



## Capital Funding

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

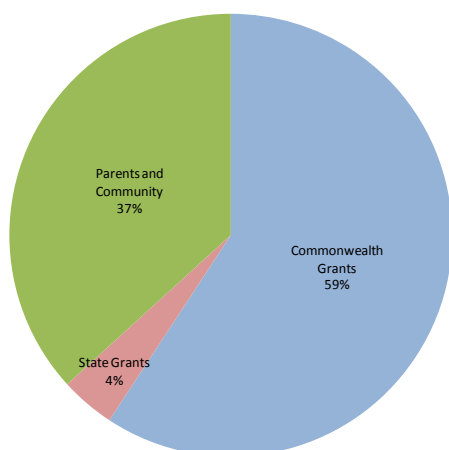
**Enrolments in the independent sector have grown by almost 15 per cent or nearly 65,000 students in the last five years.**

**Enrolments in the independent sector are projected to grow by over 30 per cent or 150,000 students by 2020.**

Parents have traditionally paid for most capital development in independent schools such as buildings, grounds and equipment through fees, donations to building funds, and other fundraising activities.

On average, school community contributions generally provide about 80 per cent of the funds available for capital development in independent schools.

**Sources of capital funding for the independent schools sector, 2009**



**The introduction of the Building the Education Revolution in 2009 significantly altered the sources of capital funding for independent schools and will continue to do so for the duration of the program. Historically, the majority of the cost is borne by parents and communities, normally providing up to 80 percent of the funds for capital development.**

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

In 2009, over \$400 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**

Substantial investment in capital infrastructure across all schooling sectors was provided through the Australian Government's Building the Education Revolution (BER) program, in particular, through the Primary Schools for the 21st Century element (P21).

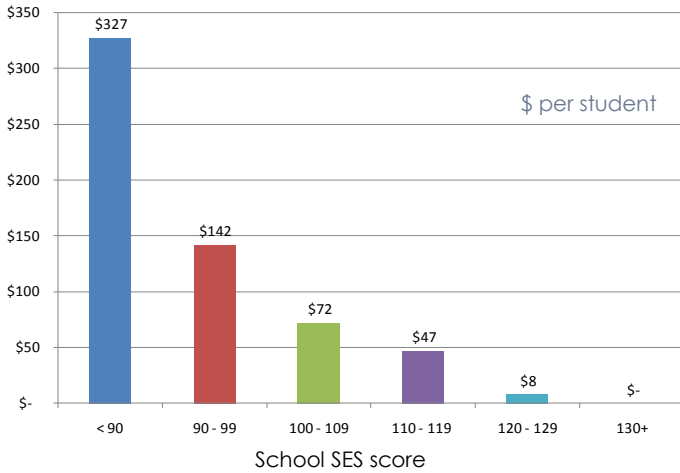
The Building the Education Revolution (BER) funding has had a significant, short term impact on capital grants provision for independent schools.

The P21 element of the BER funded 1,098 projects in 917 independent schools for a total of \$1.6 billion. This represents 11.48 per cent of funding available under this element of the BER.

Prior to the BER the Australian Government provided \$164 million to independent schools under its Capital grants Program over the 2005-08 funding period, out of a total of \$1.7 billion for all Australian schools. That is, less than 10 per cent of the available grants were available to the independent sector, which enrolled 14 per cent of students.

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

**2008 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.

The independent sector also benefited from a range of other Australian Government capital programs including the National Solar Schools Program, Trade Training Centres in Schools Program, the National Secondary School Computer Fund and the former Government’s Investing in Our Schools Program.

**Capital grants are needs-based**

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.

Capital grants 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.

In 2008, 65 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 88 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.

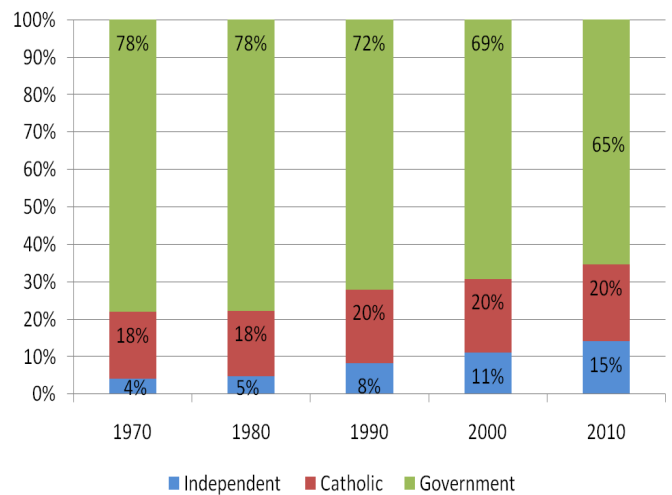
Several state or territory governments have reduced their capital support for independent schools in recent years.

**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 2009 the net total borrowings of the sector were \$3 billion, which equates to \$6,197 per student.



**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 290,000 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.**