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**PROPOSALS FOR
IMPROVED ACCOUNTABILITY
FOR GOVERNMENT FUNDING
TO PRIVATE SCHOOLS**

by

Dr Chris Aulich & Hon Terry Aulich
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Australian School of Government Studies
trading as
Aulich & Co Pty Ltd
ACN 060 908 83
ABN 69 060 908 83

PO Box 4100
Manuka ACT 2603

Phone: (02) 6295 7544
Fax: (02) 6295 1868
Email: aulich@aulich.com.au
Internet: www.aulich.com.au

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1. EXECUTIVE SUMMARY

This paper from the Australian School of Government Studies (ASGS) has examined accountability issues related to Federal Government funding to private schools.

It has concluded that effective accountability and effective choice by parents would be enabled through a focussed accountability system which included:

- open and public reporting available to parents and the public at large;
- fair and equal treatment to both private and public sectors, given that over 70% of all Federal Government education funds go to private schools¹; and
- an opportunity for private schools to opt out (become truly independent) if they find accountability regimes too onerous or unacceptable in principle.

The paper makes recommendations as to what changes need to take place in the current accountability regimes, preferably during coming discussions about the *States Grants (Primary and Secondary Education Assistance) Act 2000*, the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004* and related regulations.

The paper also concludes that Australian Government per capita funding of private education is at the high end of the international table whilst accountability and regulatory controls are at the low end.

The paper recommends the establishment of a representative Schools Advisory Council with a dedicated research driven mandate to analyse current major issues and plan for the next decade of Australia's education development. Further, to maximise national consensus and objectivity, the proposed Schools Advisory Council should be responsible to the Ministerial Council on Education, Employment, Training and Youth Affairs.

¹ AEU Roy Martin - Federal Budget Papers, Budget Paper Number 1 - 2003

2. DESCRIPTION OF GOVERNMENT FUNDING TO PRIVATE SCHOOLS

Until the early 1960s Australia's private school system was substantially self-funded and a significant majority of Australian children were educated in government run, universally available schools.

Federal Government funding to private schools was almost zero, the dominant popular view being that the state had an obligation to provide a superior, secular, compulsory system that served the needs of the majority of Australian students. Parents who chose to send their children to private schools did so on the understanding that their choice to step outside the free government system carried some family financial sacrifice to be borne by that family.

In the early 1960s, the Menzies' Government began funding science laboratories for private schools followed by needs based funding provided by the Whitlam Government. From these humble beginnings, Australia's private schools now receive more than \$5.13 billion annually from Federal and State Governments.

This is more than the total expended by the Federal Government on universities and is no longer state aid but an inbuilt, recurrent, guarantee of funding that means the Federal Government, in essence, now almost exclusively looks after private schools while the states, in addition to funding private schools, also "own" their government systems.

This development is one of the most remarkable social developments in recent Australian history; remarkable for the way this patronage was achieved and remarkable for the effects it will have on future Australian society.

Australia is now near the top of the list of OECD countries in terms of the percentage of its students who attend private schools. We are also near the top in terms of government funding for those schools. That is, progressive drift to private schools has not occurred in a free market vacuum; the drift has been made possible by guaranteed permanent Federal and state government funding that usually covers a minimum 30% of daily recurrent costs of each private school as well as capital funding for new buildings, all costs which were once borne exclusively by the private schools themselves.

At the same time, Australia is one of those countries with the lowest levels of accountability regimes; that is, the way in which government funding is spent by private schools is not subject to the same rigorous analysis and reporting common not only to most other OECD countries but to comparable areas of public expenditure in this country.

It is as if the flow of funds from governments to private schools has been achieved so quickly and in such relative political silence that the building of effective accountability regimes has been left behind. With the Parliamentary discussions about the *States Grants (Primary and Secondary Education Assistance) Act 2000* about to begin, it is now time to analyse what the Australian taxpayer is receiving for the \$5 billion of public funds flowing to private schools and, more importantly, to analyse exactly how that money is being spent.

3. HOW ACCOUNTABILITY WORKS IN HIGHER EDUCATION

In determining what would be a reasonable level of accountability for public funds allocated to private schools, it is appropriate to make comparisons with other public funding in the education sector, for example, in higher education. What is clear from such comparisons, is that the current Federal Government has become increasingly interventionist in its control of the higher education system while retaining a system of comparatively light regulation of private schools which receive public funding.

Two features need to be noted at the outset; that private universities constitute a small minority of the higher education sector and that Federal Government expenditure on higher education is now less than it spends on private schools.

Key features of the current Federal Government's accountability and regulatory regimes for higher education include:

- detailed and time consuming audits through the Australian Universities Quality Agency (AUQA);and
- voluminous reporting through the Higher Education Annual Data Collections.

Changes foreshadowed by the Federal Education Minister in his bills introduced in September 2003 have been described by the President elect of the Australian Vice Chancellors' Committee as 'over-reporting and over-regulation'.¹

Even greater intervention is built into the requirement that higher education institutions should follow new Federal Government mandated workplace relations criteria. This is at a time when universities are already involved in enterprise bargaining with their staff. In one university, at least, the enterprise bargaining has had to be halted due to this new Federal Government requirement.

Other proposed Federal Government interventions into universities include new prescriptions about the membership of university governing councils. Just as interventionist is the Federal Government's insistence on universities raising revenue from other sources such as fees and commercialism; that is, to lessen, their reliance on government funding (currently at about 40% of universities revenue). This intervention to reduce the percentage reliance of universities on government funding is in direct contrast to the policies practised by the Government in its increasing funding of private schools.

¹ Professor D. Yerbury, *The Australian* 1999/2003, page 6

4. HOW ACCOUNTABILITY WORKS IN COMPARABLE COUNTRIES

An examination of countries in which governments fund private schools reveals that higher public funding for private schools usually means more government regulation. An international analysis conducted by the Centre on Education Policy concludes that:

“...most countries that heavily subsidise private schools also hold them to extensive government regulation and oversight...”²

This regulation appears to be based on broad principles of good public management – to ensure accountability for the private expenditure of public funds. It also serves other important purposes such as ensuring minimum standards of education across all providers, both public and private, to protect the consumer rights of parents and to guarantee employment rights of teachers.

Accountability regimes vary significantly between countries. Typically, oversight is managed through external evaluation. For example, the Danish ‘taximeter’ system of funding private schools includes provision for continuous peer review and a system of external examiners. Similarly, in Austria, private schools undergo regular inspection by government agencies. In other countries oversight may be achieved through reporting or through registration of private schools which meet government standards and policies as, for example, in Sweden.

The areas in which regulation of private school occurs will vary significantly. It includes the following:

4.1 Curriculum

Some countries insist on all schools following a national curriculum (Denmark, Belgium), or must follow government course syllabi (Germany, Ireland, Portugal) or follow curriculum goals (Spain, Italy) while others insist on subsidised schools following approved teaching methods (Luxembourg) or following certain standards of instruction (Alberta, Canada).

4.2 Teaching and Student Achievement

Most European countries follow the Australian practice of states regulating exit examinations (of note here, is that in the ACT not all private schools are obliged to follow the ACT exit examination process and at least one school follows the NSW system).

4.3 Student Admissions and Discipline

Most countries regulate these matters to ensure that students cannot be excluded for reasons such as inability to pay tuition fees, or race, religion,

² CEP 1999 Lessons from other countries about private school aid at www.ctredpol.org/

ethnicity or ideology. In some countries (Norway, Greece) exclusion policies are set by the state for all schools receiving public funding.

4.4 Teacher Qualifications, Salary and Employment Conditions

The requirements vary according to such factors as industrial work place legislation or other arrangements. This is an area which is too difficult to categorise.

4.5 Tuition, Fees and Finance

Some countries limit such fees or require private schools to operate as not-for-profit organisations or allow outside contributions to be made but limit the areas where these funds can be expended. Most require financial reporting and some require that this reporting be consistent with government requirements.

4.6 Values

In Sweden, all schools are expected to embody the same values such as democracy, tolerance, openness and objectivity. Most recognise the rights of religious schools to offer religious instruction while some allow students to opt out of such instruction.

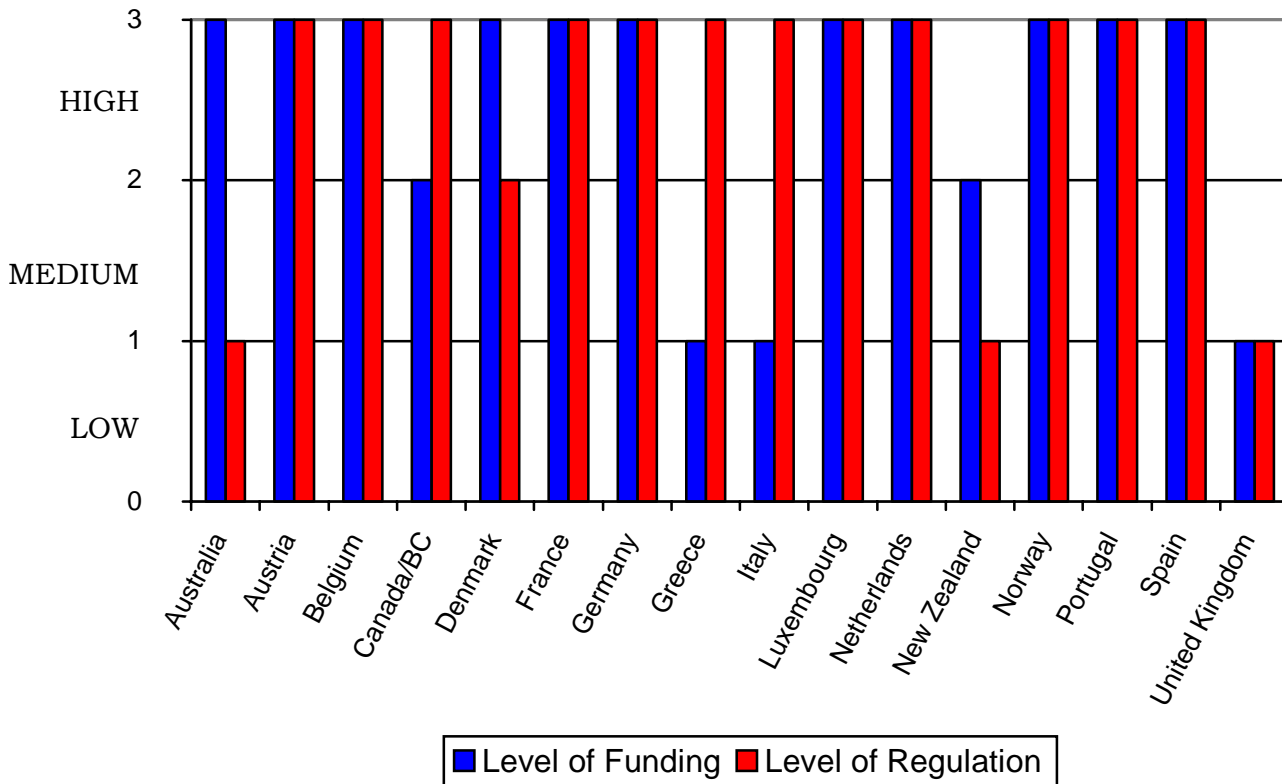
4.7 Other

Basic standards, timetables, representation on boards, and record keeping are variously included as part of the regulatory processes.

Two important conclusions can be drawn from this overview of overseas arrangements. First, that regulation of private schools in Australia is comparatively benign. Second, Australian accountability regimes for public funding of private schools is inconsistent with broad international practice. Internationally, higher levels of funding are usually accompanied by stronger government regulation.

On the following page is a comparative table provided by the Center on Education Policy (CEP) www.ctredpol.org/ in the United States. CEP is an advocate for improving public schools but its comparisons are interesting, even allowing for the difficulties in comparing education systems between countries.

Level of Private School Funding and Regulation in Sixteen Countries



Levels of Funding

High Private schools are eligible to receive a maximum government subsidy that is greater than about 66% of per-pupil allocations to public schools.

Moderate Private schools are eligible to receive a maximum government subsidy that is greater than about 33% but no more than about 66% of per-pupil allocations to public schools.

Levels of Regulation

High Government regulates curriculum, some aspects of admissions, and teacher salaries or working conditions; public authorities register and regularly inspect schools.

Moderate Government regulates curriculum (with opportunities for flexibility) and various other areas, such as tuition fees, staff qualifications, admissions or testing; public authorities register or inspect schools to some degree.

Low Government holds schools to basic criteria, such as compliance with broad curricular goals, financial requirements or testing procedures; may require some type of registration or certification.

Source: Center on Education Policy 1999

5. RECENT ACCOUNTABILITY DEVELOPMENTS

5.1 Introduction

Increasingly, demands are being placed on all receivers of public funds, government and non-government organisations alike. There are a number of reasons for this development, including:

- greater intervention by the Federal Government in areas previously considered to be the province of state and local governments (eg health, education, railways and other transport, taxation);
- privatization, outsourcing and other policies designed to create either partnering between the government and non-government sectors or the transfer of responsibilities to the private sector; in either case, governments have been required to clarify accountability issues such as customer service obligations, privacy protection or financial reporting;
- the higher public profile taken by the Australian National Audit Office (ANAO) and the Auditors-General in the states (eg the ANAO's highly critical report about the Federal Government's information technology outsourcing program or the ACT Auditor General's investigation of the Bruce Stadium expenditures);
- the development of other external anti-corruption bodies such as New South Wales' Independent Commission Against Corruption or Queensland's Criminal Justice Commission, both of which have arisen partly as a response to perceived or real abuses by the Executive branch of government.

5.2 Auditors-General

In terms of accountability arrangements, the Auditors-General of both New South Wales and Victoria have raised serious questions about Federal Government funding of non-government schools.

The main thrust of their concerns have revolved around the discrepancy between the "light touch" accountability processes for school funding to private schools and the stricter accountability processes that increasingly apply to other recipients of public funds.

The Victorian Auditor General in 2000 considered that:

...the current (accountability) guidelines were developed at a time when the volume of funds distributed were smaller and accountability regimes less tight than is expected today. Greater emphasis is (now) placed on funding agreed program outputs, regardless of whether the programs are delivered within or outside the public sector.³

³ Auditor General Victoria 2000:4

It would appear that accountability regimes controlling public funds allocated to non-government schools have not kept pace with the prevailing public sector management regimes now in place across OECD countries. In Australia, public sector education, for example, faces:

- regular performance audits
- enrolment censuses; and
- reviews of programs, management and school leadership.

In that respect, the Auditor General of NSW, when reporting in 2003 on school accountability and improvement models, indicated that:

...the intention to achieve greater accountability for, and transparency in, public school performance is highly commendable. However, the Auditor-General expressed reservations about accountability in the private schools sector. To date, these provisions have not been imposed by the Government on private schools even when public funds are provided to such schools.⁴

5.3 Capital Expenditure

In terms of capital expenditure, private school assets purchased with government funds potentially can remain the property of the private school and can be used or even disposed of according to the school's needs; in essence, public money is both beyond control and stated purpose provisions, a situation not replicated in most other arenas where, at least, ownership of the asset such as transport infrastructure or buildings typically returns to the government.

The accountability situation is made worse by the current inability of governments to gain a total picture of a private school's recurrent and capital expenditures. That is, private bequests and other private revenue details are not available to governments.

5.4 Parliamentary Accountability

In all states and in the Federal Parliament, especially the Senate, accountability mechanisms have been strengthened and used through special purpose, standing or estimate committees. The main modus operandi of these committees has been to investigate and make public comment on the expenditure of public funds. It is significant that one of the outcomes of the Fitzgerald Royal Commission in Queensland was the establishment of a Parliamentary Public Accounts Committee, a noted deficiency in the accountability processes of Queensland's former governmental system.

⁴ Audit Office of NSW 1999:3

5.5 Commercial-in-Confidence Pleadings and Outsourcing

One of the trends at variance with pressures for enhanced accountability in public sector management is the current trend towards outsourcing. Recent developments in privatization, government private sector partnering and outsourcing have created a situation in which public accountability has been diminished by practices such as using contracts to share or reduce accountability or by the use of commercial-in-confidence pleading by public servants when appearing before Parliamentary committees. Some government bodies, such as the Ombudsman, have warned of the dangers inherent in these practices, warnings consistent with broader trends to strengthen accountability.

6. BUILDING ACCOUNTABILITY

6.1 Introduction

The funding of private sector education through direct payments from government funds has long been a contentious issue in Australian society. In terms of social goals, core beliefs, education principles and the mechanisms through which such funding is applied, political parties have all been subjected to pressure both publicly and behind the scenes.

The degree of public acrimony has ebbed and flowed, with special interest groups prepared to direct votes to those political parties deemed most in favour of their goals. It must be said that the interest groups representing the private sector have been the most successful lobbyists. From a position of almost nil federal funding before 1963, total government funding has grown to \$5.1 billion in 2002.

This has led to a highly complicated funding and accountability regime about which even intelligent lay persons have little understanding, a situation which effectively excludes them from the debate and the decision making. Even education experts acknowledge the complexity of the regime and note the inappropriate way in which public debate is conducted by some advocates.

For example, the Executive Director the National Council of Independent Schools Association Mr Bill Daniels:

*“as these references clearly demonstrate to anyone prepared to put in the effort to understand the complex funding arrangements for Australian schools when it comes to education, there is a substantial amount of political opinion and ideological bias posing as academic statement”.*⁵

6.2 Open Debate and Political Pressure

It is the contention of this paper that open, informed debate, accessible to a wider cross-section of the Australian community is preferable to semi-secret and/or partisan back door deals designed to win government benefits through incremental creep.

Federal education policy is, however, set primarily by the Cabinet, the Education Minister and the Department of Education, Science and Training.

Unlike the Australian Broadcasting Corporation (ABC), Australian Consumer and Competition Commission (ACCC) and National Crimes Authority (NCA), it is easier for interest groups to affect the policies and behaviour of Ministers or Governments whose first principle is usually political survival and who are increasingly prepared to wield ideological sticks and carrots to reform whole systems. Both the Dawkins era under

⁵ Letter to Dr Aulich from Mr Bill Daniels, Executive Director, National Council of Independent Schools Association, 5 Dec 2002

Labor and the last two Liberal Ministers have been prepared to restructure fundamental policies in education both at tertiary and schools level.

The far reaching changes in the *States Grants (Primary and Secondary Education Assistance) Act 2000* its associated Guidelines 2001 and other administrative processes need to be examined closely by clients and legislators. In particular they should be examined according to the criteria outlined in Section 7.2 of this paper.

This paper goes one step further and recommends the establishment of an independent, representative Schools Advisory Council to oversee Australian pre-school, primary and secondary education in this country and to ensure that government money is expended in the most effective and the fairest manner possible.

6.3 Establishment of a Schools Advisory Council

6.3.1 Goals

This section suggests the establishment of a Schools Advisory Council to provide a policy blue print for the development of Australian education over the next decade. The proposal is an attempt to place research based policy at the centre of the Australian schools system. This is consistent with trends in the U.K., Victoria and New Zealand, to move towards 'evidence-based' policy development, a refreshing reaction to the dominance of ideology over sound research, too often the hallmark of previous governments in those jurisdictions.

By stressing research as the key driver of future directions, it is hoped that those who make the vital political decisions will operate in an environment based more on needs assessment of Australian society rather than ideology or political expediency.

The key role of the proposed Schools Advisory Council would be to promote:

- a national recognition of and support for a progressive, democratic and equitable education system;
- an appropriately resourced national education system in which the community, as a whole, should have ownership;
- a system based on tolerant debate and openness;
- a system which is research driven both in terms of policy directions, performance monitoring and other accountability procedures; and
- a system which is structured so that vested interests of any persuasion cannot hijack the process or directions.

6.3.2 Representation

In order to ensure both community ownership and appropriate stakeholder involvement, the following list of suitable appointees is advisory only and should be the subject of public discussion:

- appointees of the Federal and State Minister for Education;

- appointees of the Australian Education Union and the Independent Education Union of Australia (IEU);
- appointees of the private school system;
- community representatives, probably of parents' associations;
- community representatives of the adult education sector;
- representatives with research skills and responsibilities;
- representatives with indigenous qualifications; and
- representatives of immigrant communities.

It is strongly suggested that all community appointees should be selected by the Federal Minister after formal consultations with his/her state counterparts and the teachers' unions.

6.3.3 Roles and Responsibilities

The following list is not meant to be exhaustive but the Schools Advisory Council would need, at least, to provide direct policy advice to the federal and state ministers forums about the following:

- research, about national education performance, policies, accountability, planning issues and the identification of education areas where perceived weaknesses occur eg. indigenous and disadvantaged programs;
- accountability regimes and reporting;
- quality control and improvement;
- relationships with and integration between pre-school primary and secondary education and other relevant sections of the economy such as workplace policies, adult and community education, law enforcement and rehabilitation policies.

6.3.4 Governance

The Schools Advisory Council would provide advice directly to the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA). Funding would initially be the responsibility of the Federal Government since:

- a) the goals of the proposed National Education Corporation would be national in scope;
- b) state and territory ministers would be more likely to be involved if there was no inhibiting debate about relative financial contributions; and
- c) states would be asked to cooperate and provide in-kind resources for research activities undertaken by the National Education Corporation.

6.3.5 Areas of Research Activity

In line with the cooperative partnering model suggested by the Schools Advisory Council, one of the key roles of MCEETYA would be to suggest and/or approve the major research projects to be pursued by the Schools Advisory Council.

In this section some of the areas where research needs to be amalgamated or conducted are suggested. Implicit in these suggestions are the need to:

- provide research data for future national education planning;
- manage education policy as if it were central to society's overall well-being;
- ensure that education planning and research incorporates research in other related areas of governmental activities (activities which at the moment are peripheral to mainstream education policy at the federal level); and
- ensure that an adequate accountability regime is in place which assists with policy planning, helps to provide information for funding policy and assists with performance measurements.

6.3.6 Priority Areas of Research

An Integrated Society

An effective democratic society relies upon a combination of altruistic behaviour and enlightened self-interest from its citizens. For any group to fall behind in terms of shared benefits and equal opportunity is to risk fracturing that delicate balance.

Failure to ensure equity has damaging consequences not only for the individuals concerned but for society as a whole. Groups as divergent as the Dusseldorf Skills Forum and the Business Council of Australia have pointed out the national interest implications, with Chapman et al taking the argument further, persuasively showing the link between unemployment, education delivery and crime⁶.

Even the strongest free market advocates have difficulty in proving that affluent citizens are able to insulate themselves from crime and other effects of inadequate education and unemployment. Gated schools and gated communities not only offer limited protection but may well exacerbate and encourage anti-social and criminal activity. Protection cannot last forever. Sooner or later, even the most protected, affluent young people will take public transport and taxis, go to pubs and restaurants, mix in an open workplace, park in public car parks, attend sporting and entertainment events; in the process, exposing themselves to life's riskier experiences.

Research Priorities

The following research activities could reasonably be regarded as priority issues for any National Education Corporation.

- a) Accountability regimes as a method of ensuring equity and fairness in government funding to schools.
- b) An examination of resource allocation to areas of education need.
- c) An examination of the interrelationship between crime, unemployment and inadequate education provision.

⁶ Chapman et al *Unemployment Duration, Schools and Property Crime*, *Crime and Justice Bulletin* #7, December 2002. NSW Bureau of Crime Statsics Research, Sydney

- d) The extent of adult or continuing education in areas of high risk eg. prison populations, early school leavers and single parents requiring parenting assistance.
- e) The current interrelationship and effective co-operation between social welfare, training and education providers dealing with children and adults at risk.
- f) The creation of a smart nation through programs designed to find and nurture young talent in a wide variety of fields.

7. ACCOUNTABILITY – OPTING IN/OPTING OUT

7.1 Universal Education and the Market

Where the state provides a competent and rounded education system for all its citizens, there will still be some parents who will chose to opt out of the government provided service. Their reasons for doing so have been assessed in a variety of market surveys; some of a superficial compromised methodology, others providing some relatively valuable insights into the reasons for opting out. Although the writers of this paper believe there is considerable survey work to do on this issue, it is not intended to canvass those issues here. What does need to be canvassed is the fundamental question of private schools and independence from the universally available system.

The generic terms, independent schools or independent systems have been used by private schools as both a market differentiator and a statement about their education strategies. The drift to private school throughout Australia indicates that those strategies are working in the education market place.

It must be said, however, that the drift to private schools is extremely small (about .4% per annum¹) despite the extraordinary funding of over \$5 billion dedicated by the Federal Government to private schools. In other words, the private system still requires extraordinary funding just to maintain its attractiveness and relative position in the market place. Proponents of classic market theory would describe the current education market place model as corrupted and not based on the classic model of true choice. When a government needs to spend over \$5 billion in order to make private schools competitive and a more attractive choice for parents, the system fails any test of market freedom.

However, there are other critical questions which can only be answered through further objective research into the current private school government funding regimes.

The questions are:

- ◆ How much control will future governments have over their budgetary planning if dedicated funding regimes such as that in place for private school funding are locked down in perpetuity?
- ◆ Will government surpluses be diminished by built in structural obligations imposed by the current education-funding regime?
- ◆ Will private school 'entitlements' become a fiscal monster which will devour considerable resources even at the expense of the public system?
- ◆ Are new private schools, especially those duplicating existing schools, going to make 'entitled' demands on the education budget, at the expense of existing schools?

¹ Martin, Roy AEU *See How They Grow* 2003

However, an examination of the current status of most private schools indicates, at least, the following examples of reliance upon government for either survival or benefit:

- over \$5 billion is spent by governments on private schools;
- the majority of Federal Government funding to schools (over 70%) goes to private schools;
- curricula are essentially set by governments;
- registration of new schools is approved by relevant government bodies according to a number of specific criteria; and
- accountability regimes for the expenditure of government funds is in place and, although not comprehensive, do represent a willingness of the private sector to sacrifice a degree of independence in return for government funding.

In this situation, private schools are faced with two dilemmas. One, do they continue to describe themselves or act as independent schools or systems when in fact they are clients of governments? Two, when accountability regimes designed to strengthen government audit requirements become tighter, do some private schools or systems take a decision to become truly independent and opt out of government funding altogether?

7.2 Strengthening Accountability Provisions

Following is a description of some areas where accountability provisions appear to remain inadequate or out of step with accountability requirements in other areas of government expenditure.

7.2.1 Capital funding

Central to this issue is the question of ownership and stated purpose. Currently, government funding for capital purposes is confused in terms of ensuring that the asset is not sold or transferred by the recipient; that ownership is ultimately vested in government or that change of purpose is a matter for government approval.

7.2.2 Salary packages and competition

This is an area where prestige and competitive marketing advantages can be obtained by using government funding to allow private principals and senior staff to be recruited at salaries far beyond those applying in the public sector. Current indications are that the benchmark for principal salaries in some private schools can be three times that of a principal in a state system. Some principals in the private sector have salaries currently benchmarked at \$340,000 per annum. Acceptance of government funding should incur a responsibility to pay teaching staff at rates comparable to those in government schools.

However, there is a further issue on the horizon. All public education authorities predict a significant shortage of teachers within the next decade, particularly in specialist areas such as science and information technology. Once this occurs, private schools will be in a more flexible position to offer better salaries to attract teachers and to demand even

more time and professional commitment in return for those increased salaries.

7.2.3 Powers of expulsion and entry

Expulsion is a key issue. A public school essentially cannot refuse entry to any child, even if that child has been expelled by a private school. In essence this allows private schools to maintain discipline by divesting their problems to the public schools. This is a significant factor in maintaining the attraction of private schools as bastions of strong discipline. Similarly, entry provisions to private schools are essentially left up to the private schools. Despite their acceptance of public money, private schools are still free to discriminate or choose who they will or won't accept. This is an area where many overseas governments choose to intervene as they become increasingly a key source of private schools funding. Is this going to be a future pattern for Australia or will private schools be free to discriminate and divest as they see fit; at the same time, accepting taxpayers' money?

7.2.4 Common Curriculum and Exit Testing

This is a significant area of accountability. First, should the Federal Government and state governments fund private schools which cannot and do not enable their students to achieve core competencies in, for example, literacy and numeracy? The second question is whether or not those students should exit the school system without those core competencies being tested? Third, are democratic principles and tolerance included in the teaching of humanities or are humanities being used to teach hate and intolerance?

A government which funds private schools on a recurrent basis would need to have these questions answered to its satisfaction. Any government which reserves the right to choose who comes to this country should, logically, also reserve the right to insist that curricula in private schools are consistent with the principles underpinning a democratic, tolerant society.

Currently, a commitment to the national goals is required before a private school is given registration/government funding. However, there is no accountability regime designed to actually assess the practical implementation of that upfront commitment; neither government representation on the school's board or council, nor inspections nor exit testing exists in any comprehensive, accountable form.

The extent to which curriculum for private schools should be aligned with that in government schools is very much an open question. What is clear is that the government systems in this country are not yet harmonised and together with the huge variety of private school offerings, much effort and expertise is being dissipated in curriculum development. Harmonisation of curriculum would offer greater transparency to parents, improved quality assurance and provide an opportunity to articulate what values, knowledge and skills are valued by the community at large. The Schools Advisory Council could play a pivotal role in reducing

fragmentation of effort and providing strong leadership in articulating primary goals for all Australian schools.

7.2.5 Teacher Registration

If private schools wish to be a government funded part of the Australian education service system, a key requirement is to ensure that all teachers are trained and registered.

In terms of risk management, the use of untrained teachers (unpaid or underpaid) is usually a symptom of an unviable school or a school which will be unlikely to achieve its performance measures under the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004*.

The NSW government's plans to require private schools to publicly report on the numbers of untrained teachers in their establishments is a promising first step.

7.2.6 Representation on School Boards or Councils

Since a minimum of 20-30% of private schools' revenue is provided by government funding, it is appropriate for either state or federal governments to appoint representatives to the boards or councils. This would ensure a proper partnering principle operating within each school. In particular it would provide private schools with an opportunity to present all their accounts and financial details in a confidential environment. This would be valuable when forward estimates are being drafted and considered.

7.2.7 Public Transparency of Accounts

Record keeping is an accountability tool that enables retrospective analysis of performance for a wide range of activities such as financial management, curriculum delivery and the provision of census data.

It is not suggested by the authors that effective regulatory and accountability controls are achieved by resorting to exhaustive reporting mechanisms. Bureaucratic complexity can have unintended consequences such as stifling innovation, encouraging evasion and creating unnecessary, unproductive workloads. Any regulatory or accountability regimes need to be focussed, simple and user friendly, capable of being understood by any reasonably informed taxpayer.

This set of principles extends to the question of transparency or openness. School records, whether for example, financial or census data or teacher qualifications, must be public information if any private school receives government money.

Government funding is usually provided according to a per capita formula based on demographic profile of each school's parents (except for Catholic systemic schools which are funded across the board at a fixed average). It is not acceptable then for private schools to quietly allow government

funding to cover more accepted educational activities, thus freeing up other school created funds (fees, gifts, investment funds) to heavily promote the school, build superior facilities, extend scholarship systems, poach teachers from other systems or pay inflated salaries to principals. This is why record keeping must involve a publicly available picture of a private school's total revenue and expenditures. To plead commercial-in-confidence considerations is acceptable for neither the school itself nor the Australian Department of Education, Science and Training. This is, in effect, the acid test. To have a regulatory regime which looks exemplary on paper is next to useless if the records and returns are not available for public scrutiny. For example, in the Senate while responding to questions from Labor Senator Carr about private income of private schools, the Department stated: "there are privacy arrangements about the Commonwealth collecting information from schools so we could not be in a position..."⁷

Already there are examples of the Department pleading commercial-in-confidence concerns for avoiding Parliamentary scrutiny of government funding of private schools. Secret scrutiny is inadequate scrutiny in a society where, in many situations, the ultimate accountability is to the taxpaying public via the media or other public avenues.

It is this principle of public accountability and exposure which drives our court systems, Ombudsman, Privacy Commissioner, Australian Taxation Office, Australian National Audit Office, parliamentary Public Accounts Committees and the parliamentary system as a whole.

Should private schools, especially the wealthier private school consider that their privacy and commercial competitiveness are affected by open scrutiny, they have a choice. That choice, simply put, is opt out and accept no government money, in line with the principles followed in many other countries.

7.2.8 Inspection

Those who oppose stronger accountability for the expenditure of government funds in private schools often point to the written requirements set out in the *States Grants (Primary and Secondary Education Assistance) Act 2000* and the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004*. They point out that requirements exist in relation to such issues as commitments to the National Goals for Schooling, achievement of some performance measures plus financial accountability (certification by a qualified accountant) and educational accountability provisions. The Federal Minister is provided with powers to intervene in a number of areas.

In brief, the accountability provisions take the form of reporting by the private schools themselves with certification primarily in financial matters provided by a qualified accountant; self-regulation in practice. However, the Australian public is now less impressed with self-regulation as a measure of accountability and quality control.

⁷ Hansard 2002: 198, Department of Education Science & Training

Recent events surrounding Pan Pharmaceuticals, HIH Insurance, FAI Insurance and One.Tel, Ansett's long standing safety issues before its demise, AMP's reporting problems and Pasmenco's demise has exposed the fragility of self-regulation based on self-reporting.

Defenders of this light touch self-regulation cite the independent audits conducted each year by the Federal Government of 2% of private schools. This low level of audit is highlighted in the annual growth of new private schools, many of which have unviable numbers of students (over 60% have less than 60 students)⁸. Further, the results of such audits are not readily available despite the fact that such schools are likely to be receiving Federal Government funding for at least 30% of their required expenditure.

Specifically, private schools currently report to the Department of Education Science and Training (DEST). However, the key issue here is the need for public transparency for the expenditure of public funds. The Department does not provide to the Parliament such vital data as the percentage of government subsidy to each school compared with other revenue, the percentage of revenue raised from fees in each school and other data vital to the audit process and decision making about public expenditure.

We therefore argue that the data available to DEST should also be available for parliamentary scrutiny so that public policy decision making can be made on a properly informed basis.

We argue that the inspection of private schools for compliance with current accountability requirements:

- be increased to at least 10% of private schools per annum;
- be reported publicly and made available on the Federal Education ministry's website; and
- include all new schools established within the last three years (in order to assess viability and enrolment accuracy).

Resources for such independent audits are available if the Federal Government is prepared to use the state education authorities who should also be involved in checking private schools (in line with their own annual provision of more than \$1.3 billion to private schools).

7.2.9 Democratic, non discriminatory values

Whilst it is recognised that many private schools have been established in order to emphasise higher level values such as religious or philosophical beliefs, it is still appropriate for government to require practising adherence to fundamental democratic principles such as tolerance and non-discrimination on the grounds of race, gender, beliefs and disability.

⁸ *Trends in New Private Schools* R. Martin, 1999 www.aefederal.org.au/Debates/TrendsInNNGSchools and *New Private Schools Receiving Establishment Grants* R Martin, 2002 www.aefederal.org.au/Debates/Estgrants2002.pdf

For example, is it appropriate that a government which requires compliance with the *Equal Opportunity Act 1995* for all its commercial contracts should then fund any school which practises gender or ethnic discrimination or teaches religious or ethnic discrimination?

Further, should a government fund any school that is committed to principles based on racial vilification?

7.2.10 Diversion of public monies

Whilst a certain degree of flexibility is permissible in any financial regime, the destination, timing and acquittal of government funds is a significant issue relating to stated purpose/stated expenditure provisions. Trust funds which are used to create interest revenue should not be an acceptable purpose for government funds.

'Two-pocket' accounting can use public grants to pay for publicly acceptable facilities and services while releasing other income to purchase other resources such as highly paid teachers, sporting and cultural facilities that would otherwise be deemed unacceptable to tax payers. One of the key accountability solutions for this is a requirement for specific outcome contracts related to better student teacher ratios and other maintenance of effort policies. For example, it is still not clear, after years of Federal and State Government funding whether the Catholic system's education schools have improved pupil-teacher ratios in line with ratios in other systems.

7.2.11 Expenditure on Promotion, Marketing and Advertising

Private schools which are essentially competing against other private schools or the government system should be required to show that government funds have not been used either directly or indirectly (such as making substitutional arrangements) on promotional activities.

7.2.12 Fees Regulation

There is some debate about whether or not private schools select students on academic, financial and/or first-come-first serviced basis⁹. These could be academic scholarships, de factor sporting scholarships or a deliberate policy decision to broaden the socio-demographics of the school's intake. The key issue here is the public right to know whether or not fees are subsidised for certain students as part of private school's policy.

⁹ *The Truth About Private Schools in Australia*, Jennifer Buckingham, Centre for Independent Studies, Issue Analys # 13, August 2000

8. TABLE OF SUGGESTED IMPROVEMENTS

The table below comprises suggested amendments to the *States Grants (Primary and Secondary Education Assistance) Act 2000*, the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004* and related regulations.

Suggested Improvements to Accountability Regime	
Subject	Suggested Improvements
capital funding	<ul style="list-style-type: none"> Amend to ensure ownership of capital works is vested in government, especially in cases of change of purpose, bankruptcy or property sale.
salaries	<ul style="list-style-type: none"> Make recurrent funding contingent upon salaries to principals and administrative staff being in line with equivalents in government schools.
powers of expulsion and entry	<ul style="list-style-type: none"> Require expulsion procedures be equivalent to those applying in government schools, especially in relation to final expulsion approval. Require clear written reasons to be given for refusal or inability to accept enrolments of applying students.
common curriculum	<ul style="list-style-type: none"> The Schools Advisory Council be established in part to articulate a basic framework for curriculum development.
teacher registration	<ul style="list-style-type: none"> Require all teachers to be professionally trained and registered in their appropriate jurisdiction. In reporting requirements, the number of teachers currently untrained should be made public.
representation on School Boards or Councils	<ul style="list-style-type: none"> State or federal governments should be permitted to appoint one representative on each School Board or Council.
record keeping	<ul style="list-style-type: none"> Make all records publicly available. Require all records to be a comprehensive picture of the school's performance to show, for example, where recurrent funding has released expenditure for other school priorities (eg promotion, sports facilities). Require schools to notify any cases where public moneys have not been acquitted in a timely or appropriate manner eg diverted to other purposes or placed in an investment account.
inspection	<ul style="list-style-type: none"> Inspect at least 10% of all private schools including all new schools. Make inspections reports publicly available (eg DEST website).
democratic, non discriminatory	<ul style="list-style-type: none"> Require public reporting of all complaints about a school, especially the school's responses to such complaints. Remove any exemptions from anti-discrimination legislation relating to staff or students.
opting out	<ul style="list-style-type: none"> Private schools unable or unwilling to fulfil the requirements in this table should be permitted to opt-out of the funding regime and information such opting out should be made publicly available (eg DEST website).
outcomes contracts	<ul style="list-style-type: none"> Provide funding for agreed educational outcomes such as acceptable student-teacher ratios.

9. CURRICULA VITAE



HON TERRY AULICH

Terry Aulich was, for 16 years, a Senator and State Education Minister. As Chairman of the Senate Standing Committee on Employment, Education & Training, he made a significant contribution to the education debate over issues such as adult education and, later, the quality of university teaching.

Before that he was a senior teacher of English and History for ten years. Later he was an organiser with the Tasmanian Teachers Federation and in 1983-84 he was State Secretary of the ALP in Tasmania with specific responsibility for membership recruitment, polling and campaigns.

He has been the director of the Australian School of Government Studies (ASGS) since 1993 and has been in charge of all polling and focus groups. ASGS polls have been commissioned by newspapers, research institutions and business.

Terry is a frequent speaker at national conferences where issues concerning the relationship between people management and technology are discussed.

Education publications:

- *Come in Cinderella* 1991
- *Education for Active Citizenship* 1989

Other publications:

- *Moonlight at Midday* 1999, drama
- *The Rivers End* 1992, novel
- *Acacia Road* 1976, poetry

Qualifications:

- BA University of Tasmania
- Tasmanian Teaching Certificate
- Post graduate education qualifications from University of Tasmania



DR CHRIS AULICH

Chris Aulich is Head of the School of Management & Policy at the University of Canberra. His research interests are in reforms in public sector management relating to service delivery such as privatization, outsourcing and public-private partnerships, in general, and in the local government sphere, in particular.

His doctorate involved combining the interests in local government and outsourcing in examining the impact of compulsory competitive tendering on local government in the state of Victoria. He has published one book (*Australian Handbook of Public Sector Management* Allen & Unwin, Sydney with J Halligan & S Nutley) and many articles both in academic journals and in other professional and public forums.

Dr Aulich has won several national grants to develop research in the local government sector and for projects relating to outsourcing and public-private partnerships. He has also worked offshore teaching programs on outsourcing and public enterprise in China, Malaysia, Thailand, Hong Kong and Singapore. For six months in 2002, he was a Visiting Fellow in the Department of Management at the prestigious St Andrews University in Scotland.

Qualifications

- BA Dip Ed (University of Tasmania) 1966, 1968
- BSc(Econ)(Hons) (University of London) 1978
- MPA (University of Canberra) 1993
- PhD (University of NSW)