

AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS

Press Release #1070

Accounting Tricks Included in Bilateral Funding Agreements

Favour Private Schools

Since the return of State Aid to religious private schools in the 1960s, the costing of per capita funding of public school students has included what are known as ‘Sector costs.’ This has enabled the private school sector to inflate the real cost of educating a child in a public school while underestimate the real cost of State Aid to the private sector.

Sector costs are those relating to all schools regardless of whether they are public or private schools. The Gonski Report noted that they include the regulation of schools, certification of teachers, national school testing and development of curriculum.

The Gonski Report in 2011 rejected inclusion of these costs in the resource standard because they are not incurred by schools. It stated:

As these costs are largely met by governments and are not incurred by schools directly, it is not appropriate to include them in the resource standard.

In a recent Press Release entitled [**Gonski Rejected Accounting Tricks Included in Bilateral Funding Agreements**](#) Trevor Cobbold from Save Our Schools has pointed out that nothing has changed under the Albanese government. His analysis of the current inequalities in accounting procedures is reproduced below:

Gonski Rejected Accounting Tricks Included in Bilateral Funding Agreements

 [Trevor Cobbold](#) / [June 3, 2026](#) / [Funding, Public education](#)

The bilateral school funding agreements between the Albanese and state/territory governments allow the states and the Northern Territory to claim several expenditures as part of their share of funding the Schooling Resource Standard (SRS) of public schools which are specifically excluded from how the SRS is estimated. The [**Gonski Report of 2011**](#) rejected inclusion of these expenditures in the calculation of the SRS. They were

excluded from original funding agreements that implemented the Gonski funding model in 2014 and were first introduced in the Morrison Government agreements in 2019.

These provisions allow state and Northern Territory governments to artificially boost their claimed funding shares for public schools. They can pretend they are spending more on public schools than they are in reality. The provisions allow governments to defraud public schools of legitimate SRS funding.

These non-SRS expenditures include capital depreciation, direct school transport and regulatory expenditures on various curriculum, assessment, standards and registration authorities as they relate to public schools. In sharp contrast with the treatment of public schools, these same expenditures cannot be claimed by governments as part of their share of funding private schools.

The Gonski report in 2011 analysed the case for including what it called "sector costs", "system costs", "adjunct service costs" and capital expenditure in the estimation of the national school resourcing standard. It rejected their inclusions.

A critical point in the discussion of these costs was the purpose of the national resource standard. The Report made it clear that the purpose was to estimate the recurrent funding required directly by schools to provide effective student outcomes. It stated that the resource standard:

..form the basis for **general recurrent funding** for all students in all schooling sector.. [xvi, emphasis added]

Further:

The per student amount plus loadings would represent the total resources required by a school to provide its students with the opportunity to achieve high educational outcomes for their students over a sustained period of time. It would be funded from public funding from all levels of government, as well as any private sources. [xvi]

A document published by the [Commonwealth Department of Education](#) states:

The Schooling Resource Standard (SRS) is an estimate of how much total public funding a school needs to meet its students' educational needs. It is based on recommendations made in the 2011 [Review of Funding for Schooling](#) led by Mr. David Gonski AC.

The document also states that the funding needs of schools refers to **recurrent funding**.

Sector (regulatory) costs

Sector costs are those relating to all schools regardless of whether they are public or private schools. The Report noted that they include the regulation of schools, certification of teachers, national school testing and development of curriculum.

The Gonski Report rejected inclusion of these costs in the resource standard because they are not incurred by schools. It stated:

As these costs are largely met by governments and are not incurred by schools directly, it is not appropriate to include them in the resource standard. [161]

System overheads

System overheads include administrative costs at the sector level, such as the cost of keeping system headquarters. System overheads can include administrative costs (e.g. finance and human resources), and the provision of services across schools within a system, such as program development and co-ordination.

The Gonski Report supported inclusion of these costs in the resource standard to ensure consistency across different types of schools. It recognised that a number of system functions taken on behalf of system schools are undertaken at the school level in non-system schools.

It is important for the sake of comparability in setting the resource standard across different types of schools that it recognises the full costs of delivering schooling services, regardless of whether these are performed within a stand-alone school or centrally or regionally as part of a system. [161]

It is notable that a research report on the resource standard prepared by the [Allen Consulting Group](#) for the panel recommended against including these costs in the resource standard because it “may create significant cost allocation challenges” [61]. It also said that it may detract from the school-level focus of resource standard. However, it noted that exclusion of these costs from the standard may create incentives to shift functions to the school level which is not optimal. The Report also said that another option could be to include defining a set of school functions and taking into account their costs, regardless of where the function is performed.

In the event, the implementation of the funding model followed the recommendation of the Gonski Report and allowed inclusion of system level costs in the estimation of the SRS.

Adjunct service costs

Adjunct service costs refer to expenditures that are not consistently incurred by schools across jurisdictions and sectors and are often provided by other areas of government. They include health and welfare costs, teacher housing and student transport subsidies, which are largely funded through agencies other than departments of education.

The Report recommended that such costs not be included in the resource standard:

...including these costs in the resource standard could lead to cost shifting between government portfolios and different levels of government. The panel's preferred approach is that these costs are dealt with outside the resource standard and estimated as a separate resourcing requirement on funding bodies akin to a community service obligation. [161]

The Allen Consulting Group report acknowledge the significance of some adjunct services costs to student outcomes in rural and remote regions. It recommended that they be separately identified outside the resource standard. I said that one option would be they are:

...estimated as a separate resourcing requirement akin to a community service obligation. Such a community service organisation would be separately calculated and paid to jurisdictions, systems or schools. Adjunct costs should only be treated in this way when they fall outside the government's education budget. [65]

Depreciation and capital expenditure

Under the current bilateral funding agreements, all states and the Northern Territory can claim depreciation expenditure up to 4% of the SRS as part of their share of funding public schools. This claim was introduced in 2019 in the Morrison Government agreements. Capital costs are not included in how the SRS is estimated.

The Gonski report was emphatic in excluding capital expenditure and depreciation from the SRS. For example, its Finding 12 stated:

For the purposes of developing future recurrent funding arrangements, it would be appropriate to continue to exclude the user cost of capital, depreciation, capital expenditure and payroll tax. [67]

It noted that depreciation is not a cash payment to schools and is excluded from the financial data collected by ACARA for the My School website [66].

The Victorian education minister, Ben Carroll, [has claimed](#) that the Gonski Report recommended that capital expenditure be included in the resource standard. This is incorrect.

The Report also strongly recommended that capital expenditure be excluded from the resource standard because the standard refers to recurrent funding only.

Recommendation 10 stated that the resource standard should:

- be a recurrent resource standard, which includes a provision for general maintenance and minor acquisitions below an established capitalisation threshold but does not include capital costs [162]

Further,

...capital and infrastructure costs (other than maintenance and minor works) will not be funded through the recurrent schooling resource standard... [185]

Instead of including capital expenditure in the resource standard, the report proposed that national capital resource standard, and other cost benchmarking options, to assist with future monitoring and design of capital expenditure programs [190].

Financial data to estimate the resource standard

A methodology appendix to the Gonski Report noted that the financial data collected by ACARA for the My School website is a “sufficiently robust” to estimate the resource standard as it provides materially comparable financial data by school on a national basis [255]. ACARA uses net recurrent income per student (NRIPS) as the measure of recurrent funding of schools. Depreciation, school transport, regulatory costs and capital expenditure are all excluded from the NRIPS as outlined in ACARA’s [My School: Key Principals and Methodology](#) (2024). For example, in relation to regulatory expenditure, it states: “These funds have been deemed to be outside schools’ recurrent operations” [p.13].

Conclusion

The provisions in the current bilateral funding agreements that allow the states and the Northern Territory to claim depreciation, school transport and regulatory expenditures as part of their share of funding public schools clearly is contrary to the recommendations of the Gonski Report. They were excluded from the implementation of the Gonski funding model and from the initial Commonwealth/state funding agreements.

These allowances were first included in the funding agreements between the Morrison and state/territory governments in 2019 and applied only to state/territory funding shares for public schools. They did not apply to funding shares for private schools. It was another element of the [sabotage of the Gonski funding model](#) by the Coalition Government.

The allowances were continued in interim funding agreements between the Albanese and state and Northern Territory governments for 2023 to 2025. They remain in the new agreements that determine funding shares to 2034. The 4% allowance is to be phased out by 2034 but the allowance to claim regulatory expenditures will remain.

These allowances are very convenient for state and Northern Territory governments because they can restrict funding for public schools by artificially boosting their funding shares. It helps government budget bottom lines while feigning higher funding of public schools than they actually receive. Public schools are being swindled out of legitimate Gonski funding.

SOS estimates that public schools were defrauded by \$13.2 billion in funding over six years from 2019 to 2024 inclusive because of these “accounting tricks. The loss over the ten years from 2025 to 2034 inclusive is estimated at \$23.2 billion. And, this is an underestimate because Victoria is yet to sign a long term agreement and the Northern Territory agreement is for 2025-2029.

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