

NON-GOVERNMENT SECONDARY SCHOOL EDUCATION

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

NON-GOVERNMENT SECONDARY SCHOOL EDUCATION SERVICES

- 2 These services are generally provided to children aged from about 12 to about 17, but all States differ in the ages of children in secondary education.
- 3 The Non-government secondary school education category covers expenses on subsidies, grants and services provided to non-government systems or institutions that provide secondary education.
- 4 Australian and State governments do not provide these services themselves. They provide assistance to those who do. The Australian Government funding passes through the State budgets¹, but does not impact on them. Because of this, the Commission excludes the Australian Government payments from the category.
- 5 State governments spent \$1.3 billion (\$63.44 per capita) on non-government secondary school education services in 2006-07. This was less than a quarter of the total cost of these services.

WHY EXPENSES ON NON-GOVERNMENT SECONDARY EDUCATION SERVICES DIFFER

- 6 The amount spent by each State on non-government secondary 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, then the differences

¹ State Governments do not determine either the level or distribution of Australian Government funding to non-government providers of secondary education services.

will be reflected in State GST shares. Table 1 shows Non-government secondary school education expenses per capita for each State and the average overall.

Table 1 Non-government secondary 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	52.40	56.05	35.86	60.36	53.00	39.85	80.78	10.81	50.72
2003-04	56.91	51.63	37.50	66.29	19.34	31.57	44.98	10.28	48.63
2004-05	61.53	60.25	39.54	86.45	30.97	18.47	58.95	37.48	55.74
2005-06	74.10	60.53	50.15	71.92	30.59	17.07	54.46	46.44	60.55
2006-07	76.13	65.33	52.84	75.67	30.51	22.73	54.08	47.60	63.44

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

Box 1: The Commission’s concept of average

The Australian average expense per capita is not a simple average of the experience of the eight States. It is calculated as the total expenses incurred by all States divided by total State population. This is a population weighted average. Population weighting gives equal weight to each Australian’s experience. Since more Australians experience the New South Wales level of service, it carries more weight in the calculation of the average. 33 per cent of Australians reside in New South Wales and 1 per cent reside in the Northern Territory. Population weighting gives the experience of New South Wales (\$76.13 per capita in 2006-07) 33 times the weight of the experience of the Northern Territory (\$47.60 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 non-government secondary students in State populations.

- 8 Table 2 shows a measure of the cost of resources (State expenses per teacher), a measure of the number of resources provided (teachers per student) and the number of non-government secondary students per capita. It shows for example that Victoria provides a below average level of funding to non-government secondary education, despite providing more than the average number of resources and having more than average number of students.

9 However, numbers of non-government secondary students are influenced by State policies². So, it would be inappropriate for the Commission to accept actual numbers of 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)	521.9	337.6	218.5	157.5	48.1	11.2	18.2	10.1	1 323.3
Teaching staff (FTE)	15 749	13 278	7 766	4 425	3 081	948	362	988	46 598
Students (FT)	183 800	152 750	96 115	53 244	36 035	11 533	12 685	3 786	549 948
Population ('000)	6 856	5 168	4 136	2 082	1 577	492	337	213	20 859
(b) Ratios									
Expense per capita (\$)	76.13	65.33	52.84	75.67	30.51	22.73	54.08	47.60	63.44
Expense per teacher (\$)	33 141	25 427	28 141	35 603	15 611	11 786	50 302	10 252	28 397
Teachers per '000 student	86	87	81	83	86	82	29	261	85
Students per '000 persons	27	30	23	26	23	23	38	18	26
(c) Comparison of State ratio to average ratio									
	%	%	%	%	%	%	%	%	%
Expense per capita	20.0	3.0	-16.7	19.3	-51.9	-64.2	-14.7	-25.0	0.0
Expense per teacher	16.7	-10.5	-0.9	25.4	-45.0	-58.5	77.1	-63.9	0.0
Teachers per student	1.1	2.6	-4.6	-1.9	0.9	-3.0	-66.3	208.0	0.0
Students per capita	1.7	12.1	-11.9	-3.0	-13.3	-11.0	42.9	-32.5	0.0

Note: Year 7 students in NSW, VIC, TAS and ACT are part of secondary schools. QLD, WA, SA and NT year 7 students are part of primary 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 GFS data and population data. ABS, Schools Australia 2006, 4221.0,

10 Table 3 provides information on some of the characteristics of each State's non-government secondary education sector. Table 4 shows States' shares of secondary school age population (population aged 12 to 17) and non-government secondary schools, enrolments and staff.

² Not only do State governments provide the regulatory framework for non-government providers, but their policies on retaining students and the placement of Year 7 within the primary or secondary sector can influence the number of non-government secondary students.

Table 3 Non-government Secondary School Education, general indicators, 2005

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Population aged 12 to 17 ('000)	552	410	348	175	124	41	27	20	1 697
Schools (a)	152	102	82	39	20	7	5	6	413
Full Time Enrolments									
All students ('000)	182	150	94	52	35	11	13	4	540
Indigenous	1 407	293	2 445	1 319	237	236	86	1 219	7 242
Staff (FTE)									
Teaching staff	15 437	12 874	7 545	4 268	2 946	912	973	358	45 313
Non-teaching staff	4 934	5 059	3 546	1 781	1 155	391	347	221	17 433
Average size									
School size	1 197	1 467	1 146	1 339	1 750	1 606	2 519	616	1 308
Class size	11.8	11.6	12.5	12.2	11.9	12.3	12.9	10.3	11.9

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

(b) Out of school staff for non-government schools is not available.

Note: Year 7 students in NSW, VIC, TAS and ACT are part of secondary schools. QLD, WA, SA and NT year 7 students are part of primary 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 3 Schools Education. ABS, population data. ABS, Schools Australia 2006, 4221.0.

Table 4 Non-government Secondary School Education, shares of indicators, 2004

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%
Population aged 12 to 17	32.5	24.2	20.5	10.3	7.3	2.4	1.6	1.2
Schools	36.8	24.7	19.9	9.4	4.8	1.7	1.2	1.5
Full Time Enrolments								
All students	33.7	27.7	17.4	9.7	6.5	2.1	2.3	0.7
Indigenous	19.4	4.0	33.8	18.2	3.3	3.3	1.2	16.8
Staff (FTE)								
Teaching staff	34.1	28.4	16.7	9.4	6.5	2.0	2.1	0.8
Non-teaching staff	34.1	28.4	16.7	9.4	6.5	2.0	2.1	0.8

(a) Out of school staff for non-government schools is not available.

Note: Year 7 students in NSW, VIC, TAS and ACT are part of secondary schools. QLD, WA, SA and NT year 7 students are part of primary 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, Schools Australia 2006, 4221.0.

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12 State per capita funding of non-government school services is affected by:

- the structure of school education;
- the number of non-government secondary school enrolments; and

- the per student cost of non-government secondary schools.

13 A State may fund non-government secondary education services at more or less than the average level. The Commission seeks measures of need that are not influenced by State policies.

Structure of school education

14 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 secondary 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) was being progressively phased in prior to 2007 when a half cohort of students commenced 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.

15 A State’s decision on whether Year 7 is placed within primary or secondary schools and the school leaving age are examples of policy decisions that affect the cost of providing non-government secondary education funding. The Commission’s calculations are based on the average structure of schooling.

- 16 At the beginning of August 2006, there were 442 non-government secondary schools in Australia. The ACT had the highest proportion of large secondary schools, those with 1000 or more students, (80 per cent).³
- 17 Settlement patterns and the age distribution of the population are examples of circumstances that affect the distribution of schools by size and level and which are beyond the control of States.

Number of enrolments

- 18 At the beginning of August 2006, there were 549,948 full time non-government secondary school enrolments in Australia.⁴
- 19 The proportion of children aged 12 to 17 in the total population and the proportion of those attending non-government secondary schools vary between the States. They are examples of circumstances that affect the number of enrolments in non-government secondary schools and which are beyond the control of States. These State differences are shown in Table 5.

Table 5 Proportion of population aged 12 to 17 and proportion of secondary students in non-government schools, 2006

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Population	8.2	8.1	8.8	8.7	8.0	8.5	8.1	9.5	8.3
Non-govt. Students	37.6	40.6	36.6	39.9	38.7	31.4	44.4	30.6	38.4

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

The per student cost of non-government schools

- 20 In the 2004 Review, the Commission found most States set the level of funding provided to non-government schools by reference to the total per student cost for government schools (ranging between 20.0 per cent and 26.5 per cent of that figure). This link between government school costs and the total funds made available to non-government schools means:

- the unit cost disabilities affecting non-government unit costs are related to the influences which impact on the relative levels of government school costs rather than those which impact on actual non-government school costs; and
- from a State’s perspective, the per student cost of non-government schools is a percentage of the per student cost of government schools.

³ Productivity Commission, *Report on Government Services 2008*, Part B Education, Chapter 4 Schools Education, tables 4A.2 and 4A.15.

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

- 21 The percentage differs across States and is an example of a policy decision which affects the cost of providing non-government secondary education services.

ASSESSING STATES' COSTS OF PROVIDING NON-GOVERNMENT SECONDARY EDUCATION SERVICES

The equalisation task

- 22 The Commission aims to identify why some States spend more on non-government secondary school education services. It then uses this information to estimate what it would cost each State to provide non-government school 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 measure how a State varies from the average in some underlying characteristic (for example, the proportion of its student population attending non-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 non-government secondary school education services, the disabilities which affect assessed service use are:
- the proportion of children of secondary school age;
 - the proportion of secondary students attending non-government schools; and
 - the proportion of ACT students who are residents of New South Wales.

Assessed unit costs

- 26 Most States determine the level of funding provided to non-government schools by:
- setting the per student payment as a percentage (ranging from 20.0 per cent to 26.5 per cent) of the total per student cost for government schools; and
 - multiplying that per student payment by the number of non-government enrolments.

- 27 The implication is that assessed unit costs for non-government school costs are related to the per student costs of government schools. The Commission reflects this situation by assessing a non-government schools costs factor and basing it on the average per student cost of government secondary schools.

OVERVIEW OF THE METHOD FOR DETERMINING ASSESSED EXPENSES

- 28 The box below provides a brief step by step overview of the framework the Commission uses to determine each States' assessed expenses for non-government secondary 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 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 two components for non-government secondary school education and calculated the proportion of expenses that each cost component contributed to total non-government secondary education costs. The components and component weights are presented in Table 6.

Table 6 Components and component weights, 2006-07

	\$m	%
Fixed Costs	10.678	0.81
Schools	1 312.577	99.19
Total	1 323.254	100.00

Source: CGC Assessment System

31 The component weight for fixed costs was calculated directly. For 2006-07, fixed costs were calculated at \$10.678 million. The corresponding component weight was calculated by dividing this amount 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.

Box 3: Commission factors

A factor is the Commission’s estimate of the relative financial impact a particular disability has on a State’s cost of providing a service. Factors are only calculated for the part of the influence which 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 non-government secondary education services.

Table 7 Components and factors, 2006 Update

Component	Component weight	Factors	Influence measured by factor
Fixed costs	0.81%	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	99.19%	Socio-demographic composition	Based on the actual number of students other than those in Year 7 or those aged 15 and over. Notional numbers of students are used for Year 7 and students aged 15 and over.
		Non-government schools costs	Based on differences in the assessed average per student cost of government secondary schools.
		Cross border	Recognises the ACT's provision of services to students who are New South Wales residents.

- 34 An explanation of the reasoning behind each factor assessment in the Non-government secondary 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. For 2006-07, the levels of unavoidable fixed cost assessed for this category is \$1.324 million for each State. Another \$0.089 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 needs as the six States.

- 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 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 Non-government secondary school education, calculation of administrative scale factor, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Fixed cost amount	\$m	1.324	1.324	1.324	1.324	1.324	1.324	1.324	1.324	10.589
Dual policy amount	\$m								0.089	0.089
Fixed costs	\$m	1.324	1.324	1.324	1.324	1.324	1.324	1.324	1.412	10.678
Population	m	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.86
Fixed costs per capita	\$pc	0.19	0.26	0.32	0.64	0.84	2.69	3.93	6.64	0.51
Factor		0.37715	0.50037	0.62523	1.24190	1.64000	5.25924	7.67972	12.96474	1.00000

Source: CGC Assessment System

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

Fixed costs input costs factor

- 40 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.
- 41 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.
- 42 The input costs factor depends on the proportion of fixed costs expenses deemed to relate to the price of labour, accommodation expenses and electricity expenses. For this component, these are 80% for the price of labour, 2% for accommodations and 0.5% for electricity. Table 9 shows:
- the price differentials for labour (wages), accommodation and electricity assessed by the Commission. For example, the average price of labour in New South Wales are, for reasons beyond its control, 3.0 per cent higher than average;

- the proportion of fixed costs expenses which relate to 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

Source: CGC Assessment System

(a) May not add due to rounding.

Box 4: Weighting factors

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

As an example, the fixed costs input costs factor is to be applied to all of the administrative scale expenses, but it only affects the price of 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.

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

Fixed costs component factor

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

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

45 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 (\$1.324 million) to finance the minimum structures required to provide State services.

46 Table 10 shows the derivation of the component factor. This calculation is the same as a component factor obtained by multiplying the administrative scale and fixed costs input costs factor.

47 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 Non-government Secondary 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	1.324	1.324	1.324	1.324	1.324	1.324	1.324	1.412	10.678
B. Differences in price of inputs (from Table 9)										
Difference	%	2.5	-0.8	-1.6	-0.8	-2.4	-3.5	1.9	1.7	0.0
C. Impact of price differences (A * B)										
Amount	\$m	0.033	-0.011	-0.022	-0.011	-0.032	-0.047	0.025	0.025	0.000
D. Total fixed costs (A + C)										
Amount	\$m	1.357	1.313	1.302	1.313	1.291	1.277	1.349	1.437	10.678
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	0.20	0.25	0.31	0.63	0.82	2.60	4.01	6.75	0.51
F. Factor (E / E _{Aust})										
Factor		0.38661	0.49634	0.61502	1.23171	1.59998	5.07331	7.82712	13.19148	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). The component factor shown in Table 23 is the component factor prior to scaling.

DERIVING THE SCHOOLS COMPONENT FACTOR

48 The Commission considers the level of funding each State provides to non-government secondary schools to be influenced by the number of people attending those schools and differences in:

- assessed use. Use of services can be influenced by State retention policies and the placement of Year 7; and
- assessed unit costs. This is based on the per student cost of government secondary schools.

Socio-demographic composition factor

49 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.

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 non-government secondary school enrolments that each State must fund.

Step 2: 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 secondary education. Replace actual Year 7 enrolments with notional Year 7 enrolments to reflect the average policy on the placement of Year 7 .

Step 3: Add in diplomatic children aged 15 and over

The ACT provides secondary education services to children aged 15 and over from diplomatic families. Children aged 15 and over 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 retention policies

State policies on the age at which children can leave schooling and their policies aimed at keeping students in school after the compulsory ages of schooling affect the actual post compulsory age enrolments. Replace actual enrolments aged 15 and over with notional enrolments aged 15 and over to remove the influence of State policies.

Adjusting ABS enrolment data

- 50 The ABS's definition of secondary school enrolments differs from the Commission's definition. An adjustment is made to ABS actual enrolment data for the Northern Territory. The ABS classifies Northern Territory students in the former 'mission schools' as non-government students. The Commission classifies them as government students because they are fully funded by the Northern Territory Government.

Use of services

- 51 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.
- 52 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:
- the structure of schooling; and
 - retention policies to keep students at school after the compulsory years of schooling.
- 53 A separate adjustment is made for children aged 15 and over from diplomatic families. This adjustment ensures that their use of services is attributed to the ACT.
- 54 ***The structure of schooling.*** Actual enrolments in secondary 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 secondary schools. It did this by:
- calculating the average proportion of Year 7 students in secondary schools;
 - estimating each State's notional Year 7 students in secondary schools by applying the average proportion to its actual number of Year 7 students; and

- apportioning each State's Year 7 enrolments between the government and non-government sectors using each State's actual proportion of Year 8 students in government schools.⁵

55 This calculation for 2006-07 is shown in Table 11. The adjustment:

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

⁵ The Year 8 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 11 Calculation of adjustment for school structure, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Actual enrolments Year 7									
(i) Primary									
Government	0	0	41 229	20 048	12 976	0	0	2 285	76 537
Non-government	0	0	16 180	8 539	6 591	0	0	685	31 993
(ii) Secondary									
A. Government	54 711	39 254	0	0	0	4 646	2 510	0	101 121
B. 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 secondary schools $(A_{Aust}+B_{Aust})/C_{Aust}$									60.5%
E. Notional Year 7 enrolments in secondary schools (C*D)									
Number	53 153	40 206	34 720	17 289	11 834	4 136	2 956	1 796	166 089
Actual Year 8 enrolments									
F. Government	55 068	39 767	36 843	17 038	11 957	4 672	2 492	1 977	169 812
Non-Government	32 809	26 897	20 855	11 858	7 572	2 171	2 359	937	105 456
G. Total	87 877	66 663	57 698	28 895	19 529	6 842	4 851	2 914	275 268
H. Proportion of of Year 8 enrolments in government sector (F/G)									
Proportion	62.7%	59.7%	63.9%	59.0%	61.2%	68.3%	51.4%	67.9%	61.7%
I. Apportion notional Year 7 enrolments between sectors (E*H)									
Government	33 308	23 984	22 171	10 194	7 246	2 824	1 518	1 218	102 463
Non-Government	19 845	16 222	12 550	7 095	4 588	1 312	1 437	577	63 626
Total	53 153	40 206	34 720	17 289	11 834	4 136	2 956	1 796	166 089
J Difference between notional and actual enrolments (I-A)									
Government	- 21 403	- 15 270	22 171	10 194	7 246	- 1 822	- 991	1 218	1 343
Non-Government	- 13 330	- 11 002	12 550	7 095	4 588	- 880	- 941	577	- 1 343
Total	- 34 732	- 26 272	34 720	17 289	11 834	- 2 703	- 1 932	1 796	0

56 **Diplomatic children in non-compulsory years of schooling.** Children aged 15 and over from diplomatic families use secondary schools in the ACT. This adjustment ensures their use of secondary education services is attributed to the ACT.

57 For the ACT, the actual number of diplomatic children aged 15 and over is added to its notional enrolment figures for both government and non-government⁶. The numbers for

⁶ Children aged 15 and over from diplomatic families use secondary schools in the ACT. To ensure their use of these services is attributed to the ACT, they are not included in the enrolment or population data used to average enrolments for children aged 15 and over. They are added to the ACT's Assessed enrolment figures. This adjustment attributes their use of services to the ACT.

2006-07 are 83 for government secondary schools and 58 for non-government secondary schools.

- 58 ***Retention policies.*** Actual enrolments aged 15 and over are influenced by State policies (for example, the compulsory ages of schooling, the earliest age at which a student can leave school and policies aimed at attracting students to stay and complete Year 12). To identify the average policy, the Commission undertook research into the influence State non-policy and policy variables had on school attendance. The non-policy variables included: family income; educational achievement of parents; ethnicity; Indigeniety; remoteness; full-time employment and the school sector. The policy variables included: secondary colleges, VET-in-schools, outside VET and the proportion of part-time students.
- 59 A regression model was used to investigate the effects of each variable on the rate of participation in post-compulsory schooling for two age groups, 15 to 17 years old and 18 to 20 years old. The investigation found that there were considerable differences in the behaviour of both groups. The model showed that the participation rates of 15 to 17 year olds were more influenced by the non-policy variables, whereas the participation rates of 18 to 20 year olds were more influenced by policy variables.
- 60 The model was used to predict the number of students attending school in each age group. The combined number was the Commission's estimate of the number of 15 to 20 year old students who would attend secondary school if each State followed the average policy.
- 61 The Commission applies the average policy by:
- estimating each State's notional enrolments aged 15 years and over. The total number of notional enrolments aged 15 and over were distributed across States based on their shares of the predicted number of students; and
 - apportioning each States' notional number of enrolments aged 15 and over between its government and non-government schools according to each State's actual proportion of students aged 15 years and over in government schools.
- 62 This calculation for 2006-07 is shown in Table 12.

Table 12 Calculation of notional enrolment for post compulsory age students, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Actual enrolments 15 and over									
A. Government	146 819	117 363	82 556	38 462	33 714	13 388	8 856	5 043	446 199
B. Non-government	92 711	82 390	50 203	26 205	21 715	6 052	6 227	1 675	287 177
C. Total	239 529	199 753	132 758	64 667	55 429	19 440	15 083	6 718	733 377
D. Percentage of student 15 years and over in government schools (A / C)									
D. Percentage	61.3%	58.8%	62.2%	59.5%	60.8%	68.9%	58.7%	75.1%	60.8%
Predicted number of post compulsory students in government ment and non-government schools									
E. Number	239 970	178 458	133 531	72 486	55 083	17 299	13 703	6 395	716 925
F. Proportion	33.5%	24.9%	18.6%	10.1%	7.7%	2.4%	1.9%	0.9%	100.0%
Assessed enrolment 15 and over govt and non-govt ($F_{State} * C_{Aust}$)									
G. Number	245 477	182 553	136 596	74 149	56 347	17 696	14 017	6 542	733 377
H. Apportion notional enrolments between sectors (D * G)									
Government	150 464	107 257	84 942	44 102	34 272	12 187	8 230	4 911	446 365
Non-government	95 013	75 296	51 654	30 048	22 075	5 509	5 787	1 631	287 012
Total	245 477	182 553	136 596	74 149	56 347	17 696	14 017	6 542	733 377
Difference between notional and actual enrolments (G - A)									
Government	3 646	- 10 106	2 386	5 640	559	- 1 201	- 626	- 132	166
Non-government	2 302	- 7 094	1 451	3 843	360	- 543	- 440	- 44	- 166
Total	5 948	- 17 200	3 838	9 482	918	- 1 744	- 1 066	- 176	0

63 Table 13 below 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 Non-government secondary school education, actual and notional enrolments, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Actual enrolments									
Year 7	33 175	27 224	0	0	0	2 193	2 378	0	64 969
Compulsory years of schooling	58 410	44 742	47 677	27 732	14 708	3 427	4 092	1 756	202 543
Diplomatic students 15 and over	0	0	0	0	0	0	58	0	58
Age 15 and over	92 711	82 390	50 203	26 205	21 715	6 052	6 227	1 675	287 177
Total	184 295	154 355	97 880	53 937	36 423	11 672	12 756	3 431	554 747
B. Notional enrolments									
Year 7	19 845	16 222	12 550	7 095	4 588	1 312	1 437	577	63 626
Compulsory years of schooling	58 410	44 742	47 677	27 732	14 708	3 427	4 092	1 756	202 543
Diplomatic students 15 and over	0	0	0	0	0	0	58	0	58
Age 15 and over	95 013	75 296	51 654	30 048	22 075	5 509	5 787	1 631	287 012
Total	173 267	136 259	111 880	64 874	41 371	10 248	11 375	3 964	553 238
C. Differences (B - A)									
Year 7	-13 330	-11 002	12 550	7 095	4 588	- 880	- 941	577	- 1 343
Compulsory years of schooling	0	0	0	0	0	0	0	0	0
Diplomatic students 15 and over	0	0	0	0	0	0	0	0	0
Age 15 and over	2 302	-7 094	1 451	3 843	360	- 543	- 440	- 44	- 166
Total	-11 028	-18 096	14 001	10 937	4 948	-1 423	-1 381	533	-1 508

Source: CGC Assessment System, ABS Schools Australia 2006, 4221.0, and CGC Special Data Request, Unpublished. Source: CGC Assessment System, ABS Schools Australia 2006, 4221.0, and CGC Special Data Request, Unpublished.

64 Table 15 Table 14 and Table 15 show actual and notional non-government secondary enrolments for the 2008 Update.

Table 14 Non-government secondary school education, actual enrolments, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	173 539	142 990	88 124	48 074	32 815	10 708	12 066	3 211	511 525
2003-04	177 539	145 765	90 314	49 682	33 615	11 000	12 255	3 298	523 466
2004-05	180 528	148 208	92 709	51 325	34 498	11 165	12 475	3 344	534 249
2005-06	182 853	151 180	95 061	52 725	35 519	11 389	12 641	3 351	544 717
2006-07	184 295	154 355	97 880	53 937	36 423	11 672	12 756	3 431	554 747

Source: CGC Assessment System, ABS Schools Australia 2006, 4221.0, and CGC Special Data Request, Unpublished.

Table 15 Non-government secondary school education, notional enrolments, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	161 498	127 336	101 568	57 539	37 631	9 324	10 517	3 739	509 153
2003-04	165 512	129 544	104 042	59 609	38 478	9 639	10 739	3 838	521 400
2004-05	168 777	131 383	106 859	61 545	39 408	9 799	10 988	3 860	532 620
2005-06	171 486	133 719	109 410	63 157	40 492	9 965	11 186	3 858	543 272
2006-07	173 267	136 259	111 880	64 874	41 371	10 248	11 375	3 964	553 238

Source: CGC Assessment System

65 The socio-demographic composition factor is calculated by:

- dividing the notional number of non-government secondary school enrolments by the mean resident population; and
- dividing each State's per capita figure by the average per capita figure.

66 Table 16 shows the derivation of the socio-demographic composition factor for 2006-07.

Table 16 Derivation of socio-demographic composition factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
A. Notional enrolments									
Enrolments	173 267	136 259	111 880	64 874	41 371	10 248	11 375	3 964	553 238
B. Population									
Population (million)	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
Notional enrolments per capita (A / B)									
Ratio	0.02527	0.02637	0.02705	0.03116	0.02624	0.02084	0.03378	0.01863	0.02652
Factor (C / C_{Aust})									
Factor	0.95287	0.99417	1.01998	1.17478	0.98932	0.78590	1.27377	0.70229	1.00000

Source: CGC Assessment System

67 The socio-demographic composition factors are revised annually to allow for changes in enrolments and State populations. Table 17 shows the assessed factors for the 2008 Update.

Table 17 Non-government secondary school education, socio-demographic composition factor, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	0.94301	1.01048	1.04730	1.15308	0.95775	0.76251	1.26040	0.72831	1.00000
2003-04	0.94975	1.00381	1.03440	1.16309	0.96185	0.77006	1.26422	0.73368	1.00000
2004-05	0.95416	0.99628	1.02803	1.17129	0.96982	0.76935	1.27303	0.71926	1.00000
2005-06	0.95581	0.99390	1.02252	1.17230	0.98188	0.77192	1.27396	0.69947	1.00000
2006-07	0.95287	0.99417	1.01998	1.17478	0.98932	0.78590	1.27377	0.70229	1.00000

Source: CGC Assessment System

Non-government schools cost factor

68 The non-government schools costs factor recognises differences in the per unit student payment applicable to non-government students. It is based on the assessed per student cost for government secondary schools.

Box 6: Non-government schools costs factor

Calculating the assessed cost per student for non-government secondary school education

The cost per student is calculated by dividing a State’s assessed expenses for government secondary school education by its total government secondary school notional enrolments. The non-government school costs factor is calculated as the State’s per capita figure divided by the average per capita figure.

69 The non-government schools cost factor calculation is shown in Table 18.

Table 18 Non-government schools cost factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
A. Assessed expenses for government secondary schools									
Expense (\$m)	3 027	2 016	2 013	1 040	679	235	156	165	9 331
B. Government Secondary Education notional enrolments									
Enrolments	287 723	198 487	192 983	95 625	65 079	22 082	14 218	10 068	886 266
C. Expenses per enrolment (A / B)									
Ratio	10 521	10 157	10 431	10 872	10 432	10 631	10 982	16 420	10 528
Factor (C / C_{Aust})									
Unscaled factor	0.99928	0.96473	0.99078	1.03263	0.99083	1.00977	1.04311	1.55959	1.00000
Scaled factor	1.00089	0.96628	0.99237	1.03429	0.99242	1.01139	1.04479	1.56209	1.00000

Source: CGC Assessment System

(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.

70 The non-government school costs factors are revised annually to allow for changes in the assessed per student cost for government secondary schools, non-government enrolments and population. Table 19 shows the assessed scaled factors for the 2008 Update.

Table 19 Non-government secondary school education, school costs factor, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2002-03	1.00950	0.96967	0.98176	1.02393	0.98597	1.02052	1.02024	1.56498	1.00000
2003-04	1.00720	0.97042	0.98337	1.02411	0.98967	1.02071	1.03081	1.55287	1.00000
2004-05	1.00625	0.97065	0.98243	1.02449	0.99256	1.01481	1.03847	1.57498	1.00000
2005-06	1.00469	0.96902	0.98431	1.02785	0.99492	1.01566	1.04169	1.57056	1.00000
2006-07	1.00089	0.96628	0.99237	1.03429	0.99242	1.01139	1.04479	1.56209	1.00000

Source :CGC Assessment System

Cross border

71 Cross border factors were assessed for New South Wales and the ACT to recognise the costs imposed on the ACT of providing places in its school system for students aged 15 and over who were residents of New South Wales.

72 Cross border factors were not assessed for students aged 14 and under because they were part of the compulsory years of schooling and actual enrolments were used for this group. Cross border factors were not assessed for the other States because the net flow of students aged 15 and over between them was considered to be a very small proportion of their total student populations.

73 The cross border factor is based on the proportion of ACT students aged 14 who were from diplomatic families or residents of New South Wales. The Commission assumed the same proportion applied to students aged 15 and over. The number who are residents of New South Wales (that is, cross border students) can be obtained by subtracting the number of students aged 15 and over from diplomatic families. Data was supplied by the ACT.

- 74 The Commission used 14 year old students because they were not influenced by State policies. They were the last age range for compulsory schooling, the common policy of all States.
- 75 The proportion of ACT students aged 14 from diplomatic families or residents of New South Wales was derived by:
- calculating the 14 year participation rates for each State and the average for the States as a whole; and
 - comparing the ACT participation rate to the average participation rate.

Box 8: Cross border

Step 1: Calculate the number of students aged 15 years and over in the ACT

The number of students aged 15 and over for the ACT can be derived by applying the average participation rate for students aged 15 and over to the ACT's population.

Step 2: Calculate the proportion of ACT students aged 15 and over who are from diplomatic families or residents of New South Wales

The proportion of 15 year olds who are from diplomatic families or residents of New South Wales can be assessed by:

- (i) calculating the proportion for students aged 14; and
- (ii) applying the proportion to students aged 15 and over.

The proportion for students aged 14 was set equal to the ACT's above average participation rate for 14 year olds.

Step 3: Calculate the number of cross border students for New South Wales and the ACT

The number of ACT students aged 15 and over from diplomatic families or residents of New South Wales can be calculated by applying the 14 year old proportion to the number of students 15 years old and over. The numbers who were residents of New South Wales can be calculated by subtracting the number of students who were from diplomatic families.

The result is the number of cross border students in the ACT. The number of cross border students in New South Wales is set equal to the negative of this number.

Step 5: Calculate the cross border factor

A State ratio can be calculated by adding a State's number of cross border students to its number of students and then dividing by its number of students. This ratio measures the percentage increase (or decrease) on the State's cost of providing the service because the ACT provided places in its school system for students (aged 15 and over) who were residents of New South Wales.

The cross border factor is calculated by dividing each State's ratio by the average ratio.

- 76 Table 20 shows the calculation. The Commission accepted that the ACT's above average participation rate was due to its provision of services to students from diplomatic families or residents of New South Wales. The table shows that for 2006-07, these students increased the ACT's 14 year old student population by 15.56 per cent. The Commission assumed the same impact for students aged 15 and over.

Table 20 Calculation of proportion of ACT students aged 14 who were from diplomatic families or residents of New South Wales, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Number of students aged 14									
Students	89 826	67 360	57 240	28 610	20 477	6 841	4 898	2 821	278 071
B. Number of 14 year olds									
Population	92 190	68 271	59 447	29 287	20 661	6 859	4 335	3 356	284 406
C. 14 year old participation rates (B / A)									
Participation rates	0.9744	0.9867	0.9629	0.9769	0.9911	0.9974	1.1298	0.8404	0.9777
D. Proportion of students aged 14 who were from diplomatic families and residents of NSW (C_{Act} / C_{Aus})									
							1.1555		

Source: CGC Assessment System

- 77 As the data uses both government and non-government students, the same cross border factors apply to both Government and Non-Government categories.
- 78 The notional number of ACT students aged 15 and over was obtained using the average participation rate for students aged 15 and over. The average participation rate was calculated by dividing the total number of students aged 15 and over by the total population aged 15 to 17.⁷ The notional number of ACT students aged 15 and over was derived by applying the average participation rate to the ACT population aged 15 to 17.
- 79 The number of ACT students aged 15 and over who were from diplomatic families or residents of New South Wales was calculated by assuming they increased the ACT's 15 years and over student population by 15.56 per cent. The number of students who were residents of New South Wales was derived by subtracting the number who were children of diplomatic families. These data were provided by the ACT.
- 80 The ACT's cross border factor was calculated by adding these students to its number of students in secondary schools and dividing by the number of students in secondary schools. Table 21 shows the calculation of the cross border factor.

⁷ As the number of students aged over 17 was small, the Commission restricted the population range to 15 to 17.

Table 21 Calculation of cross border factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Number of students aged 15 years old and over									
Enrolments	239 529	199 753	132 758	64 667	55 429	19 440	15 224	6 718	733 518
B. Students from diplomatic families aged 15 years old and above									
Population	0	0	0	0	0	0	141	0	141
C. Population aged 15 to 17									
Participation rates	280 240	208 840	178 104	89 488	63 211	20 802	13 707	9 921	864 313
D. 15 years old participation rates $([A + B] / C)$									
Participation rates	0.8547	0.9565	0.7454	0.7226	0.8769	0.9345	1.1210	0.6771	0.8488
E. Notional number of ACT students 15 to 17 years old $(D_{Aust} * C_{ACT})$									
Enrolments							11 635		
F. ACT's higher participation rate (based on 14 year olds)									
Number							1.1555		
G. Notional number of cross border and diplomatic children in ACT aged 15 to 17 years $([F_{Aust} - 1] * E_{ACT})$									
Number							1 809		
H. Number of students from Diplomatic Families who are aged 15 and over (B_{ACT})									
Number							141		
I. Number of cross border students aged 15 and over $(G_{ACT} - H_{ACT})$									
Enrolments							1 668		
J. Adjust for the number of cross border students in secondary schools									
Enrolments	- 1 668						1 668		
Number of students in secondary schools									
K. Total	460 990	334 746	304 863	160 499	106 450	32 331	25 593	14 032	1 439 504
Adjusted total (J+K)									
L. Total	459 322	334 746	304 863	160 499	106 450	32 331	27 261	14 032	1 439 504
Calculate raw factor (L / K)									
Factor	0.99638	1.00000	1.00000	1.00000	1.00000	1.00000	1.06518	1.00000	1.00000

Source: CGC Assessment System

Schools component factor

- 81 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 the non-government schools costs factor captures differences in the assessed unit costs of non-government secondary students.
- 82 Table 22 shows the derivation of the schools component factor for 2006-07. It also compares the schools component factor with one calculated using the formula.

$$\text{Schools component factor} = [\text{socio-demographic composition} * \text{non-government schools costs} * \text{cross border}]$$

83 The calculation shows that the socio-demographic composition and non-government schools costs factors are combined by multiplication.

Table 22 Calculation of schools component factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Assessed service use (notional enrolments from Table 15)									
A. Enrolments	173 267	136 259	111 880	64 874	41 371	10 248	11 375	3 964	553 238
B. Cross Border adjustment									
B. Cross Border adjustment	0.99638	1.00000	1.00000	1.00000	1.00000	1.00000	1.06518	1.00000	1.00000
C. Adjusted enrolments (A * B)									
C. Adjusted enrolments (A * B)	172 640	136 259	111 880	64 874	41 371	10 248	12 116	3 964	553 353
D. Differences in price of the per student payment									
Price difference	-0.1	-3.5	-0.9	3.3	-0.9	1.0	4.3	56.0	0.0
E. Impact of differences in prices (C * D)									
Enrolments	- 123	- 4 806	- 1 032	2 117	- 380	100	522	2 218	- 1 383
F. Notional enrolments (C + E)									
Enrolments	172 517	131 453	110 849	66 991	40 991	10 348	12 639	6 182	551 969
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	0.02516	0.02544	0.02680	0.03218	0.02600	0.02105	0.03754	0.02905	0.02646
I. Factor (H / H_{Aust})									
Factor ^(a)	0.95093	0.96131	1.01289	1.21590	0.98250	0.79540	1.41855	1.09780	1.00000

Source: CGC Assessment System

(a) This is the component factor after it has been scaled to ensure total assessed expenses equals average expenses (see Box 7). The component factor shown in Table 23 is the component factor prior to scaling.

CALCULATING THE CATEGORY FACTORS

84 Category factors measure the combined impact on a State of those circumstances which are beyond its control and which impact on its cost of providing non-government secondary school education funding. 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.

85 Table 23 summarises the components, component weights and factors assessed for this category for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

Table 23 Non-government secondary school education, derivation of category factor, 2008 Update, 2006-07

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 0.81 %)								
Administrative scale	0.37715	0.50037	0.62523	1.24190	1.64000	5.25924	7.67972	12.96474
Fixed cost 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	0.00313	0.00402	0.00499	0.00999	0.01297	0.04078	0.06346	0.10695
Schools (component weight = 99.19 %)								
Socio-demographic composition	0.95287	0.99417	1.01998	1.17478	0.98932	0.78590	1.27377	0.70229
Non-government costs	1.00089	0.96628	0.99237	1.03429	0.99242	1.01139	1.04479	1.56209
Cross border	0.99638	1.00000	1.00000	1.00000	1.00000	1.00000	1.06518	1.00000
Component factor (a)	0.95027	0.96064	1.01219	1.21506	0.98182	0.79485	1.41757	1.09705
B Wgtd comp factor	0.94325	0.95355	1.00472	1.20609	0.97457	0.78898	1.40710	1.08895
Category factor (b)	0.94639	0.95757	1.00971	1.21608	0.98754	0.82976	1.47056	1.19589

- (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.

86 The category factor was calculated as follows:

$$\begin{aligned} \text{Category factor} &= \text{fixed costs} + \text{schools} \\ \text{Fixed cost} &= 0.0081 [\text{administrative scale} * \text{fixed costs input costs}] \\ \text{Schools} &= 0.9919 [\text{socio-demographic composition} * \text{non-government schools costs} * \text{cross border}] \end{aligned}$$

87 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

88 Assessed expenses per capita are calculated by multiplying each States' category factor by the average expense per capita. Table 24 shows, for 2006-07, the actual, average and the

assessed cost of providing services ratios. The assessed cost of providing services ratios are equivalent to the category factors shown in Table 24.

Table 24 Non-government secondary 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	76.13	65.33	52.84	75.67	30.51	22.73	54.08	47.60	63.44
Assessed expenses	60.04	60.75	64.05	77.15	62.65	52.64	93.29	75.87	63.44
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio (a)	94.64	95.76	100.97	121.61	98.75	82.98	147.06	119.59	100.00

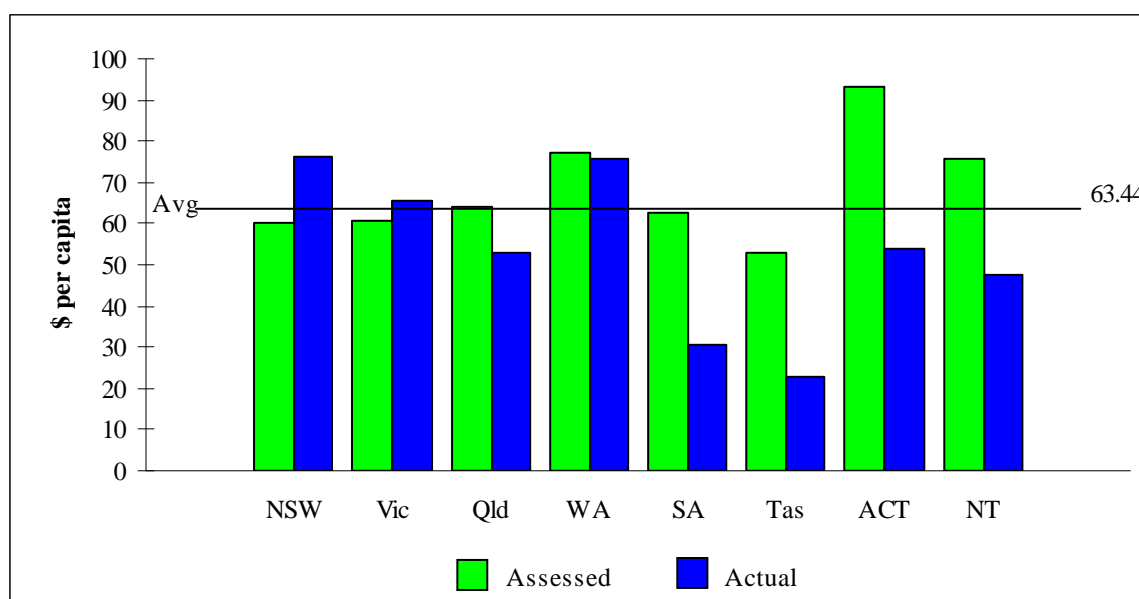
Source: CGC Assessment System

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

89 Table 32 at the end of this section shows the actual, average and assessed expenses for each State for all years of the 2008 Update.

90 Figure 2 illustrates the actual, average and assessed expenses for Non-government Secondary School Education for 2006-07.

Figure 2 Non-government secondary school education, expenses per capita —assessed, actual and average, 2006-07



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

CONTRIBUTION TO GST REVENUE DISTRIBUTION

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

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

92 Table 25 shows this calculation for 2006-07.

Table 25 Assessed difference from average, 2006-07

		NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Assessed expenses per person	\$pc	60.04	60.75	64.05	77.15	62.65	52.64	93.29	75.87	63.44
Assessed difference from average per person	\$pc	-3.40	-2.69	0.62	13.71	-0.79	-10.80	29.85	12.43	0.00
Population	m	6.856	5.168	4.136	2.082	1.577	0.492	0.337	0.213	20.859
Assessed difference from average	\$m	-23.3	-13.9	2.5	28.5	-1.2	-5.3	10.1	2.6	0.0

Source: CGC Assessment System

93 Table 26 shows the assessed difference from average in millions of dollars. The average over 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 26 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
2001-02	-18.1	-5.7	5.0	18.0	-3.8	-4.4	6.4	2.6	32.0
2002-03	-16.4	-7.1	2.7	18.5	-3.1	-4.0	6.8	2.6	30.6
2003-04	-17.6	-10.1	1.7	22.5	-2.7	-4.9	8.3	2.8	35.2
2004-05	-19.2	-12.2	1.0	25.5	-1.6	-5.3	9.3	2.5	38.3
2005-06	-23.3	-13.9	2.5	28.5	-1.2	-5.3	10.1	2.6	43.8
Average	-18.9	-9.8	2.6	22.6	-2.5	-4.8	8.2	2.6	36.0

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

Source: CGC Assessment System.

94 The impact of Non-government Secondary 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.

95 Table 27 shows the category's contribution to the distribution of GST revenue. It also shows the contribution of each factor and component.

Table 27 Non-government secondary school education, contribution of assessment 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	-2.4	-1.5	-0.8	0.3	0.6	1.2	1.3	1.4	4.7
Input costs	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.1
Component factor	-2.4	-1.5	-0.9	0.3	0.5	1.1	1.3	1.5	4.7
Schools									
Socio-demographic composition	-21.6	-0.4	7.8	22.2	-2.8	-7.1	5.8	-3.9	35.8
Non-government schools costs	2.5	-10.2	-4.0	3.6	-0.9	0.5	0.8	7.7	15.0
Cross-border	-1.2	0.0	0.0	0.0	0.0	0.0	1.1	0.0	1.2
Component factor	-20.0	-10.2	4.0	26.6	-3.6	-6.7	8.2	1.6	40.5
Redistribution from EPC resulting from the 2006 Update assessment									
	-22.4	-11.6	3.1	26.9	-3.1	-5.6	9.5	3.1	42.7

Source: CGC Assessment System.

Differences from an equal per capita assessment

- 96 The table indicates that the disabilities which had the biggest impact on the assessment were:
- socio-demographic composition factor — which recognises differences in the assessed number of students attending non-government secondary schools as a proportion of total population;
 - non-government schools cost factor — which recognises differences in the per student payments for non-government students; and
 - administrative scale factor — which recognises differences in the costs of the minimum administrative structure used to provide services.
- 97 The category factor reflected the following on a State by State basis.
- **New South Wales** — New South Wales had the largest negative GST revenue redistribution because of its below average proportion of assessed non-government secondary students and its lower per capita costs because of economies of scale. These negative influences were in part offset by its above average per student payment.
 - **Victoria** — Victoria had a negative GST revenue redistribution. This was due to its below average per student payment, lower per capita costs because of economies of scale and slightly below average proportion of assessed non-government secondary students.

- **Queensland** — Queensland's positive GST redistribution resulted from its above average proportion of assessed non-government secondary students. Influences that reduced this positive impact were a below average per student payment and lower per capita costs because of economies of scale.
- **Western Australia** — Western Australia had the largest positive GST redistribution. It had an above average proportion of assessed non-government secondary students, an above average per student payment and higher per capita costs because of diseconomies of scale.
- **South Australia** — South Australia had a negative GST redistribution resulting from a below average proportion of assessed non-government secondary students and a below average per student payment. These negative influences were partially offset by higher per capita costs because of diseconomies of scale.
- **Tasmania** — Tasmania had a negative GST redistribution. It had a below average proportion of assessed non-government secondary students. The negative impact was offset by an above average per student payment and higher per capita costs because of diseconomies of scale.
- **ACT** — The ACT's positive GST redistribution was due to its above average proportion of assessed non-government secondary students, an above average per student payment and higher per capita costs because of diseconomies of scale.
- **Northern Territory** — The Northern Territory had a positive GST redistribution despite having a below average proportion of assessed non-government secondary students. It had an above average per student payment and higher per capita costs because of diseconomies of scale.

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

Effect of assessment on distribution of the GST revenue

98 Table 28 shows the redistribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It also shows the sources of change.

99 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 28 Non-government secondary 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)	-26.5	-10.4	6.4	27.1	-4.2	-6.1	10.1	3.4	47.1
Effect of revising category averages and factors for 2001-02 to 2005-06									
Category average	1.6	0.7	-0.3	-1.7	0.2	0.4	-0.6	-0.2	2.8
Category factors	1.9	-0.4	-1.2	0.1	-0.1	0.1	-0.3	0.1	2.1
Interactions	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Total	3.3	0.3	-1.4	-1.6	0.1	0.4	-0.9	-0.2	4.1
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Category factors	0.8	-1.5	-1.9	1.3	1.0	0.1	0.3	-0.1	3.5
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.8	-1.5	-1.9	1.4	1.0	0.1	0.3	-0.1	3.6
Redistribution from EPC resulting from the 2008 Update assessment (a)	-22.4	-11.6	3.1	26.9	-3.1	-5.6	9.5	3.1	42.7
Total effect of revisions and updating (b)	4.1	-1.2	-3.3	-0.2	1.1	0.5	-0.6	-0.3	5.7

- (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.

Source: CGC Assessment System

- 100 Compared with an equal per capita assessment, the 2008 Update redistributed \$5.7 million away from New South Wales, Victoria, South Australia and Tasmania to the other States. New South Wales and Western Australia experienced the biggest redistributions.
- 101 Table 29 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 29 Non-government secondary school education, effect on 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	0.2	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.2
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Schools									
Socio-demographic composition	4.8	-2.0	-3.8	-0.3	0.8	0.8	-0.4	0.1	6.4
Non-government schools costs	-0.9	0.5	0.4	0.2	0.3	-0.1	0.0	-0.3	1.3
Cross-border	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: CGC Assessment System

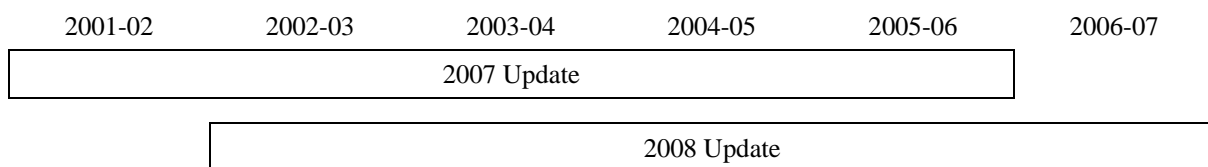
What has changed?

102 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 comes into the assessment period and the oldest year drops out.

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

Figure 3 Advancing the assessment period, 2008 Update



104 The effect of revisions is calculated by replacing 2007 Update 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 (average 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

105 **Revising average expenses.** A downward revision signifies average expenses in the 2007 Update overstated how much States spent on this service. A downward revision leads to a decrease in the category’s redistribution, which will decrease the GST distributions of States with above average assessed cost of providing services ratios.

- 106 For this category, downward revisions were made to average expenses for 2001-02 to 2005-06. This reduced the category's redistribution of GST revenue for that period (\$2.8 million) and increased the GST revenue shares of the States assessed to have below average costs of providing services ratios (New South Wales, Victoria, South Australia and Tasmania). The revisions were the result of State UPF data understating State spending on this service in 2005-06 and reclassifications by States of education spending in earlier years.
- 107 **Revising category factors.** 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.
- 108 Revisions were made to States' cost of providing services ratio as a result of replacing DEST provided enrolment data for 2005 with ABS enrolment data and revising input costs data for 2001-02 to 2005-06. Revising State enrolment data had a minor impact on the ratios. Revising input costs data in the Government Secondary Education category had a flow on effect to this category through the non-government school costs factor.

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

- 109 Table 30 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 30 Non-government secondary education, actual expenses and assessed cost of providing services, 2001-02 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	53.82	48.88	25.48	57.87	50.57	37.99	71.09	20.30	46.98
2006-07	76.13	65.33	52.84	75.67	30.51	22.73	54.08	47.60	63.44
	%	%	%	%	%	%	%	%	%
Change between 2000-01 and 2005-06	41.45	33.66	107.39	30.75	-39.68	-40.18	-23.92	134.50	35.04
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	44.12	46.09	49.09	54.95	44.18	38.46	65.98	58.62	46.98
2006-07	60.04	60.75	64.05	77.15	62.65	52.64	93.29	75.87	63.44
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	93.91	98.11	104.51	116.98	94.05	81.86	140.45	124.79	100.00
2006-07	94.64	95.76	100.97	121.61	98.75	82.98	147.06	119.59	100.00

Source: CGC Assessment System

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

- 110 **Replacing average expenses.** 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.
- 111 Since 2001-02, State spending on this function has increased (44.2 per cent), slightly faster than the growth in the GST pool (43.9 per cent). So, replacing the 2001-02 average expenses with 2006-07 average expenses lead to a slight increase in the size of the category’s GST redistribution (\$0.02 million).
- 112 **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. New South Wales, Western Australia, South Australia, Tasmania and the ACT had increases in the ratio (Table 30). So, replacing the 2001-02 factors with 2006-07 factors increased the GST distribution to those States (\$3.6 million). The shares of the other States were reduced.
- 113 The observed changes were largely driven by changes to socio-demographic composition factor. The socio-demographic composition change was due to the removal of 2000 enrolment data and the inclusion of 2006 data⁸. The new enrolment data showed that between 2001-02 and 2006-07, the number of people attending non-government secondary schools increased in all States. The increase of people attending non-government secondary students exceeded the average increase in New South Wales, Western Australia, South Australia and Tasmania which lead to an increase in the costs of providing services ratio in these States. Table 31 below shows the actual proportion of each States population attending non-government secondary schools in 2001-02 and 2006-07.

Table 31 Non-government secondary school education, actual proportion of non-government secondary school enrolments, 2001-02 and 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
	%	%	%	%	%	%	%	%	%
Proportion of the population attending non-government secondary schools.									
2001-02	2.6	2.9	2.3	2.4	2.1	2.2	3.7	1.5	2.6
2006-07	2.7	3.0	2.4	2.6	2.3	2.4	3.8	1.6	2.7
Change	5.2	3.4	0.7	7.0	9.6	7.5	3.0	4.0	4.3

⁸ The Commission receives annual enrolment data which it converts to financial year data.

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.

A handwritten signature in black ink that reads "Nick Reddan". The signature is written in a cursive, flowing style.

Date: 29/02/08

Table 32 Assessment of expenses, Non-Government Secondary 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		50.72		48.63		55.74		60.55		63.44
New South Wales										
Assessed difference	-18.107	-2.72	-16.419	-2.45	-17.569	-2.61	-19.154	-2.82	-23.318	-3.40
Expenses - Assessed	319.347	48.00	309.022	46.17	357.680	53.13	391.925	57.73	411.606	60.04
Actual	348.581	52.40	380.850	56.91	414.291	61.53	503.091	74.10	521.936	76.13
Victoria										
Assessed difference	-5.728	-1.17	-7.083	-1.43	-10.072	-2.01	-12.250	-2.41	-13.909	-2.69
Expenses - Assessed	242.578	49.55	233.919	47.20	269.687	53.73	296.014	58.14	313.912	60.75
Actual	274.376	56.05	255.876	51.63	302.398	60.25	308.139	60.53	337.620	65.33
Queensland										
Assessed difference	4.989	1.32	2.729	0.71	1.686	0.43	1.050	0.26	2.547	0.62
Expenses - Assessed	196.084	52.05	190.562	49.33	222.197	56.16	246.212	60.81	264.905	64.05
Actual	135.112	35.86	144.868	37.50	156.446	39.54	203.065	50.15	218.546	52.84
Western Australia										
Assessed difference	17.996	9.28	18.471	9.38	22.470	11.24	25.481	12.50	28.540	13.71
Expenses - Assessed	116.322	60.01	114.181	58.01	133.940	66.97	148.920	73.05	160.622	77.15
Actual	117.013	60.36	130.474	66.29	172.890	86.45	146.611	71.92	157.543	75.67
South Australia										
Assessed difference	-3.768	-2.47	-3.056	-1.99	-2.662	-1.72	-1.601	-1.03	-1.246	-0.79
Expenses - Assessed	73.652	48.25	71.650	46.64	83.540	54.01	92.887	59.52	98.774	62.65
Actual	80.899	53.00	29.716	19.34	47.903	30.97	47.736	30.59	48.098	30.51
Tasmania										
Assessed difference	-4.399	-9.26	-4.027	-8.38	-4.910	-10.13	-5.330	-10.91	-5.310	-10.80
Expenses - Assessed	19.697	41.46	19.347	40.25	22.111	45.61	24.247	49.64	25.880	52.64
Actual	18.933	39.85	15.176	31.57	8.956	18.47	8.336	17.07	11.173	22.73
Australian Capital Territory										
Assessed difference	6.446	19.88	6.831	20.94	8.302	25.27	9.265	27.89	10.051	29.85
Expenses - Assessed	22.887	70.61	22.694	69.57	26.613	81.01	29.382	88.44	31.410	93.29
Actual	26.185	80.78	14.673	44.98	19.367	58.95	18.092	54.46	18.209	54.08
Northern Territory										
Assessed difference	2.570	12.89	2.555	12.72	2.754	13.48	2.540	12.17	2.645	12.43
Expenses - Assessed	12.686	63.61	12.324	61.34	14.139	69.22	15.178	72.72	16.144	75.87
Actual	2.155	10.81	2.066	10.28	7.657	37.48	9.693	46.44	10.129	47.60

Source: CGC Assessment System

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