Private sources of funding

The financial viability of nearly all independent schools depends largely on the commitment of parents to pay school fees.

Rising community expectations of educational institutions in areas such as curriculum diversity, information technology, specialist teachers and individual care, are adding financial pressure to all schools, irrespective of school sector.

Schools are also facing continuing financial pressures from increasing teacher salaries and the heightened commitment demanded of them for occupational health and safety requirements, child protection measures and insurance provision. There has also been substantial growth in the number of non-teaching staff in recent years as schools address these various demands.

In striving to meet these increasing costs and expectations, independent schools experience upward pressure on their fees. Increases in fees vary from school to school, but generally have been rising at a rate similar to the rate of increase in government school costs.

Overall the cost of school education provision continues to rise at a rate ahead of the annual increase in the Consumer Price Index (CPI). For example, in 2003-04 the Average Government School Recurrent Costs index, which is used to determine the level of Australian Government recurrent grants for non-government schools, rose by 3.1 per cent and 4.6 per cent for primary and secondary school costs, compared to a change in CPI of 2.4 per cent for the same period.

Independent schools recognise the importance of parental commitment in contributing towards meeting the ever-increasing costs of education provision in Australian schools, and are mindful of the need to operate within the capacity of their individual communities to make this contribution.

The continuing financial viability of independent schools depends on governments maintaining stability and predictability in their funding policies for the sector, as well as on the continuing commitment and capacity of parents to pay fees.

Private sources outweigh government funds

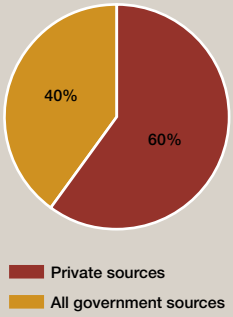
Private contributions to funding are generally by far the largest source of income for independent schools. On average, independent schools receive 60 per cent of their income from private sources and 40 per cent of their income from governments.

Most of the income from private sources comes to independent schools through fees charged to parents. In 2004 this accounted for 90 per cent of their private source income. Income from donations, fundraising, sponsorship and investments made up the remaining 10 per cent of their income.

The total income of individual independent schools varies greatly according to three key factors. The first of these is the level of education provided by the school - preschool, primary, secondary, or a mix of levels. The cost of schooling varies according to level, with higher costs associated with secondary schooling.

Secondly, there is significant variation in the amount of government funding provided to individual independent schools. Under Australian Government funding policies for independent schools, the amount of funding each school receives is determined by an assessment of the school community's socio-economic status and relative need

Sources of independent sector income, 2004



(see How relative need is measured: the SES model, page 31). As well, each state and territory government in Australia has its own system of assessing the level of funds it is prepared to contribute to independent schools within its jurisdiction. Funding grants to independent schools therefore vary on a state-by-state basis.

Thirdly, each school makes its own assessments in relation to the quality and breadth of educational programmes it will provide, depending on the nature of the community it serves and the individual needs of its students. These factors affect the costs of schooling, and therefore the fee levels set by the school.

It is estimated that at least $2.7 billion was contributed in 2004-05 from private sources towards the ongoing costs of educating children in independent schools. Without this contribution from parents, governments would have to provide an equivalent amount to maintain education provision for this substantial proportion of Australia's young people.

In addition, parents pay through fees and fundraising for most of the capital development of independent schools, such as buildings and equipment. The Australian Government supports them through tax concessions on their voluntary contributions and contributes, via grants, an estimated 6 per cent of total capital funding for independent schools **(see Capital resources, page 38)**. The overall state and territory contribution is about 3 per cent. This assistance from governments, while most welcome, is relatively minor.