

## **The Steep Learning Curve: the Principal and Finance in the first five years of a low fee paying Anglican School**

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Successive Anglican Schools' Network Conferences have asked the question *How are our schools different?* Much discussion has occurred upon the educational, pastoral and sporting offering but little debate has occurred on the financial aspects of either established or new schools. Bursars' conferences tend to be more pragmatic than philosophical. In established schools the budgets that are prepared are passed for ratification by the Principal and Board but are rarely reviewed below the senior members of the Staff Executive. Principals in new or establishing schools are often far closer to the minutiae of decision making especially in schools that do not have either Business Managers or belong to a school system with existing business and financial administrations. Little within an education degree or an educational administration degree prepares a new Principal for the financial responsibilities in the establishment of a new school. In the words of the working title of this paper it is a "steep learning curve".

This paper will examine five areas of financial management within the life of a developing school. For each area an attempt will be made to raise issues of how a school may operate within the ethical framework sought by an Anglican school.

### **1. Recurrent funding and SES scores**

All schools require some amount of Government funding for recurrent expenditure. Even the older, established Category 1 schools receive from between 12% - 25% of their income from the Government. Many received a significant boost in income as a result of the new SES funding arrangements. In the case of the new low fee paying Anglican Schools the percentage received from Commonwealth and State Grants amounts to between 55% - 75% of income. Apart from meeting the statutory requirements of completing the DETYA Financial Questionnaire and being registered by the State Educational Authority, there is little justification of school policies required by the Government. Those with experience of the State School system know the vast numbers of forms and reports required by their authorities. Anglican Schools need to review the following issues in accepting financial assistance from the Government.

- (a) Should government funding have an influence on the school's enrolment policy? On what grounds may a school justify the inclusion or exclusion of students? Because State schools have selectively based on academic merit does that morally permit Anglican schools to do likewise?
- (b) One of the criticisms directed at some Christian schools is that a profession of faith is required before school leadership is offered. How do Anglican schools nurture Christian leadership?

- (c) SES scores for Anglican schools in coastal areas outside Metropolitan areas secure significantly greater funding due to unemployed and retirees in these areas. New schools since 2000 are funded on their initial enrolments' SES score. In NSW the coastal schools SES scores are in the range 93 – 98. Inland schools secure a score between 99 – 105. Metropolitan schools invariably have scores above 105. What are the long term implications of this funding? The Catholic systemic block of schools equalize across all states. What would be the advantages and disadvantages of pursuing this option? What will the future pattern of Anglican schools look like if no collective action is taken?

## **2. Fee setting, Scholarships, Dispensation and Fee chasing.**

Most prospective Schools' Boards employ demographic surveys before undertaking the risk of developing a new school. One of the frequently asked questions is what you would be willing to pay for an Anglican education. Low fee paying schools prior to 2000 attempted to set income at a level to secure Category 10 funding. Many of the metropolitan schools established between 1982 – 2000 are now grant maintained since their SES is above 98. Some have chosen to steadily increase fees fearful that the 2008 or 2112 Commonwealth Government four-yearly review may remove the grant maintained option. Other schools have chosen not to alter their fee pattern. Boards must carefully review a number of factors including:-

- The Ordinance on which the school operates particularly if there are references to low fee payment or accessible schools.
- The potential that families who supported the school through the less resourced years may not be able to afford the new fee structures.
- The inability to create balanced budgets without significant fee increases should Government recurrent expenditure be reduced.
- The culture of the school should fee rises make them more exclusive.

The provision of scholarships or fee dispensation also play significant roles in new schools. When classes are not full, the temptation to offer reduced fees based on academic or sporting excellence or simply to struggling Anglican families is enormous. At no real short term cost to the school, extra bodies mean extra recurrent funding from Government sources. This pattern has often been witnessed in the Christian Schools network or in the Catholic system. There is clear danger to the new schools that soon, no-one is paying the regular fees. Often the Principal becomes inundated with claims for dispensation or significant time is spent in chasing outstanding fees. A clear Board-developed policy on these issues is essential to establish firm guidelines. Issues that need to be resolved include:

- What is the criteria for fee relief (if any) based on ability or need?
- What will be the long term impact if fee relief is granted to more than 2%, 5%, 10%?

- What information should be passed to parents if fee increases in excess of CPI are being considered over the life of their student about to enroll?
- What steps are in place for outstanding fee collection? At what stage is exclusion the option? How do we answer the criticism that as Anglican schools we show no compassion?

### **3. Capital Grants and Interest Subsidy Applications**

Most schools have opportunities to supplement their recurrent expenditures through other Government assistance in building costs. Anglican schools founded between 1982 – 1995 saw as much as 30 – 40% of building costs covered by Capital Grants from the Commonwealth Government. The pool of funds available from this resource has steadily been reducing to where less than 10% is the pattern for schools founded since 1999. Interest subsidies are sourced from State and Territory governments. These vary from State to State. At present, NSW is the most generous with interest subsidy of 85% of new works over a 20 year period with the ACT recently announcing the demise of their programme. Issues that need to be considered by Anglican schools include:

- To what extent should new schools adjust their developmental programmes to maximize Government assistance? School Chapels and Chaplain's offices are, for example, excluded from Interest Subsidy Claims yet surely these services are at the heart of an Anglican school.
- What is our position to the criticism that our schools appear to be not only newer but better resourced than the local State School when much of these developments and improvements come from Government sources?

### **4. Staff Costs. Risks and Opportunities**

Many of the Foundation Principals of the low fee paying schools came from employment in the older, established independent schools. These schools would attempt to employ experienced teachers irrespective of additional salary costs. The \$20,000 difference between the costs of employing a beginning teachers and one with eight or more years of experience is a significant amount in the precarious budgets of a new school. The experience of Foundation Principals has been that these costs must be borne if the school is to develop in a balanced and professional manner. Issues that need to be considered for new schools include:

- How effective is the liaison between the new Board and the Foundation Principal over appointments?
- What support can the Anglican School Network provide to the new Boards and Principals in the way of guidance?

The opportunity to create a unified and dynamic staff exists in new schools but the pressures and tensions in the early years should never be discounted. Even in a tight budget significant amounts should be set aside for professional development. The risk

of cheaper staff is mediocrity. An experienced and capable staff will secure and maintain parental faith.

#### **5. Prioritising in the allocation of resources in a tight budget.**

In the competition between staffing costs and resources it is the human factor that is the key priority. Parents will understand a lack of resources. They will not tolerate a quality of teaching that is inferior. The current generation of parents will often transfer students for reasons that we understand as petty. There is little that can be done to alter this practice. Nevertheless, the longer term growth in a school will be established around the quality and unity of the teaching and administrative staff. This is an area where a Principal and a supportive Board can make a difference by careful allocation of resources. Issues that need to be considered include:

- Should Boards encourage people with human relations skills rather than retired builders to join them?
- How do Anglican schools effectively market the priority of human resources?

#### **Conclusion**

New Anglican schools have been one of the growth phenomenon in Australian education over the last twenty years. Their development has been facilitated by a set of Government conditions that are slowly being eroded. The Boards of the new schools have sought to exploit these conditions while the opportunities have been available. Each school faces important decisions over the next decade as to the fee structure, shape and nature of their school. How far these decisions will be taken on the basis of our Anglican ethos is difficult to determine at this stage. It is important that conscious decisions are taken in advance rather than *ad hoc* or forced decisions later on. I believe that the Anglican Network could provide a forum for such an important debate.

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