

# Government funding of independent schools

High standards of schooling are required for all Australian children – but for some years there have been continuing increases in the cost of running schools. This places great pressure on governments to allocate public funds for schools within guidelines that are clear and fair to all. It is within this context that the Australian Government has instigated significant developments in its schools funding policies in recent years.

However, within the political debates about education, independent schools still find themselves subject to widely differing ideological perspectives. During these debates, key facts about schools funding are often left out, or misrepresented. This section clarifies the facts of government funding for independent schools in 2006.

Although independent schools, on average, depend primarily on private sources of income to fund educational programmes, government funding is a significant and necessary component of income for virtually all independent schools in Australia.

For the sector as a whole, 40 per cent of independent school income came from government sources in 2004. However, the amount of government funding which individual independent schools receive varies widely.

## Total government spending on schools

Historically, the Australian Government has taken the primary role in helping fund non-government schools, including independent and Catholic systemic schools. State and territory governments generally contribute much lower levels of funds to non-government schools. For government schools, state and territory governments are the primary sources of support, while the Australian Government provides a relatively low level of funding.

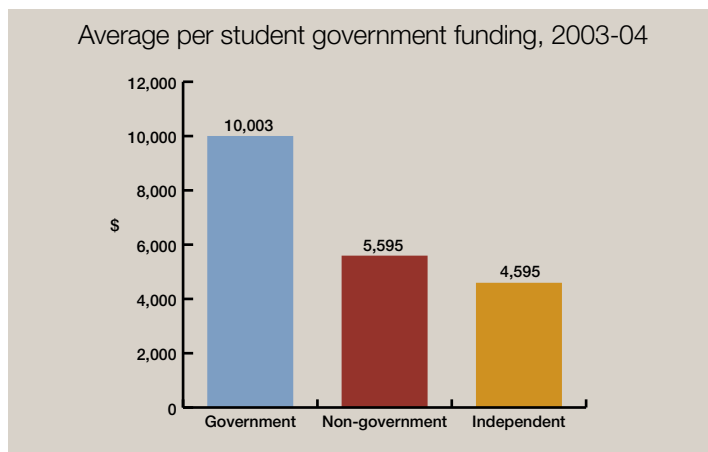
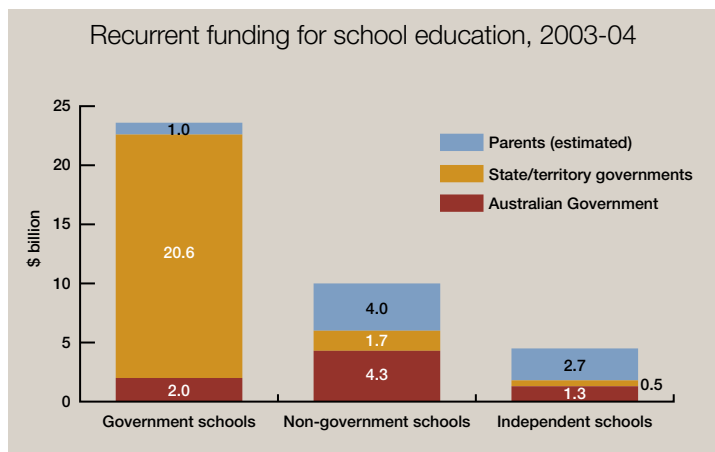
Comparisons between the Australian Government's support for non-government – especially independent – and government schools are frequently made without reference to this funding balance. A perception is often created that government schools are being under-funded by the Australian Government, while it increases funds to non-government schools, especially independent schools. To be fair and meaningful, comparisons of funding to schools need to take into account the **total** amounts provided by both the Australian Government and state and territory governments.

Through its governments at both federal and state and territory levels, the Australian community spent a total of \$28.6 billion on school education in 2003-04, with \$22.6 billion going to government schools and \$6 billion to non-government schools. The graph on page 30, **Recurrent funding for school education 2003-04**, gives a breakdown of Australian Government and state and territory governments funding to both sectors.

In 2003-04, some 68 per cent of school enrolments were in government schools, which received 79 per cent of total government expenditure on schooling. In comparison, non-government schools accounted for 32 per cent of enrolments and only 21 per cent of total government expenditure (**see graph on page 31, Enrolments and government funding by sector, 2003-04**). Just over 39 per cent of non-government students are from independent schools.

On an individual student basis, total government spending in 2003-04 in government schools averaged \$10,003 while in non-government schools (both Catholic systemic and independent schools) this was \$5,595 per student.





The Independent Schools Council of Australia (ISCA) estimates that average government expenditure on students in independent schools was significantly lower than for the non-government sector as a whole, and was 46 per cent of per student spending in government schools, that is about \$4,595 per student (see graph above, **Average per student government funding, 2003-04**).

These facts show that students in independent schools, on average, receive considerably less government funding than their counterparts at government schools. This is because their parents pay substantially towards the cost of their education through school fees, with limited additional funding provided from other private sources.

While some critics of government funding to independent schools question the level of this funding, it is evident that without independent schools, and the parental commitment within these school communities to pay fees, governments would face greatly increased costs for schooling provision.

ISCA estimates that in 2003-04 savings to total government expenditure from students attending non-government schools was about \$4.7 billion. Independent schools accounted for about \$2.2 billion of these annual savings. If these students were to move to government schools, governments throughout Australia would be faced with the unpopular choice of raising taxes to cover the increased public cost of educating them in government schools, or the educationally and politically unacceptable task of reducing the quality of educational provision to all students in government schools.

### Types of government funding to independent schools

At both the federal and state and territory levels of government there are two broad categories of government funding to independent schools: recurrent funding and funding for capital purposes (see **Capital resources, page 38**). Recurrent funding, which assists schools with their ongoing operating expenses, is by far the larger of the two categories.

Recurrent funding is provided both in the form of general per student grants, and as specific purpose funding. The latter is directed towards the support of particular groups of students, such as students with disabilities, and for specific goals – for example, literacy and numeracy, and the provision of English as a Second Language (see **Specific purpose recurrent funding, page 36**).

### Australian Government general recurrent funding

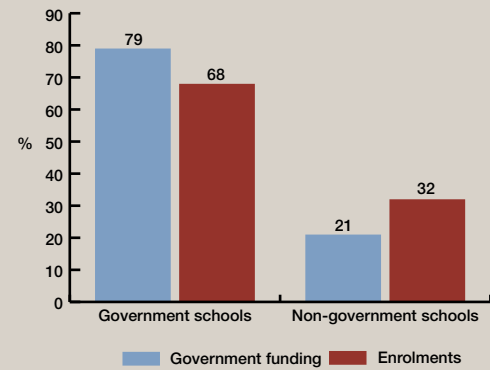
The Australian Government is the principal source of public funding for students attending non-government schools. Stability and predictability in government policies for independent schools is required to enable schools to undertake planning and is vital for their long-term viability and existence. For this reason the sector has welcomed successive Australian Governments' continued commitment to four-year (quadrennial) funding arrangements. Most recently, the Australian Government has enacted legislation for the 2005-08 quadrennium.

The Australian Government uses the measure, Average Government School Recurrent Costs (AGSRC), as a benchmark for determining the level of its general recurrent funding to non-government schools, including independent schools. It also uses the AGSRC as an index to supplement general and targeted recurrent funding over time.

The AGSRC is an index, and is not a comprehensive or direct measure of government school recurrent costs. Because of the need to collect and collate data on government school expenditure, the index is based on data that can be up to 18 months old. Nevertheless, it provides a useful basis for supplementation, ensuring that



Enrolments and government funding by sector, 2003-04



the relationship between Australian Government funding for non-government schools and overall government expenditure in government schools is broadly maintained.

At the time of writing, the preliminary AGSRC for the 2006 school year was set at \$6,787 for primary students and \$8,994 for secondary students. It is expected that this will be supplemented, or indexed, in the second half of the 2006 school year to take account of increases in the cost of provision in government schools during the financial year ended June 2005.

Each independent school is eligible to receive Australian Government general recurrent funding at a level somewhere between 13.7 and 70 per cent of AGSRC, depending on the circumstances of the school. These payments are made directly to each school (or school authority, in the case of schools that are part of systems) on a per student basis.

### How relative need is measured: the SES model

The Australian Government has since 1 January 2001 used a needs-based model to allocate general recurrent funding to independent schools. Under this model, relative need is assessed according to the socio-economic status of each school community (the SES model). Before this, it relied on the Education Resources Index (ERI), a model which had become increasingly flawed and reliant on out-dated data.

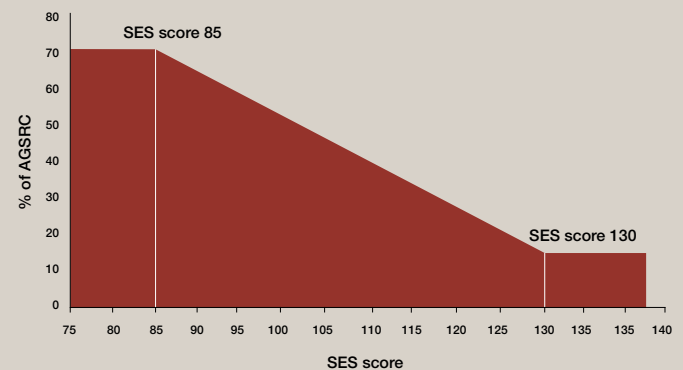
The SES model measures the relative socio-economic advantage of the parents of a school community through three key indicators – levels of income, education and types of occupation. The model is based on the presumption that school communities with higher socio-economic indicators will be more able to support their school and therefore require less government funding.

Individual data on families are not collected because this would be intrusive. Instead, as a proxy, the model uses the data collected every five years through the ABS Census of Population and Housing. Data from the individual Census Collection District in which each independent school family resides are averaged, and taken as a representative figure. Usually these districts contain about 250 households. On the basis of their residential address, each student at an independent school is matched to a Census Collection District, and assigned the SES score of that district. The SES scores of all the students in the school are then averaged to determine the school's overall score.

The SES measure of relative need is set between upper and lower limits, thereby guaranteeing a minimum level of government support per student to all independent schools within the range of 13.7 per cent to 70 per cent of AGSRC.

SES scores for independent schools currently range from a low of 63 to a high of 133. Schools with scores of 85 or below currently receive a maximum of 70 per cent of AGSRC. Schools with scores between 85 and 130 receive progressively less funding to a point where, those with scores of 130 or above and which are not funding maintained (see below), receive the minimum funding level.

Sliding scale of funding entitlement according to SES score





### The concept of basic entitlement

This policy reflects the views of successive Australian Governments of all political persuasions that, because schooling is a legal requirement for all children and because parents pay taxes, governments have a responsibility to contribute at least a minimum amount towards each student's schooling within an independent school. This has become known as the **basic entitlement**.

In recent times there have been very public challenges from some quarters, including certain political parties, to the principle of basic entitlement for students who attend well-resourced or high fee schools. Such schools have usually built facilities and accumulated resources over time through the financial contributions of their school communities, particularly parents. These schools generally receive relatively low levels of government funding, requiring them to charge higher fees.

### Strengths of the SES model

The SES model, combining a level of basic entitlement supplemented by a needs-based approach, is an equitable, efficient and effective mechanism for delivering government funding for independent schools. Its methodology:

- is transparent, and is based on data that cannot be manipulated to influence funding
- is administratively simple for schools
- provides a credible and equitable measure of each school community's relative capacity to pay
- is flexible to changes within a school community
- creates no disincentive to private effort to increase school income
- provides the longer-term predictability and stability which schools need for planning purposes.

### Funding maintenance for some schools

When the SES model was implemented, it included provision for funding maintenance for about 20 per cent of independent schools that would otherwise have experienced a decrease in their level of Australian Government funding. The Australian Government gave a commitment that the previously established funding level of these schools, as a proportion of AGSRC, would be maintained. In the past, governments have had transition arrangements when new funding systems have been introduced, thereby giving schools continued financial stability and allowing them to maintain the quality and level of their educational provision to their current students.

### Changes in funding for 2005-08

In 2004 the Australian Government recalculated the SES scores of schools using latest available census data. In line with the Australian Government's commitment that no school would suffer a funding cut as a result of the SES funding scheme, arrangements for the 2005-08 quadrennium include a funding guarantee for those schools which, on the basis of the SES recalculation, would receive less funding. The guarantee, by allowing for a phased adjustment to reduced levels of funding, gives financial stability to schools over the next quadrennium, and allows time for them to implement fee increases and other measures which may be required to meet the funding shortfall. The funding guarantee continues a principle which has long been a feature of schools funding, recognising that funding adjustments need to be phased in over a period of time.



In another new development this quadrennium, Catholic school systems became fully integrated into the SES system. This means that Catholic systemic schools, like independent schools, now attract funding on a school-by-school basis according to the socio-economic status of the communities which the schools serve. Previously, all Catholic systemic schools were funded at a fixed percentage of the AGSRC. As with independent schools affected by the recent SES changes, funding maintenance provisions apply to those Catholic schools that would otherwise attract less funding.

### How 'rich' are independent school communities?

Some people believe that independent schools only educate students from wealthy families. Opinions are often formed from anecdotal comments, or from personal experience of particular schools.

In fact, the socio-economic profile of individual schools varies greatly across the sector, with some schools drawing students from quite diverse backgrounds while at other schools there may be a greater concentration of students from particular income bracket backgrounds.

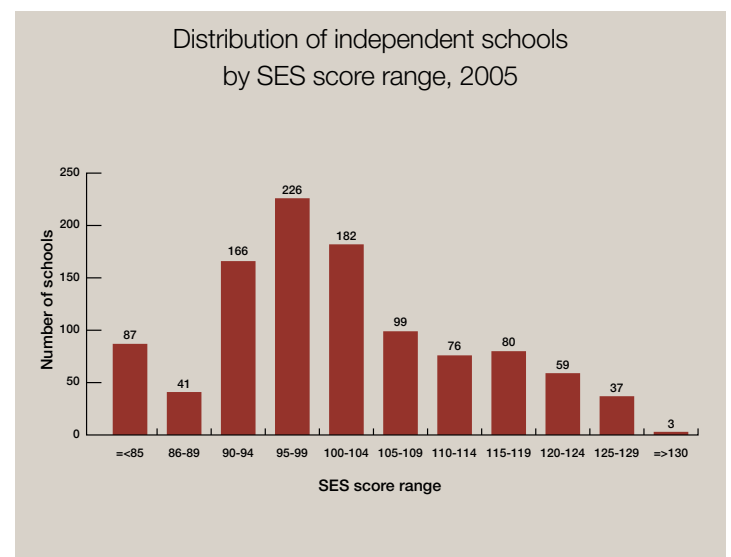
Independent schools attract students from all income groups, although the sector has a lower share of enrolments from low and middle-income families compared to the Australian school student population as a whole. Many independent schools – particularly the higher fee schools – would attest that a high proportion of families within their communities require two incomes to support school fees, one of which will usually be devoted largely, or entirely, to paying school fees.

The wide range of family incomes that is found in all school sectors indicates that it is not only **capacity**, but also **willingness**, to pay that influences families to choose an independent school. Government funding assists families from all socio-economic backgrounds that choose to enrol their children at independent schools.

### State and territory government recurrent funding

State and territory governments provide around 28 per cent of total government recurrent funding for independent schools. While the amount of funding provided by each state and territory to the non-government school sector varies (ranging from 12.3 per cent to 27 per cent of the average cost per government school student), the contribution is significant to individual non-government schools, and in many cases is crucial to their financial viability.

State and territory governments determine both the total amount of funding to be allocated to the non-government school sector, and the eligibility and level of funding of individual non-government schools. A number of states and territories which relied on the former ERI system have changed their funding mechanisms. Some have placed a greater emphasis on allocation according to need, measured in different ways and possibly seeking to offset the impact of federal reforms. Considerable uncertainty currently surrounds future funding arrangements for non-government schools in the majority of states and territories, and a number of policy changes which impact on some schools have been announced or are pending.





## Australian Capital Territory

School description	Primary Yrs K -3		Primary Yrs 4 - 6		Secondary	
	School description	\$	School description	\$	School description	\$
Lowest funded	SES <sup>†</sup> 124 ERI <sup>‡</sup> 2	1,929	SES 124 ERI 2	1,859	SES 124 ERI 2	2,566
Highest funded	SES 116 ERI 11 FM <sup>§</sup>	4,879	SES 116 ERI 11 FM	4,681	SES 85 ERI 12	8,113

## New South Wales

School description	Primary		Secondary	
	School description	\$	School description	\$
Lowest funded	SES 133 ERI 1	1,597	SES 130 ERI 1	2,269
Highest funded	SES 87 ERI 12	6,504	SES 87 ERI 12	8,594

## Northern Territory\*

School description	Primary		Secondary	
	School description	\$	School description	\$
Lowest funded	SES 109	4,482	SES 107 ERI 10 FM	7,101
Highest funded	SES 73	7,193	SES 73	8,738

\*Some schools in the Northern Territory receive a special rate of state funding due to their remoteness which is higher than the standard primary and secondary rates.

## Queensland\*

School description	Primary		Secondary	
	School description	\$	School description	\$
Lowest funded	SES 121	2,666	SES 121	3,703
Highest funded	SES 80	5,720	SES 80	7,750

\*Queensland data do not include state needs based funding which equals approximately 22 per cent of state funding to non-government schools. This is most likely to lead to an understatement of the funding for the highest funded school.

<sup>†</sup>SES refers to socio-economic status, as assessed under the SES funding model.

<sup>‡</sup>ERI refers to the former Commonwealth Educational Resource Index, with categories ranging from ERI 1 (those school assessed to be most highly resourced) to ERI 12 .

<sup>§</sup>FM refers to funding maintained under the SES arrangement.



## South Australia\*

School description	Primary		Secondary	
	School description	\$	School description	\$
Lowest funded	SES 115	3,029	SES 118	3,220
Highest funded	SES 83	7,049	SES 88	6,401

\*State funding is based on a per capita rate and a needs based allocation.

## Tasmania\*

School description	Primary		Junior Secondary		Senior Secondary	
	School description	\$	School description	\$	School description	\$
Lowest funded	SES 114	3,118	SES 114	4,111	SES 114	4,485
Highest funded	SES 83	6,476	SES 83	8,539	SES 88	8,810

\*From 2003-04 the Tasmanian Government moved to a funding system based entirely on SES.

## Victoria\*

School description	Primary		Secondary	
	School description	\$	School description	\$
Lowest funded	SES 126 ERI 1	1,594	SES 127 ERI 2	2,242
Highest funded	SES 82 ERI 11	5,652	SES82 ERI 11	7,678

\*The above figures include the Victorian Government's education allowance and supplementary recurrent funding for disadvantaged schools.

## Western Australia\*

School description	Primary		Secondary	
	School description	\$	School description	\$
Lowest funded	SES 125	2,360	SES 125	3,303
Highest funded	SES 65	6,012	SES 82	8,313
Remote highest funded**	SES < 85	6,716	SES < 85	9,463

\*WA has moved to a system of funding with 9 categories - A to I. These categories were originally based on the old ERI categorisations but have been reviewed taking into account SES, fee levels and size. Categories A to G apply generally, Category H provides for schools which enrol students at educational risk and Category I provides for remote Aboriginal Independent Community Schools (AICS) which are the sole provider of education to their communities.

\*\*These schools have a special state funding category due to their remoteness and the absence of government schools in the locality.



## Total government funding: the full picture

To gain the full picture of government funding to independent schools, the amounts provided by both the Australian Government and state and territory governments need to be looked at together.

The tables on pages 30 and 31 show maximum and minimum levels of total government general recurrent per student funding to independent schools for each state and territory. The figures are either final 2005 figures or preliminary 2006 figures depending on the funding system for that state or territory. A variety of funding rates are reported, reflecting that some states and territories have separate funding rates for primary and secondary, while others have additional categories such as junior and senior secondary, and/or junior and senior primary.

Any interstate and territory comparison must be made with considerable care, given that there are significant differences in the character of independent schools across states and territories. For example, the highest SES score for independent schools in New South Wales is 133, whereas in the Northern Territory the highest score is 111.

It is not surprising that in some states and territories the maximum funding rate is close to the AGSRC index value for 2005. Schools at the highest funding level serve some of Australia's most disadvantaged communities and in the case of the Northern Territory and Western Australia in particular, this is compounded by the high cost of providing education in very remote locations.

## Specific purpose recurrent funding

Specific purpose recurrent funding plays an important role in assisting all schools, including independent schools, to meet the specific needs of individual students, and to meet Australia's national strategic educational goals.

The Australian Government is the source of most specific purpose funding available to independent schools, but a number of states and territories also provide independent schools with some specific funding, for example, to help meet the needs of students with disabilities.

## Australian Government specific purpose programmes

The Australian Government funds specific purpose programmes in the following areas. Funding is usually allocated to independent schools through the state and territory-based Associations of Independent Schools.

- **Literacy, Numeracy and Special Learning Needs (LNSLN)**

Assistance is provided to schools for additional teaching and learning support, particularly in literacy and numeracy, for educationally disadvantaged students, including students with disabilities. The programme includes schools grants, support for children with disabilities who receive services through non-government centres, and funding for national projects.

- **English as a Second Language (ESL)**

Newly arrived students from non-English speaking backgrounds are assisted through this programme by developing their competence in English and assisting them to join mainstream education.

- **Country Areas (CAP)**

The Country Areas Programme is available for projects to increase the opportunities and choice available to students in geographically isolated areas so that their learning outcomes match those of other students.



- **Languages Other than English (LOTE)**

Schools aiming to improve the outcomes of students who are learning languages other than English are assisted through this programme.

- **Enterprise and Career Education**

This programme focuses on enterprise education, career education, vocational learning and transition support for young people at school.

- **Quality Outcomes**

This programme funds strategic projects in six main areas:

- Quality Outcomes;
- Civics and Citizenship Education;
- Values Education;
- Australian Government Quality Teacher Programme;
- National School Drug Education Strategy; and,
- Boosting Innovation, Science, Technology and Mathematics Teaching.

- **Indigenous Students**

Indigenous students are assisted through a number of targeted programmes funded under the National Aboriginal and Torres Strait Islander Education Policy. These include: Supplementary Recurrent Assistance; English as a Second Language – Indigenous Language Speaking Students; Indigenous Education Projects; Tutorial Assistance Schemes; Parent School Partnership Initiatives and Homework Centres.

Funding is also provided for ABSTUDY, the Indigenous Support Programme (ISP), and the Indigenous Youth Leadership Programme (IYLP).

Other assistance for school students is provided through Centrelink, with funds going directly to students and families of students, such as the Assistance for Isolated Children Scheme.

**For further information:**

Department of Education, Science and Training: [www.dest.gov.au](http://www.dest.gov.au)

MCEETYA: [www.mceetya.edu.au/mceetya/](http://www.mceetya.edu.au/mceetya/)

Productivity Commission: [www.pc.gov.au](http://www.pc.gov.au)

