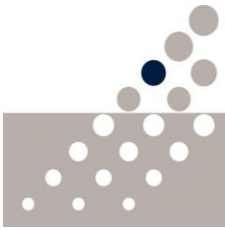
Independent Schools
Council of Australia

Submission Number: 17
Date Received: 13/02/2013

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON EDUCATION AND EMPLOYMENT

INQUIRY INTO THE AUSTRALIAN EDUCATION BILL 2012

SUBMISSION BY
THE INDEPENDENT SCHOOLS COUNCIL OF AUSTRALIA



12 Thesiger Court Deakin ACT 2600 • PO Box 324 Deakin West ACT 2600
Telephone: 02 6282 3488 • Facsimile: 02 6285 2926 • Email: isca@isca.edu.au • Website: www.isca.edu.au
ABN 83 005 118 927

CONTENTS

KEY POINTS

The Australian Education Bill and its subsequent amendments are high stakes issues for independent schools both in terms of future 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 this 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.

When looking at the impact of changed funding arrangements it is not sufficient to look at the impact on the non-government sector or the independent sector as a whole. For independent schools the effect of changed funding arrangements must be assessed in terms of the impact on each individual independent school.

When governments make changes to school funding they need to be highly cognisant of the impact on school communities and work to ensure that the number of schools affected is minimal and any transitional arrangements take into account the circumstances of each school.

The independent sector has consistently argued during the Review of Funding for Schooling that no independent school or student should receive less public funding in real terms than they currently receive.

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 Bill 2012.

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 1,090 schools and 550,000 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 2011 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 over 500,000 in 2011. (Note: ABS data excludes independent Catholic enrolments).

Current Funding Arrangements

Australian school education is supported by three major funding partners – the Commonwealth Government, state and territory governments and the families of students.

All school students, whether they attend government, Catholic or independent schools, receive public support for their education from their state or territory government and the Commonwealth Government.

In the government school sector, the state or territory government that owns the schools contributes most of the funding. In the independent sector most funding is contributed by parents.

Overall, the independent schools sector depends mainly on parents to fund schools, with 55 per cent of its income coming from private sources. This willingness and commitment of independent school parents to pay school fees saves governments an estimated $3.9 billion per annum in recurrent schooling costs. In addition, through fees and donations, parents and donors nationally provide 80 per cent of capital funding for independent school buildings, grounds and equipment (this figure excludes one off funding provided under the Building the Education Revolution).

In 2009-10, the Commonwealth Government and state and territory governments provided 45 per cent of all funding for independent schools, although this amount varies greatly from school to school. The Commonwealth Government is the major provider of public funding to independent schools, and currently has legislated funding arrangements in place for non-government schools until the end of 2013.

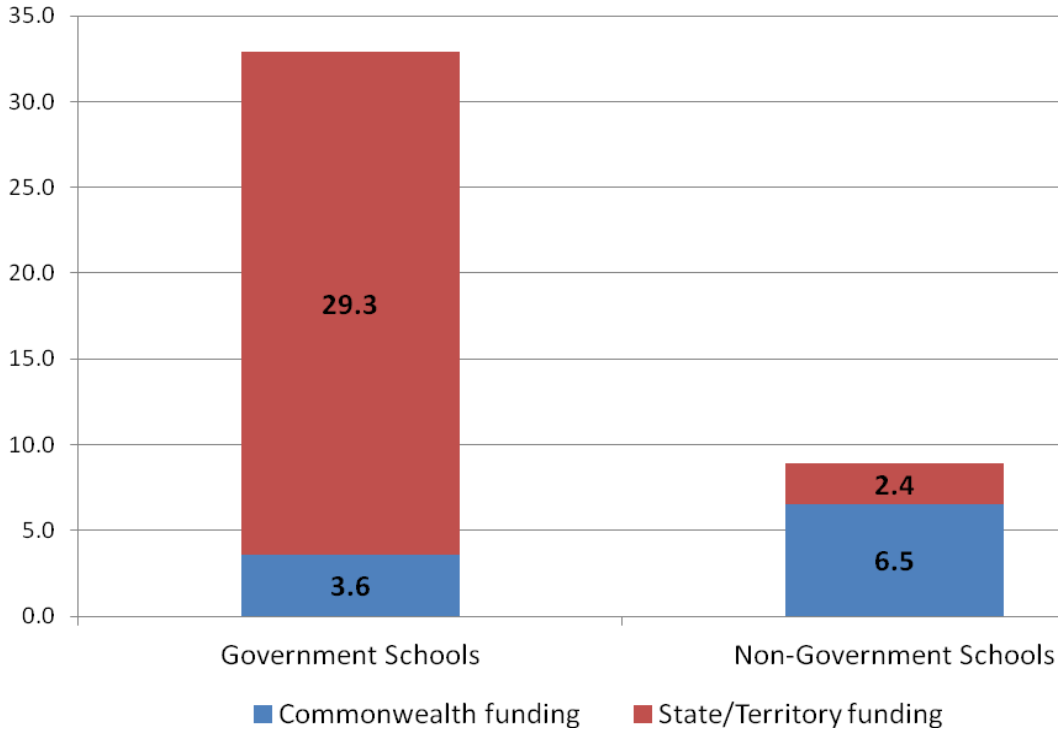
Students in government schools receive the most public funding, and the main source of this funding is the state or territory government that owns the school they attend. Students in non-government schools receive a lower level of public funding, and the main source of this support is the Commonwealth Government.

In 2009-10, total government operating recurrent expenditure on school education was $41.8 billion. Total government recurrent expenditure on government schools was $32.9 billion and $8.9 billion on non-government schools. In 2009-10, the non-government sector received 21 per cent of government recurrent expenditure on schooling while the government sector received 79 per cent.

Nationally in 2009-10, state and territory governments provided 89.2 per cent of total government recurrent expenditure on government schools and the Commonwealth Government provided 10.8 per cent. The Commonwealth Government provided 73.2 per cent of total government recurrent expenditure on non-government schools, with state and territory governments providing 26.8 per cent.

Chart 1 below shows recurrent funding by sector broken down by source for 2009-10.

Chart 1: Recurrent funding for school education by source and sector 2009-10 ($ billions)



Source: Productivity Commission report on Government Service Provision 2012

In 2009-10, combining both state and Commonwealth Government funding, public support for a student in a government school was on average $14,380. On average, total government funding for a non-government school student was $7,430, while for an independent school student it was $6,450 per year.

Therefore, taking into account state and territory government and Commonwealth Government contributions to Australian school education, students in independent schools on average receive less than half the public support of students in government schools and many students get significantly less.

Current Commonwealth Government appropriation arrangements – government schools

Prior to 2009, Commonwealth Government funding for all schools, government and non-government was appropriated under specific schools assistance legislation and the Commonwealth Government entered into funding agreements with state and territory governments under this legislation.

At its 29 November 2008 meeting, COAG finalised the new National Education Agreement together with new National Partnerships on teacher quality, improving disadvantaged schools and literacy and numeracy.

The NEA incorporates what had previously been known as Specific Purpose Payments for General Recurrent Grants, Capital Grants and Targeted Programs for government schools. It also incorporated funding for a number of discrete Commonwealth schools programs as well as

a number of Indigenous education programs previously implemented under the *Indigenous Education (Targeted Assistance) Act 2000*.

Since 2009, Commonwealth Government funding for government schools has been appropriated under the *Federal Financial Relations Act 2009*. Commonwealth Government funding for government schools no longer makes separate provision for recurrent, capital, targeted and indigenous funding but is provided as a single figure amount known as the government schools component of the National Schools Specific Purpose Payment. This single payment removes the requirement for state and territory education authorities to allocate funds according to separate programs as previously determined by the Commonwealth Government.

Current Commonwealth Government appropriation arrangements for non-government schools

The Commonwealth Government provides funding for non-government schools, including independent schools, under the *Schools Assistance Act 2008*. Unlike the arrangements now in place for government schools, this legislation continues to specify funding for Recurrent, Capital, Targeted and Indigenous Grants to non-government schools as well as setting out the range of school performance, acquittal, reporting and accountability requirements schools must agree to in order to meet their funding obligations.

The Commonwealth Government enters into funding agreements under this legislation with individual independent schools (or independent systems where applicable) and Catholic systemic authorities for Catholic systemic schools.

National Partnerships

National Partnership funding is provided in addition to specific purpose payments and is in the form of an agreement between the Commonwealth Government and each individual state and territory government. For the Smarter School National Partnerships, there was no separate or specific provision made for non-government schools. The information provided by the Government at the announcement of the National Partnerships was that the non-government school sector would be invited to participate in the National Partnerships and states and territories would work with school and system authorities to determine funding arrangements through bilateral agreements.

In the Smarter Schools National Partnership for Low Socio-economic Status School Communities, the Commonwealth Government provides funding to support education reform activities in approximately 1,700 low socio-economic status schools. The Smarter Schools National Partnership for Literacy and Numeracy provided funding to facilitate and reward the implementation of evidence-based strategies that improve student literacy and numeracy skills. The Smarter Schools National Partnership for Improving Teacher Quality provided funding to improve the quality of the Australian teaching workforce. The funding available under the three Smarter School National Partnerships totalled over $2.2 billion.

Not all the Commonwealth Government's National Partnerships for school education have followed the Smarter Schools National Partnerships model. A number of other National Partnerships provided separate allocations directly to the non-government education authorities

such as the Building the Education Revolution, Digital Education Revolution and Trade Training Centres initiatives.

Further information on funding arrangements for independent schools is provided at Appendix A.

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; incentive; flexibility; transparency; simplicity; predictability and consistency.

Further, any funding model must rely on *reliable, robust, up-to-date data that cannot be subject to manipulation or interpretation.*

Another key issue for the independent sector is the importance of an early resolution of funding arrangements as the Commonwealth Government's funding arrangements for non-government schools expire on 31 December 2013.

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.

Review of Funding for Schooling Final Report and Recommendations

On 20 February 2012, the Commonwealth Government released the Final Report of the Review of Funding for Schooling from the Gonski Review Panel. In short, the Panel recommended that recurrent funding for all schools be based on a new Schooling Resource Standard (SRS) with additional loadings to address educational disadvantage. For non-government schools, the Report recommended the assessment of a non-government school's need for public funding should be based on the anticipated capacity of the parents enrolling their children in the school to contribute financially towards the school's resource requirements.

At the time of the release of the Final Report, the Commonwealth Government's only response was to advise that following the significant outlays under the Building the Education Revolution for capital grants in schools, the Government was not considering any additional funding for capital grants. Since the release of the Final Report, the Commonwealth Government has indicated that the Report's recommendation to establish a National Schools Resourcing Body will not be supported.

Commonwealth Government's Response

On 3 September 2012 in a speech to the National Press Club in Canberra, the Prime Minister outlined the Commonwealth Government's response to the Review. The speech focussed on the Government's goals and plans for school improvement, as well as calling for state and territory governments to contribute their share to the required additional funding identified by the Gonski Review. The Prime Minister announced that detailed bilateral negotiations with the state/territory governments and the Catholic and independent sectors had commenced.

Key points from the Prime Minister's announcements are:

- The Government will introduce before the end of 2012 a Bill which 'enshrined our nation's expectations for what we will achieve for our children, our vision of the quality of education to which our children are entitled and our preparedness to put success for every child at the heart of how we deliver and fund education";

- That the Australian Education Act would establish support for a child's education as one of the entitlements of citizenship;

- By 2025, Australia should be ranked as a top 5 country in the world in Reading, Science and Mathematics and for providing our children with a high-quality and high-equity education system;

- A commitment to a National Plan for School Improvement which will achieve the goal for our children;

- A commitment to funding Australian schools which puts a child's needs at the heart of funding decisions by adopting the Review's core recommendation that every child's education should be supported with a benchmark amount of funding - a new Schooling Resource Standard and that extra needs should be met through a system of needs-based loadings;

- Noted that the Gonski panel challenged all governments to provide an extra $6.5 billion annually;

- New funding will be contingent on States and systems agreeing to and delivering school improvement by committing to a National Plan for School Improvement;

- The National Plan for School Improvement will require states and territories, Catholic and independent schools to sign up to new requirements including:

- Lifting teacher quality through higher entry requirements to the profession and providing additional support for new classroom teachers including more opportunity for practical experience during training and two years of support once at school;
- More power for principals, including over budgets and staff selection;
- More information for parents through *My School;*
- Every school will have a school improvement plan and will be held to it;
- Every child falling behind will have a personalised learning plan.

Australian Education Bill 2012

The Australian Education Bill 2012 was introduced into the House of Representatives on 28 November 2012. The Bill does not provide detail on school funding arrangements, but instead provides an outline of the proposed National Plan for School Improvement and a broad funding framework based on the funding model recommended in the Gonski Report. The legislation requires a commitment by schools to implementation of the National Plan as a prerequisite for Commonwealth Government funding.

The Government has indicated that following the conclusion of negotiations with state/territory governments and non-government education providers, the Bill will be updated to reflect the final agreement reached with all parties. The Government anticipates that the outcomes of negotiations will be agreed at the first Council of Australian Governments (COAG) meeting in 2013, expected to be in April.

DISCUSSION – INDEPENDENT SECTOR ANALYSIS AND COMMENT

The Australian Education Bill and its subsequent amendments are of critical interest to the non-government school sector in Australia. Commonwealth Government funding for non-government schools is significant for two purposes:

- maintaining the viability and affordability of non-government schools in Australia; and
- associated funding agreements provide the means to ensure the inclusion of non-government schools in the Government's school education initiatives and education reform agenda.

The Australian Education Bill, while providing a broad outline of the Commonwealth Government's goals and plan for school funding and improvement, provides no detail on either the specific funding arrangements or administrative implications for schools which are critical for school planning. While the independent sector welcomed the introduction of the Bill, the more complex and critical aspects of the Gonski Review outcomes are yet to be settled. In fact, despite the timeline imperatives, there is little indication that there has been any substantive progress in negotiations with state and territory governments. While ISCA appreciates the complexity of the Government's task, the school communities of the 1,100 independent schools have ongoing concerns about the continuing uncertainty of future funding arrangements, particularly as the Review is now entering its fourth year without any tangible outcomes in sight.

Independent schools are highly committed to providing their students with a high quality education experience. To this end, the sector is keen to work with government to support the

objectives of the National Plan for School Improvement. State and territory AISs will continue to work with independent schools to support school improvement. However their capacity to continue to do this could be limited depending on the structure of the new funding arrangements. This issue is dealt with further in the Submission.

The Terms of Reference of the Committee's Inquiry focussed on the Australian Education Bill 2012, which sets out in broad terms an outline of both the National Plan for School Improvement and the future funding arrangements. Comment on individual sections of the Bill is now provided for the Committee's consideration. For ease of reading the relevant sections of the Bill are included prior to ISCA's comments.

AUSTRALIAN EDUCATION BILL – ISCA COMMENTS ON SECTIONS

Preamble

The Parliament of Australia acknowledges the following matters.

All students in all schools are entitled to an excellent education, allowing each student to reach his or her full potential so that he or she can succeed and contribute fully to his or her community, now and in the future.

The quality of a student's education should not be limited by where the student lives, the income of his or her family, the school he or she attends, or his or her personal circumstances.

The quality of education should not be limited by a school's location, particularly those schools in regional Australia.

It is essential that Australian schooling be of a high quality and be highly equitable in order to create a highly skilled and successful workforce, strengthen the economy, and increase productivity, leading to greater prosperity for all.

If Australia is to be a prosperous nation with a high standard of living in the 21st century, the performance of Australia's schools, and school students, must continuously improve, particularly as school performance in countries around the world and in Australia's region is also improving.

It is also essential that Australian schooling provide school students with opportunities to engage with Australia's region. Through this engagement, Australia can maximise economic, cultural and social opportunities during the Asian century.

To address these matters, future arrangements will be based on the needs of Australian schools and school students, and on evidence of how to provide an excellent education for school students. These arrangements will build on successful reforms to date.

Schools will also need to adopt the opportunities offered by digital education and new evidence-based methods of teaching and learning.

Strong partnerships across the broader community are necessary to support all school students, including partnerships between teachers, parents and families, and employers.

As Australia's schools are diverse, the Australian Government will recognise the role of the Governments of the State and Territories, non-government education authorities, other partners and schools in delivering school education, and work with them to support and lift the performance of schools and school students.

While the independent sector has commended the Government for setting the goal of making Australia's schooling system amongst the best in the world by 2025, the sector was disappointed at the lack of detail regarding funding arrangements and administrative requirements for independent schools beyond 2013. The Bill provides no new detail regarding the Government's funding intentions beyond 2013.

The information provided in the Bill regarding both funding and plans for school improvement lacks detail and this lack of detail creates further uncertainties for individual independent schools.

A further noteworthy omission from the Bill, is specific reference to the Prime Minister's statement in her 3 September 2012 speech whereby the Australian Education Act would establish the nation's support for a child's education as one of the entitlements of citizenship.

The Preamble also states that future arrangements will be based on the needs of Australian schools and students. It should be noted that the current Commonwealth Government funding arrangements for non-government schools is a needs-based funding model based on the socio-economic profile of the school community.

Part 1—Preliminary

1 Short title

This Act may be cited as the Australian Education Act 2012.

2 Commencement

This Act commences on 1 January 2014.

3 Objects of this Act

The objects of this Act are:

(a) to acknowledge the matters referred to in the Preamble; and
(b) to set out the following goals for Australian schooling to address those matters:

(i) for Australian schooling to provide an excellent education for school students;
(ii) for Australian schooling to be highly equitable;
(iii) for Australia to be ranked, by 2025, as one of the top 5 highest performing countries based on the performance of Australian school students in reading, mathematics and science, and based on the quality and equity of Australian schooling.

4 Definitions

In this Act:

government school *means a school in a State or Territory that is conducted by, or on behalf of, the Government of the State or Territory.*

non-government education authority *means an authority that is associated with the operation of a non-government school and is not an authority of the Government of a State or Territory.*

non-government school *means a school in a State or Territory:*

(a) that is not conducted by, or on behalf of, the Government of a State or Territory; and
(b) that is not conducted for profit.

recurrent funding *means funding relating to the ongoing operating costs of schools.*

school *includes:*

(a) a government school; and
(b) a non-government school.

For independent schools the distinction between non-government education authorities and non-government schools needs to be made clear. For example, in sections 6 and 8, the Bill refers to negotiating with non-government education authorities (presumably not every independent school but rather their representatives). In other places, for example section 9, the Bill refers to non-government education authorities reaching agreement with the Commonwealth on implementation of the national plan in return for Commonwealth funding. In this context, non-government education authorities must refer to individual independent schools, as it is the individual school in the independent sector that will make the agreement with the Commonwealth Government to implementation of the national plan, not their sector representatives.

On the assumption that in some contexts in the Bill, the use of the term "non-government education authority" refers to ISCA and the AISs, there is a further issue related to the future operations of these organisations in light of the proposed new funding arrangements. This issue is dealt with in greater detail below.

Part 2—Improving the performance of schools and school students

5 Improving the performance of schools and school students

This Part sets out how the Commonwealth will address the matters referred to in the Preamble, and achieve the goals referred to in paragraph 3(b).

6 Developing a national plan

The Commonwealth will work with the Governments of the States and Territories, and non-government education authorities, to develop, and implement, a national plan to:

(a) improve school performance and the educational outcomes of school students; and
(b) drive continuous school improvement; and
(c) provide opportunities for school students to develop capabilities to engage with Asia;
by addressing the reform directions set out in section 7.

Note: States and Territories, and non-government education authorities, that agree to implement the national plan will be provided with school funding in accordance with section 9.

While the Government can consult with non-government education authorities to develop a national plan, it needs to be remembered that ISCA and AISs are not school system authorities for independent schools, but rather independent schools choose to become members of AISs. Independent sector 'education authorities' priority role is to represent the interests of their member schools and would therefore not be in a position to work with the Government to 'implement' a national plan.

Implementation of the national plan must be agreed to at the individual independent school level.

With regard to working with the Government to develop a national plan, independent sector representative bodies would not support the imposition of additional administrative burdens on schools without there being clear educational benefits.

Any increased costs to individual independent schools resulting from additional administration would also need to be acknowledged and supported through the provision of additional resources.

The Committee should also note that non-government school education authorities are not represented on the key decision-making bodies for school education, being the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC) and the Standing Council on School Education and Early Childhood **(**SCSEEC), nor do they have any access to papers. Non-government school education authorities are therefore not privy to the discussions leading to decisions, nor do they have access to decisions beyond the information provided in public communiqués or through ad hoc briefings voluntarily provided by government officials.

As it is not clear how the non-government school education authorities will be empowered to "work with the Commonwealth", there is concern in the sector that the current situation will continue whereby SCSEEC Ministers make decisions with binding implications for non-government schools without any obligation to have genuine consultation with the sector.

7 Reform directions for the national plan

Quality teaching

(1) All teachers will have the skills, and support they require, to improve their performance over time and to deliver teaching of a high quality to all of their school students. The work of teachers will:

(a) reflect rigorous professional standards and best practice; and
(b) be based on evidence of successful teaching methods.

The independent sector draws the Committee's attention to the considerable work already underway under the auspices of the Australian Institute for Teaching and School Leadership (AITSL) Work Plan. This agenda should be progressed in consultation with schools and teachers to provide information and support based on research and good practice rather than through requirements stipulated in legislation. Increased opportunities for input from the teaching profession, across the spectrum from the school level to teacher professional bodies, will encourage greater ownership and acceptance of policy outcomes.

Notwithstanding the benefits to teachers, it also needs to be recognised that proposals to provide additional support or feedback to teachers such as more opportunity for beginning teachers to

gain practical experience or two years of support once at school will have significant workload and resource implications for schools.

The independent sector would also be concerned if the proposed National Plan for School Improvement limited the scope for innovation, flexibility and diversity in approaches to quality teaching currently possible in independent schools.

Quality learning

(2) Australian schooling will provide a high quality educational experience with an environment and curriculum that supports all school students to reach their full potential.

Independent schools are already committed through current legislation to the implementation of the Australian Curriculum. Further work will need to continue to build on the work to date in recognition of alternative curriculums.

Independent schools are highly committed to providing their students with a high quality education experience that meets the needs of their students. Unlike other sectors in Australian education, the majority of independent schools operate autonomously. Independent schools do not rely on central bureaucracies or bodies, and are separately accountable to their parent and school communities. Individual schools operate in an environment of choice and diversity. The incentives that operate in this environment impose an imperative on independent schools to constantly strive to ensure they provide a high quality educational experience for their students.

Empowered school leadership

(3) Leaders in schools will have the resources, the skills, and greater power, to make decisions and implement strategies at the local level to obtain the best outcomes for their schools and school students.

Generally independent schools are autonomous in their decision-making around the running of schools, including governance, financial and workforce aspects.

Transparency and accountability

(4) Support will be provided to schools to find ways to improve continuously by:

(a) analysing and applying data on the educational outcomes of school students (including outcomes relating to the academic performance, attendance, behaviour and wellbeing of school students); and

(b) making schools more accountable to the community in relation to their performance and the performance of their school students.

It is not clear who would be providing this "support" to schools to improve continuously or what form this "support" would take.

In terms of data on educational outcomes, the independent sector is a strong advocate of the importance of using reliable, robust, up-to-date data. However, the sector does not support the use of data to analyse school and student performance that is not robust, or is used in a context or for purposes for which it was not intended.

This includes ACARA *My School* data, many items of which continue to be of poor quality and used for purposes for which it was not intended nor fit for purpose. For example, a range of parental background data collected at the time of enrolment is being used for the calculation of the index of socio-educational advantage (ICSEA) scores on *My School* (and potentially for the distribution of loadings). These data are not collected under controlled conditions nor subject to any quality assurance or any regular updating.

The collection, compilation and provision of data is a significant impost on individual independent schools and has a significant cost implication. Additional data should only be sought when there are clear educational benefits for students.

Implementation of initiatives to encourage continuous school improvement will need to recognise that not all schools are at the same starting point.

Within the independent sector many schools will have invested in the development and implementation of comprehensive and ongoing school improvement strategies. These schools will be highly resistant to adopting alternative approaches to school improvement that will require further investment and be inconsistent with their existing strategies and trend data. Further, within the independent sector there are a significant number of schools offering a diversity of alternative educational approaches and philosophies. The structures, objectives, outcomes and parental expectations of these schools may not readily accord with more traditional educational approaches. A flexible approach to promoting ongoing school improvement which reflects the diversity of the independent sector will be critical.

In terms of continuous improvement, independent schools engage in ongoing evaluation and assessment in order to ensure schools continue to meet the needs of students and expectations of parents. Many AISs provide support to their member schools through a range of professional services which include supporting schools in self-evaluation and identifying strategies for improvement and innovation.

The independent sector would also be concerned if the Government were to impose a national plan that moved to limit school autonomy.

To respond effectively and creatively to the needs of the students and communities they serve, independent schools need a liberal degree of autonomy.

With comprehensive governance and regulatory mechanisms already in place, the independent schools sector believes that any consideration of future accountability requirements should be balanced by a commitment to the innovation and diversity that characterises independent education.

The steady growth of the independent sector is evidence of the public confidence in the accountability of independent schools through the mix of contribution to education policies, legislative compliance and self-regulation. Independent school enrolments continue to increase because many parents and community groups find that self-governing schools are more accountable to their immediate communities than is possible for schools that are part of large centralised systems.

Individual schools operate in an environment of choice and diversity. The incentives that operate in this environment impose an imperative for schools to be aware, innovative and responsive to change in order to ensure schools continue to meet the needs of students and expectations of parents and provide a high quality educational experience for their students.

As noted earlier, independent schools are already highly accountable to their school communities.

Independent schools have a greater range of accountabilities than any other type of school in Australia due to the complex mix of their responsibilities to stakeholders, governments, authorities and their legal obligations as incorporated bodies.

In addition to their not-for-profit status, all independent schools are also charitable institutions and as such fall under the auspices of the new Australian Charities and Not-for-profits Commission.

Full details of the regulatory environment for independent schools are provided at Appendix B.

(5) Data collected on schools and school students will:

(a) be of a higher quality; and
(b) contain more detail; and
(c) be more consistent; and
(d) be more available to the public;
than data currently collected on schools and school students.

Whilst ISCA supports the use of data for funding, research and policy development purposes, it is important to ensure that all new data collections can be strongly linked to improving student outcomes, and data is not collected just for the sake of having additional data. The *My School* website already provides a source of data for parents.

It needs to be recognised that while there may be national or systemic benefits from the provision of quantities of data, there is usually little benefit to be gained at the level of the individual independent school. Collecting and reporting additional data is a significant cost for independent schools in terms of staff time and resources and often involves significant information technology costs as well.

While governments and their agencies pursue more comprehensive and fine-grained data collections, the cost burden of collection, collation and submission rests with the individual school and the school community. While the benefit of additional data is accrued by governments and researchers, the cost of this benefit is shifted to the parents of students in independent schools.

In government and Catholic systemic schools the signification additional costs associated with every new request for data, are defrayed by the system authorities. In the independent school sector, there is no source of funding to assist schools with the costs of collecting, collating and submitting the increasing requests for data at more detailed and complex levels. These costs

must be met by the individual school from within school resources. Ultimately these costs must be borne by parents through fees. Future data collections will necessitate complex information technology solutions, the costs of which will not be able to be met by a large number of low fee, low SES schools in the sector.

For example, in 2013 independent schools are already required to provide additional and significantly more complex data on student attendance and students with disabilities.

It should also be stressed that it is not the role of ISCA or state and territory AISs to collect or provide data. Governments must consider the impact of enhanced data collections on individual independent schools and provide appropriate support.

Additional data collections should also ensure that appropriate privacy concerns are addressed and data protocols are in place. Issues such as the ownership of data and clearance and sign off arrangements may also need to be resolved.

> *Meeting student need*
>
> *(6) Australian schooling will place the highest priority on:*
>
> *(a) identifying and addressing the needs of school students, including barriers to learning and wellbeing; and*
> *(b) providing additional support to school students who require it.*

The strong learning outcomes achieved in many independent schools, including those operating at lower resource levels, rely on quality teaching, strong engagement of family and the school community in education, extra-curricular activities, a high value placed on education and the autonomy of the school.

The capacity for independent schools to provide support for disadvantaged students depends on the school's size, context and resourcing. It will be dependent on the outcomes in the funding review whether the funding provided in the model will facilitate additional support at the school level.

Unlike government or Catholic systemic schools where there is capacity to move funding across schools to meet the cost of high need students, individual independent schools need to raise the often significant additional costs of special needs students from within the school community. This means that enrolling special needs students, particularly in middle to low fee schools can place a significant burden on the school community.

The numbers of disadvantaged students in independent schools, including students with disability, indigenous and students with a language background other than English, have been increasing at a higher rate than overall enrolments. This disproportionate increase will need to be addressed in future funding arrangements. There is no lack of special needs students seeking to attend independent schools and no lack of will on the part of independent schools to enrol them.

The constraint on enrolment growth is due to the differential in the capacity of individual independent schools to meet additional costs, not the willingness of schools to enrol these students.

8 Developing benchmarks and supporting improvement

The Commonwealth will work with the Governments of the States and Territories, non-government education authorities, and other partners, to do the following:

- *(a) develop benchmarks for assessing the performance of schools and school students;*
- *(b) implement arrangements to support the following:*
  - *(i) increased transparency in relation to schools;*
  - *(ii) assessing and improving school performance;*
  - *(iii) gathering and sharing evidence about the most effective methods of improving the performance of schools and school students.*

The independent sector is concerned at the proposal in the Bill to develop benchmarks for assessing performance of schools and students. The independent sector is characterised by the diverse nature of its schools and students as well as the opportunities for flexibility and innovation offered by the autonomous nature of independent schools. The independent sector will be highly resistant to any initiatives which contribute to a reduction in the autonomy and diversity of the sector. Further, within the independent sector there are a significant number of schools offering a diversity of alternative educational approaches and philosophies. How success is measured in independent schools is highly diverse. The structures, objectives and outcomes may not readily accord with more traditional educational approaches.

Benchmarks and generalised approaches to improving school performance have the potential to seriously diminish educational diversity in Australia, stifle innovative and flexible approaches to improving educational outcomes and limit the capacity for those schools offering alternative educational approaches.

The Bill includes internal inconsistencies such as encouraging on one hand increased principal autonomy, while on the other, standardising approaches to the delivery of services and schooling in Australia and proscribing particular approaches to school management and school improvement strategies. Many of the approaches espoused by sections of the Bill have the potential to stifle innovation, curtail effective leadership and governance and reduce principal autonomy.

Autonomy around decision-making and accountability are enhancers of student outcomes and school improvement. The Bill should facilitate high performing schools rather than restricting all schools to complete the same processes.

Independent schools would advocate for greater flexibility around school improvement strategies in order to recognise the unique characteristics of each school and the needs of their school community.

The independent sector is concerned to ensure that the implementation of the national plan will focus on empowering schools to make a real difference to student learning outcomes rather than becoming an additional bureaucratic burden necessitating the further transfer of resources away from schools' core business of educating students.

9 School funding

For any Government of a State or Territory, or non-government education authority, that reaches agreement with the Commonwealth on its implementation of the national plan referred to in section 6, the Commonwealth will provide funding for schools or school systems, through grants of financial assistance to States and Territories, based upon the following principles:

(a) every school student will have the opportunity to have an excellent education;

(b) base recurrent funding will be allocated according to a formula that calculates an appropriate amount for every school in recognition of the costs of providing a high quality education;

(c) educational disadvantage associated with any of the following circumstances will be recognised and addressed through providing additional recurrent funding in the form of loadings:

(i) having a disability;

(ii) being an Aboriginal person or a Torres Strait Islander;

(iii) having a low socioeconomic status;

(iv) not being proficient in English as a result of the ethnic background or immigration status of a student or a student's family;

(v) the size of a student's school;

(vi) the location of a student's school.

The implications of the proposed new funding arrangements are discussed in the section of this submission on funding (see below). In general, however, the independent sector is disappointed that the Bill contains no further details on funding arrangements for individual independent schools.

Also of concern is the omission from the Bill of any detail regarding funding for capital in schools.

As noted earlier, the government and non-government components of the National Schools Specific Purpose Payment are currently appropriated under separate pieces of legislation. While the Government has not specifically stated as such, the Australian Education Bill would appear to indicate that Commonwealth Government funding for both government and non-government schools will be appropriated under this one piece of legislation.

Australian Education Bill - Conclusions

Overall, the Australian Education Bill creates obligations for schools with resource implications without providing any detail on future resource arrangements for individual independent schools.

In an already uncertain fiscal environment, independent schools will under the legislation have to sign up to additional commitments to provide opportunities for students to engage with Asia,

unknown school improvement strategies, additional data collection obligations and additional support for students with need.

In summary, the independent schools sector would be concerned about proposals to introduce further accountability requirements for Commonwealth Government funding that would:

- increase the administrative burden and costs related to such requirements;
- compromise the ability of schools to be responsive to the communities they serve;
- discourage innovation and excellence in educational programs and their delivery;
- reduce the diversity of the independent sector.

DISCUSSION – PROPOSED NEW FUNDING MODEL

Government funding is a critical element of the resourcing of independent schools and as a consequence, the outcomes of the Review of Funding for Schooling and the introduction of the Australian Education Bill are high stakes issues for independent schools.

As noted earlier in this submission, both the timing and fiscal outcomes of any new funding arrangements are linked to Commonwealth/state funding negotiations.

The Commonwealth Government is currently engaged in a highly complex process to negotiate school funding arrangements with state and territory governments and both the Catholic-systemic and independent schools sectors. The goal of incorporating state and territory government funding arrangements into the proposed funding model has significantly increased the level of complexity of the negotiations.

It is not clear to ISCA whether the outcomes of the state/territory negotiations will impact on the non-government school sector. In particular, whether the sector will be affected if a state or territory does not agree to participate in the new arrangements or where negotiations result in differential arrangements across jurisdictions.

The Committee should be aware that these negotiations are being conducted under strict COAG confidentiality arrangements and these confidentiality constraints have limited the scope for a full discussion of the impact of the proposed funding arrangements in this Submission.

Progress of negotiations with the non-government sector has been slow because of the lack of certainty regarding the degree of commitment to the proposed new funding arrangements by state and territory governments. The Government anticipates that the outcomes of negotiations will be agreed at the first COAG meeting in 2013, expected to be in April.

For non-government schools, the only firm commitment from Government to date has been an undertaking from the Commonwealth Government to ensure that the calculation and distribution of its funding for non-government schools would continue to rest with the Commonwealth Government and not with state or territory governments, (whilst recognising

that Constitutional requirements will necessitate funding continuing to flow to state and territory treasuries to be passed on to non-government education authorities and schools).

What is not clear is the degree to which the proposed new funding arrangements will apply to all schools in Australia. The Gonski Report recommended that government and non-government system authorities retain their capacity to allocate funding to individual schools within their systems according to their own methodologies provided they were transparent.

To ISCA's knowledge, the Commonwealth Government has not reached agreement with any system authority regarding their ability or otherwise to reallocate funds to schools within their systems. There is, however, an expectation among systems that they will retain this right.

The implication of government and Catholic system authorities retaining their capacity to redistribute funds to their schools is that of the 9,500 schools in Australia, the 1,100 independent schools will be the only schools that the proposed new model will actually be applied to.

IMPACT OF THE PROPOSED NEW FUNDING MODEL AND ASSOCIATED MODELLING ON INDEPENDENT SCHOOLS

This Submission will now provide some analysis of the impact of the proposed new funding model on independent schools covering the following aspects:

- the proposed new funding model as outlined in the Australian Education Bill; and
- the modelling of the impact of the proposed new funding model on independent schools.

Proposed new funding model

The Australian Education Bill outlines a funding model reflecting the broad Gonski Report recommendations which provides for base recurrent funding allocated according to a formula that calculates an appropriate amount for every school in recognition of the costs of providing a high quality education and loadings to address a range of identified causes of educational disadvantages.

As noted earlier, it is important to consider that as both government and Catholic system authorities will press strongly to retain their current funding methodologies which redistribute funding at the system level, it is likely that the model will only apply to the 1,100 independent schools across Australia.

In principle, the independent sector supports the provision of base recurrent funding to each independent school. However, critical to the effectiveness of this base recurrent funding will be that the base funding is set at an appropriate level. If the level is set too low, schools will need to rely on loadings to maintain their level of government funding. Utilising loadings to maintain current funding levels is not appropriate. The quantum of loadings funding is reliant on a school's point in time enrolment profile and which means they are a highly variable funding source. Such an outcome would result in potentially dramatic, unpredictable and long-term

changes in funding arrangements for individual independent schools. This would not provide the necessary funding certainty for the operation of independent schools.

An appropriate level of base recurrent funding along with an appropriate balance between recurrent funding and loadings will be critical to the success of the proposed funding model.

The concept of loadings to address disadvantage is also supported by the independent sector.

However, the independent sector does not support the proposed delivery methodology whereby loadings to address educational disadvantage will be paid directly to individual independent schools. This methodology will not result in the most effective or efficient use of funds to address educational disadvantage.

The directing of loadings to individual independent schools will have a significant impact on the independent sector both at the individual school level and for state and territory AISs. This issue is dealt with more fully later in this Submission. In summary, however, AISs currently assist independent schools to meet the needs of educationally disadvantaged students through their administration of Commonwealth Government Targeted Programs. Targeted Programs funding has the dual purpose of providing support to individual students enrolled in independent schools, along with providing AISs with the capacity to provide expert support and advice to schools to assist them to maximise the educational outcomes of these students.

In providing funding directly to schools, AISs will lose their capacity to provide co-ordinated sector-wide support for individual independent schools which benefits all schools in the sector as well as providing economies of scale both in terms of purchasing power and the breadth of expertise that can be sourced.

The practical issues associated with providing loadings to individual independent schools are:

- directing all loadings to individual schools may reduce the effectiveness and efficiency of limited funds, affecting the options and expertise available to individual schools;
- if small amounts of supplementary funding were provided directly to schools, the capacity of individual schools to purchase services for their educationally disadvantaged students would be extremely limited.
- individual independent schools will need to devote significant time and resources researching and sourcing expertise;
- some independent schools will receive a significant injection of additional funding. While the educational need of their students is not in question, for some schools, particularly very small schools or schools in rural and remote areas, their capacity to effectively utilise significant additional funding without external expertise and advice may be limited;
- the dynamic nature of enrolments means that the income stream to individual schools from loadings will be volatile year on year, volatility which would be avoided by centralised co-ordinated administration of relevant loadings;
- without co-ordinated administration of some loadings there will be significant problems for independent schools related to the timing. Students usually enrol from the beginning

of the school year, but the annual school census which collects student enrolment characteristics such as students with disability for the purposes of funding does not occur until August. This means schools will need to carry the sometimes significant costs of high needs students for at least an academic year before loadings funding would be received;

- loss of expertise to the sector through the dissolution of existing support networks; and
- lack of capacity and expertise or challenges due to location for many schools in the sector to take full advantage of the loadings.

The independent sector believes that the delivery model for the loadings requires further consideration.

Proposed new funding model – modelling outcomes

While ISCA is cognisant that the current modelling policy settings have not been agreed by Government, the timing of the legislation is such that we can only analyse and comment on what we currently know. ISCA has advocated substantial changes to many aspects of the modelling that has been made available to us.

The Commonwealth Government has undertaken modelling of the proposed new funding arrangements. The modelling has been an iterative process and some of the outcomes of the modelling have been provided to state and territory education departments and non-government sector national representative bodies.

Discussion of the outcomes of the modelling is limited by the constraints of COAG confidentiality requirements.

ISCA understands that the initial modelling was based on the funding model as articulated in the Gonski Report (with a number of assumptions where required). The modelling produced significant additional funding for both government and non-government schools and the spread of this additional funding appeared, at a global level, to be reasonable.

Following the outcomes of the initial modelling, the Government has altered a number of the parameters in the modelling which has resulted in a significant shift in additional funding away from non-government schools to government schools. Some of these alterations were made following consultation with advisory groups and the use of updated data, but the other drivers of this significant shift in resources to government schools remain unclear.

The independent sector is concerned to ensure that any additional funding available to schools should be distributed in an equitable and transparent way, which recognises that there are schools and students experiencing high levels of need in all sectors.

Further, the non-government sector's share of total enrolments continues to increase, with the sector share currently 35 per cent of enrolments overall, increasing to 40 per cent of enrolments in secondary school.

Aside from the significant movement in funds away from non-government schools, a number of other issues and outcomes have emerged from the modelling exercise.

- Independent schools are currently funded according to need by the existing SES funding model. The SES funding model determines relative need within non-government schools and in effect provides a ranking of non-government schools from least needy to most needy. (A full explanation of SES funding model is provided at Appendix A.) The proposed new model utilises a different approach to distributing resources according to need and thereby produces a significant re-ordering of the present needs-based ranking of non-government schools. ***As well as the upheaval resulting from this re-ordering, there are a large number of clearly anomalous outcomes.***

- The current policy settings operating within the modelling produce reductions in real terms government funding for a significant number of independent schools. ***The impact of a reduction in real terms funding is effectively a funding cut for these schools, as their government funding will not keep pace with the increasing costs of delivering school education. This funding cut will need to be met by an increase in school fees or a reduction in the quality of education provision.***

- There are, therefore, significant numbers of independent schools that currently cannot be accommodated within the model and, it is assumed, will need to "transition" into the model. ***Clearly an outcome where a significant number of independent schools cannot be accommodated by the proposed model is more than an 'anomaly' but rather reveals fundamental flaws in the current configuration of the modelling parameters. In fact the current proposed funding arrangements result in around double the numbers of independent schools sitting outside the funding model than the current funding arrangements. This is not an acceptable outcome for the independent sector.***

- ISCA believes a key issue with the current modelling parameters is the balance between base recurrent funding and loadings which is currently too weighted towards loadings. This has resulted in sometimes dramatic reductions in the level of base funding to individual independent schools which may or may not be balanced by loadings to address disadvantage.

- ISCA analysis indicates that the current modelling parameters will mean that ***even once private income is taken into account, a number of independent schools will not meet the schooling resource standard benchmark.***

- As noted earlier, a reliance on loadings to maintain the current level of funding to schools is not appropriate as loadings are dependent on the particular enrolment profile of a school at a particular point in time and are therefore subject to fluctuation as students graduate or enrol in a school. ***This results in an extremely volatile stream of funding.***

- The volatility of the model and consequential financial uncertainty around future funding levels are exacerbated under the model by the operation of state relativities on both base recurrent funding and loadings.

- ***ISCA strongly believes that any funding model must rely on reliable, robust, up-to-date data that cannot be subject to manipulation or interpretation. The current socio-economic status (SES) funding model relies on Australian Bureau of Statistics (ABS) census collection data which has been collected under controlled and consistent conditions, thereby meeting the criterion of being robust. The proposed new funding arrangements rely on data which has serious questions around 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 cost funding model. Due to significant gaps in the consistency of the data provided, much of the data which the new model relies upon has been imputed.***

A number of important policy issues are yet to be resolved including:

- It is understood that the Government is proposing to transition to the new model over a period of six years. The transition arrangements are yet to be agreed and will have significant implications for independent schools;

- The potential impact of any transition arrangements depends on the analysis of the modelling for individual independent schools over time as analysis must be undertaken not only for the immediate impact (for 2014) but also for the longer term through the implementation phase to 2019 and beyond;

- Treatment of independent schools with particular needs in respect of educationally disadvantaged students such as special schools and schools with indigenous boarders are yet to be resolved in the modelling;

- The current modelling parameters have a significant impact on schools in particular circumstances. For example, for historical reasons, the majority of independent schools in the Australian Capital Territory are currently significantly disadvantaged under the current settings of the proposed new funding arrangements.

In summary, while the modelling may indicate a net increase in funding to the sector, the nature of the sector necessitates an analysis of the model's application to individual independent schools.

As noted above, the impact of the model on individual independent schools would indicate that a significant portion of the sector is not currently accommodated within the model and is therefore not an acceptable outcome for independent schools.

While the Commonwealth Government has not committed to any of the Gonski Report recommendations, were these recommendations to be implemented as part of a new funding model, they would have significant implications for the operations of individual independent schools and on the capacity of AISs to provide a co-ordinated sector-wide support network for

independent schools It would also shift the responsibility for the development of strategies to address disadvantage and implement government policy and initiatives to the individual independent school with associated resource implications and loss of relevant expertise. As outlined earlier, it is anticipated that systemic schools will retain access to support from their system authorities. It is only independent schools that will lose their capacity for co-ordinated sector-wide support.

KEY CONSIDERATIONS

FUNDING FOR INDIVIDUAL INDEPENDENT SCHOOLS

When considering future school funding arrangements, the key issue for independent schools is the level of funding provided at the *individual school level.*

It is critical that any proposed school funding model must work at the individual school level for independent schools.

Looking at the funding outcomes for a sector or state/territory as a whole (e.g. government, Catholic-systemic, independent) masks the differential impact of the model on individual, stand-alone independent schools.

While the modelling shows a modest increase in funding to the independent sector as a whole, an analysis of the impact of the proposed new funding model at the individual independent school level shows a range of outcomes for schools. Some schools would receive additional funding and a large number of schools would experience a reduction of funding in real terms over time.

NO INDEPENDENT SCHOOL SHOULD RECEIVE LESS FUNDING IN REAL TERMS

The independent schools sector's key outcome for the Review of Funding is that no independent school or student should receive less funding *in real terms*. The Commonwealth Government has stated that no school will lose a dollar as an outcome of the Review but has refused to commit to no school losing a dollar in real terms.

This means that should any independent school be entitled to less funding under the new model than it currently receives, this school will effectively receive a funding cut as their government funding will not be maintained in real terms and therefore keep pace with the increasing costs of delivering school education.

This shortfall in funding must be met by an increase in school fees or by a reduction in educational offerings at the school and consequent reduction in the quality of education provision.

The impact of schools receiving less funding in real terms under the proposed model will hit the independent sector the hardest as the sector does not have the capacity to reduce the impact of real term funding reductions by moving money between schools. Systemic school authorities with their capacity to redistribute funds between schools have the ability to reduce the impact on individual schools of any reductions.

TRANSITION ARRANGEMENTS

The Government has indicated that it is proposing to transition to the new model over a period of six years. The objective of any new funding model should be to ensure that as many schools as possible can be accommodated within the model from its commencement. Currently a significant number of independent schools are not accommodated within the model and will presumably need to "transition" to the model over time.

A policy outcome whereby several hundred independent schools are "transition" schools is not acceptable to the independent sector.

Before consideration can be given to any transition arrangements, policy settings should ensure that the number of schools in this position is minimised.

It should be remembered that during the four decades that the Commonwealth Government has been supporting school education, the approach to determining the funding a school is "entitled" to has been reviewed and changed on numerous occasions. Careful consideration needs to be given to the treatment of schools that are deemed to be outside the model. For these schools, nothing has changed at the level of the individual school. Schools still have the same student cohort and staffing arrangements.

A decision by governments to alter funding arrangements is beyond their control but has the potential for major upheaval at the school level.

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 the number of schools affected is minimal and that any transitional arrangements are fair, considered and take into account the particular circumstances of each school affected.

INDEXATION

An important issue for independent schools continues to be the level of annual indexation for government funding, to ensure that grants maintain their value in real terms. In recent years the costs of schooling has been increasing at a greater rate than for many other services in the community. Thus the use of a school's specific index measuring actual movements in school education is essential to preserve the real value of school education funding.

The *Schools Assistance Act 2008* provides for annual supplementation for Commonwealth Government funding for non-government schools. Supplementation for General Recurrent Grants, Indigenous Supplementary Assistance and Targeted Programs is based on movements in Average Government School Recurrent Costs (AGSRC). Capital Grants are supplemented annually in line with movements in the Building Price Index, reflecting movements in building prices and wage costs.

The Commonwealth Government has recently been highlighting the potential negative impact on the AGSRC of recent decisions by some state governments and is considering a more stable level of indexation, which will avoid fluctuations in indexation and provide schools with a greater level of certainty to assist with financial planning from 2014.

The independent sector would be supportive of an approach to indexation which provided stability and certainty, but only if the level of indexation represented an appropriate reflection of the movement of the costs of school education.

SES RECALIBRATION EXERCISE

As part of its ongoing administration of the current SES funding arrangements for non-government schools, the Commonwealth Department of Employment, Education and Workplace Relations (DEEWR) has commenced the process of recalibrating the SES scores of every independent and Catholic school for the purposes of SES funding from 2014. This process occurs every five years after the latest ABS Census of Population and Housing data becomes available. The new scores will be based on data from the 2011 Census.

Currently, SES scores are based on Collection District (CD) level data. However from the 2011 Census, CDs have been discontinued and Statistical Area 1 (SA1) level data will be used instead. SA1s are now the smallest unit of data available from the 2011 Census and have an average population of about 400 people in contrast to the average population of CDs of 220 dwellings. The ABS has advised DEEWR that the new methodology provides a more stable and flexible geography and that SA1s are less likely to mask socioeconomic diversity. DEEWR is currently assessing the implications of using SA1s as the base unit.

The independent sector supports the recalibration of SES scores for non-government schools as a key element of the current funding arrangements. The sector also recognises the benefits of utilising SA1 level data to enhance the validity of the SES methodology. However, the SES recalibration and in particular the move to SA1 level data will affect the ranking of relative need among non-government schools. The outcomes of the SES recalibration are not yet available and therefore have not been taken into account in any modelling of the proposed new funding arrangements.

The SES recalibration, while being an appropriate part of program administration, will be a major complicating factor in assessing the impact of the proposed new funding arrangements and has the potential to radically change the future funding outcomes for non-government schools.

HARMONISATION

The Commonwealth Government is pursuing an agenda for the harmonisation of funding regulatory frameworks for non-government schools across the Commonwealth and state and territory governments through SCSEEC. While the non-government sector is yet to be formally consulted on this issue it is understood that the Commonwealth Government has set out three areas for potential harmonisation being: not-for-profit criteria; sustainable viability standards for schools and claims on and use of recurrent funding.

While the outcomes of this agenda cannot be determined at this time, there is potential for the outcomes of this exercise to impact on the operations of independent schools.

FUTURE ROLE OF AISs

State and territory AISs are not-for-profit bodies whose members are not-for-profit independent schools. All independent schools in all states and territories have chosen to become members of their AIS (with the exception of some Christian affiliated schools in NSW). AISs are fully funded by their member schools through membership subscriptions for member services. As the majority of independent schools operate as individual, autonomous bodies, they elect to become members of AISs and pay their subscriptions from school funds as they appreciate the advice and services provided by their AIS. Full details of the structure and operations of AISs are provided at Appendix C.

As well as providing core member services to schools, the AISs also administer both Commonwealth Government and state and territory government programs, including Targeted Programs, for all independent schools in their jurisdiction, regardless of AIS membership.

Increasingly governments and their agencies have relied on AISs to provide advice on and assistance with the implementation of other government programs and initiatives including, in the case of the Commonwealth Government, the development of the Australian Curriculum, national testing, Smarter Schools National Partnerships and the development of ACARA's My School website. AISs are pleased to assist government and provide services to their member schools, but it should be recognised that AISs are not funded by government for all of these support roles.

Schools in all sectors, government, Catholic and independent, benefit from a source of co-ordinated sector-wide support to assist schools in the implementation of government initiatives and to address educational disadvantage and assist independent schools to achieve high quality outcomes for all students. For government and Catholic-systemic schools centralised support is provided through their system authorities. For independent schools that co-ordinated sector-wide support is provided by AISs. Commonwealth Government Targeted Program funding not only provides support to schools to support educationally disadvantaged students, but is utilised by AISs to provide sector-wide expertise, advice and support to maximise the educational outcomes of disadvantaged students in independent schools.

As noted earlier in this Submission, the proposed new funding model will replace Targeted Programs with loadings which will provide potentially highly variable and often small quantities of funding to individual independent schools to address educational disadvantage.

If small amounts of supplementary funding were provided directly to schools, the capacity of many individual schools to purchase services for their educationally disadvantaged students would be extremely limited. Directing targeted funding through AISs maximises the utility of targeted funding by increasing the purchasing power of available funding. AISs also employ specialist staff to assist schools with professional services that, individually, schools would not be in a position to purchase or access.

While the Commonwealth Government has not committed to any of the Gonski Report recommendations, were these recommendations to be implemented as part of a new funding model, they would have significant implications for the current AIS business models and on the operations of individual independent schools. The current capacity for AISs to provide a co-ordinated sector-wide support network for independent schools would be significantly compromised. It would also shift the responsibility for the development of strategies to address disadvantage and implement government policy and initiatives to the individual independent school with associated resource implications and loss of relevant expertise.

As the only non-systemic school sector, the proposed new funding model would mean that the only sector to lose their capacity to access co-ordinated sector-wide support would be the independent sector.

This will significantly impact on the capacity of individual independent schools to implement government initiatives and address educational disadvantage. It is further recognised that those schools most affected will be schools with the least capacity which are generally those schools which enrol students with the greatest levels of educational disadvantage.

CAPITAL

The Australian Education Bill 2012 does not address the issue of capital funding for non-government schools.

The independent sector is the fastest growing schooling sector and the demand for capital support is high. Parents contribute more than 80 per cent of the cost of buildings and equipment in the independent sector, mainly through school fees. (This figure reflects the long term funding trends in the sector and does not include the one-off effect of the Building the Education Revolution).

Under the current funding arrangements, in the independent sector the Commonwealth Government Capital Grants Program is distributed on a needs basis, with priority given to disadvantaged school communities with the least capacity to raise funds. Many long-established independent schools receive no capital assistance in the form of direct capital grants from governments. The extent and quality of their facilities reflect instead many years of contributions from families, former students and other donors. Most independent schools borrow funds to finance capital development and spread the cost of these borrowings over the generations of students who will benefit from the investment. This debt servicing is built into school fees.

Capital Grants Program funding is critical to those schools in the independent sector with the least capacity to raise private income for capital purposes, including low SES schools and schools that are newly established and experiencing enrolment growth.

A clear commitment from the Commonwealth Government for continuing the Capital Grants Program for non-government schools is sought.

As highlighted in ISCA's major submission to the Review of Funding for Schooling, school infrastructure will be a major future cost for governments due to the strength of projected enrolment growth. Independent schools will wish to play a key role in meeting projected enrolment demand.

Currently in many areas of Australia there is unmet demand for places in independent schools, with many independent schools having extensive waiting lists. Examination of the growth in enrolments in independent schools over several decades shows that these increased enrolments have been achieved for the most part by increasing the size of existing independent schools rather than the costly undertaking of establishing new independent schools.

As the large number of schools with extensive waiting lists would indicate, many schools have now reached their optimal operational size and have no further capacity for expansion.

The current unmet demand for independent education, together with the projected enrolment growth and need for unprecedented numbers of new schools, means that significant resources will need to be directed to new independent schools.

Governments should therefore, not only commit to the continuation of the existing Capital Grants Program, but give consideration as to how to support the independent sector meet future demands for independent schooling in Australia.

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 Bill 2012.

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, the Australian Education Bill and its subsequent amendments are high stakes issues for the sector.

This Submission sets out the independent sector's comments on the Australian Education Bill and examines the issues for independent schools.

ISCA appreciates the opportunity to discuss the issues raised in this Submission with the Committee at the public hearings being held as part of this Inquiry. ISCA looks forward to working 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
Association of Independent Schools of Western Australia Inc.

Bill Daniels
Executive Director
Independent Schools Council of Australia
Canberra

13 February 2013

APPENDIX A – HOW GOVERNMENTS FUND INDEPENDENT SCHOOLS

Sources of income for independent schools

Private sources of funding (mainly parents)	55%
All government sources	45%

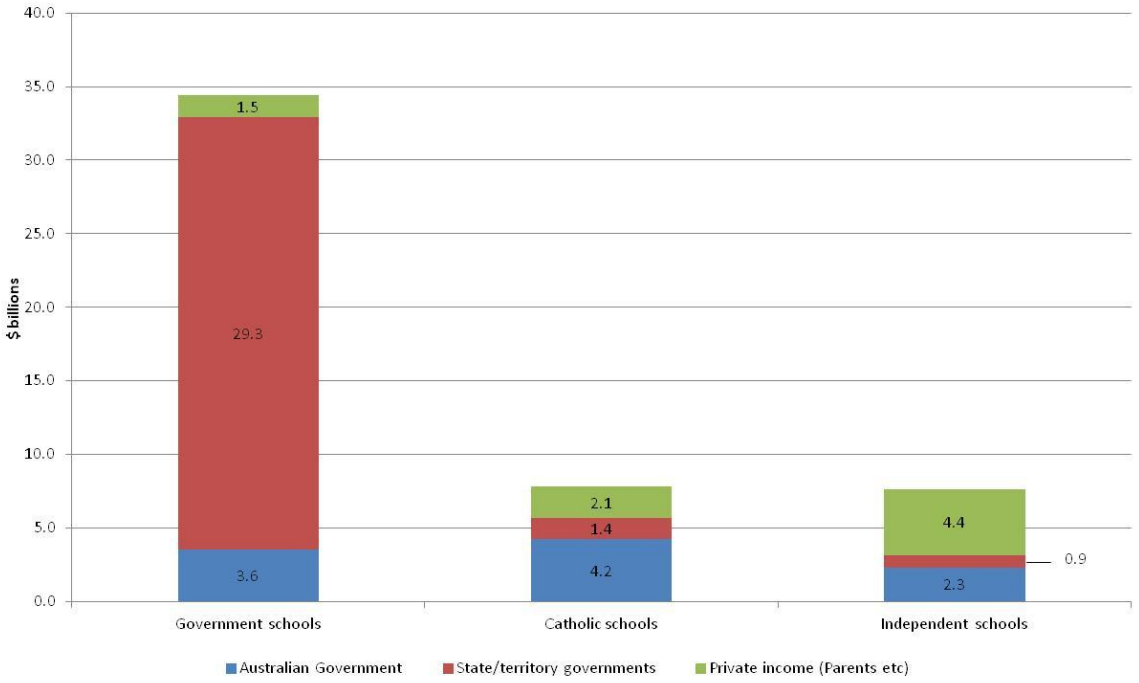
The proportions of private/government funding vary greatly from school to school.

Estimated savings to governments from the independent schools sector	$3.9 billion p.a.

Public funding of independent schools

All state and territory governments and the Commonwealth Government share responsibility for the public funding of schools in Australia. State and territory governments are the main public funding sources for government schools, while the Commonwealth Government is the main public funding source for non-government schools.

Recurrent funding for school education, 2009-10



Average government recurrent funding per student 2009-10

Government school	$14,380
All non-government schools	$7,427
Independent school	$6,450

State and territory government funding

Overall, state and territory governments provide 27% of total government recurrent funding for independent schools. However the levels of funding for schools and methods used to assess them varies among the states and territory.

Commonwealth Government recurrent funding 2009-13

Legislation authorising the Commonwealth Government to maintain the SES funding model for non-government schools over the 2009-12 quadrennium passed federal parliament in 2008 and in 2011 an amendment was passed adding an additional year. Most of the funding is in the form of general recurrent grants. It also includes funding for capital grants and existing targeted programs, including literacy, numeracy and special learning needs, languages education, ESL new arrivals, country areas and short term emergency assistance.

During 2010 and 2011 there was a major review of funding undertaken by a panel chaired by Mr David Gonski AC. The Report was released in February 2012.

Commonwealth Government general recurrent grants

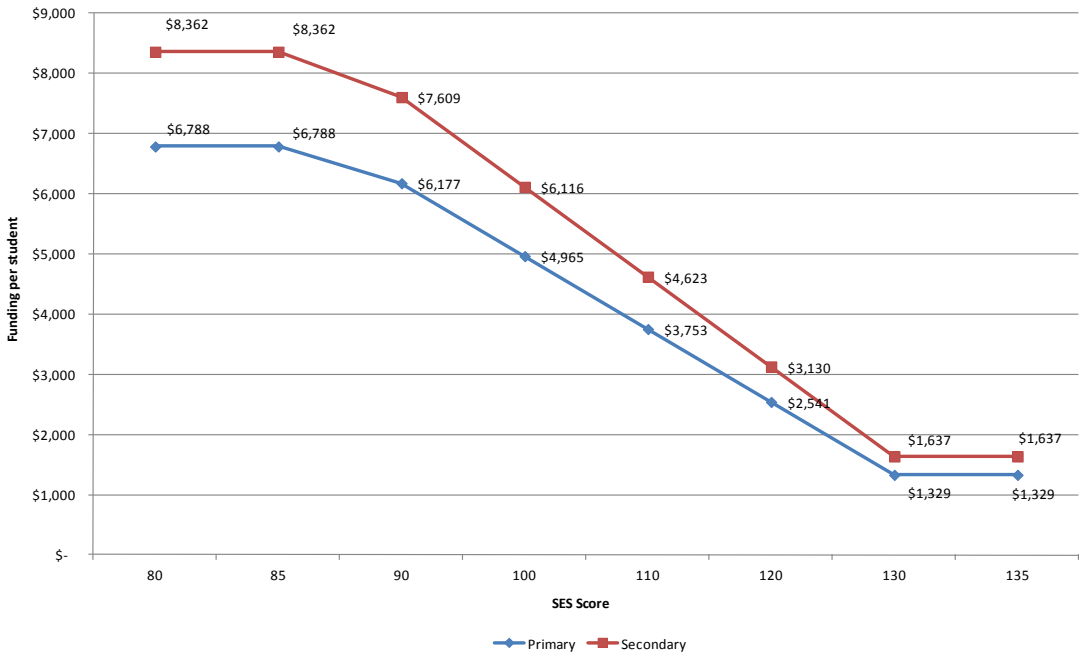
The Average Government School Recurrent Costs (AGSRC) amount is used to determine the level of Commonwealth Government recurrent grants for non-government schools. The changes in the recurrent costs of educating a student in a government school, as measured by the AGSRC index, are the basis for annual increases in Commonwealth Government funding for both government and non-government schools.

Needs-based funding

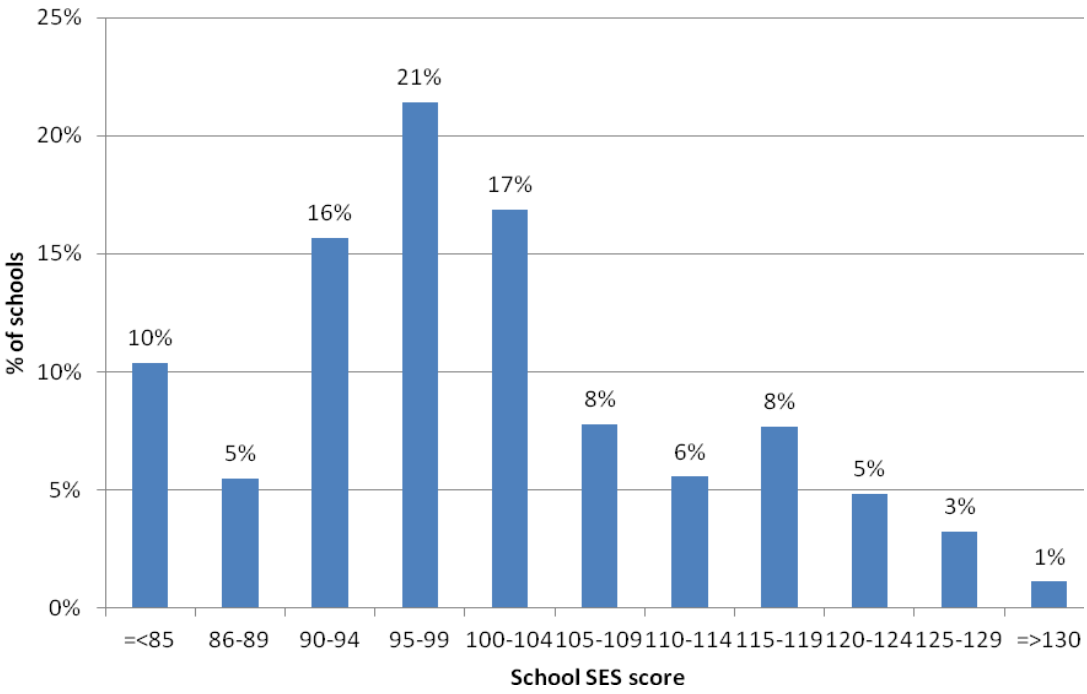
The Socio-Economic Status (SES) funding scheme for Commonwealth Government funding measures the relative socio-economic status of independent school communities. A score is derived for each school which places it on a sliding scale of funding entitlement. SES scores range from 63 to over 130.

- schools with SES scores of 85 and below receive 70% of the AGSRC amount
- schools with SES scores of 130 and above receive 13.7% of the AGSRC amount.

Sliding scale of funding entitlement according to SES status 2011

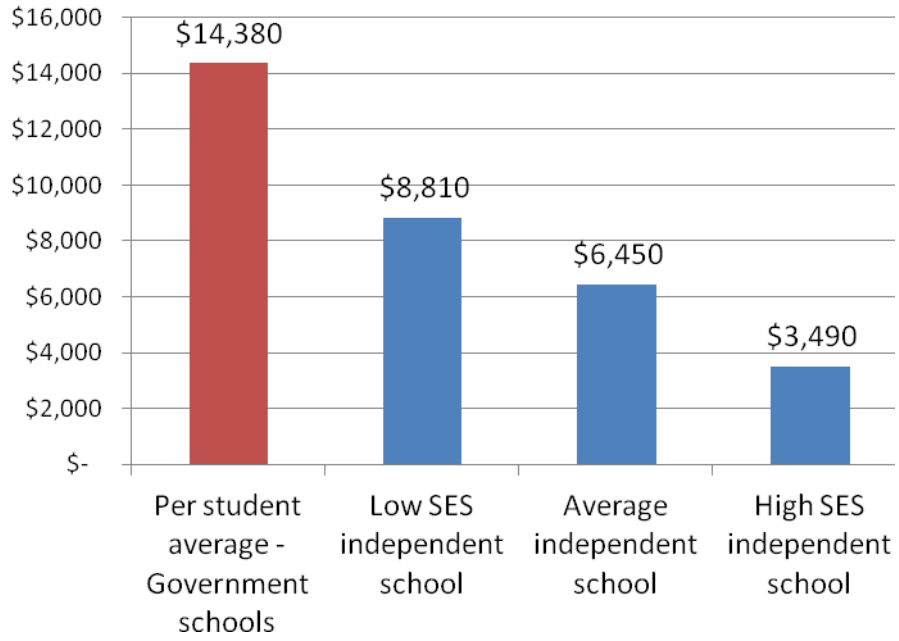


Distribution of independent schools by SES score range 2011



Total government recurrent funding per student in independent schools 2009-10

(all government sources)



The amount of funding received from all government sources varies significantly depending on the circumstances of the school.

Capital Funding

Parents and Donors

Normally, parents and donors in independent school communities contribute approximately 80% of funds for capital developments, such as school buildings, grounds and equipment. However, all schools in Australia are currently experiencing the one-off effect of the Building the Education Revolution (BER) which provided $16.2 billion over four years for school capital funding projects.

Capital Grants Program

Independent committees called Block Grant Authorities in each state and territory administer capital grants for non-government schools on behalf of the Commonwealth Government. In 2011 it is estimated that grants for the independent sector will total approximately $48 million.

In the independent sector Commonwealth Government capital grants are distributed on a needs basis, with priority given to disadvantaged school communities with the least capacity to raise funds. On average, 66 per cent of total capital funding available to independent schools goes to schools with an SES score less than 100, and 90 per cent of grants goes to schools with an SES score of less than 110.

State and Territory government assistance

In Queensland capital grants for independent schools are provided by the state government. Several state and territory governments also provide interest subsidy arrangements.

Note: Funding figures in this document use the latest available data which is for the financial year 2009-10, or for the calendar year 2010.

For more information visit: www.isca.edu.au

APPENDIX B - REGULATORY ENVIRONMENT FOR INDEPENDENT SCHOOLS

Independent schools have a greater range of accountabilities than any other type of school in Australia due to the complex mix of their responsibilities to stakeholders, governments, authorities and their legal obligations as incorporated bodies.

Independent schools must meet the criteria established by their state or territory government for registration as a school and for their accreditation for credentialing of students. School registration is reviewed on an ongoing basis, which ensures that the school's curriculum and governance complies with state or territory government requirements. State and territory governments provide some funding support for independent schools, and schools must comply with any related conditions of funding as well as reporting and accountability requirements.

The Commonwealth Government is the source of most of the public funding for independent schools. Comprehensive conditions and accountability requirements apply to this funding which are specified in the *Schools Assistance Act 2008*, Schools Assistance Regulations, Administrative Guidelines: Commonwealth Programs for Non-government Schools 2009 to 2012 and the Funding Agreement between the Commonwealth Government and the approved school authority.

Schools are obliged to work co-operatively with their state or territory government to support that government in fulfilling its obligations under the National Education Agreement. Independent schools must also agree to support the achievement of the Melbourne Declaration on Educational Goals for Young Australians and the Council of Australian Governments (COAG) outcomes for schooling. Governments have acknowledged through the Melbourne Declaration on Educational Goals for Young Australians that "Together, all Australian governments commit to working with all school sectors and the broader community to achieve the educational goals for young Australians." One of the action areas for achieving this end articulated in the Declaration is developing stronger partnerships.

Schools must participate in all specified National Student Assessments, participate in the preparation of the National Report on Schooling in Australia, collect and provide extensive information relating to individual students and school information to all organisations specified in the Regulations, including the Commonwealth Government Department of Education, Employment and Workplace Relations (DEEWR) and the Australian Curriculum, Assessment and Reporting Authority (ACARA). Schools are also required to report to parents in compliance with legislated requirements, annually report and publish specified information relating to aspects of the school and its operations and implement the national curriculum.

Independent schools must submit to a Financial Questionnaire to DEEWR annually. The Financial Questionnaire is an annual collection of financial income, expenditure and liabilities from all non-government schools receiving Commonwealth Government general recurrent grants. The Financial Questionnaire data draws on a school's audited financial statements. Schools are also subject to scrutiny of their financial operations including the financial viability and funding sources of the school. Independent schools must demonstrate that the funds received under each Commonwealth Government funding program have been expended appropriately. This includes providing the Commonwealth Government with certificates certified by qualified accountants regarding the expenditure of Commonwealth Government grants. All accounts records and documents as well as free access to each campus of a school must be available to the Auditor-General or DEEWR officers.

Independent schools are bound by a number of other legal requirements associated with their operations. For example, as companies limited by guarantee or as incorporated associations,

independent schools are accountable to the Australian Securities and Investments Commission, or to their state or territory registrar of associations. They must submit audited financial statements to these bodies which are available for public scrutiny. They are also subject to regulation by the Australian Taxation Office.

In addition to their not-for-profit status, all independent schools are also charitable institutions and as such fall under the auspices of the new Australian Charities and Not-for-profits Commission.

As employers, independent schools must comply with legislation and regulations covering such issues as occupational health and safety and industrial awards. As educational institutions they must comply with health and safety, privacy and child protection requirements, town planning requirements, human rights and equal opportunities legislation, as well as regulations relating to building and fire codes.

For most independent schools, decision-making takes place at school level through the school board or council and the role of the principal. This imposes far greater accountability to stakeholders at the school level than is the practice in systemic schools. The school board plays a key role in all forms of accountability. The board requires accountability for all the activities of the school, and is itself accountable to the school's immediate stakeholders, to the community at large, and to governments aiding or regulating the operation of the school.

The autonomy of independent schools enables them to respond flexibly to the needs of their local communities and individual students. Individual schools operate in an environment of choice and diversity. The incentives that operate in this environment impose an imperative for schools to be aware, innovative and responsive to change in order to ensure schools continue to meet the needs of students and expectations of parents.

It should be noted that the same conditions and requirements apply to all independent schools irrespective of their level of government funding, and that government funding represents only a portion of the income of independent schools

APPENDIX C - ROLE OF ASSOCIATIONS OF INDEPENDENT SCHOOLS

State and territory Associations of Independent Schools (AISs) are not-for-profit bodies whose members are not-for-profit independent schools. AISs provide professional services and support to member schools in a range of areas, including:

- school governance
- employment relations
- compliance
- professional development
- government policy and regulation
- legal information
- school evaluation and review
- education consultancy services
- child protection advice.

All independent schools in all states and territories have chosen to become members of their AIS (with the exception of some Christian affiliated schools in NSW). AISs are fully funded by their member schools through membership subscriptions for those "core" member services outlined above. (The Independent Schools Council of Australia is fully funded by a portion of these membership subscriptions). The Commonwealth Government notes that as the majority of independent schools operate as individual, autonomous bodies, they elect to become members of AISs and pay their subscriptions from school funds as they appreciate the advice and services provided by their AIS.

As well as providing core member services to schools, the AISs also administer both Commonwealth Government and state and territory government programs for all independent schools in their jurisdiction, regardless of AIS membership. Since 1992, state and territory AISs have administered funding provided by the Commonwealth Government for a range of targeted programs to assist educationally disadvantaged students including students with disability, English as a Second language students, rural and remote students, indigenous students, and to support literacy and numeracy strategies. AISs have also administered Commonwealth Government funding in respect of other targeted initiatives including languages education, provision of vocational education and training in schools and a range of other Commonwealth Government initiatives such as privacy provision, the goods and services tax and other regulatory and compliance issues.

Individual AISs sign a Targeted Program Funding Agreement with the Commonwealth Government. The Associations play a key role in delivering funding within the sector as a whole, taking responsibility for assessing relative need and managing the allocation of funding to individual independent schools in accordance with Commonwealth Government guidelines. A small proportion of targeted programs funding is utilised by AISs for program administration. For example, the Association of Independent Schools of NSW utilises around two per cent of funding for administrative purposes. Administration of targeted programs draws on AIS experience in the establishment and management of grant consultation and advisory structures, financial and payment administration and educational and financial accountability.

More recently governments and their agencies have relied on AISs to provide advice on and assistance with the implementation of other government programs and initiatives including, in the case of the Commonwealth Government, the development of the Australian Curriculum, national testing, Smarter Schools National Partnerships and the development of ACARA's My School website. AISs are pleased to assist government and provide services to their member schools, but it should be recognised that AISs are not funded by government for all of these support roles.

Schools in all sectors, government, Catholic and independent, benefit from a source of co-ordinated sector-wide support to assist schools in the implementation of government initiatives and to address educational disadvantage and assist independent schools to achieve high quality outcomes for all students. For government and Catholic-systemic schools centralised support is provided through their system authorities. For independent schools that co-ordinated sector-wide support is provided by AISs. (Some of the 18 per cent of independent schools that belong to a system may also receive support from their system authorities).

If very small amounts of supplementary funding were provided directly to schools, the capacity of individual schools to purchase services for their educationally disadvantaged students would be extremely limited. Directing targeted funding through AISs maximises the utility of targeted funding by increasing the purchasing power of available funding. AISs also employ specialist staff to assist schools with professional services that, individually, schools would not be in a position to purchase or access.

Whilst it is important to distinguish between the 'core' member services provided by AISs (such as school governance, legal information and compliance, professional learning and school evaluation and review) and services funded through Targeted Programs, these are not mutually exclusive in impact or outcomes. There are significant synergies between the two activities particularly in increasing the overall capacities of schools through improved governance and planning processes which serve to enhance strategies to assist disadvantaged students and to implement government initiatives.

For example, many of the "core" AIS functions funded through subscriptions have strong links to supporting the implementation of the National Plan for School Improvement such as improved governance and advice regarding legal obligations for student support.

While the Commonwealth Government has not committed to any of the Gonski Report recommendations, were these recommendations to be implemented as part of a new funding model, they would have significant implications for the current AIS business models and on the operations of individual independent schools. The current capacity for AISs to provide a co-ordinated sector-wide support network for independent schools would be significantly compromised. It would also shift the responsibility for the development of strategies to address disadvantage and implement government policy and initiatives to the individual independent school with associated resource implications and loss of relevant expertise.

Assuming that government and Catholic systemic schools retain their current structures, the only sector to lose their capacity to access co-ordinated sector-wide support will be the independent sector. It is recognised that this will significantly impact on the capacity of individual independent schools to implement government initiatives and address educational disadvantage. It is further recognised that those schools most affected will be schools with the least capacity which are generally those schools which enrol students with the greatest levels of educational disadvantage.