



INDEPENDENT SCHOOLS
COUNCIL OF AUSTRALIA

Senate Education and Employment Legislation Committee - Inquiry into the Australian Education Amendment Bill 2017

Submission by
the Independent Schools Council of
Australia (ISCA)

24 May 2017

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Key Points

1. The proposed changes to the Schooling Resource Standard (SRS) funding model outlined in the *Australian Education Amendment Bill 2017* will have a significant impact on the funding of individual Independent schools.
2. Setting the Commonwealth share at 80% for all non-government schools will mean that schools serving similar communities will be entitled to similar funding.
3. It is ISCA's view that through the provision of a 'level playing field', the proposed changes better address educational disadvantage than the current funding model.
4. ISCA estimates that while 423 Independent schools, 38% of the sector, will receive lower funding growth under the proposed changes to the current funding model than the current settings, the proposed changes aim to provide all schools with consistent funding arrangements.
5. Therefore despite the sometimes significant adverse impact of the proposed changes on individual Independent schools, ISCA supports the proposed funding arrangements which will see all non-government schools funded on a consistent basis.

About ISCA

ISCA is the national peak body representing the Independent schools sector. It comprises the eight state and territory Associations of Independent Schools (AISs). Through these Associations, ISCA represents a sector with 1,104 schools and 594,200 students, accounting for approximately 16 per cent of Australian school enrolments. ISCA's major role is to bring the unique needs of Independent schools to the attention of the Australian Government and to represent the sector on national issues.

Independent schools are a diverse group of non-government schools serving a range of different communities. Many Independent schools provide a religious or values-based education. Others promote a particular educational philosophy or interpretation of mainstream education.

Independent schools include:

- Schools affiliated with Christian denominations for example, Anglican, Catholic, Greek Orthodox, Lutheran, Uniting Church, Seventh Day Adventist and Presbyterian schools
- Non-denominational Christian schools
- Islamic schools
- Jewish schools
- Montessori schools
- Rudolf Steiner schools
- Schools constituted under specific Acts of Parliament, such as grammar schools in some states
- Community schools
- Indigenous community schools
- Schools that specialise in meeting the needs of students with disabilities
- Schools that cater for students at severe educational risk due to a range of social/emotional/behavioural and other risk factors.

Many Independent schools have been established by community groups seeking to meet particular needs. Examples include the Independent community schools for Indigenous students in remote areas, special schools for students with disabilities and boarding schools to educate children from rural and remote areas. There are also schools that seek to reflect the religious values of a particular community or that seek to practise an internationally recognised educational philosophy such as Rudolf Steiner or Montessori schools. Independent Catholic schools are a significant part of the sector, accounting for eight per cent of the Independent sector's enrolments.

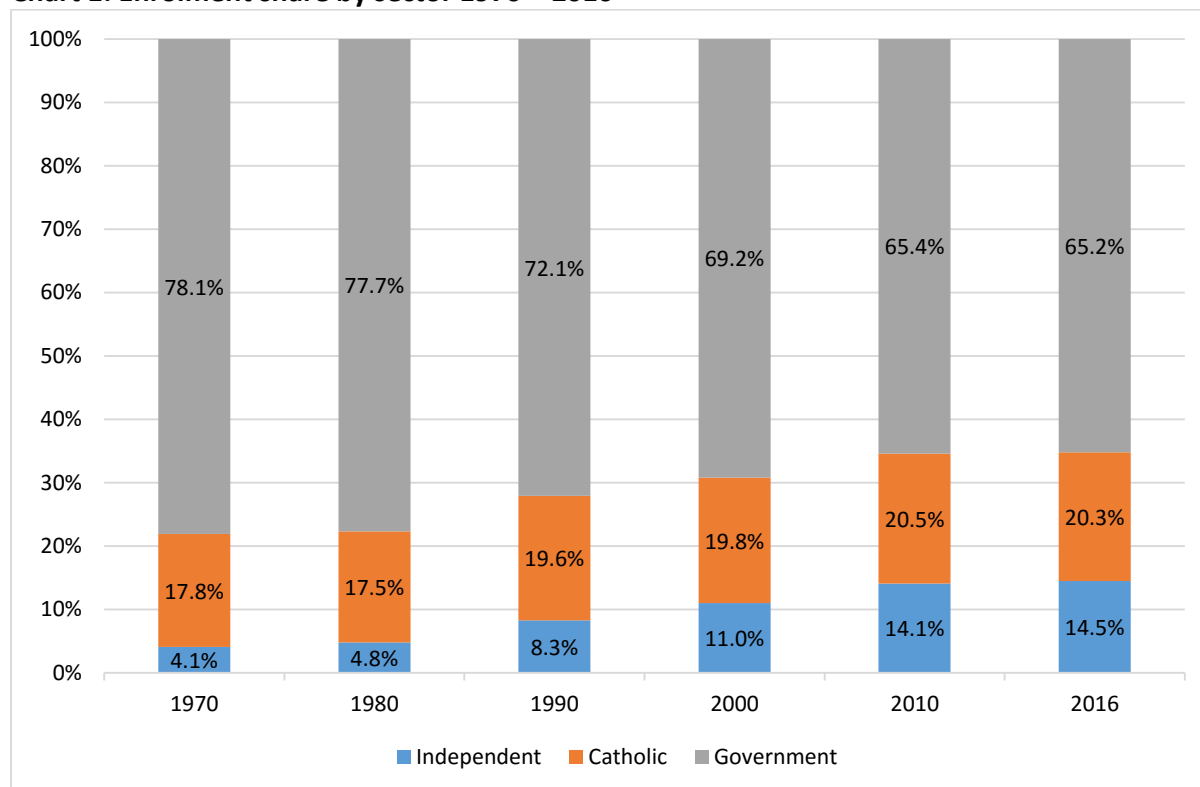
Most Independent schools are set up and governed independently on an individual school basis. However, some Independent schools with common aims and educational philosophies are governed and administered as systems, for example Lutheran systems. Systemic schools account for 18 per cent of schools in the Independent sector. Four out of five schools in the sector are autonomous non-systemic schools. Independent Catholic schools are a significant part of the sector, accounting for 8 per cent of the Independent sector's enrolments.

About Independent schools

School enrolments and trends

The Independent school sector is the third largest school education provider in Australia and at secondary level is the largest provider of schooling services.¹ Enrolments in Independent schools have grown steadily since the 1970s. According to Australian Bureau of Statistics (ABS) data, in 2016 Independent schools accounted for 14.5 per cent of total student enrolments compared to 4 per cent in 1970². Full time enrolments have increased from around 114,000 in 1970 to just under 547,000 in 2016.

Chart 1: Enrolment share by sector 1970 – 2016



Source: ABS Schools Australia

Analysis of enrolment growth patterns in the Independent sector shows that enrolment growth has occurred predominantly in schools drawing students from a lower socio-economic profile. Analysis of the SES scores of the 54 new schools³ which opened during the six year period 2010 to 2016 shows that 59 per cent have an SES score of 100 or less. Most of these new schools aim to operate with low fees, and their establishment has contributed to the increasing diversity of the sector.

While the Independent sector accounts for nearly 15 per cent of total school enrolments, the proportion of these enrolments varies between primary and secondary levels of education. The

¹ ABS *Schools, Australia 2016* and *Non-Government School Census 2016* – Independent sector figures include Independent Catholic enrolments

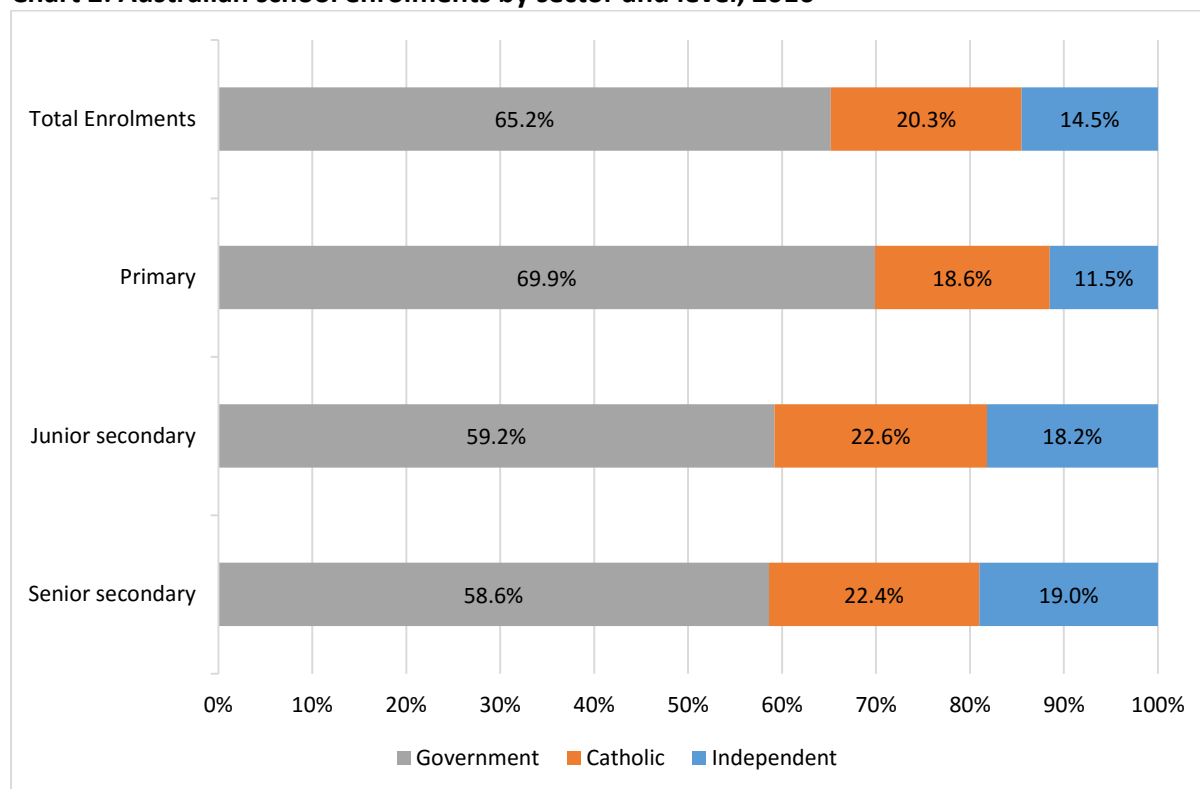
² ABS data excludes independent Catholic enrolments

³ This figure does not include schools for which an SES score was not available.

proportion of enrolments in Independent schools is lower for primary schools with Independent primary schools having 11.5 per cent of total primary enrolments. The share of enrolments in Independent schools rises to 18.2 per cent for junior secondary and 19 per cent for senior secondary.

Although the Independent sector has proportionally less primary enrolments, it does have a large proportion of combined primary and secondary schools representing 66 per cent of schools in the Independent sector.⁴

Chart 2: Australian school enrolments by sector and level, 2016



Source: ABS Schools, Australia 2016

Independent sector diversity

Independent schools reflect the diversity of the wider Australian community, covering a range of religious affiliations and educational philosophies and serving the needs of individuals or groups such as students with disabilities and indigenous students.

There is a wide range of school sizes in the sector with the average size being about 525 students. This compares with an average of 373 students at government schools. At one extreme, the sector contains some of Australia’s largest schools – 2 per cent of Independent schools have more than 2,000 students – while at the other extreme, 11 per cent of schools have less than 50 students. Table 1 below provides a breakdown of school size within the sector.

⁴ DET Non-Government School Census 2016 - includes independent Catholic schools

Table 1: Independent school size, 2016

| Size of school by enrolments | No | % |
|------------------------------|-------|------|
| Less than 50 | 118 | 11% |
| Less than 200 | 416 | 38% |
| 200 to 999 | 475 | 43% |
| 1000 to 1999 | 194 | 18% |
| 2000+ | 19 | 2% |
| Total | 1,104 | 100% |

Source: DET Non-Government Schools Census 2016

Co-educational schooling is most common in the sector, with 88 per cent of students in the sector attending co-educational schools in 2016. Single-gender schools, however, remain a feature of the sector with 5 per cent of schools being boys-only schools and 7 per cent of schools being girls-only schools.

Independent schools are usually established and developed through community groups to meet particular local schooling needs. Eighty-five per cent of all Independent schools have a religious affiliation. Table 2 below provides a breakdown of the significant affiliations within the Independent sector.

Table 2: Affiliations of Independent schools, 2016

| Affiliation | Schools | Student FTE | % |
|------------------------------|---------|-------------|-------|
| Anglican | 156 | 151,325 | 25.5% |
| Non-Denominational | 204 | 81,558 | 13.7% |
| Christian Schools | 146 | 64,950 | 10.9% |
| Uniting Church in Australia | 44 | 50,801 | 8.5% |
| Catholic | 54 | 43,780 | 7.4% |
| Lutheran | 84 | 40,203 | 6.8% |
| Islamic | 42 | 31,878 | 5.4% |
| Baptist | 40 | 20,261 | 3.4% |
| Inter-denominational | 25 | 16,934 | 2.8% |
| Seventh Day Adventist | 45 | 12,745 | 2.1% |
| Presbyterian | 13 | 10,598 | 1.8% |
| Jewish | 18 | 9,121 | 1.5% |
| Steiner School | 45 | 8,403 | 1.4% |
| Pentecostal | 15 | 7,218 | 1.2% |
| Assemblies of God | 11 | 6,200 | 1.0% |
| Brethren | 9 | 4,892 | 0.8% |
| Montessori School | 36 | 4,603 | 0.8% |
| Greek Orthodox | 8 | 3,749 | 0.6% |
| Other Catholic | 8 | 3,492 | 0.6% |
| Other Orthodox | 5 | 1,929 | 0.3% |
| Other Religious Affiliation* | 13 | 5,844 | 1.0% |
| Other** | 83 | 13,719 | 2.3% |

**Other Religious Affiliation* includes Churches of Christ, Ananda Marga, Hare Krishna and Society of Friends

***Other* includes special schools, international schools, indigenous schools, and community schools.

Source: DET Non-Government Schools Census 2016

Rural and remote schools

Independent schools service communities in diverse locations across Australia – 69 per cent are in metropolitan areas, 28 per cent are in provincial areas and three per cent are in remote locations. Table 3 below shows the proportion of schools by location in Australia compared to the spread of the Australian population. The distribution of Independent schools is reflective of the distribution of the Australian population as a whole and it is clear that Independent schools serve diverse communities and not exclusively those located in metropolitan areas.

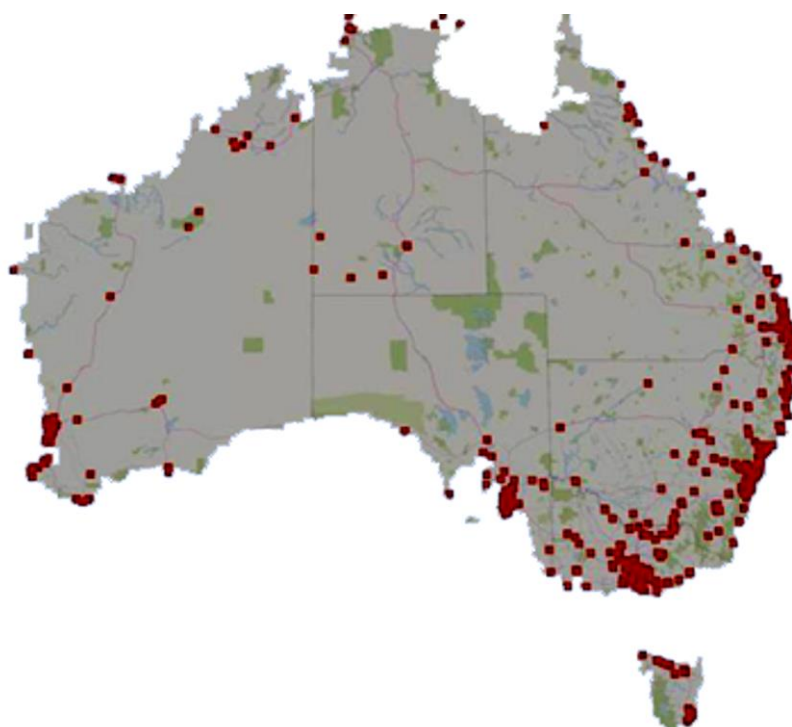
Table 3: Location of Independent schools and the Australian population

| Geographic Location | Independent schools | Australian population |
|---------------------------|---------------------|-----------------------|
| Metropolitan/Major cities | 69% | 71% |
| Provincial/Regional | 28% | 27% |
| Remote | 3% | 2% |

Source: ACARA My School Dataset and ABS Regional Population Growth Australia, 2015-2016

The map below shows the location of Independent schools across Australia including in remote and very remote areas of Australia. It is important to note that, in a number of remote locations, Independent schools are the sole providers of school education to remote communities.

Map 1: Independent schools by geolocation, 2016



Note: Includes school campuses

Source: MCYEETA Geographic location database plus additional geolocation

The Independent sector also includes 152 boarding schools which cater for just under 16,230 boarding students⁵. The Independent sector is the largest provider of boarding for Indigenous students in Australia. As well as indigenous students, Independent boarding schools also cater for other students from rural and remote areas, providing them with pastoral and emotional support whilst they access educational services which may not be available in their own community.

Language Background Other Than English

Independent schools are enrolling increasing numbers of students from a language background other than English. Under the previous SES Funding Model the number of students in Independent schools eligible for assistance under the Australian Government's English as a Second Language New Arrivals Program increased by 43 per cent between 2006 and 2010. Despite the changes to the funding for these students under the current funding model, there are still a number of Independent schools which cater to significantly high numbers of refugees from a range of non-English speaking countries.

Socio-economic status and household income

Since 2001 the socio-economic status (SES) of Independent schools has been measured using data from the ABS Census of Population and Housing. A school's SES score is determined by the socio-economic status of the school community, according to the income, education and occupation of parents from that community.

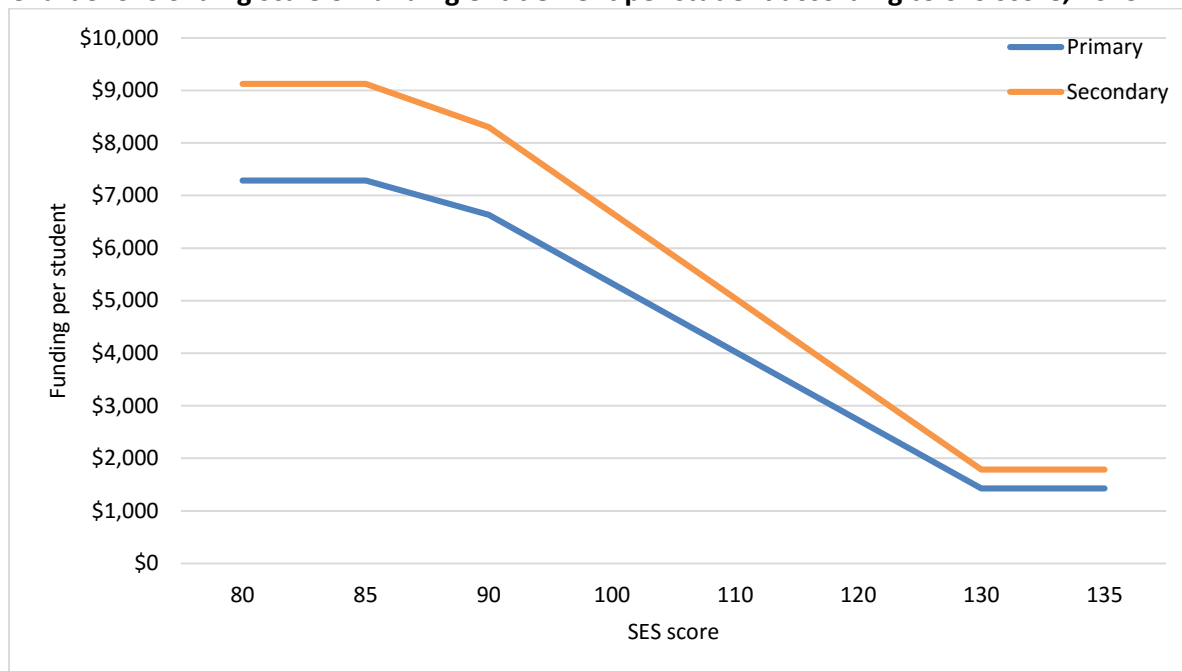
To determine a school's SES profile, each of its students are assigned an SES score based on data from the Statistical Area 1 (SA1) geographical area in which the student lives, with approximately 400 persons per area. Student scores are averaged to produce an SES score for the school.

Under the previous SES Funding model, SES was used to measure the capacity of a school's community to support it and Commonwealth funding to schools was discounted accordingly. Students attending schools with a higher SES profile were eligible for less funding than those attending lower SES schools. Schools such as special schools, special assistance schools and majority Indigenous student schools were deemed to be at the lowest possible SES and therefore received the highest level of recurrent funding.

The SES is still utilised in the current SRS Funding Model to calculate non-government schools' 'Capacity to Contribute', that is the proportion by which a non-government school's base funding is discounted on the basis of the schools community's estimated capacity to contribute to school costs through fees etc.

⁵ DET Non-Government School Census 2016 – includes independent Catholic schools and enrolments

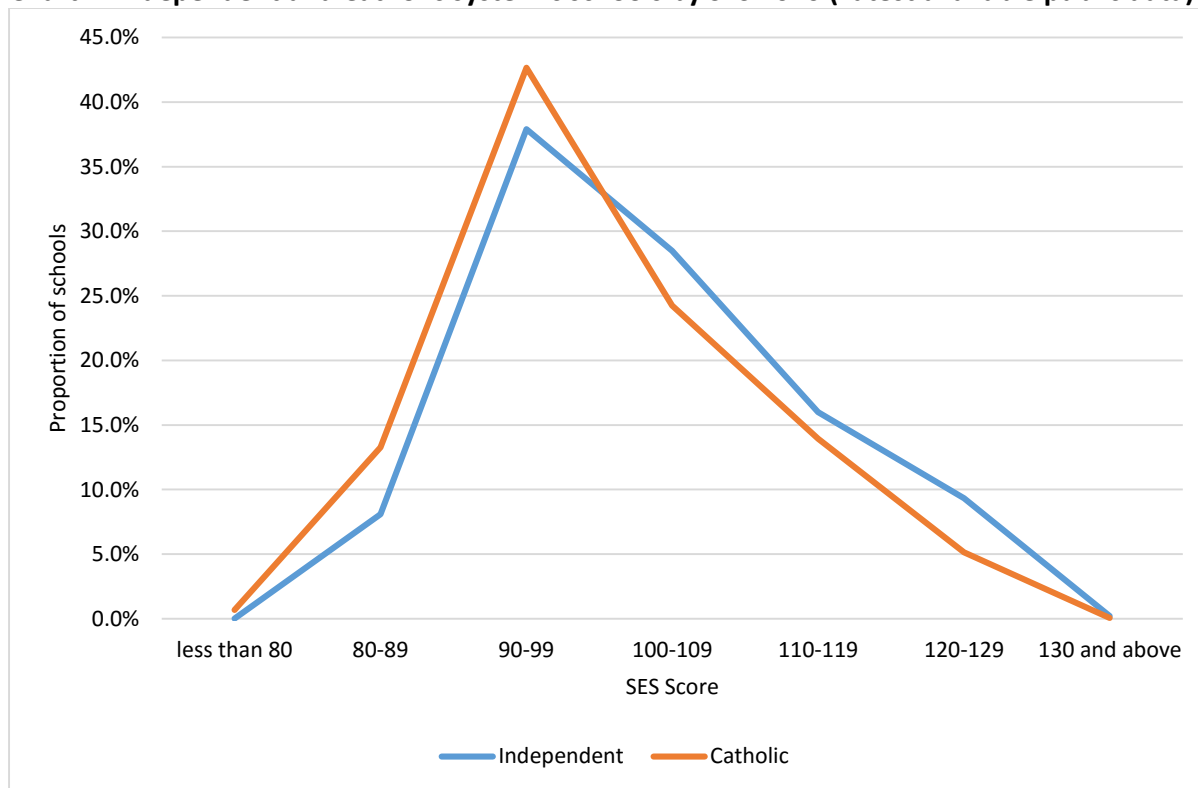
Chart 3: SES Sliding scale of funding entitlement per student according to SES score, 2013



Source: DET SES scores

The majority of non-government schools – both Catholic systemic and Independent – are in the middle range of SES scores.

Chart 4: Independent and Catholic systemic schools by SES 2016 (Latest available public data)



Source: DET SES Scores⁶

⁶ <https://docs.education.gov.au/documents/2014-socio-economic-status-ses-scores>

Chart 4 does not include Majority Indigenous Student Schools, Special Schools, Special Assistance Schools and Sole Provider schools as they are not allocated an SES score. As these schools serve such highly educationally disadvantaged communities, they are exempt from the Capacity to Contribute settings. There 134 such schools in the Independent sector and 58 in the Catholic sector.

ABS data on family income from the Census of Population and Housing also provides an insight into the SES profile of all school sectors. Table 4 below shows school students by family income by sector. While the Independent sector has a higher level of higher SES families as would be expected, it is clear that the Independent sector also has the majority of its enrolments across the lower to middle income bands demonstrating a pattern which is consistent with the other sectors.

Table 4: School Students by Family Income – Australia, 2011

| | Independent | Catholic | Government |
|-----------------------|--------------------|-----------------|-------------------|
| \$64,999 or less | 20% | 23% | 37% |
| \$65,999 - \$130,000 | 27% | 35% | 33% |
| \$130,000 - \$182,000 | 25% | 22% | 14% |
| \$182,000 - \$260,000 | 9% | 6% | 3% |
| \$260,000 or more | 5% | 2% | 1% |

Source: ABS Census of Population and Housing, 2011

The distribution of socio-economic advantage that is found in all school sectors indicates that choice of schooling is more complex than just capacity to pay. Families take into account a range of factors in order to choose a school that best reflects their children’s educational requirements and their priorities around values, religious beliefs and educational philosophy.

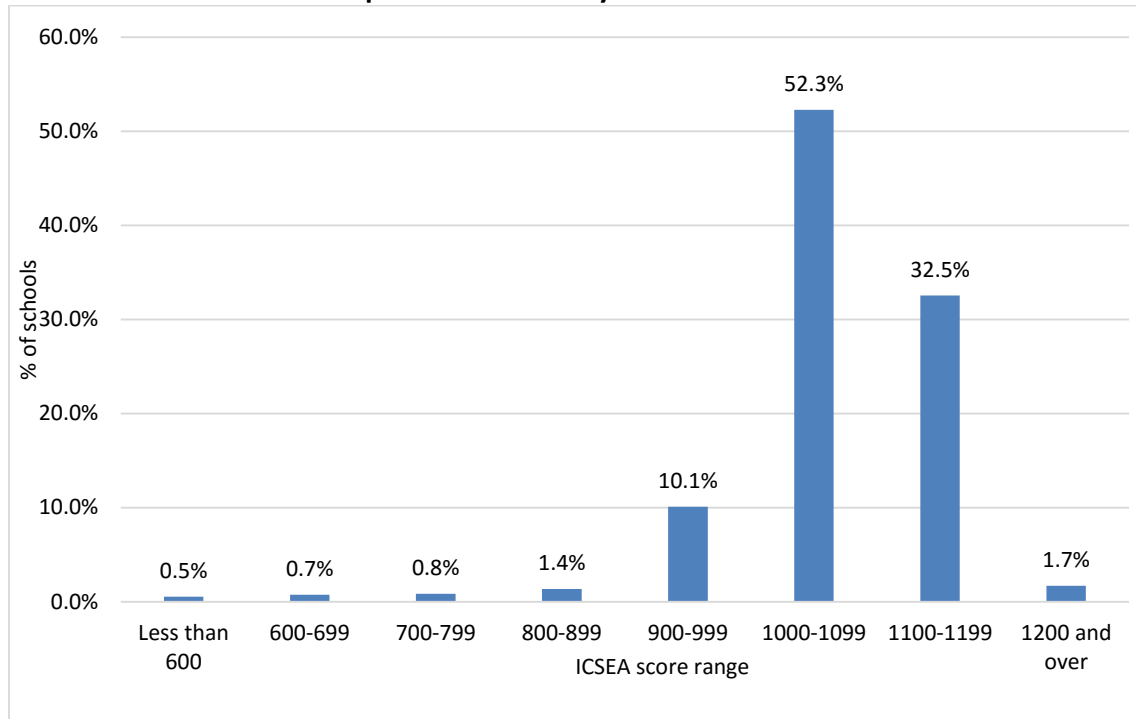
Educational disadvantage

The Index of Community Socio-Educational Advantage was developed and implemented by the Australian Curriculum, Assessment and Reporting Authority (ACARA) specifically “to enable meaningful comparisons of National Assessment Program – Literacy and Numeracy (NAPLAN) test achievement by students in schools across Australia.”

It is the only national measure that enables comparisons of some of the SES background factors for students attending government, Catholic and Independent schools. It accounts for a range of factors that impact on a student’s educational advantage including both student factors (e.g. parental occupation and education) and school level factors (e.g. percent of Indigenous students, geographic location).

The average ICSEA scores for all schools in Australia is 1000. The majority of Independent schools are in the middle range of ICSEA scores – 1000 to 1099.

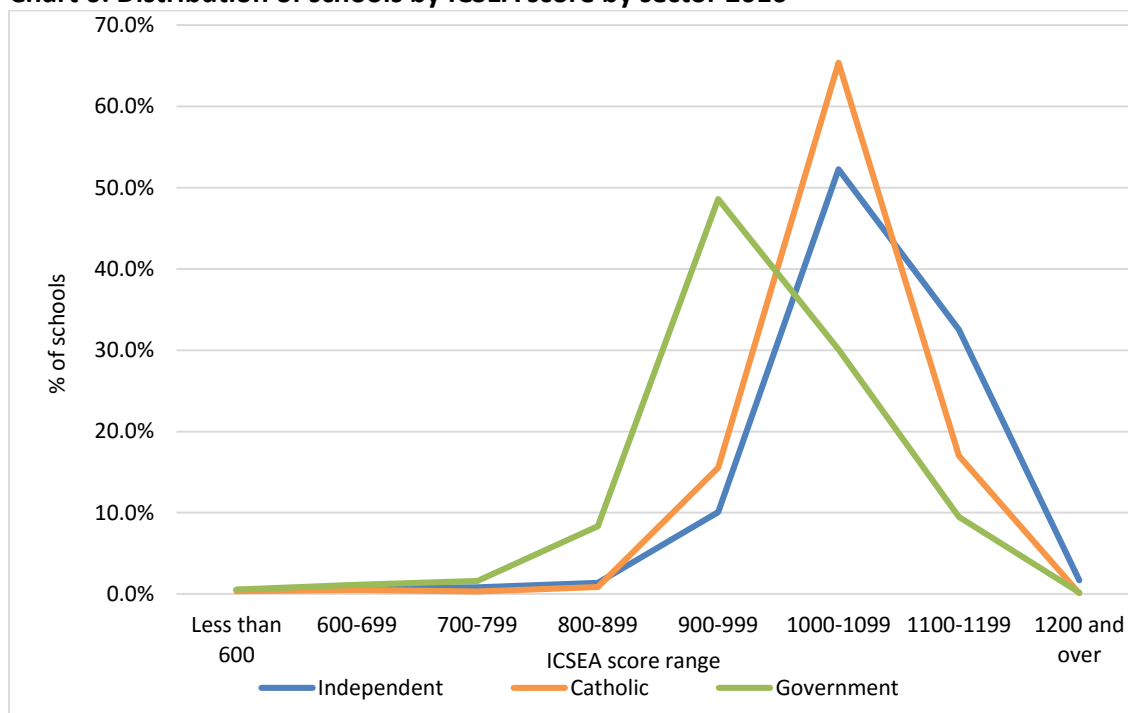
Chart 5: Distribution of Independent schools by ICSEA score 2016



Source: ACARA My School Dataset

While originally based on ABS Census of Population and Housing data, the ICSEA calculation now uses data derived from parental background data. For the Independent sector, this data is provided each year for the students who participate in NAPLAN tests. The methodology for calculating ICSEA continues to be refined by ACARA to both enhance and stabilise the data set on an on-going basis.

Chart 6: Distribution of schools by ICSEA score by sector 2016



Source: ACARA My School Dataset

ICSEA confirms that government, Catholic systemic and Independent schools educate a broad range of students from all socio-educational backgrounds and demonstrates that individual school sectors do not educate specific sections of society. Instead, government, Catholic and Independent schools each contribute to educational choice and diversity. The majority of schools, regardless of sector, service communities that are in the ICSEA bands of 900 through to 1199.

Indigenous students

Independent schools serve a broad range of students, reflecting the diversity of Australian society and have a long standing commitment to supporting quality education for Indigenous students across Australia. As a group, Indigenous students face significant barriers to educational achievement and in order to overcome these barriers many Indigenous parents enrol their children in Independent schools.

Indigenous student enrolments are dispersed broadly across the Independent sector and in 2016 there were over 12,600 Indigenous students enrolled in 832 Independent schools. Of these, 39 schools have an indigenous enrolment of more than 50 per cent and are generally located in rural or remote areas.

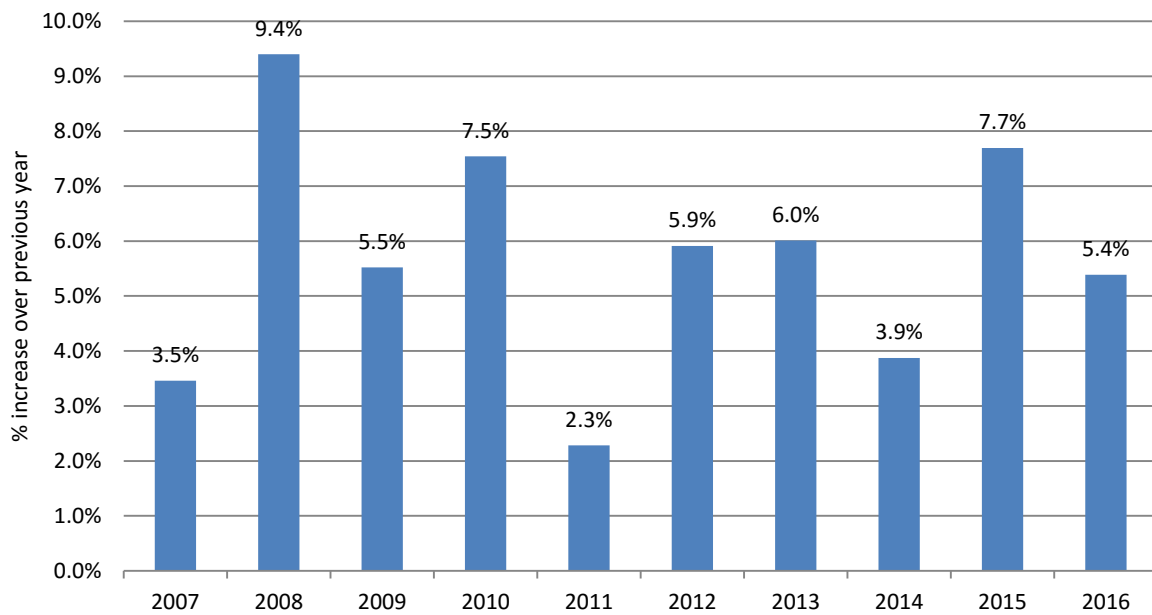
Indigenous students are educated across a range of settings and in different types of schools in the Independent sector. There are some Independent schools that provide education to significant populations of Indigenous students and some schools are entirely Indigenous. Some provide mainstream schooling, others provide boarding facilities as well.

The needs of all Indigenous students, particularly those from remote communities, have similarities in that their educational levels are often behind those of their non-Indigenous peers, many students have significant social and health issues and many have disruptive home lives and disrupted educational journeys. The context and educational environment means that the needs of Indigenous students, and thus of the schools, teachers and support staff, vary by the educational environment.

Many of the majority Indigenous schools have limited capacity to raise private income and receive significant support from governments, other schools within the Independent sector and through their Associations of Independent Schools (AISs). A number of these schools are also classified as remote sole provider schools meaning that they are the sole provider of school-level educational services within their community.

Enrolments of Indigenous students in Independent schools have grown at an average rate of more than 6 per cent per year over the last two decades. ABS data confirms that the Independent sector is experiencing the largest growth of Aboriginal and Torres Strait Islander enrolments, exceeding the national average growth of 3.7 per cent.

Chart 7: Increase in Indigenous students in Independent schools 2007-2016



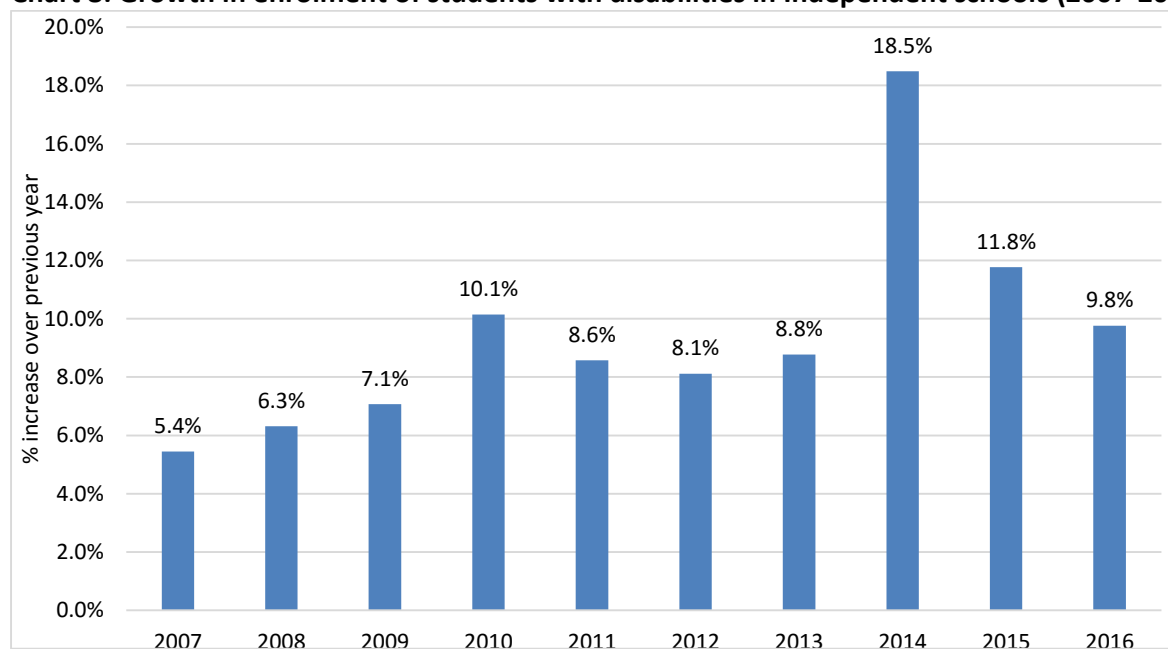
Source: DET Non-Government Schools Census 2016

Students with Disability

In 2016 there were 21,530 students with disability enrolled in Independent schools, including Independent Catholic schools, more than double the number of students with disability enrolled in 2006.

Australia-wide the growth in enrolments of students with disability has been greatest in mainstream Independent schools, which now account for some 82 per cent of students with disability in Independent schools, including those with high to very high support needs.

Chart 8: Growth in enrolment of students with disabilities in Independent schools (2007-2016)



Source: DET Non-Government Schools Census 2016

There has also been significant growth in the number of students enrolled in Independent special schools due to the number of such schools opening in the last 20 years. Forty-three new Independent special schools or campuses of existing schools opened during this time.

The obligations on schools to enrol and educate students with disability are governed by the Disability Discrimination Act 1992 and its' associated Education Standards, in addition to state and territory-based legislation.

Parents have the right to select a school of their choice and schools must enrol students regardless of the level of supplementary assistance that may be available, unless they can categorically prove undue hardship due to the enrolment of a student with a disability.

As autonomous entities, most Independent schools cannot rely on support from a systemic school authority to provide additional resources to meet the needs of increasing numbers of students with special needs. Independent schools educate many students with disability, as well as students with social, behavioural or emotional issues or other educationally disadvantaged students and students who need special support.

Where Independent schools are not adequately resourced by governments to meet their legislated obligations, the cost of meeting the special education needs of students with disability largely falls to individual families and school communities.

The funding differential is greater for students with high-level support needs who may require, for example, a full-time aide or Auslan interpreter. Students with disability in Independent schools may also be denied access to a range of essential government services and resources such as physiotherapy, speech therapy, transport and Braille texts that are available to students in government schools.

Students with Special Needs

The Independent sector makes a large contribution to addressing educational disadvantage through its special schools and Special Assistance Schools which provide alternative education settings for students with high-level needs. It is ISCA's view that parents should be able to choose a non-mainstream educational environment if they consider it is the best option for their child.

Independent Special Assistance Schools which cater for students with severe social, emotional and behavioural issues make a significant contribution to schooling in Australia. These schools serve young people who are disengaged from education and whose needs are not met by mainstream education. They are often referred from community services, juvenile justice and other schools both government and non-government. Special Assistance Schools have developed specially adapted programs and structures designed to re-engage students in education and prepare them for further training and employment.

Australian Education Amendment Bill 2017

General comments

The changes to the Schooling Resource Standard (SRS) funding model outlined in the Australian Education Amendment Bill will have a significant impact on the funding of individual Independent schools. The changes do not deliver a large funding boost to the sector or any other such windfall gains. What the proposed changes represent is an attempt to leave behind the multiplicity of funding arrangements based on sector and state/territory agreements which have resulted in differential funding arrangements for schools and sectors and replace them with a model which aims to provide all schools with consistent funding arrangements.

For some time ISCA has been arguing in favour of a level playing field for school funding. One of ISCA's Key Funding Principles has been that *the funding model must apply consistently across the non-government sector*⁷. Some elements of the implementation of the current SRS funding model, agreed to in the negotiation phase, have served to distort the allocation of funding between schools and systems.

By providing a level playing field for all sectors and state/territories, these changes also represent a genuine commitment to needs-based funding. The previous funding model disadvantaged some sectors and states by enabling differential transition paths for school funding which meant that every school was at a different stage in its transition towards the SRS. It was unclear when, and if, all schools would transition to their full SRS entitlement.

While the proposed amendments fundamentally change the calculation of a schools' SRS entitlement, setting the Commonwealth share at 80% for all non-government schools will mean that schools serving similar communities will be entitled to similar funding. It also brings an end to the situation under the current model where a schools' Commonwealth / State funding split is based on an historical point in time; a methodology which advantaged some schools and disadvantaged others.

The 80% Commonwealth share in conjunction with the ten year transition period for all sectors and states/territories has significantly changed the way schools now sit in relation to their SRS entitlement. The concepts of 'above SRS', 'on SRS' and 'below SRS' no longer apply. This has had unexpected effects that in some cases are at odds with the previously held perceptions about schools generated by the current funding arrangements. Schools that were previously already on their SRS entitlement are now no longer on their entitlement. Schools which were considered 'Above SRS' are now in transition up to 80% of SRS. Further, differential indexation rates for different groups of schools based on their transitions will no longer exist.

Given the number of changes to the current SRS model proposed by this legislation, it is hard to separate out the effects of the many drivers of change in individual schools' funding entitlements however some of the main drivers are described below along with the estimated effects on individual Independent schools.

⁷ <http://isca.edu.au/wp-content/uploads/2017/02/Key-funding-principles-Dec-16.pdf>

Commonwealth share and changes to transition arrangements

Unlike the current funding model which has separate transitions for schools above SRS and below SRS, the proposed changes bring in a ten year transition for all schools to reach a new target of 80% Commonwealth share of their SRS entitlement. The biggest impact on Independent schools initially appeared to be limited to a small group of schools which were going to experience a decline in per student funding in 2018. However it has since become clear that this is not the full extent of the impact on individual Independent schools' funding.

As noted previously, the setting of the 80% Commonwealth share as the 'end point' of new transition arrangements, in conjunction with other changes, will result in a complete rearrangement of the school funding landscape. The clearest example of this is to look at schools which are currently considered to be 'on SRS' – that is they are in receipt of their full SRS entitlement as it is currently calculated. Under the proposed changes, these schools now embark on a new transition to an 80% Commonwealth share of their SRS entitlement. Some of these schools will have been receiving more than 80% and others less than 80%. So all of the relativities between schools and their entitlements will shift under the proposed model.

These shifts can be seen in the expected levels of growth in individual Independent schools' funding entitlements under the proposed changes. Based on the modelling provided by the Commonwealth Department of Education and Training, ISCA has calculated that 423 (38%) Independent schools will not receive funding growth equal to the growth in Commonwealth funding they would receive based on the indexation rates specified in the current *Australian Education Act 2013*.

The current legislation specifies three rates of indexation – 3% for schools 'above SRS', 3.6% for schools 'on SRS' and 4.7% for schools 'below SRS'. Under the proposed changes there is only one indexation rate for the SRS – 3.56% from 2018 to 2021 and then indexation moves to a floating measure of 75% Wage Price Index and 25% Consumer Price Index with a floor of 3%. This is a significant change for all schools. While schools' SRS entitlements will be indexed over time, the transition arrangements mean that all schools will experience varying levels of funding growth, with many receiving less than the SRS indexation rate.

Further, those Independent schools with projected decreases in per student funding in 2018 will also lose any indexation they had already factored into their school budgets for 2018. For a school above the SRS which is now projected to lose 1.5% in funding in 2018 this translates into a 4.5% drop in anticipated funding in 2018. This will have a significant impact on individual Independent schools.

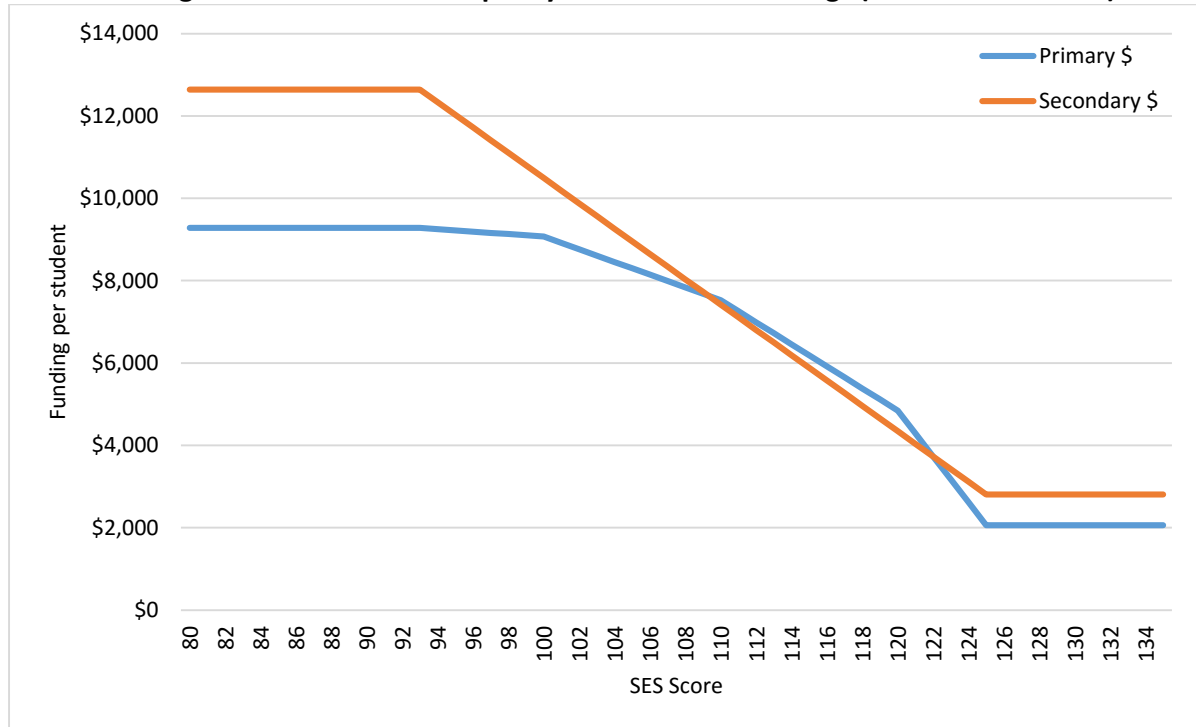
Changes to the 'Capacity to Contribute' line

The 'Capacity to Contribute' settings for the SRS funding model are based on the same measure of socio-economic status (SES) used for the previous SES funding model which was in place for over a decade. The SES measure itself was generally seen to be a simple and transparent way to fund schools equitably based on the socio-economic status of the families of the students that attend each school.

A significant change was made however with the implementation of the SRS Funding model with the introduction of a 'curve' to the primary CTC line. The curve significantly increased the per student funding of primary students within a particular SES band and schools between SES

108 and 122 actually received a per capita amount for primary students that was higher than the per capita amount for secondary students. In 2016 at the widest point the difference was \$628.

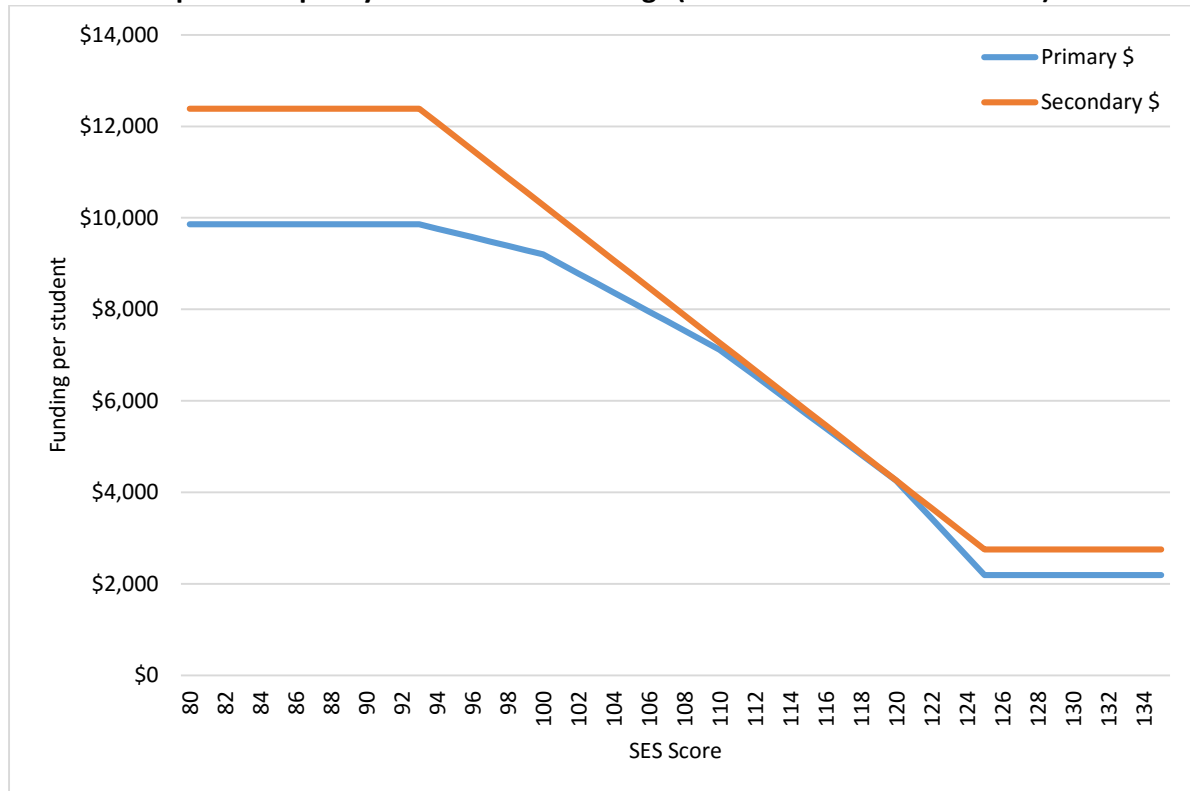
Chart 9: Non-government schools 'Capacity to Contribute' settings (based on 2018 SRS)



Source: DET Funding Estimator Tool

While the proposed changes to the SRS funding model will affect funding for primary students in 626 Independent schools, it is ISCA's view that there is no rationale for having a funding formula which results in primary students receiving higher per capita amount than secondary students in the same SES band. The proposed changes will not remove the 'curve' but will ensure that such a scenario is no longer possible.

Chart 10: Proposed 'Capacity to Contribute' settings (based on re-based 2018 SRS)



Source: DET Funding Estimator Tool

Recalculation of the primary and secondary SRS amounts

Another element of the proposed changes to the SRS funding model is the recalculation of the SRS amounts for primary and secondary. The new SRS amounts have been calculated using the same methodology as was used to calculate the original SRS amounts and should better reflect the changes to the costs of schooling since the original calculation. The methodology does not provide an average cost of schooling, rather it is intended to calculate the cost of the provision of effective and efficient schooling in high achieving schools, identified by their performance in the National Assessment Program – Literacy and Numeracy (NAPLAN) and excluding any measure of disadvantage.

The recalculation has resulted in the primary SRS amount of \$10,953 growing by 6.23% from 2017 and the secondary amount of \$13,764 growing by 1.5% from 2017. This will have a significant effect on the relativities on the funding schools receive for primary students and the funding schools receive for secondary students between 2017 and 2018. It will also moderate the effect on non-government schools which would otherwise lose funding for primary students with the proposed changes to the primary CTC line. This can be seen by comparing charts 9 and 10 above.

Loss of Student Weighted Average SES for Systems

The SRS funding model allowed school systems to utilise a student weighted average SES score for the entire system. This meant that rather than each school's CTC being measured on their own SES score, the SES score for the system was set at the student-weighted average SES score and all schools had the same CTC percentage. Where this was not financially beneficial to

systems, they could choose to stay with schools' individual SES scores being used to calculate CTC for the system.

The use of a student weighted average SES score in some systems did deliver a funding advantage to those systems through attracting additional funding to schools with higher SES scores within a system. The removal of the student weighted average SES for systems is a positive step toward creating a level playing field for all non-government schools while noting that this change will also impact the Independent sector.

The removal of the system weighted average SES will affect the 17 systems (196 schools) in the Independent sector. While not all systems had elected to utilise the system weighted average SES, a significant proportion of large Independent systems had taken advantage of the option and there will be a change to their funding entitlement if it is removed.

The inclusion of a differential loading for Students with Disability

In addition to being a significant new variable in a schools' SRS calculation, the inclusion of a differential loading for Students with Disability is a step towards fulfilling the recommendations of the Final Report of *The Review of Funding for Schooling* (the 'Gonski Report').

The Final Report recommended that "the students with disability loading should be fully publicly funded as an entitlement, irrespective of the type of school the student attends or its school SES. This will support an inclusive approach to schooling for students with disability, and address the needs of students regardless of the sector in which their school is located. Providing the same publicly funded entitlement to a student for a certain level of educational adjustment regardless of the school they attend will mean that all schools are able to meet their legislative obligations in providing access and adequate education to students with disability."⁸

The provision of sector blind funding for students with disability is something that ISCA, and the Independent sector more broadly, have been advocating in favour of for many years. While ISCA believes that the quality assurance process for the Nationally Consistent Collection of Data on School Students with Disability (NCCD) data being used to support the differentiated loading needs to be more rigorous, providing a differentiated loading on the basis of need is strongly supported by the Independent sector.

The loading settings for students with disability are now significantly different to the current settings and all the available modelling regarding the proposed changes indicates that they will have a significant impact on individual Independent schools' funding entitlements.

⁸ Final Report, The review of Funding for Schooling, p184

Table 5: Comparison current and proposed SWD loadings

| Current loadings | Proposed Differentiated loadings |
|---|---|
| 186 per cent for students with a disability attending a mainstream school | Primary <ul style="list-style-type: none"> - Supplementary 42 per cent - Substantial 146 per cent - Extensive 312 per cent |
| 223 per cent for students with a disability attending a special school | Secondary <ul style="list-style-type: none"> - Supplementary 33 per cent - Substantial 116 per cent - Extensive 248 per cent |

Source: DET

It is ISCA’s understanding that the primary percentages are higher than the secondary to bring the total amounts in to alignment when multiplied by the primary and secondary SRS amounts i.e. the loading amounts will be similar regardless of whether the student is a primary student or a secondary student.

The modelling that is available to the Independent sector also indicates that the inclusion of the differentiated loading for students with disability will have a significantly positive effect on the funding of special schools. Under the current arrangements a number of special schools have been classified as ‘above SRS’ which means that their funding entitlements are declining over time relative to the SRS. ISCA has always argued that this is not an acceptable situation for a group of schools educating one of the most highly educationally disadvantaged groups of students.

Transition Adjustment Fund

ISCA acknowledges the provision of a Transition Adjustment Fund intended to assist vulnerable non-government school adversely affected by the changes to the funding model in the proposed legislation. Unlike systems, Independent schools cannot redistribute funding therefore with any change to funding arrangements it is individual Independent schools which bear the full brunt of any changes to school funding arrangements.

As noted earlier, the proposed changes will result in a small number of schools losing funding in real terms from 2018, with a far larger number either losing funding over the ten year transition in real terms or not achieving the same level of growth that they would receive under the current legislation. It is hoped that the Transition Adjustment Fund will assist affected disadvantaged schools to make the transition while remaining financially viable.

Issues

While supporting the 'level playing field' which this legislation seeks to create and acknowledging the potential impacts on individual Independent schools, there are also a number of other issues ISCA would like to note in relation to the proposed legislation.

Approved Authorities for more than one school

ISCA is concerned that section 35B *Commonwealth share for transitioning schools*, does not sufficiently distinguish between Approved System Authorities and Approved Authorities for more than one school (Collectives). The methodology for determining the Commonwealth share, as set out in the Act, appears to apply to all Approved Authorities. This is reasonable for stand-alone schools and school systems. As systems currently have their SRS entitlement calculated for the system and are able to redistribute funds within the system, it seems appropriate that all schools in a system be deemed to have the same starting share.

Approved Authorities for more than one school (Collectives) do not share these characteristics and are required to pass on each schools' individual funding entitlements to the schools 'as is'. The inclusion of schools in a Collective is often an historical artefact and generally these schools see themselves as stand-alone schools. For this reason ISCA would like to ensure that each school in a Collective be treated as its own entity and that there is no common Commonwealth share.

Transition for schools experiencing negative growth

After some analysis, it is clear that a key factor for the schools projected to lose funding on a per student basis in 2018 is the degree to which they are above the SRS. Under the current SRS funding model, 'above SRS' schools do not have a set time frame for transitioning to their SRS entitlement. Some schools that were 'above SRS' in 2014 have already transitioned on to the SRS and for others, the projected time frame for the transition is many years.

While ISCA is cognizant of the drivers to set a finite timeframe on the transition to an 80% Commonwealth share of their SRS entitlement, for the schools the farthest away from their SRS entitlement, the inclusion of a finite time frame for transition could significantly impact on their financial viability.

The indexation rate of 3% for schools 'above the SRS' currently in the legislation was built in to ensure the on-going sustainability of these schools while bringing them down to the SRS entitlement. It is clear that for many of these schools, their projected funding losses will also include the loss of annual 3% indexation which will compound the effect on individual schools.

Many of the affected schools have large student numbers and play a significant role in the lives of their students' families and their communities. ISCA recognises and is seeking to highlight the impact of these changes on severely adversely affected Independent schools. It is hoped that these schools will be supported by the Australian Government in light of changes to funding arrangements through the Transition Adjustment Fund and any other options available to support these schools. State and territory Associations of Independent Schools (AISs) will also work with these schools to ensure their on-going financial viability.

Use of NCCD data

As noted earlier, ISCA welcomes the introduction of a differential loading for Students with Disability which allocates funding on the basis of need. As ISCA has been involved in the establishment and introduction of the Nationally Consistent Collection of Data on School Students with Disability (NCCD) since its inception, we are also aware of the data issues associated with this collection.

The decision to use NCCD data at the state / school level for funding purposes is a significant change from the current arrangements. Given the complexity of the NCCD model, the staged implementation approach (not all schools have the same level of experience) and the reliance on professional judgement to accurately place students within a complex framework, we are concerned that it is currently being used to determine individual school funding entitlements. In looking at the latest available NCCD data provided in a modelling tool to peak bodies, there still appear to be significant issues relating to data quality for some individual schools.

The Australian Government has stated that it will “further consult to ensure...funding for students with disability is delivered in a way that best supports the needs of these students, particularly those with the greatest needs.”⁹ ISCA would support further examination of a range of methodologies for providing individual schools with similar flexibility to that available to school systems, which could enable funding to be directed in a timely, cost-effective way, utilising economies of scale and responsive to individual student need.

Further, in order to be able to use this data for any purpose, there needs to be an enhanced focus on quality assurance which needs to be undertaken at all levels of schooling, across all sectors and jurisdictions and there needs to be sufficient funding available to undertake those activities in all sectors.

⁹ Fact sheet - Fairer funding for students with disability, <https://www.education.gov.au/quality-schools>

Conclusion

As with any changes to funding methodology – the proposed changes in the *Australian Education Amendment Bill 2017* will affect individual Independent schools differently. Successive funding models have each created new categories of ‘winners’ and ‘losers’ and have required schools to adjust to a new funding reality. The proposed changes to the current school funding arrangements are no different.

What is different however is that the overarching principle driving the changes contained in the *Australian Education Amendment Bill 2017* is one of consistency and the provision of a ‘level playing field’ for all schools, regardless of sector.

In terms of addressing educational disadvantage, the proposed changes better address educational disadvantage than the current funding model does; given the multiplicity of different funding arrangements that it currently encompasses.

It is because of this commitment to consistency that despite the reductions in funding that some Independent schools will experience, ISCA supports the proposed legislation. ISCA supports the drive to address educational disadvantage, to improve educational outcomes across all sectors and to that end, it is the sector’s view that consistent funding for all schools is the best way to achieve those goals.

ISCA
24 May 2017