

A school lesson on equity

By Nicholas Reece

EVER since Mark Latham's infamous "hit list", the reform of funding for elite private schools has been off-limits in Australian political debate.

To this day the Federal Opposition accuse the Gillard Government of trying to bring back "Labor's hit list" whenever the subject of school funding arise.

But now the Methodist Ladies College saga has shed a glaring new light on the financial arrangements of elite private schools.

As part of the dispute between the board and the principal, previously undisclosed details about the internal finances of the school have been made public. Put simply, they reveal a school that is blessed with an embarrassment of riches.

Which begs the thorny question: Why have taxpayers been providing up to \$10 million a year to a school that on any measure is extremely wealthy and does not need that level of support?

Putting the new details of MLC's finances together with what is available through its annual report and the My School website, we know that MLC made a "surplus" of \$4 million in 2011, on an operating budget of \$55 million. (The surplus is reinvested into capital works.)

This "surplus" of funds is more than the Australian government provides in annual funding to even the biggest public high schools.

We know the principal of MLC, Rosa Storelli, was on a five-year contract with an annual salary of \$510,000 and a \$50,000 bonus.

It has been widely noted that this is more than the salary of the Prime Minister or Premier. But perhaps more telling is the comparison to other school principals. A top principal of a large public secondary school is paid \$165,000 a year, that's three-and-a-half times less than Ms Storelli.

It has also been revealed that the personal assistant to the principal at MLC was on a salary of \$115,000 a year. This is more than a level 1 principal earns as the head of a public school — \$109,000 a year.

A Deloitte review of MLC's finances found that \$716,000 in overpayments was made to Ms Storelli over a period of more than 10 years. This alleged overpayment is more than the entire operating budget of many schools.

Just 15 kilometres up the road from MLC is one school I am personally aware of, Newlands Primary in Coburg. Newlands receives funding from the State Government of \$850,000 plus \$200,000 from the Commonwealth. Using those payments the school is expected to pay the principal and teachers' salaries, office staff, utility costs, maintenance works and, of course, educate the school's 106 students.

At Newlands Primary, every single dollar counts — the loss of \$716,000 would close the school. At MLC the alleged loss of that sum accumulated over a decade before it was noticed.

The recent disclosures about MLC's finances may help explain why the school has fees of up to \$23,500 a year. But it does not explain why State and Commonwealth taxpayers have contributed \$25 million to MLC over the past three years.

In the United States, private schools get no government funding. In Belgium, New Zealand, England and parts of Canada, Catholic and other religious schools are part of the public system and charge little or no fees.

Everybody agrees that the current funding model for private schools is broken. The so-called SES model wilfully ignores a school's private revenue from fees and bequests and instead estimates its relative financial need based on census data from the neighbourhoods of enrolled students.

With the Gillard Government due to release the next stage of its response to the Gonski Review in coming weeks, a reprioritisation of funds is urgently needed.

Gonski rightly moves the debate beyond sector versus sector or Commonwealth versus State and tries to focus on a system in which funding to schools reflects the needs of students – not the type of school.

One of the strongest points the panel makes is that the most effective and cost-efficient way to improve Australia's education performance is to give priority to lower achieving students — who are disproportionately disadvantaged students.

Gonski recommends an extra \$5 billion a year for schools, on top of the current annual spending of \$13.9 billion.

Moreover, there needs to be a substantial increase in funding for schools that teach disadvantaged students, who are mostly found in public schools and lower-SES independent schools.

It has become part of Australian political folklore that Latham Labor's policy of shifting some money from 67 of the richest private schools to public schools was a key reason for its loss of the 2004 federal election.

A recent review of opinion polling of the period has called this assumption into question – it has been argued the policy was in fact an electoral plus for Labor. I am not sure this is a correct interpretation of the politics of the time, but there is a deeper, more important truth in the current school funding debate.

If good politics follows good policy then surely the extra money flowing to education should be directed overwhelmingly towards students and schools that most need it.

If we accept that argument, then the revelations about MLC's finances show that a serious revision of the public funding arrangements is required.

*Nicholas Reece is a public policy fellow at The Centre for Public Policy at Melbourne University and a former senior adviser to Prime Minister Julia Gillard and Premiers Steve Bracks and John Brumby. Published October 15, 2012: <http://www.theage.com.au/opinion/politics/a-school-lesson-on-equity-20121014-27kv6.html>