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**Independent Schools  
Council of Australia**

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE  
ON EDUCATION AND EMPLOYMENT**

**INQUIRY INTO THE AUSTRALIAN EDUCATION  
(CONSEQUENTIAL AND TRANSITIONAL PROVISIONS)  
BILL 2013**

**SUBMISSION BY  
THE INDEPENDENT SCHOOLS COUNCIL OF AUSTRALIA**



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## KEY POINTS

The Australian Education Bill 2012 and the Australian Education (Consequential and Transitional Provisions) Bill 2013 are high stakes pieces of legislation for independent schools both in terms of future and transitional government funding arrangements for individual schools and the impact of any obligations on schools inherent in the reform directions for the national plan.

The timing of the passage of these pieces of legislation is critical for non-government schools, as current Commonwealth Government funding arrangements expire at the end of 2013. The current lack of certainty regarding future government funding is making it very difficult for schools to undertake critical financial and administrative planning.

The transition arrangements for independent schools from the current funding model to the 'Gonski' funding arrangements are highly complex and opaque. This level of complexity means it is very difficult for individual independent schools to understand the implications for their school or to responsibly plan for both the short and longer terms.

There are currently significant implications for schools flowing from the lack of certainty around whether some or all jurisdictions will participate in the Gonski funding arrangements. For those jurisdictions that have to date signed up to the Gonski funding model (NSW and the ACT) the details of the arrangements negotiated to secure their agreement are not publicly available. The lack of transparency around state and territory participation is compounding the issues for schools around lack of capacity for planning.

## INTRODUCTION

ISCA welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Education and Employment Inquiry into the Australian Education (Consequential and Transitional Provisions) Bill 2013.

The Independent Schools Council of Australia (ISCA) is the peak national body covering the independent schools sector. It comprises the eight State and Territory Associations of Independent Schools (AISs). Through these Associations, ISCA represents a sector with 1,080 schools and 560,000 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 Commonwealth 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 larger and smaller 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 practice an internationally recognised educational philosophy such as Rudolf Steiner or Montessori schools. Independent Catholic schools are a significant part of the sector, accounting for 10 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 the Lutheran systems. Systemic schools account for 18 per cent of schools in the independent sector.

## **BACKGROUND**

### **ABOUT THE INDEPENDENT SCHOOL SECTOR**

Independent schools are not-for-profit institutions that are set up and governed independently on an individual school basis. Independent schools are registered with the relevant state or territory education authority. Boards of governors or committees of management are the key decision-making bodies for most independent schools and are responsible for issues such as a school's educational provision, current and future development and staffing. Unlike other sectors, the majority of independent schools operate autonomously. These schools do not rely on central bureaucracies or bodies and are separately accountable to their parent and school communities.

### **SCHOOL ENROLMENTS AND TRENDS**

The independent school sector is the third largest school education provider in Australia and at secondary level is the second largest provider of schooling services.

Enrolments in independent schools have grown steadily since the 1970s. According to Australian Bureau of Statistics (ABS) data, in 2012 independent schools accounted for 14 per cent of total student enrolments compared to 4 per cent in 1970. Full time enrolments have increased from around 114,000 in 1970 to nearly 510,000 in 2012. (Note: ABS data excludes independent Catholic enrolments).

## **CONTEXT**

### **REVIEW OF FUNDING FOR SCHOOLING**

On 15 April 2010, the then Commonwealth Minister for Education, the Hon Julia Gillard MP announced a review of funding for schooling which would encompass funding arrangements for both government and non-government schools (the Gonski Review).

ISCA and some state and territory AISs have made a number of submissions to the Commonwealth Government throughout the Review process. The independent sector has consistently argued during the Review that no independent school or student should receive less public funding in real terms than they currently receive. The sector also highlighted that any new funding model should be assessed against the following criteria:

Equity – Per student funding for schools serving communities with similar attributes should generally be comparable;

Incentive – The funding arrangement should support students in a way that encourages, not discourages, parental investment in schooling;

Flexibility – Schools should not be locked into a particular funding level that impedes them from responding to changes in their school community;

Transparency – Assessment of need should be based on reliable and transparent data;

Simplicity – The funding arrangements should be simple to administer, with low administration costs for government and low compliance costs for schools;

Predictability – Schools should have a high degree of certainty about future funding to facilitate financial planning and management;

Consistency – Funding arrangements should apply consistently to all schools across the non-government sector regardless of organisational arrangement.

### **AUSTRALIAN EDUCATION BILL 2012**

The Australian Education Bill 2012 was introduced into the House of Representatives on 28 November 2012 and extensive amendments were introduced on 4 June 2013.

While the amended Bill provides significantly more detail than previously, there still remain significant levels of detail which have not been included in the Bill. Some of the lack of detail can be attributed to the fact that the Bill has been drafted to accommodate that the deadline for states and territories to sign up to the ‘Gonski funding model’ (30 June) is after the last possible date for the passage of the Bill in the current Parliament on 27 June 2013. This means that the Bill cannot include details of the agreements negotiated between the Commonwealth and state and territory jurisdictions.

Under the Australian Education Bill 2012 all non-government schools are participating schools for the Gonski funding model. State and territory governments have discretion as to whether they are participating or not.

## **THE AUSTRALIAN EDUCATION (CONSEQUENTIAL AND TRANSITIONAL PROVISIONS) BILL 2013**

The Australian Education (Consequential and Transitional Provisions) Bill 2013 makes provision for the necessary transitional arrangements and authorities to transition from the current *Federal Financial Relations Act 2009* and the *Schools Assistance Act 2008* to the proposed *Australian Education Act 2013*. These provisions include from the perspective on non-government schools, recognition under the new Act from 1 January 2014 of approved authorities, block grant authorities and SES scores currently recognised or applying under the old Act. This Bill also details requirements for the timeframes for provision of implementation plans and school improvement plans.

### **DISCUSSION – INDEPENDENT SECTOR ANALYSIS AND COMMENT**

While the transitional arrangements set out in the Australian Education (Consequential and Transitional Provisions) Bill 2013 are not issues of concern for independent schools per se, a number of aspects of the transition arrangements in the broader context of the new funding model are of concern to the independent sector.

#### Critical timelines for independent schools

Since the commencement of the Review of Funding for Schooling, ISCA has stressed the importance for independent schools of the early advice for schools around future funding arrangements and funding certainty to facilitate financial and educational planning. The Commonwealth Government's funding arrangements for non-government schools expire on 31 December 2013. With only six months until new funding arrangements apply, schools still do not know, nor is there any immediate prospect of knowing, what their public funding entitlements for 2014 will be.

The uncertainty surrounding future funding arrangements for independent schools is making it increasingly difficult for schools to undertake important financial and administrative planning. The parents and potential parents of students in non-government schools are also impacted as the current funding uncertainty means it is difficult for parents to determine their capacity to make a long-term financial/educational commitment for their children's school education.

#### Complexity of the transitional arrangements

The transition arrangements from 2014 to the full implementation of the Gonski model are extremely complex. This complexity is reinforced by the fact that the transition arrangements are too complex to be enshrined in either the Australian Education Bill or the Australian Education (Consequential and Transitional Provisions) Bill and are instead dealt with by the Minister determining funding amounts through the transition period for schools that are entitled to additional funding under the model.

This level of complexity and consequential lack of transparency serves to make it extremely difficult for individual independent schools to determine their funding levels for 2014 and into the future. Schools need to make long-term financial and educational plans and can only undertake this planning based on the best information available to them at the time. Schools also need to plan their finances well in advance based on an assumed level of resourcing. When

governments make changes which impact on that long-term planning they need to be highly cognisant of their impact on school communities and accordingly work to ensure that schools are provided with sufficient notice of changed funding arrangements to facilitate the necessary school level changes. The level of uncertainty regarding future funding levels has now reached a critical level and is a major issue for independent schools.

The complexity of transition arrangement relates not only to the entitlements of individual schools but also to the levels of indexation for schools. The levels of indexation schools will receive are very much dependent on the particular circumstances of individual schools and the interplay between their levels of Commonwealth and state or territory funding and the relationship between their current entitlement and the schooling resource standard.

This complexity not only makes it difficult for schools to understand, but also makes it extremely difficult for independent sector peak bodies to explain to schools the details of the new funding arrangements or to assist them in estimating their funding entitlements into the future.

The issues around complexity of the transition arrangements is compounded by the lack of certainty around whether some or all jurisdictions will be participating states and territories and the lack of transparency surrounding the transition arrangements for those currently participating jurisdictions, NSW and the ACT.

#### Problems with quality of data driving the Gonski model outcomes

It is widely acknowledged that the quality of the data currently being used to determine funding outcomes under the Gonski model for schools in all sectors is poor quality, inconsistent, inaccurate and has large amounts of data missing. A number of the loadings are determined utilising 'proxy' measures which have been proved to be inaccurately and inappropriately identifying educationally disadvantaged students.

Despite these acknowledged deficiencies in the data, the initial allocations under the Gonski model will utilise the discredited proxy measures.

In order to go some way to addressing these identified data inadequacies, independent schools will need to undertake a resource intensive data cleansing exercise which will involve considerable additional administrative burden for school staff, parents and school communities.

#### Lack of transparency around the outcomes of negotiations with participating states

Negotiations around the participation of states and territories have been held bilaterally and in confidence. Only one state, New South Wales and one territory, the Australian Capital Territory, have signed up to the Gonski model at the time of writing. The final outcomes of the negotiations have not been made public, including the profile of the rollout of any additional funding being contributed by both the Commonwealth and the NSW and ACT Governments. . This has meant that it is not possible for independent schools to obtain a better understanding of their entitlements under the new arrangements. Part of this essential detail is the level of additional funding available under the Gonski model and the details of how and when any additional funding will be rolled out.

Without details around how this additionality will be rolled out, it is impossible to accurately model the funding outcomes of the new funding arrangements.

Despite the confidentiality around the outcomes of the deals with NSW and the ACT, it is clear that additional funding will not be managed in a consistent manner across states and territories, with different quantum and delivery of funds across the two jurisdictions.

Other essential information about the NSW and ACT negotiation outcomes relates to how the quantum of additional funding is for each jurisdiction was derived. For example, schools across the ACT are already highly resourced or have the capacity to be highly resourced. Stakeholders in this jurisdiction are strongly interested in obtaining the detail behind what is driving the apparent increase in funding to ACT schools when an understanding of the Gonski funding arrangements would not necessarily support the quantum of additional funding that has been announced for some sectors in the ACT.

What is also apparent from the scant information available about the NSW and ACT sign up deals, is that the Gonski model roll out will be treated differently from state to state. This means it is extremely difficult for independent schools in jurisdictions which are yet to commit to the Gonski model to anticipate possible funding negotiation outcomes.

#### Small quantum of additional funding in early years of transition

The other apparent outcome of the NSW and ACT sign up deals is the apparent ‘back-loading’ of any additional funding under the Gonski arrangements. It is clear that fiscal constraints operating at both the Commonwealth and state/territory levels has meant that governments are not in a position to commit the additional funding require to implement the Gonski model at the current time. The vast majority of additional funding will not be appropriated or be available to schools until sometime in the medium to long-term future. This adds a level of uncertainty around whether the additional funding proposed under the Gonski arrangements will ultimately be forthcoming.

#### Statements to the effect that all schools in all sectors will be funded the same

ISCA is also concerned that there is now a public perception that under the Gonski funding arrangements every school in Australia, regardless of whether it is government or non-government, Catholic-systemic or independent will be funded the same. This perception is encouraged by statements such as those made by the Commonwealth Government Minister for School Education, Early Childhood and Youth on the passage of the Australian Education Bill 2013 through the House of Representatives. At this time Minister Garrett stated that “The Australian Education Bill will see every school funded by the Commonwealth on the basis of need - regardless of sector - for the very first time.”

Statements such as these omit the critical element for non-government schools of the application of a measure of capacity to contribute. This measure anticipates the capacity of parents enrolling their child in a non-government school to contribute financially to the operation of the school. The application of capacity to contribute for non-government schools has a significant impact on the level of base funding for non-government schools provided by governments.

The independent sector supports the current approach to estimating capacity to contribute for a school which utilises the socio-economic status (SES) of a school community using Australian Bureau of Statistics data.



An additional issue which significantly affects whether all schools are funding the same is the capacity (which will continue under the Gonski funding model) for school systems both government and non-government to redistribute their member schools' funding entitlements within the system. The Australian Education Bill prescribes that funding be allocated in accordance with a needs-based funding arrangement, but ultimately the funding allocation a systemic school receives will potentially be different to its entitlement under the Gonski model.

#### Consideration against independent sector key criteria for funding model

As highlighted earlier, the independent sector has a number of criteria against which it assesses the effectiveness of school funding models. The Gonski funding model, particularly the transition arrangements does not stand up well against the majority of the sector's criteria.

*Equity – Per student funding for schools serving communities with similar attributes should generally be comparable*

Two issues will need to be resolved or established for this criterion to be met. The current poor quality of data driving the loadings under the model will need to be resolved in order to ensure that the funding model is appropriately responding to the needs of communities. Further the application of capacity to contribute for non-government schools will need to be applied in a way which is consistent across communities within a jurisdiction and that any state or territory negotiation outcomes which secure participation in the Gonski arrangements must not compromise this criterion.

*Incentive – The funding arrangement should support students in a way that encourages, not discourages, parental investment in schooling*

ISCA supports the continued use of the current approach to estimating capacity to contribute for a school which utilises the socio-economic status (SES) of a school community using Australian Bureau of Statistics (ABS) data. The use of ABS data ensures that capacity to contribute is assessed using independent data which cannot be manipulated and is transparent and rigorous.

*Flexibility – Schools should not be locked into a particular funding level that impedes them from responding to changes in their school community*

Under the current funding arrangements, individual independent schools receive a contribution to assist them to meet the needs of disadvantaged students through Commonwealth Government Targeted Programs. Under the Gonski model, the function of Targeted Programs to address educational disadvantage will be transferred to the Gonski loadings to address educational disadvantage. However, schools will not receive their full entitlement under the loadings until the Gonski model is fully implemented. The timing for the full implementation of the Gonski model is currently unclear, but likely to be in excess of six years into the future. This funding criterion will not, therefore, be met until the Gonski mode is fully implemented. Prior to full implementation, schools will not be provided with sufficient additional funding to enable them to respond to changes in their school community, particularly changes in the numbers of disadvantaged students.

*Transparency – Assessment of need should be based on reliable and transparent data*

The model does not meet this criterion. It is widely acknowledged that the quality of data on which the Gonski funding will be based is not current, accurate or comprehensive and certainly not rigorous enough to provide the basis of a funding model. The proposed new funding arrangements rely on data which has acknowledged problems with its reliability, quality and stability. For example, much of the data for the loadings is collected by schools from parents at the time of enrolment is not considered to be suitably robust to be the basis of a high stakes funding model.

Further the complexity of the transition arrangements, combined with the lack of transparency around the outcomes of negotiations with states and territories, means that there is insufficient transparency around the model to allow schools to anticipate their public funding entitlements for 2014 onwards.

*Simplicity – The funding arrangements should be simple to administer, with low administration costs for government and low compliance costs for schools;*

While in principle the new Gonski funding model is simple, the transition arrangements to full implementation of the model are unquestionably complex. In fact, these arrangements are so complex that the Government was not able to detail the transition arrangements in either the Australian Education Bill or the Australian Education (Consequential and Transitional Provisions) Bill 2013. Instead, in the Australian Education Bill, the Minister must determine funding amounts through the transition period for schools that are entitled to additional funding under the model.

*Predictability – Schools should have a high degree of certainty about future funding to facilitate financial planning and management*

Due to the complex nature of the transition arrangements towards full implementation of the Gonski model, it is impossible at the current time for schools to determine with any certainty their funding levels for 2014 or into the future. This situation is further exacerbated by the uncertainties surrounding whether all state and territory jurisdictions will be participating in the model or the details of the negotiated outcomes agreed to with those currently participating jurisdictions, NSW and the ACT.

*Consistency – Funding arrangements should apply consistently to all schools across the non-government sector regardless of organisational arrangement*

This is an important criterion for the independent schooling sector which incorporates a very diverse range of schools based on many religions and educational philosophies. If any aspects of the funding arrangements were based on concessions or arrangements purely directed to accommodate, recognise or advantage one religion or any other circumstances over another without recourse to the pure application of the model, this outcome would be a major concern to the independent sector as a whole.

## CONCLUSION

ISCA welcomes the opportunity to make this Submission to the House of Representatives Standing Committee on Education and Employment Inquiry into the Australian Education (Consequential and Transitional Provisions) Bill 2013.

The sector makes up a significant and increasing proportion of schools and enrolments in Australia with 1,090 schools and 550,000 students accounting for around 16 per cent of Australian school enrolments. Whilst on average parents in independent schools contribute 55 per cent of recurrent costs and 80 per cent of capital costs, government support for independent schools is critical to the ongoing stability and viability of the sector. As a consequence, both the Australian Education Bill 2012 and the Australian Education (Consequential and Transitional Provisions) Bill 2013 are high stakes issues for the sector.

ISCA notes that the Inquiry's Terms of Reference is the text of the Bill. While the independent sector does not have specific concerns with the Bill per se, the overall transition arrangements to full implementation of the Gonski funding model are of concern to independent schools as highlighted in this Submission.

ISCA appreciates the opportunity to raise these concerns with the Committee as part of this Inquiry. ISCA will continue to seek to work constructively with the Committee and governments to secure future funding arrangements for schools which will ensure that all Australian students have access to a quality education.

This submission has been prepared by the Independent Schools Council of Australia on behalf of our member associations:

Association of Independent Schools of the ACT Inc.  
The Association of Independent Schools of New South Wales Ltd.  
Association of Independent Schools of the Northern Territory Inc.  
Independent Schools Queensland  
Association of Independent Schools of South Australia  
Independent Schools Tasmania  
Independent Schools Victoria  
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