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**PROPOSALS FOR
IMPROVED ACCOUNTABILITY
FOR GOVERNMENT FUNDING
TO PRIVATE SCHOOLS**

by

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1. EXECUTIVE SUMMARY

This paper from the Australian School of Government Studies (ASGS) has examined accountability issues related to Federal Government funding to private schools.

It has concluded that effective accountability and effective choice by parents would be enabled through a focussed accountability system which included:

- open and public reporting available to parents and the public at large;
- fair and equal treatment to both private and public sectors, given that over 70% of all Federal Government education funds go to private schools¹; and
- an opportunity for private schools to opt out (become truly independent) if they find accountability regimes too onerous or unacceptable in principle.

The paper makes recommendations as to what changes need to take place in the current accountability regimes, preferably during coming discussions about the *States Grants (Primary and Secondary Education Assistance) Act 2000*, the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004* and related regulations.

The paper also concludes that Australian Government per capita funding of private education is at the high end of the international table whilst accountability and regulatory controls are at the low end.

The paper recommends the establishment of a representative Schools Advisory Council with a dedicated research driven mandate to analyse current major issues and plan for the next decade of Australia's education development. Further, to maximise national consensus and objectivity, the proposed Schools Advisory Council should be responsible to the Ministerial Council on Education, Employment, Training and Youth Affairs.

¹ AEU Roy Martin - Federal Budget Papers, Budget Paper Number 1 - 2003

2. DESCRIPTION OF GOVERNMENT FUNDING TO PRIVATE SCHOOLS

Until the early 1960s Australia's private school system was substantially self-funded and a significant majority of Australian children were educated in government run, universally available schools.

Federal Government funding to private schools was almost zero, the dominant popular view being that the state had an obligation to provide a superior, secular, compulsory system that served the needs of the majority of Australian students. Parents who chose to send their children to private schools did so on the understanding that their choice to step outside the free government system carried some family financial sacrifice to be borne by that family.

In the early 1960s, the Menzies' Government began funding science laboratories for private schools followed by needs based funding provided by the Whitlam Government. From these humble beginnings, Australia's private schools now receive more than \$5.13 billion annually from Federal and State Governments.

This is more than the total expended by the Federal Government on universities and is no longer state aid but an inbuilt, recurrent, guarantee of funding that means the Federal Government, in essence, now almost exclusively looks after private schools while the states, in addition to funding private schools, also "own" their government systems.

This development is one of the most remarkable social developments in recent Australian history; remarkable for the way this patronage was achieved and remarkable for the effects it will have on future Australian society.

Australia is now near the top of the list of OECD countries in terms of the percentage of its students who attend private schools. We are also near the top in terms of government funding for those schools. That is, progressive drift to private schools has not occurred in a free market vacuum; the drift has been made possible by guaranteed permanent Federal and state government funding that usually covers a minimum 30% of daily recurrent costs of each private school as well as capital funding for new buildings, all costs which were once borne exclusively by the private schools themselves.

At the same time, Australia is one of those countries with the lowest levels of accountability regimes; that is, the way in which government funding is spent by private schools is not subject to the same rigorous analysis and reporting common not only to most other OECD countries but to comparable areas of public expenditure in this country.

It is as if the flow of funds from governments to private schools has been achieved so quickly and in such relative political silence that the building of effective accountability regimes has been left behind. With the Parliamentary discussions about the *States Grants (Primary and Secondary Education Assistance) Act 2000* about to begin, it is now time to analyse what the Australian taxpayer is receiving for the \$5 billion of public funds flowing to

private schools and, more importantly, to analyse exactly how that money is being spent.

3. HOW ACCOUNTABILITY WORKS IN HIGHER EDUCATION

In determining what would be a reasonable level of accountability for public funds allocated to private schools, it is appropriate to make comparisons with other public funding in the education sector, for example, in higher education. What is clear from such comparisons, is that the current Federal Government has become increasingly interventionist in its control of the higher education system while retaining a system of comparatively light regulation of private schools which receive public funding.

Two features need to be noted at the outset; that private universities constitute a small minority of the higher education sector and that Federal Government expenditure on higher education is now less than it spends on private schools.

Key features of the current Federal Government's accountability and regulatory regimes for higher education include:

- detailed and time consuming audits through the Australian Universities Quality Agency (AUQA);and
- voluminous reporting through the Higher Education Annual Data Collections.

Changes foreshadowed by the Federal Education Minister in his bills introduced in September 2003 have been described by the President elect of the Australian Vice Chancellors' Committee as 'over-reporting and over-regulation'.¹

Even greater intervention is built into the requirement that higher education institutions should follow new Federal Government mandated workplace relations criteria. This is at a time when universities are already involved in enterprise bargaining with their staff. In one university, at least, the enterprise bargaining has had to be halted due to this new Federal Government requirement.

Other proposed Federal Government interventions into universities include new prescriptions about the membership of university governing councils. Just as interventionist is the Federal Government's insistence on universities raising revenue from other sources such as fees and commercialism; that is, to lessen, their reliance on government funding (currently at about 40% of universities revenue). This intervention to reduce the percentage reliance of universities on government funding is in direct contrast to the policies practised by the Government in its increasing funding of private schools.

¹ Professor D. Yerbury, *The Australian* 1999/2003, page 6

4. HOW ACCOUNTABILITY WORKS IN COMPARABLE COUNTRIES

An examination of countries in which governments fund private schools reveals that higher public funding for private schools usually means more government regulation. An international analysis conducted by the Centre on Education Policy concludes that:

“...most countries that heavily subsidise private schools also hold them to extensive government regulation and oversight...”²

This regulation appears to be based on broad principles of good public management – to ensure accountability for the private expenditure of public funds. It also serves other important purposes such as ensuring minimum standards of education across all providers, both public and private, to protect the consumer rights of parents and to guarantee employment rights of teachers.

Accountability regimes vary significantly between countries. Typically, oversight is managed through external evaluation. For example, the Danish ‘taximeter’ system of funding private schools includes provision for continuous peer review and a system of external examiners. Similarly, in Austria, private schools undergo regular inspection by government agencies. In other countries oversight may be achieved through reporting or through registration of private schools which meet government standards and policies as, for example, in Sweden.

The areas in which regulation of private school occurs will vary significantly. It includes the following:

4.1 Curriculum

Some countries insist on all schools following a national curriculum (Denmark, Belgium), or must follow government course syllabi (Germany, Ireland, Portugal) or follow curriculum goals (Spain, Italy) while others insist on subsidised schools following approved teaching methods (Luxembourg) or following certain standards of instruction (Alberta, Canada).

4.2 Teaching and Student Achievement

Most European countries follow the Australian practice of states regulating exit examinations (of note here, is that in the ACT not all

² CEP 1999 *Lessons from other countries about private school aid* at www.ctredpol.org/

private schools are obliged to follow the ACT exit examination process and at least one school follows the NSW system).

4.3 Student Admissions and Discipline

Most countries regulate these matters to ensure that students cannot be excluded for reasons such as inability to pay tuition fees, or race, religion, ethnicity or ideology. In some countries (Norway, Greece) exclusion policies are set by the state for all schools receiving public funding.

4.4 Teacher Qualifications, Salary and Employment Conditions

The requirements vary according to such factors as industrial work place legislation or other arrangements. This is an area which is too difficult to categorise.

4.5 Tuition, Fees and Finance

Some countries limit such fees or require private schools to operate as not-for-profit organisations or allow outside contributions to be made but limit the areas where these funds can be expended. Most require financial reporting and some require that this reporting be consistent with government requirements.

4.6 Values

In Sweden, all schools are expected to embody the same values such as democracy, tolerance, openness and objectivity. Most recognise the rights of religious schools to offer religious instruction while some allow students to opt out of such instruction.

4.7 Other

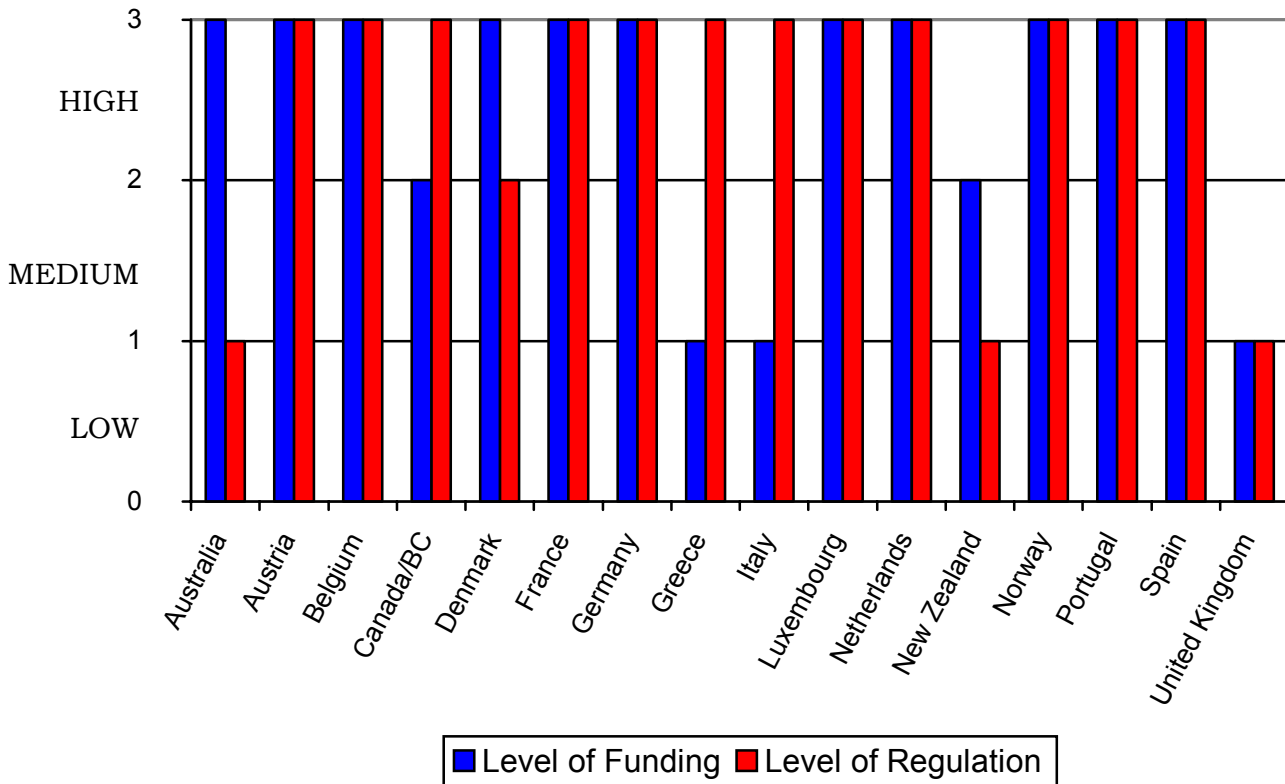
Basic standards, timetables, representation on boards, and record keeping are variously included as part of the regulatory processes.

Two important conclusions can be drawn from this overview of overseas arrangements. First, that regulation of private schools in Australia is comparatively benign. Second, Australian accountability regimes for public funding of private schools is inconsistent with broad international practice.

Internationally, higher levels of funding are usually accompanied by stronger government regulation.

On the following page is a comparative table provided by the Center on Education Policy (CEP) www.ctredpol.org/ in the United States. CEP is an advocate for improving public schools but its comparisons are interesting, even allowing for the difficulties in comparing education systems between countries.

Level of Private School Funding and Regulation in Sixteen Countries



Levels of Funding

High Private schools are eligible to receive a maximum government subsidy that is greater than about 66% of per-pupil allocations to public schools.

Moderate Private schools are eligible to receive a maximum government subsidy that is greater than about 33% but no more than about 66% of per-pupil allocations to public schools.

Levels of Regulation

High Government regulates curriculum, some aspects of admissions, and teacher salaries or working conditions; public authorities register and regularly inspect schools.

Moderate Government regulates curriculum (with opportunities for flexibility) and various other areas, such as tuition fees, staff qualifications, admissions or testing; public authorities register or inspect schools to some degree.

Low Government holds schools to basic criteria, such as compliance with broad curricular goals, financial requirements or testing procedures; may require some type of registration or certification.

Source: Center on Education Policy 1999

5. RECENT ACCOUNTABILITY DEVELOPMENTS

5.1 Introduction

Increasingly, demands are being placed on all receivers of public funds, government and non-government organisations alike. There are a number of reasons for this development, including:

- greater intervention by the Federal Government in areas previously considered to be the province of state and local governments (eg health, education, railways and other transport, taxation);
- privatization, outsourcing and other policies designed to create either partnering between the government and non-government sectors or the transfer of responsibilities to the private sector; in either case, governments have been required to clarify accountability issues such as customer service obligations, privacy protection or financial reporting;
- the higher public profile taken by the Australian National Audit Office (ANAO) and the Auditors-General in the states (eg the ANAO's highly critical report about the Federal Government's information technology outsourcing program or the ACT Auditor General's investigation of the Bruce Stadium expenditures);
- the development of other external anti-corruption bodies such as New South Wales' Independent Commission Against Corruption or Queensland's Criminal Justice Commission, both of which have arisen partly as a response to perceived or real abuses by the Executive branch of government.

5.2 Auditors-General

In terms of accountability arrangements, the Auditors-General of both New South Wales and Victoria have raised serious questions about Federal Government funding of non-government schools.

The main thrust of their concerns have revolved around the discrepancy between the “light touch” accountability processes for school funding to private schools and the stricter accountability processes that increasingly apply to other recipients of public funds.

The Victorian Auditor General in 2000 considered that:

...the current (accountability) guidelines were developed at a time when the volume of funds distributed were smaller and accountability regimes less tight than is expected today. Greater emphasis is (now) placed on funding agreed program outputs, regardless of whether the programs are delivered within or outside the public sector.³

It would appear that accountability regimes controlling public funds allocated to non-government schools have not kept pace with the prevailing public sector management regimes now in place across OECD countries. In Australia, public sector education, for example, faces:

- regular performance audits
- enrolment censuses; and
- reviews of programs, management and school leadership.

In that respect, the Auditor General of NSW, when reporting in 2003 on school accountability and improvement models, indicated that:

...the intention to achieve greater accountability for, and transparency in, public school performance is highly commendable. However, the Auditor-General expressed reservations about accountability in the private schools sector. To date, these provisions have not been imposed by the Government on private schools even when public funds are provided to such schools.⁴

5.3 Capital Expenditure

³ Auditor General Victoria 2000:4

⁴ Audit Office of NSW 1999:3

In terms of capital expenditure, private school assets purchased with government funds potentially can remain the property of the private school and can be used or even disposed of according to the school's needs; in essence, public money is both beyond control and stated purpose provisions, a situation not replicated in most other arenas where, at least, ownership of the asset such as transport infrastructure or buildings typically returns to the government.

The accountability situation is made worse by the current inability of governments to gain a total picture of a private school's recurrent and capital expenditures. That is, private bequests and other private revenue details are not available to governments.

5.4 Parliamentary Accountability

In all states and in the Federal Parliament, especially the Senate, accountability mechanisms have been strengthened and used through special purpose, standing or estimate committees. The main modus operandi of these committees has been to investigate and make public comment on the expenditure of public funds. It is significant that one of the outcomes of the Fitzgerald Royal Commission in Queensland was the establishment of a Parliamentary Public Accounts Committee, a noted deficiency in the accountability processes of Queensland's former governmental system.

5.5 Commercial-in-Confidence Pleadings and Outsourcing

One of the trends at variance with pressures for enhanced accountability in public sector management is the current trend towards outsourcing. Recent developments in privatization, government private sector partnering and outsourcing have created a situation in which public accountability has been diminished by practices such as using contracts to share or reduce accountability or by the use of commercial-in-confidence pleading by public servants when appearing before Parliamentary committees. Some government bodies, such as the Ombudsman, have warned of the dangers inherent in these practices, warnings consistent with broader trends to strengthen accountability.

6. BUILDING ACCOUNTABILITY

6.1 Introduction

The funding of private sector education through direct payments from government funds has long been a contentious issue in Australian society. In terms of social goals, core beliefs, education principles and the mechanisms through which such funding is applied, political parties have all been subjected to pressure both publicly and behind the scenes.

The degree of public acrimony has ebbed and flowed, with special interest groups prepared to direct votes to those political parties deemed most in favour of their goals. It must be said that the interest groups representing the private sector have been the most successful lobbyists. From a position of almost nil federal funding before 1963, total government funding has grown to \$5.1 billion in 2002.

This has led to a highly complicated funding and accountability regime about which even intelligent lay persons have little understanding, a situation which effectively excludes them from the debate and the decision making. Even education experts acknowledge the complexity of the regime and note the inappropriate way in which public debate is conducted by some advocates.

For example, the Executive Director the National Council of Independent Schools Association Mr Bill Daniels:

*“as these references clearly demonstrate to anyone prepared to put in the effort to understand the complex funding arrangements for Australian schools when it comes to education, there is a substantial amount of political opinion and ideological bias posing as academic statement”.*⁵

6.2 Open Debate and Political Pressure

It is the contention of this paper that open, informed debate, accessible to a wider cross-section of the Australian community is preferable to semi-secret and/or partisan back door deals designed to win government benefits through incremental creep.

Federal education policy is, however, set primarily by the Cabinet, the Education Minister and the Department of Education, Science and Training.

⁵ Letter to Dr Aulich from Mr Bill Daniels, Executive Director, National Council of Independent Schools Association, 5 Dec 2002

Unlike the Australian Broadcasting Corporation (ABC), Australian Consumer and Competition Commission (ACCC) and National Crimes Authority (NCA), it is easier for interest groups to affect the policies and behaviour of Ministers or Governments whose first principle is usually political survival and who are increasingly prepared to wield ideological sticks and carrots to reform whole systems. Both the Dawkins era under Labor and the last two Liberal Ministers have been prepared to restructure fundamental policies in education both at tertiary and schools level.

The far reaching changes in the *States Grants (Primary and Secondary Education Assistance) Act 2000* its associated Guidelines 2001 and other administrative processes need to be examined closely by clients and legislators. In particular they should be examined according to the criteria outlined in Section 7.2 of this paper.

This paper goes one step further and recommends the establishment of an independent, representative Schools Advisory Council to oversee Australian pre-school, primary and secondary education in this country and to ensure that government money is expended in the most effective and the fairest manner possible.

6.3 Establishment of a Schools Advisory Council

6.3.1 Goals

This section suggests the establishment of a Schools Advisory Council to provide a policy blue print for the development of Australian education over the next decade. The proposal is an attempt to place research based policy at the centre of the Australian schools system. This is consistent with trends in the U.K., Victoria and New Zealand, to move towards 'evidence-based' policy development, a refreshing reaction to the dominance of ideology over sound research, too often the hallmark of previous governments in those jurisdictions.

By stressing research as the key driver of future directions, it is hoped that those who make the vital political decisions will operate in an environment based more on needs assessment of Australian society rather than ideology or political expediency.

The key role of the proposed Schools Advisory Council would be to promote:

- a national recognition of and support for a progressive, democratic and equitable education system;
- an appropriately resourced national education system in which the community, as a whole, should have ownership;
- a system based on tolerant debate and openness;
- a system which is research driven both in terms of policy directions, performance monitoring and other accountability procedures; and
- a system which is structured so that vested interests of any persuasion cannot hijack the process or directions.

6.3.2 Representation

In order to ensure both community ownership and appropriate stakeholder involvement, the following list of suitable appointees is advisory only and should be the subject of public discussion:

- appointees of the Federal and State Minister for Education;
- appointees of the Australian Education Union and the Independent Education Union of Australia (IEU);
- appointees of the private school system;
- community representatives, probably of parents' associations;
- community representatives of the adult education sector;
- representatives with research skills and responsibilities;
- representatives with indigenous qualifications; and
- representatives of immigrant communities.

It is strongly suggested that all community appointees should be selected by the Federal Minister after formal consultations with his/her state counterparts and the teachers' unions.

6.3.3 Roles and Responsibilities

The following list is not meant to be exhaustive but the Schools Advisory Council would need, at least, to provide direct policy advice to the federal and state ministers forums about the following:

- research, about national education performance, policies, accountability, planning issues and the identification of education areas where perceived weaknesses occur eg. indigenous and disadvantaged programs;
- accountability regimes and reporting;
- quality control and improvement;
- relationships with and integration between pre-school primary and secondary education and other relevant sections of the economy such as workplace policies, adult and community education, law enforcement and rehabilitation policies.

6.3.4 Governance

The Schools Advisory Council would provide advice directly to the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA). Funding would initially be the responsibility of the Federal Government since:

- a) the goals of the proposed National Education Corporation would be national in scope;
- b) state and territory ministers would be more likely to be involved if there was no inhibiting debate about relative financial contributions; and
- c) states would be asked to cooperate and provide in-kind resources for research activities undertaken by the National Education Corporation.

6.3.5 Areas of Research Activity

In line with the cooperative partnering model suggested by the Schools Advisory Council, one of the key roles of MCEETYA would be to suggest and/or approve the major research projects to be pursued by the Schools Advisory Council.

In this section some of the areas where research needs to be amalgamated or conducted are suggested. Implicit in these suggestions are the need to:

- provide research data for future national education planning;
- manage education policy as if it were central to society's overall well-being;
- ensure that education planning and research incorporates research in other related areas of governmental activities (activities which at the moment are peripheral to mainstream education policy at the federal level); and
- ensure that an adequate accountability regime is in place which assists with policy planning, helps to provide information for funding policy and assists with performance measurements.

6.3.6 Priority Areas of Research

An Integrated Society

An effective democratic society relies upon a combination of altruistic behaviour and enlightened self-interest from its citizens. For any group to fall behind in terms of shared benefits and equal opportunity is to risk fracturing that delicate balance.

Failure to ensure equity has damaging consequences not only for the individuals concerned but for society as a whole. Groups as divergent as the Dusseldorf Skills Forum and the Business Council of Australia have pointed out the national interest implications, with Chapman et al taking the argument further, persuasively showing the link between unemployment, education delivery and crime⁶.

Even the strongest free market advocates have difficulty in proving that affluent citizens are able to insulate themselves from crime and other effects of inadequate education and unemployment. Gated schools and gated communities not only offer limited protection but may well exacerbate and encourage anti-social and criminal activity. Protection cannot last forever. Sooner or later, even the most protected, affluent young people will take public transport and taxis, go to pubs and restaurants, mix in an open workplace, park in public car parks, attend sporting and entertainment events; in the process, exposing themselves to life's riskier experiences.

Research Priorities

The following research activities could reasonably be regarded as priority issues for any National Education Corporation.

⁶ Chapman et al *Unemployment Duration, Schools and Property Crime*, *Crime and Justice Bulletin* #7, December 2002. NSW Bureau of Crime Statistics Research, Sydney

- a) Accountability regimes as a method of ensuring equity and fairness in government funding to schools.
- b) An examination of resource allocation to areas of education need.
- c) An examination of the interrelationship between crime, unemployment and inadequate education provision.
- d) The extent of adult or continuing education in areas of high risk eg. prison populations, early school leavers and single parents requiring parenting assistance.
- e) The current interrelationship and effective co-operation between social welfare, training and education providers dealing with children and adults at risk.
- f) The creation of a smart nation through programs designed to find and nurture young talent in a wide variety of fields.

7. ACCOUNTABILITY – OPTING IN/OPTING OUT

7.1 Universal Education and the Market

Where the state provides a competent and rounded education system for all its citizens, there will still be some parents who will chose to opt out of the government provided service. Their reasons for doing so have been assessed in a variety of market surveys; some of a superficial compromised methodology, others providing some relatively valuable insights into the reasons for opting out. Although the writers of this paper believe there is considerable survey work to do on this issue, it is not intended to canvass those issues here. What does need to be canvassed is the fundamental question of private schools and independence from the universally available system.

The generic terms, independent schools or independent systems have been used by private schools as both a market differentiator and a statement about their education strategies. The drift to private school throughout Australia indicates that those strategies are working in the education market place.

It must be said, however, that the drift to private schools is extremely small (about .4% per annum¹) despite the extraordinary funding of over \$5 billion dedicated by the Federal Government to private schools. In other words, the private system still requires extraordinary funding just to maintain its attractiveness and relative position in the market place. Proponents of classic market theory would describe the current education market place model as corrupted and not based on the classic model of true choice. When a government needs to spend over \$5 billion in order to make private schools competitive and a more attractive choice for parents, the system fails any test of market freedom.

However, there are other critical questions which can only be answered through further objective research into the current private school government funding regimes.

The questions are:

- ◆ How much control will future governments have over their budgetary planning if dedicated funding regimes such as that in place for private school funding are locked down in perpetuity?
- ◆ Will government surpluses be diminished by built in structural obligations imposed by the current education-funding regime?
- ◆ Will private school ‘entitlements’ become a fiscal monster which will devour considerable resources even at the expense of the public system?

¹ Martin, Roy AEU *See How They Grow* 2003

- ◆ Are new private schools, especially those duplicating existing schools, going to make 'entitled' demands on the education budget, at the expense of existing schools?

However, an examination of the current status of most private schools indicates, at least, the following examples of reliance upon government for either survival or benefit:

- over \$5 billion is spent by governments on private schools;
- the majority of Federal Government funding to schools (over 70%) goes to private schools;
- curricula are essentially set by governments;
- registration of new schools is approved by relevant government bodies according to a number of specific criteria; and
- accountability regimes for the expenditure of government funds is in place and, although not comprehensive, do represent a willingness of the private sector to sacrifice a degree of independence in return for government funding.

In this situation, private schools are faced with two dilemmas. One, do they continue to describe themselves or act as independent schools or systems when in fact they are clients of governments? Two, when accountability regimes designed to strengthen government audit requirements become tighter, do some private schools or systems take a decision to become truly independent and opt out of government funding altogether?

7.2 Strengthening Accountability Provisions

Following is a description of some areas where accountability provisions appear to remain inadequate or out of step with accountability requirements in other areas of government expenditure.

7.2.1 Capital funding

Central to this issue is the question of ownership and stated purpose. Currently, government funding for capital purposes is confused in terms of ensuring that the asset is not sold or transferred by the recipient; that ownership is ultimately vested in government or that change of purpose is a matter for government approval.

7.2.2 Salary packages and competition

This is an area where prestige and competitive marketing advantages can be obtained by using government funding to allow private principals and senior staff to be recruited at salaries far beyond those applying in the public sector. Current indications are that the benchmark for principal salaries in some private schools can be three times that of a principal in a state system. Some principals in the private sector have salaries currently benchmarked at \$340,000 per annum. Acceptance of government funding should incur a responsibility to pay teaching staff at rates comparable to those in government schools.

However, there is a further issue on the horizon. All public education authorities predict a significant shortage of teachers within the next decade, particularly in specialist areas such as science and information technology. Once this occurs, private schools will be in a more flexible position to offer better salaries to attract teachers and to demand even more time and professional commitment in return for those increased salaries.

7.2.3 Powers of expulsion and entry

Expulsion is a key issue. A public school essentially cannot refuse entry to any child, even if that child has been expelled by a private school. In essence this allows private schools to maintain discipline by divesting their problems to the public schools. This is a significant factor in maintaining the attraction of private schools as bastions of strong discipline. Similarly, entry provisions to private schools are essentially left up to the private schools. Despite their acceptance of public money, private schools are still free to discriminate or choose who they will or won't accept. This is an area where many overseas governments choose to intervene as they become increasingly a key source of private schools funding. Is this going to be a future pattern for Australia or will private schools be free to discriminate and divest as they see fit; at the same time, accepting taxpayers' money?

7.2.4 Common Curriculum and Exit Testing

This is a significant area of accountability. First, should the Federal Government and state governments fund private schools which cannot and do not enable their students to achieve core competencies in, for example, literacy and numeracy? The second question is whether or not those students should exit the school system without those core competencies being tested? Third, are democratic principles and tolerance included in the teaching of humanities or are humanities being used to teach hate and intolerance?

A government which funds private schools on a recurrent basis would need to have these questions answered to its satisfaction. Any government which reserves the right to choose who comes to this country should, logically, also reserve the right to insist that curricula in private schools are consistent with the principles underpinning a democratic, tolerant society.

Currently, a commitment to the national goals is required before a private school is given registration/government funding. However, there is no accountability regime designed to actually assess the practical implementation of that upfront commitment; neither government representation on the school's board or council, nor inspections nor exit testing exists in any comprehensive, accountable form.

The extent to which curriculum for private schools should be aligned with that in government schools is very much an open question. What is clear is that the government systems in this country are not yet harmonised and together with the huge variety of private school offerings, much effort and expertise is being dissipated in curriculum development.

Harmonisation of curriculum would offer greater transparency to parents, improved quality assurance and provide an opportunity to articulate what values, knowledge and skills are valued by the community at large. The Schools Advisory Council could play a pivotal role in reducing fragmentation of effort and providing strong leadership in articulating primary goals for all Australian schools.

7.2.5 Teacher Registration

If private schools wish to be a government funded part of the Australian education service system, a key requirement is to ensure that all teachers are trained and registered.

In terms of risk management, the use of untrained teachers (unpaid or underpaid) is usually a symptom of an unviable school or a school which will be unlikely to achieve its performance measures under the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004*.

The NSW government's plans to require private schools to publicly report on the numbers of untrained teachers in their establishments is a promising first step.

7.2.6 Representation on School Boards or Councils

Since a minimum of 20-30% of private schools' revenue is provided by government funding, it is appropriate for either state or federal governments to appoint representatives to the boards or councils. This would ensure a proper partnering principle operating within each school. In particular it would provide private schools with an opportunity to present all their accounts and financial details in a confidential environment. This would be valuable when forward estimates are being drafted and considered.

7.2.7 Public Transparency of Accounts

Record keeping is an accountability tool that enables retrospective analysis of performance for a wide range of activities such as financial management, curriculum delivery and the provision of census data.

It is not suggested by the authors that effective regulatory and accountability controls are achieved by resorting to exhaustive reporting mechanisms. Bureaucratic complexity can have unintended consequences such as stifling innovation, encouraging evasion and creating unnecessary, unproductive workloads. Any regulatory or accountability regimes need to be focussed, simple and user friendly, capable of being understood by any reasonably informed taxpayer.

This set of principles extends to the question of transparency or openness. School records, whether for example, financial or census data or teacher qualifications, must be public information if any private school receives government money.

Government funding is usually provided according to a per capita formula based on demographic profile of each school's parents (except for Catholic systemic schools which are funded across the board at a fixed average). It is not acceptable then for private schools to quietly allow government funding to cover more accepted educational activities, thus freeing up other school created funds (fees, gifts, investment funds) to heavily promote the school, build superior facilities, extend scholarship systems, poach teachers from other systems or pay inflated salaries to principals. This is why record keeping must involve a publicly available picture of a private school's total revenue and expenditures. To plead commercial-in-confidence considerations is acceptable for neither the school itself nor the Australian Department of Education, Science and Training. This is, in effect, the acid test. To have a regulatory regime which looks exemplary on paper is next to useless if the records and returns are not available for public scrutiny. For example, in the Senate while responding to questions from Labor Senator Carr about private income of private schools, the Department stated: "there are privacy arrangements about the Commonwealth collecting information from schools so we could not be in a position..."⁷

Already there are examples of the Department pleading commercial-in-confidence concerns for avoiding Parliamentary scrutiny of government funding of private schools. Secret scrutiny is inadequate scrutiny in a society where, in many situations, the ultimate accountability is to the taxpaying public via the media or other public avenues.

It is this principle of public accountability and exposure which drives our court systems, Ombudsman, Privacy Commissioner, Australian Taxation Office, Australian National Audit Office, parliamentary Public Accounts Committees and the parliamentary system as a whole.

Should private schools, especially the wealthier private school consider that their privacy and commercial competitiveness are affected by open scrutiny, they have a choice. That choice, simply put, is opt out and accept no government money, in line with the principles followed in many other countries.

7.2.8 Inspection

Those who oppose stronger accountability for the expenditure of government funds in private schools often point to the written requirements set out in the *States Grants (Primary and Secondary Education Assistance) Act 2000* and the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004*. They point out that requirements exist in relation to such issues as commitments to the National Goals for Schooling, achievement of some performance measures plus financial accountability (certification by a qualified accountant) and educational accountability provisions. The Federal Minister is provided with powers to intervene in a number of areas.

In brief, the accountability provisions take the form of reporting by the private schools themselves with certification primarily in financial

⁷ Hansard 2002: 198, Department of Education Science & Training

matters provided by a qualified accountant; self-regulation in practice. However, the Australian public is now less impressed with self-regulation as a measure of accountability and quality control.

Recent events surrounding Pan Pharmaceuticals, HIH Insurance, FAI Insurance and One.Tel, Ansett's long standing safety issues before its demise, AMP's reporting problems and Pasmenco's demise has exposed the fragility of self-regulation based on self-reporting.

Defenders of this light touch self-regulation cite the independent audits conducted each year by the Federal Government of 2% of private schools. This low level of audit is highlighted in the annual growth of new private schools, many of which have unviable numbers of students (over 60% have less than 60 students)⁸. Further, the results of such audits are not readily available despite the fact that such schools are likely to be receiving Federal Government funding for at least 30% of their required expenditure.

Specifically, private schools currently report to the Department of Education Science and Training (DEST). However, the key issue here is the need for public transparency for the expenditure of public funds. The Department does not provide to the Parliament such vital data as the percentage of government subsidy to each school compared with other revenue, the percentage of revenue raised from fees in each school and other data vital to the audit process and decision making about public expenditure.

We therefore argue that the data available to DEST should also be available for parliamentary scrutiny so that public policy decision making can be made on a properly informed basis.

We argue that the inspection of private schools for compliance with current accountability requirements:

- be increased to at least 10% of private schools per annum;
- be reported publicly and made available on the Federal Education ministry's website; and
- include all new schools established within the last three years (in order to assess viability and enrolment accuracy).

Resources for such independent audits are available if the Federal Government is prepared to use the state education authorities who should also be involved in checking private schools (in line with their own annual provision of more than \$1.3 billion to private schools).

7.2.9 Democratic, non discriminatory values

Whilst it is recognised that many private schools have been established in order to emphasise higher level values such as religious or philosophical beliefs, it is still appropriate for government to require practising adherence to fundamental democratic principles such as

⁸ *Trends in New Private Schools* R. Martin, 1999 www.aefederal.org.au/Debates/TrendsinNNGSchools and *New Private Schools Receiving Establishment Grants* R Martin, 2002 www.aefederal.org.au/Debates/Estgrants2002.pdf

tolerance and non-discrimination on the grounds of race, gender, beliefs and disability.

For example, is it appropriate that a government which requires compliance with the *Equal Opportunity Act 1995* for all its commercial contracts should then fund any school which practises gender or ethnic discrimination or teaches religious or ethnic discrimination?

Further, should a government fund any school that is committed to principles based on racial vilification?

7.2.10 Diversion of public monies

Whilst a certain degree of flexibility is permissible in any financial regime, the destination, timing and acquittal of government funds is a significant issue relating to stated purpose/stated expenditure provisions. Trust funds which are used to create interest revenue should not be an acceptable purpose for government funds.

'Two-pocket' accounting can use public grants to pay for publicly acceptable facilities and services while releasing other income to purchase other resources such as highly paid teachers, sporting and cultural facilities that would otherwise be deemed unacceptable to tax payers. One of the key accountability solutions for this is a requirement for specific outcome contracts related to better student teacher ratios and other maintenance of effort policies. For example, it is still not clear, after years of Federal and State Government funding whether the Catholic system's education schools have improved pupil-teacher ratios in line with ratios in other systems.

7.2.11 Expenditure on Promotion, Marketing and Advertising

Private schools which are essentially competing against other private schools or the government system should be required to show that government funds have not been used either directly or indirectly (such as making substitutional arrangements) on promotional activities.

7.2.12 Fees Regulation

There is some debate about whether or not private schools select students on academic, financial and/or first-come-first serviced basis⁹. These could be academic scholarships, de factor sporting scholarships or a deliberate policy decision to broaden the socio-demographics of the school's intake. The key issue here is the public right to know whether or not fees are subsidised for certain students as part of private school's policy.

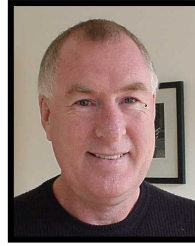
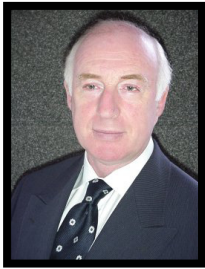
⁹ *The Truth About Private Schools in Australia*, Jennifer Buckingham, Centre for Independent Studies, Issue Analys # 13, August 2000

8. TABLE OF SUGGESTED IMPROVEMENTS

The table below comprises suggested amendments to the *States Grants (Primary and Secondary Education Assistance) Act 2000*, the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004* and related regulations.

Suggested Improvements to Accountability Regime	
Subject	Suggested Improvements
capital funding	<ul style="list-style-type: none"> Amend to ensure ownership of capital works is vested in government, especially in cases of change of purpose, bankruptcy or property sale.
salaries	<ul style="list-style-type: none"> Make recurrent funding contingent upon salaries to principals and administrative staff being in line with equivalents in government schools.
powers of expulsion and entry	<ul style="list-style-type: none"> Require expulsion procedures be equivalent to those applying in government schools, especially in relation to final expulsion approval. Require clear written reasons to be given for refusal or inability to accept enrolments of applying students.
common curriculum	<ul style="list-style-type: none"> The Schools Advisory Council be established in part to articulate a basic framework for curriculum development.
teacher registration	<ul style="list-style-type: none"> Require all teachers to be professionally trained and registered in their appropriate jurisdiction. In reporting requirements, the number of teachers currently untrained should be made public.
representation on School Boards or Councils	<ul style="list-style-type: none"> State or federal governments should be permitted to appoint one representative on each School Board or Council.
record keeping	<ul style="list-style-type: none"> Make all records publicly available. Require all records to be a comprehensive picture of the school's performance to show, for example, where recurrent funding has released expenditure for other school priorities (eg promotion, sports facilities). Require schools to notify any cases where public moneys have not been acquitted in a timely or appropriate manner eg diverted to other purposes or placed in an investment account.
inspection	<ul style="list-style-type: none"> Inspect at least 10% of all private schools including all new schools. Make inspections reports publicly available (eg DEST website).
democratic, non discriminatory	<ul style="list-style-type: none"> Require public reporting of all complaints about a school, especially the school's responses to such complaints. Remove any exemptions from anti-discrimination legislation relating to staff or students.
opting out	<ul style="list-style-type: none"> Private schools unable or unwilling to fulfil the requirements in this table should be permitted to opt-out of the funding regime and information such opting out should be made publicly available (eg DEST website).
outcomes contracts	<ul style="list-style-type: none"> Provide funding for agreed educational outcomes such as acceptable student-teacher ratios.

9. CURRICULA VITAE



HON TERRY AULICH

Terry Aulich was, for 16 years, a Senator and State Education Minister. As Chairman of the Senate Standing Committee on Employment, Education & Training, he made a significant contribution to the education debate over issues such as adult education and, later, the quality of university teaching.

Before that he was a senior teacher of English and History for ten years. Later he was an organiser with the Tasmanian Teachers Federation and in 1983-84 he was State Secretary of the ALP in Tasmania with specific responsibility for membership recruitment, polling and campaigns.

He has been the director of the Australian School of Government Studies (ASGS) since 1993 and has been in charge of all polling and focus groups. ASGS polls have been commissioned by newspapers, research institutions and business.

Terry is a frequent speaker at national conferences where issues concerning the relationship between people management and technology are discussed.

Education publications:

- *Come in Cinderella* 1991
- *Education for Active Citizenship* 1989

Other publications:

- *Moonlight at Midday* 1999, drama
- *The Rivers End* 1992, novel
- *Acacia Road* 1976, poetry

Qualifications:

- BA University of Tasmania
- Tasmanian Teaching Certificate
- Post graduate education qualifications from University of Tasmania

DR CHRIS AULICH

Chris Aulich is Head of the School of Management & Policy at the University of Canberra. His research interests are in reforms in public sector management relating to service delivery such as privatization, outsourcing and public-private partnerships, in general, and in the local government sphere, in particular.

His doctorate involved combining the interests in local government and outsourcing in examining the impact of compulsory competitive tendering on local government in the state of Victoria. He has published one book (*Australian Handbook of Public Sector Management* Allen & Unwin, Sydney with J Halligan & S Nutley) and many articles both in academic journals and in other professional and public forums.

Dr Aulich has won several national grants to develop research in the local government sector and for projects relating to outsourcing and public-private partnerships. He has also worked offshore teaching programs on outsourcing and public enterprise in China, Malaysia, Thailand, Hong Kong and Singapore. For six months in 2002, he was a Visiting Fellow in the Department of Management at the prestigious St Andrews University in Scotland.

Qualifications

- BA Dip Ed (University of Tasmania) 1966, 1968
- BSc(Econ)(Hons) (University of London) 1978
- MPA (University of Canberra) 1993
- PhD (University of NSW)

Estimates of Future Funding of Non-Government and Government Schools

Trevor Cobbold

**A Paper Prepared for the Australian Education
Union**

November 2003

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of the authors and do not necessarily represent AEU Policy**

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Trevor Cobbold is a consultant on public policy issues. He is a specialist in the economics and finance of education, general education policy and microeconomic policy analysis. He has been a member of the Executive of the ACT Council of P&C Associations since 1987 and was honorary Secretary of the Council from 1988-2000. In this capacity, he has contributed many papers and submissions on various aspects of education policy and funding. He worked as an economist for the Productivity Commission and its predecessors for over 30 years and has wide-ranging experience in economic research and policy analysis relating to industry, trade, public enterprises, productivity growth, Commonwealth-State financial relations and social issues. E-mail: ccobbold@bigpond.net.au.

Key Points

1. The estimates of future school funding by the Senate Employment, Workplace Relations and Education Committee and the Commonwealth Department of Education, Science and Training (DEST) are inaccurate and misleading because they compare an income measure for non-government schools with an (inadequate) expenditure measure for government schools.
2. Total income available to non-government schools is under-estimated because borrowing by these schools is omitted. Borrowing is a significant source of funding for non-government schools, especially Independent schools.
3. The Senate Committee and DEST estimates of future government school funding are inaccurate because they are based on the Australian Government School Recurrent Cost (AGSRC). This measure does not include capital expenditure and superannuation, items which are included in non-government school expenditure. The Senate Committee failed to adjust its estimates for these omissions. DEST did adjust for these omissions but its estimates are flawed because:
 - it adjusts for the omission of capital expenditure from the AGSRC by excluding it from non-government school income as well and thereby omits a major source of funding advantage for non-government schools over government schools;
 - it adjusts for the exclusion of fees and donations from the AGSRC but not for the exclusion of private in-kind donations and many forms of government assistance to non-government schools from the non-government school measure;
 - some other adjustments are unsubstantiated and there may be inconsistent adjustment for government borrowing costs and capital-related expenses.
4. An alternative approach is to estimate future funding on the basis of past trends in per student expenditure for both government and non-government schools. The government school cash expenditure series (including superannuation) or the accruals expenditure series, excluding capital charges, are the best available measures to compare government and non-government school expenditure. The non-government school expenditure measure is a hybrid of cash and accruals accounting and therefore is not strictly comparable with either the cash or accruals measures of government school expenditure. There are several important differences between the measures. For example:
 - capital expenditure is used in the cash measure of government school expenditure and the non-government school measure while depreciation is used for the accruals measure of government school expenditure;
 - many non-government schools do not appear to account for superannuation on the accrual basis used for government schools and the methods of estimating superannuation expenditure vary;
 - other accrual expenses such as provision for long service leave are included in the accruals measure of government school expenditure and the non-government school measure but are not included in the cash measure for government schools;
 - debt servicing costs are included in the non-government school expenditure measure but the borrowing costs attributable to government funding are not included in either the government or non-government school measures;

- fees and donations are not included in the government school measure and private in-kind donations are not included in the non-government school measure; and
 - many forms of government assistance to non-government schools are not included in the non-government school measure and some are actually included in the measures of government school expenditure.
5. Alternative estimates of the future funding of government and non-government schools indicate that by 2003-04:
- non-government schools will increase their funding advantage over government schools from about 7 – 8 per cent in 2000-01 to 12 – 17 per cent;
 - Catholic school funding will improve from 8 – 9 per cent below government school expenditure in 2000-01 to being on a par with government schools;
 - Independent schools will increase their funding advantage over government schools from 31 – 36 per cent in 2000-01 to 40 – 44 per cent.
6. The measure of non-government school expenditure tends to under-estimate non-government school funding in comparison with government school expenditure because:
- many non-government schools, particularly in the Catholic sector, still use cash accounting and their expenditure is underestimated relative to the government school accruals measure;
 - private in-kind contributions to non-government school facilities and resources are omitted and these are likely to be higher than fees and donations to government schools, which are also omitted;
 - several forms of government assistance to non-government schools are omitted and some are included in government school expenditure. These include taxation concessions, access to services provided by state and territory Departments of Education and the administration of government funding and public accountability arrangements.

If adjustments were made to take account of these factors, the non-government school funding advantage over government schools would be higher than the above estimates.

7. Comparisons between government and non-government school expenditure should be adjusted for the different social obligations of the sectors. Government schools enrol higher proportions of students with complex learning needs that incur higher costs and government schools must meet other public obligations such as maintaining a system of local schools. Adjustment for these differences in costs would extend the funding advantage of non-government schools over government schools.

Introduction

A controversy has developed over the last year about comparative estimates of the future funding of non-government and government schools. The Senate Employment, Workplace Relations and Education Committee¹ and the Commonwealth Department of Education, Science and Training (DEST) have published widely differing estimates.²

The Senate Committee Report estimated, in a corrigendum to the report, that the income of the Catholic education system will be 15.2 per cent higher than expenditure on government schools and that the income of other non-government schools will be 52.2 per cent higher in 2004. DEST estimated that the income of Catholic schools will be some 20 per cent below that of expenditure in government schools and the income of other non-government schools will be on a par with expenditure in government schools.

The Senate Committee and DEST made similar estimates of the income of Catholic and other non-government schools in 2004 and both used the Australian Government School Recurrent Cost (AGSRC) to measure the expenditure of government schools. However, DEST adjusted non-government school income down in order to allow for differences between the measures of non-government and government school expenditure.³ These adjustments account for the large part of the disparity in the estimates of the future income/expenditure of the two school sectors between the two reports.

DEST removed capital expenditure from non-government school income because it is not included in the AGSRC. Non-government school income was also adjusted down by the difference between accrual expenses and cash expenditure in government schools and by an allowance to account for the exclusion of privately sourced funds from the AGSRC. In addition, the AGSRC was indexed a further year to 2005 to allow for the lag in its calculation and this had the effect of increasing government school expenditure for comparative purposes. There are also several other differences between the Senate Committee and DEST approaches relating to data and estimation methods.

This paper reviews the methodologies used by the Senate Committee and DEST to construct their estimates of future government and non-government school funding and makes alternative estimates.

¹ Senate Employment, Workplace Relations and Education Committee 2002, *Education of Students with Disabilities*, Appendix 6, December.

² The DEST estimates are published in a submission by the National Catholic Education Commission (NCEC) to the Productivity Commission: National Catholic Education Commission 2003, *Submission to the Productivity Commission Review of the Disability Discrimination Act (Cth) 1992*, Appendix B.

Comments on the Senate methodology are also included in the Commonwealth Government's response to the Senate report:

Commonwealth of Australia 2003, *Government Response to the Senate Employment, Workplace Relations and Education Committee's Report Education of Students with Disabilities*, July, pp. 3-4.

³ The different methodologies are outlined in the Attachment to this paper.

School income and expenditure

A basic issue in comparing government and non-government school funding is whether to use income or expenditure data. All national measures of government school funding are based on expenditure. Non-government school funding is reported in both income and expenditure terms.

The Senate report compared estimates of future government school expenditure, as measured by the AGSRC, with estimates of the future income of non-government schools. DEST adopted a similar approach but adjusted its estimates of non-government school income by various expenditure items to make it more comparable to the AGSRC. Both estimates of future non-government school income are based on previous trends in private funding per student and State/Territory government funding per student published in the National Report on Schooling together with projections of Commonwealth funding that were provided separately by DEST.

Comparing funding of the two school sectors using expenditure for one sector and income for the other is likely to distort and mislead. Income is not a measure of actual expenditure.

First, income may be more than expenditure in any one year because of lags in the use of income. Income received in one year may not be spent in that year. Income cannot always be spent immediately and it may be used to build up reserves against future contingencies or for future projects. As a result, an income measure of non-government school funding may overestimate such funding in comparison with government school expenditure.

Second, expenditure may exceed current income because it is funded from past savings or by borrowing. Borrowing by schools means that total income is higher than that sourced from fees, donations and governments. It is clear that borrowing forms a significant component of the expenditure of many non-government schools. The Independent school sector, in particular, makes significant use of borrowing. For example, borrowing by Independent schools was \$453 per student in 2001, or nearly 5 per cent of total expenditure.⁴ Catholic school borrowing was \$165 per student, or 2 per cent of total expenditure. As a result, the income measure of non-government school funding may underestimate such funding in comparison with government school expenditure.

The net outcome of these two effects is that the published income measure for non-government schools is normally less than the total expenditure figure. In recent years, total expenditure by non-government schools for Australia has exceeded total income by an average of about \$145 per student.⁵ The difference was much more significant in the case of Independent schools, averaging about \$390 per student for Australia in recent years. However, Catholic school income has exceeded expenditure by an average of about \$40 per student in recent years.

⁴ Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia 2001*, Table 26.

⁵ These figures are derived from Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia, 1999 – 2001*.

Thus, the estimates of future funding of non-government schools by the Senate Committee and DEST are flawed because they are based on income rather than expenditure. They underestimate non-government school funding relative to government school funding because they do not include borrowing by non-government schools. The distortion is more significant in the case of Independent schools because they make greater use of borrowing than Catholic schools.

The estimates of future school funding provided in this paper are based on expenditure by government and non-government schools.⁶

Comparisons based on the AGSRC

Both the Senate Committee Report and DEST use the AGSRC as the base measure of expenditure on government schools. The AGSRC gives a much different estimate of government school expenditure than other commonly used national measures [Table 1].

The Ministerial Council on Employment, Education, Training and Youth Affairs (MCEETYA) and the Steering Committee for the Review of Commonwealth/State Service Provision have published cash-based and accruals-based measures of government school expenditure. The two cash-based series include capital expenditure but the MCEETYA series excludes superannuation while the Steering Committee series includes superannuation. Both accruals-based series use depreciation instead of capital expenditure but the Steering Committee series excludes capital charges, which are included in the MCEETYA accruals series.

The purpose of the AGSRC is not to serve as the measure of government school expenditure but as a basis to determine Commonwealth funding to government and non-government schools. It is a cash-based expenditure measure of recurrent expenditure derived from data compiled by MCEETYA on recurrent expenditure by State and Territory governments. It omits capital expenditure and superannuation expenditure.

The Senate Committee Report estimates of future funding levels are flawed because of the lack of comparability between the AGSRC and non-government school funding figures. In particular, non-government school expenditure data includes capital and superannuation expenditure, which are excluded from the AGSRC. These are significant components of total expenditure on schools and their exclusion affects comparisons of expenditure by government and non-government schools.

In passing, it should be noted that the DEST criticism that the Senate Committee report does not include capital expenditure by government schools is somewhat disingenuous. DEST failed to acknowledge that the non-government school income measure does not fully incorporate funding for capital expenditure. Borrowing funds a significant part of non-government school capital expenditure but it is not included in the income measure.

⁶ School funding is used in this paper as a generic term for expenditure and income.

Table 1: Government school expenditure by measure (\$ per student)

Exp. Measure	1998-99			1999-00			2000-01		
	Prim	Second	Total	Prim	Second	Total	Prim	Second	Total
AGSRC ¹	5056	6622	na	5378	7101	na	5657	7469	na
Cash recurrent ²	5057	6624	5664	5382	7017	6011	na	na	na
Cash excl. super ³	5331	6961	5962	5687	7416	6352	na	na	na
Cash incl. super ^{4 a}	5380	7150	6426	5712	7563	6804	na	na	na
Accrual excl. capital charges ^{5 a}	5574	7462	6672	5866	7729	6984	6148	8120	7344
Accrual incl. capital charges ⁶	6258	8328	7059	6585	8540	7344	6841	8889	7633

Sources:

1. States Grants (Primary and Secondary Education Assistance) Act 2000, Schedule 1 and States Grants (Primary and Secondary Education Assistance) Amendment Regulations 2002 (No. 1). As estimated for the purpose of determining Commonwealth payments to schools in 2000, 2001 and 2002.
2. Excludes capital expenditure. Derived from Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia 1999, 2000*, Appendix 1, Table 27 (1999), Table 28 (2000), refer note (a).
3. Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia 2000*, Appendix 1, Table 28.
4. Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 2001,2002*, Attachment 3A, Table 3A.8 (2001), 3A.29 (2002), AusInfo, Canberra.
5. Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 2002, 2003*, Attachment 3A, Tables 3A.10 and 3A.31 (2002), Table 3A.7 (2003), AusInfo, Canberra.
6. Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia 2000, 2001*, Appendix 1, Table 27 (2000), Table 23 (2001). Capital charges were applied only in Victoria, Queensland and the ACT.

Notes:

na: not available.

- a.* The Steering Committee figures for primary and secondary schools are not provided on the same basis as the MCEETYA figures. The Steering Committee figures are for in-school primary and secondary school expenditure and do not include out of school expenditure such as central office costs. However, the total figures do include out-of-school costs.

Capital expenditure

The DEST approach to dealing with the omission of capital expenditure from the AGSRC is flawed because it excludes capital expenditure from both government and non-government school funding. In effect, it removes an item of higher expenditure by non-government schools and thereby distorts the comparison of expenditure between the two sectors.

Capital expenditure (or depreciation) should be included in comparisons of government and non-government school funding in order to obtain greater comparability of data. To exclude capital expenditure (or depreciation) is to discount the contribution that buildings and grounds make to education and this contribution differs between school sectors.

Capital expenditure is significantly higher in non-government than government schools. This is especially the case for Independent schools where capital expenditure is much higher than in Catholic or government schools and forms a larger component of total expenditure than in other schools. For example, capital expenditure in Independent schools was \$1565 per student in 2000 compared to \$799 in Catholic schools and \$347 for government schools. Capital expenditure was 17 per cent of total expenditure in Independent schools, 13 per cent of total Catholic school expenditure and 5 per cent of total expenditure in government schools.⁷

Thus, the DEST approach is biased. It removes a source of advantage for non-government schools from the comparison of future government and non-government school funding. It thereby underestimates non-government school expenditure in comparison with government school expenditure.

Superannuation expenditure

As noted above, the AGSRC does not include superannuation expenditure. The Quadrennial Administrative Guidelines do not state that superannuation is excluded. However, the cash-based expenditure data published by MCEETYA in the National Report on Schooling in Australia does not include superannuation. Oral advice from DEST indicates that superannuation is not included.

A comparison of the MCEETYA cash expenditure figures and the actual AGSRC amounts specified for each calendar year in the Regulations to the States Grants (Primary and Secondary Education Assistance) Act 2000 demonstrates that superannuation is not included in the AGSRC amounts. The methodology for calculating the AGSRC incorporates an 18-month lag so that the AGSRC for the final payments to non-government schools in 2000 was based on data for the 1998-99 financial year. The AGSRC amounts for 2000 were \$5056 for primary schools and \$6622 for secondary schools. The respective cash expenditure figures from the National Report on Schooling in Australia 1999 for 1998-99, excluding capital expenditure, were \$5057 and \$6624.

Similarly, the AGSRC amounts for the final payments in 2001 were \$5378 and \$7101. The

⁷ Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia 2000*, Appendix 1, Table 28 (government schools) refer note (a), Table 32 (non-government schools).

respective cash expenditure figures for 1999-2000 were \$5382 and \$7017.⁸

The exclusion of superannuation from the AGSRC suggests that further adjustments are needed to make non-government school expenditure more comparable to the AGSRC. The Senate Committee Report does not adjust its estimates for the fact that superannuation must be funded out of non-government school income but is not included in the AGSRC.

DEST appears to take account of this inconsistency between the two measures by adjusting non-government school income down by 11 per cent to allow for the difference between accruals expenditure and the cash amount for government schools. However, DEST does not explain the basis for this calculation and does not provide the data it used. Without this, it is not possible to reproduce the calculation or the final funding estimates.

It is not clear which accruals series was used by DEST to make its adjustment. If it used the MCEETYA accruals series, capital charges on government borrowing to fund government school education have been included in government school expenditure. However, a similar cost for government funding of non-government schools is not included as part of non-government school expenditure. This issue is discussed below.

It is also possible that there is an inconsistency in this calculation. DEST removes a component for capital expenditure from non-government school income to make it comparable with the AGSRC. However, it is not clear whether the figure for total accrued expenses used by DEST in adjusting for the difference between accrued and cash expenses in government schools excludes depreciation. If the accrued expenses figure does include depreciation, DEST has over-adjusted non-government school income downwards because it would have adjusted for capital-related expenditure twice.

Other limitations of AGSRC

The AGSRC also incorporates an 18-month lag. For example, the AGSRC for final payments in 2003 (that is, non-government funding in 2003) is based on expenditure in the 2001-02 financial year.⁹ This means that a comparison of the AGSRC for 2003 with

total non-government school funding in 2003 is misleading and incorrect. This 18-month lag easily leads to confusion in making comparisons between government and non-government school funding when this measure is used for government school expenditure.

Another problem is that the AGSRC has become a derived cash expenditure figure since MCEETYA moved to an accrual financial reporting from 1999-00. Cash expenditure data is no longer published so the AGSRC is now calculated by applying the movement in the

⁸ The discrepancies likely arise from the way the AGSRC is adjusted from year-to-year. As MCEETYA no longer reports cash expenditure, the AGSRC is calculated by applying the movement in the accruals-based expenditure to the previous cash-based expenditure. This was first carried out for the AGSRC estimate for 2001. Thus, the AGSRC is now a derived cash-based estimate. As such, it includes movements in superannuation expenditure but not the actual total expenditure.

⁹ Department of Education, Science and Technology, Quadrennial Administrative Guidelines 2003, Appendix G, p. 190.

accruals figures to the previous cash expenditure figures.¹⁰ The actual basis of this calculation has not been published. Moreover, the growth in accruals expenditure appears to be lower than that of cash expenditure.¹¹

A further limitation of using the AGSRC to compare government and non-government school funding is that it is calculated as separate measures of primary and secondary school expenditure and is not available as a measure of total school expenditure. As a result, it is not possible to make simple comparisons of total school expenditure per student. These have to be developed by the complex process used by the Senate Committee report and DEST and then further calculations have to be carried out to obtain total expenditure per student.

The complexity of the estimation process necessary to adjust for the inadequacies of the AGSRC leads to other problems. Neither the Senate Committee report or DEST provide all the data used in their calculations or accurately source it. For example, enrolment data is not provided in either report. Nor do they fully reveal their estimation procedure. In particular, DEST fails to source its estimate of the disparity between recurrent expenses and the cash amount and to show how it adjusted non-government school income for the non-inclusion of privately sourced funds in government school expenditure figures. These and other such problems make it very difficult to re-produce the estimates.

For all these reasons, it seems desirable to consider other more readily available measures to compare government and non-government school funding. While each of these other measures has advantages and disadvantages, they all at least provide direct estimates of total expenditure per student.

Alternative measures of school funding

As noted above, there are four different national measures of government school expenditure – two cash accounting series and two accrual accounting series. Publication of the two cash accounting series stopped as of 1999-00.

There are also different measures of non-government school funding published by MCEETYA. It publishes both an income and an expenditure measure. As noted above, it is preferable to use the expenditure measure. This appears to be a combination of cash accounting and accrual accounting data in that it includes capital expenditure as an immediate expense and other expenses, such as workers compensation and long service leave provision, which are only included in the accrual accounting series for government schools.

The existence of several different measures has created confusion about trends in school funding, about comparisons of expenditure between States and Territories and about comparisons of government and non-government school funding. Internal inconsistencies in some of the measures add to the confusion. This confusion bedevils public debate on school funding and makes it very difficult to establish common ground in comparing levels of school

¹⁰ Department of Education, Science and Technology, Quadrennial Administrative Guidelines 2003, p. 18. This new way of estimating the AGSRC was first carried out for the 2001 AGSRC and was based on 1999-2000 data.

¹¹ The growth of cash-based expenditure was more than one percentage point higher than the accruals-based rate over the two years for which both figures are available.

expenditure by different school systems and sectors. In particular, strict comparisons of expenditure between government and non-government schools are still not possible because of different financial reporting systems used for the two sectors. However, it is possible to make approximate comparisons and this is discussed below.

Cash-based series

MCEETYA series

The MCEETYA cash accounting series is not an accurate measure of the level of government school expenditure, mainly because it does not include superannuation expenditure. This exclusion invalidates comparisons of government and non-government school expenditure because the published expenditure data for non-government schools includes superannuation. Separate figures on superannuation expenditure in non-governments schools are not published and so it is not possible to exclude this item from non-government school expenditure to make it comparable with the MCEETYA cash accounting data.

However, it should be pointed out that the MCEETYA cash accounting series provides the only basis for long-term comparisons of growth in government school expenditure over the last 15 years. The accrual accounting figures are available for only three years and the Steering Committee cash accounting series is available for only six years. The MCEETYA cash series provides a reasonably valid basis for the analysis of trends in school expenditure as long as the trends in the excluded items do not vary significantly from the overall trend.

In fact, the inclusion or exclusion of superannuation has little impact on overall growth rates in government school expenditure. It is not possible to estimate the trend in accruals but these form a very small proportion of total expenditure and therefore their inclusion or exclusion is unlikely to affect overall trends significantly.

In summary, the MCEETYA cash accounting series has fulfilled a key role. However, it is not fully consistent with modern accounting standards, is not a good measure of the level of expenditure and is not sufficiently consistent with the measure of non-government school expenditure. The series is no longer published by MCEETYA.

Steering Committee series

The Steering Committee cash accounting series provides a better estimate of the level of government school expenditure because it includes superannuation and, as such, is more consistent with the measure of non-government school expenditure. Capital expenditure is treated in the same way as for the non-government school expenditure measure. The availability of this data for six years provides a basis for short-term projections of future expenditure. However, publication of this series ceased as of 1999-00.

A problem in using this measure to compare government and non-government school expenditure is that there are differences in the way superannuation expenditure is estimated for the two sectors.

Superannuation expenditure can be estimated on several different bases. These include:

- a funding basis - the employer's contribution each year;
- an accrual basis – the liability incurred each year by the employer; and
- an emerging basis – the payment made to retired employees each year.

All state and territory governments except the Northern Territory have accounted for superannuation expenditure on an accrual cost basis for several years, although there may be differences in how that cost is estimated. It may have been estimated actuarially or using other methods and further information is needed on the method used by each jurisdiction as it is not clear from public sources.¹²

There appears to be no published information on how superannuation expenditure in non-government schools is estimated. It is likely that different schools account for superannuation on different bases and that the methods of estimating expenditure vary widely in the sector. As a result, there may be significant differences between approaches used in government and non-government schools, which are reflected as differing levels of superannuation expenditure.

This problem presents a case to exclude superannuation from comparisons of government and non-government school expenditure. This case is strengthened by the observation that different treatments of superannuation have little impact on the comparative resources and standard of education in government and non-government schools. However, estimates of superannuation expenditure in non-government schools are not available and it is therefore not possible to exclude superannuation from expenditure comparisons.

Finally, it is to be noted that differences between government and non-government school superannuation schemes are likely to progressively narrow in future years. The new superannuation schemes for government school staff provide reduced benefits in comparison with the old schemes and which are more similar to those that exist in the non-government sector. As more and more staff are employed under the new schemes, a source of higher expenditure in government schools will gradually be reduced in comparison with non-government school expenditure.

Nevertheless, this cash-based series provided a reasonable, though not precise, basis for comparing government and non-government school expenditure even though accrued expenses such as provision for long service leave are excluded from government school expenditure. The major items of capital expenditure and superannuation are treated in a broadly similar way.

Accruals-based series

In theory, the accrual accounting measure provides a more accurate estimate of the level of school expenditure than the cash accounting based approach. It is based on modern accounting standards and overcomes the major deficiencies of measures based on cash accounting.

However, the published figures are plagued by inconsistencies between the accrual accounting approaches adopted by different governments.¹³ In particular, accounting for

¹² Steering Committee for the Review of Commonwealth/State Service Provision 1998, *Superannuation in the Costing of Government Services*, AusInfo, Canberra, p.9.

¹³ Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 2002*, Tables 3.8 and 3A.24, AusInfo. See also, ACT Council of P&C Associations, *Improving the Measurement of School Expenditure*, Submission to the Inquiry on ACT Education Funding, October, 2002.

depreciation is often somewhat arbitrary, particularly where assets (such as land and buildings) are just as likely to appreciate as depreciate. As a result, there are major inconsistencies in the methodologies governments use to estimate depreciation with different approaches to the valuation of land and buildings, how often they are re-valued and the estimates of asset lives. In addition, several governments do not fully account for employer-related accrued expenditure such as provision for long service leave. The inclusion of capital charges in the MCEETYA accrual accounting series adds a further inconsistency because only two governments out of eight currently apply these charges.

The accruals series are not fully comparable with the measure used for non-government school expenditure. The non-government school expenditure measure appears to retain elements of both cash-based and accruals-based approaches. Many non-government schools still operate on cash-based financial accounting. Significant differences occur in the treatment of capital, accruals and superannuation and borrowing costs.

Capital expenditure and depreciation

The MCEETYA measure of non-government school expenditure and the accruals series for government school expenditure treat capital expenses differently. Non-government school expenditure includes all capital expenditure within each year whereas the accruals series for government schools accounts for capital expenses by depreciation of the total asset base.

There is a significant difference between the figures for capital expenditure and depreciation for government schools. For example, total capital expenditure in government schools was \$100 million more than depreciation in 1999-00.¹⁴ This was equivalent to about \$45 per student.

Such a disparity between estimates of capital expenditure and depreciation calls into question use of the accruals series to compare government and non-government school expenditure. The comparisons would be distorted because government school expenditure is artificially lowered relative to non-government school expenditure. As noted above, capital expenditure accounts for a much larger proportion of total non-government school expenditure than for government school expenditure.

Moreover, the different methods used by governments to estimate depreciation as noted above raise issues about the validity of the depreciation figure for government schools.

Other accruals

Differences in the extent to which accrual accounting is used and how accruals are estimated can have a significant impact on overall expenditure figures. For example, in 1999-00 accruals-based expenditure in government schools, excluding capital charges and adjusting for the above estimated difference between capital expenditure and depreciation, was about

¹⁴ Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 2002*, Attachment 3A, Tables 3A.9, 3A.28, AusInfo, Canberra.

\$225 per student higher than cash-based expenditure, including superannuation [Table 1].

As a result, the comparability of the accruals based series and the non-government school measure will be affected by the extent to which non-government schools have adopted accrual accounting. If, as seems likely, a significant number of these schools have not adopted accrual accounting then non-government school expenditure is likely to be significantly under-estimated in comparison with government school expenditure.

In addition, it is not clear how other accruals, such as provision for leave, are estimated for non-government schools and how comparable the methodology is to that used for government school expenditure.

Borrowing costs

A third major issue that arises in using the accruals series is the treatment of capital charges.

The case for including these charges in government school expenditure is that these schools benefit from general government borrowing. The cost of this should be attributed to schools in the same way as costs of borrowing in the non-government sector. Interest payments on borrowing by non-government schools have to be paid out of their total funding and are included in data on non-government schools expenditure. Expenditure on debt servicing by non-government schools in 2001 was \$164 per student.¹⁵

However, there is also a case to exclude government sector capital charges from the comparison of non-government and government school funding.

First, the borrowing costs of government cannot be accurately or, indeed, even approximately hypothecated to different portfolios. Borrowing costs are incurred on debt incurred over many decades by governments and it is not possible to determine what proportion of that debt is due to expenditure on schools. The capital charges included in government school expenditure are purely notional and reflect an arbitrary allocation of the interest costs of general government sector borrowing to different portfolios. They are not necessarily an accurate reflection of the costs to government of supplying public education.

Second, schools are not responsible or accountable for this expenditure. Neither the Department of Education or government schools have any control over this cost. They are not permitted to borrow and therefore are not accountable for this expenditure. Central government borrowing is a matter of economic policy rather than education policy.

Third, only three out of eight State and Territory governments applied these charges in 2000-

¹⁵ Estimate derived from Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia 2001*, Appendix 1, Tables 4 and 25A.

01 and one has since stopped this practice.

Fourth, debt servicing costs incurred by non-government schools reflect institutional advantages over government schools. Non-government schools are free to borrow to supplement current income. They are also able to increase fees and other charges to cover the cost of borrowing. Government schools cannot generally borrow or levy fees. Although governments can raise money from taxpayers, this is subject to political constraints and is not a choice that is available to schools in the same way that a non-government school can decide whether to raise fees or seek additional loans.

If capital charges on government borrowing are included as part of government school expenditure, they should also be included in non-government school expenditure because the government funding they receive includes a pro rata borrowing cost to government. It is a cost to government not included in the total funding for non-government schools.

This exclusion is significant as government funding accounts for nearly 60 per cent of total funding available to all non-government schools and for over 70 per cent of Catholic school funding. Table 1 shows that capital charges for government schools are about \$360 per student. The omission of similar charges for non-government schools means that expenditure is under-estimated by over \$200 per student for all non-government schools and by about \$250 per Catholic school student.

Thus, inclusion of borrowing costs in the comparison of government and non-government school expenditure presents a dilemma. Government school expenditure may be under-estimated in comparison with non-government school expenditure if no account is taken of government borrowing costs for government school education as non-government school expenditure includes significant borrowing costs. On the other hand, if account is taken of government borrowing costs for government school expenditure non-government school expenditure will be underestimated because it does not include the cost of government borrowing on government funding of these schools.

Conclusion

The shift to accruals-based financial reporting for government schools has not been accompanied by a similar change in reporting non-government school expenditure. The latter measure retains a strong cash-based component and it is arguable that the comparability of estimates has worsened as a result of the change.

A major item of school expenditure, buildings and other capital assets, is now treated differently in the two measures. Accrued liabilities are now included in government school expenditure and while this makes the two measures appear more comparable it is possible that many non-government schools do not fully account for accruals. Consequently, the change to accruals-based expenditure for government schools may have artificially increased government school expenditure in comparison to non-government school expenditure.

The inclusion of capital charges in the accruals series adds to the difficulty in comparing government and non-government school expenditure. Capital charges are included in

government school expenditure on an arbitrary and selective basis and the borrowing costs of non-government schools do not include an attributed cost for government borrowing for government expenditure on non-government schools.

It should also be noted that the accruals series provides a very limited basis for projections of future expenditure because only three years data is available at present.

Overall, the Steering Committee cash-based series appears to provide a better basis at this stage for comparing expenditure on government and non-government schools. It treats capital expenditure on a similar basis to the measure of non-government school expenditure. It also includes superannuation, although there may be significant differences in how it is estimated for the two sectors. Non-government school expenditure could be adjusted to exclude debt servicing costs so as to improve comparability with this series. However, debt servicing costs are not published separately for Catholic and Independent schools.

While the Steering Committee cash-based series is no longer published, it is available from 1994-95 to 1999-00 and can be used to estimate future funding levels for government schools to 2004.

However, before using this series to make some projections on government school funding it is necessary to consider some other aspects of government funding for schools that are not taken into account in any of the expenditure measures.

Other issues of comparability

Fees and donations

As noted above, expenditure funded by private-sourced contributions such as fees and donations is not included in the estimates of government school expenditure. This reduces the comparability of measures of government and non-government school expenditure because the latter includes fees and donations.

DEST has adjusted its estimates of future funding to allow for this exclusion from government school expenditure. The nature of this adjustment is not explained.

There are several other considerations to be taken into account in adjusting for fees and donations to government schools.

First, it is difficult to obtain consistent data on fees and private donations for government schools. One estimate is that they account for about 5 – 7 per cent of total government school expenditure.¹⁶

¹⁶ Senate Employment, Education and Training Committee 1997, *Not a Level Playground: The Private and Commercial Funding of Government Schools*, July, Canberra, p.29.

Second, some significant forms of donations to non-government schools are not included in the expenditure measure or only partially included. Expenditures made on behalf of non-government schools by private individuals or corporations as in-kind donations do not appear to be included in the expenditure measure. These contributions can form a significant component of expenditure. For example, major benefactors of non-government schools, particularly Independent schools, often make in-kind donations such as funding a building or facility. Provision of IT hardware and software, IT networks and broadband access are often privately provided to non-government schools, especially in the case of Independent schools. Such contributions are not entered in the accounts of the school and therefore not included in the measure of non-government school expenditure.

Another form of in-kind contribution not included in non-government school expenditure occurs where the school shares buildings and grounds with another institution, usually a church, and the full capital and/or operating costs of the school are not recorded in the school accounts. For example, the associated church may have paid for a building or the grounds used by the school and may pay for some operating costs such as electricity and water rates because it is a shared facility.

The exclusion of such donated expenditure from non-government school expenditure suggests that to adjust only for fees and donations to government schools in comparisons of expenditure in the two sectors would be to create a further bias in favour of non-government schools. It would over-estimate government school expenditure in comparison with non-government school expenditure.

Other government assistance to non-government schools

Several forms of government assistance are not included in estimates of government funding of non-government schools and their costs are not attributed to non-government schools. These include taxation concessions, access to services provided by state and territory Departments of Education and the administration of government funding and public accountability arrangements. Non-government schools may also benefit disproportionately from transport subsidies for school students.

Tax deductions for donations

Tax deductions for donations to capital expenditure in non-government schools is a significant form of government assistance that is not included in published data on non-government school funding. Tax deductibility of donations provides an incentive for increased private contributions and, thus, higher total funding for non-government schools. The cost of this incentive is the reduction in government income tax revenue below what would otherwise be collected. This cost should be included in estimates of non-government school expenditure.

Donations contribute about 7 per cent of total non-government school funding and it is

estimated that about a third of these are funded by tax deductions.¹⁷

Access to government services

Another form of government assistance to non-government schools is access to professional resources such as resource centres and curriculum development resources free of charge. Non-government schools also have access to assessment services, such as Year 12 examinations and provision of UAI scores, funded by governments.

The costs of providing these services provided to non-government schools are not included in the measure of non-government school expenditure. Where separately identified, these costs are sometimes excluded from government school expenditure. However, in some cases they are actually included in total government school funding. As a result, total funding for non-government schools is underestimated while total funding for government schools is overestimated by this amount.

Administration of regulations and funding for non-government schools

The whole system of administration for government funding of non-government schools and ensuring public accountability for the quality of schooling is borne by the taxpayer. The costs are not attributed to non-government school expenditure. For example, registration of non-government schools and the approval of curriculum is provided free of charges. The administration of other public accountability requirements is also provided without charge. In other areas, the recipients of such government services are required to contribute to their cost, either partially or in full, on a 'user cost basis'. Similarly, administration of the funding arrangements for non-government schools is not included in estimates of non-government school funding.

This administration involves staff at both the state/territory and Commonwealth levels and involves significant costs. For example, a significant number of Commonwealth staff are involved in administering complex funding arrangements for non-government schools. In contrast, Commonwealth payments to government schools involve very little administrative cost as funds are handed over directly to state and territory governments.

The exclusion of government staffing and other costs for the administration of funding and regulatory arrangements for non-government schools from the measure of non-government school expenditure means that published funding data significantly under-estimates the actual funding provided to non-government schools.

This effect is compounded because many of these costs are actually included in estimates of expenditure on government schools. While some governments exclude staff directly identified as servicing non-government schools, others do not. Where staff are not identified in a specific function relating to non-government schools they are included in expenditure on

¹⁷ Gerald Burke and Michael Long, The evolution of school funding: the ACT and Australia, Paper prepared for the Inquiry into ACT Education Funding, 12 December 2002.

government schools. As a result, government school expenditure is artificially increased while non-government school expenditure is underestimated.

Conclusion

Significant costs associated with non-government schools are not included in the measure of non-government school expenditure. Some government expenditure on non-government schools is actually included in government school expenditure. These omissions from non-government school expenditure are likely to be far more significant than the exclusion of fees and donations to government schools, especially as some non-government school costs are included in government school expenditure.

The adjustment made by DEST to allow for fees and donations to government schools without adjusting for other sources of funding and assistance to non-government schools is therefore arbitrary and selective. It results in a more favourable comparison of funding estimates for non-government schools relative to government schools.

Estimates of future expenditure

Comparative estimates of future funding for government and non-government schools can be made on the basis of trends in per student expenditure/funding. Comparative Australia-wide average per student expenditure figures for each sector are provided in Table 2.

Table 2: School Expenditure by School Sector, 1995-96 to 2000-01^a
(\$ per student)

School Sector	1995-96	1999-00	2000-01	Av. Growth per Year %
Government ^b	5456	6804	na	5.7
Government ^c	6672 ^d	6984	7344	4.9
Catholic	4785	6251	6740	7.1
Independent	7353	9251	9927	6.2
All Non-govt.	5632	7323	7908	7.0

Sources:

Steering Committee for the Review of Commonwealth/State Service Provision, *Report on Government Services 1998, 2002, 2003*, AusInfo, Canberra.

Ministerial Council on Education, Employment and Youth Affairs, *National Report on Schooling in Australia 1996, 2000, 2001*, Curriculum Corporation, Melbourne.

Notes:

- Non-government school figures refer to calendar years so that 1995-96 refers to 1996 and 2000-01 refers to 2001.
- Cash-based series, including superannuation, for 1995-96 to 1999-2000.
- Accruals-based series, excluding capital charges, for 1998-99 to 2000-01.
- The accruals figure in this column is for 1998-99.

Total non-government expenditure per student was 7.6 per cent higher than for government

schools (cash series) in 1999-2000. Expenditure by Independent schools was 36 per cent higher than for government schools and 48 per cent higher than for Catholic schools. Government school expenditure was 8.8 per cent higher than for Catholic schools.

In the case of the accruals-based series for government schools, non-government school expenditure was 7.7 per cent higher than government school expenditure in 2000-01. Expenditure by Independent schools was 35.2 per cent higher than for government schools. Government school expenditure was 9 per cent higher than for Catholic schools. For this year, Independent school expenditure was 47.3 per cent higher than for Catholic schools.

The average annual growth rates since 1995-96 can be used to estimate comparative funding levels for 2003-04. These are provided in Table 3 as Estimate 1.

Total non-government school expenditure per student will be 14.1 per cent higher than for government schools (cash series). Expenditure by Independent schools will be 40 per cent higher than for government schools and 43.6 per cent higher than for Catholic schools. Government school expenditure will be only 2.6 per cent higher than for Catholic schools.

Table 3: Estimates of School Funding by Sector, 2003-04^a

(\$ per student)

School Sector	Estimate 1	Estimate 2	Estimate 3	Estimate 4
Government ^b	8493	8270	8493	8270
Government ^c	8477	8477	8477	8261
Catholic	8280	8280	8373	8373
Independent	11890	11890	11790	11790
All Non-govt.	9688	9688	9633	9633

Notes:

- a. Non-government school figures refer to calendar years so that 2003-04 refers to 2004.
- b. Cash-based series, including superannuation.
- c. Accruals-based series, excluding capital charges.

In the case of the accruals-based expenditure for government schools, non-government school expenditure will be 14.3 per cent higher than government school expenditure in 2003-04. Expenditure by Independent schools will be 40.3 per cent higher than for government schools. Government school expenditure will be 2.4 per cent higher than for Catholic schools.

Thus, the expenditure advantage enjoyed by non-government schools over government schools will increase further by 2003-04 according to these estimates. Catholic school expenditure will be only slightly below that of government schools. The current advantage of Independent schools over government and Catholic schools will increase slightly.

The government schools expenditure estimates are somewhat anomalous because the cash-based figure becomes higher than the accruals-based figure by 2003-04. This is due to the lower growth rate of accruals-based expenditure. This was estimated over a shorter period than the cash-based growth rate but in the two years for which both figures are available the cash-based growth rate was over one percentage point higher than the accruals-based rate.

Estimate 2 uses a lower growth rate of 5 per cent a year for the cash-based government school expenditure series that is similar to the growth rate of the accruals-based series. On this basis, non-government school expenditure will be 17.1 per cent higher than government school expenditure by 2003-04. Independent school expenditure will be 43.8 per cent higher and Catholic school expenditure will be on a par with government schools.

The new funding arrangements for non-government schools operating from 2001 mean that future expenditure growth may differ from that between 1995-96 and 2000-01. Estimate 3 uses growth rates for non-government school expenditure derived from the DEST estimates of projected total income¹⁸ discounted by the estimated growth in enrolments in non-government schools.¹⁹ The average annual growth rates for Catholic, Independent and all non-government schools are 7.5, 5.9 and 6.8 per cent respectively. These projected growth rates are very similar to the average rates for the late 1990s.

Once again, it is apparent that total expenditure by non-government schools will be significantly above that of government schools in 2004 – 13.6 per cent in the case of the accruals-based series. Catholic school expenditure will be 1.2 per cent below government schools and Independent school expenditure will be about 40 per cent higher than that of government and Catholic schools.

The projected enrolments in non-government schools published in the National Report on Schooling²⁰ show a significantly higher average annual growth rate than those provided by DEST to the Senate Legislation Committee – 1.8 per cent compared to 1.2 per cent a year. If Estimate 3 is adjusted to take account of this higher enrolment growth, total non-government expenditure will be 11.7 per cent higher than government school expenditure (accruals-based).

The late 1990s was a period of relatively high growth in government school expenditure. Such high growth may not be maintained to 2003-04. Indeed, there is some evidence to suggest that expenditure increases by state and territory governments on government schools have slowed in recent years. Estimate 4 is based on average annual growth rates in government school expenditure of 5 and 4 per cent for the cash-based and accruals-based

¹⁸ National Catholic Education Commission 2003, Submission to the Productivity Commission Review of the Disability Discrimination Act (Cth) 1992, Appendix B. The estimated average annual growth rates for 2001 - 2004 are 8.6, 7.3 and 8.0 per cent respectively for Catholic, Independent and Non-government schools.

¹⁹ Derived from Commonwealth Department of Education, Science and Technology, Response to Question E493 21 February 2002, Senate Legislation Committee. The estimated average annual growth rates for 2002 - 2005 are 1.1, 1.4 and 1.2 per cent respectively for Catholic, Independent and Non-government schools.

²⁰ Ministerial Council on Employment, Education, Training and Youth Affairs, *National Report on Schooling in Australia 2001*, Appendix 1, Table 7.

series. The non-government school funding figures are those used for Estimate 3, that is, they are derived from funding projections supplied by DEST.

Total non-government school expenditure per student will be just under 17 per cent higher than for government schools (cash and accrual series). Expenditure by Independent schools will be 43 per cent higher than for government schools and 40.8 per cent higher than for Catholic schools. Catholic school expenditure will be just over 1 per cent higher than government school expenditure.

In summary, by 2003-04 non-government schools will have increased their advantage in total funding over government schools from about 7 – 8 per cent in 2000-01 to 12 – 17 per cent, depending on which projections of non-government school funding are used. A similar advantage is gained whatever measure of government school expenditure is used. Catholic school funding will improve relative to government school expenditure from 8 –9 per cent below in 2000-01 to being on a par with government schools (being about one percentage point or so below or above government schools). Independent schools will increase their funding advantage over government schools from 31 – 36 per cent in 2000-01 to 40 – 44 per cent.

These estimates of future funding are significantly different to those of DEST. DEST estimates that in 2004, the Independent sector will be on par with government school expenditure and that the Catholic sector will be funded some 20 per cent below the government sector.

The above estimates are conservative. They are based on measures of expenditure that are constructed in such a way that non-government school expenditure tends to be underestimated in comparison with government school expenditure. In particular, they omit private in-kind contributions and several forms of government assistance to non-government schools. If adjustments were made to take account of these benefits, the non-government school funding advantage over government schools would be very much higher than the above estimates indicate.

In addition, these estimates do not take account of the different social purposes and needs of government and non-government schools and how these impact on relative costs. These issues are discussed below.

Differences in student need and social purposes

A key point that has been ignored in the current discussion of the various estimates of total funding for government and non-government schools is student need in the two sectors. Knowing whether government school funding is 10 – 20 per cent above or below total non-government school funding does not contribute a great deal to serious public debate without a consideration of the tasks, and resulting costs, faced by each sector.

At the end of the day, funding is a means to an end and that end is equity in school outcomes as manifested in the National Goals for Schooling. Funding is an important, indeed a key,

means to that end, but comparisons of total funding have little real meaning without an understanding of the relative levels of student need in the two sectors.

In general, student outcomes are highly correlated with a number of student background characteristics. On average, students from families of low socio-economic status (SES), students with disabilities, students in rural and remote areas and indigenous students have lower school outcomes than students from more privileged backgrounds. As a result, higher costs are associated with ensuring that the former group of students achieves adequate standards and a range of outcomes similar to that of more privileged students.

Government and non-government schools differ in the social composition of their enrolments. The enrolment of government schools has a much higher proportion of low SES students, students with disabilities and Indigenous students than is the case in non-government schools. For example, Indigenous students accounted for 4.3 per cent of government school enrolments and 1.4 per cent of non-government school enrolments in 2000. Students with disabilities accounted for 3.9 per cent of government school enrolments compared to 2.0 per cent of non-government school enrolments.²¹

Similarly, students from low SES backgrounds comprise a higher proportion of government school enrolments than in both Catholic and Independent schools.²² For example, students from the lowest three SES deciles accounted for about 35 per cent of government school enrolments in 1996 compared to about 25 per cent of Catholic school enrolments and 15 per cent of Independent school enrolments. In contrast, students from the three highest SES deciles accounted for about 25 per cent of government school enrolments, nearly 35 per cent of Catholic school enrolments and about 55 per cent of Independent school enrolments.

This pattern in the social composition of school enrolments means that government schools face higher costs than non-government schools in providing equitable student outcomes and these higher costs must be taken into account in comparing levels of funding between school sectors. The funding levels of government and non-government schools need to be weighted for these differential costs in order to compare the effective resource levels of the two sectors.

There is an extensive literature on the methodologies of weighting for student need which provides a sound basis for adjusting nominal funding levels for student need.²³ However, the data to make these adjustments is not readily available. It is possible to obtain estimates per student of costs of students with disabilities and Indigenous students but cost data is not available for students from different SES backgrounds.

When systematic provision is made for the under-enrolment of high cost groups of students in non-government schools, it will be clear that these schools are vastly over-funded in comparison with government schools. Preliminary work on adjusting for student need shows that non-government schools are much better funded than are government schools.²⁴

²¹ Report on Government Services 2002, Tables 3A.12, 3A.14.

²² Dev Mukherjee, Socio-economic Status and School System Enrolments, Australian Centre for Equity through Education, July 1999. Available at: <http://members.ozemail.com.au>.

²³ See ACT Council of P&C Associations, Resourcing the National Goals for Schooling: Comments on the School Resourcing Taskforce Consultation Paper, April 2003.

²⁴ ACT Council of P&C Associations, A Fair Go for All Kids: Funding for Equity and Excellence in ACT Schools Part 1, Submission to the Inquiry into ACT Education Funding, July 2002.

Government schools also incur higher costs because they have to meet other public obligations that are not required of non-government schools. For instance, the government sector must maintain a system of local schools to ensure reasonable access to schools for all students. Non-government schools have greater flexibility in determining their location so as to maximise use of school capacity and reduce costs. Adjustment for these differences in costs would extend the funding advantage of non-government schools over government schools.

Attachment

Methodologies Used to Estimate Future Funding Levels

1. Senate Report

The methodology used by the Senate Committee is outlined in Appendix 6 of its Report on the Education of Students with Disabilities, December 2002.

Estimates of Private and State/Territory Government Funding

1. The average annual increase in per capita funding is estimated for 1996-2000 by taking the difference between the two figures and dividing by 4.
2. This average annual increase is applied to Year 2000 per capita figures to obtain per capita estimates for 2001-2004. This is not actually stated but is implied and the projected per capita figures are not supplied in the report.
3. The projected per capita estimates are multiplied by enrolment projections supplied to the Committee by DEST to obtain total private and State funding figures.

Estimates of Commonwealth Funding

4. These estimates appear to be straight total Commonwealth funding for each sector rather than per capita estimates. The data is not supplied in the report. We do not have access to the data and do not know how it is obtained. Two requests have been made to the Secretariat of the Senate committee for these figures.

Total Catholic and Other Non-government School Funding

5. The total private, State and Commonwealth funding figures are added to obtain a total funding figure for each sector for the years 2001-2004.

Comparison with Government School Funding

6. The average annual increase in AGSRC per capita is estimated for 1996-2000 for primary and secondary schools. It is assumed that this is calculated by taking the difference between the two figures and dividing by 4 as was the case in estimating Private and State/Territory funding increases. That is, it is calculated as a dollar amount.
7. These average annual increases are applied to Year 2000 per capita figures to obtain per capita estimates for 2001-2004.
8. Projected enrolments for Catholic and Other non-government schools in 2004 are obtained from DEST answer to Senate Estimates Question E493 Additional Senate Estimates Hearing. The 2000 proportions between primary and secondary students are applied to the projected total enrolments to obtain primary and secondary school enrolments for both sectors in 2004. This enrolment data has been supplied by the Secretariat of the Senate Committee.

9. The projected AGSRC figures for 2004 are multiplied by the projected enrolment figures to calculate the total AGSRC funding figure that would obtain from those enrolment levels for each school sector.
10. These figures are then compared to the total projected income figures from all sources.

2. Department of Education, Science and Technology

The Government's response to the Senate Report states that DEST has re-estimated the future income of Catholic and Independent schools using the same underlying methodology as the Senate Report but adjusting for several factors. These are:

- under-estimates of private and state government income for Catholic and Independent schools;
- the exclusion of capital expenditure from the income of government schools;
- the exclusion of private income to government schools;
- conservative supplementation estimates for 2001-2004 government funding; and
- including more recent enrolment estimates.

Estimates of Private and State/Territory Government Funding

1. The average annual increase in per capita funding 1996-2000 is estimated by taking the difference between the two figures and estimating average annual compound growth rates. This is the appropriate method. However, in Appendix B, the Commission states that it estimates an average percentage increase. This is not what it did. The average percentage increases are higher than the average annual growth rates.
2. The average annual growth rates are applied to the Year 2000 per capita figures to extrapolate the figures for 2001-2004. This method yields higher estimates of private and State government funding per capita than the Senate method.
3. The projected per capita estimates are multiplied by enrolment projections supplied to the Senate Committee by DEST to obtain total private and State funding figures. DEST appears to indicate that it used a later set of enrolment projections than used in the Senate report. We do not have this data.

Estimates of Commonwealth Funding

4. These estimates appear to be straight total Commonwealth funding for each sector rather than per capita estimates.

Total Catholic and Other Non-government School Funding

5. The total private, State and Commonwealth funding figures are added to obtain a total funding figure for each sector.
6. In order to be directly comparable to AGSRC based estimates, capital expenditure is removed from the estimated total funding projections for 2004.
7. Capital expenditure projections are estimated by applying the annual percentage movement in capital expenditure for 1996-2000 to the 2000 figure. It is assumed that compound growth rates are estimated and not average percentage increases. This needs to be checked.

Comparison with Government School Funding

8. The average annual increase in AGSRC per capita is estimated for 1996-2002 for primary and secondary schools. This appears to have been done as a two-stage process. The

average compound growth rate for 1996-2000 was estimated and growth rates were also estimated for 2000-2002. Then, an average for 1996-2002 was estimated. Need to check how the calculation was actually done.

9. This average annual increase was applied to the AGSRC for 2002 to obtain per capita estimates for primary and secondary schools in 2004.
10. DEST states that the AGSRC figure for 2004 refers to government school expenditure in the 2002-03 financial year and that in order to maximise comparability of the figures an extra year of indexation should be applied. The AGSRC to be used in 2005 is calculated from 2003-04 financial year expenditure.
11. The AGSRC per capita figures are then multiplied by projected enrolment figures for the Catholic and Other non-government school sectors to estimate the total AGSRC based income. It appears DEST uses slightly later projected enrolment figures.
12. These figures are then compared to the total projected income figures from all sources.
13. DEST states that even when capital expenditure is included in government school expenditure or excluded from non-government school expenditure problems of comparability still remain because the AGSRC is a cash expenditure figure. It says that in the 2002 calculation of the AGSRC government school recurrent expenses were 11.1 per cent higher than the cash amount. It states that the projected funding for non-government schools should also be adjusted for this difference.
14. DEST also notes that privately sourced funds that are included in non-government school income figures are not included in government school funding estimates and makes an adjustment to take account of this.

3. Differences between methodologies

1. DEST uses more recent enrolment projections than the Senate Report.
2. DEST uses compound growth rates rather than dollar or percentage increases to measure the trend in funding over recent years.
3. DEST takes account of the lag in the calculation of the AGSRC. The AGSRC incorporates an 18-month lag. For example, the AGSRC for final payments in 2003 (that is, non-government funding in 2003) is based on expenditure in the 2001-02 financial year.²⁵ This means that a comparison of the AGSRC for 2003 with total non-government school funding in 2003 is misleading and incorrect.
4. DEST takes account of capital expenditure. The AGSRC underestimates expenditure on government schools because it does not include capital expenditure.
5. DEST makes adjustments to take account of the difference between the accruals-based and cash-based estimates of government school expenditure.
6. DEST makes an adjustment to take account of fees and donations to government schools that are not included in measures of government school expenditure.

²⁵ Quadrennial Administrative Guidelines 2003, Appendix G, p. 190.

**COMMONWEALTH FUNDING PROGRAMS FOR
PRIVATE SCHOOLS
1996-2004**

A favourable climate for expansion and growth

***Paper prepared for the Australian Education Union
March `2004***

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LIST OF ACRONYMS

AEU	Australian Education Union
ASIC	Australian Securities and investments Commission
CCD	Census Collection District
DEST	Department of Education, Science and Training
ERI	Education Resources Index
EWRE	Employment, Workplace Relations and Education [Senate Committee]
QON	Question on Notice
SES	Socioeconomic Status
STEA	Schools Transitional Emergency Assistance

1. Aims of this paper

The central aim of this paper is to provide analysis and critique of the implementation and administration of the range of Commonwealth programs providing financial support to private (non-government) schools for the period 1996-2004. Changes over this time both in overt policy and in implicit practice will be examined. The effects of intersections between discrete programs will also be analysed and summarised. Examples will be provided and significant case studies will be presented.

The Commonwealth, both in the new programs and regulatory frameworks it has established, and in the manner in which these programs have been administered, has deliberately acted to facilitate the expansion of the Australian private school sector. By formally deregulating the sector, by setting in place a funding mechanism designed to provide additional financial support to private schools, and – just as crucially – by easing its own administrative controls and procedures, the Howard Government has pursued a policy designed to smooth the way for the establishment of new private schools and to enable enrolments in existing ones to grow. This is the central thesis of this paper. By mapping out the territory in which the Commonwealth has chosen to operate in the funding of private schools, this paper will form the basis and framework for more detailed study of particular issues, problems and instances where inequitable or unreasonable outcomes have followed the Howard Government's policy approach in this area.

The paper will not provide a detailed examination or critique of the highly controversial new recurrent funding model ("the SES model") introduced by the *States Grants (Primary and Secondary Education Assistance) Act 2000*. This legislation and its outcomes have been the subject of widespread discussion and criticism in academic, policy and political spheres, and the AEU has been prominent in this debate. However, the paper will address the combined and cumulative effects of the various Commonwealth programs, including the SES model and its application, on individual private schools' funding.

The programs and issues to be given particular attention include:

- Eligibility requirements for recurrent and other grants; and
- Transparency and accountability requirements attached to Commonwealth funding for private schools.
- Establishment Grants Program;
- Schools' Temporary and Emergency Assistance (STEA) Program; and
- Capital Program.

Targeted programs, including Indigenous programs, literacy and numeracy and programs for disability support, will not be looked at in detail. These might form the topic of a further study.

2. Background and context

Under the Hawke and Keating Labor Governments, Commonwealth funding for private schools grew, but was essentially contained by administrative procedures and policies that formed important aspects of an overall approach. The aim was to regulate the expansion of non-government schooling to ensure that, overall, provision was not duplicated, that private schools were to be established only where a need could be demonstrated, and that the highest taxpayer subsidies flowed to the schools in greatest financial need.

New Schools Policy

Central to this policy framework was the *New Schools Policy*, which limited the flow of Commonwealth support to those schools that met strict criteria – including minimum enrolment requirements, location, viability, and of potential impact on the viability of neighbouring schools. This policy discouraged the proliferation of new, small schools in areas already satisfactorily serviced by both public and private schools. It also discouraged the expansion of existing private schools to new levels of provision (for example, from primary to secondary) and the unregulated establishment of new campuses. The policy formed the framework in which, broadly, speaking, public provision of schooling remained the centrepiece: any expansion of private provision was measured against the adequacy and viability of existing public schools.

The New Schools Policy was a brake on the establishment of new private schools. This point is illustrated by the historical data, which shows a clear leap in the number of new non-government schools, and new campuses of such schools, in 1997, following the election of the Howard Coalition Government and the subsequent abandonment of the New Schools Policy. In total, 111 applications for new non-government schools were approved in 1997, while 68 schools successfully applied to extend their provision to a new level of education. This compared with figures for the previous year (when the former Labor Government's policy prevailed) of 43 and 16, respectively²⁶. The number of new private primary schools and campuses recognised by the Commonwealth in 1997 was double – at 40 – that of new such schools and campuses in the previous year, though subsequent years saw a slight reduction. The number of combined primary/secondary schools also rose, though less sharply²⁷. Approval numbers fell back overall after 1997, indicating a “backlog” of schools that previously would not have qualified, but did so under the deregulated regime of the incoming government.

Demographic trends and population shifts aside, it might be imagined that growth in the number of private schools would tend towards an equilibrium - a natural limit. At a certain point, the market would become saturated. However, new ones have continued to appear. The majority of new primary schools established since 1996 have exhibited a particular characteristic: most have been small schools, typically enrolling between 10 and 50 students, but in a significant number of cases having

²⁶ Senate Employment, Workplace Relations and Education [EWRE] Committee answer to Question on Notice from hearing 14 February 2003, reference no. E743_03

²⁷ Data from *Taking Stock: Report of the Survey of Non-Government Schools Infrastructure in Australia 2000-2001*, DEST, Canberra 2003 p.63

fewer than 10 enrolments. A smaller number of secondary schools commenced with similar low enrolments: one school, the Australian International Conservatorium of Music High School in NSW, was eligible for Commonwealth funding for only one student.

The implications of the new approach do not need to be spelt out. In resiling from responsibility for regulation – through funding approvals – for expansion of providers in the private sector of schooling, the Commonwealth since 1996 has presided over an increasingly volatile, unstable situation in the non-government school sector, where quality of provision and the educational welfare of students must be at greater risk. Objective measures of these problems exist, and will be identified and referred to in this paper.

SES funding model

The second major shift in Commonwealth schools funding policy since 1996 has been the development already mentioned – the introduction of the new system of recurrent funding for non-government schools known as “the SES model”. This allocative mechanism replaces the former Education Resources Index (ERI) that determined a school’s financial need in the light of a cocktail of financial and other measures including fee levels, other school income and the socioeconomic makeup of the student body.

The SES index, by contrast, is a single measure that ignores the actual financial resources available to individual schools. It *indirectly* determines an “SES score” for each school by reference to the Census Collection Districts (CCDs) of the family address of each student, calculating a different cocktail, this time mixing and averaging the incomes, occupations and parental educational attainments of the 200 or so households in each student’s immediate home neighbourhood. As many commentators have noted, this provides some kind of measure of the average socioeconomic level of a student’s neighbours, but the implications of this fact for the student’s own circumstances and background are potentially weak. This is because private schools enrol a minority (about 30 percent) of Australian children and *ipso facto* boast populations that are *atypical* – rather than typical – of the population as a whole. In other words, it is highly likely that the child in my street who attends a private school will be in certain relevant respects *unlike* the other children who go to the local government primary and secondary schools.

As noted earlier, it is not intended to provide a comprehensive critique of the SES funding system here. The policy and its impact need to be understood, however, if the added effects on schools of other program outcomes and administrative rules are to be appreciated. As an attachment to this paper, some recent analysis of the SES model is summarised.

State and territory regulation

Finally, there is the issue of the different roles and responsibilities of the states and territories, on the one hand, and the Commonwealth, on the other. As in other parts of the education sector, the carve-up of roles in schools policy under the federal system of government makes for some confusion not just in the minds of the interested public, but in practical administrative and legislative terms. These issues, where relevant to the problems to be identified, will be drawn out.

3. Summary: an overview

In synopsis, the issues identified and described in this paper are as follows:

- *The lack of robust regulation surrounding Commonwealth recognition of new private schools for funding purposes:* this creates volatility and instability in the non-government school sector;
- *Ambiguity in the “not-for profit” requirement:* schools that are essentially operated for profit, or that are associated with commercial companies, are benefiting from Commonwealth subsidies;
- *Inconsistencies in state and territory registration:* the split in responsibilities between levels of government means, first, that the Commonwealth lacks the powers to oversee the operations of private schools; and, second, that schools in one state deemed eligible for Commonwealth funding would be ineligible if located in another state;
- *No “fit and proper person” test is applied:* persons with inappropriate business and personal backgrounds can establish schools, and receive Commonwealth funding, with impunity;
- *Accountability and transparency provisions are weak:* generally poor reporting and accountability requirements mean that, for example, private schools in receipt of Commonwealth funds are free to discriminate against students and to engage in other unfair practices;
- *Recurrent grants are too easily available:* extremely small schools, essentially ephemeral in nature, can now come and go, receiving Commonwealth funds essentially intermittently;
- *Establishment Grants have been handed out without adequate assessment of eligibility:* schools that were not actually newly establishing, or that had little likelihood of lasting the distance, have received funds from this Commonwealth incentive program;
- *The emergency financial assistance program, STEA, has been inappropriately allocated:* poor management and inadequate financial planning have been subsidised;
- *Capital grants to private schools provide lavish subsidies to the comparatively resource-rich:* Commonwealth capital funding provides private schools with a significant competitive advantage over public schools; and inadequate provisions are in place for the retrieval of the Commonwealth’s capital investment when schools close.

The picture as a whole, when incrementally constructed, is disturbing. It shows a policy environment where financial and regulatory controls are inadequate, are lacking or are selectively ignored. An atmosphere exists where virtually anything goes. Those planning to establish new private schools, as well as those responsible for the running of existing schools, seem to have got the message that an unquestioning Commonwealth will provide them with funds while requiring minimal

accountability and little transparency. Schools are run increasingly on commercial lines, sometimes for profit, thinly disguised. Financial scandals, bankruptcies, school closures, prosecutions of principals and school business managers – all seem to be on the increase. State registration requirements vary across the country, but rarely go thoroughly to matters of financial probity. In any case, since by far the higher proportion of public funding for private schools emanates from the Commonwealth, it can be argued that it is the Commonwealth that must bear primary responsibility for ensuring that public funds are appropriately allocated, and expended, in that sector.

To draw attention to these matters and these cases is not to assert that those involved in private schools are dishonest or badly intentioned, nor that the hapless bureaucrats, administering these policies at state or Federal level, are incompetent or deliberately careless. Of course this is not the case. It is to draw attention, however, to a “hands-off” regulatory environment seemingly deliberately created by government – the current Federal Government in particular - to allow and even encourage private schools to gain access to Commonwealth funds, while their requests and their general credentials are subjected to minimal scrutiny. This environment has come into being incrementally, over the successive terms of the current Coalition Government and, despite the notable attempts of some well-intentioned bureaucrats, has taken hold.

4. Eligibility for Commonwealth grants

4.1 Changes under Howard Government

As noted above, the Howard Government in 1996 abandoned the New Schools Policy, a policy designed to provide a rational planning framework for any expansion in the private school sector. This move has sharply shortened the list of criteria that a private school must meet in order to qualify for the various categories of Commonwealth grants. Essentially, in terms of eligibility criteria, there have been three outcomes of this policy shift:

- No minimum enrolment requirement is applied (though at least one state – Victoria - applies such rules when assessing a school for initial registration);
- There is no onus on applicants to prove the existence of need or demand for a new school, in the relevant geographic area; and
- The potential impact on neighbouring schools of the opening of a new school (or of the extension of an existing school to a new level of provision) is no longer assessed.

As already noted, the practical effect of the end of the New Schools Policy has been a proliferation of new schools with very small enrolments. Furthermore, the viability of some of these schools is questionable – especially since no “need” for a new school must now be demonstrated. Only a few years down the track, a significant number of these schools have closed their doors, displacing students and disrupting their education²⁸. An examination of non-government school closures since 1996 is

²⁸ Senate EWRE Committee answer to QON from hearing 14 February 2003, no. E745_03, provides a listing of private schools that have closed since 1996.

instructive: while there has been a small but significant increase in the average number of school closures each year after 1997, since that year there has been a quantum leap in the number of private school closures that have occurred owing to reasons other than adjustment within an existing school system (eg the Catholic or Anglican systems). Systemic closures are often related to rationalisations and adjustments in provision within a system, and are accompanied by the opening of new schools or the expansion of existing ones. In 1996 and 1997, (ie, when all closing schools can be assumed to have been initially approved under the “old”, stricter rules), four of 17 schools then in receipt of Commonwealth funding, or 24 percent, were closed due to loss of registration or because of a decision by the school itself to cease operation. The remaining schools were closed by the relevant “System Authority”. Between 1998 and 2002, by contrast, of 60 closing schools 44, or 57 percent, were closed for reasons other than a move to rationalise within a system – for loss of registration, due to bankruptcy or for other reasons. It is such closures that are particularly disruptive to the education of affected students. Clearly, the sector is now much more unstable than in the past, when the New Schools Policy prevailed.

4.2 Other inadequacies in existing criteria

Although the New Schools Policy served for many years as the centrepiece of the Commonwealth’s approach to planning in the non-government sector, there have been other essential criteria applying to schools seeking Commonwealth financial support. Some matters, that possibly ought to have been included in the criteria, have also been neglected by the current and previous governments alike. These are discussed in the following paragraphs.

4.2.1 “Not-for-profit” status

To receive Commonwealth funding, a private school must be an incorporated body registered under state/territory or Commonwealth company law as a “not-for-profit” company. This, on the face of it, is a transparent measure of the school’s genuineness as an entity with the primary aim of providing education, rather than making money.

At one time all private schools, probably without exception, were run either by religious organisations (eg churches) or else by foundations or other groups or entities established with the sole aim of running a school or schools – for instance, schools which followed a particular educational philosophy. Examples of the latter category might be Steiner or Montessori schools. Such entities sit easily, as “not-for-profit” companies, within the framework provided by company law: they exist for the purposes set out in their objects, and they use any financial surpluses generated from their activities for educational purposes associated with the school itself.

It would be naïve in the extreme, however, to assume that this simplistic picture fits the complexities and the changed economic and social environment of the 21st Century. Yet the Commonwealth Government adheres doggedly to a view of the world, in this respect, that belongs in the early part of the last century. In assessing a school’s status as a not-for-profit entity, it refuses to look behind the legal incorporation of the entity that has applied for Commonwealth subsidy: so long as that entity is a not-for-profit company, the Commonwealth is satisfied that the school

itself is not to be run as a business and that its objects are not primarily or substantially commercial. This has enabled at least several clearly commercial organisations – possibly many more – to obtain access to Commonwealth funds as not-for-profit organisations, on a par essentially with charities. (It also means that these organisations, hiding behind their shell incorporations, can obtain tax breaks and concessions, including those associated with the GST: this matter is a topic for another paper.)

The most striking example here is Taylors College, which has branches in four states: Victoria, Western Australia, NSW and Queensland (though in the last of these it does not offer formal school-level education). This provider operates principally in the Vocational Education and Training sector and caters primarily to overseas students. Only Taylors College in Victoria is listed as receiving Commonwealth recurrent grants: presumably the provider's secondary school offerings in other states are patronised only by international students. In Victoria, Taylors College enrolled 77.8 eligible students in 2000 and 102 such students in 2003. No implication is put forward here that this organisation has arranged its affairs in order to defraud the Commonwealth, but attention is drawn to the manner in which the companies behind Taylors are easily able to comply with the legal requirements necessary to fall within the relevant eligibility criteria, at least for the Victorian branch of their operations. Taylors operates in both secondary education and in the tertiary sector, and uses various trading names. The company structure behind this provider is complex. For example, Taylors Colleges in Melbourne and Sydney operate under the name "Taylors" and are wholly owned by Taylors Institute of Advanced Studies Ltd, which is a public company, limited by guarantee, registered with the Australian Securities and Investments Commission (ASIC). Taylors College in WA is owned by Study Group Australia Pty Ltd, also an ASIC-registered company, this time limited by shares. Both are for-profit companies. Both are part of a much larger multinational company in the education, training and information industries. The company is part of the Daily Mail and General Trust (DMGT) and is listed on the London Stock Exchange.

The Commonwealth Government has assured the Senate Estimates Committee on several occasions that, in accordance with its own eligibility criteria, no entity that receives Commonwealth funding is a for-profit company. This means that Taylors College, in its commercial incarnation, must be associated with a non-profit organisation that meets the Commonwealth's criteria. No such not-for-profit company can be found on the ASIC register. At the time of writing, it is not yet clear how, under the Commonwealth's guidelines, the for-profit Study Group Australia Ltd and/or Taylors Institute of Advanced Studies Pty Ltd have been able to gain, and retain, eligibility.

Because of its low Australian enrolments, Taylors College does not actually receive a substantial Commonwealth grant, compared to its other sources of finance (eg overseas students' fees). Nevertheless, its Commonwealth funding runs to over \$300 000 per annum. In return for this money the organisation is not required to prove that the funds so provided have been used exclusively to benefit Australian students, and in any case this task would be difficult, since the staff employed, or the materials purchased, with the funds would presumably benefit other students as well as Australian residents.

Even if Taylors could prove that its Commonwealth financial assistance went only to the education of Australian resident students, the fact remains that this money helps defray the cost of the parent company's Australian operations and, presumably, makes these operations more profitable. Thus it could be argued that it is the shareholders in Britain and elsewhere who reap the ultimate financial benefit.

Other schools also operate primarily as providers in the international education sector, with a small proportion of Australian enrolments. But most appear to boast a simpler company structure that is based in Australia, rather than overseas, and as a rule they each have only a handful of shareholders. They are, however, linked closely to businesses run for profit. However one – Murdoch College, referred to in the ensuing paragraph – is part-owned by Alexander Group Ltd, a for-profit company with international links.

A recent trend has been the entry of publicly-funded universities into the private school sector. Both Murdoch University in Perth and the University of Adelaide have set up private schools, in each case in consortium with business entities. These secondary schools are located on or beside the campuses of the public universities and enjoy access to their facilities – variously free of charge, or at highly favourable rates. For example, Murdoch College pays an annual fee to the University for student access to its library, but students can use the Murdoch University student recreational facilities (eg food outlets, sitting areas) at no additional charge. The respective business partners of the higher education institutions, forming consortia behind these two university-located schools, are ordinary commercial companies. Yet the Australian enrolments at these schools, as with Taylor's, attract Commonwealth subsidies. Furthermore, these schools are indirectly subsidised by the Commonwealth through the higher education budget in the taxpayers' money provided to universities. In the Murdoch case, the school is built on land given to that University by the Western Australian State Government.

A new development, recently announced by the publicly-listed Australian company ABC Learning Centres Pty Ltd²⁹, proposed to set up a chain of for-profit primary schools associated with the 80 or so commercial child care centres already operated by the company Australia-wide. The Commonwealth, for its part, is reserving its position on this planned development until it receives a formal application for funding assistance³⁰. This development will form the subject of further work.

More subtle, but equally significant, are the complex company structures set up by mainstream private schools, including many of the oldest, wealthiest, high-status schools. The schools often have substantial operating surpluses and other liquid assets. Typically nowadays, these schools are associated with entities that can be described as holding companies, investment companies and/or trusts. The links include similarly-constituted company boards to the governing bodies of the schools and, in many cases, the same officers and key personnel. Many of these schools possess considerable financial resources and assets and they receive advice, moreover – often on an honorary basis – from financiers and accountants from the top end of town. It is difficult to imagine that the complicated financial arrangements associated with such schools are not designed to maximise taxation advantages and/or to allow other financial benefits to accrue.

²⁹ Day, Annabel, "ABC targets schools for growth" *Australian Financial Review*, 4/2/04 p.15

³⁰ EWRE Committee Hansard, 16/02/04, pp.110-111

The “establishment” private schools of the large capital cities no longer exist with the straightforward aim of providing an education based in a particular religion or denomination – if indeed they ever had that primary aim. The fact that they are owned by the Anglican, Uniting or Catholic churches does not render them religious organisations in their day-to-day practice. Nor, as Richard Teese has pointed out³¹, do these schools’ websites, featuring stained glass windows and other ecclesiastical trappings, any longer indicate a primarily religious purpose or atmosphere. One hundred years ago, the parents of girls at PLC or boys at Sydney Anglican Grammar might have declared that their aim in sending their offspring to these schools was to ensure that they were educated with sound Christian values. The mission statements of these and similar schools, as proclaimed on their websites at the start of the 21st Century, still accord prominence to this goal, but it is doubtful that many parents of the schools’ students would these days avow a primarily pious purpose in selecting their child’s school. Instead, their purpose is probably to secure social privilege and to enhance their son or daughter’s chances of obtaining a high university entrance score.

In other words, therefore, the concept of “religious charity” no longer sits well with the ethos of wealthy, exclusive private schools. The reality is that they confer direct social, and indirect economic, privilege and advantage. In fact, their implicit contract with the parents of their young charges is much more similar to a commercial undertaking than it resembles the assumption of a moral duty.

For several reasons, then, the simplistic, unquestioning use of the “not-for-profit” criterion as a crucial yardstick for assessing eligibility for Commonwealth funds is no longer appropriate. The Commonwealth should subject private schools to a much more rigorous examination of their financial and organisational structures before recognising them for financial assistance. It should also examine and review the credentials of existing private schools in this regard.

The role of the states and territories in the registration of private schools is not parallel to the Commonwealth’s responsibilities in relation to access to Commonwealth funding. While the states might well apply financial and other tests to schools for the purpose of deciding their eligibility for state-level assistance, primarily the states’ responsibilities in registration go to educational standards, curriculum, the qualifications of teachers and the adequacy of facilities and school premises. It is quite possible (should relevant state legislation permit it) that a for-profit entity could meet all criteria for registration as a private school, while at the same time failing tests applied to gauge suitability for access to public subsidies.

4.2.2 State/territory registration

Despite various attempts to bring them into closer mutual proximity, state and territory criteria for the registration of private schools vary considerably. This has concrete effects on the ground. For example, Western Australia has no required minimum enrolment level for new schools, resulting in schools being registered with as few as three students. Victoria, on the other hand, requires that, except in certain circumstances, a school applying for registration must have at least 20 students, with a minimum of 10 for each year level in the case of a secondary school. NSW does

³¹ Teese, Richard, “Go to the bottom of the class, PM” opinion piece, *The Age*, 22 January 2004

not require teachers – or even principals - at non-government schools to be professionally qualified.

The Commonwealth, for its part, regards state or territory registration as a central criterion for funding eligibility – even though the characteristics reflected by the fact of registration varies markedly from state to state. Thus a school located in NSW that might, through its state registration, meet the Commonwealth’s criteria and receive significant recurrent and other funding support as a result would not be eligible for such funding had it been established across the border in Victoria. In any case, by making the fact of state registration a central plank of its own assessment framework, the Commonwealth is obliged to rely on the probity, transparency and thoroughness of state and territory assessments and processes. In the arena of international education, this same feature of the regulatory regime – a split in responsibilities between levels of government – has placed the Commonwealth in an invidious position when the high workload and other pressures prevailing in one state (NSW) undermined the ability of the relevant authorities to scrutinise and monitor the credentials and behaviour of registered providers in that jurisdiction. In brief, an inordinate number of private international education providers in NSW came into the spotlight at Federal level, with problems related to immigration scams and breaches of student visa requirements.

The lesson to be learnt from the arena of international education is this: in a nutshell, the Commonwealth has to wear any mistakes and/or lack of rigour associated with registration and accreditation carried out at the lower level of government.

State governments can come under political pressure surrounding the registration of private schools, especially in regional areas. In 2003, a Christian primary school in regional Victoria with 25 enrolments hoped to be allowed to extend to Year 7 (secondary) education. However, it failed to have the requisite minimum ten enrolments at that level. Representatives of the school reported that “we will be fighting strongly for approval nonetheless...”³² In sensitive regional electorates there may well be temptation to accede to special pleading over registration, thereby creating a situation where very small schools, with limited resources, may find themselves struggling to meet the full range of educational needs of secondary students. (It is not implied here that the particular school referred to has attempted deliberately to exert inappropriate pressure on the Victorian Government: the case simply illustrates a situation where potential exists for such pressure to be exerted.)

Once again, the Commonwealth, in that it is totally reliant on state or territory registration as a criterion of eligibility for grants, may find itself encouraging – through its funding – some schools where quality of education could be seen as potentially compromised.

4.2.3 Other existing criteria

To be eligible for Commonwealth funding, a school must provide confirmation that it has “commenced to provide education”. The meaning of this phrase, quoted for the Commonwealth’s administrative guidelines (section 57), is not defined. In addition, a school must make various undertakings to provide accountability documentation and to provide details of enrolments. It must also forward to the Commonwealth a list of

³² Kay Blore, Principal of Benalla Christian School, writing in *Nurture: journal for home and school* June 2003

the home addresses of all students, for the purpose of calculating the school's SES score. This has to be done on a periodic basis, as specified.

4.2.4 “Fit and Proper Person” tests

In the international education sector in 2000, the Commonwealth was forced to introduce an entirely revamped regulatory regime for providers in this area. This represented an attempt to clean up the reputation of private provision in the overseas student market and to stamp out immigration rorts and other questionable business practices. The new regime is far from perfect, although it does include a crucial new feature: a “fit and proper person” test, applied to the principals of the company which is the international education provider.

The Commonwealth does not apply a parallel “fit and proper person” test to the principal officers of private schools and their associated companies. As a result, it is powerless to refuse funding to schools associated with financial and other scandals, unless criminal prosecutions have actually ensued. From time to time, scandals involving private schools and their financial management are reported in the media. On other occasions, such matters are the subjects of speeches in state and/or Federal Parliament, or of questioning as part of Senate Committee processes. There is at least the appearance that the Commonwealth, sometimes, continues to provide financial subsidies to schools where serious problems apparently exist and where there is therefore uncertainty that taxpayers' funds are being properly spent and accounted for.

A recent example is a large private school on the Queensland Sunshine Coast which was reported in the local media³³ as owing \$8 million to creditors while its erstwhile principal, who remained in a continuing post at the school as financial manager, drove around in an expensive sports car provided to him by the school. A series of other alarming allegations was also listed in the media, including reports that substantial loans had been made to the former principal and his wife, that questionable large payments had been made to certain members of the school's board, and that the former principal, who as noted continued to work at the school, had been struck off the Queensland teachers' register in 2003 because of a conviction, in the seventies, for having an improper sexual relationship with a 13-year-old girl. While it was also noted that the Queensland authorities were reviewing the school's registration, the press reports stressed the point that the school was to receive \$4 million in Commonwealth subsidies in 2004.

This is only one example where current eligibility criteria place the Commonwealth in an invidious position. The rapid expansion of the private sector of schooling, its quasi-commercialisation and volatility – caused by deliberate Commonwealth Government policies - all mean that the likelihood of such scandals arising has increased in the last decade. Those running and managing private schools, and the governing boards and councils responsible to oversee their actions and policies, do not necessarily have the requisite expertise or support. It is inevitable that, unless the Commonwealth acts to place a brake on this expansion and a lid on volatility, there will be financial failures and media scandals. Schools are changing hands, closing and reopening, splitting into two campuses and opening new campuses or

³³ Furler, Mark and Gordon Clark, “Grammar faces \$8m debt as parents, govt put in millions” *Sunshine Coast daily* 3 December 2003, p.1

branches. They are borrowing to build new facilities or to run expensive advertising campaigns. Inappropriate financial decisions are made. Yet the Commonwealth is administratively blind to these problems.

4.2.5 Accountability and transparency: admission and exclusion policies

In an atmosphere where the Howard Government extols the virtues of parental “choice” in schooling (and thus enhances “choice” by encouraging private schools to flourish), a critical eye should be cast over the real nature of that “choice”. The real nature of the stated “values” of some private schools – values notably praised by the Prime Minister as superior to those espoused in the government schools sector³⁴ - should also be examined.

In reality, the choices open to parents through the proliferation of private schools is limited to opting to apply, on their child’s behalf, to one or more of these schools. It is up to the school to decide whether to accept the child. Schools do not necessarily publish their selection policies, and are not required to adhere to transparent, stated criteria in this regard. Very many schools rely on an interview process but, once again, are not required, as a condition of Commonwealth funding, to provide details of the matters covered in family interviews or of how these will be assessed. Consistency in the application of entry criteria does not need to be demonstrated. Private schools are exempt from some aspects of Commonwealth and state/territory discrimination law, particularly those provisions that apply to religion. Once a child is enrolled, the school generally reserves the right to “exclude” the student at any time, for virtually any reason.

Parents are usually required by schools to sign an undertaking to uphold the school rules as they are determined from time to time and, often, to uphold the “ethos” or “values” of the school. Of course, they must also promise by means of a written contract to pay the school fees in a timely fashion. If they do not, their child can be “excluded”.

While the above description is of necessity a general one, it is based on a sampling of the websites of around 50 private schools of various kinds in NSW, Queensland, South Australia and Victoria. The examples examined illustrate that, once the parent has made the “choice” to apply for a place for a child at a private school, further choice – for example, about school policies and curriculum as they affect the child - is formally not available. In practice, of course, schools might adopt a benign and open approach to parents’ requests and other input from parents. The fact remains, however, that most private schools have formalised a series of carefully-worded policies designed to preclude just such options for parents. There is no formal process of redress if a child is refused enrolment, or if a parent feels that his/her child has been treated unfairly by the school.

In a small number of isolated cases, parents have taken private schools to court over decisions not to accept their child as a student. A tiny number of parents of children with a disability have been successful in such actions. Where children are not accepted or are excluded, however, for less obvious reasons, cases are much more

³⁴ Controversy over Mr Howard’s remarks raged in virtually all parts of the Australian media in the week commencing 19 January 2004.

difficult to pursue. Most parents are unable to afford expensive, protracted civil actions of this kind and also would doubtless hesitate to inflict such an experience on their son or daughter.

The issue of admission and exclusion policies is just one of many where questions about transparency and accountability can be raised in connection with private schools. Others include quality and educational standards, financial policies and reporting requirements, and educational policies relating to gender. The Commonwealth has been complacent on these issues. As private schooling has expanded rapidly and taxpayer subsidies have risen, it has done nothing to strengthen the formal reporting requirements placed on these schools. Some might argue that, while long-established private schools and systems have evolved more or less in line with community standards in areas such as equity and non-discrimination, the many newer, smaller private schools could benefit from a regulatory framework that obliged them formally to adopt practices in these regards that fitted with community standards. The Howard Government has taken no steps to establish such a framework, nor to move to remove exclusions from certain kinds of anti-discrimination legislation that currently prevail.

A 2003 paper by Chris Aulich and Terry Aulich³⁵, commissioned by the AEU, discusses in detail some proposals for improved accountability provisions associated with government funding for private schools. This paper also provides useful international comparisons.

5. Specific programs: issues and problems

In this section the generalised problems so far identified that are associated with administration of specific Commonwealth programs of financial assistance for private schools will be described. Much of the evidence here has come to light through Federal Parliamentary processes, especially the Senate Estimates Committee's thrice-yearly interrogation of financial and administrative aspects of the Government's operations with regard to schools. Specific examples arise through the media and/or from information provided by state and territory authorities.

Each of the major programs will be examined in turn.

5.1 Recurrent Grants

General Recurrent Grants in 2002 amounted to more than \$4.7 billion. Of this amount, \$3.4 billion (or 72 percent) went to the 30 percent of students attending private schools; and \$1.4 billion to the 70 percent in government schools³⁶.

³⁵ Aulich, Chris and Terry Aulich, *Proposals for improved accountability for government funding to private schools* Australian Education Union, November 2003

³⁶ Year 2002 Commonwealth funding levels here and elsewhere in this paper are taken from DEST, *States Grants (Primary and Secondary Education Assistance) Act 2000* Report on financial assistance granted to each State in respect of 2002 (DEST, Canberra 2003).

In this sub-section, the fundamental nature and implications of the current system of allocation of recurrent grants – the SES model – will not be discussed. While the SES allocative mechanism applies currently to recurrent grants only, there is evidence of a trend towards application of SES assessment measures to other Commonwealth grants to private schools. In particular, the Commonwealth is considering using this mechanism for the application of Establishment Grants, which are discussed in an ensuing section of this paper. The SES mechanism is regarded as a means (albeit a seriously flawed one) of gauging the resource levels of a school, rather than as something associated essentially with a particular program. Thus it can potentially be used, the Commonwealth reasons, for a range of purposes associated with funding.

As noted previously, the abolition of the New Schools Policy has enabled a rash of very small schools to gain access to Commonwealth recurrent grants. School enrolments are reported to the Commonwealth as recorded at a standard census date in August of each year. In the case of an extremely small school, the addition or subtraction of a handful of enrolments can mean a substantial variation in the proportional size of its recurrent grant. Typically, these new schools have unstable and volatile enrolments. For instance, a school might have seven enrolments in August 2003 but only four in May 2004. This would mean, effectively, that the school would receive almost twice the per capita funding to which it was entitled in 2004. Conversely, a school experiencing a sudden increase in enrolments (say from three to six) would be underfunded to a similar degree. Examples of very small schools with fluctuating enrolments have been obtained through the Senate Estimates process³⁷.

Many of the schools with extremely low enrolments that in recent years have become eligible for Commonwealth recurrent funding have offered only the initial year or years of primary education. Typically, the school grows out of a preschool or kindergarten, or even from some form of informal, community-based child care arrangement. Many are Montessori or Steiner schools. In these cases, enrolments can fluctuate from a maximum of perhaps ten to a minimum of zero, as parents decide whether, and when, to move their children to larger, established primary schools catering for the full age range. Thus a “school” of this type might commence the year with five Year 1 students who had previously been enrolled in its preschool program but, by June or July, most or even all of these pupils might have been withdrawn in favour of mainstream primary schooling elsewhere. While comparatively small amounts of Commonwealth funding are involved in each of these cases, questions could be asked about the role of the Commonwealth in facilitating and encouraging practices of this kind which, it might be argued, are not necessarily in the best interests of the young children involved.

Closures of Commonwealth-subsidised private schools under the current deregulated regime are discussed in a previous section of this paper. While it is a challenge to uncover detailed information about small schools that no longer exist, some examples from the listing provided by the Commonwealth³⁸ are possibly indicative. The address of the Bethel Learning Centre, for instance, that closed in 2002, is given as “Scout Hall, Fourth Ave Macquarie Fields NSW”. Seven are

³⁷ An example is Wilgie View Learning Centre, WA, whose circumstances and history are outlined in answer to Senate EWRE Committee QON E419_04, arising from the hearing on 5 November 2003.

³⁸ EWRE Committee QON answer E745_03

described as “community” schools or colleges or “cooperatives” and one is titled an “alternative” school. Others on the list are probably similar, but their names are not informative, although one is named the “Kaivalya School of Human Values”. The point here is not to disparage the well-intentioned parents or groups who established these schools, but to indicate as far as is possible the types of private schools which are particularly vulnerable to closure.

It is likely that many of the students displaced by the closures of the listed schools have subsequently been enrolled in other private schools – many of them new schools. There is evidence that this is the case: for example, the Government has provided details of the enrolments of a South Australian school, Glendale Christian College, which closed in 2000, and of another school, Glendale College, which subsequently opened on two sites including one of the sites of the previous school. Of the approximately 300 enrolments of the former school, about 100 transferred to the new school. In Queensland, All Soul’s and St Gabriel’s School, with about 200 enrolments, closed in 1999, according to DEST only to open again the same year – in the same buildings - as All Soul’s St Gabriel’s School. The student body remained substantially the same as that of the defunct school. Both, upon reopening, received Establishment Grants as “new schools”.

Potentially, due to the inherent volatility of the new commercial “market” in private schooling created by the Government, a substantial number of students could find their education disrupted on more than one occasion as schools close, open and close again. Most educationalists would regard such an eventuality as undesirable. It is certainly avoidable.

Another phenomenon apparent from anecdotal evidence is a propensity on the part of certain parents to “shop around” – moving their child from one small private school to another in response to perceived problems. While the extent of this practice is not known, it is one that might worry teachers and educational experts. This arises partly from a consumption-based attitude to schooling: an attitude fostered by the current Coalition Government. But the phenomenon is arguably also fostered, perhaps, by a prevailing “take it or leave it” posture in many private schools in answer to complaints on the part of parents. This is the approach typified by the response to a parent, “If you don’t like the way we do things at this school, maybe your child would fit in better somewhere else.” So long as private schools are not accountable to the Commonwealth for their admission, exclusion and related policies, this approach will persist. As noted earlier, anti-discrimination legislation, as it applies to religion, does not reach into the private school sector. Discrimination on other, more amorphous, grounds (for example social grounds) is nowhere covered by legislation.

Whatever lies behind a “shopping” mentality when it comes to private schools, the pervasive rhetoric of “choice” with regard to schooling can only encourage this attitude in parents. The proliferation of new, small schools of all types creates a smorgasbord of “choice” that is potentially a drain on public funds and that could well destabilise the educational experience of individual children. There is no parallel in Australian public policy to this approach, where new, private facilities or services are established without planning or regulatory restriction, and are unquestioningly provided with public financial subsidies.

The provision of substantial per capita levels of public funding to schools whose credentials are yet to be established, through Commonwealth recurrent grants, might

facilitate “choice” but is not necessarily in the best interests of Australian school students.

5.2 Establishment Grants

The Establishment Grants program came into existence with the passage of the *States Grants (Primary and Secondary Education Assistance) Act 2000* – the legislation providing for the new SES system of funding private schools. At the time, overshadowed by the sweeping changes to recurrent funding contained in the central bill of the legislative package, this small program was hardly noticed. It is, however, a crucial aspect of the Government’s plan to encourage the development of the private sector of schooling. In 2002, \$2.3 million was expended on this program.

In brief, the program provides additional per capita grants to new private schools over the first two years of their operation. A flat rate of \$500 per student in the first year and \$250 in the second year is applied. A “new” private school is recognised as such by the Commonwealth on the basis of a new state registration and the subsequent application for Commonwealth financial support.

In the first year of the program it became apparent that expenditure had blown out. In 2001 the Government had to return to Parliament with a bill to triple the funds available for this purpose. The reason was an unexpected increase in the average enrolment levels of “new” non-government schools – caused by the registration of just three schools with enrolments of over 300 students. One, the Australian Islamic College in Perth, had more than 1000 students. Since 2000 two further schools with more than 300 students have also appeared on the list of the program’s beneficiaries. More typical enrolment levels at new private schools hover between 20 and 100 students, and this tendency is generally reflected in data associated with the program.

The problem lay largely in the administration of the Establishment Grants program. In particular:

- Schools were not required to apply separately for funding under the program, nor to provide a formal declaration that they were genuinely new schools; and
- The Commonwealth failed to “look behind” the state registration of apparently new schools, to ascertain whether they were genuinely new or not. No guidelines existed, at first, for this purpose.

In fact the three large schools newly registered at state level in 1999, turned out not to be new at all. It must be emphasised that they had not misrepresented themselves to the Commonwealth in order to obtain establishment funds – the mistake was entirely on the Government’s side. In two cases, the schools came into being as separations from related schools, while the third case was that of All Soul’s St Gabriel’s School in Queensland, already described, where a school that had closed subsequently reopened with a new board of governors, requiring a fresh registration. The cases were drawn to public attention in the Federal Parliament, and the legislation subjected to scrutiny through a Senate Inquiry, but the Government used its numbers in the lower house to ram the increased allocation through.

A cursory examination of the average size of new schools approved for Commonwealth funding over the reign of the current Government would have shown that anomalies had crept through in 2000 and 2001. The average enrolment of a new private school leapt from 42 in 1999 to 90 a year later, and remained high – at 77 - in 2001. By 2002, after the Commonwealth apparently reviewed informally the administration of the program, the average enrolment for a new private school had fallen again to 52.

The allocation of Establishment Grants to a number of extremely small schools (including six schools with seven pupils or fewer) also gave rise to questions in Parliament. At least one of these schools has apparently closed and reopened, in various guises, twice since 1998 and, on the last occasion on which it opened, it received an Establishment Grant³⁹. Also in receipt of Establishment Grants were at least three schools that apparently have been opened as for-profit operations⁴⁰.

Following the exposure of the apparent anomalies in the program's administration, the Government announced a formal review of its operation. The review was conducted by a DEST officer from the Department's Science, Economic Analysis and Evaluation Branch, assisted by a reference group consisting of three representatives of Catholic, Christian and Independent schools. The review's report appeared in December 2003⁴¹. The methodology adopted for the review's investigations was startling: the schools that had received the grants were surveyed, inquiring whether they had found the money timely and useful. Unsurprisingly, the schools in question replied that they had found the additional funds extremely useful, and the review duly concluded that the program was an unqualified success.

The review report refers to the "controversial" issue of eligibility for Establishment Grants, although the Department's problems and obvious past administrative mistakes are nowhere touched upon. Buried in the review report, however, though essentially unexplained in the text, are recommendations that would, if adopted, considerably tighten up the allocation of funding under the program⁴². The recommendations go to the articulation of much more stringent criteria for determining whether a newly-registered school was in fact "new" or not. If the criteria proposed by these recommendations had been in place in 2000 and 2001, the three large schools that had attracted critical attention would not have qualified for funding. Nor would a number of other schools.

The report on Establishment Grants also recommends that the Government consider using the SES mechanism to set subsidy levels under the program⁴³. This would counter the criticism that taxpayers' funds were going to wealthy new schools and what are essentially for-profit schools.

Disappointingly, the review report does not recommend more exacting reporting and accountability requirements for the expenditure of Establishment Grant funds. As things stand, schools can use the funds for virtually any recurrent expenditure, including advertising and promotion, although *not*, (as an embarrassed departmental officer assured Senators in response to a question posed by a Senate Committee) to pay for a new suit for the principal. The report says:

³⁹ See Senate EWRE Committee answer to QON E419_04, already cited.

⁴⁰ Senate EWRE Committee answer to QON E740_04, from hearing 5 June 2003

⁴¹ Rahmani, Zakir, *Evaluation of the Establishment Grants Programme*, DEST, Canberra December 2003

⁴² Rahmani, *op cit*, pp.21-23

⁴³ Rahmani, *op cit*, p.37

“Almost all of the schools indicated that they enjoyed the flexibility of being able to spend the grants according to their priorities and the accountability provisions should not be too onerous.”⁴⁴

It concludes that “The current accountability provisions should remain in place.”⁴⁵

This program is in urgent need of thoroughgoing review. Its very basis should be questioned. By its existence, the program tacitly encourages new schools into existence – in a deregulated environment where new private schools have proliferated free of planning constraints and, furthermore, the Commonwealth funds from all sources available to private schools have significantly increased in value.

In passing, it is worth noting that this report on Establishment Grants provides an example of a worrying trend in the approach of the existing Government to the review of its own Commonwealth programs. This involves methodology by which a survey is conducted of beneficiaries of the program, while policy criticisms or perspectives of other interested parties and stakeholders are ignored. The “review” of the SES recurrent funding mechanism, underway in 2003-04, is another case in point.

5.3 Schools Transitional Emergency Assistance (STE A) Grants

This program has existed for over a decade and thus predates the current conservative Government. Expenditure on the program in 2002 was unusually low at \$1.3 million. There is evidence, however, that the program’s administration has become much more lax and permissive under the Coalition Government, and that it has diverged markedly from the purposes originally intended for it.

Guidelines for the program are published on the DEST website, included in the Administrative Guidelines for schools funding⁴⁶, while schools are advised on making applications under the program by means of a set of Guidance Notes and pro forma application templates⁴⁷.

Criteria for eligibility for STEA grants are four in number and all four must be met for an application to be successful. They are:

- *The emergency or need must be “transitional”*. This means that the school must demonstrate that it has a “recovery plan” to enable it to resume normal operations within two years;
- *The situation faced by the school must be a genuine emergency, threatening its financial viability, or the education or welfare of students;*
- *The situation must be “unexpected”*. This means that “it could not reasonably have been foreseen”; and

⁴⁴ Rahmani, *op cit*, p.v

⁴⁵ *ibid*

⁴⁶ DEST, *Commonwealth Programmes for Schools: Quadrennial Administrative Guidelines 2001-2004*, pars 103-107

⁴⁷ DEST, *Schools Transitional Emergency Assistance (STE A) Programme Guidance Notes 2002*, DEST, Canberra 2001

- “Special need” must be demonstrated. The school must show that it has no access to alternative resources to meet its financial difficulties.⁴⁸

In 2001 the Guidelines associated with the program were expanded to allow schools to apply if they were “facing difficulties in transition to the new [SES] funding arrangements”⁴⁹. On the face of it, this provision is curious: those schools standing to lose financially under the new SES funding system had been promised that the former ERI funding index would continue to apply to them – under a “no school will be worse off” policy.

A closer reading of the STEA guidelines reveals that the Government had anticipated that, due to the fact that the new SES funding levels were to be phased in gradually, over four years, some schools might face urgent financial need while this process occurred. Given that all schools that were to receive SES-based funding would receive substantial real increases over their previous ERI funding levels, it is difficult to understand what, realistically, these “difficulties” would be. The new provision appears, however, not to have been explicitly invoked in the actual allocations made since 2001.

There is evidence that, under the Howard Government, the administration of the STEA program has effectively broadened its purposes as originally envisaged. In the past, the example often cited for the appropriate allocation of such a grant was a school that had been affected by a natural disaster such as a flood or bushfire. In 2003, two schools in the ACT actually did receive grants following the January 2003 fires: one of these schools had been destroyed by fire, while the second had suffered substantial damage. (It is notable, however, that no Commonwealth program exists to provide emergency funds to *government* schools affected by fire or flood.) Two years previously a school in the Northern Territory received \$295 000 when it lost a large number of students after “Telstra built a large mobile phone tower within three metres of the school boundary”⁵⁰. This event, and its subsequent effects, are obviously phenomena over which the school had no control.

Beyond these three clear examples of real emergency need, an examination of the allocations made in recent years gives cause for concern. A sample – schools in NSW receiving STEA funds in 2000-2002⁵¹ - shows that, of 16 grants made to schools of STEA assistance over the three years, no school is described as the victim of a natural disaster, nor as obtaining the grant primarily due to circumstances that could not have been at least to some extent either foreseen or influenced. In summary, the main reasons for providing the grants (bearing in mind that, for most schools, several reasons were listed) are:

- “Cash flow” difficulties (11 schools);
- Problems associated with “economic downturn” (7 schools);
- Decreased enrolments and/or decreased fee collection rates (11 schools);
- Reduced income from overseas students (2 schools);
- “Staffing problems” (2 schools);

⁴⁸ DEST, *STEA Guidance Notes 2002* p.9

⁴⁹ *ibid*

⁵⁰ Senate EWRE Committee, Estimates hearing 5 November 2003, answer to QON E413_04

⁵¹ Senate EWRE Committee, Estimates hearing 5 June 2003, answer to QON E015_04, Attachment B

- Other financial problems, such as “increased expenditures”, “decrease in private income” and the NSW Government’s decision to reduce state funding to high-income schools (5 schools); and;
- Financial management problems (2 schools).

In this last category was one school where “the discovery of tax liabilities owed by the school” was cited as one of two reasons for its financial emergency. The second school suffered from “flaws in the internal financial control procedures at the school”. Both of these schools were Indigenous schools. It is possible that their financial problems arose from lack of experience in financial management which, under the circumstances, might provide good justification for an emergency grant.

The point here is twofold: setting aside the Indigenous schools, where special situations might have existed, the problems facing this group of schools in receipt of STEA grants seem to be either (1) predictable, in a general sense; or (2) avoidable, in that the difficulties appear to have arisen due to poor or even incompetent administration and financial management. Detailed examination of cases is hindered by the fact that DEST, to date, has declined to release the names of the schools concerned, citing confidentiality agreements reached with them at the time of making grants. However, some conclusions can be reached, and some cautious inferences made.

In another answer to a question raised in Senate Estimates, the Commonwealth has provided details (again excluding school names) of all STEA grants made to Australian schools in 2000-2002⁵². The trends and characteristics apparent for NSW schools, as analysed here, are broadly replicated in the data for other states and territories.

Two of the grants made to NSW private schools over the three years were for sums of \$300 000 or more. The recipients were respectively described as a “large city school” and a “rural boarding school” which had “experienced a marked decline in enrolments, and income, over recent years”. The “large city school” was said to have experienced both reduced enrolments and an “unexpected increase in expenditures”. Without knowing all of the circumstances, it could nevertheless be observed that any “large” school should possess the requisite expertise to manage its finances successfully, and in particular to allow for expenditure increases as part of normal financial planning arrangements. The “rural boarding school” had apparently been facing declining enrolments over a number of years. It received \$540 124 in taxpayers’ funds as a bailout. In the absence of further information, it is difficult to see why either of these schools constituted a deserving case for Commonwealth emergency assistance.

In states other than NSW large grants have also been made. These include four of over \$400 000. It should be noted that schools can receive additional grants in years subsequent to their initial grant, and it is evident that this has happened in several cases at least. Thus the total amount flowing to a particular recipient school can be well over half a million dollars. Of the 46 STEA grants made over the three-year period only one went to Victoria and one to South Australia, states where private school enrolments are relatively stable, as a proportion of total enrolments. On the other hand, 17 grants went to NSW schools and 13 to schools in Queensland. In these states since 1997 growth in private school enrolments, and in the number of

⁵² Senate EWRE Committee, Estimates hearing 5 November 2003, answer to QON E413_04

private schools, has been particularly rapid. This suggests that the burgeoning need for STEA assistance could be associated with the unstable environment in the private school sector caused by essentially unregulated expansion.

To return to the NSW sample, questions must also be asked about those schools experiencing “staffing problems”. Of course, the schools might have been truly the victims of misfortune in terms of staffing. However, the satisfactory management of staff is a basic requirement for all schools, and it is disturbing to speculate that Commonwealth funds might be used to bail out school principals or governing boards that simply lack the necessary management skills to deal with staff and maintain workplace harmony.

Where declining enrolments have been the principal cause of financial crisis, similar questions arise. It is not disputed that the drought and depressed rural economy could well have a major impact on enrolments in some rural schools, especially boarding schools, and five of the 11 NSW schools experiencing reduced enrolments were boarding schools. However, the Howard Government has explicitly encouraged a market-based approach to schooling, based on rhetoric about “parent choice”. It might be argued that, by persisting in propping up failing private schools, the Government refuses to allow the “market” to operate. Its contrary argument – that children’s schooling should not be jeopardised by failures and problems of the schools their parents chose for them – rings hollow in the face of its own market sloganeering. The Commonwealth is deliberately having it both ways here.

There are instances where schools in receipt of substantial Commonwealth support through the STEA program have subsequently – and quite quickly – closed down. Kooralbyn International School in Queensland is a case in point. This school received an STEA grant of \$100 000 in 2000 but closed early in 2002. The school was experiencing severe financial problems. It had hoped to attract large numbers of overseas students, but apparently was unable to succeed in this plan. “The downturn in the Asian economy” is cited by the Commonwealth as a major reason for its STEA grant⁵³. Since the Asian economic collapse was already clearly evident in 1997, it is not clear that this situation could not have been foreseen by those responsible for the school’s finances. The school, before its closure, received significant recurrent grants and also capital grants. In 2001 Kooralbyn received \$439 923 in recurrent grants, and its estimated entitlement for 2002 was \$485 180. The Commonwealth admitted later that year that, by advancing 50 percent of this amount in January 2002, there had “likely” been an overpayment to the school. At that time, the Department was seeking restitution of any overpayment from the failed school’s administrators (Ernst and Young)⁵⁴. It is not known whether any of this money has actually been retrieved. Capital grants to the school predate its collapse by eight and nine years. These, however, the Commonwealth reports were not recovered, due to lack of available funds⁵⁵. On the face of it, the Commonwealth could be seen here as pouring money into a failing business venture that just happened to be a school. In this case, only a small proportion of this money was in fact an STEA grant.

⁵³ *ibid*

⁵⁴ Details of grants made to Kooralbyn School are provided in Senate EWRE Committee, QON answer E256_03 from Estimates hearing 21 June 2002

⁵⁵ Senate EWRE Committee QON answer E414_04 from Estimates hearing 5 November 2003

At the same time, the lack of transparency surrounding the program is a cause for concern. The Commonwealth maintains that to reveal the names of a school in receipt of STEA assistance could engender a lack of confidence on the part of parents, and of parents of potential students, in the school itself. It might be countered that the financial situation of a school is already known to parents through normal reporting processes – school council minutes, principals’ reports, annual financial statements and the like. The Government apparently believes, however, that these matters ought not to be highlighted in the public arena. Once again, there is apparent conflict between the market principles on which the current Government bases its private schools policy, on the one hand, and its concern for the welfare of students, on the other.

Further, the Commonwealth does not reveal the formula or other considerations it uses to determine the size of emergency grants made to private schools. A school can receive more than half a million dollars in additional, non-refundable taxpayer assistance, while the public has no means of discovering why such a large amount is justified, and how it will be spent. The confidentiality provisions surrounding the STEA program, both formal and *de facto* procedural, need to be questioned.

5.4 Capital Grants

The Commonwealth’s Capital Grants program is another that appears to have diverged somewhat from its original purpose. The program should also be questioned from the two points of view of waste and of accountability. Some of the reasons why this is desirable, and examples of apparently inappropriate allocations, are outlined below. Two central aspects of the program will be examined: the uses to which the grants can be put, and the fate of the Commonwealth’s interest in infrastructure that is subsequently sold by schools, or where the infrastructure is no longer used for educational purposes.

Annual expenditure on the capital grants program in 2002 was around \$324.million. Of that, \$91.4 million went to private schools.

Under the Howard Government, the detail with which capital expenditure for schools generally has been reported has progressively declined. In late 2003, however, the Department published⁵⁶, for the first time in several years, school-by-school information on 2002 capital grants for both government and non-government schools. This provides a snapshot of a late point in the evolution of administration of the program and illustrates the manner in which capital funds have become available for a broad range of purposes.

Because items such as furniture, equipment and the like can in certain circumstances be purchased with capital funds, it is essential to consider how this money is distributed to individual schools while at the same time bearing in mind the policies driving recurrent funding. The fact is that resource-rich schools are eligible for capital grants and are successful in applying for them – despite the other sources of funds available to them. To cite some examples:

⁵⁶ DEST, *States Grants (Primary and Secondary Education Assistance) Act 2000* Report on financial assistance granted to each State in respect of 2002, DEST Canberra 2003, pp. 11-46

- Sunshine Coast Grammar School in Queensland charges the highest tuition fees (at \$5220 for a secondary student in 2003) in its region, according to local media⁵⁷, and yet in 2001 the school received \$34 483 in capital grants; in 2002 it received \$83 000 for the construction of classrooms and science laboratories; and the following year \$172 700.
- Fahan School in Tasmania is a long-established boarding and day school in the exclusive Hobart suburb of Sandy Bay that charges fees of \$8500. In 2002, it received \$131 000 from the Commonwealth for construction of a new boarding house, science laboratories and art room. Its website reveals that the new boarding house facilities include reverse-cycle air conditioning and a separate room for each boarder in Years 11 and 12, among other features.

Newspaper reports in early 2003 say that Knox Grammar School in Sydney, one of Australia's wealthiest schools, is embarking on a \$45 million taxpayer-subsidised building program in 2004. This will include a two-story kindergarten in "a collegiate style of architecture" and a 1400-seat performing arts centre⁵⁸. It is not clear as yet whether the school has obtained capital grants for 2004: the point could be made, however, that the large increase in recurrent funds available to the school under the new SES arrangements (around \$1 million p.a.) might free up the school's other funds for infrastructure developments. This case illustrates the need to examine the intersection between funding programs and the ability of well-resourced schools to maximise their financial advantage. High Commonwealth recurrent subsidies offer opportunities to such schools to invest in other ways.

Other resource-rich schools that have recently benefited inordinately from increased Commonwealth recurrent grants have also undertaken major capital works and improvements. An example is Melbourne Grammar School, which like Knox Grammar School has received an increase of about \$1 million per year in Commonwealth funding. This school reports on its website on progress in the building of an elaborate new set of sporting facilities on a large area of ground near the luxury Melbourne Docklands development.

In a practical sense, the substantial recurrent grants that are now provided to even the wealthiest private schools queer the pitch for any sensible assessment of the appropriateness of other grants available to them. Capital grants are the most significant of these.

Perusal of the details of Commonwealth capital grants to government and private schools for 2002 reveals a disturbing trend. While, typically, public schools are funded for the most basic of purposes – "redevelopment of classrooms", "construction of general purpose classrooms", "upgrade of administration area", "new toilet block" – the same is not generally true for private schools. Far more common, especially in independent, as opposed to Catholic systemic, schools are grants for specialist, high-tech and even lavish facilities of the kind often not available in public schools. These include, for instance:

- "a design and technology... facility"
- "food technology, textile and design areas"

⁵⁷ Furler, Mark and Gordon Clark, *Sunshine Coast Daily* article, already referred to

⁵⁸ Silmalis, Linda, "Taxpayers help elite school" *Sunday Telegraph*, Sydney, 4 January 2004

- “multi-purpose tiered hall... specialist classroom, physical education facility, music practice building”
- “technology block including art, music, science, LOTE... computer lab... student amenities... landscaping and improvements”
- “creative arts block comprising art room, senior arts store room, photography room, kiln, drama and music room, music practice room and store room, design and technology rooms....”.

These five examples are taken from the first two pages of listings for independent schools in NSW alone. They are not atypical.

In addition to bare-bones buildings, schools are able to use their Commonwealth capital funds for equipment and furniture to be housed and used in the new or refurbished accommodation. The guidelines regulating this provision are vague. It would be quite possible for a school to use Commonwealth funds from this program for equipment or other moveable items that, subsequently, were used elsewhere in the school, for more general purposes. Capital funds, for instance, can be used for library resources. There is scope for other consumables – such as class textbook sets or other learning materials – to be conflated with resources purchased expressly for library use. It is not suggested that there is widespread fraud associated with expenditure of capital grants on the part of private schools. The point is that such practices are possible. The blurring of boundaries between types of expenditure, especially with the introduction of electronic information technology, could enable private schools to maximise the value of the funds they receive from state and federal governments, and to maximise in turn their competitive advantage by creating a very attractive learning environment.

Another issue arising in connection with Commonwealth grants is that of accountability for expenditure on the part of recipient schools. St Stephen’s College in Coomera, on the Queensland Gold Coast, received almost \$355 000 in Commonwealth capital funding in 2002⁵⁹. According to media reports the school has received a number of similar grants in recent years. This school is notable in several ways: it is associated with an obscure breakaway group from the Anglican Church that opposes the ordination of women, but is by no means a small, “fringe” school, having almost 1000 students in 2000. The school became the object of media attention in 2002 over an alleged financial crisis involving substantial levels of debt. It is reported that the school received capital grants from the Commonwealth over several years but did not undertake the capital projects for which the grants were made. Instead, the school leased buildings on a long-term basis. It is unclear whether the Commonwealth has been satisfied by the financial acquittals provided by the school for the use of the capital funds provided. Despite the questions raised in the press and in the Parliament about this school and its administration, it has continued to receive not only Commonwealth recurrent funds (around \$4 million in 2004), but significant capital funds as well.

Perhaps the most disturbing matter connected with the Commonwealth’s capital funding program, as it applies to private schools, is the issue of what becomes of the Commonwealth’s interest in school buildings and equipment once the infrastructure is sold, or when the school ceases to operate. Clauses 136 and 137 of the

⁵⁹ DEST, *Report on States Grants Act 2002*, *op cit*

Department's *Administrative Guidelines* go to the issue of recoupment of these funds. In summary:

- schools are liable to repay a grant, at a heavily discounted rate, if the premises funded by the grant are no longer to be used for educational purposes, or if the school sells the building or ceases to operate. This obligation cuts out after 20 years;
- schools are nevertheless not required to repay the Commonwealth where a grant has been for less than \$50 000;
- where a school sells its Commonwealth-funded building(s) to another school, the second school is expected to take over the financial liability to the Government; but
- where a school goes into liquidation, "the Australian Government stands in line with other unsecured creditors for repayment of funds⁶⁰"; and
- the Commonwealth exercises discretion over whether to pursue a school, or former school, to retrieve its investment.

In practice, only a small proportion of the funds that might be recouped under these circumstances is in fact returned to the Commonwealth. Of 34 schools which closed, or otherwise became liable to repay capital funds to the Commonwealth since 1996, only nine have repaid all or part of the funds owing. The application of a generous depreciation formula means that the schools (with one unexplained exception) do not repay even the dollar amount initially provided: it might be assumed that, far from depreciating, some of the capital stock involved would have appreciated in real – as well as nominal – value over the five, ten or 15 years since the grant was made.

Twenty-five schools have not made any repayments. Of these, nine involved grants of less than \$50 000, and so, under its own Guidelines, DEST has not sought to recoup the funds. In some of these cases, however, the grants were made only shortly – a matter of months - before the school permanently closed its doors. Of the others, five were declared bankrupt and the Commonwealth was unable to secure repayment. Recovery action in the case of one closed school awaits its possible reopening. The remaining ten former schools have not been pursued because, the Department says, the buildings are being used for "educational purposes" or, in one case, for other purposes by an Indigenous community centre.

This last point bears further examination. The nature of the entity that subsequently purchases, or uses, the facilities, should be carefully scrutinised. Vaucluse College in Richmond, Victoria, was a Catholic girls' school that closed down in 2001. Over the previous 14 years it had received over \$1.3 million in capital grants from the Commonwealth. On closure the school buildings were purchased by St Kevin's College, a high-fee Catholic boys' school located in nearby Toorak. This school enjoys considerable endowments; its site alone is worth many millions of dollars; and its clientele is the wealthy Melbourne Catholic establishment. Property values in inner Melbourne have surged in recent years. It is unimaginable that the value of the Vaucluse site, and that of its buildings, would not be higher than equivalent sites and buildings elsewhere. In effect, the Commonwealth has made a gift worth many millions of dollars to one of Melbourne's most expensive and exclusive schools.

⁶⁰ Senate EWRE Committee Estimates hearing 5 November 2003, answer to QON E414-04

There is evidence of a lack of appropriate care on the part of DEST in assessing applications for capital grants. A matching exercise on a list of closing private schools since 1996 with those that had received capital grants over the preceding few years reveals around a dozen schools that closed within three years of receipt of capital grants from the Commonwealth. The Foothills School in WA received approaching \$300 000 in Commonwealth capital grants between 1990 and 1999, with \$100 000 in 1998-99. The school went into liquidation one year after receiving this last grant and, on the basis that no funds remain, the Government has decided “not to pursue recovery”⁶¹. Gippsland Christian College in regional Victoria was allocated \$120 000 as recently as 2000 (as well as an initial \$109 000 eight years earlier), but the school closed in 2002. Meanwhile, \$175 000, granted to Obadiah Christian College in NSW in 1998, remains in limbo after the school’s closure only three years later. While, in assessing a school’s eligibility for capital funding, it is probably unreasonable to expect that the Commonwealth foresee financial collapse ten years into the future, it is not unreasonable to expect that the immediate financial circumstances, prospects and business plan of an applicant for funds should be carefully scrutinised. A school whose demise is imminent is likely to exhibit signs of financial or other instability. The Commonwealth should explain why it has allocated capital funds with such alacrity to failing schools.

A conundrum about conceptualising the entity that constitutes a private school is raised by another case listed by DEST in the Senate Estimates answer that has formed the basis of this discussion on capital funding. A school, referred to earlier, known as “All Soul’s and St Gabriel’s School” in Charters Towers, Queensland, closed in 1999, only to reopen the same year as “All Soul’s St Gabriel’s School”, under a new board of governors. The DEST Administrative Guidelines provide that, where a school’s buildings are transferred by sale to another school, the Commonwealth will not seek recovery of its capital interest. In this case, however, the Department reports, “Recovery action underway. Amount to be recovered is \$146 803.”⁶²

Why is the Commonwealth seeking recovery of this money? The buildings in question remain as part of the “new” school, and thus the Guidelines would indicate that the money need not be recouped. Further clarification of this matter will be sought.

Meanwhile, Sunshine Coast Grammar School, in Queensland (described earlier in this paper) is up for sale. A company search reveals that the school is owned by a for-profit company, Sunshine Coast Grammar School Pty Ltd. The school, as noted earlier, is reportedly in debt to the tune of \$8 million. The major shareholder of this company is the former Principal, Mr William John Burgess, who was struck off the Queensland teachers’ register in 2003. Presumably, it is this company, rather than the school *per se*, that is on the market. Nevertheless, it is this entity that is referred to in the media⁶³ and elsewhere as “the school” that is for sale. What, exactly, will be sold? Is it the buildings and other assets? Is it something more amorphous, such as the students, staff and operations of the school? If the school, as an operating school, with staff, students, educational programs and the rest, is in fact a for-profit company that can be bought and sold, then why does this company receive

⁶¹ *ibid*

⁶² *ibid*

⁶³ “Schools sale talks go on as parents wait” *Sunshine Coast Daily*, 3 December 2003, p.2

Commonwealth grants – which can only go to not-for-profit entities? The school has a thousand students and receives Commonwealth recurrent grants. In 2004 it will receive an estimated \$4 million.

Sunshine Coast Grammar School was established only in 1997, and yet it has managed to grow to over 1000 students in just a few years. No doubt the generosity of the Commonwealth's various funding programs has contributed to its success in attracting students. Now, however, over 1000 students might find their educational futures in destabilised – depending on the outcome of the sale of the school.

When and if the school is sold, what will become of the \$290 200 worth of capital stock and equipment owned by this school that was bought with Commonwealth funds? Why, for that matter, if the school is so deeply in debt and so close to bankruptcy, did all of this Commonwealth money flow to the school over the last three years? If the Commonwealth did not know of the precariousness of the school's financial situation, why was it not aware? If the Department was aware of the situation, why did it invest taxpayers' funds in the school through capital grants?

This case throws into sharp relief the contradictions and cracks emerging in the Coalition Government's deregulated, commercially-based approach to private schools policy.

6. Conclusion

It is hoped that this paper provides a general overview of the administrative and regulatory context created and nurtured by the Commonwealth for the operation of private schools in Australia. This context provides a background against which private schools are actively encouraged to open and to expand. The funds available to private schools, for various purposes and under various programs, provide considerable financial assistance and on-going support. They enable many schools – particularly new schools in outer metropolitan and regional areas – to charge low fees while at the same time providing high-quality, highly-subsidised capital facilities and equipment, and to operate at per capita funding levels well above the average funds available per student in the government schools sector.

In addition to the programs examined in this paper, there exists a series of targeted programs for specific purposes including disability and other special support, literacy and numeracy, English as a Second Language and so on. Total expenditure on targeted programs in 2002 amounted to a little less than \$4.9 million. Of this, about \$1.4 million went to private schools. This proportion is roughly commensurate with the enrolment share of these schools.

Many private schools not only receive substantial Commonwealth subsidies (alongside more modest state/territory funding of perhaps \$1000-1500 per student

p.a.⁶⁴), but they are required neither to account for their expenditure of this public funding, nor to meet stringent eligibility criteria for these funds. Where such criteria exist, there is evidence that they are, at best, inconsistently applied in program administration or, at worst, ignored.

The rationale of “parent choice” and the rhetoric of the market accord priority in the mind of the current Federal Government to the overall expansion of the private sector of schooling, and a proliferation of private school “options”. Yet, tacitly, there is also recognition among conservative policy makers and administrators that the volatility of an unfettered market is not in the interests of educational quality. Children have the right to a stable school environment. Thus the Commonwealth exhibits haste in moving, through various means, to prop up failing schools. Increasing commercialisation also carries the potential to undermine the quality of schooling, especially where schools are set up, possibly by people whose priorities are not necessarily educational in nature, as business ventures.

The tensions inherent in the Commonwealth’s deregulated policy approach to private schooling must be resolved. As things stand policies are contradictory, the various Commonwealth programs are apparently not cross-referenced, and public money is wasted. Children’s education can suffer.

Policy experts in other countries regard Australia’s current policies on private schooling with alarm and amazement. The provision of uncapped public subsidies in the absence of sound planning arrangements is seen as particularly irresponsible. Where the governments of other countries subsidise private schooling at all, they generally do so on the basis of strict and relatively onerous accountability and reporting requirements⁶⁵. They also apply an overall funding cap.

Many governments provide no public subsidies of any description to private schools. It is acknowledged that to go down such a route is politically untenable in Australia, where a historic settlement to the “State Aid debate” was long ago reached. In other countries such as the UK and New Zealand, a solution for resource-poor Catholic and other schools was found by incorporating them, essentially, into the public system. Unlike these countries, Australia has retained a dual-sector structure for schooling where private schools remained outside public systems but nevertheless received public subsidies on the basis of need. Whether this settlement was the right one is a matter of opinion. It cannot, however, be revisited without major controversy and policy upheaval.

There is urgent need to tighten the administration of Commonwealth programs providing funds to private schools and to revise and strengthen the criteria applying to them. While there seems to be no limit to the political embarrassment that the Howard Government is prepared to wear over the maladministration of its private school subsidies, there are signs in the relevant sections of the Commonwealth’s Department of Education, Science and Training – and in DEST generally – that might indicate that there is discomfort among well-intentioned administrators charged with implementation of these programs. They are in an invidious position. Public funds have been wasted, and continue to be wasted.

⁶⁴ These figures are taken from a report in *The Australian* 23 January 2004, p.2, apparently based on the *Report on Government Services 2003*. There is an important exception here to the assertion that state/territory funding is modest: in the Northern Territory, almost \$3000 per student is provided by the Territory Government to private schools.

⁶⁵ The paper by Aulich and Aulich, referred to earlier, is useful in this regard.

Most of all, it is the educational and general welfare of children that must be guarded. Choice of school is essentially a matter for parents and guardians. The interests of some students in some private schools are at risk. Meanwhile, some privileged students at the wealthiest private schools are enjoying educational facilities and environments at levels well above those more generally available to Australian children – at significant taxpayer expense. The Howard Government's policy preoccupation with expanding private schooling has come at the cost of the schooling of the 70 percent of children who attend public schools. Little attention has been paid by the Commonwealth, since 1996, to its responsibility to improve the quality of education available to these students in government schools, in whatever state or territory they might live.

A reorientation of policy focus is imperative. The farcical side-issues of the administration of emergency grants, propping up of weak private schools, or additional per capita funding to assist new private schools to establish themselves, must be allowed to sink into the background where they belong. Lavish subsidies, no questions asked, to resource-rich, high-fee private schools must be replaced by a return to the Commonwealth's proper central priority in school education: public schooling. The policies of the current Federal Government are inimical to such a transformation.

Attachment

Some recent critique and analysis of the SES schools funding model

Because of its centrality to the overall funding regime of the non-government school sector, the SES funding model deserves close attention. Here, some recent studies that shed light on the problems inherent in it are briefly summarised and discussed.

Preston statistical study

A comparative study by Barbara Preston provides statistical data based on the 2001 Census that indicates a broad-brush discrepancy between the measure provided by the Commonwealth's SES index, on the one hand, and the information provided by the Census. This census data directly matches families patronising government, Catholic and other non-government schools with measures such as family income. While the definitions used in the Census for "Catholic" and "Other nongovernment" schools do not correlate precisely with the DEST distinction between Catholic systemic and all other private schools, the overlap is extremely high. The data analysed by Preston shows that lower-income and Indigenous families have a much higher probability of patronising government schools than other groups, and a lower probability of attending non-Catholic non-government schools. Their attendance at "other" non-government schools – "independent" schools is lowest of all⁶⁶.

While Preston does not draw any policy conclusions from her analysis, it indicates that the results of the SES modelling exercise – which distribute non-government schools' SES scores much more evenly from "low" to high" – does not in fact provide a true reflection of the actual financial circumstances of the families with children enrolled at such schools. Further the wholesale attribution of an SES score of 96 to the entire Catholic system (except those schools in the ACT) implicitly pitches Catholic systemic schools at a level below the notional mean. Preston's work, on the contrary, indicates that the average family incomes of children in Catholic schools are significantly higher than those of students in government schools.

The practical effect of the application of this new funding model has been as the analysis summarised above might lead one to expect: counterintuitive and unexpected. The resulting scores for over ten percent of all private schools has been that, in keeping with a Government promise that "no school would be worse off" under the new arrangements, they have had their funding artificially maintained at the levels that would have applied under the former ERI system, rather than moving to the new funding arrangements. The entire national Catholic school system, moreover, constituting 58 percent of private schools, negotiated a deal that is effectively outside the new arrangements. Thus the new, "fairer" model applies *in theory* to only 42 percent of private schools, but *in practice*, because of the "funding

⁶⁶ Preston, Barbara, "The social make-up of schools: family income, religion, Indigenous status, and family type in government, Catholic and other nongovernment schools" (commissioned by the Australian Education Union, December 2003)

maintained” provision, to fewer than 32 percent. The argument that this funding model yields results for individual schools that are more equitable than the old system’s allocations begins to look rather thin. If the model is inherently “fair”, surely it should apply to everyone.

Watson paper

Even less surprising to those with a close interest in the debate is the fact that schools that have gained the most in funding under the new SES system have been the 59 private schools which, as measured under the former ERI index, are the wealthiest. It is these schools that, apparently, had not been treated “fairly” under the previous system. Louise Watson, in a November 2003 discussion paper, points out correctly that this outcome, with respect to the former Category 1 schools, is not an inevitable result of the application of the SES model as an allocative mechanism, but rather is the product of the dollar value assigned for funding purposes by the Commonwealth to the highest SES-scoring schools. This was a separate policy decision. Watson believes that the SES model could provide a good basis for funding, provided that the increases were redistributed to favour low-SES schools, rather than the highest.⁶⁷

Most of these large, well-established, resource-rich schools have received Commonwealth recurrent funding increases amounting to millions of dollars annually. Rightly or wrongly, the schools charging the highest tuition fees in the country – well over \$20 000 p.a. in the case of some exclusive boarding schools – have in dollar terms benefited the most from the policy change. This phenomenon is due to the peculiar fact that these exclusive, expensive schools, to a greater extent than other private schools, attract students from a wide range of suburbs and regions whose parents, as it happens, can afford the high fees. The squatter’s daughter from rural Victoria is not representative – in terms of wealth and assets - of the general population of her home town. Yet she goes to boarding school in the city, while her neighbours do not. The doctor’s son in Sydney’s West catches the train to a private school in an inner suburb, while it is the other families in his street whose incomes and education levels determine that boy’s individual SES rating.

Watson, in the paper referred to, provides an analysis that suggests that the unexpectedly high outcomes (in terms of raw SES score) for some wealthy private schools under the model, as constructed by the Government, are confined to those high-fee schools in regional and rural areas and to city schools that have large numbers of boarding students from the country. She points out that these students’ families are not typical of their rural communities, where incomes and education levels vary significantly. Otherwise, she says, Census Collection Districts are relatively homogeneous, and thus a calculation of a student’s family SES, based on CCD SES measures, would be relatively accurate.

But in fact some of the most unexpected outcomes, in terms of SES scores assigned to schools, have been in high-fee schools in the city where most, or all, students reside in the relevant metropolitan area. Where this has occurred, the phenomenon seems to relate to particular schools that attract predominantly a “refugee” clientele – in the sense that they attract large numbers of students from a range of medium and

⁶⁷ Watson, Louise, “A critique of the Federal Government’s recent changes to private schools funding”, University of Canberra 2003

low-income suburbs, whose families can afford to pay the fees and have opted for private-school education. Examples of such schools are Wesley College, Melbourne, and Trinity Grammar School, Sydney.

In addition to these two recent pieces of work, critique and analysis by the Australian Education Union of the SES funding system goes back to the introduction of the legislation establishing the new funding model in 2000⁶⁸.

The point to be emphasised is that the SES system as currently employed forms the backdrop to the other funding anomalies and inconsistencies discussed in the body of the main paper.

⁶⁸ Martin, Roy, 2003 'Reforming Commonwealth Schools Funding' AEU, and other papers available through www.aefederal.org.au and www.publication.org.au

The social make-up of schools

Family income, religion, Indigenous status, and family type in government, Catholic and other nongovernment schools

An information paper prepared for the Australian Education Union

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1. Introduction

This paper is based on Australian Bureau of Statistics Census 2001 custom tables of the populations of (a) all school students, (b) Indigenous school students and (c) school students in one parent families, in primary and secondary schools in the government, Catholic and other nongovernment sectors, by family income and (in part) religion.

This is broad-brush data on the social make-up of schools in the different sectors, and, in some cases, different States and Territories. Such data is vitally important for the development of good policy on many aspects of schooling, because it is widely recognised that matters such as family income, Indigenous status and family type have an impact on the qualitative and quantitative educational needs of students, and thus of schools and sectors. Data on matters such as religion (especially in combination with family income) inform understandings of the social roles of different school sectors, and thus can inform the policies of school authorities, governments, and others.

There is, of course, great diversity within the school sectors in the States and Territories - there is variation between schools and within schools. However, the macro-level data reported here is relevant to a range of significant national and State/Territory level policies concerned with the administration and funding of schools, and can provide indications of where more investigation may be needed to better inform other policies.

Policy conclusions are beyond the scope of this report. To draw out policy conclusions requires positions on ends and values, and, generally, further relevant information (evidence). Under each of the following headings there is commentary, tables and graphs. Box 1.1 provides details of the Census definitions and the particular categories used in this paper.

School type and family income of students

This section looks at the school sectors (government, Catholic and other nongovernment at both primary and secondary levels) in terms of the proportions of their students who are in families with low, medium and high incomes. Details for each of the States and Territories are provided, and comparisons made between and within States and Territories.

Family income and school type attended

This section looks at children in families in different income ranges (low medium and high) in terms of the type of school attended (government, Catholic and other nongovernment) at primary and secondary levels.

Religion, family income and type of school attended

This section looks at children of different religions (Catholic, nonCatholic or no religion, and Islamic) in families in different income ranges (low, medium and high) in terms of the type of school attended (government, Catholic and other nongovernment) at primary and secondary levels.

Indigenous and all primary and secondary students, by family income

This section looks at Indigenous and all students at the primary and secondary levels in each State and Territory according to family income. In this and following sections five family income ranges are used. The 'low' range used in the previous sections is subdivided into three, and the 'medium' and 'high' ranges remain the same.

School type and Indigenous status of students, by family income

This section looks first at the proportion of all primary and secondary students in each income range and all ranges, in each school sector and all sectors, who are Indigenous. Data is then provided on the proportion of all Indigenous students in each school sector at primary and secondary levels who are in each family income range.

Indigenous students, family income, religion and type of school attended

In this section there is data for Australia and each State and Territory on the percentages of Indigenous primary and secondary students in each family income range who attend government, Catholic or other nongovernment schools. Similar data is then provided for Australia as a whole for Indigenous students of Catholic religion, nonCatholic religion (and no religion), and all Indigenous students.

Students in one parent families and all primary and secondary students, by family income

This section looks at students in one parent families and all students at the primary and secondary levels in each State and Territory according to family income. As with the data on Indigenous students, five family income ranges are used, with the 'low' range divided into three.

Students in one parent families, family income, and type of school attended

In this section there is data for Australia on the percentages of primary and secondary students in one parent families in each family income range who attend government, Catholic or other nongovernment schools.

Summary comparisons between different groups

In this section there is data on the percentages attending government primary or secondary schools of (a) all students (b) Indigenous students and (c) students in one parent families in each of the five family income ranges.

Box 1.1. Data and definitions

The data in this report is from Australian Bureau of Statistics 2001 Census, custom tables. Further information on definitions is available in the ABS *2001 Census Dictionary* (Cat. No. 2901.0)

<<http://www.abs.gov.au/Ausstats/abs%40.nsf/66f306f503e529a5ca25697e0017661f/5d885de7659d4c8cca256a3800008ef3!OpenDocument>>

School type is according to the Census classifications (TYPP, categories 02 to 07)): Government infants/primary, Catholic infants/primary, and Other nonGovernment infants/primary, Government secondary, Catholic secondary, and Other nonGovernment secondary. All school children for whom useable responses regarding school type and family income (see following) were provided on Census night in August 2001 are included in the data. The total number of students in these custom tables compared with the total number reported in the ABS *2001 Schools Australia* (Cat. No. 4221.0, p. 13) is 81% at the primary level and 72% at the secondary level. This is generally adequate for the level of analysis in this report.

Family income (FINF, various combinations of categories 1 to 18) is the combined annual income of students' family members as reported on Census night. Usually this is parents' income, but may include the income of siblings and other immediate family members who are part of the household. ABS provides family income data according to 16 income ranges (plus other categories such as negative and nil income, and not stated). For this report the incomes are classified into 'low' (less than \$800 a week), 'medium' (between \$800 and \$1499 a week) and 'high' (\$1500 and over a week) income ranges. For secondary students around one third are in each of the three categories, while at the primary level a larger proportion are in the low income category and a smaller proportion in the high income category (this is because parents tend to be younger and in earlier stages of their careers, and mothers are more likely to be working fewer hours or not be in the workforce). Thus analyses of the primary level need to take account of the higher proportion in the low family income range than in the high family income range, and comparisons between primary and secondary levels need to take account of the larger proportion overall of low family income students at the primary level. In addition to the three main classifications used consistently throughout the report, for analyses involving Indigenous students and students in single parent families the 'low' income category is further divided into three: less than \$400 a week, between \$400 and \$599, and \$600 to 799. The family income range of less than \$400 a week in 2001 includes most one parent families wholly dependent on public benefits. The family income range of \$400-\$599 includes most two parent families wholly dependent on public benefits. Large families on benefits may have higher family incomes.

Religion (RELP, category 207 for 'Catholic', category 4 for 'Islam', and all others) focuses on those students whose religion was reported as 'Christianity, Catholic' or 'Islam' and all others (other religions, no religion, not stated)

Indigenous students (INGP) are those students who were reported to be 'Aboriginal', 'Torres Strait Islander' or 'Both Aboriginal and Torres Strait Islander'. Adequate information was not provided for all Indigenous school students on Census night (for example, data on school type or family income may have been missing), however the total number of Indigenous students in these custom tables compared with the total number reported in the ABS *2001 Schools Australia* (Cat. No. 4221.0, p.21) is 75% at the primary level and 67% at the secondary level.

Students in **One Parent Families** (FMTF category 3) include all students reported to be in one parent families, whatever the dependent status of children in the family, and

whether or not there are other relatives in the family household.

2. School type and family income of students

The three major schooling sectors in Australia greatly differ in the patterns of family incomes of their students.

The Australian Bureau of Statistics (ABS) provides 2001 Census data on the type of school attended by primary and secondary school students (government, Catholic or other nongovernment) and the family income ranges of students. Family income can be classified into 'low', 'medium' and 'high' ranges, in each of which about one third of secondary students are classified (primary students' families tend to be lower income) - see Box 1.1 for a discussion of classifications.

Table 2.1 Percentage of students in each of Australian government, Catholic and other nongovernment primary, secondary and all schools with low, medium or high family incomes, 2001

	Family income			All income levels
	Low <\$800	Medium \$800-\$1499	High >\$1500	
Primary schools				
Government	44%	37%	20%	100%
Catholic	29%	41%	31%	100%
Other nongovernment	27%	32%	41%	100%
All primary schools	39%	37%	24%	100%
Secondary schools				
Government	40%	37%	23%	100%
Catholic	24%	37%	39%	100%
Other nongovernment	20%	28%	52%	100%
All secondary schools	34%	36%	31%	100%
All schools				
Government	42%	37%	21%	100%
Catholic	27%	39%	34%	100%
Other nongovernment	23%	30%	47%	100%
All schools	37%	36%	26%	100%

Table 2.1 and Figure 2.1 provide details for Australia as a whole.

At both primary and secondary levels, government schools have a large proportion of students in low income families, while both Catholic and other nongovernment schools have a small proportion of their students in low income families.

In government schools 42 per cent of students are in low income families. In contrast, in Catholic schools, only 27 per cent of students are in low income families, and in other nongovernment secondary schools only 23 per cent of students are in low income families. The three school types also diverge in the proportion of their students who are in high income families - government schools have a small proportion, nonCatholic nongovernment schools a large proportion, and Catholic schools are between them.

In government schools only 21 per cent of students are in high income families. In contrast, in Catholic schools, 34 per cent of students are in high income families, and in other nongovernment schools 47 per cent of students are in high income families.

The pattern is most pronounced at the secondary level. More than half the students in nonCatholic nongovernment secondary schools are in high income families, while in government schools less than one quarter are in high income families.

Data for all schools (primary and secondary combined) for each sector in each State and Territory are provided in Table 2.2. This table also provides statistics on the actual and

standardised ratios between the percentage of students in low and high income families for each sector. The standardised ratios facilitate comparisons between school sectors *within* each State and Territory. The nature of these ratios is described in Box 2.1.

Three States - **Tasmania, South Australia and Queensland** - have a significantly higher percentage of students (in all school sectors) in low income families - respectively 46 per cent, 41 per cent and 41 per cent, while the national figure is 37 per cent. There is a striking pattern for these three States apparent from the standardised ratios of percentages of students in low compared to high income families. *Government schools* in these three States have the *highest* percentages of students in low compared with high income families even when the ratios for the States as a whole (all school sectors) are standardised to 1.0 (1.6, 1.5 and 1.6 respectively, compared with a national ratio for the government school sector of 1.4).

Conversely, the *Catholic* sectors have the *lowest* percentages of students in low compared with high income families (0.5, 0.5 and 0.4 respectively, compared with the national ratio for the Catholic sector of 0.6). The small size of the nonCatholic nongovernment sectors, and the closeness to the national standardised ratio of 0.3 in these three States, indicates that the nonCatholic nongovernment sectors made little, if any, contribution to the pattern of the government sectors having disproportionately (compared with other States and Territories) large percentages of students in low compared to high income families. That is, though the make-up of nonCatholic nongovernment schools in all States has a significant reciprocating effect on the make-up of government schools, the effect is not more marked in these three States, while the reciprocating effect of the Catholic sector is much greater in these three States compared with other States and Territories.

In summary: in the three lowest family income States (Tasmania, South Australia and Queensland), if the overall family income differences between States and Territories is controlled, the government sector has a particularly high proportion of students in low income families, and a low proportion of students in high income families. The reverse is the case for the Catholic sector.

Victoria is not a low income State, but it has a high standardised ratio of the percentage of government school students in low compared with high income families (1.5, compared with the national ratio of 1.4). In Victoria the ratio for the Catholic sector is higher than the national figure (0.7 compared with 0.6), but the large nonCatholic nongovernment sector is lower than the national figure (both 0.3 after rounding). Thus it appears that it is the nonCatholic nongovernment sector's particularly low proportion of students in low compared with high income families that is the reciprocal (balance) the government sector's high proportion of students in low compared with high income families, with the Catholic sector slightly ameliorating the differences (though the Catholic sector still has a higher percentage of students in low compared with high income families).

Box 2.1. Notes on ratios in Table 2.2

Ratio low to high family income. This statistic is the simple ratio of the percentage of students in the sector of that row (for example, NSW government schools in the top row) who are in low income families relative to the proportion who are in high income families (students in medium income families are excluded from the calculation). If the number is 1.0, then there is an equal percentage in each of the two extreme income categories. Where the number is greater than 1.0 there is a higher percentage of students in low income families, and where the number is less than 1.0 there is a higher percentage of students in high income families.

The statistic for 'all schools' in each State and Territory indicates the overall relative percentages of students in low compared with high income families. Nationally the statistic of 1.4 indicates that there is a higher percentage of students from low income families relative to the percentage from high income families. This is explained in Box A, and the data in Table 1.1 indicates that though there are similar percentages of secondary students in the low and high family income ranges, at the primary level a much higher percentage are from low income families. Thus, for all students (primary and secondary together), there is a higher proportion from low income families. Those States with a substantially greater than national ratio of the percentage of students from low income families relative to high income families (ratios greater than 1.5) are Tasmania (2.7), South Australia (2.0) and Queensland (1.9). Those Territories and States with a less than national ratio of the percentage of students from low income families relative to high income families (ratios less than 1.4) are the ACT (0.5), NSW (1.2) and Victoria (1.3). From this ratio we can deduce those particular sectors with very high percentages of students from low income families compared with the percentages from high income families. Nationally government schools have twice the percentage of students from low income families compared with those from high income families (2.0). All government school sectors except that in the ACT, and no Catholic or other nongovernment school sectors, have ratios above the national average for all schools in all sectors of 1.4. The highest ratios (and thus the highest percentages of students from low income families and the lowest proportions from high income families) are the government school sectors in Tasmania (4.3), South Australia and Queensland (both 2.9), and Western Australia (2.1). In contrast, in both the Catholic and other nongovernment school sectors there are lower percentages of students in low income families than in high income families (ratios of 0.8 and 0.5 respectively).

Ratio to 'all schools', low to high family income. This statistic controls for the differences between States and Territories in the percentages of students with low and high family incomes, and standardises (equalises) the percentage of all students in each State and Territory with both low and high family incomes. Thus the ratio for 'all schools' in each State and Territory is 1.0.

This facilitates comparisons between school sectors *within* each State and Territory. The largest standardised percentages of students in low relative to high income families are in the government sectors in Queensland, Tasmania (both 1.6), South Australia and Victoria (both 1.5). Those States where the Catholic sector has the smallest standardised percentages of students in low relative to high income families are Queensland (0.4), South Australia and Tasmania (both 0.5). Those States where the nonCatholic nongovernment sector has the smallest standardised percentages of students in low relative to high income families are Queensland, Tasmania and Victoria (all 0.3).

Table 2.2 Percentage of students in each of government, Catholic and other nongovernment schools, with low, medium or high family incomes, States and Territories, 2001

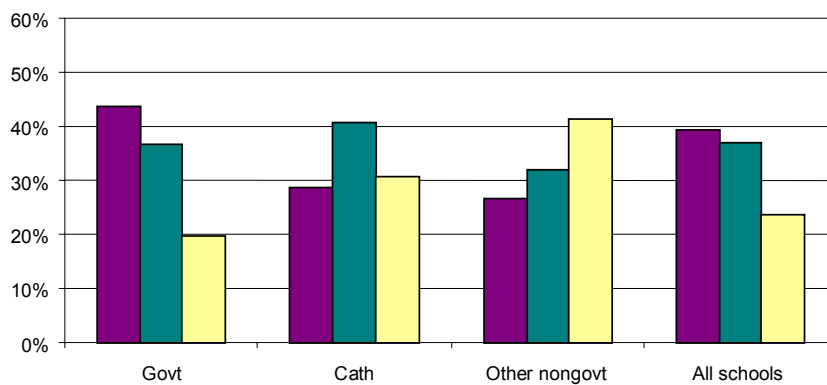
		Family income			Ratio low	Ratio to all
		Low	Medium	High	to high	schools, low
		<\$800	\$800-\$1499	>\$1500	family	to high family
					income*	income*
NSW schools	Government	41%	35%	24%	1.7	1.4
	Catholic	26%	37%	37%	0.7	0.6
	Other nongovernment	22%	27%	51%	0.4	0.4
	All NSW schools	36%	35%	30%	1.2	1.0
Vic. schools	Government	40%	38%	22%	1.8	1.5
	Catholic	28%	40%	31%	0.9	0.7
	Other nongovernment	21%	27%	52%	0.4	0.3
	All Victorian schools	35%	37%	28%	1.3	1.0
Qld schools	Government	47%	37%	16%	2.9	1.6
	Catholic	26%	40%	33%	0.8	0.4
	Other nongovernment	26%	34%	40%	0.7	0.3
	All Qld schools	41%	37%	22%	1.9	1.0
WA schools	Government	42%	38%	20%	2.1	1.4
	Catholic	27%	40%	33%	0.8	0.6
	Other nongovernment	25%	32%	43%	0.6	0.4
	All WA schools	37%	38%	25%	1.5	1.0
SA schools	Government	47%	38%	16%	2.9	1.5
	Catholic	30%	42%	28%	1.1	0.5
	Other nongovernment	27%	35%	37%	0.7	0.4
	All SA schools	41%	38%	21%	2.0	1.0
Tas schools	Government	52%	36%	12%	4.3	1.6
	Catholic	31%	44%	25%	1.2	0.5
	Other nongovernment	28%	33%	39%	0.7	0.3
	All Tasmanian schools	46%	37%	17%	2.7	1.0
NT schools	Government	42%	33%	25%	1.7	1.2
	Catholic	30%	32%	38%	0.8	0.6
	Other nongovernment	23%	30%	47%	0.5	0.4
	All NT schools	39%	33%	28%	1.4	1.0
ACT schools	Government	27%	33%	39%	0.7	1.4
	Catholic	16%	33%	51%	0.3	0.6
	Other nongovernment	12%	23%	65%	0.2	0.4
	All ACT schools	23%	32%	45%	0.5	1.0
Australian schools	Government	42%	37%	21%	2.0	1.4
	Catholic	27%	39%	34%	0.8	0.6
	Other nongovernment	23%	30%	47%	0.5	0.3
	All Australian schools	37%	36%	26%	1.4	1.0

* See explanation in Box 2.1.

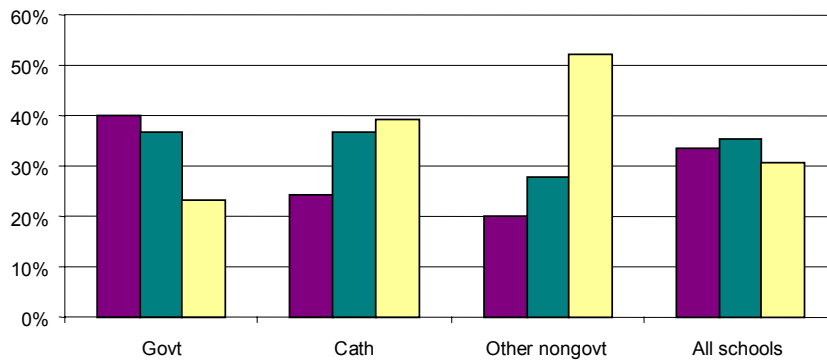
Figure 2.1. Percentage of students in each of Australian government, Catholic and other nongovernment primary and secondary schools with low, medium or high family incomes, 2001

Family income level: Low (< \$800/wk) Medium ((\$800-\$1499/wk) High (>\$1500/wk)

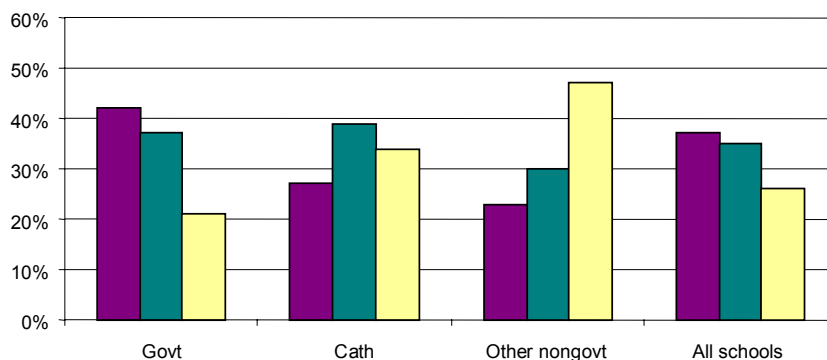
Primary schools



Secondary schools



All schools (primary & secondary)



3. Family income and school type attended

Children in families in different income ranges have very different patterns in the type of school attended.

The majority of primary school students in all family income ranges attend government schools. However, 80 per cent of primary students with low family incomes attend government schools, while fewer than 60 per cent of primary students in high income families attend government schools.

At the secondary level the difference between the income groups is even more marked. While more than three quarters of secondary students in low income families attend government schools, fewer than half of the secondary students in high income families attend government schools.

Attendance at both Catholic and other nongovernment schools shows a reverse pattern, which is more pronounced for nonCatholic nongovernment schools, and at the secondary level. While fewer than 10 per cent of secondary student children in low income families attend nonCatholic nongovernment schools, a quarter of secondary student children in high income families attend nonCatholic nongovernment schools.

Table 3.1 and Figure 3.1 provide details.

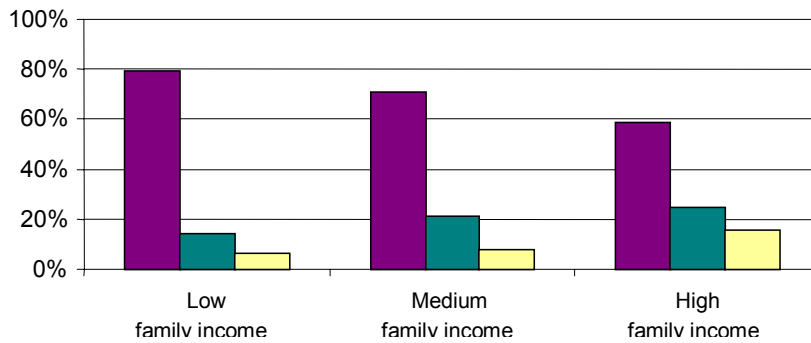
Table 3.1 Percentage of Australian primary, secondary and all school children in each family income range who attend government, Catholic or other nongovernment schools, 2001

	Low family income <\$800	Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
<i>Type of school attended by primary students</i>				
Government	80%	71%	59%	72%
Catholic	14%	21%	25%	19%
Other nongovernment	6%	8%	16%	9%
All primary schools	100%	100%	100%	100%
<i>Type of school attended by secondary students</i>				
Government	76%	67%	48%	64%
Catholic	15%	22%	27%	21%
Other nongovernment	9%	12%	25%	15%
All secondary schools	100%	100%	100%	100%
<i>Type of school attended by all (primary & secondary) students</i>				
Government	78%	69%	54%	69%
Catholic	15%	22%	26%	20%
Other nongovernment	7%	9%	20%	11%
All schools	100%	100%	100%	100%

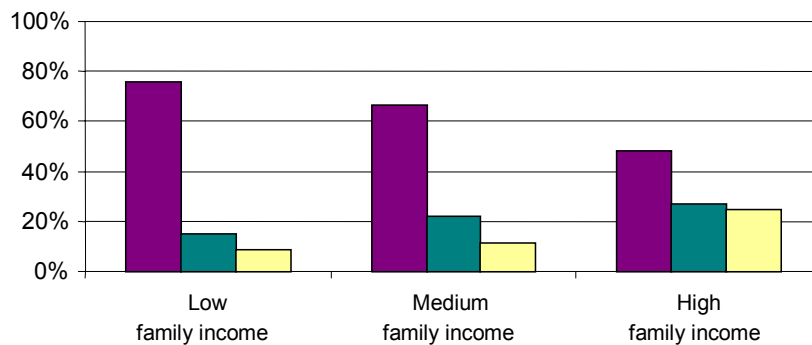
Figure 3.1 Percentage of Australian primary and secondary students in each family income range who attend government, Catholic or other nongovernment schools, 2001

School type attended: ■ Government ■ Catholic ■ Other nongovernment

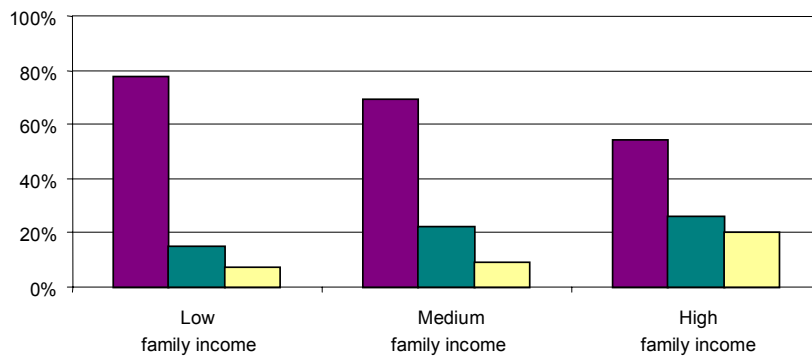
Primary students



Secondary students



All students (primary & secondary)



4. Religion, family income and type of school attended

It is to be expected that students of Catholic religion are more likely to attend Catholic schools - just over half of both primary and secondary Catholic students attend Catholic schools, while less than ten per cent of nonCatholic students attend Catholic schools. (Around 43 per cent of Catholic students attend government schools, and around 5 per cent attend nonCatholic nongovernment schools.)

However, among students of the Catholic religion there is a greater difference in the tendency to attend government schools according to family income than there is for other groups.

At the *primary* level 56 per cent of low family income Catholic students attend government schools, while only 32 per cent of high family income Catholic students attend government schools. Among all other primary students (nonCatholic or no religion students), 88 per cent of those with low family incomes attend government schools, and 74 per cent of those with high family incomes attend government schools - a lesser difference than for Catholic religion students, however it is measured.

At the *secondary* level the percentage of low income Catholic religion students attending government schools is the same as for primary (56 per cent), while only 27 per cent of high family income Catholic students attend government schools. Among all other primary students (nonCatholic or no religion students), 83 per cent of those with low family incomes attend government schools, and 58 per cent of those with high family incomes attend government schools - again, a lesser difference than for Catholic religion students, however it is measured.

Islamic students (about two per cent of all students) at all income levels are much more likely to attend government schools than Catholic students, though they are less likely to attend government schools than are all other nonCatholic (or no religion) students. Like Catholic students with high family incomes, Islamic students with high family incomes have a greater tendency to attend nongovernment schools (Catholic and other), though this is not as pronounced as it is for Catholics.

Table 4.1 and Figure 4.1 provide details.

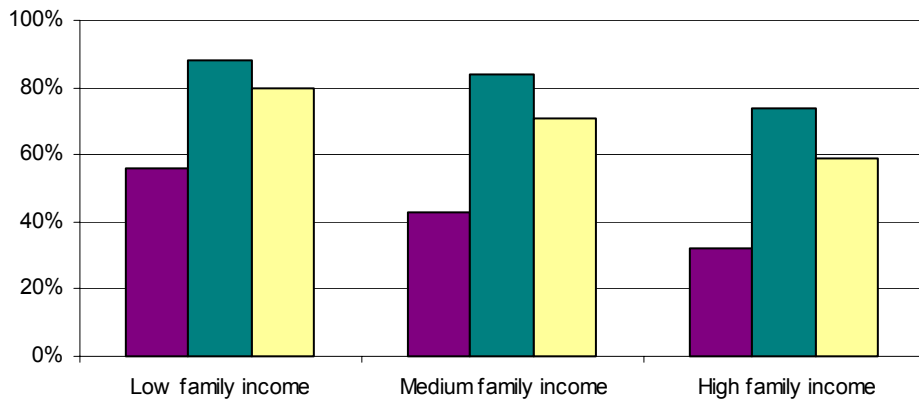
Table 4.1. Percentage of Australian primary and secondary students of selected religions in each family income range who attend government, Catholic or other nongovernment schools, 2001

Type of school attended	Low family income <\$800		Medium family income \$800-\$1499		High family income >\$1500		All family income ranges	
	Primary	Sec.	Primary	Sec.	Primary	Sec.	Primary	Sec.
<i>Catholic religion students</i>								
Government	56%	56%	43%	43%	32%	27%	44%	42%
Catholic	42%	40%	54%	52%	61%	62%	52%	52%
Other nongovt	2%	4%	3%	4%	7%	10%	4%	6%
All schools	100%	100%	100%	100%	100%	100%	100%	100%
<i>NonCatholic or no religion students</i>								
Government	88%	83%	84%	77%	74%	58%	83%	74%
Catholic	5%	6%	6%	8%	6%	9%	5%	8%
Other nongovt	8%	10%	10%	15%	20%	32%	11%	18%
All schools	100%	100%	100%	100%	100%	100%	100%	100%
<i>Islamic religion students</i>								
Government	80%	85%	79%	83%	73%	73%	79%	83%
Catholic	2%	3%	3%	5%	4%	7%	2%	4%
Other nongovt	18%	11%	19%	12%	23%	20%	19%	13%
All schools	100%	100%	100%	100%	100%	100%	100%	100%
<i>All students</i>								
Government	80%	76%	71%	67%	59%	48%	72%	64%
Catholic	14%	15%	21%	22%	25%	27%	19%	21%
Other nongovt	6%	9%	8%	12%	16%	25%	9%	15%
All schools	100%	100%	100%	100%	100%	100%	100%	100%

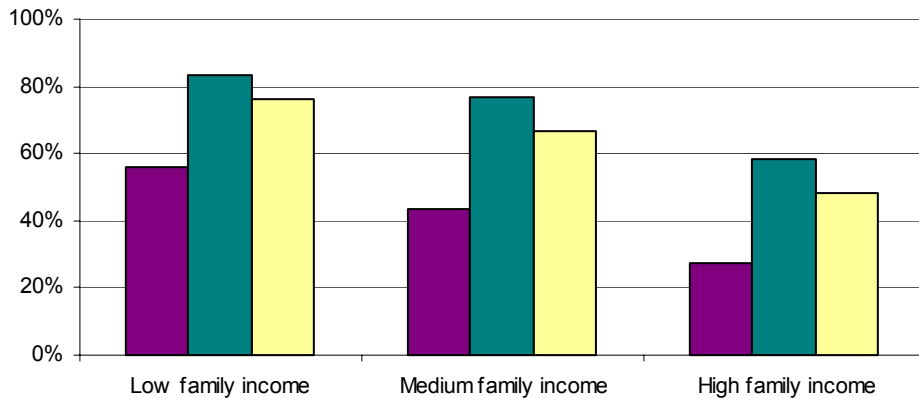
Figure 4.1. Percentage of Australian primary and students of selected religions in each family income range who attend government schools, 2001

Religion of students: ■ Catholic ■ NonCatholic & no religion ■ All students

Primary students



Secondary students



5. Indigenous and all primary and secondary students, by family income

Indigenous students at both the primary and secondary levels are twice as likely as other students to have very low family incomes (less than \$600 a week). The family income range of less than \$400 a week in 2001 includes most one parent families on public benefits. The family income range of \$400-\$599 includes most two parent families on public benefits. (Large families on benefits may have higher family incomes.)

NonIndigenous students are three times as likely as Indigenous students to be in high income families (over \$1500 a week).

At both the primary and secondary levels the patterns are generally similar in the different States and Territories once the overall family income patterns of students is taken into account.

Tables 5.1 and 5.2 provide data for each State and Territory, primary and secondary students respectively.

Table 5.1 Percentage in each family income range, Indigenous primary students and all primary students, Australia and all States and Territories, 2001

	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Australia						
Indigenous students	26%	25%	17%	25%	7%	100%
All students	12%	14%	13%	37%	24%	100%
New South Wales						
Indigenous students	28%	25%	16%	24%	8%	100%
All students	12%	14%	12%	35%	27%	100%
Victoria						
Indigenous students	27%	24%	16%	26%	8%	100%
All students	11%	13%	13%	38%	25%	100%
Queensland						
Indigenous students	22%	25%	19%	28%	7%	100%
All students	12%	16%	15%	38%	19%	100%
Western Australia						
Indigenous students	28%	25%	16%	24%	7%	100%
All students	12%	14%	13%	38%	23%	100%
South Australia						
Indigenous students	29%	25%	17%	23%	6%	100%
All students	13%	16%	14%	39%	18%	100%
Tasmania						
Indigenous students	23%	25%	21%	26%	6%	100%
All students	14%	18%	17%	37%	14%	100%
Northern Territory						
Indigenous students	31%	25%	15%	22%	8%	100%
All students	16%	15%	11%	33%	26%	100%
ACT						
Indigenous students	20%	17%	12%	28%	22%	100%
All students	8%	8%	9%	34%	41%	100%

5.2 Percentage in each family income range, Indigenous secondary students and all secondary students, Australia and all States and Territories, 2001

	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Australia						
Indigenous students	21%	23%	17%	29%	10%	100%
All students	9%	13%	12%	36%	31%	100%
New South Wales						
Indigenous students	29%	28%	17%	27%	11%	100%
All students	9%	12%	11%	34%	34%	100%
Victoria						
Indigenous students	23%	23%	16%	30%	11%	100%
All students	9%	12%	12%	36%	31%	100%
Queensland						
Indigenous students	28%	32%	19%	31%	9%	100%
All students	10%	14%	13%	37%	26%	100%
Western Australia						
Indigenous students	24%	22%	18%	28%	9%	100%
All students	10%	12%	11%	37%	30%	100%
South Australia						
Indigenous students	25%	23%	17%	26%	9%	100%
All students	10%	14%	13%	37%	25%	100%
Tasmania						
Indigenous students	20%	26%	18%	28%	9%	100%
All students	11%	16%	14%	37%	22%	100%
Northern Territory						
Indigenous students	23%	21%	17%	28%	11%	100%
All students	11%	12%	11%	32%	35%	100%
ACT						
Indigenous students	13%	19%	9%	33%	27%	100%
All students	6%	7%	7%	29%	51%	100%

6. School type and Indigenous status of students, by family income

Indigenous students made up in 2001 around 4.1 per cent of all primary students and 2.7 per cent of all secondary students according to ABS *2001 Schools Australia* (Cat. No. 4221.0, p. 21). Indigenous students are thus a little underrepresented in the Census data reported here (see also Box 1.1). However, the general patterns indicated in the data are likely to reflect reality.

Indigenous students are around 8.5 per cent of all primary school students in the very low family income range of less than \$400 a week, but they are barely one per cent of all primary students in the high family income range of \$1500 a week or more. The pattern is similar at the secondary level, though the overall proportion of Indigenous students is lower.

The proportion of students in each family income range who are Indigenous in government schools is two to three times the proportion in either Catholic or other nongovernment schools. In all family income ranges the proportion of Indigenous students in government primary schools is 4.6 per cent, compared with 1.7 per cent in Catholic schools and 1.5 per cent in other nongovernment schools. In all family income ranges the proportion of Indigenous students in government secondary schools is 3.4 per cent, compared with 1.1 per cent in Catholic schools and 0.9 per cent in other nongovernment schools.

Table 6.1 indicates the proportion of all primary and secondary students in each income range and all ranges, in each school sector and all sectors, who are Indigenous.

Table 6.1 Australian Indigenous students as a percentage of all students in each family income range, attending government, Catholic or other nongovernment primary and secondary schools, 2001

	Low family income			Medium family income	High family income	All family income ranges
	<\$400	\$400-\$599	\$600-\$799	\$800-\$1499	>\$1500	
Primary schools						
Government	9.3%	7.3%	5.6%	3.1%	1.5%	4.6%
Catholic	4.5%	3.6%	2.3%	1.4%	0.8%	1.7%
Other nongovt	4.1%	3.5%	2.5%	1.2%	0.5%	1.5%
All primary schools	8.5%	6.6%	4.9%	2.6%	1.1%	3.8%
Secondary schools						
Government	6.7%	5.2%	4.4%	2.5%	1.3%	3.4%
Catholic	2.6%	2.1%	1.8%	1.1%	0.6%	1.1%
Other nongovt	2.6%	2.5%	1.7%	1.0%	0.3%	0.9%
All secondary schools	5.8%	4.5%	3.7%	2.0%	0.8%	2.5%

Table 6.2 indicates the proportion of all Indigenous students in each school sector who are in each family income range. More than half the Indigenous students in government primary schools are in the two lowest family income ranges (less than \$600 a week). Indigenous students in Catholic primary schools are generally in higher income families than Indigenous students in other nongovernment schools. The pattern is similar at the secondary level, though overall family incomes are a little higher (as is the case for all students - see Box 1.1).

Table 6.2 Australian Indigenous students in each family income range as a percentage of all Indigenous students attending government, Catholic or other nongovernment primary and secondary schools, 2001

	Low family income			Medium family income	High family income	All family income ranges
	<\$400	\$400-\$599	\$600-\$799	\$800-\$1499	>\$1500	
Primary schools						
Government	27%	25%	17%	24%	6%	100%
Catholic	19%	21%	15%	32%	13%	100%
Other nongovt	20%	23%	17%	27%	13%	100%
All primary schools	26%	25%	17%	25%	7%	100%
Secondary schools						
Government	22%	24%	18%	28%	9%	100%
Catholic	13%	16%	15%	36%	20%	100%
Other nongovt	17%	20%	15%	32%	17%	100%
All secondary schools	21%	23%	17%	29%	10%	100%

7. Indigenous students, family income, religion and type of school attended

Indigenous students in very low family income ranges are more likely to attend government schools than Indigenous students in higher family income ranges. This is most marked at both the primary and secondary levels in Tasmania, the ACT and South Australia, and least in the Northern Territory.

Nationally around 90 per cent of Indigenous students with very low family incomes attend government schools, while 77 per cent of primary Indigenous students with high family incomes, and 73 per cent of secondary Indigenous students with high family incomes attend government schools.

Tables 7.1 and 7.2 provide data for each State and Territory, primary and secondary levels respectively, on the percentage of Indigenous students in each family income range who attend government, Catholic or other nongovernment schools.

Catholic Indigenous students are, not surprisingly, less likely to attend government schools than are nonCatholic religion (and no religion) Indigenous students. Among both Catholic and nonCatholic Indigenous students, those with high family incomes are much more likely to attend Catholic and other nongovernment schools. Tables 7.3 and 7.4 provide details.

Figure 7.1 graphs the percentages of Indigenous primary and secondary students in each family income range who attend government, Catholic or other nongovernment schools. Figure 7.2 similarly graphs Catholic religion Indigenous primary and secondary students, and Figure 7.3 similarly graphs nonCatholic religion (and no religion) Indigenous primary and secondary students.

Table 7.1 Percentage of Indigenous primary students in each family income range who attend government, Catholic, and other nongovernment schools, Australia and all States and Territories, 2001

	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Australia						
Government schools	91%	89%	89%	85%	77%	88%
Catholic schools	7%	7%	8%	11%	17%	9%
Other nongovt	3%	3%	3%	4%	6%	3%
New South Wales						
Government schools	92%	90%	90%	83%	76%	88%
Catholic schools	6%	7%	8%	13%	17%	9%
Other nongovt	2%	3%	2%	3%	7%	3%
Victoria						
Government schools	92%	91%	88%	85%	78%	88%
Catholic schools	6%	7%	9%	12%	18%	9%
Other nongovt	2%	2%	3%	3%	4%	3%
Queensland						
Government schools	93%	91%	91%	87%	79%	90%
Catholic schools	4%	5%	6%	9%	15%	7%
Other nongovt	3%	3%	4%	4%	6%	4%
Western Australia						
Government schools	86%	84%	86%	82%	76%	84%
Catholic schools	10%	12%	10%	13%	18%	12%
Other nongovt	4%	4%	5%	5%	7%	4%
South Australia						
Government schools	92%	89%	87%	84%	71%	87%
Catholic schools	4%	5%	6%	8%	16%	6%
Other nongovt	5%	6%	7%	8%	13%	7%
Tasmania						
Government schools	91%	90%	87%	81%	64%	86%
Catholic schools	7%	7%	10%	15%	26%	11%
Other nongovt	2%	3%	3%	4%	10%	4%
Northern Territory						
Government schools	88%	88%	86%	89%	86%	88%
Catholic schools	10%	10%	12%	9%	11%	10%
Other nongovt	2%	2%	2%	2%	4%	2%
ACT						
Government schools	93%	80%	72%	70%	68%	76%
Catholic schools	7%	16%	23%	26%	32%	21%
Other nongovt	0%	3%	5%	4%	0%	2%

Table 7.2 Percentage of Indigenous secondary students in each family income range who attend government, Catholic, and other nongovernment schools, Australia and all States and Territories, 2001

	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Australia						
Government schools	90%	89%	88%	83%	73%	85%
Catholic schools	6%	7%	8%	12%	18%	9%
Other nongovt	4%	4%	4%	6%	9%	5%
New South Wales						
Government schools	92%	91%	89%	83%	76%	87%
Catholic schools	5%	6%	8%	13%	17%	10%
Other nongovt	3%	2%	2%	3%	7%	3%
Victoria						
Government schools	93%	90%	89%	85%	78%	88%
Catholic schools	5%	5%	7%	12%	18%	9%
Other nongovt	2%	4%	4%	3%	4%	3%
Queensland						
Government schools	90%	90%	88%	87%	79%	90%
Catholic schools	6%	5%	7%	9%	15%	7%
Other nongovt	4%	5%	4%	4%	6%	4%
Western Australia						
Government schools	85%	86%	86%	82%	76%	84%
Catholic schools	10%	9%	8%	13%	18%	12%
Other nongovt	6%	5%	6%	5%	7%	4%
South Australia						
Government schools	94%	87%	91%	84%	71%	87%
Catholic schools	4%	6%	6%	8%	16%	6%
Other nongovt	2%	7%	3%	8%	13%	7%
Tasmania						
Government schools	91%	86%	83%	81%	64%	86%
Catholic schools	5%	9%	13%	15%	26%	11%
Other nongovt	3%	5%	4%	4%	10%	4%
Northern Territory						
Government schools	83%	81%	79%	89%	86%	88%
Catholic schools	8%	9%	10%	9%	11%	10%
Other nongovt	10%	10%	11%	2%	4%	2%
ACT						
Government schools	92%	78%	87%	70%	68%	76%
Catholic schools	8%	22%	13%	26%	32%	21%
Other nongovt	0%	0%	0%	4%	0%	2%

Table 7.3 Percentage of Australian Indigenous primary students - Catholic religion, nonCatholic and all students - in each family income range, who attend government, Catholic or other nongovernment schools, 2001

School type attended	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Catholic religion primary Indigenous students						
Government	76%	75%	73%	66%	55%	70%
Catholic	22%	24%	25%	35%	41%	28%

Other nongovt	2%	2%	2%	2%	3%	2%
NonCatholic religion primary Indigenous students						
Government	95%	94%	94%	88%	81%	93%
Catholic	2%	2%	2%	6%	10%	3%
Other nongovt	3%	4%	4%	7%	10%	4%
All primary Indigenous students						
Government	91%	89%	89%	85%	77%	88%
Catholic	7%	7%	8%	11%	17%	9%
Other nongovt	3%	3%	3%	4%	6%	3%

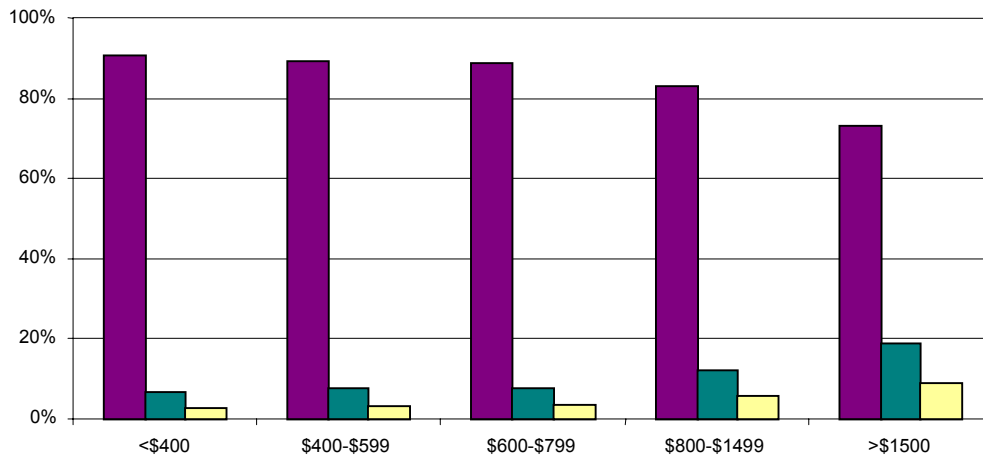
Table 7.4 Percentage of Australian Indigenous secondary students - Catholic religion, nonCatholic and all students - in each family income range who attend government, Catholic or other nongovernment schools, 2001

School type attended	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Catholic religion secondary Indigenous students						
Government	81%	79%	75%	67%	55%	72%
Catholic	17%	19%	23%	30%	39%	25%
Other nongovt	2%	3%	2%	3%	6%	3%
NonCatholic religion secondary Indigenous students						
Government	93%	92%	91%	88%	81%	90%
Catholic	3%	3%	4%	5%	10%	4%
Other nongovt	4%	5%	5%	7%	9%	6%
All secondary Indigenous students						
Government	90%	89%	88%	83%	73%	85%
Catholic	6%	7%	8%	12%	18%	9%
Other nongovt	4%	4%	4%	6%	9%	5%

Figure 7.1 Percentage of Australian Indigenous primary and secondary students in each family income range who attend government, Catholic or other nongovernment schools, 2001

School type attended: Government Catholic Other nongovernment

All Indigenous primary students



All Indigenous secondary students

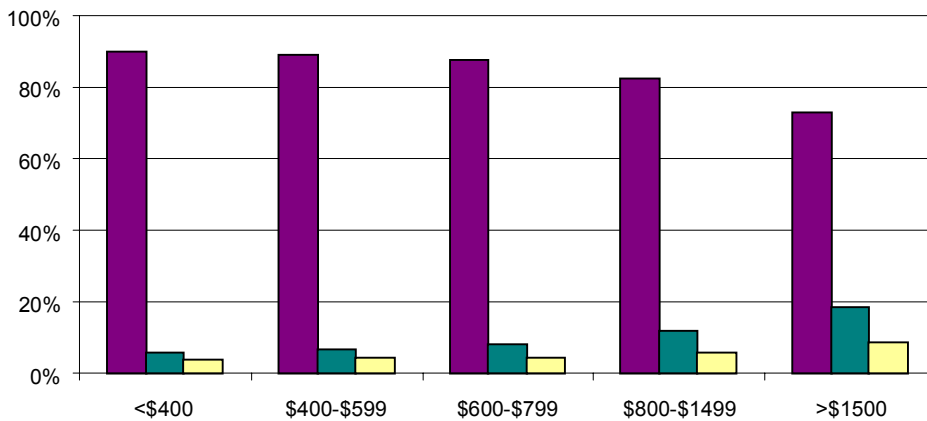
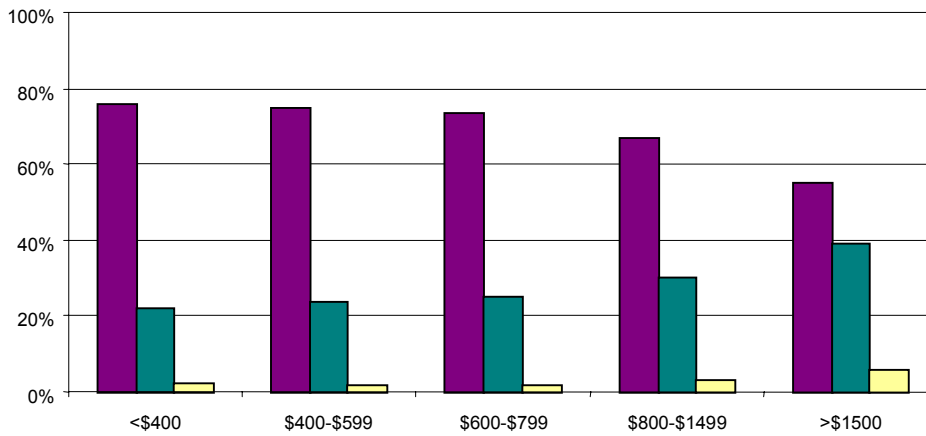


Figure 7.2 Percentage of Indigenous Catholic religion primary and secondary students in each family income range who attend government, Catholic or other nongovernment schools, 2001

School type attended: Government Catholic Other nongovernment

Catholic Indigenous primary students



Catholic Indigenous secondary students

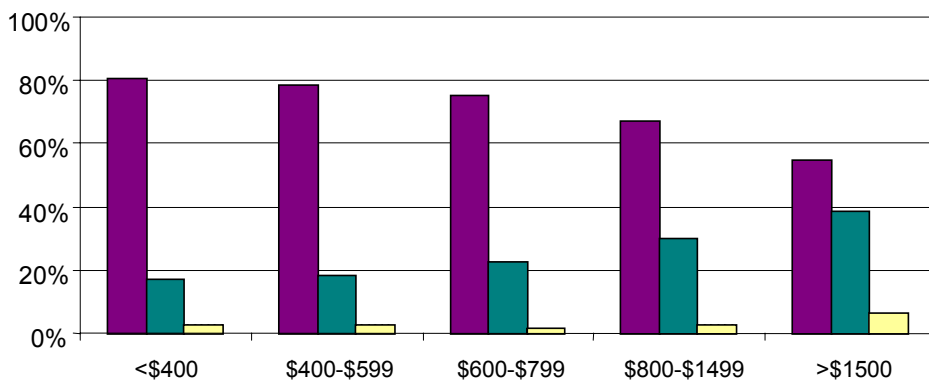
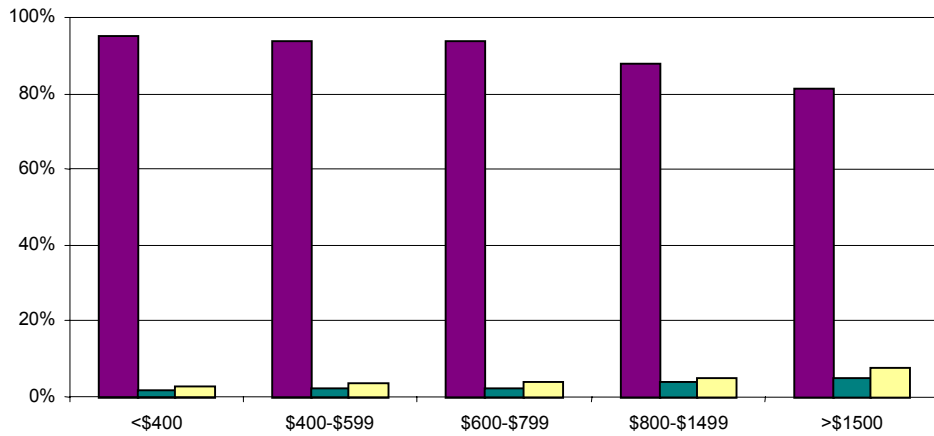


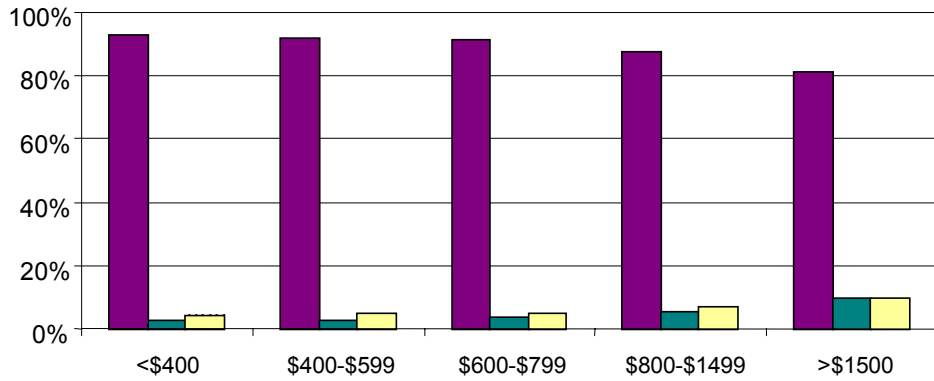
Figure 7.3 Percentage of Indigenous nonCatholic religion and no religion primary and secondary students in each family income range who attend government, Catholic or other nongovernment schools, 2001

School type attended: Government Catholic Other nongovernment

NonCatholic Indigenous primary students



NonCatholic Indigenous secondary students



8. Students in one parent families, and all primary and secondary students, by family income

According to the Census data, around 21 per cent of primary students and 22 per cent of secondary students are in one parent families.

Students in one parent families at both the primary and secondary levels are more than three times as likely as other students to have very low family incomes of less than \$400 a week. This income range is the usual family income range of one parent families on public benefits and no other significant sources of income. (Large families on benefits may have higher family incomes.) Students in one parent families at both the primary and secondary levels are only around one tenth as likely as other students to have high family incomes

Tables 8.1 and 8.2 provide details for each State and Territory. The patterns are generally similar between the States and Territories.

Table 8.1 Percentage in each family income range, primary students in one parent families and all primary students, Australia and all States and Territories, 2001

	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Australia						
One parent family	39%	34%	13%	12%	2%	100%
All	12%	14%	13%	37%	24%	100%
New South Wales						
One parent family	40%	33%	13%	12%	3%	100%
All	12%	14%	12%	35%	27%	100%
Victoria						
One parent family	38%	34%	14%	12%	2%	100%
All	11%	13%	13%	38%	25%	100%
Queensland						
One parent family	37%	37%	14%	11%	2%	100%
All	12%	16%	15%	38%	19%	100%
Western Australia						
One parent family	40%	34%	13%	11%	2%	100%
All	12%	14%	13%	38%	23%	100%
South Australia						
One parent family	41%	35%	13%	10%	1%	100%
All	13%	16%	14%	39%	18%	100%
Tasmania						
One parent family	44%	36%	12%	8%	1%	100%
All	14%	18%	17%	37%	14%	100%
Northern Territory						
One parent family	38%	27%	14%	18%	3%	100%
All	16%	15%	11%	33%	26%	100%
ACT						
One parent family	32%	25%	16%	23%	4%	100%
All	8%	8%	9%	34%	41%	100%

Table 8.2 Percentage in each family income range, secondary students in one parent families and all secondary students, Australia and all States and Territories, 2001

	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Australia						
One parent family	28%	29%	17%	21%	4%	100%
All	9%	13%	12%	36%	31%	100%
New South Wales						
One parent family	29%	28%	17%	21%	5%	100%
All	9%	12%	11%	34%	34%	100%
Victoria						
One parent family	27%	29%	18%	21%	4%	100%
All	9%	12%	12%	36%	31%	100%
Queensland						
One parent family	28%	32%	18%	19%	3%	100%
All	10%	14%	13%	37%	26%	100%
Western Australia						
One parent family	29%	30%	17%	20%	3%	100%
All	10%	12%	11%	37%	30%	100%
South Australia						
One parent family	29%	31%	18%	19%	3%	100%
All	10%	14%	13%	37%	25%	100%
Tasmania						
One parent family	32%	32%	17%	17%	2%	100%
All	11%	16%	14%	37%	22%	100%
Northern Territory						
One parent family	27%	23%	17%	27%	5%	100%
All	11%	12%	11%	32%	35%	100%
ACT						
One parent family	20%	19%	16%	36%	9%	100%
All	6%	7%	7%	29%	51%	100%

9. Students in one parent families, family income and type of school attended

Like other groups reported on in other sections, students in one parent families are much more likely to attend government schools if the family income is low, especially if it is in the very low ranges of families solely reliant on public benefits. Catholic school attendance is most likely for students in single parent families in the medium family income range, and attendance at other nongovernment schools is most likely for students in single income families in the high income range.

Table 9.1 and Figure 9.1 provide details.

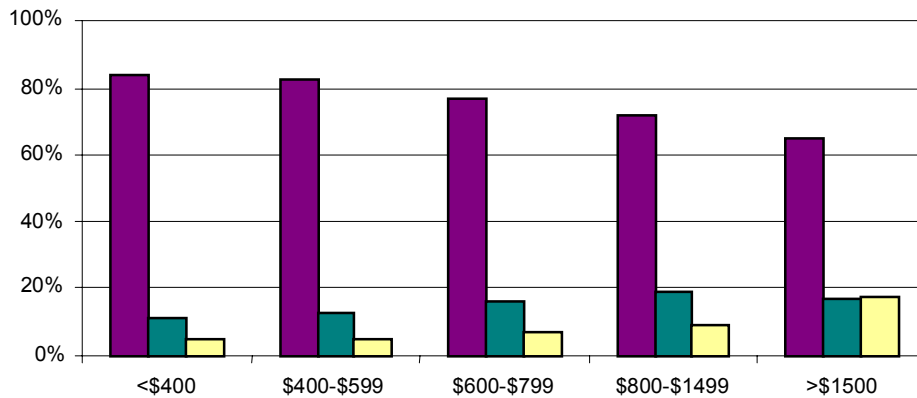
Table 9.1 Percentage of primary and secondary students in one parent families in each family income range, who attend government, Catholic or other nongovernment schools, 2001

School type attended	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Primary students						
Government	84%	82%	77%	72%	65%	81%
Catholic	11%	12%	16%	19%	17%	13%
Other nongovt	5%	5%	7%	9%	18%	6%
Secondary students						
Government	80%	79%	72%	65%	51%	74%
Catholic	12%	14%	18%	21%	22%	16%
Other nongovt	8%	8%	10%	15%	27%	10%

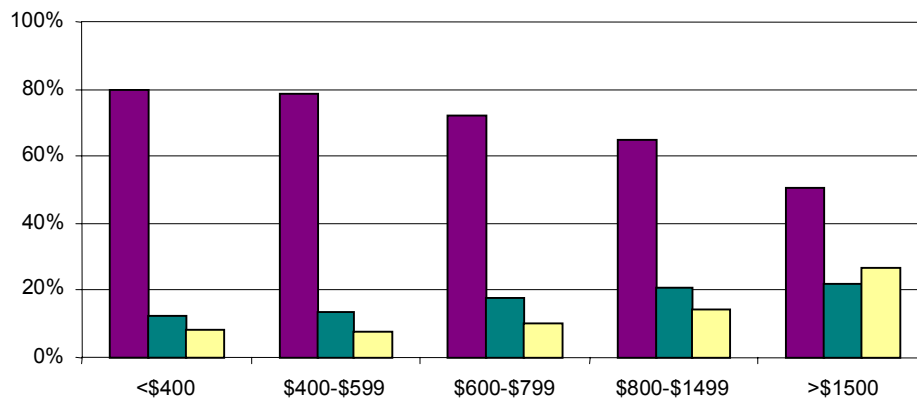
Figure 9.1 Percentage of primary and secondary students in one parent families in each family income range who attend government, Catholic or other nongovernment schools, 2001

School type attended: Government Catholic Other nongovernment

Primary students in one parent families



Secondary students in one parent families



10. Summary comparisons between different groups

Whatever their family income range, Indigenous students are much more likely to attend government schools than are all Australian students.

The greater tendency of Indigenous students to attend government schools is most apparent at the high family income range and at the secondary level.

Students in one parent families are also more likely to attend government schools, whatever their family income range (except the ranges \$600-\$1499 at the secondary level) - but only marginally so.

Table 10.1 and Figure 10.1 provide details. Note that the high proportions of both Indigenous students and students in one parent families who have low family incomes accounts in large part for the higher proportions of students from those groups in 'all family income ranges' who attend government schools. This is most apparent for students in one parent families, who are generally only marginally more likely to attend government schools than are all students in each family income range.

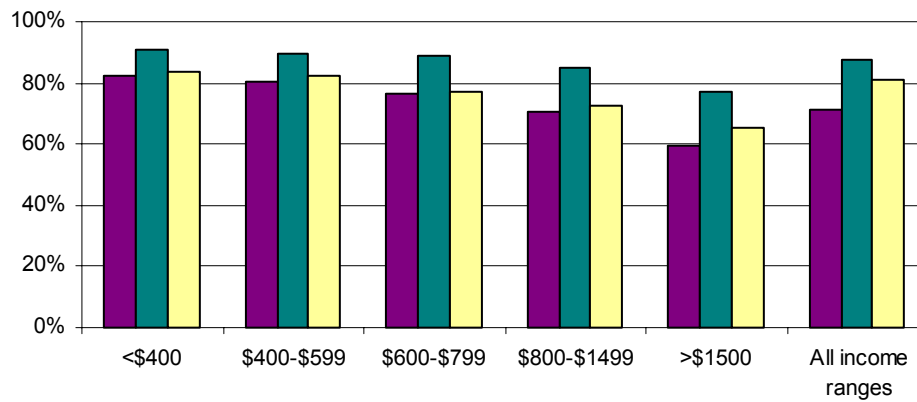
Table 10.1 Percentage attending government schools: all primary students, Indigenous primary students, and primary students in one parent families; all secondary students, secondary Indigenous students, and secondary students in one parent families, in each family income range, 2001

	Low family income			Medium family income \$800-\$1499	High family income >\$1500	All family income ranges
	<\$400	\$400-\$599	\$600-\$799			
Primary students						
All students	82%	80%	77%	71%	59%	72%
Indigenous students	91%	89%	89%	83%	77%	
Students in one parent families	84%	82%	77%	72%	65%	81%
Secondary students						
All students	78%	77%	74%	67%	48%	64%
Indigenous students	90%	89%	88%	83%	73%	85%
Students in one parent families	80%	79%	72%	65%	51%	74%

Figure 10.3 Percentage attending government schools: all primary students, Indigenous primary students, and primary students in one parent families; all secondary students, secondary Indigenous students, and secondary students in one parent families, in each family income range, 2001

Student group: All students Indigenous students Students in one parent families

Primary students



Secondary students

