

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

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B

Senator Cameron asked:

Senator CAMERON—What has happened to my friend Mr Banks? What has happened to the chair?

Dr Kirby—The chair is actually on leave at the moment. He is interstate attending his son's wedding.

Senator CAMERON—That is a good excuse.

Dr Kirby—It only comes around once in a lifetime, I guess—hopefully.

Senator CAMERON—It is just that I miss him, that is all. In the *Report on government services* that you

mentioned there is a chapter on school education. Does the Productivity Commission use the same data sets as

those used for the *National report on schooling*?

Dr Kirby—I do not know about that but I can tell you the data set we do use, and I think it is important to

understand the process. There is a subtle difference here in that the report on government service delivery is

not a Productivity Commission report. We act as a secretariat for a COAG steering committee, so it is a subtle

difference. What it means in practice is that all the information which goes into that RoGS report is provided

to us by state and Commonwealth governments. The quality and the accuracy of all that information is

checked quite thoroughly by Commonwealth and state governments so there quite an intense quality control

process there. The data is one of the best data sets in terms of comparability and analysis of those sorts of

issues.

Senator CAMERON—Given that checking that you do, what is the explanation for the much lower

increase in government funding for private schools in the *Report on government services* than that which is

showing in the *National report on schooling*?

Dr Kirby—I am aware of the issue and I understand it is largely a question of apples and oranges, making

sure that the data that you are talking about is actually comparable. There are several things that one needs to

be aware of to ensure that the comparisons are legitimate. One is the issue of capital versus recurrent

expenditure. As I understand it, our report concentrates on recurrent expenditure. Some people throw capital

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into the mix as well. There are differences from time to time in terms of whether you are talking about

calendar years or financial years—

Ms Gropp—And whether it is real or whether it is current.

Dr Kirby—Yes. We stand by the quality of the data in the RoGS reports but some people use different data.

Senator CAMERON—The private school funding figures in the *Report on government services* include

only recurrent funding and exclude capital grants. How can the figures for the period 2001-02 to 2005-06 in

the RoGS be higher than the funding figures in the successive issues of the *National report on schooling* when

the NRS figures include capital grants?

Dr Kirby—I think we would have to take that on notice to look at the data in detail.

Senator CAMERON—How does the Productivity Commission explain the difference between the

increase reported in the *Report on government services* and that being provided in annual supplementation

under the SES funding model in line with increases in average government school recurrent costs?

Dr Kirby—We will take that on notice.

Senator CAMERON—Can the Productivity Commission investigate the apparent disparities between the

figures in the *Report on government services* chapter on school education and the percentage increases in

average government school recurrent costs and the disparities between the RoGS figures and those in the

National report on schooling, and advise the committee on the results of these investigations?

Dr Kirby—Will do.



Senator Cameron requested further information about reporting on government funding to private schools in the annual *Report on Government Services* (RoGS), compared to reporting in the *National Report on Schooling* (NRS) (questions 1 to 4 below).

In order to address the issues raised, it was necessary to consult with the Department of Education, Employment and Workplace Relations (DEEWR) on the data provided by the Australian Government to the authors of the NRS.

Detailed responses to the Senator's specific questions are provided below. In summary, RoGS and the NRS report similar classes of information, but their different purposes mean that the two reports have differing scopes and reporting periods and apply different methodologies. Across the two reports, estimates of Australian Government recurrent expenditure on non-government schools are very similar. Different methods of estimating the number of students and expenditure categories used to calculate expenditure per student mean there are more significant differences across the reports in estimates of expenditure per student in

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non-government schools. The information in both reports is valid, but comparisons across the reports are often not appropriate or meaningful.

Question on notice 1. What is the explanation for the much lower increase in government funding for private schools in the Report on Government Services than that which is showing in the National Report on Schooling?

Question on notice 2. The private school funding figures in the Report on Government Services include only recurrent funding and exclude capital grants. How can the figures for the period 2001-02 to 2005-06 in the RoGS be higher than the funding figures in the successive issues of the National Report on Schooling when the NRS figures include capital grants?

Both reports include measures of government funding to non-government schools, and government funding per student in non-government schools.

For the National Report on Schooling (NRS), the expenditure estimates for non-government schools are derived in the following manner:

1. Financial data are supplied by individual non-government schools in the annual Finance Questionnaire (FQ). This questionnaire is submitted by schools as part of each school's funding agreement. The scope of the collection is limited to non-government schools in receipt of Australian Government funding (thereby excluding a number of schools catering to international students). The financial data relate to calendar years and include capital expenditure.
2. Estimates of State / Territory and Australian Government funding to schools are calculated by summing the relevant income categories at the state/territory and national level.
3. Estimates of the number of students (actual number, not full time equivalents) are extracted from each school's enrolment data, as provided in the Census of non-government schools. As only students from non-government schools being funded by the Australian Government are included, it is not possible to replicate the NRS indicators using published school enrolment data.

For the Report on Government Services (RoGS), the expenditure estimates for non-government schools are derived in the following manner:

1. State / Territory governments and the Australian Government complete a data request providing information on expenditure on schooling, on a financial year basis.
2. For the Australian Government, the source document is the Final Budget Outcome (FBO).
3. The Australian Government expenditure submission to RoGS has been consistent over time. (The difference between the submissions for the financial years 2007-08 and 2008-09 is largely due to the inclusion in 2008-09 of some National Partnerships in the categories reported in the recurrent expenditure data, in line with the FBO). Table 4A.7 of the 2011 RoGS provides the summarised submission of recurrent

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expenditure over a five-year period, adjusted to current year values using the GDP price deflator.

4. The focus of RoGS is on recurrent expenditure (i.e. excluding capital). For completeness, information on Australian Government capital expenditure is also collected, and published in the RoGS attachment tables.

5. The cost per student is recurrent expenditure in a financial year divided by the number of full time equivalent students in the financial year.

6. Estimates of the number of students in non-government schools are drawn from the ABS Schools Australia publication (Cat. no 4221.0). As ABS publish student data on a calendar year basis, the number of full time equivalent students for two successive years are averaged to provide a financial year estimate.

Differences in reported Australian Government expenditure on non-government schools

Across most years 2001-02 to 2007-08, reporting of overall Australian Government recurrent funding for non-government schools (on a financial year basis) is virtually identical in RoGS and the NRS. The main exception is in 2006-07, where a discrepancy of 1.2 per cent is recorded.

Larger differences between the two reports can be found in the value of State and Territory government funding, particularly in 2004-05, 2005-06 and 2006-07.

Because of the different sources and methods of estimating the number of students, there are larger differences in expenditure per student.

Question on notice 3. How does the Productivity Commission explain the difference between the increase reported in the Report on Government Services and that being provided in annual supplementation under the SES funding model in line with increases in average government school recurrent costs?

Average Government School Recurrent Costs (AGSRC) grew at a similar pace to total recurrent expenditure over the period identified. From 2005 to 2009, AGSRC increased in nominal terms by 23 per cent for primary schools, and 18 per cent for secondary schools (Parliamentary Library: Australian Government funding for schools explained, 31 January 2011). From 2004-05 to 2008-09, RoGS reports an increase in nominal terms in Australian Government expenditure on non-government schools of 20 per cent (2007 Report table 3A.9 and 2011 Report, table 4A.11).

However, annual supplementation is only one component of recurrent funding, and it is not appropriate to compare the growth rate of one component of a total with the growth rate of the total. Australian Government recurrent expenditure on

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non-government schools reported in RoGS is sourced from the Final Budget Outcome document. This expenditure includes supplementation, as articulated in the *Schools Assistance (Learning Together Achievement Through Choice and Opportunity) Act 2004* (for calendar years: 2005–2008) and the *Schools Assistance Act 2008* (calendar years: 2009–2012). However, the Final Budget Outcome does not identify the proportion of reported expenditure that can be attributed to annual supplementation. For information, the following categories of recurrent expenditure reported in RoGS for 2008-09 include expenditure relating to annual supplementation:

- School grants
- National schools SPP
- Indigenous education strategic initiatives
- Targeted programs.

For 2007-08 and earlier years the categories that included supplementation were:

- General recurrent
- Targeted
- Indigenous programs.

Question on notice 4. Can the Productivity Commission investigate the apparent disparities between the figures in the Report on Government Services chapter on school education and the percentage increases in average government school recurrent costs and the disparities between the RoGS figures and those in the National Report on Schooling, and advise the committee on the results of these investigations?

Material addressing questions 1, 2 and 3 is also relevant to this question.

We cannot identify any significant differences that would not be accounted for by slight discrepancies in State and Territory source data and rounding or, for per student expenditure, differences in the construction of the numerator and denominator.

For example, in nominal (actual) terms, for all government recurrent expenditure on non-government schools:

- the RoGS dollar value figure for 2003-04 is \$5.967 billion compared to \$5.8 billion in the NRS
- the RoGS dollar value figure for 2007-08 is \$7.666 billion compared to \$7.6 billion in the NRS.

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However, the Senator's queries have been raised with the School Education Working Group, which provides the Steering Committee with advice on the school education chapter of RoGS. The working group may be in a position to investigate these issues in more detail, with a view to recommending amendment or clarification of the RoGS collections, processes and data presentation to enhance the usability and transparency of the report.

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