

Capital funding

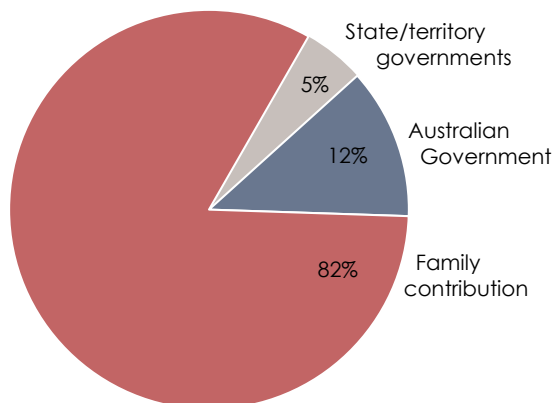
The independent sector is the fastest-growing schools sector and the demand for capital support is high.

Enrolments in the independent sector have grown by 18 per cent or nearly 70,000 students in the last five years.

Parents contribute almost 82 per cent of the cost of buildings and equipment in the independent sector, mainly through school fees. Independent schools also rely on fundraising and donations for capital development.

In 2006 (latest available data), families contributed \$3.7 billion to help meet the cost of educating their children in independent schools. Of this amount, \$3.3 billion was for recurrent costs, that is, day-to-day running costs such as teacher and support staff salaries.

Sources of capital funding for the independent schools sector, 2006



While the capital assistance provided by governments is highly valued by the independent sector, and vital in helping schools provide adequate facilities for students, it represents almost 18 per cent of the sector's capital funding. In the independent sector capital development is mostly financed by family contribution.

Parents provide the bulk of funding to build, equip and maintain independent schools.

Some \$421 million of parental contribution to the sector was spent on capital development – for new facilities to meet the demands of growing student enrolments, for the refurbishment of existing buildings and to upgrade facilities and equipment to meet changing curriculum needs.

The Australian and state and territory governments also contribute some capital funding to the independent sector.

Australian Government capital funding

The Australian Government will provide around \$164 million to independent schools under its Capital Grants Program over the 2005-08 funding period, out of a total of some \$1.7 billion for all Australian schools. That is, less than 10 per cent of the available grants will be available to the independent sector, which enrolls over 13 per cent of students.

The independent sector also benefited from the *Investing in Our Schools Program*, which in total provided an additional \$1.181 billion in capital assistance to Australian schools for small projects. Grants are also available to the independent sector under the *National Solar Schools Program*, *Trade Training Centres in Schools Program* and *National Secondary School Computer Fund*.

Capital grants are needs-based

Australian Government capital grants for independent schools are administered according to government guidelines by expert panels in each state and territory. These Block Grant Authorities assess and prioritise proposals for capital grants.

Australian Government capital funding goes to independent school communities with the least capacity to raise funds.

2006 Australian Government capital funding for independent schools by school SES score, expressed as \$ per student



In line with Government policy, Australian Government capital grants to independent schools are distributed on a needs basis to benefit those students who are most educationally disadvantaged. This graph shows that the bulk of Australian Government capital grants for the independent sector benefits students in schools with a low SES score. Socio-economic status (SES) is a common measure of relative educational disadvantage and is also used to measure relative need for the distribution of Australian Government general recurrent grants to independent schools.

In the independent sector Australian Government capital grants are distributed on a needs basis, with priority given to disadvantaged school communities with the least capacity to raise funds.

In 2006, 73 per cent of the total capital funding available to independent schools went to schools with a socio-economic status (SES) score of less than 100, and 94 per cent of grants went to schools with an SES score of less than 110.

Many long-established independent schools receive no capital grants from governments. The extent and quality of their facilities reflect instead generations of contribution from families, former students and other donors.

State and territory government support

All state and territory governments have provided some support for capital development in the independent sector. This support may be in the form of direct grants or through interest subsidy or low interest loan schemes, and varies considerably in amount from state to state.

Several state or territory governments have reduced their capital support for independent schools in recent years.

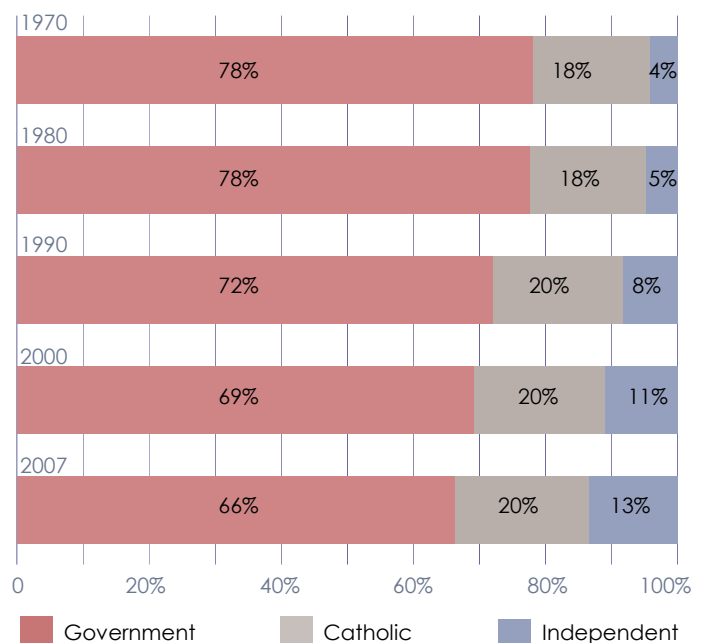
Any reduction in government support for capital development in the independent sector increases the cost burden on families.

Borrowing to build

Most independent schools borrow funds to finance capital development and spread the cost of these borrowings over the generations of students who will benefit from the investment. This debt servicing is built into school fees.

In 2006 the net total borrowings of the sector were \$2.5 billion, which equates to \$5,640 per student.

**Building for growth
Sector share of total enrolments, 1970-2007**



There has been steady and continued growth in the independent schools sector for over 30 years. Since 1985, enrolments in the sector grew by some 255,000 students, almost seven times the growth of enrolments in the government sector. The demand for independent schooling is projected to continue and, in face of escalating land and building costs, is placing unprecedented financial pressure on independent school communities.