

31 October 2008

Committee Secretary
Senate Education Committee
S1.61 Parliament House
CANBERRA ACT 2600

Dear Secretary

The Geelong College wishes to take the opportunity to make this submission to the Inquiry pursuant to the Schools Assistance Bill 2008.

We understand that the Inquiry intends to look at the principles of the Schools Assistance Bill 2008, with the three amendments proposed by the Opposition having been defeated in the House of Representatives, particularly to be considered. The Geelong College is well placed to provide valuable input to assist the Inquiry in its endeavours.

Our submissions will provide a profile of The Geelong College, assess the areas proposed for amendment and the consequences, as we see them, for the current funding system. We will further include our recommendations as to future funding arrangements.

The Geelong College

The Geelong College commenced as a private school in Geelong in 1861. It was founded by the Presbyterian Church but it has been affiliated with the Uniting Church since 1977. It began as a boys' school and became co-educational in 1974.

Grounded on Christian principles, the College's general mission is to encourage students to strive for individual achievement and self-fulfilment at the same time as to demonstrate a concern for others.

1195 full-time students currently attend the College, including 80 boarders, and a further 55 full-time equivalent students in the Early Learning Centre.

The Geelong College is the only former Category 1 School that operates solely in a regional area. Over 90% of our students reside in the Geelong region. The majority of boarding students come from the Western District of Victoria and Southern NSW, which are regions which have seen a marked decline in economic fortunes in recent years.

A profile of the school and its community shows the following characteristics:

1. In about two thirds of families, both parents work to pay school fees.
2. Nearly 50% of parents had a household income before tax of less than \$100,000 (2002 survey).
3. 40% of respondents to that survey indicated that they were sensitive to increases in school fees and of these, 11 % said they would have to seriously consider moving their children to another school if there was an above average increase in our fees.

Since 2002, the College's SES score has fallen, indicating a reduction in the financial profile of the College's families (down from 109 to 108).

Our assessment of the amendments proposed to the Schools Assistance Bill 2008 is as follows:

1. Right of the Federal Education Minister to delay or withhold funding where a school returns a qualified audit:

Section 15 of the Bill allows the Minister to “refuse to authorise, or delay, a payment to a State under this Act for a non-government (school), or the relevant authority of such a body, if (a) relevant audit:

- (i) is expressed to be qualified; or
- (ii) expresses concern about the financial viability of the body or authority.”

A qualified audit opinion may be given in an annual audit of a school where the auditor disagrees with the treatment or disclosure of information in the financial statements.

Communication with a major auditing company has revealed that in over 90 audits (30-plus schools over three years), this auditing body had never given a going-concern or viability qualification of an audit. The two cases of qualified audits reported involved revenue recognition (timing of donations) and accelerated depreciation.

A qualified audit opinion may therefore arise from an issue completely removed from the school’s ability to viably operate. It may even arise for non-financial reasons.

While section 15 of the Bill directly refers to financial viability, part (i) is wide enough to allow the Minister to interfere with payments to a school for any issue giving rise to audit qualification.

The Geelong College believes that to thus empower a Minister when an audit qualification arises from non-viability factors is unreasonable and inappropriate.

2. Require non-government schools to agree to implement the national curriculum by 2012 in order to receive funding:

While the College is sympathetic to the concept of a national curriculum, it is nonetheless concerned that other schools which present alternative curricula, such as International Baccalaureate, Montessori, Steiner or special needs, may be disadvantaged.

These schools should not lose the right to conduct their chosen curriculum model, nor should they be financially disadvantaged for doing so.

What is of particular concern, however, is that, through the introduction of the legislation in its current form, we are being required to accept the national curriculum even though it is yet to be written.

3. Require non-government schools to provide detailed information to the department of the financial operations of the school, including the financial viability and funding sources of the school:

Section 24 of the Bill requires the furnishing of (reports) ... (to be) given to the Minister in relation to each of the following:

- (b) the financial operations (including the financial viability and funding sources) of (a school or an approved school system including each particular school in the system.)

It is well-known that non-government schools provide financial information through the Financial Questionnaire. Until now, the information collected has been treated as commercial-in-confidence and therefore individual school financial information was not released.

However, section 24 of the Bill empowers the Minister to ask for reports about individual school information in a way determined by the Minister. Potentially, under this provision, the Minister could use the information in a number of ways. While the extent of what may be required will be identified in the regulations, and therefore is not yet known, these may include:

- Requesting specific data about people or entities who provide gifts.
- Using aggregated funding information to build a case for reducing or eliminating a school's right to recurrent or capital government grants.
- Accepting that funding sources which include donations and bequests – which are neither regular nor predictable – should influence recurrent funding.
- Making these reports publicly available – this would create a serious disincentive for donations and bequests and would therefore have a significant impact on school fundraising activities.

The Geelong College has established a strong record of modest fee rises, in the face of significant increases in Education CPI and cost pressures. Our ability to maintain this degree of accommodation of our school community would be prejudiced if donors and benefactors were discouraged by the potential outcomes of this section of the Bill.

Moreover, if the use of this information led to a revised funding system which discounted government funding by donated sources, it would certainly remove the basis for the moderate fees and charges regime operated by the College.

The need to make available for publication all sources of school funding is an unnecessary requirement under the SES funding model and signals, it would seem, a shift away from the current funding model.

The Geelong College has in the past stated its strong support for the SES model of funding. Based on national statistical data, the SES offers considerable transparency. The system cannot be manipulated by schools, and the outcome provides a clearer picture of the capacity of parents to pay fees.

By representing the socio-economic profile of the school's drawing region, a closer approximation of household income emerges. A school in a 'wealthy' locality will accordingly secure a lower funding level.

While no system can be perfect, the SES model eliminated many inequities and went further towards producing a 'level playing field' than its predecessor or other alternative models as it works on a close representation of the student profile in any school.

The College believes that this would be put at risk by the proposed changes to information requirements which could conceivably be manipulated to form the basis of an alternative funding system, and where the fairness and transparency of SES could be lost.

Recommendations

The College submits the following recommendations:

1. That the amendment to remove the right of the Minister to delay or withhold funding where a school returns a qualified audit be accepted.
2. That the amendment to not compel non-government schools to agree to implement the national curriculum by 2012 in order to receive funding be accepted.
3. That the amendment to remove the proposed requirement of non-government schools to provide detailed information to the department of the financial operations of the school, including the financial viability and funding sources of the school be accepted.
4. That the SES funding system continues to be used as the model upon which government recurrent funding is based.

We would be pleased to provide further information in support of our submissions and to liaise with the Committee in doing so, if required.

Yours sincerely

Dr HUGH SEWARD

Chairman of Council

Dr PAULINE TURNER

Principal