

NON-GOVERNMENT SECONDARY EDUCATION

BACKGROUND

Category definition

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

Specific purpose payments

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

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

Importance of the category

3. Table 4-1 shows the gross expenses standard for this category in the 2003 Update. In 2001-02, the category standard was \$123.40 per capita; this represented 2.46 per cent of total gross standard expenses.

Table 4-1 NON-GOVERNMENT SECONDARY EDUCATION — STANDARD EXPENSES, 1999 REVIEW

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
\$pc	82.87	93.77	97.18	105.30	114.88	123.40
% of total gross standard expenses	2.25	2.43	2.13	2.27	2.36	2.46
Gross standard user charges (\$pc)	0.00	0.18	0.21	0.25	0.23	0.58
% of category gross standard expenses	0.00	0.20	0.21	0.24	0.20	0.47

4. In the 2003 Update, compared with an equal per capita assessment, this category redistributed \$126.5 million. The redistribution reduced the grants of New South Wales, Victoria, South Australia and Tasmania. The factor which had the largest impact on grant shares was the socio-demographic composition factor. Compared with an equal per capita assessment, the socio-demographic composition factor redistributed \$88.1 million in the 2003 Update assessment. The redistribution reduced the grants of New South Wales, South Australia, Tasmania and the Northern Territory.

Structure of the assessment

5. Table 4-2 shows the expenses assessment structure that was used in the 1999 Review.

Table 4-2 ASSESSMENT STRUCTURE FOR NON-GOVERNMENT SECONDARY EDUCATION, 1999 REVIEW

Expenditure component	Component weight	Factors	Basis of calculation
Scale-affected expenditure	0.78	% Administrative scale	General method.
Schools	99.22	Non-government schools cost Socio-demographic composition Cross-border	Based on State differences in SPP funding expressed in per student terms. Actual students age 14 years and under (excluding year 7 students) and notional students for year 7 and aged 15 and over Takes account of the net flow of students aged 15 years and over resident in New South Wales attending ACT schools — based on relative participation rates of 14-year-olds.

User Charges

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

PROPOSED CATEGORY DEFINITION AND STRUCTURE

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

Specific purpose payments

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

Commission's decisions.

9. The Commission's decisions are summarised in Table 4-3.

Table 4-3 COMMISSION DECISIONS – CATEGORY DEFINITION, ASSESSMENT STRUCTURE AND COMPONENT WEIGHTS

Decision	Reason
Retain the current category definition.	Maintaining a distinction between primary and secondary education levels and between government and non-government sectors, leads to a more transparent assessment given the marked differences in unit costs.
Treat both recurrent and capital SPPs to non-government schools by exclusion.	To exclude Commonwealth payments for non-government schools because, in being passed on in full to non-government schools, they bypass State budgets.

FIXED COSTS COMPONENT

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

Administrative scale – fixed costs component

11. **1999 Review.** The administrative scale factor was assessed to account for differences in per capita costs of providing central office functions and whole of State services. Scale-affected expenses for this category were assessed as \$13 million, of which

\$8 million was considered as fixed cost and \$5 million as variable cost. The scale-affected expenses component represented 0.78 per cent of expenses in this category.

12. **2004 Review.** *Draft Assessment Paper 2003/60 Administrative Scale* discusses the issues raised by the States regarding the assessment of this factor. The paper sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the fixed cost component in each category. The States did not raise issues specific to this category.

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

14. The administrative scale factors for this category, shown in Table 4-4, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$0.16 million per State. The Commission also assessed extra fixed costs of \$0.09 million for the Northern Territory to recognise the extra costs it incurs through the dual policy development tasks it must perform because of the high proportion of Indigenous people in its population. Total fixed costs for this category have been estimated to be \$1.29 million, which represents 1.45 per cent of the category standard.

Table 4-4 ADMINISTRATIVE SCALE FACTORS — FIXED COSTS COMPONENT

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

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

SCHOOLS COMPONENT

16. The schools component is the largest in this category. It includes the socio-demographic composition, cross-border and the non-government school costs factors.

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

18. Table 4-5 shows the non-government schools cost factor assessed for the non-government secondary education category for all years. Table 4-6 compares the 2003 Update and the 2004 Review factors for 2001-02.

Table 4-5 NON-GOVERNMENT SCHOOLS COST FACTORS — SCHOOLS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.00006	0.96121	0.99396	1.02965	0.98598	0.97140	1.01098	1.76402
1998-99	1.00252	0.96218	0.99271	1.02674	0.98433	0.96890	1.00680	1.75013
1999-2000	1.00465	0.96144	0.99019	1.02867	0.98137	0.96467	1.01616	1.73944
2000-01	1.00470	0.96287	0.98835	1.02897	0.98076	0.96387	1.02669	1.73655
2001-02	1.00428	0.96418	0.98664	1.03016	0.98452	0.96338	1.02042	1.72993

Table 4-6 COMPARISON OF NON-GOVERNMENT SCHOOLS COST FACTORS, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	0.99465	0.96392	1.05894	1.01184	1.00525	0.95235	0.97900	1.25441
2004 Review	1.00428	0.96418	0.98664	1.03016	0.98452	0.96338	1.02042	1.72993

Socio-demographic composition — schools component

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

20. Table 4-7 shows the socio-demographic composition factors assessed for this component for the 2004 Review. Table 4-8 compares the 2003 Update and the 2004 Review factors for 2001-02.

Table 4-7 SOCIO-DEMOGRAPHIC COMPOSITION FACTORS — SCHOOLS COMPONENT, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.90492	1.03862	1.11431	1.09897	0.95507	0.82499	1.20556	0.67010
1998-99	0.91125	1.03247	1.11131	1.10640	0.95253	0.80275	1.18694	0.68121
1999-2000	0.91949	1.02582	1.10706	1.11579	0.94722	0.78167	1.16601	0.66511
2000-01	0.92464	1.02107	1.09539	1.12961	0.94833	0.77762	1.16393	0.67549
2001-02	0.93177	1.01509	1.07849	1.13981	0.95211	0.76945	1.19362	0.71427

Table 4-8 COMPARISON OF SOCIO-DEMOGRAPHIC COMPOSITION FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	0.92793	1.00161	1.08692	1.16818	0.94127	0.77457	1.21686	0.77490
2004 Review	0.93177	1.01509	1.07849	1.13981	0.95211	0.76945	1.19362	0.71427

Cross border — schools component

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

22. Table 4-9 shows the cross border factors assessed for the Non-government Secondary Education category. Table 4-10 compares the 2003 Update and the 2004 Review factors for 2001-02.

Table 4-9 CROSS BORDER FACTORS, SCHOOLS COMPONENT

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

Table 4-10 COMPARISON OF CROSS BORDER FACTORS, 2001-02

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

PROPOSED METHOD OF ASSESSMENT

23. Table 4-11 shows the proposed assessment structure for Non-government Secondary Education category. This structure is similar to that used for the 1999 Review.

Table 4-11 ASSESSMENT STRUCTURE, NON-GOVERNMENT SECONDARY EDUCATION, 2004 REVIEW

Component	Component weight	Factors	Basis of calculation
Expenses	%		
Fixed costs	1.45	Administrative scale	General method.
Schools	98.55	Non-government schools cost	Based on differences among States in per student costs in government secondary schools.
		Socio-demographic composition	Based on actual number of students aged 14 years and under (excluding year 7 students) and notional students for year 7 and aged 15 and over.
		Cross-border	Takes account of the net flow of students aged 15 years and over resident in New South Wales attending ACT schools — based on relative participation rates of 14-year-olds.

Derivation of the category factor

24. Table 4-12 summarises the components, component weights and disability factors assessed for this category for 2001-02. It shows how the category factor is derived.

Table 4-12 NON-GOVERNMENT SECONDARY EDUCATION — DERIVATION OF THE CATEGORY FACTOR FOR, 2004 REVIEW

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
FIXED COSTS (FC) (component weight = 1.45%)								
Administrative Scale (s)	0.34518	0.47215	0.62452	1.19502	1.50943	4.84445	7.10408	17.77059
Component factor	0.34518	0.47215	0.62452	1.19502	1.50943	4.84445	7.10408	17.77059
Cont. to category factor	0.00501	0.00685	0.00906	0.01733	0.02189	0.07024	0.10301	0.25767
SCHOOLS (SCH) (component weight = 98.55%)								
Non-government Schools Cost (ngc)	1.00428	0.96418	0.98664	1.03016	0.98452	0.96338	1.02042	1.72993
Socio-demographic Composition (sdc)	0.93177	1.01509	1.07849	1.13981	0.95211	0.76945	1.19362	0.71427
Cross Border (x)	0.99727	1.00000	1.00000	1.00000	1.00000	1.00000	1.05164	1.00000
Component factor	0.93594	0.98160	1.06721	1.17763	0.94011	0.74344	1.28465	1.23925
Cont. to category factor	0.92237	0.96737	1.05173	1.16055	0.92648	0.73266	1.26602	1.22128
Category Factor	0.92737	0.97422	1.06079	1.17788	0.94837	0.80291	1.36903	1.47895

Calculation formula

25. The following formulas were used to calculate the contribution of each expenses component to the overall category factor. In each case, the contributions are

calculated as the expenses component weight multiplied by the component factor (the bracketed terms in the formulas). Each contribution to category factor was rescaled to ensure that the sum of standardised equals the sum of actual expenses.

$$\begin{aligned} \text{FC} &= 0.0145 * (s) \\ \text{SCH} &= 0.9855 * (\text{sdc} * \text{ngc} * x) \\ \text{Category Factor} &= \text{FC} + \text{SCH} \end{aligned}$$

Standardised expenses

26. Table 4-9 compares the category factors derived for the 2004 Review draft assessment with those derived for the 2003 Update.

Table 4-9 COMPARISON OF CATEGORY FACTORS, 2003 UPDATE AND DRAFT ASSESSMENT, 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	0.91428	0.95943	1.14365	1.17767	0.94606	0.75641	1.27719	1.02937
Draft Assessment - 2004 Review	0.92737	0.97422	1.06079	1.17788	0.94837	0.80291	1.36903	1.47895

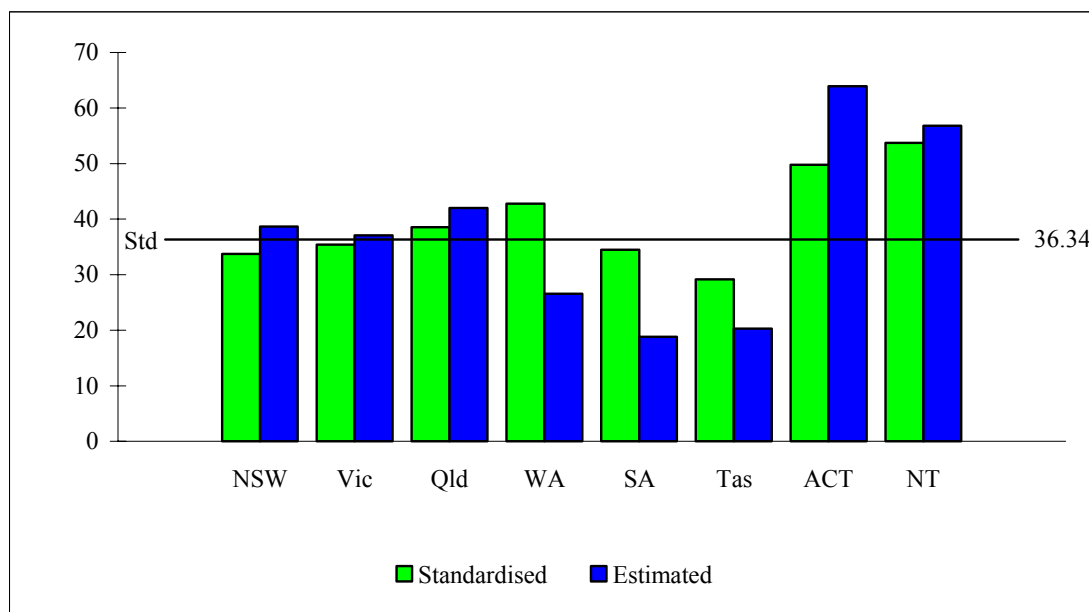
27. Table 4-10 presents, for 2001-02, the draft assessment standardised expenses and compares them with the 2003 Update results.

Table 4-10 ESTIMATED, STANDARD AND STANDARDISED EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update -									
Estimated expenses									
\$m		127.070	130.030	128.810	121.080	69.710	98.210	182.520	135.100
\$ per capita		843.861	631.299	472.795	232.248	195.864	46.486	58.895	27.011
Standardised expenses									
\$m		749.221	574.783	517.984	278.752	177.287	44.166	50.853	25.396
\$ per capita	123.400	112.820	118.390	141.120	145.320	116.740	93.340	157.600	127.020
2004 Review									
Estimated expenses									
\$m		256.870	179.932	154.335	50.941	28.545	9.591	20.622	11.361
\$ per capita		38.68	37.06	42.05	26.56	18.80	20.27	63.91	56.82
Standardised expenses									
\$m		223.794	171.874	141.487	82.104	52.336	13.806	16.052	10.745
\$ per capita	36.34	33.70	35.40	38.55	42.80	34.46	29.18	49.75	53.74

28. Figure 4.1 shows the gross expenses per capita for 2001-02 in terms of standardised, estimated and gross standard expenses.

Figure 4.1 NON-GOVERNMENT SECONDARY EDUCATION — GROSS EXPENSES PER CAPITA — STANDARDISED, ESTIMATED AND STANDARD, 2001-02



Effect of assessment on grants

29. Table 4-11 shows the redistribution of grants resulting from the assessment in the 2003 Update and in the Draft Assessment for the 2004 Review.

30. Compared to an equal per capita assessment, the Draft Assessment redistributed \$33.4 million away from New South Wales, Victoria, South Australia and Tasmania to the other States, \$96.7 million less than in the 2003 Update.

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

- (i) the exclusion of SPPs had substantial effects by reducing the category standard. This has led to an increase in grants for New South Wales, Victoria, South Australia and Tasmania;
- (ii) the changes in the non-government schools cost factor also had large effects which increased the redistribution towards New South Wales, the ACT and the Northern Territory away from Victoria, Queensland South Australia and Tasmania;
- (iii) the changes to the method of calculating the notional numbers of post compulsory aged students, in the socio-demographic composition factor, redistributed grants to New South Wales, Victoria, and South Australia from the other States — particularly, Western Australia, the ACT and the Northern Territory; and
- (iv) reducing the impact of the administrative scale assessment (by reducing the size of the component to which it applies) also had some impact on the assessment.

Table 4-11 EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — NON-GOVERNMENT SECONDARY EDUCATION

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total ^(a)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Contribution to 2003 Update relativities ^(b)	-79.8	-23.0	76.1	39.9	-10.9	-12.8	10.6	0.0	126.5
Contribution to 2004 Review Draft Assessments relativities ^(b)	-23.5	-3.4	13.2	12.1	-3.3	-3.3	4.5	3.6	33.4
Total change	56.3	19.6	-62.9	-27.7	7.6	9.6	-6.1	3.7	96.7 ^(c)

(a) Total redistribution.

(b) Assuming same pool and a constant population.

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

USER CHARGES

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

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