

**THE IDEOLOGICAL FOUNDATIONS OF GOVERNMENT FUNDING OF  
AUSTRALIAN SCHOOLS: IMPLICATIONS FOR PUBLIC ACCOUNTABILITY  
AND THE NOT-FOR-PROFIT SECTOR.**

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## **Purpose of the paper**

This paper investigates the use of Social Origins Theory to assess governments' public accountability for the funding of Not-for-Profit (NFP) organisations.

## **Design/methodology/approach**

The applicability of Social Origins Theory to assessing public accountability is illustrated through a case study. Using publicly available documentation and literature, the history of government funding of non-government, NFP schools in Australia is analysed. .

## **Findings**

Social Origins Theory provides a comprehensive explanation for government funding of non-government schools and has the potential to be used more widely in the NFP sector. Further, the theory provides a powerful foundation for governments to discharge public accountability for their funding of NFP organisations.

## **Research limitations/implications**

The usual limitations of case study research apply. Extending this research, by investigating other subsectors of the NFP sector and in different jurisdictional contexts will be useful to NFP organisations in assessing the sustainability of their future government funding, and to governments in discharging public accountability by providing a reasoned rationale for their NFP funding decisions

## **Originality/value**

This research has taken an innovative approach to examining why governments provide funding to non-government schools and by extension to the NFP sector generally. Theories from sociology and the NFP literature provide a satisfying rationale for government funding of NFP organisations and the discharge of public accountability.

**Keywords:** public accountability, government funding, Not-for-profit, sustainability

**Type of paper:** research paper

# **THE IDEOLOGICAL FOUNDATIONS OF GOVERNMENT FUNDING OF AUSTRALIAN SCHOOLS: IMPLICATIONS FOR PUBLIC ACCOUNTABILITY AND THE NOT-FOR-PROFIT SECTOR.**

## **INTRODUCTION**

The provision of government funds to non-government schools<sup>1</sup> is a contentious issue in Australia. Total Government expenditure on schools in Australia in 2009-2010 was \$41.8 billion, and \$8.9 billion (21.3%) of this went to non-government schools (ISCA, 2013). Education spending is contentious because it is central to both personal ambition, with respect to equity of educational opportunity, and societal demands, with respect to it being an important driver economic growth. This is therefore a significant public accountability issue for governments Australia wide (ISCA, 2013) in times when electorates expect governments to be accountable, responsible and transparent in the way that they expend public funds.

The most recent manifestation of this issue centres around the December 2011 release of the Gonski Report, an Australian Government commissioned review of school funding (Gonski et al., 2011). The Gonski Report recommended significant changes to the way all Australian schools should be funded, and reignited the controversy of whether public funds should be provided to non-government schools (Gonski et al., 2011). There are many who believe that wealthy non-government schools should not be subsidised by government and that the funds provided to these schools could be better spent in the state school system (Ferrari, 2012).<sup>2</sup> On the other hand, there are those who believe that the government should provide equal funding for all Australian children of school age, irrespective of whether they attend government or non-government schools (Greenwell, 2011).

It is fair to say that these two positions have become fairly entrenched in the debate and there seems to be little advancement in determining a solution to the dilemma, other than by tinkering with various funding models. It is an ongoing debate with public accountability and equity dimensions, particularly as non-government schools have only received government funding for a little over 50 years and only significant funding in the last 30 years. This paper does not propose a solution to this debate, or propose yet another funding model. Its purpose is to approach the issue of public funding of non-government schools through a public accountability lens, and to address the more fundamental question of why governments should fund non-government schools in Australia at all.

As all non-government schools that receive government funding in Australia are not-for-profit (NFP) organisations, theories or models that have been used to investigate and analyse the NFP sector generally have been reviewed to provide insight. Salamon and Anheier (1998) noted that there were interjurisdictional differences between, amongst other things, the revenue structure (including the provision of government funds) of NFP organisations. In trying to explain these differences, they found existing theoretical models that have been used to explain the NFP sector inadequate. They turned to the work of sociologist Gosta Esping-Andersen (1990) and his Theory of the Welfare State, which provides an explanation for the level of government contribution to citizen welfare within states/nations. Salamon and Anheier (1998) adapted the framework and developed Social Origins Theory to explain the interjurisdictional differences that they had identified. This paper uses Social Origins Theory to examine the public accountability dimensions of why governments in Australia fund private schools.

This paper will make three contributions. First, it will provide a public accountability rationale for governments' expenditure of public funds. By teasing out the 'why' NFPs are funded, this research will allow governments to demonstrate more directly the link between policy decisions and expenditure. Second, in addressing the question of why governments fund non-government schools it will enable the wider NFP sector and other stakeholders to better understand the determinants of the funding relationship between government and NFP organisations. The third contribution of the paper will be to enable NFP organisations to more realistically assess the long-term sustainability of the funding they are likely to receive from governments. With an understanding of their fundamental, equity-based claim to funding, schools will be able better to justify applications for funding and to target and structure them so as to give organisations the best chance of success.

The next three sections of the paper will examine public accountability, outline Social Origins Theory and provide a brief history of non-government school funding in Australia. The sections following will then apply the theory to the case of non-government school funding in the Australian context, and outline the implications of Social Origins Theory to the wider NFP sector and issues of public accountability. The conclusion will include suggestions for further research.

## **PUBLIC ACCOUNTABILITY**

Accountability is a term used in many contexts – social, political and business and it is regarded as an important tenet in all of these arenas (Cummings and Anton, 1990; Ferris et al., 1995). Despite the frequent use of the term at a general level of understanding, it is a difficult concept to define precisely (Normanton, 1971; Sinclair, 1995; Mulgan and Uhr, 2000). In this paper the focus is on the public accountability of governments. Public Accountability has been defined in the following terms:

*The term 'public accountability' refers to an important range of accountability practices, covering all those types of accountability which are for important reasons of democratic legitimacy, acted out in public with the aim of generating a public record of performance open to community examination and debate. (Mulgan and Uhr, 2000 p.2)*

In this statement the importance of public accountability to the functioning of democracy is evident. Further, the importance of the activity of government being communicated to the public in order that an assessment can be made of the performance of government is argued.

Other researchers have also identified that public accountability is multi-dimensional. In a public sector context, Stewart (1984) identified several 'bases of accountability' which he refers to as a ladder of accountability, which moves hierarchically from accountability for standards and moves to accountability by judgment: accountability for probity and legality, process accountability, performance accountability, programme accountability and policy accountability. Sinclair (1995) took an empirical approach to examining accountability relationships within the public sector. She identified five separate types of accountability - political, public, managerial, professional and personal.

Taylor and Rosair (2000) have also offered a range of accountabilities in a public sector context. In particular, they argued, was the idea that particular parties have a right to call on

other parties to provide information on issues of compliance and performance. Further, they expanded the traditional fiduciary model of accountability with its emphasis on the allocation of funds, to include a managerial accountability in which the entity is also accountable for the efficiency and effectiveness with which it uses those funds (Taylor and Rosair, 2000).

Focusing more precisely on what governments are accountable for, The United States Governmental Accounting Standards Board (GASB) provides three perspectives on accountability (GASB, 1994). An accounting perspective would emphasize accounting for financial resources, compliance with legal requirements and administrative policies, efficiency and economy in operations and the results of government programs and activities. An outcome-focused perspective to accountability would focus on the public reporting of outcome information, and the use of performance indicators. The last perspective, a functional perspective emphasizes accountability for probity, legality, process and policy. This perspective identified by the GASB has similarities to Stewart's (1984) ladder of accountability in so far as it includes three of the bases identified by Stewart (1984).

A common feature of all of these perspectives of public accountability is that public accountability encompasses more than merely accounting for, and reporting on, financial stewardship. Public accountability also requires agents to account for the way in which they have managed the resources from both an administrative and political perspective, including accountability for policy, process and equity (Jubb and Kelso, 1998). An interpretation of accountability in the public sector that focuses on financial accountability fails to address accountability for policy, fairness, equity or process (Williams, 1987; Parker and Gould, 1999; Coy et al., 2001; Jubb and Kelso, 1998). Exploring the rationale for funding of non-government schools using Social Origins Theory has the potential to enable governments to discharge accountability for their policy decisions so as to expand their public accountability mechanisms.

## **SOCIAL ORIGINS THEORY – AN EXPLANATION OF THE SHAPE OF THE NFP SECTOR**

While the work of Esping- Andersen (1990) and Salamon and Anheier (1998) does not directly address the issue of why governments fund NFP organisations, it does provide an alternative framework for investigating government funding of NFP organisations.

Prior literature on government funding of NFPs is dominated by a consideration of the mechanisms or approaches used by government to provide funding. In Australia Lyons (2001) argued that it is possible to distinguish five models by which governments provide financial support to NFP organisations. The first model identifies *government as philanthropist*, bestowing support with little planning other than a willingness to support a specific initiative. In the *submission model*, government offers funds for a particular type of service or activity and then invites NFPs to submit grant proposals to enable them to provide those services but leaves NFPs to determine where and how services will be located. In the *planning model*, government officials determine what services are needed and where those services are needed and then invite NFPs to express interest in providing those services in those locations. The last two models identified by Lyons (2001) attempt to replicate a private sector market environment. The *quasi-voucher model* of funding emphasises the provision of funding based on the characteristics of the service beneficiary, effectively recasting service beneficiaries as consumers who were allocated a particular level of funding and could then 'spend' with the provider of their choice. The final model, the *competitive tender model*, put

NFP organisations, for-profit organisations, and in some cases different government departments, into a situation of bidding against one another for specific tenders and funding.

In the UK, Unwin (2005) identified three primary purposes for which NFP organisations are funded. The first of these is 'shopping'. When 'shopping', the funder's primary purpose is to acquire a good or service from the NFP organisation. The second purpose for which funders may provide fund to NFPs is to invest in them, perhaps to ensure their viability or growth. The third purpose is that of giving where effectively a donation is made with no expectation of anything being received in return.

In the US there has also been reflection on the relationship between governments and NFP organisations and how that relationship will influence funding. Young (2000) posited that NFP organisations are either supplementary, complementary or adversaries to government. Where the relationship is supplementary, NFP organisations are seen as fulfilling a demand that is not being met by government. In this type of relationship little government funding would be available. As the name indicates, when there is a complementary relationship, governments and NFPs partner in the delivery of services and the government provides much of the funding. The adversarial relationship is characterised by NFPs advocating for policy change and for accountability from government and government attempting to influence the behaviour of NFPs by regulating their activities or by the way they respond to advocacy initiatives. These three relationships are not exclusive and any one NFP organisation could have all three relationships with government depending on the issues faced.

None of these funding rationales addresses the fundamental impetus for government funding of NFP activity. Rather than focusing on a justification for public funding and providing with accountability mechanisms for that these funding models identify 'how' governments provide funds to NFPs. This avoids the fundamental accountability issues with respect to policy and reduces the assessment of public accountability to a mechanistic financial accountability process. Social Origins Theory provides a framework to understand *why* governments fund NFP organisations.

Included in Salamon and Anheier's (1998) findings from the first phase of the Johns Hopkins study was the observation that there were significant interjurisdictional differences in the revenue structure (including government funding) of the NFP sector.<sup>3</sup> Salamon and Anheier (1998) looked to existing NFP sector theories for an explanation. They empirically tested the data against government/market failure, supply-side, trust, welfare state and interdependence theories of the NFP sector.<sup>4</sup> They found that each of the theories explained some of the variance between countries, i.e. variations in the size, revenue structure and composition of the NFP sector, but that no single theory offered an adequate explanation for the variations in all three metrics between nations. The authors concluded that instead of there being a single model to explain the variations there were multiple models. In order to determine why this might be the case and to determine why particular models applied in some jurisdictions and not others, Salamon and Anheier (1998) looked to the works of sociologists who had investigated the origins of the welfare state.

Esping-Andersen (1990) examined the emergence of the provision of social welfare within states and the causes of cross-national welfare state variations. In particular he investigated the extent to which individuals needed to rely on their ability to sell their labour in order to maintain a basic standard of welfare/living and the extent to which governments contributed to citizens' welfare. In doing so he identified three regime-types based on the different

arrangements between the state, market and family that existed in nations. The first of these, the 'liberal' welfare state, was a regime where welfare benefits were available on a means tested basis and where there were strict entitlement rules, meaning that there were only modest welfare transfers. The emphasis in this regime was on the market or family to provide for those in need, not the state. In the 'corporatist' regime there was a greater emphasis on the provision of welfare benefits by the state, but these benefits were provided with the intent of maintaining existing class structures. In other words there was very little redistributive impact from the provision of welfare benefits by the state. The last regime, the 'social democratic' regime, emphasised the development of a welfare state that promoted equality of the highest standards rather than accepting a minimum standard as in the 'liberal' regime or maintain a status quo as with the 'corporatist' regime. Esping-Andersen (1990) did not address the issue of accountability or how it might be discharged. However, the differences between the regime types would mean that there would be different emphasis placed on the elements of public accountability and as a consequence accountability mechanisms.

Esping-Andersen's work did not deal directly with the variations in the NFP sector identified by Salamon and Anheier (1998). However, given the failure of existing NFP theories to offer a satisfactory explanation, Salamon and Anheier (1998) believed that Social Origins Theory offered valuable insights into how the variations in size, revenue structure (including government funding for the NFP sector) and composition could be explained. NFP organisations are not isolated organisations but are part of the social and economic structures of a nation (Seibel, 1990). As a consequence, the development of the NFP sector in a nation is inextricably linked to its social structures (Salamon and Anheier, 1998).

Using Esping-Andersen's (1990) work, Salamon and Anheier (1998) proposed that the size and shape of the NFP sector in any particular jurisdiction was related to the historical approach and community expectations to the provision of welfare services in that jurisdiction. Consequently, in jurisdictions where there was either little historical precedence or community expectation for the provision of welfare then government would be unlikely to contribute to the provision of welfare services either directly or through third party intermediaries such as NFPs. Four models of NFP development emerged from their work, each reflecting differing roles of the state, the positioning of the NFP sector and social forces (Salamon and Anheier, 1998):

### **Insert Table 1**

In the 'liberal' model there is a preference for a voluntary approach to social welfare problems and a significant reluctance on the part of government to provide social welfare programmes. In this model there is low level of government spending on social welfare and a large NFP sector. The 'corporatist' model is characterised by a high degree of co-operation between government and the NFP sector and a high level of spending on social welfare by both the government and NFP organisations. The 'statist' model, conversely, is characterised by control of the NFP sector by government and a low level of social welfare spending by either the government or the NFP sector. Lastly, in the 'social democratic' model, there is a high level of government provision of social welfare, leaving very little room for NFP activity. These four models form the basis of Social Origins Theory.

Social Origins Theory, as portrayed through these four models of welfare/state relationships, has been used by a number of researchers. Mullins (2000) employed the theory to explore and

explain the change in the provision of public housing in the UK by the NFP sector. He noted that these changes were consistent with shifts in social welfare regimes characterised by changes in government over time. Of particular relevance in this study, they noted that some public housing providers were able to influence the policy environment rather than being mere responders. This demonstrates the utility of the theory for the NFP sector to position itself within government priorities and to be reactive rather than proactive. This has implications for the sustainability of the NFP sector. NFPs that are cognisant of their role in and contribution to government priorities will be able to better manage their revenue. Two further studies have used a Social Origins Theory approach in settings not considered by Salamon and Anheier (1998), and in doing so they expanded on this developing theory. Lee (2005) reviewed the development of the state-NFP sector relationship in Hong Kong. She demonstrated that the development was represented by both the statist and corporatist models identified by the theory. Kabalo (2009) applied the theory in post war Israel. Building on the work of Gidron et al., (2003), her study concluded that the original four models identified by Salamon and Anheier (1998) may not be sufficient to capture the diversity outside of Western Europe and North America. Unlike Lee (2005), who identified Hong Kong as a composite of the statist and corporatist models, Kabalo (2009) suggested that a fifth model representing decolonised and new state nations is required.

The theory has also been subject to criticism. Ragin (1998) expressed concern with respect to the capacity of the theory to adequately classify nations as belonging to one model or the other. There have also been suggestions that the theory does not adequately explain changes in the relative scale of state and NFP activity (Wagner, 2000). Moore (2001) argued that the theory is deficient as it does not recognise that government/NFP relationships can change over time. She claimed that there was no single point of social origin. Despite these criticisms, which relate primarily to how jurisdictions are classified Social Origins has been used by a number of researchers to explain NFP activity, as noted above. This research will contribute to the continuing development of the theory by, in an Australian setting, demonstrating that government funding of NFP non-government schools can be explained by societal attitudes and expectations of governments with respect to education.

## **A BRIEF HISTORY OF THE FUNDING OF AUSTRALIAN NON-GOVERNMENT SCHOOLS**

The history of schools in Australia is nearly as long as the history of European settlement in Australia, beginning in the colony of NSW and expanding across the country as other settlements opened up. Indeed the first school was established by the governor of NSW in 1789, one year after settlement. It was run by 2 convicts and was entirely funded by the colony administration (Thomas and Sydenham, 2011). So the very earliest history of Australia reflects a commitment to the public funding of education. Within a decade there were six schools in the colony, established by the Church of England and requiring the payment of fees (Thomas and Sydenham, 2011). They were the first non-government schools established in Australia. So, from the very beginnings of Australia the provision of education was a mix of private and government schools. This is a situation that continues to this day although the balance has shifted somewhat. In the 1790s there was one state run school and six non-government schools while there are now 6,743 state run schools and 2,725 private schools (ISCA, 2013).

As the colonisation of Australia expanded so did the provision of education services. While all of the states had a slightly different experience, the first school in Queensland, for



example, was opened with 16 students two years after the settlement of Moreton Bay in 1824 (Logan and Clarke, 1984). The school, although administered by the Anglican Church, was funded by the colonial government. In 1842 Brisbane ceased to be a convict settlement and was opened to free settlers. As a consequence, demand for education in Brisbane increased substantially. The first Catholic school in the Archdiocese of Brisbane was established in 1845. There were 56 students at the school and it was funded by the parents and the local parish (Catholic Education, 2013). In 1850, before Queensland became a separate colony, a National school under the auspices of and funded by the NSW government was opened in Toolburra west of Brisbane (Department of Education, Training and Employment, 2013).

When Queensland became a separate colony in 1859 it then became responsible for the provision of education within its boundaries. The first Education Act was introduced in 1860 (The Education Act 1860) and all primary education was controlled by the Board of General Education, however it was not until 1870 that free education was introduced. In 1875 the *State Education Act (1875)* established that education for all children aged 6-12 would be compulsory and free. Further, it established that it would be a secular system. As a consequence the ad hoc funding that had been provided to non-government schools prior to the adoption of the Act was withdrawn.

At the time of Australian Federation in 1901 there were 9,353 schools with a total enrolment of 887,137 students throughout the states of Australia. The majority of these schools were government run schools funded by the various state governments. Reflecting the compulsory school leaving age of 12, in most states the majority of the government schools were primary schools. In fact there were only five government secondary schools amongst all the states, 4 in New South Wales and one in South Australia (Burke and Spaul, 2001).<sup>5</sup> Unlike primary schools, and again reflecting the school leaving age, access to secondary schooling was not free. Fees, albeit less than those of non-government schools, were charged for attendance at state run secondary schools (Burke and Spaul, 2001).

When the Commonwealth of Australia<sup>6</sup> was established, in 1901, as an amalgamation of the existing states of New South Wales, Queensland, Victoria, South Australia, Western Australia and Tasmania, there was no provision in the constitution for the Commonwealth to fund education facilities (Harrington, 2011). As a consequence the responsibility for education remained with the State Governments and they were responsible for funding the provision of education facilities (Burke and Spaul, 2001). However, at this point the state governments did not fund non-government schools. All funding for private schools was raised from either fees or community contributions (Rudkin and Deo, 2006).

Following the establishment of the Commonwealth of Australia there was considerable expansion of the secondary school system in all States. It was argued that the establishment of a free, or nearly free, secondary education system was essential to provide the skilled workforce of an emerging economy and the needs of a democratic political system (Burke and Spaul, 2001). However for many years the provision of secondary education was not freely available in state schools. There were entrance examinations and fees to attend. As would be expected, this meant that there was a low level of uptake of secondary education, with most students enrolling in free technical colleges (Burke and Spaul, 2001).

It was not until after World War II that State governments began to encourage secondary school attendance by extending the school leaving age, abolishing fees and entrance examinations and providing assistance for students in the form of scholarships and subsidies

for school transport (Logan and Clarke, 1984). As a consequence of these activities, by 1965 in Queensland, and at slightly different times in the remaining states, there was in place a commitment on behalf of government and an expectation of citizens for the provision of a primary and secondary education system that was both free and compulsory (Department of Education, Training and Employment, 2013). The provision of a free secondary school system was important as it also opened up more equitable access to university places. Prior to the provision of free government secondary education only those students whose parents could afford to pay fees either at a non-government or government school could attend university (Burke and Spaul, 2001). This situation remained fairly static until the early 1960s when the Catholic school system came under great pressure as a consequence of government policies introduced in the 1940s and 1950s (Rudkin and Deo, 2006).

After the end of World War II, Australia launched an aggressive immigration policy, aiming to increase the population by 1% a year in order to grow the economy post war (Rudkin and Deo, 2006). Most of the immigrants came from Britain and Europe (Burke and Spaul, 2001). Enrolments in Catholic schools in Australia soared during the 1950s as a result of both the Australian government policies with respect to immigration, and the State government policies encouraging children to remain at school, but also because of actions taken by the Catholic Bishops in Australia. They determined that the education offered by government schools was unacceptable, presumably because it was secular in nature, and that parents who sent their children to government schools would not be given absolution in the confessional (Rudkin and Deo, 2006).

To put into perspective the role played by Catholic schools in Australia, in 1960 there were 7,867 government schools and 2,228 private schools of which 1,727 were Catholic. In terms of student numbers, enrolments at Catholic schools accounted for 81% of enrolments in non-government schools and 20% of enrolments in all schools (ABS, 1961). In 2010 there were 6,743 government schools and 2,725 private schools of which 1,708 were Catholic schools. In terms of student numbers enrolments at Catholic schools accounted for 59% of enrolments in private schools and 20% of enrolments in all schools (ABS, 2010).

From 1945 to 1960 enrolments in Catholic schools more than doubled from 200,000 in 1945 to 415,912 in 1960, an increase of 108% (ABS, 1947; ABS, 1961). This increase exceeded the rise in enrolments at government schools, which in the same period went from 825,748 to 1,612,281 an increase of 95% (ABS, 1947; ABS, 1961). The substantial growth in enrolments in Catholic schools created financial crises for the Catholic education systems largely due to the need to employ more lay teachers to staff the schools (Canavan, 1999). A political campaign for the provision of government funding for Catholic schools commenced. Catholic parents invited politicians to speak at public meetings and the Bishops issued statements encouraging both the lobbying of political parties as well as individual politicians to advocate the provision of government funds for Catholic schools (Canavan, 1999). Finally in 1962, in response to a health department directive that the toilet facilities at a Goulbourn Catholic school were inadequate and in the absence of any funds to build more toilets, the parents of 2,000 students at Goulbourn diocese Catholic schools voted to close their schools and enrol their children at the local state government schools. This action was unprecedented and placed the issue of government funding of private schools fairly and squarely on the political agenda (Canavan, 1999).

As a consequence, there were initiatives by both state and federal governments to fund at least some of the cost of private schools. In 1964 the Australian government introduced the

*States Grants (Science Laboratories and Technical Training) Act 1964* to provide science laboratories and equipment for both government and non-government schools (Harrington, 2011). In 1969 it extended this funding to provide capital assistance for the provision of libraries in all schools, government and non-government alike (Harrington, 2011). Also in 1969 the New South Wales Government introduced recurrent per capita grants of \$27 per primary school student and \$36 per secondary school student attending non-government schools (Canavan, 1999). The other states and territories took similar action (Burke and Spaul, 2001).

In 1970 the Australian government also introduced a recurrent grant and in 1972 the Australian government agreed to pay 20% of the average cost of educating a child in a state school to non-government schools (Harrington, 2011). In a period of less than a decade non-government schools had gone from receiving no government funding at all to receiving substantial amounts of both capital and recurrent funding. While there have been several overhauls of the way governments fund non-government schools, including the mix of federal versus state funding, the end result is that over the forty years since governments began funding private schools, the level of funding has reached \$8.9 billion dollars a year.

As already noted, there is a considerable longstanding debate in the Australian community, including the High Court challenge referred to earlier, as to whether governments should provide funding for private schools.<sup>7</sup> Many argue that the funds expended on private schools would be better spent in government schools. Applying Social Origins Theory, the next section of the paper will provide a potential rationale for the provision of government funding for non-government schools in Australia.

## **THEORISING THE FUNDING OF AUSTRALIAN PRIVATE SCHOOLS**

In Australia, government funding for NFP activities falls into three broad categories. The first is citizen entitlements, and encompasses services such as primary and secondary health care; and primary and secondary education. The second is expenditure associated with providing a social safety net whereby the government commits to provide for minimum basic needs in the form of welfare benefits. The third category is funding for those activities which government assesses as having significant community benefit, such as cultural or sporting activities (Productivity Commission, 2010). An important distinction exists between the first two categories and the third. The first two categories are activities that government sees as essential and feels obliged to ensure are provided, although what belongs in these categories can change over time and with varying government philosophies. The third category covers activities that are merely desirable, at least to some in the population (Productivity Commission, 2010).

As highlighted earlier, until the 1960s non-government schools received no government funding, but they now receive 20% of government expenditure on school education. There has however been considerable debate about whether this funding is appropriate or whether the money would be better allocated to government schools. Governments are being held publicly accountable for the way they fund the policy of free and compulsory education.

Social Origins Theory provides a convincing rationale for the continued provision of government funding for non-government schools. First, there is a community expectation that all Australian children have free access to education. In Esping-Andersen's (1990) terms, in Australia, it is not expected that access to education should be limited by the ability to pay for

it. From the previous discussion, the government's provision of educational facilities has been seen as a priority since the establishment of the first colonies in Australia and has come to be viewed as an entitlement. The various states in Australia have had some level of compulsory school attendance for more than 85 years and the provision of education at no cost has therefore been embedded in Australian society. In particular the provision of secondary education at no cost was introduced to address the inequity of access to tertiary studies being restricted to students whose parents could afford to pay school fees to either government or non-government school fees (Burke and Spaul, 2001). These initiatives for both compulsory schooling and free schooling were introduced by governments as a way to encourage school participation and thus contribute to the economic and social growth of Australia, but also to provide equity of access. Thus education was seen as a core 'right' of all students, and consequently school facilities were provided to ensure all children had access to an education.

From this perspective, when government was faced with the potential breakdown of the Catholic school system it had two choices. One was to build more government schools to accommodate increased student numbers in the event that the Catholic schools would close. The second was to provide funding to enable the Catholic schools to remain open. Since a cost was to be borne with either choice, government considered community attitudes and expectations. There was huge public support for government funding of non-government schools, as demonstrated by the importance placed on it in election campaigns from both major parties in the late 1960s (Symes and Gulson, 2008). This support was often based on the right of parents to have their children educated in religious-based non-government schools rather than secular government schools, again reflecting a strong societal expectation with respect to freedom of choice (Symes and Gulson, 2008). In these circumstances governments chose to continue to fund non-government schools. In terms of the models of welfare/state relationships in Social Origins Theory with respect to education Australia was clearly situated in either the Corporatist model or the Social democratic model as both of these acknowledge a high responsibility for government to provide a service. However the added element of freedom of choice with respect to both secular or religious education and the resulting co-operative relationship between society and government places Australia in the Corporatist model which also acknowledges a strong role for NFP organisations, in this case schools.

This case study demonstrates that societal expectations and government accountability for policy with respect to the provision of education for all Australian students are drivers for government funding for both government and private schools. It also demonstrates the soundness of Salamon and Anheier's (1998) Theory of Social Origins. As all non-government schools funded by governments are NFP entities, Social Origins Theory is an explanator for the size and funding of the NFP education sector in Australia. Without government funding of non-government schools the size and revenue sources of the education NFP sector in Australia would be substantially different. It is likely that there would be fewer non-government schools and higher school fees were government funding to be withdrawn from non-government schools. As a consequence the size and funding of the NFP education sector in Australia is influenced by government policy decisions taken to reflect those societal expectations. That Australia is situated in the corporatist model for the provision of education where government responsibility is high means that the NFP education sector receives considerable government funding as part of its revenue structure.

Further, when viewed from this perspective, government is demonstrating accountability for its commitment to equitable access to compulsory and free education. While there is not a voucher model approach to funding non-government or government schools, that governments do fund non-government schools indicates that, given there is a compulsory education system in place, they would have to make places available in government schools should students decide to take that option. The government approach could be interpreted as seeing funding attaching to the student rather than the school reflecting the co-operative relationship between government and the NFP sector as well as societal expectations in the Corporatist model. Using Stewart's (1984) notion of a ladder of accountability, which encompasses accountability for standards, judgment, probity and legality, process, performance, programme and policy, government funding of non-government schools is a demonstration of, and a public accountability mechanism for, the policy of compulsory education. Funding of non-government schools is therefore a tangible indicator of governments' commitments to their education policy. This rationale for government funding has implications for the NFP sector more broadly.

## **SOCIAL ORIGINS THEORY AND THE WIDER NFP SECTOR**

There is now universal recognition of the important contribution that NFP organisations make not only to their immediate beneficiaries but to civil society and to economies worldwide (Kreander et al., 2009; Weerawardena et al., 2010). There is also recognition of the important and increasing role that they play in delivering services on behalf of governments (Salamon, 1987; Garrow, 2010; Harradine, 2012).

Because of the contributions and role of the NFP sector, its ongoing sustainability has also been identified in academic literature as being of strategic importance (Bryson et al., 2001; Dart, 2004; Eikenberry and Kluver, 2004; Goerke, 2003; McDonald, 2007; Sharir and Lerner, 2006). Governments worldwide have entered into various agreements and compacts with the sector to promote a sustainable sector (Melville, 2008; Leroy, 2002; National Compact Consultation, 2009). While organisational sustainability is a concept that is difficult to define in a NFP context, Weerawardena et al., (2009) have noted that for an organisation to be sustainable it must be able to demonstrate that it can continue to serve its constituency. Determining whether a NFP organisation can continue to serve its constituency will encompass a variety of assessments of performance and will most certainly include financial performance.

One element of financial performance that is important to sustainability is the continuation of a stable source of funds. For many NFP organisations, a significant proportion of their funding comes from government. Hence the ability to access government funds and to be able to continue to access them is vital. Both academics and government bodies have argued that governments should both better define their funding policies and be transparent and publicly accountable for their implementation of that policy (Mayston, 1993; Productivity Commission, 2010). It is argued that the funding relationships between government and NFP organisations will be more productive if there is clarity both in the nature of the relationship and the rationale underlying the funding.

This research argues that this clarity may be found using Social Origins Theory. As was demonstrated in the previous section, this framework provides a strong rationale for the provision of government funds to non-government, NFP schools. The same principles can be

applied across the NFP sector, both in Australia and internationally. In their approaches to funding applications, no matter which funding method is in place, NFP organisations need to situate themselves in the context of current government policy and societal expectations (Seibel, 1990). This will allow them to recognise their role in providing services, either on their own behalf, or on behalf of government. There is the potential for a change in perspective and power between government and NFP organisations if this framework is considered in funding negotiations when the significance of a programme to government policy and societal expectations is considered (Rudkin and Deo, 2006). It allows the consideration of funding for a particular programme not to be viewed in isolation but as part of societal norms and expectations, and corresponding government commitment. This theoretical framework will allow both governments and NFP organisations to approach funding from a common holistic perspective. As found by Mullins (2000) it will place NFPs in the position of being proactive and not reactive. It will allow a greater degree of certainty on behalf of funding recipients and as a consequence contribute to their being able to sustainably manage their organizations, since its focus is on the fundamental rationale for government funding, rather than merely on the mechanisms by which government funding is delivered.

This approach, or elements of it, has already been recognised implicitly by both the UK and NZ with respect to their approach to full cost funding of NFP organisations. In 2003, the UK Government endorsed a policy of full cost recovery when acquiring services (HM Treasury, 2006). Central to this policy was the requirement for funding bodies to recognise the need for NFP organisations to recover the full costs (including relevant overheads) of the provision of services on behalf of government. The government demonstrated its commitment to this policy by providing, as part of the implementation process, widespread and sustained training of NFP service providers in estimating the full cost of running their organisation. In taking this action the UK government has recognised that where government has decided that a service should be provided, it should fund the full cost of that service (HM Treasury, 2006). This allows certainty in funding for service providers and contributes to their being able to plan for a sustainable future. This policy in the UK, however, does not go so far as to prescribe what services will be funded. However using Social Origins Theory approach, UK service providers would have a platform for obtaining appropriate funding for their programmes, taking into account societal expectations and government commitments.

In 2008, the New Zealand Government went one step further when it committed to move towards fully funding organisations that provide ‘essential services’ — that is, ‘those services which are best provided by community organisations, and that government would have to provide directly if the community couldn’t’ (New Zealand MSD, 2008). Similarly, the NZ government, as part of implementing the policy, engaged with providers to understand the full cost of their essential services. In this instance the government has indicated that it will fully fund service provision in areas where it would take up the service if NFP providers were unable to do so. In this instance the NZ government has implicitly, if not directly, addressed the issues raised by Esping-Andersen (1990) in relation to the expectations about state provision of welfare services as opposed to the responsibility of individual members of society to provide for themselves.

In both of these instances, government policies with respect to funding NFP organisations will have an impact both on the size of NFP organisations and the way that they are funded. Further, in taking this approach, the governments of both the UK and New Zealand have provided a mechanism for the discharge of public accountability for government policy an

element of public accountability identified in Stewart's (1984) ladder of accountability. Their actions are providing direct evidence of their commitment to their policy decisions with respect to the provision of social services.

For a NFP organisation, having some idea of where it sits in government priorities, for example in the Australian context whether they play a role in the provision of services that contribute to citizen rights, social safety net provisions or community benefit, will allow them to better target sustainable funding sources. It will allow them to be more efficient in applying for funds both in terms of where they apply and how they focus their applications. This will have a positive impact on their administrative costs. In sum, using the insights from Social Origins Theory to inform funding decisions will allow NFPs more efficiently to target and focus funding sources and as a consequence contribute to their sustainability as they recognise and consider their relationships with government, society and the economy (Seibel, 1990).

## CONCLUSIONS

This paper has investigated the use of Social Origins Theory to assess governments' public accountability for the funding of NFP organisations. In doing so it has used the contentious issue of the provision of government funds to non-government schools in Australia as a case study. While on the one hand there are those who believe that non-government schools should not be funded by government (Ferrari, 2012) there is an equally vocal sector of the community who believe that government should provide equal funding for every Australian child of school age (Greenwell, 2011). This paper has addressed this issue from a public accountability perspective utilising Social Origins Theory as a persuasive explainer for why governments fund non-government schools.

The paper demonstrated the utility of Social Origins Theory to provide an explanation of why governments in Australia provide funding to non-government schools. Moreover this research determined that this theory has the potential to provide a public policy accountability mechanism in so far as it provides a framework by which government can demonstrate its commitment to policy initiatives and social expectations and norms. The paper also demonstrated how the findings with respect to government funding of non-government schools can be extended across the wider NFP sector both within Australia and overseas.

In doing this, the paper has made three contributions. First, by teasing out why NFPs are funded, this research will allow governments to demonstrate more directly the link between policy decisions and expenditure. In doing so, it has identified a framework for discharging policy accountability for the expenditure of public funds. Second, this research has demonstrated the utility of the Social Origins Theory to enable the wider NFP sector and the electorate to better understand the funding relationship between government and NFP organisations. Last, this research will contribute to NFP sustainability as they better and more efficiently target and structure funding applications.

This paper relies on one case study to support its findings and on the interpretation of that case through one theory by one researcher. However these limitations also provide further research opportunities. Similar research could be conducted in the various subsectors of the NFP sector both in Australia and internationally, to determine if the findings hold. There is also the potential for comparative studies between jurisdictions and in different contexts

(emerging economies for example) where there are different social expectations and norms with respect to the provision of welfare services. Findings from this and future research into these important issues, either independently or as an accumulation of findings, have the potential to contribute significantly to NFP sustainability and the way in which governments discharge their public accountability.

## Notes

<sup>1</sup> There are three terms commonly used to describe schools outside the state school system - Nongovernment schools, independent schools or private schools. In this paper the term nongovernment schools will be used.

<sup>2</sup> In 1981 an organisation known as the Defence of Government Schools embarked on an unsuccessful High Court challenge arguing that it was constitutionally invalid for the Commonwealth government to provide financial assistance to non-government schools (Canavan, 1999)

<sup>3</sup> They also found significant interjurisdictional difference with respect to the size and composition of the sector (Salamon And Anheier, 1998).

<sup>4</sup> Government/market failure argues that NFP organisations meet the unsatisfied demand for social welfare not met by government or the private sector. Supply-side theory proposes that along with an unmet need for social welfare there must also be the presence of social entrepreneurs in order for NFP organisations to develop. The Trust theory for the existence of NFP organisations argues that the non-distributive nature of NFP's makes them more trustworthy for the supply of social welfare. Welfare state theory treats the NFP sector as a residual sector and emphasises the role of government in the provision of social welfare. Interdependence theory argues that the NFP sector and government act co-operatively in the provision of social welfare (Salamon and Anheier, 1998).

<sup>5</sup> In Queensland for example the first secondary schools were not opened until 1912 (Department of Education, Training and Employment 2013).

<sup>6</sup> The establishment of the Commonwealth of Australia (federation) meant that there was now an Australian government and 6 state governments (New South Wales, Queensland, Victoria, South Australia, Western Australia and Tasmania). Subsequent to federation the state governments retained responsibility for education however the Australian government as part of its funding agreements with the states has since 1965 provided funding for schools as well.

<sup>7</sup> The Defence of Government schools organisation challenged the constitutional validity of the Commonwealth provision of funds to non-government schools. The challenge was defeated in the High Court in 1981 when a 6-1 majority dismissed the challenge. (Wallace, M. 2011/2012)



**Table 1. Characteristics of welfare/state relationships (adapted from Salamon and Anheier (1998))**

<i>Models of welfare/state relationships</i>	<i>Responsibility of government to provide welfare</i>	<i>Responsibility of society/ NFP sector to provide welfare</i>	<i>Relationship between government and society/ NFP sector</i>
Liberal	Low	High	Welfare is the responsibility of society, not the government
Corporatist	High	High	Co-operative relationship between state and society to provide welfare
Statist	Low	Low	Low level of activity in both Government and NFP sector
Social democratic	High	Low	Government responsibility to provide welfare

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