

# Capital resources



Parents and donors provide more than 90 per cent of the funds needed by independent schools for their buildings, grounds, facilities and equipment.

It is this private contribution that has provided additional funds to support growth in the sector. This is not just to build new schools, but also to refurbish or expand existing facilities, replace out-of-date materials, and upgrade equipment to meet changing curricula and expanded courses.

In 2004 capital expenditure in independent schools was \$859 million, or an average of \$2,000 per student in the sector. By far the largest component of capital expenditure in independent schools is for buildings and works. Land, buildings and improvements accounted for 79 per cent of the total. Furniture and equipment was responsible for 14 per cent of capital expenditure and other capital expenditure accounted for the remaining 7 per cent.

Parents pay for the vast majority of these developments via school fees and their donations to school building funds. School communities also stage fundraising activities to raise additional funds. The remaining 10 per cent of the sector's capital funding is contributed by the taxpayer through government capital grants, state or territory government interest subsidies or loan schemes, or through tax concessions on donations to school building funds.

## Independent schools sector major capital income sources, 2004.

	<b>\$ millions</b>
<b>Parental/community contributions</b>	
Fees and charges	192
Parental/community donations	160
Sub-total	352
<b>Governments</b>	
Australian Government capital grants	25
State/territory government capital grants	12
Sub-total	37
<b>Total</b>	<b>389</b>



## Other sources of capital income

Parents are encouraged to make additional voluntary payments to school building funds, which are recognised as 'deductible gift recipients' for income tax purposes. The Independent Schools Council of Australia estimates that the value of these tax concessions is in the order of \$75 million per annum.

Depreciation and amortisation for buildings and other capital assets for the independent schools sector totalled \$293 million in 2004. Typically, such amounts are made available for capital purposes.

The sector uses borrowings for capital as well as for some recurrent purposes. In 2004 the net total borrowings of the sector were \$2.3 billion which equates to \$5,300 per student. This borrowing has increased steadily over the last decade.

On average, debt servicing accounts for about 3 per cent of recurrent expenditure in the independent schools sector. There is substantial variation across the states and territories, with geographical areas that are experiencing high rates of growth incurring higher than average debt servicing costs.

Some state and territory governments provide interest subsidies to schools, totalling \$27 million in 2004. This assistance is highly valued and is often an essential component in the financing of new facilities.

## Australian Government support

The Australian Government provides capital funding to schools in all three sectors which is aimed at improving school facilities, particularly for the most disadvantaged students. It is an important source of funds for those independent schools which may have limited capacity to borrow or generate funds through building fund appeals. Australian Government capital grants contributed 6 per cent of total capital funding for independent schools in 2004.

The government is investing \$1.5 billion in capital grants to schools from 2005-08, of which approximately \$155 million will go to independent schools. The government has also introduced a new programme to support smaller projects called the Investing in Our Schools Programme. Under this programme \$1 billion will be provided for all Australian schools over four years, of which independent schools will receive some \$100 million. In total independent schools will receive approximately \$255 million in capital grants over the 2005-08 funding quadrennium.

The Australian Government is also providing an additional \$17 million from 2005-08 in specific capital grants funding for non-government schools in isolated areas and communities in the Northern Territory. Some of these funds will be spent on facilities in independent schools.

Block Grant Authorities (BGA) administer Australian Government capital grants for independent and Catholic schools on a state and territory basis. In 2005, the Australian Government reviewed BGAs. It concluded that they operated effectively, fairly and efficiently. Following the review, the government decided that BGAs would benefit by increased parental involvement in the decision making processes.



## State and territory assistance

### Australian Capital Territory

The ACT Government has closed its interest subsidy scheme to all new applications. Funding for current projects will continue for the life of their loans only (no more than 15 years). The government has pledged to allocate the funds remaining from the scheme to the non-government sector, but this is conditional that they not be spent on capital purposes. There is no other form of capital support from the ACT Government.

### New South Wales

The NSW Government provided \$52 million in 2004-05 to non-government schools through its interest subsidy scheme for non-government school building projects. This figure was in line with budget estimates and is increasing by about 5 per cent per annum as sector enrolment continues to grow in New South Wales.

This level of increase has occurred despite changes to the scheme introduced in 2003. The changes excluded schools in Categories 1, 2 and 3 from the scheme and set the maximum interest rate for subsidy purposes to 7.5 per cent for all remaining schools.

The level of subsidy provided varies considerably between projects and is subject to the following strict criteria:

- no subsidy for projects that exceed government school building codes
- a maximum of two subsidies every 10 years for existing schools (schools that offer Kindergarten to Year 12 provision are eligible for four subsidies)
- a maximum of five subsidies every 10 years for new schools (schools that offer Kindergarten to Year 12 provision are eligible for 10 subsidies)
- reduced subsidy as size of loan increases through a series of thresholds
- the first 15 per cent of all projects is not eligible for subsidy
- the interest rate must be at current rates, but cannot exceed 7.5 per cent.

### Northern Territory

On projects assessed as high priority, the Northern Territory Government provides a 50 per cent capital subsidy. These projects must be in geographical areas that provide new student places and meet other specified criteria.

It also provides interest subsidies to independent schools for what it describes as high and medium priority building projects.

The level of interest subsidy offered to schools is the lesser of either 50 per cent of the market rate for a variable loan over 10 years, or the actual interest incurred.

To be eligible building projects must meet the following criteria:

- current Australian Government guidelines in relation to cost and area per student
- the government's minimum utilisation rates of schools, or
- be regarded as having a public benefit that deserves consideration by the Minister.



### Queensland

The Queensland Government provided nearly \$14.4 million in capital grants to independent schools through its Block Grant Authority in 2005.

In addition to this, it provided nearly \$2.5 million as part of a special government programme to assist schools in meeting local government external infrastructure requirements such as roads and pathways within school campuses.

The government has provided \$16 million in capital funding for independent schools for the provision of Preparatory Year facilities required for the introduction of this year group to schools in 2007.

In addition, the government has provided one-off funding of about \$1 million for information and communications technology infrastructure in independent schools. It also provided a one-off capital funding injection of about \$4 million to assist independent schools in providing more facilities, particularly in areas of strong enrolment growth.

Schools are assessed and ranked for their eligibility for capital grants on their basis of educational and financial need.

No interest subsidy is available to independent schools in Queensland.

### South Australia

The South Australian Government provides \$500,000 per annum to the non-government schools sector through its interest subsidy scheme. The independent sector's share of this scheme averages \$250,000 per year. However, the scheme is under threat of government budget cuts.

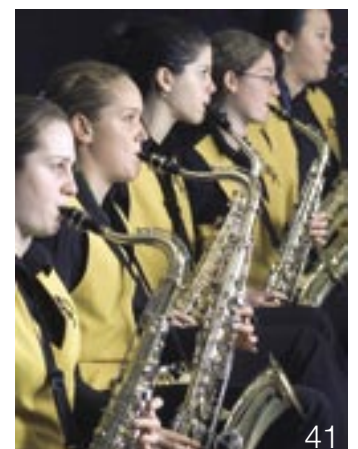
### Tasmania

The Tasmanian Government provides capital assistance of \$1 million to non-government schools, shared between the Catholic and independent sectors in proportion to sector enrolment shares. The Association of Independent Schools of Tasmania administers this funding to schools as a loan interest subsidy scheme. The level of subsidy available depends on reserves in this funding pool, and the number and size of applications.

### Victoria

The Victorian Government provides an interest subsidy scheme for non-government schools that subsidises up to 66 per cent of interest, for three financial years. The scheme applies to commercial loans only, including an assortment of Commercial Bill facilities.

No capital grants from the Victorian Government have been available to independent schools since 30 June 2003.





### Western Australia

The Western Australian Government offers a low interest loans scheme, through which the independent school sector can access loans that will finance up to \$10 million of borrowings. The interest rate charged to a school is linked to a number of criteria such as the provision of places in growth areas and the upgrading of facilities to meet current government requirements. Facilities being funded must be the equivalent standard to comparable government schools.

No capital grants are available from the state government to independent schools.

Schools may not have access to the interest subsidy scheme during the period they are in receipt of funds through the Block Grant Authority.

#### **For further information:**

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

