

## EDUCATION, SCIENCE AND TRAINING

### SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2004-2005 SUPPLEMENTARY ESTIMATES HEARING

**Outcome:** 1  
**Output Group:** 1.1 – Funding for schools

#### **DEST Question No. E447\_05**

Senator Crossin provided in writing.

#### **Question:**

In question No. 141 the Department stated that its analysis of Trevor Cobbold report would be complete on 10<sup>th</sup> September 2004. Please provide the Department's analysis. If not, why not?

*DEST Question No. E141\_05 - A recent report by Trevor Cobbold, quoted in Canberra Times of 30<sup>th</sup> Page 3 finds that non-government schools increased their funding advantage over public schools from 7% in 2001 to between 12 – 17% in 2003/04 – so at least doubled their advantage.*

- 1. What is the DEST estimate of such non government school funding advantage?*
- 2. The same report found that on a per student basis and taking (as one should to be accurate) ALL income into account, government schools received an average \$8477 per student whereas independent schools received \$11,890. Again what figures do DEST have?*
- 3. How are independent schools held accountable for funds given to them by the government? What financial and performance reports do THEY have to provide – how often and to whom?*

#### **Answer:**

##### *Non-government school funding advantage*

In response to DEST Question Numbers E141\_05 and E447\_05 the following answer is provided.

1 and 2. The Department does not agree with aspects of the analysis undertaken by Mr Cobbold, particularly relating to the methodology used to index funding and the treatment of capital expenditure and capital-related recurrent expenditure.

Income data is not available for government schools and, as a result, the DEST analysis provided below uses expenditure data.

Including expenditure from all funding sources, DEST estimates that independent school recurrent expenditure was \$8,594 per student in 2002. This figure does not include capital expenditure or recurrent expenditure occurring from capital-related activities (such as depreciation, amortisation and interest on capital/bridging loans). Depreciation and amortisation is estimated at \$580 per student in 2002; interest charges on capital expenditure items is estimated at \$243 per student.

DEST estimates that total recurrent expenditure in the government sector in 2002 was \$8,215 per student. This calculation includes an adjustment to take account of the differing

primary/secondary enrolment profiles in the government and non-government sectors. Depreciation and the notional user cost of capital are excluded. Private funding is also ignored. Private funding has been estimated at around 5% of total expenditure, bringing total estimated recurrent expenditure to \$8,626 per student. Depreciation is estimated at \$338 per student. The user cost of capital is estimated at \$1,173 per student.

DEST does not consider the simple addition of the recurrent and capital-related per capita amounts in each sector to arrive at comparative total per student amounts to be a valid exercise. For example:

- in the government sector, capital expenditure is effectively provided interest-free (from the schools' perspective) and so there is no equivalent expenditure to the independent sector's interest charges on capital expenditure item;
- the non-government sector does not have a figure that is comparable to the government sector's user cost of capital item; and
- at least some of the higher depreciation in the independent sector can be explained due to the recent and ongoing substantial growth in that sector.

Taking into account the many assumptions required to arrive at comparable expenditure figures, DEST considers that, from this analysis, expenditure in the government and independent sectors is on a par.

3. Non-government schools and systems are subject to a range of accountability requirements in order for them to receive Australian Government funding. Apart from the requirements set out below, as legally incorporated entities, non-government school authorities are also subject to the accountability provisions of the Australian Securities and Investment Commission or their State or Territory registrar of associations. This entails the submission of audited annual financial statements which are available for public scrutiny.

- Non-government School authorities must provide financial accountability each year, in the form of a certificate, signed by an accountant, to the effect that funds have been spent, or committed, for the purposes for which they were provided. They are also required to submit a Financial Questionnaire which specifies all gross income received by the authority in operating the school and in providing activities for the students enrolled at the school and all gross expenditure (whether of a recurrent or capital nature).
- Schools provide educational accountability for Australian Government funding, mainly through participation in the annual *National Report on Schooling in Australia* (the ANR).
- The accountability provisions of the *States Grants (Primary and Secondary Education Assistance) Act 2000* (the Act) are built on the premise that all schools are equally accountable for the public funds they receive for the education of the children in their care.
- Under the Act, all education authorities are required as a condition of funding to make a commitment to the National Goals for Schooling in the 21<sup>st</sup> Century and to commit to achieve any performance measures, including targets, incorporated in the legislation. These commitments form part of the funding agreements between the Australian Government and each system/school. Performance targets and measures are incorporated in the legislation through regulations, though wherever possible national targets and measures are to be agreed first by MCEETYA.
- An important step in recent years has been the development by MCEETYA of an overarching measurement framework for national key performance measures, setting out the basis for reporting progress towards the achievement by Australian students of the national goals. A key feature is the regular assessment of student outcomes, with a proposed programme of assessments for the period 2002-2009. The framework sets out

the broad nature of the performance measure in each domain, the year levels at which assessment takes place and the assessment cycle.

- Literacy and numeracy at Years 3, 5 and 7 is measured through annual, full-cohort skills testing undertaken by each State and Territory. In other domains, rolling triennial national sample assessments are being put in place. Reading numeracy and science literacy for 15 year olds are being assessed through the triennial OECD Programme for International Student Assessment (PISA) which is already in operation. Both government and non-government schools/systems are required to participate in these assessments as part of their educational accountability for Australian Government schools funding.
- Capital grants to independent schools are made through independent Block Grant Authorities (BGAs) in each State. BGAs are fully accountable for the funds provided under the Capital Grants Program.
- BGAs also provide performance information covering broad indicators such as degree of educational disadvantage of the students supported by the grant, and relationships of projects to area standards and to Australian Government priorities for schooling.