repairs and maintenance	0.2	-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	96.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total price (a)	100.0	-0.9	-1.8	1.5	3.2	-0.6	-1.0	-2.7	24.1
Factor		0.99074	0.98193	1.01481	1.03242	0.99414	0.99015	0.97267	1.24139

(a) May not add due to rounding.

98 The dispersion factor is revised only in a review.

Schools component factor

99 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 schools 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.

100 Table 29 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 29 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	3.2	-0.9	-1.8	1.5	3.2	-0.6	-1.0	-2.7	24.1
Balance	24.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total price ^(a)	100.0	1.3	-2.5	0.1	2.6	-2.8	-4.9	-1.0	25.7
Factor		1.01298	0.97453	1.00141	1.02583	0.97212	0.95092	0.98959	1.25653

(a) May not add due to rounding.

101 The Commission combines these influences by:

- using notional enrolments from Table 21 as an indicator of assessed service use;
- adjusting the assessed service use for differences in the costs of providing small schools 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.

102 Table 30 shows the calculation of the schools component factor for 2006-07. It also compares the schools component factor with one calculated using the formula:

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

103 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 30 Calculation of schools component factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Assessed service use (notional enrolments from Table 24)									
Enrolments	481 418	353 091	290 852	142 150	101 703	39 811	20 749	22 944	1 452 720
Differences in prices and units costs									
B. Small Schools									
	-0.1	-0.1	0.0	0.0	0.3	0.5	-1.2	3.2	0.0
C. Input costs and dispersion									
	1.3	-2.5	0.1	2.6	-2.8	-4.9	-1.0	25.7	0.0
D. Price of services (B * C)^(a)									
Total	1.2	-2.7	0.1	2.6	-2.5	-4.5	-2.2	29.6	0.0
E. Impact of differences in prices (A * D)									
Enrolments	5 622	- 9 375	431	3 684	- 2 555	- 1 773	- 459	6 796	2 371
F. Notional enrolments (A + E)									
Enrolments	487 040	343 716	291 283	145 834	99 148	38 039	20 290	29 740	1 455 091
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)									
Enrolments per capita	0.07104	0.06651	0.07043	0.07004	0.06289	0.07737	0.06026	0.13976	0.06976
I. Factor (H / H_{Aust})									
Factor	1.01837	0.95349	1.00966	1.00408	0.90147	1.10910	0.86388	2.00341	1.00000

(a) Care is required when combining price impacts. Table 26 shows the small schools price impact for New South Wales is 0.99893 (that is its unit costs are 0.1% below average) and Table 29 shows its combined input costs and dispersion price impact is 1.01298 (that is, its unit costs are 1.3% above average). So, its total price impact is 1.2% = ((0.99893 * 1.01298)-1)*100.

DERIVING THE ISOLATION COMPONENT FACTOR

104 One factor is assessed for the isolation component.

Isolation factor

105 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.

106 For 2006-07, the Commission assessed total isolation expenses of \$17.6 million. Table 31 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 31 Isolation assessment and isolation factor, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Isolation amount	\$m	0.236	0.302	0.395	3.177	1.455	1.141	0.349	10.551	17.607
Population	m	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
Amount per capita	\$pc	0.03445	0.05839	0.09546	1.52579	0.92313	2.32176	1.03689	49.58281	0.84409
Factor		0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083	1.00000

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

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

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

CALCULATING CATEGORY FACTORS

109 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 government primary 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.

110 Table 32 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 32 Government Primary School Education, derivation of category factor, 2006-07

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 0.39 %)								
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	0.00151	0.00194	0.00241	0.00482	0.00626	0.01969	0.03065	0.05165
Schools (component weight = 99.45 %)								
Socio-demographic composition	1.00827	0.98112	1.00983	0.98022	0.92614	1.16269	0.88482	1.54832
Service delivery scale	0.99893	0.99910	1.00029	1.00030	1.00306	1.00501	0.98837	1.03179
Dispersion	0.99074	0.98193	1.01481	1.03242	0.99414	0.99015	0.97267	1.24139
Input costs	1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515
Component factor	1.02026	0.95528	1.01154	1.00583	0.90307	1.11116	0.86543	2.00736
B Wgtd comp factor	1.01274	0.94824	1.00409	0.99842	0.89642	1.10297	0.85905	1.99257
Isolation (component weight = 0.16 %)								
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	0.00007	0.00011	0.00018	0.00296	0.00179	0.00450	0.00201	0.09604
Category factor	1.01433	0.95030	1.00668	1.00620	0.90447	1.12717	0.89171	2.14026

- (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.

111 The category factor was calculated as follows:

$$\begin{aligned}
 \text{Category factor} &= \text{fixed costs} + \text{schools} + \text{isolation} \\
 \text{Fixed costs} &= 0.0039 [\text{administrative scale} * \text{fixed costs input costs}] \\
 \text{Schools} &= 0.9945 [\text{socio-demographic composition} * \text{service delivery scale} * (\text{dispersion} + \text{schools input costs} - 1)] \\
 \text{Isolation} &= 0.0016 [\text{isolation}]
 \end{aligned}$$

112 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

113 Assessed expenses per capita are calculated by multiplying each States' category factor by the average expense per capita. Table 33 shows, for 2006-07, the actual, average and assessed expenses per capita and the assessed cost of providing services ratios.

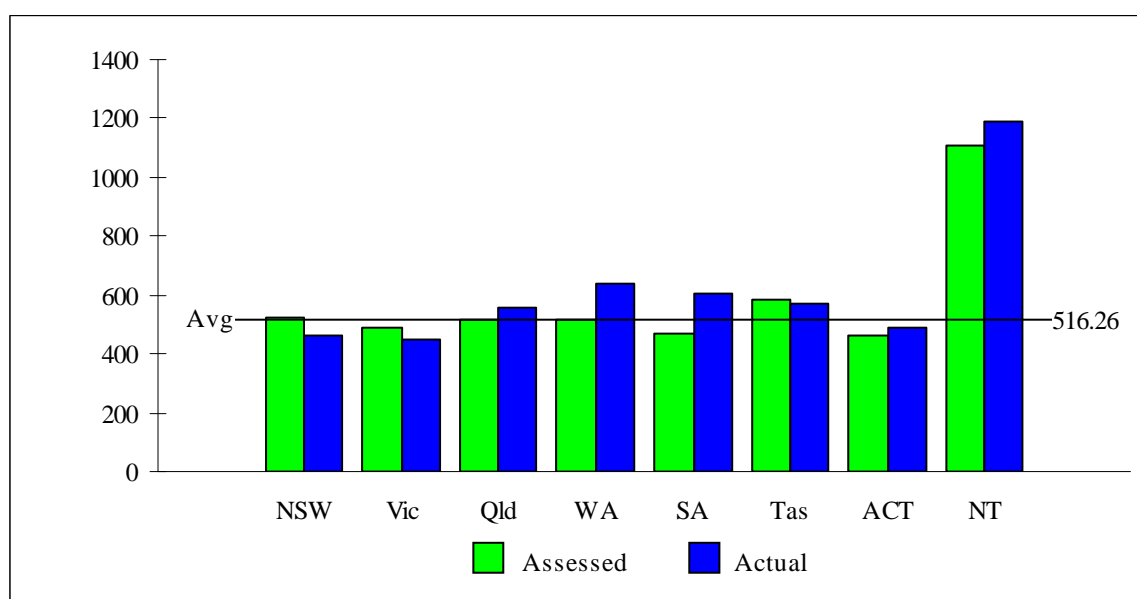
Table 33 Government Primary School Education, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	459.16	448.87	560.13	638.90	606.08	573.31	486.61	1189.73	516.26
Assessed expenses	523.66	490.60	519.71	519.47	466.94	581.91	460.36	1104.94	516.26
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	101.43	95.03	100.67	100.62	90.45	112.72	89.17	214.03	100.00

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

114 Figure 2 illustrates the actual, average and assessed expenses for Government Primary School Education for 2006-07.

Figure 2 Government Primary School Education, expenses per capita — assessed, actual and average, 2006-07



Note: Actual expenditure for NSW, VIC, ACT and NT includes spending on year 7 students. Actual expenditure on year 7 students for QLD, WA, SA and NT is captured in government secondary. This reflects the structure of primary and secondary schooling in the States (see figure 1).

CONTRIBUTION TO GST REVENUE DISTRIBUTION

115 The assessed difference from average in millions of 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.

116 Table 34 shows this calculation for 2006-07.

Table 34 Assessed difference from average, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Assessed expenses per person	\$pc	523.66	490.60	519.71	519.47	466.94	581.91	460.36	1104.94	516.26
Assessed difference from average per person	\$pc	7.40	-25.66	3.45	3.20	-49.32	65.65	-55.91	588.67	0.0
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	50.7	-132.6	14.3	6.7	-77.8	32.3	-18.8	125.3	0.0

117 Table 35 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 35 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	25.5	-119.7	34.7	4.7	-67.0	30.0	-9.5	101.3	196.2
2003-04	26.0	-111.4	25.0	4.0	-68.7	33.7	-11.3	102.7	191.4
2004-05	44.2	-109.3	7.7	-1.3	-74.5	34.3	-14.5	113.4	199.6
2005-06	52.9	-115.1	-3.6	2.2	-73.6	34.6	-16.0	118.7	208.4
2006-07	50.7	-132.6	14.3	6.7	-77.8	32.3	-18.8	125.3	229.2
Average	37.5	-119.3	19.2	4.0	-70.5	32.0	-12.6	109.8	203.3

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

118 The impact of Government Primary School 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.

119 Table 36 shows the category’s contribution to the distribution of GST revenue. It also shows the contribution of each factor and component.

Table 36 Government Primary School 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	-9.5	-5.7	-3.3	1.2	2.2	4.5	4.9	5.7	18.5
Input costs	0.5	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.5
Component factor	-9.3	-5.7	-3.5	1.1	2.0	4.3	5.1	5.9	18.4
Schools									
Socio-demographic composition	3.6	-62.2	50.5	-18.8	-65.1	47.2	-17.9	62.8	164.1
Service delivery scale	-4.0	-2.6	0.7	0.3	2.7	1.4	-2.2	3.7	8.8
Dispersion	-35.2	-51.8	34.0	37.5	-5.1	-2.7	-5.1	28.4	99.9
Input costs	103.1	-10.4	-53.5	-15.6	-19.6	-9.9	3.6	2.4	109.1
Component factor	60.7	-130.4	26.9	0.9	-87.0	33.4	-21.5	117.0	238.9
Isolation									
Isolation	-6.2	-4.6	-3.5	1.6	0.2	0.8	0.1	11.6	14.3
Component factor	-6.2	-4.6	-3.5	1.6	0.2	0.8	0.1	11.6	14.3
Redistribution from EPC resulting from the 2008 Update assessment									
	45.2	-140.7	20.0	3.7	-84.8	38.5	-16.3	134.5	241.8

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

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

- socio-demographic composition factor — which recognised differences in the assessed proportion of a State's population that attended government primary schools and differences in the costs of providing services to students with particular characteristics (for example, low socio-economic status, Indigeneity, low English fluency and living in geographically remote locations);
- input costs factor — which recognised the interstate differences in the costs of inputs used to provide services (labour, office accommodation and electricity); and
- dispersion — which recognised the impact of population settlement patterns on the cost of providing services.

121 The assessment reflected the following on a State by State basis.

122 *New South Wales* — New South Wales had a positive GST redistribution. This was largely due to its higher labour costs, and an above average proportion of assessed government

- primary school enrolments in New South Wales's population. These effects were partially offset by lower dispersion costs, its lower per capita costs because of economies of scale, lower isolation costs, and a lower proportion of small schools in rural areas.
- 123 **Victoria** — The large negative GST redistribution for Victoria was largely due to its below average proportion of assessed government primary school students in its population, lower dispersion costs, lower costs of labour, its lower per capita costs because of economies of scale and lower isolation costs.
- 124 **Queensland** — Queensland's positive GST redistribution reflects the above average proportion of assessed government primary school students in its population and higher dispersion costs. These influences were partly offset by lower labour costs, lower isolation costs and its lower per capita costs due to economies of scale.
- 125 **Western Australia** — The positive GST redistribution was because of higher dispersion costs, higher isolation costs and its higher per capita costs because of diseconomies of scale. These effects were almost offset by its below average proportion of assessed government primary school students and lower labour costs.
- 126 **South Australia** — South Australia had a substantial negative GST redistribution largely resulting from its below average proportion of assessed government primary school students, lower labour costs and lower dispersion costs. Positive influences were a higher proportion of small schools in rural areas and its higher per capita costs because of diseconomies of scale.
- 127 **Tasmania** — Tasmania's positive GST redistribution reflected its above average proportion of assessed government primary school students and its higher per capita costs because of diseconomies of scale. These influences were partially offset by lower labour costs and lower dispersion costs.
- 128 **ACT** – The ACT had a negative GST redistribution due to a below average proportion of assessed government primary school students, lower dispersion costs, and a lower proportion of small schools in rural areas. Partially offsetting these effects were higher per capita costs reflecting diseconomies of scale and higher labour costs.
- 129 **Northern Territory** — Its large positive GST redistribution mainly reflected an above average proportion of assessed government primary school students, higher dispersion costs, higher isolation costs and higher per capita costs because of diseconomies of scale. In part these higher costs simply reflect the substantial proportion of remote Indigenous people that reside in the NT.

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

Effect of assessment on distribution of the GST revenue

130 Table 37 shows the redistribution of GST revenue resulting from the CGC assessments in the 2007 Update and the 2008 Update. It also shows the sources of these changes.

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

- used revised average expenses data 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.

Table 37 Government Primary School 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)	25.4	-151.3	38.8	5.3	-85.5	40.8	-13.1	139.7	250.0
Effect of revising category averages and factors for 2001-02 to 2005-06									
Category average	-0.3	1.4	-0.3	0.0	0.8	-0.4	0.2	-1.4	2.4
Category factors	16.9	-1.9	-10.0	-0.6	-2.0	-0.6	-1.1	-0.6	16.9
Interactions	-0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Total	16.4	-0.5	-10.1	-0.7	-1.2	-1.0	-0.9	-2.0	16.4
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	-0.8	4.1	-1.2	-0.3	1.9	-0.8	0.2	-3.1	6.2
Category factors	4.7	7.8	-8.3	-0.8	-0.1	-0.4	-2.7	-0.1	12.5
Interactions	-0.5	-0.8	0.9	0.1	0.0	0.0	0.3	0.0	1.3
Total	3.4	11.1	-8.7	-1.0	1.9	-1.2	-2.3	-3.2	16.4
Redistribution from EPC resulting from the 2008 Update assessment (a)	45.2	-140.7	20.0	3.7	-84.8	38.5	-16.3	134.5	241.8
Total effect of revisions and updating (b)	19.8	10.6	-18.8	-1.6	0.7	-2.3	-3.2	-5.3	31.1

(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.

- 132 Compared with an equal per capita (EPC) assessment, the 2008 Update redistributed \$241.8 million away from Victoria, South Australia and the ACT to the other States. Victoria, South Australia and the Northern Territory experienced the biggest redistributions.
- 133 Table 38 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 38 Government Primary School 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	0.6	0.2	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	0.8
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Schools									
Socio-demographic composition	30.0	10.5	-28.0	-3.4	-1.8	-2.7	-3.1	-1.5	40.6
Service delivery scale	0.2	0.1	0.0	0.0	-0.1	-0.1	0.1	-0.1	0.3
Dispersion	1.4	1.3	-1.2	-1.1	0.2	0.1	0.2	-0.8	3.1
Input costs	-12.9	-2.7	10.9	3.0	2.2	0.4	-0.3	-0.6	16.5
Isolation									
Isolation	0.4	0.2	0.1	-0.2	0.0	-0.1	0.0	-0.5	0.8

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.

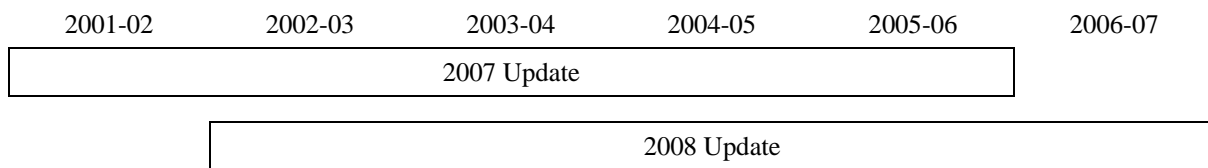
WHAT HAS CHANGED?

134 The main changes the Commission examines are:

- revisions to the financial and assessment data that were used in the 2007 Update; and
- advancing the assessment period one year — a new year enters the assessment period and the oldest year drops out.

135 Figure 3 shows the assessment periods for the two inquiries.

Figure 3 Advancing the assessment period, 2007 Update



136 The effect of revisions is calculated by replacing 2007 Update data with 2008 Update data for the years 2001-02 to 2005-06. The effect of advancing the assessment period one year is calculated by comparing the data of the new year entering the assessment 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 2001-02 to 2005-06

- 137 ***Revising average expenses.*** A downward revision signifies average expenses in the 2007 Update overstated how much States spent on this service. This downward revision leads to an increase in the GST distributions of those States with a below average assessed cost of providing services.
- 138 For this category, downward revisions were made to average expenses. This increased the category's redistribution of GST revenue (\$2.4 million). These revisions increased the GST revenue shares of the States assessed to have below average costs of providing services (Victoria, South Australia and the ACT). The revisions were the result of State data (replaced by ABS GFS data) overstating State spending on education primarily in New South Wales in 2005-06, and reclassifications of education spending for Western Australia in earlier years.
- 139 ***Revising category factors.*** The major drivers of category factor revisions were the incorporation of the 2006 Census data and changes to the mean resident population (also see paragraph 146).
- 140 An upward revision in the assessed costs of providing services ratio reflects an increase in the category factor for a State (and vice versa) and will lead to a higher GST distribution for that State.
- 141 The assessed costs of providing services ratios were also revised reflecting revisions to the input costs data for 2001-02 to 2005-06, particularly for wages.

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

- 142 Table 39 shows the actual expenses and implied costs of service provision for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes in, for the 2008 Update assessment.

Table 39 Government Primary Education, actual expenses and assessed cost of providing services, 2000-01 and 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	378.20	381.62	470.05	514.29	512.41	514.86	402.83	822.51	428.29
2006-07	459.16	448.87	560.13	638.90	606.08	573.31	486.61	1189.73	516.26
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07	21.41	17.62	19.16	24.23	18.28	11.35	20.80	44.65	20.54
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	432.17	401.86	438.34	432.45	387.66	485.87	410.74	918.58	428.29
2006-07	523.66	490.60	519.71	519.47	466.94	581.91	460.36	1104.94	516.26
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	100.91	93.83	102.35	100.97	90.51	113.44	95.90	214.48	100.00
2006-07	101.43	95.03	100.67	100.62	90.45	112.72	89.17	214.03	100.00

Note: Changes may occur over time in how actual expenses are classified, so trends for individual States should be treated with caution.

Source: CGC calculation

- 143 **Replacing average expenses.** In general, an increase in average expenses between 2001-02 and 2006-07 in excess of the increase in the pool, signifies States are using a greater share of the pool to finance this service. This will lead to an increase in the size of the category's GST redistribution, which will increase the GST distribution to States with an above average cost of providing service ratio.
- 144 Since 2001-02, State spending on this function has increased (28.7 per cent), but expenditure has not kept pace with the growth in the GST pool (43.9 per cent). So, replacing the 2001-02 average expenses with 2006-07 average expenses has led to a reduction in the size of the category's GST redistribution (\$6.2 million). It has reduced the GST distribution to States assessed to have an above average cost of providing services (New South Wales, Queensland, Western Australia, Tasmania and the Northern Territory). It has increased the GST distribution to the other States.
- 145 **Replacing category factors.** An increase in the assessed cost of providing services ratio between 2001-02 and 2006-07 reflects an increase in the category factor for a State (and vice versa) and will lead to a higher GST distribution to that State.
- 146 With the availability of the 2006 Census data, these data have now been included in the calculation of the category factor for the years 2004-05 through 2006-07, that is, two years were reflected in the revision effect while one year was reflected in the replacement effect.

- 147 The cost of providing services increased in New South Wales and Victoria. As a result, replacing the 2001-02 factors with 2006-07 factors increased the GST distribution to these States (\$12.5 million). The GST shares of all of the other States were reduced.
- 148 The observed changes were largely driven by changes in the relative proportions of government school enrolments, reflecting the removal of 2000 enrolment data and the inclusion of 2006 data¹¹. The new enrolment data showed between 2001-02 and 2006-07, the proportion of people attending government primary schools decreased on average, with smaller decreases in these proportions for NSW and Victoria. However, Queensland and the ACT had larger decreases in these proportions attending government primary schools.
- 149 The effect of replacement shows up for NSW and Victoria with a redistribution towards them of \$4.7 million and \$7.8 million respectively, reflecting their higher costs of providing services. The redistribution away from Queensland and the Australian Capital Territory is \$8.3 million and \$2.7 million respectively, reflecting decreases in the cost of service provision.
- 150 Table 40 below shows the proportion of each State’s population attending government primary schools in 2001-02 and 2006-07. Table 41 on the last page shows assessed and actual expenses for each State for the last 5 years including 2006-07.

Table 40 Government Primary School Education, proportion of actual government primary school enrolments, 2000-01 and 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
	%	%	%	%	%	%	%	%	%
Proportion of the population attending government primary schools.									
2001-02	6.8	6.5	8.2	8.1	7.5	7.7	6.6	10.6	7.2
2006-07	6.3	6.0	7.4	7.2	6.8	7.0	5.6	9.8	6.6
Change	-7.5	-7.5	-9.8	-11.5	-9.4	-9.2	-14.2	-7.7	-8.6

Note: The States with higher ratios are the States with year 7 in primary (see page 5). The assessment process adjusts the enrolments to the average policy allocating a proportion of year 7 to primary and secondary schools in each State.

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@cgc.gov.au.



Date: 29 February 2008

¹¹ The Commission receives annual enrolment data which it converts to financial year data.

Table 41 Assessment of expenses, Government Primary Schools 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		447.69		455.56		488.58		497.40		516.26
New South Wales										
Assessed difference	25.504	3.83	25.977	3.88	44.164	6.56	52.942	7.80	50.702	7.40
Expenses - Assessed	3 003.951	451.52	3 074.804	459.44	3 333.606	495.14	3 429.809	505.20	3 590.109	523.66
Actual	2 806.911	421.91	2 784.503	416.06	3 104.520	461.11	3 034.276	446.94	3 147.932	459.16
Victoria										
Assessed difference	- 119.658	-24.44	- 111.432	-22.48	- 109.259	-21.77	- 115.106	-22.61	- 132.601	-25.66
Expenses - Assessed	2 071.949	423.25	2 146.345	433.07	2 343.111	466.81	2 417.170	474.79	2 535.201	490.60
Actual	1 878.495	383.73	1 968.238	397.14	2 039.066	406.24	2 116.991	415.83	2 319.530	448.87
Queensland										
Assessed difference	34.659	9.20	25.030	6.48	7.710	1.95	- 3.630	-0.90	14.268	3.45
Expenses - Assessed	1 721.304	456.89	1 784.705	462.04	1 940.718	490.53	2 010.286	496.51	2 149.339	519.71
Actual	1 856.925	492.89	1 880.427	486.82	2 110.884	533.54	2 152.409	531.61	2 316.501	560.13
Western Australia										
Assessed difference	4.707	2.43	4.027	2.05	- 1.306	-0.65	2.166	1.06	6.665	3.20
Expenses - Assessed	872.555	450.12	900.660	457.60	975.842	487.92	1 016.177	498.47	1 081.548	519.47
Actual	1 005.472	518.68	1 059.675	538.39	1 164.368	582.19	1 237.909	607.23	1 330.218	638.90
South Australia										
Assessed difference	-67.011	-43.90	-68.700	-44.72	-74.503	-48.17	-73.608	-47.17	-77.760	-49.32
Expenses - Assessed	616.315	403.79	631.163	410.84	681.149	440.41	702.580	450.23	736.205	466.94
Actual	752.648	493.11	826.228	537.81	838.921	542.42	948.389	607.75	955.567	606.08
Tasmania										
Assessed difference	30.024	63.20	33.723	70.16	34.309	70.77	34.556	70.74	32.277	65.65
Expenses - Assessed	242.697	510.89	252.702	525.71	271.176	559.35	277.522	568.15	286.097	581.91
Actual	253.716	534.09	269.911	561.51	268.558	553.95	330.257	676.11	281.866	573.31
Australian Capital Territory										
Assessed difference	-9.494	-29.29	-11.310	-34.67	-14.523	-44.21	-16.034	-48.26	-18.824	-55.91
Expenses - Assessed	135.624	418.40	137.297	420.88	145.992	444.37	149.223	449.14	154.998	460.36
Actual	133.781	412.72	156.886	480.94	164.832	501.71	162.780	489.95	163.837	486.61
Northern Territory										
Assessed difference	101.270	507.78	102.685	511.11	113.408	555.18	118.713	568.77	125.271	588.67
Expenses - Assessed	190.557	955.47	194.209	966.66	213.211	1 043.76	222.532	1 066.17	235.133	1 104.94
Actual	167.003	837.37	176.016	876.11	213.658	1 045.95	242.287	1 160.82	253.177	1 189.73

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