

## Senate Education, Employment and Workplace Relations Committee Inquiry into Primary Schools for the Twenty First Century

### Submission by The Independent Schools Council of Australia (ISCA)

#### **About ISCA**

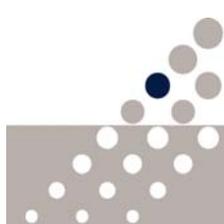
*The Independent Schools Council of Australia (ISCA) is the peak national body covering the independent schools sector. It comprises the eight State and Territory Associations of Independent Schools. Through these Associations, ISCA represents a sector with 1,100 schools and around 530,000 students, accounting for 15 per cent of Australian school enrolments.*

*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.*

*Independent schools are not-for-profit institutions founded by religious or other groups in the community and are registered with the relevant state or territory education authority. 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 16 per cent of schools in the independent sector.*

*Independent Catholic schools are a significant part of the sector, accounting for 10 per cent of the independent sector's enrolments. These schools have been included in the figures above.*



## Key Points

- The independent sector welcomes the substantial investment in capital infrastructure across all schooling sectors provided through the Building the Education Revolution and particularly the Primary Schools for the 21<sup>st</sup> Century element.
- The decision by the Commonwealth to provide a separate allocation for independent schools and utilise independent sector Block Grant Authorities for administration has been instrumental in the successful implementation of the program for the sector.
- The implementation of the Primary Schools for the 21<sup>st</sup> Century placed considerable demands on Block Grant Authorities due to the extraordinary circumstances of the stimulus package. The Block Grant Authorities have a proven record of efficient management of these capital works programs and were able to quickly respond to the administrative demands of the Primary Schools for the 21<sup>st</sup> Century and successfully implement the initiative.

## About the independent school sector

1. In order to consider the issues relating to the Commonwealth Government's Primary Schools for the 21st Century Program for the independent schools sector, it is important to understand the characteristics of the sector and the sources of funding provided to independent schools. Information on enrolments and an explanation of recurrent and capital funding is provided as contextual information regarding independent schooling in Australia.

### School enrolments and trends

2. While the independent sector accounts for 15 percent of total school enrolments, the proportion of these enrolments varies between primary and secondary levels of education. The proportion of enrolments in independent schools is lower for primary schools with independent primary schools having around 11 percent of total primary enrolments. The share of enrolments in independent schools rises to around 17 percent for junior secondary and 19 percent for senior secondary. While the independent sector has proportionally less primary enrolments, it does have a large proportion of combined schools representing 61 percent of schools in the independent sector.
3. Under the Primary Schools for the 21<sup>st</sup> Century Program any government or non-government school delivering primary education was eligible to apply for funding, including special schools and the primary school component of K-12 schools. Table 1 below shows primary enrolments by state by sector.

**Table 1: Primary students by state and by sector 2008 (FT enrolments)<sup>1</sup>**

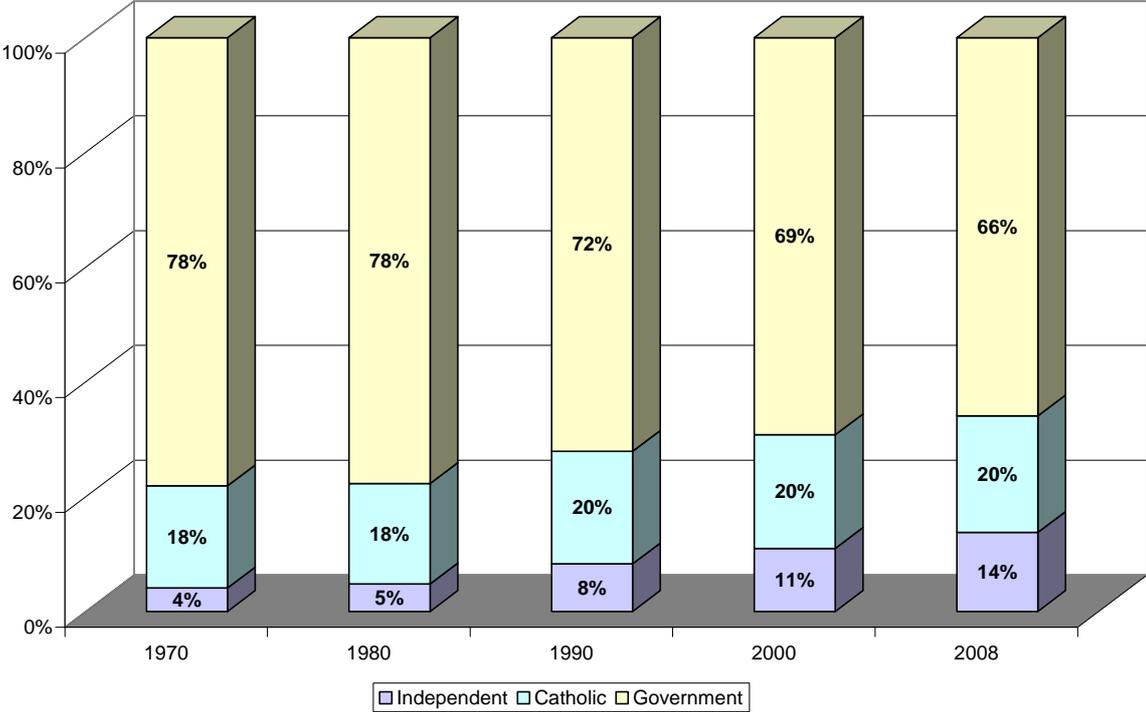
	<b>Independent</b>	<b>Catholic</b>	<b>Government</b>	<b>Total</b>
<b>NSW</b>	63,391	124,122	430,057	617,570
<b>VIC</b>	44,812	99,341	310,835	454,988
<b>QLD</b>	50,577	73,218	308,771	432,566
<b>SA</b>	23,166	28,011	105,080	156,257
<b>WA</b>	25,664	36,750	150,842	213,256
<b>TAS</b>	3,930	7,365	33,475	44,770
<b>NT</b>	2,172	2,723	18,460	23,355
<b>ACT</b>	3,372	8,822	18,546	30,740
<b>Australia</b>	217,084	380,352	1,376,066	1,973,502

4. Enrolments in independent schools have grown steadily since the 1970's. In 2008 the independent schools sector accounted for some 15 per cent of total student enrolments compared to 4 per cent in 1970<sup>2</sup>. Full time enrolments have increased from some 114,000 in 1970 to approximately 527,000 in 2008. The steady growth in enrolments in independent schools has continued irrespective of the political persuasions of governments or economic conditions over the period, and confirms that a large and growing number of Australian families want increased choice in schooling options.

<sup>1</sup> ABS' Schools Australia' 2008

<sup>2</sup> Includes independent Catholic schools.

**Table 2: Growth in School Enrolments 1970 – 2008<sup>3</sup>**



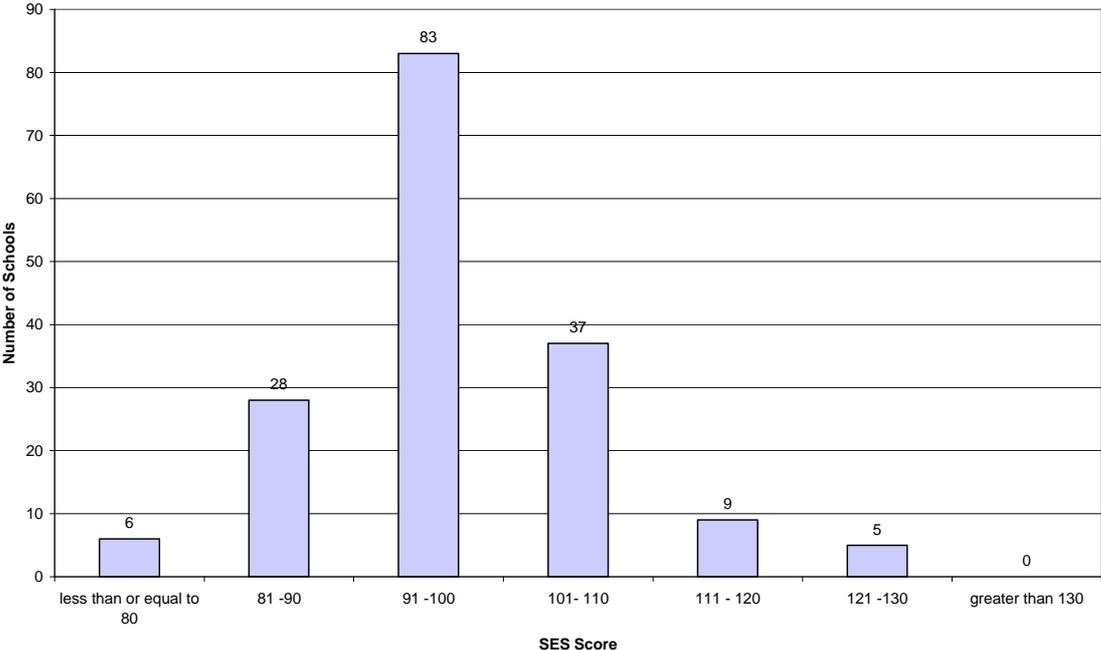
5. Analysis of enrolment growth patterns in the independent sector shows that enrolment growth has occurred predominantly in schools drawing students from a lower socio-economic profile. An analysis of the SES<sup>4</sup> scores of the 168 new schools<sup>5</sup> which opened during the nine year period 2000 to 2008 shows that 70% of them have an SES score of 100 or less. Most of these new schools aim to operate with low fees, and their establishment has contributed to the increasing diversity of the sector.

<sup>3</sup> Based on ABS data which does not include independent Catholic schools. Numbers may not add to 100% due to rounding.

<sup>4</sup> An explanation of SES will be included here.

<sup>5</sup> This figure does not include schools for which an SES score was not available.

**Table 3: New schools in the independent sector by SES, 2000 – 2008**

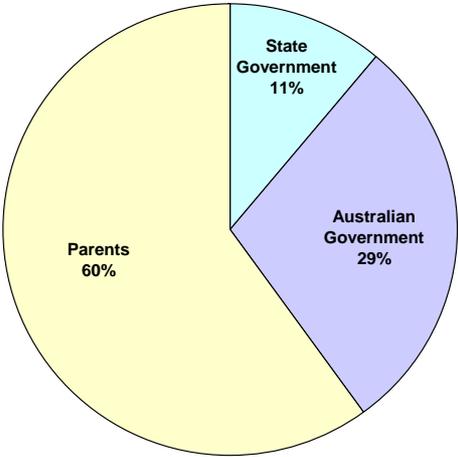


**Funding environment for the independent school sector**

**Contribution of parents and the school community**

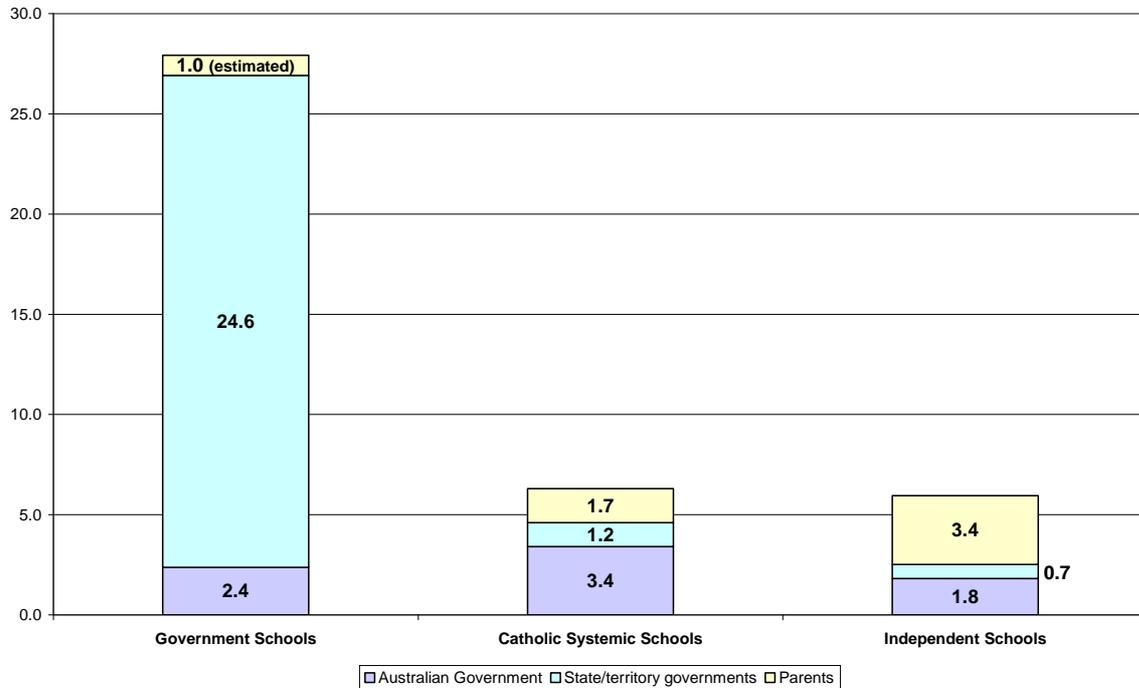
- 6. The private contribution made by parents and the school community represents the most significant source of funding for the independent school sector. Schools are reliant for their operation on stable and predictable funding from three sources:
  - parents
  - the Australian Government
  - state and territory governments

**Table 4: Independent schools – sources of income**



7. Taking the sector as a whole, independent schools rely substantially more on parents than governments to provide funding. On average, independent schools receive 60 per cent of income from private sources (mainly parents) and 40 per cent of income from governments.

**Table 5: Recurrent funding by sector 2006-07**

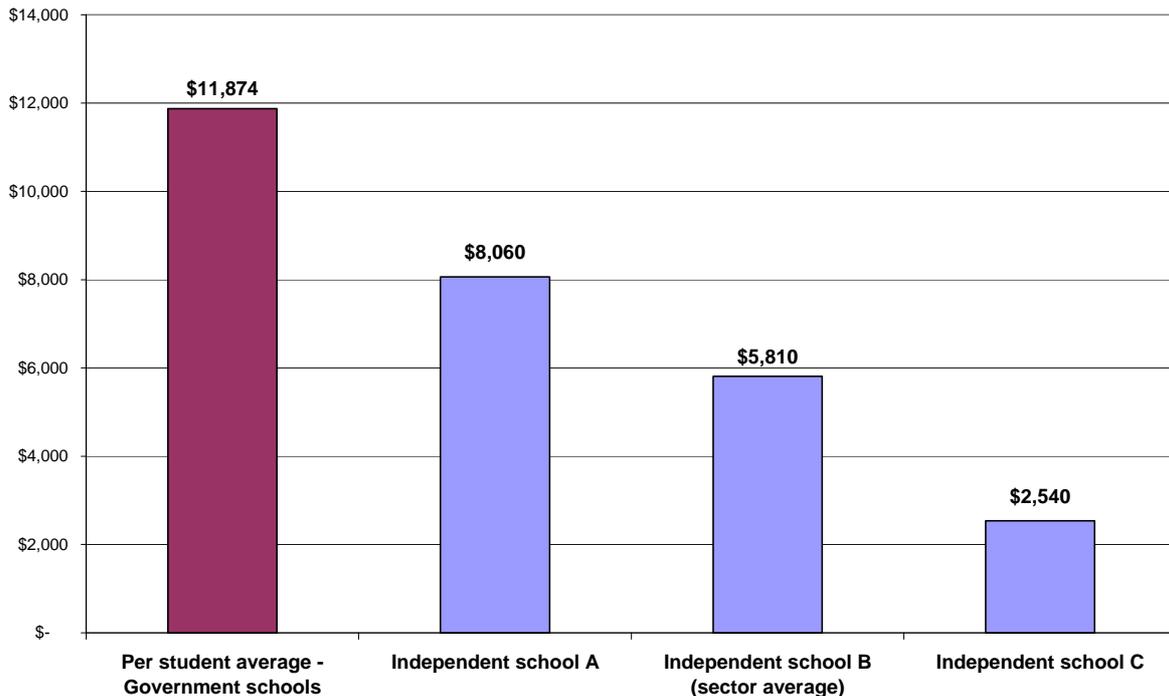


8. Taking into account state and territory government and Australian Government contributions to Australian school education, students in independent schools on average receive less than half the public support of students in government schools and many students get far less.
9. The savings to governments in Australia from the education of school students in non-government schools is in the order of \$6.2 billion per annum. Savings from independent schools are in the order of \$2.7 billion of this total.
10. The Australian Government provides funding for independent schools under the *Schools Assistance Act 2008*. This legislation provides for recurrent, capital, targeted and indigenous funding to non-government schools as well as setting out the range of school performance, acquittal, reporting and accountability requirements school must agree to in order to meet their funding obligations.
11. From 2009, Australian Government funding for government schools is now appropriated under the *Federal Financial Relations Act 2009*. Australian 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.

## Recurrent funding in the independent sector

12. Australian Government recurrent funding for independent schools is allocated on a needs basis, according to the socio-economic profile of the school the student attends. Students in school communities with the greatest capacity to raise funds receive the least public funding.

**Table 6: Total Government Recurrent Funding Per Student – Government and Independent Schools 2006-07**

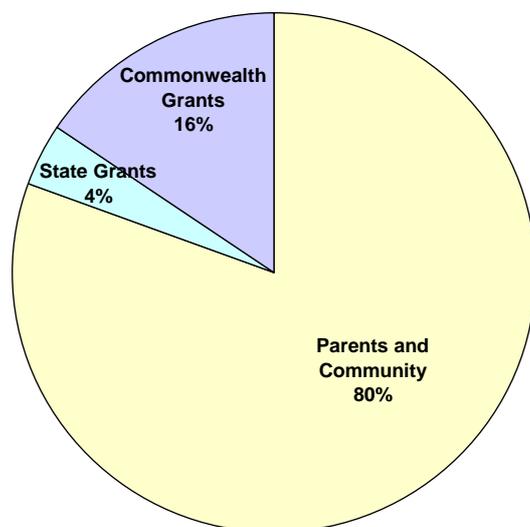


13. If funding from one of the partners is reduced for any reason the school must meet the shortfall by seeking a corresponding increase from another funding partner or reduce the level of services provided by the school. A reduction in a school's funding from one or both government sources will require a greater contribution by parents and the school community.

## Capital funding in the independent sector

14. Prior to the announcement of the Building the Education Revolution in February 2009, parents have traditionally paid for most capital development in independent schools such as school buildings, grounds and equipment through fees and donations to school building funds, and other fundraising activities. This parental contribution represents about 80 per cent of total capital spending, while the remainder of the sector's capital funding is contributed from federal and state or territory government sources. For many years, state and territory governments have provided some support for capital development in the independent sector. This support may be in the form of direct grants or through interest subsidy or low interest loan schemes and varies considerably in amount from state to state.

**Table 7: Sources of funding for capital development 2007**



15. The *Schools Assistance Act 2008* continues to make separate provision for capital grants for non-government schools. From 2009, government school capital grants have been rolled into the single government schools component of the National Schools Specific Purpose Payment and will no longer be separately identifiable. Table 8 below provides details of previous Australian Government capital grants allocations to give an indication of the funding relativities by sector.

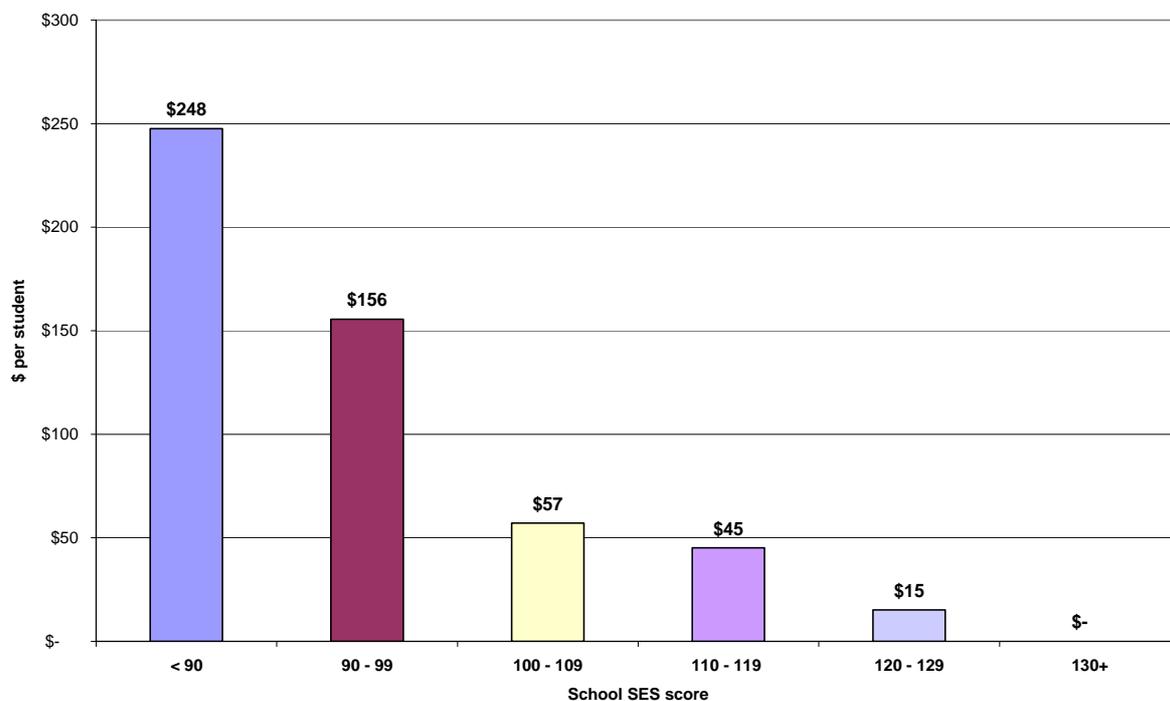
**Table 8: Australian Government capital grants allocations 2006-07**

All schools	\$424m	
Government schools	\$301m	71%
Non-government schools	\$123m	29%
Estimated independent school share	\$41m	10%

16. While the capital assistance provided by governments is highly valued by the independent sector, and vital in helping schools provide adequate facilities for students, it represents almost 20 percent of the sector's capital funding. In the independent sector capital development is mostly financed by family contribution. In 2007 some \$456 million of parental contribution to the sector was spent on capital development – for new facilities to meet the demands of growing student enrolments, for the refurbishment of existing buildings and to upgrade facilities and equipment to meet changing curriculum needs.
17. Independent committees called Block Grant Authorities (BGAs) in each state and territory administer capital grants for non-government schools on behalf of the Australian Government. BGAs are third party legal entities which have been established to receive and assess applications, make recommendations to the Minister about various matters and administer non-government capital grants for participating schools.
18. There are two BGAs in each State, one Catholic and one Independent. There is a joint Catholic/Independent BGA in each of the Northern Territory and the Australian Capital Territory. Non-government schools wishing to apply for Commonwealth grants must join the relevant BGA.

19. Commonwealth Capital Grants are allocated between states and territories according to enrolment share, while the allocation to each BGA is calculated based on the proportion of General Recurrent Grant funding to schools in the BGA (accounting for 60 percent of capital funding) and the proportion of total state/territory non-government enrolments (40 percent of capital funding).
20. In the independent sector Australian Government Capital Grants (appropriated under the *Schools Assistance Act 2008*) are distributed on a needs basis, with priority given to disadvantaged school communities with the least capacity to raise funds. In 2007, 70 percent of total capital funding available to independent schools went to schools with an SES score of 100 or less, and 89 percent of grants went to schools with an SES score of 110 or less.
21. Table 9 shows that the bulk of Australian Government Capital Grants for the independent sector benefits students in schools with a low SES score.

**Table 9: 2007 Australian Government capital funding for independent schools by school SES score expressed as a \$ per student**



22. Many long-established independent schools receive no capital grants from governments. The extent and quality of their facilities reflect instead generations of contribution from families, former students and other donors.
23. 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. In 2006, the net borrowings of the sector for capital purposes were \$2.7 billion, which equates to \$5,905 per student.
24. The independent sector has benefited from a range of other Australian Government capital programs including the National Solar Schools Program, Trade Training Centres in Schools Program, the National Secondary School Computer Fund and the former Government's Investing in Our Schools Program.

## **Building the Education Revolution - Primary Schools for the 21st Century**

### **Background**

25. On 3 February 2009, the Australian Government announced the Building the Education Revolution (BER). The objectives of the Program are to:
  - Provide economic stimulus through the rapid construction and refurbishment of school infrastructure; and
  - Build learning environments to help children, families and communities participate in activities that will support achievement, develop learning potential and bring communities together.
26. The Program comprises three elements including the largest, the Primary Schools for the 21st Century (P21). The P21 element is providing \$14.1 billion to build or refurbish large scale infrastructure in primary schools, K-12 schools and special schools, including libraries, halls, indoor sporting centres or other multipurpose facilities.
27. According to the BER National Co-ordinator's Implementation Report<sup>6</sup>, the P21 element of the BER funded 1,098 projects in 917 independent schools for a total of \$1.6 billion. This represents 11.48 percent of funding available under this element of the BER.
28. Funding was based on school enrolments. Small schools with 50 students or less were able to access up to \$250,000 while larger schools of 400 students or more were eligible to receive up to \$3 million.
29. A payment of 1.5 percent of the total funding allocation was made available to cover administrative costs associated with running the application process and the associated administration and reporting requirements of the BER.

### **Independent sector - response to P21**

30. One of the stated objectives of the BER is economic stimulus. In order to maximise the impact of this stimulus initiative, the Commonwealth Government made the decision to make BER stimulus funding under the P21 element available to every primary school in Australia, government and non-government.
31. The independent sector greatly appreciates the inclusive nature of the P21 initiative which means that all independent primary and combined schools were able to access funding under this element. The Commonwealth Government's Capital Grants Program focuses on the neediest schools. The focus of the BER on economic stimulus and the consequential decision to make funding available to all primary and combined schools in the independent sector has meant that many schools in the sector that had previously never been in receipt of Commonwealth funds for capital works have benefitted from the funding.
32. At the time of the BER announcement, ISCA publicly welcomed the Government's significant investment in capital projects for schools and supported the inclusive nature of the package which meant that all schools will be eligible for capital funding regardless of the ownership of the school.

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<sup>6</sup> Building the Education Revolution: National Co-ordinator's Implementation Report February – September 2009

33. The delivery of the P21 initiative is in its initial phases and a full picture of the impact of the initiative is several years away. Within the independent sector, however, it would appear that many schools are taking the opportunity of capitalising on this significant injection of Commonwealth capital funding to undertake complementary capital works utilising private funding or borrowings. A further impact of the P21 funding could be the leveraging of additional private capital investment in independent schooling.

### **Independent Sector – National Partnership funding model**

34. The BER was delivered under the National Partnership model. In late 2008, COAG agreed to a new framework for Commonwealth financial relations with the States and Territories. These new arrangements aim to provide States and Territories with greater flexibility to allocate resources while providing a set of defined and measurable targets for accountability to governments and the community. As part of these new arrangements, COAG agreed to a new form of payment - National Partnership payments - to fund specific projects and to facilitate the delivery of nationally-significant reforms.
35. In the schooling sector, significant funding has been provided by the Commonwealth to the states and territories under the three Smarter Schools National Partnerships. Under the Smarter Schools National Partnerships, payments are only be made to state and territory governments. In order to access funding under these National Partnerships, the non-government sector must work with the education authority in their state and territory. Generally this National Partnership model is not considered by the independent sector to have been an efficient or effective approach to delivering funding to independent schools for a range of reasons primarily involving bureaucratic processes and lack of autonomy and flexibility in decision making for the sector.
36. While the BER was delivered as a National Partnership, unlike the Smarter Schools model, each education sector in each state and territory was allocated by the Commonwealth a proportion of BER funding based on their entitlement. As stated in the BER Implementation Report “Through the National Partnership, the states and territories are responsible for both government and non-government school participation in BER. However, it was agreed early in the implementation of the BER that DEEWR would work directly with the Block Grant Authorities to manage the involvement of non-government schools in BER.”<sup>7</sup> This means that the Block Grant Authority in each state and territory was responsible for administering the funding allocated by the Commonwealth to schools in their jurisdiction. There was no requirement under the BER National Partnership for the independent sector to engage in negotiations with their state and territory education authorities for access to funding. The decision by the Commonwealth to provide a separate allocation for independent schools and utilise independent sector BGAs for administration has been instrumental in the successful implementation of the program for the sector.
37. While the modified National Partnership model utilised for the BER facilitated the capacity of the independent sector to quickly implement the BER, it should be noted that even when modified, the National Partnership model is not the most efficient approach to delivering Commonwealth funds to the independent sector. When compared with Commonwealth funding provided under the *Schools Assistance Act*, some BGAs reported that the additional layers of bureaucracy in the flow of funding under National Partnerships resulted in uncertainty and delays in receipt of funds.

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<sup>7</sup> Building the Education Revolution: National Co-ordinator’s Implementation Report p 5

38. The independent sector BGAs were strategically placed to respond to the BER's aim of economic stimulus through the rapid construction and refurbishment of school infrastructure. The BGAs and state and territory Associations of Independent Schools (AISs) have an established relationship with independent schools and experience in delivering Commonwealth capital programs. The independent sector is not constrained by the bureaucratic processes of the large education systems and has the capacity and flexibility to respond to any issues that have emerged and deal with them before they have become problems.
39. Independent schools and their governing bodies are closely connected to their school communities, generally have well developed strategic plans for the development of the school and are able to easily identify priority needs for the school within short time frames as were required by the BER. In addition, many schools have existing relationships with architects and builders operating within the framework of the strategic plan for facility development.
40. This responsiveness and flexibility has meant that none of the problems that have emerged in the government sector implementation of P21 have been an issue for the independent sector.
41. This implementation model is a good example of the importance of providing the independent sector with a specific share of program funding and the autonomy to implement the Program for their sector.

#### **Independent Sector - Administration of P21**

42. The P21 element was managed in the independent sector utilising the established procedures in place to administer the existing Commonwealth Capital Grants Program, through the independent sector's state and territory Block Grant Authorities. These organisations are experienced in the administration of Commonwealth Grants and were able to quickly respond to the demands of the BER.
43. An important factor in ensuring the capacity of BGAs to implement the P21 element of the BER quickly and effectively was the availability of funding to cover administrative costs. This funding enabled AISs and BGAs to allocate resources to program implementation that would not have been possible without dedicated funding for administrative overheads.
44. The implementation of the P21 placed considerable demands on BGAs due to the extraordinary circumstances of the stimulus package. Some of these circumstances are highlighted below.
45. Timeframes - The timeframes for all three P21 rounds were extremely short in order to achieve the rapid stimulatory objective of the initiative. Projects funded under Round One were required to commence within the 2008-09 financial year, an extremely short timeframe considering that the program was announced in February 2009. All projects funded under P21 must be completed by 31 March 2011.
46. Quantum of funds - Independent Block Grant Authorities, whilst experienced in administering Commonwealth Capital Grants, are required under the BER to manage an unprecedented level of capital funding. In 2009, Block Grant Authorities managed capital grants for the sector under the Commonwealth Capital Grants Program of around \$46 million. Under the BER, the BGAs will be required to administer a total of around \$1.8

billion over the three years 2008-09 to 2010-11. This represents a more than ten fold increase in the quantum of funds being administered by BGAs per annum and has necessitated significant increases in the capacity of the BGAs to handle this increase in activity.

47. Number of schools – Under the administration of Commonwealth Capital Grants, BGAs could expect to deal with a significant number of schools through the grant application process. The implementation of the BER has greatly increased the administrative workload of BGAs with the necessity of dealing with more than 900 schools and 1,098 projects under P21.
48. Independent AISs and BGAs have undertaken significant additional administration in relation to the implementation of the P21 element of the BER including:
  - consultation with schools (and systems where appropriate) as well as local government, state and territory government, the Commonwealth Government and building experts such as architects, engineers and surveyors;
  - assisting with planning and design;
  - handling queries and negotiations with local council and planning authorities;
  - managing project proposals, assessment and approvals;
  - providing advice on aspects of tendering and contracting and use of apprentices, trainees and local tradespeople;
  - funding agreements,
  - project management during construction;
  - administration of projects and funding including monitoring payments making timely payments and record keeping;
  - management of project variations;
  - ensuring compliance with agreements and guidelines including project timelines and branding and recognition requirements;
  - progress reporting to the Commonwealth;
  - working with DEEWR regarding maintenance of planned capital expenditure.
49. Independent Block Grant Authorities were able to undertake these tasks and achieve the BER implementation timeframes because of the existing AIS and BGA structures and the flexibility of the independent sector to make decisions in consultation with individual schools without the constraints of large bureaucracies.
50. The BGAs have been accustomed to high levels of accountability for Government funding through many years of experience in the Commonwealth Capital Grants Program and more recently with the Investing in Our Schools Program. The BGAs have a proven

51. The independent sector appreciates the confidence shown by the Government in the capacity of the sector, through its Block Grant Authorities and Associations of Independent Schools, to administer the program efficiently and effectively. The AISs and BGAs were able to quickly respond to the administrative demands of P21 and successfully implement the P21. The model demonstrates the capacity of the independent administrative structures to implement government initiatives quickly, efficiently and effectively.

### **Department of Education, Employment and Workplace Relations - Administration of P21**

52. ISCA also notes that the effective implementation of the P21 element in the independent sector was enhanced by the effective role played by DEEWR in administering the program. ISCA acknowledges the Department's helpful, flexible and constructive approach during the implementation phase of this program. It has greatly assisted schools and Block Grant Authorities to implement the program as intended by the Government.
53. The Department established effective communications early with the sector and continued to work closely with the sector both through formal consultation structures and on an ad hoc basis as issues arose. The BER Co-ordinators Group met frequently, particularly in the early phases of the program implementation including through face to face meetings and regular teleconferences.
54. Many issues arose during the early phases of the P21 implementation particularly relating to the speed of implementation and the quantum of funding involved. DEEWR were responsive to issues that emerged during implementation and attempted to provide immediate responses to queries on matters of policy and administration. The BER National Co-ordinator recognised that responsiveness and flexibility would be critical to achieving the aims of the BER.
55. The BER program guidelines were made available by DEEWR early in the implementation phase of the initiative. The program guidelines addressed many of the issues raised by the sector during initial discussions. The guidelines also provided the scope for the sector to fund P21 projects that reflected the aims of the BER whilst meeting the needs of individual independent schools.
56. Some BGAs noted that the requirement for monthly reporting by schools for each separate project has created an unexpected administrative workload both at the school and BGA level. The same accountability for the grant funds could have been achieved by more appropriately targeted milestone reporting which would have provided the necessary controls and accountability to the Government.

### **Conclusion**

57. The independent sector welcomes the significant capital investment in schools delivered through the BER and appreciates the opportunity for independent schools to build or upgrade school buildings through the various elements of the BER. ISCA acknowledges the inclusive nature of the P21 initiative which means that all independent primary and combined schools are able to access funding under this element.

58. The decision by the Commonwealth to provide a separate allocation for independent schools and utilise independent sector BGAs for administration has been instrumental in the successful implementation of the program for the sector. This implementation model is an example of the effectiveness of providing the independent sector with a specific share of program funding and the autonomy to implement the Program within the sector. AIS/BGAs were able to access funds directly from the Commonwealth and commence program implementation immediately without having to negotiate with state and territory departments.
59. The independent sector, through its AISs and BGAs has demonstrated its capacity to rapidly and effectively deliver the Government's key education and economic stimulus initiatives. The nature of the independent sector has meant that initiatives are delivered efficiently and effectively without the issues that have emerged in large bureaucracies.
60. DEEWR's leadership in the delivery of the BER and the P21 element, particularly in the earliest phases of its implementation, facilitated the independent sector's efforts to achieve the program's aim of economic stimulus through the rapid construction and refurbishment of school infrastructure.
61. The comments in this submission primarily relate to the P21 element of the BER. The other elements of the BER have also been welcomed by the sector. While some schools were disappointed they did not receive funding under the Science and Languages element of the BER, the independent sector acknowledges the significant funding provided to independent schools under the BER initiative.

This submission has been prepared by ISCA 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  
The Association of Independent Schools of Tasmania  
Association of Independent Schools of Victoria Inc.  
Association of Independent Schools of Western Australia Inc.

Bill Daniels  
**Executive Director**  
**ISCA**

Canberra  
30 October 2009