

INDEPENDENT SCHOOLS COUNCIL OF AUSTRALIA

SUBMISSION REVIEW OF FUNDING FOR SCHOOLING

MARCH 2011



Independent Schools
Council of Australia

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INTRODUCTION

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 close to 1,090 schools and around 550,000 students, accounting for nearly 16 per cent of Australian school enrolments. ISCA's major role is to bring the unique needs of independent schools to the attention of the Australian Government and to represent the sector on national issues.

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

- Schools affiliated with 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.

A number of Catholic schools are not part of the Catholic system. These independent Catholic schools are a significant part of the independent sector, accounting for 10 per cent of the independent sector's enrolments. These schools have been included in the figures above.

KEY POINTS

- Changes to government funding arrangements should leave no school or student worse off in real terms.
- There is broad agreement within the independent sector regarding the preferred outcomes of the Review and the characteristics of an appropriate funding model for schools as articulated in this Submission.
- School enrolments are projected to increase by in excess of 700,000 students over the next decade. Independent schools will be crucial in meeting the future recurrent and capital costs of school education in Australia. Governments must encourage and appropriately support independent schools to this end.
- Students with special learning needs, including students with disabilities, must be appropriately resourced regardless of the type of school they attend. Lack of adequate government support for these students in independent schools is a major constraint on enrolment growth.

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SUMMARY

The independent sector believes that each Australian child should have access to a quality school education, irrespective of family background, location, disadvantage or type of school.

Independent schools are not-for-profit institutions that are set up and governed independently on an individual school basis. Some schools with common aims, religious affiliations and/or educational philosophies also belong to systems within the sector; representing around 17 per cent of independent school enrolments.

Independent schools serve a broad range of students, reflecting the diversity of Australian society. Independent school enrolments include students from a variety of regions, religions, social backgrounds and socio-economic circumstances. This includes students experiencing a range of educational disadvantage including students with disabilities, rural and remote students, indigenous students, students from a language background other than English and students with social, emotional and behavioural issues. Independent schools are also the major providers of boarding schools in Australia.

The Review of Funding for Schooling is of critical importance for the independent sector and despite the diversity within the sector, there is agreement on the key outcomes of the review.

This submission sets out the key outcomes of the Review for the independent school sector. It addresses some of the views and opinions highlighted in the Expert Review Panel Emerging Issues Paper and clarifies a number of other frequently raised issues regarding independent schools. The submission also includes a detailed background section providing further background information on funding arrangements for independent schools.

The independent schools sector's key outcome for the Review of Funding for Schooling is that no independent school or student should receive less funding in real terms.

Any model for funding of non-government schools should be equitable, transparent and treat all schools and systems in the non-government sector consistently. Funding arrangements should encourage, not discourage, parental investment in their child's schooling.

It is critical that any proposed funding model be based on robust, reliable and up-to-date data.

In order to provide schools with stability and predictability of funding arrangements to facilitate financial planning and management, funding should be legislated for at least four years as per the current quadrennial arrangements. The value of recurrent, capital and targeted grants should be maintained in real terms by appropriate supplementation.

There are significant benefits for the Australian Government from its direct funding relationship with independent schools. Dealing directly with the Australian Government means that funds are used by schools for education purposes with little funding lost to administration and overheads. Utilising state and territory Associations of Independent Schools and Block Grant Authorities to administer Australian Government programs in the independent sector has also proved to be an effective and efficient approach to delivering funding to independent schools.

The impact of projected enrolment growth is a crucial consideration for all levels of government and all school sectors. As well as having an impact on recurrent costs, the critical need for capital infrastructure will be a significant burden for governments which must be recognised and funded. The contribution parents make to the operation and infrastructure of independent schools results in significant savings to governments. Rates of projected enrolment growth will make the contribution of independent school parents in meeting the educational needs of future young Australians even more significant and essential. Therefore, future funding models should encourage and support enrolment growth in the independent sector. Any reduction in the growth and contribution of the independent sector will ultimately lead to increased costs for governments.

On average, 80 per cent of capital expenditure in independent schools is funded by school communities which represents a significant defray for governments. But despite this exceptional level of community effort, the future enrolment-driven capital demands on independent schools will not be able to be achieved without additional government assistance to support capital infrastructure development.

Targeted and needs-based funding should increase to ensure that students with special needs including students with disabilities, students in special assistance schools which cater for students with social emotional and behavioural issues, rural and remote students, students from a language background other than English, students who are at educational risk and indigenous students, are not disadvantaged because their parents have chosen an independent school.

Lack of adequate funding continues to be a major constraint for independent schools seeking to enrol students with disabilities. Students with disabilities should receive similar levels of additional support regardless of the type of school they attend.

Funding arrangements must recognise the particular needs of indigenous students and schools with large numbers of indigenous students, allowing schools to provide a high level of service, and flexible and innovative approaches to indigenous education.

Independent schools recognise the importance of appropriate financial and educational accountability. Consideration of accountability requirements should balance responsibility to governments, the community and school with a commitment to continue the innovation and diversity that characterises the independent sector and reduce the administrative burdens on schools.

INDEPENDENT SCHOOLS – KEY OUTCOMES OF REVIEW

Government funding is a critical element of the resourcing of independent schools and as a consequence, the outcome of the Australian Government's Review of Funding for Schooling is a high stakes issue for the sector. As highlighted in this submission, the diversity of the independent sector means there is significant variability in the nature of schools within the sector and, as a consequence, their priorities and goals. Despite the diversity of the sector, there is broad general agreement in the sector regarding the outcomes of the Review as well as the characteristics of an appropriate funding model for schools.

In the context of the Australian Government's Review of Funding for Schooling many options for changes to school funding arrangements are being proposed. The independent schools sector considers that any proposed changes should be measured according to the following criteria for assessing funding models.

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

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

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

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

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

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

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

Student-based – The independent sector supports a student-based approach to assessing need for the purposes of a school funding model. A student-based methodology which relies on robust data regarding student characteristics provides an effective and transparent means to determine the resourcing needs of individual schools.

Robust data – 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. In contrast, data collected by schools from parents at the time of enrolment is not considered to be robust.

These data are incomplete, open to interpretation at the collection source, not collected under confidential conditions and are therefore lacking rigor and manifestly out of date. These data would not be considered as being robust for the purposes of determining need.

Appeals processes – Any funding model may produce anomalous outcomes for schools in the application of funding mechanisms. There should be a formalised appeals process for any school that believes it needs special consideration.

Transitional arrangements – Changes to funding arrangements should incorporate appropriate transitional arrangements. To ensure an equitable transition to any new funding model, there must be minimal impact on individual schools and their operations.

THERE ARE SIGNIFICANT BENEFITS FOR THE AUSTRALIAN GOVERNMENT FROM ITS DIRECT FUNDING RELATIONSHIP WITH INDEPENDENT SCHOOLS.

The independent schools sector recognises the many benefits to both the Australian Government and the sector of a direct funding relationship with the Australian Government, the major provider of government funding to independent schools. Dealing directly with the Australian Government means funds are used efficiently and effectively. The efficient use of funding provided directly to the sector under the Building the Education Revolution initiative is an excellent example of the effectiveness of this relationship.

The three Smarter Schools National Partnerships provide an example of where funding for all three sectors in each state and territory was provided by the Australian Government to the states and territories. In order to access funding under these National Partnerships the independent sector had to work with the education authority in their state and territory. This model of funding 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. These primarily involve bureaucratic processes and lack of autonomy and flexibility in decision making for the sector because:

- Implementing the partnerships involved an additional overlay of both Federal and State bureaucracy resulting in significant additional costs in terms of time, funding and delays to implementation;
- Systemic approaches to funding and initiatives undertaken did not recognise the needs or context of independent schools and were consequently not readily transferable to independent schools;
- The bureaucratic processes meant that agreements were still being negotiated and no funding had been provided to independent schools more than a year after the initiative had been announced; and
- The identification of schools and the allocation of funding were frequently inconsistent, inequitable and lacking justification in terms of the funding provided across schools.

These recent prominent programs illustrate the benefits of direct government funding to the independent sector compared to cumbersome and less effective indirect approaches.

ISCA BELIEVES THAT EVERY CHILD HAS A RIGHT TO HAVE HIS OR HER SCHOOL EDUCATION SUPPORTED BY A BASIC ENTITLEMENT TO AUSTRALIAN GOVERNMENT AND STATE AND TERRITORY FUNDING. ADDITIONAL FUNDING BEYOND THIS BASIC GRANT SHOULD BE ALLOCATED ON A NEEDS BASIS.

Australian society recognises that it is a fundamental and legally enforceable right for all children to have access to schooling in the compulsory years. It is a core function of governments to provide this access, and successive Australian governments have recognised their responsibility to support a school education for each Australian child, irrespective of family background or school. Future governments should continue to do so.

The concept of a base grant, to which all students are entitled regardless of the school they attend, acknowledges that every student is a member of the Australian community, and that all schools bring benefits to society. The existence of a base level of support, or entitlement, provides assistance and incentive to parents who are willing to pay substantial after-tax dollars for schooling – in addition to paying their share of taxes.

Provision of a basic entitlement for all students also recognises that all schools are important participants in the national network of Australian schools. The government, by acknowledging and contributing to the work of every school in Australia, ensures that all schools continue to fully participate in national education initiatives such as the Australian Curriculum and the My School 2.0 website.

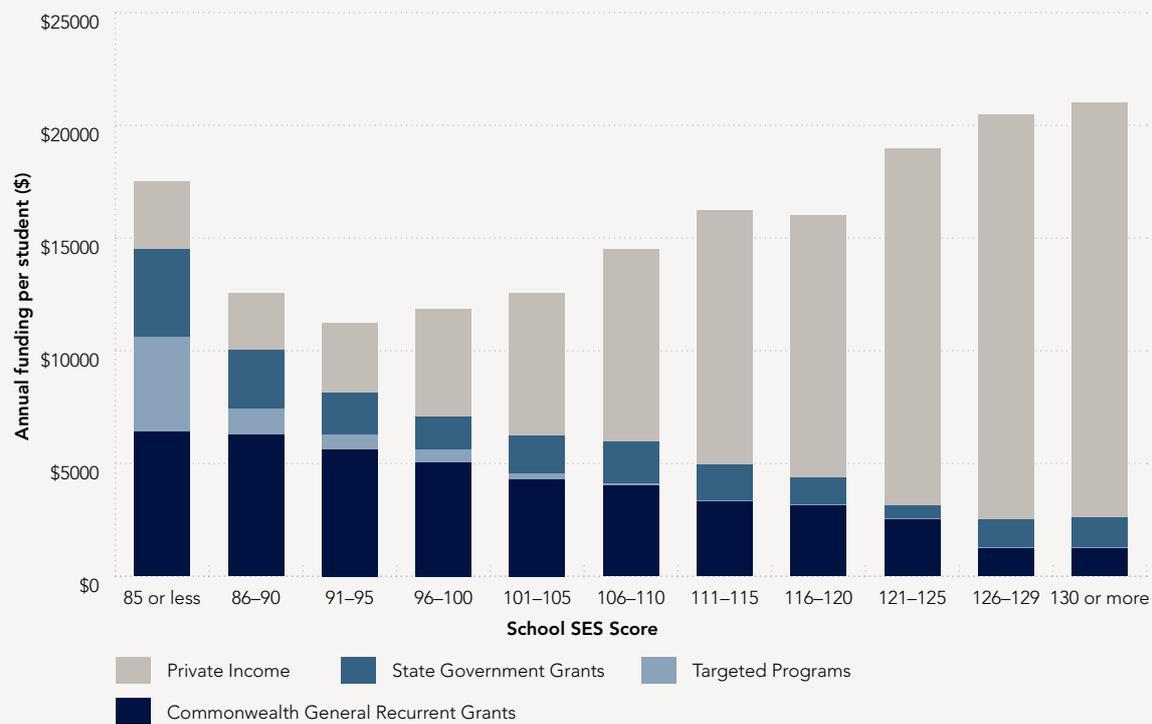
The independent schools sector strongly supports a reasonable base grant for each independent school student. ISCA believes that the combined basic grant from the Australian Government and state and territory governments should be equivalent to at least 25 per cent of the cost of educating students in government schools.

This is a reasonable recognition of the contribution of parents as taxpayers as well as the community's obligation to all young people and an incentive to parents to continue to make an after tax contribution to their children's education. Recognition of a basic entitlement to government funding is particularly important given the increasing cost of quality school provision, with parents having to contribute to school costs which are generally increasing faster than their incomes.

It would be reasonable, however, to argue that the basic grant should be set higher than this, to recognise adequately the contribution of parents as taxpayers as well as the community's obligation to all young people.

The basic grant should be supplemented by a needs-based approach to school funding. As demonstrated in Chart 1, based on analysis by the Australian National Audit Office the Australian Government's SES funding model for non-government schools has provided an effective and efficient mechanism for directing Australian Government recurrent funding according to need in the independent sector.

CHART 1: DISTRIBUTION OF FUNDING TO NON-SYSTEMIC SCHOOLS BY SCHOOL SES SCORE, 2006



Source: Based on Australian National Audit Office Audit Report No.45 2008-09 *Funding for Non-government Schools*

CHANGES TO GOVERNMENT FUNDING ARRANGEMENTS SHOULD LEAVE NO SCHOOL OR STUDENT WORSE OFF IN REAL TERMS.

Any reduction in government funding for independent schools will need to be addressed by increasing the level of private income required to be raised by the school community or through a reduction in the quality of the educational provision in affected schools. Raising the level of private income will have a significant impact on individual schools and school communities.

Parents arrange their finances on the basis of the school's current fee structure. Changes to fee structures could result in financial strain for parents resulting in significant enrolment changes and affecting the financial viability of the schools concerned and disruption to the education of individual students.

Schools also need to plan their finances well in advance based on an assumed level of resourcing. Significant changes to the resource base of individual independent schools will impact on the financial structure of these schools necessitating possible major changes. More than 80 per cent of independent schools do not belong to a school system. This means the majority of schools operate as autonomous entities and there is no scope for moving money between schools as there is within a school system. Schools are not, therefore, able to rely on any pooled financial assistance, so the impact of any reduction in their funding needs to be addressed by the school community itself.

For example, in the Northern Territory the costs of government schooling are close to fifty per cent higher than Average Government School Recurrent Costs (AGSRC), and independent schools operate below the Northern Territory AGSRC level. Twelve of the Northern Territory's twenty independent schools are funding maintained. There are no 'high fee' schools, and approximately one quarter of students in Northern Territory independent schools are indigenous. These students come from some of the most economically disadvantaged communities in Australia, with little capacity to contribute to the costs of their children's education. A reduction in government funding for these schools would jeopardise the ongoing viability of most of these Northern Territory schools, and a number, particularly those facing significant reductions in grants, would struggle to survive.

FUNDING MODELS MUST TREAT SCHOOLS ACROSS THE NON-GOVERNMENT SECTOR CONSISTENTLY.

The majority of independent schools are set up and autonomously governed on an individual school basis. The majority of government funding for autonomous independent schools is paid directly to the school. Within the independent sector there are some schools with common aims and educational philosophies which are governed and administered as systems and their government funding is paid to their system authority.

In contrast to the majority of schools in the independent sector, schools in the Catholic-systemic sector are all systemic. Government funding to Catholic systemic schools is paid to Catholic system authorities which reallocate funds to individual schools according to their own allocative mechanisms.

Despite these structural differences, the organisational structures of the two non-government sectors should not be a consideration when developing a funding model as all non-government schools should be treated in a consistent manner.

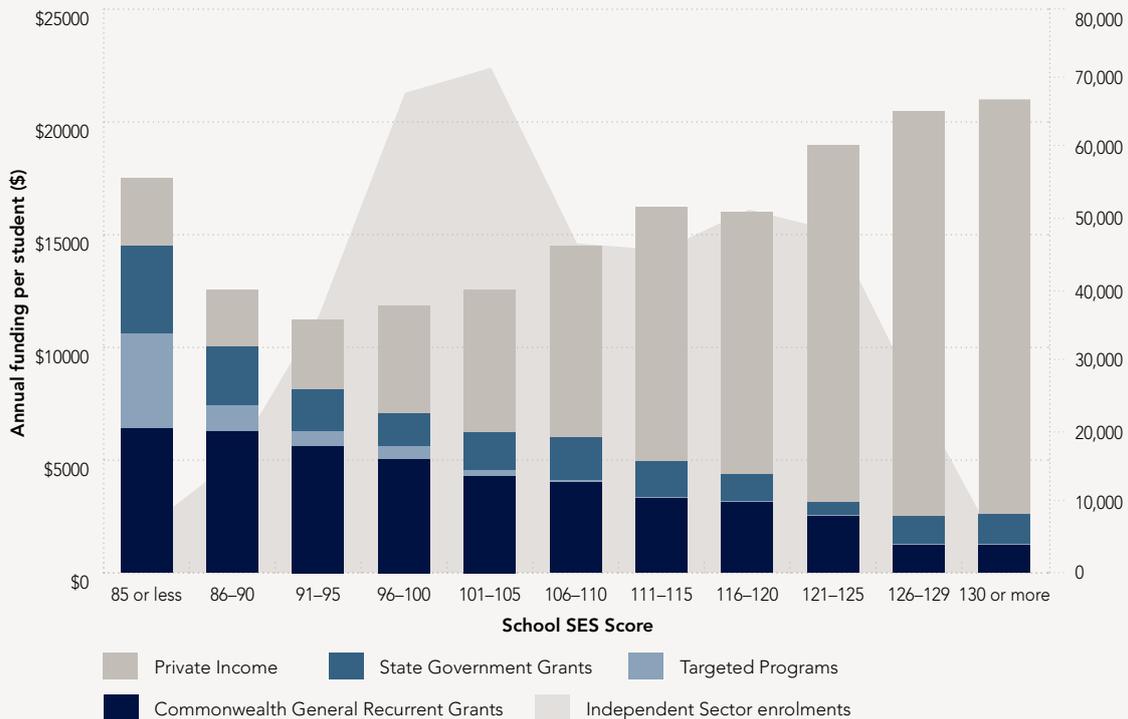
Likewise, systems operating within the independent sector should be treated in the same way as other systems operating within the non-government sector.

GOVERNMENT FUNDING ARRANGEMENTS SHOULD OPERATE TO ENSURE THAT ALL SCHOOLS ARE OPERATING WITH ADEQUATE RESOURCES.

Chart 2 shows independent school funding sources by school socio-economic scores. Overlaid on this chart is another axis showing the spread of independent school enrolments. This chart demonstrates that the current SES funding model is effectively distributing Australian Government recurrent funding for schools (ie directing the highest level of funding support to the lowest SES schools). However, this chart also shows that there is a group of schools in SES bands 86–100 who are operating on a significantly lower funding level. As the chart demonstrates, this lower resource base is due to these schools' more limited capacity to raise private income. As can be seen from the overlaid graph of independent school enrolments, these schools operating with a lower resource base are schools where the bulk of independent school enrolments are concentrated and form the fastest growing segment of the independent sector. This picture is supported by data available on the My School 2.0 website which shows that low fee independent schools are operating at low resource levels.

Whilst the SES funding model is an effective means of allocating Australian Government recurrent funding across the SES spectrum, consideration should be given to adjusting the quantum of resources to take into account the limited capacity of low fee independent schools in the lower SES bands to raise private income, to ensure that these schools are operating at a reasonable resource base.

CHART 2: NON-SYSTEMIC SCHOOL FUNDING SOURCES AND ENROLMENTS BY SCHOOL SES SCORE, 2006



Source: Based on Australian National Audit Office Audit Report No.45 2008-09 *Funding for Non-government Schools* and DEEWR Non-government School Census data

GOVERNMENT FUNDING ARRANGEMENTS SHOULD PROVIDE INDEPENDENT SCHOOLS WITH STABILITY AND PREDICTABILITY.

Stability and predictability in funding are critical for quality school provision. Accordingly, ISCA strongly endorses the established policy of providing legislated funding for non-government schools, adjusted annually to meet cost increases. This facilitates financial planning and management within schools, enhancing their capacity to provide the best quality education with the resources available to them. The current legislative model is for quadrennial legislation, providing funding security to non-government schools for four calendar years.

Legislated periods beyond four years would provide even greater stability and certainty for non-government schools.

Stable and predictable funding arrangements also support families to plan their financial arrangements for the after-tax funds that they commit to their children's schooling. Independent schools need stable and predictable funding to plan and deliver their education programs. They depend substantially on parents to fund their programs. The level of fees paid by parents in an independent school is determined by the cost of the particular education the school offers, and the amount of government funding provided for each student at the school. Stability in the funding schemes used by governments enables schools and parents to make provision for future schooling costs.

GOVERNMENT FUNDING ARRANGEMENTS SHOULD ENSURE THAT THERE IS NO DISINCENTIVE TO PRIVATE EFFORT.

ISCA believes as a key principle that the funding arrangements of governments should not act as a disincentive to private contributions and investment in school education. Some critics of independent school funding argue that it is somehow inequitable for schools to benefit from the contribution made by parents and that government funding to relatively high fee schools should be reduced in order to create a level playing field. It is important to recognise that the substantial contribution made by parents through fees to the schooling of their children is paid almost entirely in after-tax dollars.

It is the right of all taxpayers in Australia to spend their after tax dollars in accordance with their own priorities, and as the Australian tax system is based on principles of equity, it would be unreasonable for education funding to operate as an additional income equalisation system.

Indeed, the current arrangements in the health sector ensure that there is no disincentive operating for people who choose to insure themselves in order to utilise the private health sector.

The model for government funding for non-government schools should continue to provide an incentive for parents to contribute their after-tax dollars to their children's education.

THE VALUE OF GRANTS SHOULD BE MAINTAINED IN REAL TERMS BY APPROPRIATE SUPPLEMENTATION.

It is important that governments contribute to the increasing costs of schooling through annual indexation of grants based on a specific schools index.

ISCA supports the AGSRC as an index to supplement general and targeted recurrent funding over time. Its use ensures that the relationship between Australian Government funding for non-government schools and overall government expenditure in government-owned schools is broadly maintained. With no regular indexation, the value of government grants declines and the increased costs must be met by greater parent contributions.

While the AGSRC provides a sound basis for supplementation, ISCA believes it is important to recognise its limitations: it is an index, and is not a comprehensive or direct measure of government school recurrent costs, and is based on data that can be up to 18 months old. ISCA accepts the use of the AGSRC to determine the level of general recurrent funding to non-government schools, while recognising the limitations of the methodology.

ISCA also supports the continued indexation of the Australian Government's Capital Grants Program in line with movements in the Building Price Index. The Capital Grants Program should also be increased in line with enrolment growth to ensure it maintains its real value.

STATE AND TERRITORY GOVERNMENT CONTRIBUTIONS ARE AN IMPORTANT SOURCE OF FUNDS FOR INDEPENDENT SCHOOLS.

Independent school funding is a partnership between Australian Government, state and territory governments and school communities. State and territory governments provide around 30 per cent of total government recurrent funding for independent schools. While the amount of funding provided by each state and territory to the non-government sector varies, the contribution is significant to individual non-government schools and in many cases is crucial to their financial viability.

A level of consistency in the quantum of state and territory government funding on a per student basis for non-government schools, taking into account specific regional characteristics, would be a desirable outcome of the funding review.

EIGHTY PER CENT OF CAPITAL EXPENDITURE IN INDEPENDENT SCHOOLS IS FUNDED BY SCHOOL COMMUNITIES BUT, DESPITE THIS LEVEL OF COMMUNITY EFFORT, THE FUTURE ENROLMENT-DRIVEN CAPITAL NEEDS OF INDEPENDENT SCHOOLS WILL NOT BE ABLE TO BE ACHIEVED WITHOUT GOVERNMENT ASSISTANCE.

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).

In the independent sector the Australian 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.

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.

The Background section of this submission deals extensively with enrolment projections for all three sectors and in particular the independent sector. Based on Department of Education, Employment and Workplace Relations (DEEWR) projections, by 2020 Australia will need a further 1,227 government schools, 352 Catholic schools and 310 independent schools. By 2020 the projected additional 711,890 students will require around 2000 additional schools. Governments at both national, and state and territory level will need to find the billions of additional dollars to accommodate these students. Raising this level of funding for investment in new schools will be impossible for either level of government.

Governments must acknowledge and support the role of the non-government sector in establishing new schools by providing significant capital assistance to establish and expand new schools. Without the capacity of the non-government sector to leverage private capital investment, governments will not be able to meet future demands for school enrolments. Governments must also recognise that schools currently or new schools potentially serving low SES-communities have limited capacity to raise private income for capital purposes and will need significant government assistance in order to establish and expand schools serving these communities.

ISCA urges the Review of Funding for Schooling to seriously consider the capital investment implications of projected enrolment growth. In coming decades, governments will need to make unprecedented outlays to provide capital infrastructure for school-aged students. The financial outlays required would represent an extraordinary burden on governments and it would be fiscally irresponsible for governments to ignore the capacity of independent schools to generate significant levels of private income to make a major contribution to the construction of the required schooling stock.

For those communities where there is limited capacity to raise private income, the sector is seeking the continuation of a dedicated Australian Government Capital Grants Program with a focus on communities with limited capacity to raise private income. In order to meet the demand to expand and improve existing schools and to meet future enrolment pressures, the quantum of funding under the Capital Grants Program should be significantly increased.

In recognition of the significant number of new and enlarged schools required, governments should also consider additional support to supplement the contribution of parents and communities to independent schools.

As outlined above, the cost of establishing new schools is significant and in newly established communities it is often difficult to raise sufficient private income to meet the initial costs of establishing a new school. Parents and communities make a huge effort to support new independent schools but the full load of increased capital requirements driven by enrolment growth cannot be met from individual independent school communities without additional government assistance. Governments should continue to promote and support private contribution through strategies providing additional assistance.

As well as an increase in the Australian Government's Capital Grants Program, other strategies should be supported including interest subsidies and start up grants.

TARGETED AND NEEDS-BASED FUNDING SHOULD INCREASE TO ENSURE THAT STUDENTS WITH SPECIAL NEEDS ARE NOT DISADVANTAGED BECAUSE THEIR PARENTS HAVE CHOSEN AN INDEPENDENT SCHOOL.

Targeted program funding is very significant for the independent sector. Targeted programs provide an essential source of funds in the sector to address the educational needs of educationally disadvantaged students in independent schools. As the majority of schools in the sector operate as separate autonomous entities, there is no capacity to move funds between schools to support other schools enrolling students with particular educational needs.

As outlined in this submission, independent schools serve the full spectrum of Australian society with an increasingly diverse range of enrolments including growing numbers of students with special needs. Targeted funding has been critical in supporting independent schools to offer a choice of education to parents of students with disabilities, students from a language background other than English including newly arrived students, students with social, emotional and behavioural problems, students in rural and remote locations and students with additional learning needs.

When a child with a special need enrolls in an independent school, the additional costs associated with educating that child are met by the community of that independent school.

Funding provided under Australian Government Targeted Programs provides some assistance to some schools to help meet these additional educational costs.

Targeted program funding is administered on behalf of the Australian Government by state and territory Associations of Independent Schools (AISs). Individual AISs sign a Targeted Program Funding Agreement with the Australian Government. The Associations play a vital 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 Australian Government guidelines.

State and territory AISs have an excellent understanding of the independent schools in their state which ensures the most appropriate direction of targeted funding to effectively address disadvantage. Chart 2 demonstrates how Australian Government targeted funds are effectively directed by AISs to assist those students most in need.

Delivering targeted programs through the AISs maximises the utility of relatively limited available funds. 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. By providing supplementary funding to AISs, the AISs can maximise the utility of targeted funding by increasing the purchasing power of targeted funding as well as providing a range of services to schools. AISs also utilise a small proportion of targeted funds to assist with their administration of the programs.

The growth in enrolments of special needs students in the independent sector is significantly constrained by limited targeted funding. Many schools would like to increase their enrolments of special needs students, but must be mindful of the impact on their operations and their school communities and how much additional contribution it is reasonable to ask school communities to make. Schools in particular are keen to ensure they can offer a high quality education to special needs siblings of students already enrolled or continue to develop and enhance the services they can provide through existing special needs units. This is particularly relevant in communities with high numbers of special needs students, and/or schools serving low SES communities or for students who are educationally disadvantaged due to a range of factors including multiple aspects of disadvantage.

It is essential that general recurrent funding continues to be complemented by targeted funding to enable independent schools to better meet the education needs of particular groups of students and to realise the Government's policy goals, including supporting the achievement of the Melbourne Declaration on Educational Goals for Young Australians, the COAG targets and the outcomes and targets set out in the National Education Agreement.

A key outcome of the Review of Funding for Schooling should be a consistent level of support for disadvantaged students regardless of the school sector chosen by their parents. Students should not be further disadvantaged because their parents have chosen an independent school.

As a general principle, the level of funding provided under the various targeted programs should be based on a realistic assessment of the resources and activities required to achieve the desired policy outcome regardless of the type of school a student attends. As a consequence, the quantum of funding available under Australian Government Targeted Programs should be significantly increased to ensure that the educational needs of students with special needs in independent schools are adequately addressed and to support the access to choice for all parents seeking to enrol their child in independent schools.

One area not currently addressed by Australian Government Targeted Programs is the area of student wellbeing. There is a significant impact on student learning when students or their families have health, social or emotional problems. Governments should recognise that schools are often the most effective location to reach students and provide intervention and assistance. Particularly for schools who find it difficult to raise private income, some consideration should be given to providing assistance to schools to address student wellbeing issues through the provision of specialised intervention services.

The Expert Review Panel in their Emerging Issues Paper highlight their focus of consideration of equity for the review, stating they believe "...that equity should ensure that differences in educational outcomes are not the result of differences in wealth, income, power or possessions."¹ For students with special needs enrolled in or seeking to enrol in independent schools, equity is being significantly compromised through lack of resources. Resourcing of students with special needs or who are educationally disadvantaged, needs to be addressed in all sectors to ensure that the Panel's commitment to equity, ensuring that differences in educational outcomes should not be the result of differences in wealth, income, power or possessions, is achieved through the funding model.

Supplementary funding to address disadvantage should be the same regardless of where the school is located or its affiliation.

Indeed the Review of Funding for Schooling Emerging Issue Paper notes, "...there was general agreement that one of the benefits of a consistent approach to funding may be a more equal distribution of disadvantaged students between the government and non-government school sectors."²

STUDENTS WITH DISABILITIES SHOULD RECEIVE SIMILAR LEVELS OF ADDITIONAL SUPPORT REGARDLESS OF THE TYPE OF SCHOOL THEY ATTEND. THIS SUPPORT SHOULD BE FLEXIBLE AND RECOGNISE THE PARTICULAR NEEDS OF INDIVIDUAL STUDENTS.

As already extensively highlighted in this submission, a major priority for the independent sector is adequate funding for students with disabilities.

Despite decades of representations to governments of all persuasions on this issue by the independent sector, lack of adequate funding continues to be a major constraint for schools seeking to enrol students with disabilities or to improve the educational outcomes for students with disabilities who are already enrolled.

1 Review of Funding for Schooling – Emerging Issues Paper – December 2010

2 Review of Funding for Schooling – Emerging Issues Paper – December 2010

The independent sector believes that school choice should be available for the parents of students with disabilities just as it is for other parents. It is highly inequitable and possibly discriminatory that parents of students with disabilities should have their access to the school of their choice constrained by differential application of government financial support. This differential level of support is most manifestly unjust when a student with disabilities is constrained in their capacity to attend the same school as their siblings because of the differential in funding they attract between government and non-government schools. Students with disabilities should receive additional funding support because of their disability, not because of the type of school they attend.

Students with special needs including students with disabilities in independent schools do not receive the same level of additional funding to meet their individual learning needs as their counterparts in government schools. This lack of equity is of considerable concern to the independent schools sector.

The independent sector is not arguing that any school or sector should receive less support, rather that the needs of all students with disabilities be appropriately funded by the community through government expenditure, regardless of the type of school in which they are educated. Students with disabilities should be funded according to their educational needs and this funding should follow the student regardless of the type of school they attend.

Future funding arrangements should also continue to recognise and support independent Special Schools and Special Assistance Schools which provide alternative education settings for students with high-level needs. Parents should be able to choose a non-mainstream educational environment if it is the best option for their child.

The role of the independent school sector in providing for students with disabilities has increased dramatically in recent years. In 2010, around 12,170 students with disabilities were enrolled in independent schools, an enrolment increase of 89 per cent since 1999. About 79 per cent of these students were enrolled in mainstream schools and around 21 per cent enrolled in special schools.³

For students with disabilities in government schools, the cost of their education provision is met by the Australian community as a whole. Students with disabilities in independent schools generally receive significantly less government funding for their educational support needs than if they were educated in a government school. For students with disabilities in independent schools, the Australian Government provides a small amount of additional support under its Targeted Programs, specifically the Literacy, Numeracy and Special Learning Needs Program, but there often remains a significant gap in funding to meet the needs of these students.

3 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

The funding differential is usually greatest for students with high-level support needs who may require, for example, a full-time aide. As is evidenced by the data available on the My School 2.0 website, the gap in funding for these students is often in excess of \$40,000 per student per year.

For students with disabilities in independent schools, the gap in funding must be met by individual school communities. The school must either adjust the quality of provision to other students or increase school fees for all families. In some instances, insufficient resourcing means that the needs of particular students with disabilities are barely met and that an optimal educational experience difficult to provide. This is an unsatisfactory outcome for the student, their family, the school and the broader community.

The impact of the *Disability Discrimination Act 1992* and associated Standards requires schools to accept enrolments of all students irrespective of the nature of their disability, without commensurate funding to support them. There is no argument about the willingness of independent schools to meet their social and legal obligations to enrol students with disabilities. The growth of enrolments of these students in the sector attests to this. This Federal legislation, however, obliges independent schools to accept students with disabilities without adequate acknowledgement by the Australian Government of the compliance costs to individual independent school communities. As already outlined, the current Australian Government funding arrangements do not adequately meet the costs of addressing the needs of students with disabilities enrolling in independent schools. It is unreasonable that these often significant costs be arbitrarily borne by the group of families making up an individual independent school community.

A desired key outcome of the Review of Funding for Schooling must therefore be that the needs of all students with disabilities are appropriately funded by the community through government expenditure, regardless of the type of school in which they are educated. Students with disabilities should be funded according to their educational needs and this funding should follow the student regardless of the type of school they attend.

THE PARTICULAR ROLE OF SPECIAL ASSISTANCE SCHOOLS MUST BE RECOGNISED THROUGH APPROPRIATE FUNDING SUPPORT.

The independent sector also caters for students with severe social, emotional and behavioural issues through its Special Assistance Schools. These schools serve young people who are disengaged from education and whose needs are not met by mainstream education. They are often referred from community services, juvenile justice and other schools both government and non-government. Special Assistance Schools have developed specially adapted programs and structures designed to re-engage students in education and prepare them for further training and employment.

By their nature, Special Assistance Schools are resource and staff intensive whilst having limited capacity to raise private income. They therefore rely heavily on government assistance. Analysis of financial data on the My School 2.0 website reveals that Special Assistance Schools in the independent sector, whilst attracting some additional government support, are operating at much lower resource levels than similar schools in the government sector.

The critical work of these schools and the many benefits to society more broadly gained from re-engaging these students with education and training should be recognised through providing additional, stable resourcing to ensure these schools can focus on their work with students and not on resourcing issues.

FUNDING ARRANGEMENTS MUST RECOGNISE THE PARTICULAR NEEDS OF INDIGENOUS STUDENTS AND SCHOOLS WITH LARGE NUMBERS OF INDIGENOUS STUDENTS, ALLOWING SCHOOLS TO PROVIDE A HIGH LEVEL OF SERVICE AND FLEXIBLE AND INNOVATIVE APPROACHES TO INDIGENOUS EDUCATION.

The independent sector incorporates schools that cater for indigenous students. Indigenous student enrolments are spread broadly across the sector with many independent schools having one or two indigenous students while other schools, including urban and regional boarding schools and indigenous community schools located in remote areas, have larger numbers of indigenous students. Often independent boarding schools provide scholarships to support access to education for indigenous students. Many independent schools in remote indigenous communities are the sole providers of education for these communities.

In 2010 there were 9,315 indigenous students enrolled in independent schools. This represents an increase of 38 per cent since 2000. 720 independent schools have indigenous students enrolled. There are 31 independent schools with indigenous enrolments of more than 50 per cent. The majority of indigenous students in the sector are located in Queensland (34 per cent), New South Wales (23 per cent), Western Australia (16 per cent), and the Northern Territory (14 per cent).⁴

A number of independent schools provide education to significant populations of indigenous students, while some independent schools are exclusively indigenous. In these schools private contributions, in terms of fee income and fundraising, are very limited or in some cases non-existent. Many of these schools face high costs due to their remoteness or distance from large population centres. It is also important to recognise that although indigenous students may be attending schools in urban or regional areas, they may need additional support due to their specific circumstances, particularly if they are from remote areas.

As noted above, many independent schools in remote indigenous communities are the sole providers of education for these communities. These schools in particular have limited capacity to raise private income and heavily rely on government assistance to maintain their operations.

4 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

All of these schools operate at resource levels significantly less than government schools serving similar populations as sole providers. My School 2.0 financial data for schools in the Northern Territory clearly demonstrate that non-government schools are operating at less than half the net recurrent income per student in government schools. While My School data for Western Australia show remote government schools servicing similar populations to remote independent schools are receiving up to \$40,000 per student more in recurrent funding.

As sole providers of education to these usually significantly disadvantaged communities, these schools should receive at least similar levels of support as government schools. This issue is noted in the Emerging Issues Paper, which states there are high delivery costs in rural and remote schools and that non-government schools serving these populations “did not appear to benefit from the level of funding provided to government schools servicing communities on a sole provider basis.”⁵

It is ISCA’s view that neither Australian Government nor state and territory funding arrangements for non-government schools adequately address the very substantial cost differential in school provision for students in remote locations.

As a group, indigenous students tend to face greater barriers to educational achievement. Improving the educational outcomes of indigenous students requires both resourcing levels which recognise the particular circumstances of these students and innovative and flexible approaches to supporting students. The independent sector has longstanding concerns about the funding circumstances of independent schools which cater predominantly for indigenous students. These schools frequently need to provide a range of services beyond those required to provide a quality education. Before these students are in a position to learn, schools frequently need to address many health, wellbeing and pastoral care issues. Transport costs are another significant cost, particularly in rural and remote areas. It is critical that governments recognise that these schools are in a unique position to access and assist these children and this opportunity can be missed or not fully utilised due to lack of resources and a lack of recognition of the way resources should be applied.

ISCA also believes that the Australian Government and state and territory governments should commit additional resources to ensure that indigenous students attending independent schools are supported at a level similar to that which indigenous students receive in government schools.

Government funding needs to acknowledge the special needs of indigenous students, particularly those from remote areas. It should also be noted that the attendance of indigenous students can be erratic and schools can be penalised financially through per capita funding

5 Review of Funding for Schooling – Emerging Issues Paper – December 2010

arrangements right at a time when they need additional resources to ensure they are in a position to attract and retain these high need students. Any future funding model needs to acknowledge the particular circumstances of these schools serving high numbers of indigenous students and their often fluctuating student numbers. Funding models linked entirely to student enrolment numbers present significant difficulties to schools catering to large numbers of indigenous students, particularly those from remote areas.

Schools need to provide high levels of support services to encourage and retain school attendance for these students, but fluctuating attendance and as a consequence fluctuating funding can be counterproductive to providing this support. In recognition of the special services these schools need to provide to attract, support and retain their indigenous students, particularly those from remote areas, schools catering for these students should be provided with a base level of funding not totally linked to per capita enrolment.

Governments must consider providing a base-level of supplementary funding for schools catering to large numbers of indigenous enrolments (possibly on a stepped scale depending on broader enrolment numbers) which is stable despite minor enrolment fluctuations. This stable source of supplementary funding would allow schools to provide those support services so vital to attracting and retaining indigenous students in school education.

These services include additional educational, pastoral, recreational, health and community services. Other costs are associated with provision of transport to ensure children can reach school and strategies to ensure that students who need to be away from their home communities can retain personal and cultural links with their communities. These additional costs can be incurred by schools located in remote areas as well as regional and urban schools catering for indigenous students including boarding schools.

As well as providing additional support for pastoral care, it is clear that most indigenous students, regardless of the location of the school, are not achieving literacy and numeracy outcomes near their non-indigenous peers. These students need innovative strategies and significant additional support to assist them in improving their achievement in literacy and numeracy. Schools need reliable and stable sources of additional funding clearly targeted to improving indigenous educational outcomes to be able to address these specific learning needs.

The Australian Government Targeted Programs model provides opportunities for state and territory AISs to provide overarching advice and support to independent schools to address the particular needs of disadvantaged students. Similar funding should be provided to AISs to enable them to provide professional, indigenous specific advice to schools on strategies and support options to address indigenous learning needs. Many schools with indigenous enrolments in urban, regional and remote areas do not have the resources available to obtain expertise in appropriate educational strategies to address indigenous educational disadvantage. Providing a level of additional support to AISs is a cost-effective means of providing support for a large number of indigenous students across the independent sector.

Independent schools with significant indigenous enrolments are also seeking to ensure that their teachers and any other staff are appropriately skilled to deal with the particular educational and social issues they may encounter with their indigenous students, including cultural, educational, social, emotional and mental health issues. Providing funding to support professional learning is challenging for these schools, particularly if they are located in remote areas or are small schools. Targeted professional learning funding to support teachers, schools and communities is essential to ensure staff are appropriately skilled.

Independent schools which cater predominantly for indigenous students also require special consideration in relation to their capital needs, recognising their very limited capacity to raise private funds. The difficulty of providing for new or improved capital infrastructure is compounded in remote areas by the significant additional costs of building in these areas, with costs doubled or tripled due to issues such as transport costs, access to construction expertise and delays due to weather.

Government must give consideration to specific provision for the capital needs of schools servicing large numbers of indigenous enrolments.

As outlined in detail in the Background section of this submission, the Australian Government introduced significant changes to the funding of indigenous school students in 2009 with the introduction of Indigenous Supplementary Assistance. These changes did not increase the level of overall funding to indigenous students in independent schools, but did result in a redistribution of funds. Schools with very low numbers of indigenous enrolments now receive a small amount of funding while some schools with large indigenous enrolments, particularly those with students from remote areas, have experienced significant funding reductions in real terms.

As part of the Review of Funding for Schooling, the Australian Government's arrangements for funding of indigenous students in non-government schools should be restructured to ensure that all indigenous students, regardless of where they are enrolled, receive funding appropriate to their particular educational and learning support needs.

THE SIGNIFICANT ROLE OF INDEPENDENT SCHOOLS OFFERING BOARDING FACILITIES IN PROVIDING A QUALITY EDUCATION FOR STUDENTS INCLUDING THOSE FROM RURAL AND REMOTE AREAS MUST BE ACKNOWLEDGED AND APPROPRIATELY SUPPORTED.

Independent schools are the major providers of boarding schools in Australia, with 152 schools and about 16,830 students.⁶ The social profile of boarding schools is diverse, with students from a range of backgrounds, not as is generally assumed, just the children of wealthy parents. There are students from cities, from regional and remote areas and those whose parents are living and working overseas. Students board full-time, on a daily or weekly basis, or on an 'as required' basis, depending on individual circumstances. State government community services also utilise independent boarding schools to place state wards. This wide range of students brings diversity to the profile of boarders.

Boarding schools meet the needs of students for which there is little or no schooling alternative and the additional costs of boarding can be a significant burden for many parents, many of whom are not wealthy and often subject to the vagaries of rural income. Like all education costs, the cost of providing quality boarding facilities and services are increasing.

⁶ DEEWR Non-government school census 2010 – Includes Catholic schools and enrolments

Schools need to meet the costs of capital improvement and maintenance as well as increasing staffing costs to ensure the ongoing student educational, pastoral and domestic support needs are met. It is increasingly difficult for schools to pass these increasing boarding-specific costs on to parents.

Governments need to recognise the important contribution that boarding schools make to providing access to education for students with limited educational alternatives. Consideration should be given as to how to provide further support to boarding schools to provide essential services for boarding students.

GOVERNMENTS SHOULD ADEQUATELY FUND INDEPENDENT DISTANCE EDUCATION SCHOOLS AS THEY PROVIDE SCHOOL EDUCATION TO STUDENTS ACROSS AUSTRALIA.

Students enrolled in independent distance education schools are funded at the lowest level under the SES funding model, despite there being significant operational and compliance costs associated with distance education including staff salaries. There is a major discrepancy between the level of funding received by government distance education schools compared to independent distance education schools, despite their incurring similar costs. Lack of appropriate funding for independent distance education students impacts on the level and quality of services that can be provided to students.

STATE AND TERRITORY ASSOCIATIONS OF INDEPENDENT SCHOOLS AND BLOCK GRANT AUTHORITIES PROVIDE AN EFFICIENT AND EFFECTIVE STRUCTURE FOR DELIVERY OF PROGRAMS TO INDEPENDENT SCHOOLS ON BEHALF OF THE AUSTRALIAN GOVERNMENT.

Associations of Independent Schools (AISs) and Block Grant Authorities (BGAs) have a longstanding track record of delivering a range of Australian Government targeted programs and capital grants to independent schools.

Targeted program funding is administered on behalf of the Australian Government by state and territory AISs. Individual AISs sign a Targeted Program Funding Agreement with the Australian Government. The AISs play a vital 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 Australian Government guidelines.

Delivering targeted programs through the AISs maximises the utility of relatively limited available funds. 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. AISs can utilise a small proportion of targeted funds to assist with their administration of the programs, however not all Australian Government Targeted Programs include an element for administration such as the Students With Disabilities component and the English as a Second Language New Arrivals component.

Independent committees called Block Grant Authorities 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.

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 Australian Government grants must join the relevant BGA.

Capital funding under both the Australian Government's Capital Grants Program and the Building the Education Revolution initiative (as well as the Australian Government's Trade Training Centres and the National Secondary School Computer Fund element of the Digital Education Revolution Program) are administered through BGAs. The BGAs have been administering Australian Government Capital Grants for several decades and have a proven record of efficient management of capital works programs.

The BGAs have an established relationship with independent schools and experience in delivering Australian Government 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 issues as they emerge. Because of the nature of independent schools and the requirement for funding capital infrastructure through privately raised funds, independent schools must invest in careful, long-term planning for their capital investment. Efficiency is driven by the scarcity of funds and the need to justify expenditure of privately generated funds to the school communities who have worked hard to raise them.

The efficiency of the independent sector in delivering capital infrastructure has been clearly demonstrated through the Building the Education Revolution initiative. Average project costs per square metre for halls, classrooms and libraries were for the government sector \$2,482, for the Catholic sector \$2,468 and for the independent sector \$2,057 based on regionally adjusted figures⁷.

The BER Implementation Taskforce First Report also reports on complaints under the BER initiative by jurisdiction. The number of complaints in the independent sector were insignificant, also a reflection of efficiency of the sector and the benefits of the established relationships.

The decision by the Australian Government to provide a separate allocation for independent schools and to utilise independent sector BGAs for administration has been instrumental in the successful implementation of the program for the sector.

EXPANDING ROLE OF AISs.

Almost all independent schools in all states and territories choose to become members of their AIS. AISs provide a range of services to member schools. In addition to representing the views of the independent sector at a state and territory level, they administer funding provided by the Australian Government on a range of targeted programs as well as providing professional development for teachers and business management skills for school administrators, legal advice and information. Many AISs also offer industrial relations services.

7 Building the Education Revolution Implementation Taskforce – First Report – 15 December 2010

With the exception of some administration funds provided by the Australian Government to support the administration of targeted programs, AISs are fully funded by their member schools. As the majority of independent schools operate as individual, autonomous bodies, schools appreciate the advice and services provided by their AIS and pay their membership from school funds. The role of AISs has been expanding beyond providing member services to schools and the administration of targeted programs. Increasingly the Australian Government and its agencies are relying on AISs to provide advice on and assistance with the implementation of Australian Government programs and policies. Recent examples have been the development of the Australian Curriculum and 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 these roles.

ACCOUNTABILITY ARRANGEMENTS MUST NOT COMPROMISE THE GOVERNANCE, INNOVATION AND AUTONOMY OF INDEPENDENT SCHOOLS.

The autonomous governance arrangements of independent schools are the single most important factor that underpins the sector's diversity, and greatly enhances the range of schooling choice for Australian families. Most independent schools are set up and governed on an individual school basis. Some schools with common aims and educational philosophies, however, are governed and administered as systems.

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.

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 would argue that any consideration of future accountability requirements should be balanced by a commitment to the innovation and diversity that characterises independent education. The independent schools sector would be concerned about proposals to introduce further accountability requirements for Australian 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.

Accountability reporting should be designed, co-ordinated and rationalised so as to minimise the administrative burdens placed on schools. This is particularly relevant in a federal system of government with different layers of accountability requirements, and is especially important for non-systemic schools and small school systems which do not have the support of large bureaucracies.

DISCUSSION

The Australian Government's Expert Review Panel released an Emerging Issues Paper in December 2010. This paper reported on the views and opinions presented to the Panel during its stakeholder listening tour. Some of the views and opinions highlighted in the Issues Paper will now be discussed, along with a number of other frequently raised issues regarding independent schools which need clarification or where highlighting the facts is important.

CONTRARY TO OFTEN REPEATED MISINFORMATION, THE MAJORITY OF INDEPENDENT SCHOOLS ARE FUNDED ACCORDING TO THEIR SOCIO-ECONOMIC STATUS SCORE.

A full explanation of the Australian Government's socio-economic status (SES) funding model for non-government schools is provided in the Background section of this submission. Discussion of the SES funding model needs to distinguish between the Catholic and independent sectors. It is often quoted, including in the Emerging Issues Paper, that almost half of non-government schools are not funded on their SES score. In fact 83 per cent of independent schools are funded according to their SES score. The majority of non-government schools funded above their SES score (funding maintained schools) are in the Catholic systemic sector where only 45 per cent of Catholic systemic schools are funded according to their SES score.

It is important to recognise the differences in the application of the SES funding model between the Catholic and independent schools sectors. The particular application of the SES funding model to Catholic schools is one of the key reasons why Catholic schools are able to keep their fees low. The Catholic sector has stated that most Catholic schools have also elected to charge only modest fees, and thus have lower recourse to private income than do other non-government schools. Catholic schools are more reliant on government grants. Catholic schools have been able to negotiate with governments to secure appropriate funding to ensure they have been able to continue to charge modest fees. This arrangement has continued under the SES funding model, whereby 55 per cent of Catholic schools are not funded according to their actual SES score.

Many schools in the independent sector would like to elect to charge only modest fees but these middle to lower fee independent schools do not have the benefit of the application of the SES model as it applies to the majority of Catholic systemic schools. Catholic schools also claim to remain far more accessible to students from low-income and middle-income families than do other non-government schools. If the majority of Catholic schools were funded according to their SES scores, this would be difficult. The affordability of all schools in the non-government sector is linked to their level of government support.

Most independent schools are also highly focussed on keeping schooling affordable. This is reflected in an analysis of where the greatest enrolment growth has been in the independent sector, being in low fee schools which seek to provide parents across the income spectrum with the opportunity to educate their children according to their beliefs, philosophy or ethos of their choice. However, where government funding is limited, these schools must rely on greater parental contribution and/or operate at lower expenditure levels. My School financial data also provides evidence that low fee independent schools are operating at lower resource levels.

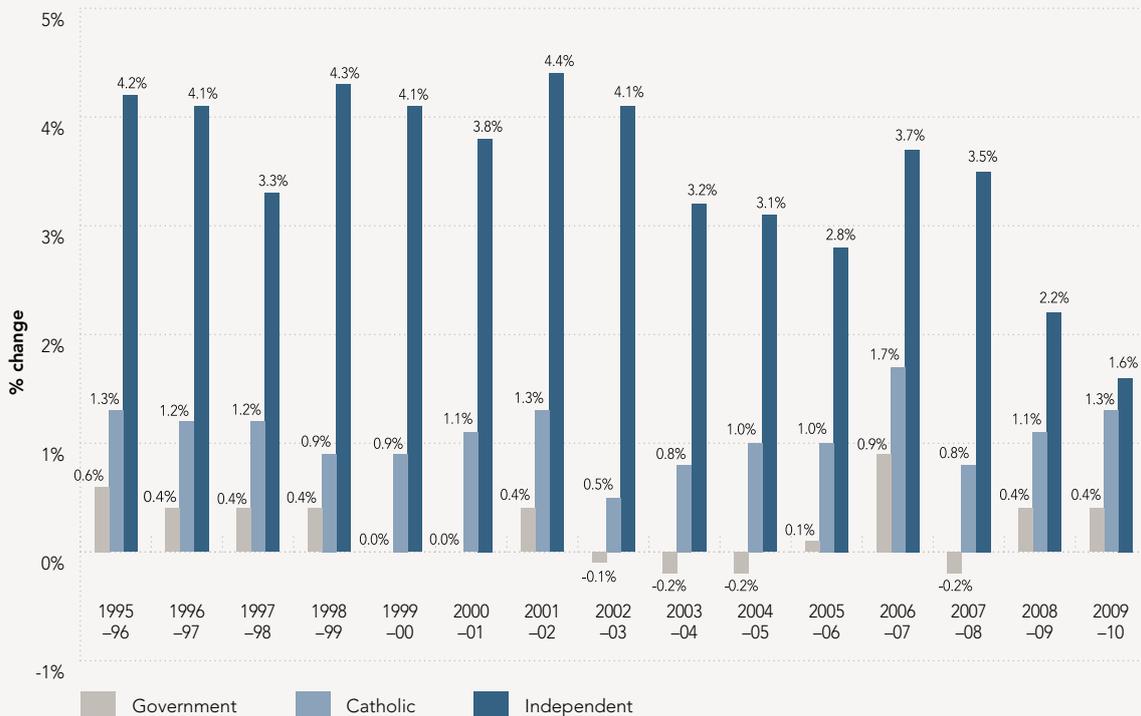
The independent sector acknowledges the importance to schools, including Catholic systemic schools, of keeping their fees at affordable levels but believes that the same level of choice, accessibility and affordability should be available for all parents seeking to express their right to choose an education for their child that accords with their religion, philosophy and values.

THE SES FUNDING MODEL IS NOT RESPONSIBLE FOR THE MOVEMENT OF STUDENTS FROM GOVERNMENT TO NON-GOVERNMENT SCHOOLS.

The growth in enrolments in independent schools commenced well before the introduction of the SES Funding Model.

The SES funding model is widely blamed for the shift in enrolments from government schools to the non-government sector. Indeed, the Review of Funding for Schooling Emerging Issues Paper repeats this criticism of the funding model. As Chart 3 shows, significant enrolment growth in the independent sector commenced well before the introduction of the SES funding model in 2001, indicating factors other than the SES funding model are responsible for the growth of independent school enrolments.

CHART 3: ENROLMENT GROWTH BY SECTOR, 1995 TO 2010



Source: ABS Schools, Australia

As noted by Jennifer Buckingham,⁸ the number of students in non-government schools has been growing steadily over the last century, except during the World Wars when all school enrolments declined.

8 The Rise of Religious Schools – The Centre for Independent Studies 2010

Average annual growth in non-government school enrolments from 1996 to 2006 was only 2 per cent – much lower than two post-WWII periods in which growth was stronger. The first period was the post WWII decade from 1950 to 1960, during which enrolments in non-government schools grew by an annual average of 5.2 per cent. This growth was due to the post-War baby boom rather than a shift in enrolments to non-government schools; enrolments in government schools also grew strongly over that decade, with a 5.4 per cent annual increase. The second period of high growth was between 1980 and 1985, when enrolments in non-government schools grew at an annual average of 3 per cent. But this time, the state school sector shrank by an annual average of 0.8 per cent.

The abolition from 1997 of the New Schools Policy is also cited as a cause for the increase in enrolments in non-government schools. Once again, examination of enrolment trend data would indicate that this is not the case.

GOVERNMENT FUNDING DOES NOT CONTRIBUTE TO LARGE INDEPENDENT SCHOOL “PROFITS”.

Independent schools do not make ‘profits’ but many make provision for future capital requirements and other contingencies such as enrolment variations, maintenance and debt servicing.

Independent schools are not-for-profit institutions that are set up and governed independently, the majority on an individual school basis. As independent entities, most independent schools cannot rely on support from a systemic school authority to provide additional support when required, but must plan and make provision for future growth and contingencies.

Responsible financial planning and administration often requires schools to budget for financial surpluses in order to pay for future capital works in terms of expansion, improvement or maintenance. Schools must budget to cover all other contingencies which can include provision for maintenance, debt servicing and unexpected staff costs. Schools must also ensure they are in a position to cope with unexpected financial impacts such as enrolment fluctuations or national or international economic influences affecting parents’ capacity to pay fees. An enrolment decrease can, for example, result in a significant loss of revenue. If every student attracts around \$15,000 in fees and government grants, then a loss of 20 students can result in a loss of \$300,000.

Using capital works as an example, parents and school communities in independent schools contribute on average 80 per cent of funds for capital developments, such as school buildings, grounds and equipment. Many schools in the independent sector receive no government financial assistance in the form of grants for capital developments at all, with the full burden of raising income falling on the school community. Parents meet these capital development costs through fees and fundraising and borrowings. Schools need to make provision in their financial planning to meet future capital expenditure and debt servicing including through the generation of surpluses.

It should also be noted that government recurrent funding comes with strict guidelines on how funds can be expended and accountability requirements which make it compulsory for all government grants to be spent on recurrent operations. Thus any funding set aside by schools to cover contingencies must come from parental effort through fees and contributions to building funds.

INDEPENDENT SCHOOLS FEE INCREASES ARE NECESSARY TO ENSURE THE QUALITY OF EDUCATION PROVISION IS NOT ERODED BY COST INCREASES.

The cost of school education increases significantly each year and schools must ensure that income from all sources keeps pace with these increased costs.

Schools are facing continuing financial pressures from increasing teacher salaries, smaller class sizes, professional development requirements, pastoral care, increasing accountability and the heightened commitment demanded of them for occupational health and safety requirements, child protection measures and insurance provision. There has been substantial growth in the number of non-teaching staff in recent years across all sectors as schools address these various demands. These cost increases mean that the value of school income decreases quickly over time if not maintained in real terms.

The value of Australian Government financial assistance is maintained by application of the Average Government School Recurrent Costs (AGSRC) Index. However, government funding represents only a proportion of income for most independent schools. For the majority of independent schools, the bulk of their income is raised from fees and other private sources.

In order to ensure that all sources of income, including fees, keep pace with cost increases, schools need to ensure that their fees are also maintained at a level to ensure the quality of educational provision does not decline over time. In striving to meet these increasing costs, independent schools experience upward pressure on their fees. Increases in fees vary from school to school, but generally have been rising at a rate similar to the rate of increase in government school costs as measured by movements in AGSRC because many independent schools are more reliant on fees than recurrent grants for operational purposes.

In setting fees, independent schools recognise the importance of parental commitment in contributing towards meeting the ever-increasing costs of education provision in Australian schools and are mindful of the need to operate within the capacity of their individual school communities to make this contribution from their after-tax dollars.

ALL STUDENTS INCLUDING THOSE ATTENDING HIGH FEE SCHOOLS SHOULD BE ENTITLED TO A LEVEL OF GOVERNMENT SUPPORT.

All schools contribute to the common good and the nation's social and economic wellbeing.

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. Provision of a level of government support for all schools recognises achieving the educational goals for young Australians is a partnership in which government is one partner and the school is another.

The policy of basic entitlement reflects the views of successive Australian Governments of all political persuasions that, because schooling is a legal requirement for all children and because parents pay taxes, governments have a responsibility to contribute at least a minimum amount towards each student's schooling within an independent school.

The concept of a base grant, to which all students are entitled regardless of the school they attend, acknowledges that every student is a member of the Australian community, and that all schools bring benefits to society. Further, the existence of a base level of support, or base entitlement, provides assistance and incentive to parents who are willing to pay substantial after-tax dollars for schooling.

Provision of a basic grant to all schools also recognises that all schools are important participants in the wider network of Australian schools. The Government, by acknowledging and contributing to the work of every school in Australia, ensures that all schools continue to remain committed to the Educational Goals and fully participate in national education initiatives such as the Australian Curriculum and the My School website. The funding agreement between an independent school's approved authority and the Australian Government requires independent schools to agree to support the achievement of the Melbourne Declaration on Educational Goals for Young Australians, the Council of Australian Governments outcomes for schooling and the outcomes and targets set out in the National Education Agreement. The funding agreement also requires schools to participate in all national school performance and transparency requirements which include participation in NAPLAN assessments and the provision of data for the My School website.

There has been some criticism of the principle of a basic grant for students who attend well-resourced or high fee schools. Such schools have usually built facilities and accumulated resources over time through the financial contributions of their school communities, particularly parents. These schools receive low levels of government funding which provides just a basic grant, requiring them to charge higher fees. It should also be remembered that were these students to attend a government school, the cost to governments would be significantly greater.

Within the government sector the capacity of schools to raise private income varies significantly. Some government schools have the capacity to raise significant income from parents and the school community. No one argues that these government schools should be denied public funding on account of their capacity to raise private income.

GOVERNMENT FUNDING FOR INDEPENDENT SCHOOLS IS NOT AT THE EXPENSE OF FUNDING FOR GOVERNMENT SCHOOLS.

The contribution parents make to the operation of independent schools results in significant savings to governments.

Some lobby groups and commentators seek to present independent school funding as a zero sum game whereby every dollar going to an independent school is a dollar lost to government schools. These groups also generally ignore the fact that around 80 per cent of recurrent funding for government schools is sourced from state and territory governments and around 14 per cent from the Australian Government (with the small balance of 6 per cent from parents and communities)⁹,

9 Data sourced from ACARA MySchool 2.0

while for independent schools around 30.5 per cent of recurrent funding comes from the Australian Government, 11.5 per cent from state and territory governments and 58 per cent from parents and communities, including parents' after-tax dollars¹⁰.

The historical genesis of Australian Government funding for government and non-government schools was primarily in response to the often poor quality standard of resources available to non-government schools. In many senses, the reason why the Australian Government is involved in funding for any schooling at all is due to successive Governments recognising the need to assist non-government schools.

Parental and community investment in schooling is estimated to be 16 per cent of total expenditure on schooling in Australia. In the non-government sector, the decision by parents to make a significant contribution to their children's schooling is made by choice and represents a partnership between non-government schools and parents which provides a major contribution to the funding effort for Australian schools. Based on Productivity Commission data, ISCA calculates that the total savings in government recurrent expenditure from students attending non-government schools was some \$7.9 billion in 2008–09. This is up from \$7 billion in 2007–08.

Using the independent sector critics' argument of a zero sum game, if all students in non-government schools were to enrol in government schools (bringing their total government funding with them), the amount available to be spent on each student in a government school would decrease from an average of \$13,544 to \$11,250¹¹.

The Department of Education, Employment and Workplace Relations (DEEWR) projects that between 2010 and 2020, school enrolments will increase by 711,890 which equates to an additional 1,890 new schools. Funding this projected increase is not a viable or sustainable option for governments. The capital costs alone of establishing nearly 2,000 additional new schools would not be achievable without governments significantly changing the structure and quantum of their revenue sources. The contribution of independent schools to the education of young Australians will be critical in Australia continuing to offer a quality education to all students.

AVERAGE GOVERNMENT SCHOOL RECURRENT COSTS REPRESENTS EFFECTIVE INDEXATION FOR AUSTRALIAN GOVERNMENT GRANTS FOR ALL SCHOOLS.

Increases in Average Government School Recurrent Costs (AGSRC) provide the most appropriate measure currently available of increasing costs in school education.

Schooling is becoming increasingly expensive and indexation helps government funding keep pace with rising costs. For some years indexation has been increasing at a rate greater than the Consumer Price Index (CPI), reflecting wage increases for teaching and support staff, the increasing investment in schools demanded by curriculum and technological change, lower student-to-teacher ratios and higher general staffing levels. Schools funding is indexed according to movements in AGSRC which is based on government school expense data maintained by the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA).

There has been some argument that non-government schools are benefiting from indexation rates driven by expenditure on high needs students in government schools.

¹⁰ DEEWR Non-government School Financial Questionnaire (FQ)

¹¹ Based on figures provided in Productivity Commission Report on Government Services 2011

This argument needs to be balanced on two counts. Firstly, by the fact that the numbers of special needs students in non-government schools continues to grow and the primary constraint on that growth is lack of equitable government assistance. Since 2000, enrolments in independent schools have increased on average at 3.2 per cent per annum while, for example, the number of students with disabilities has increased by 6.6 per cent per annum¹². Secondly, that indexation is provided only for that portion of non-government school income provided through Australian Government grants which for most independent schools represents a minority of their total income. Maintaining the value of the bulk of income for most independent schools is achieved by increases to fees and other private income.

As an examination of alternative indices such as CPI and Average Weekly Ordinary Time Earnings (AWOTE) would verify, the AGSRC remains the most appropriate index for maintaining the real value of Australian Government recurrent grants to all schools.

THE LEVEL OF RESOURCING AVAILABLE TO A SCHOOL IS NOT THE ONLY DRIVER OF OUTCOMES.

As demonstrated by analysis of the My School 2.0 website, there is no consistent link between outcomes and the level of resources available to a school.

Sufficient resources are an important element of a quality education. There is a frequently raised argument regarding student outcomes which is based on the assumption that all school outcomes are linked to resource levels.

Without doubt, appropriate resourcing is important to overcome educational disadvantage and produce strong learning outcomes. However, as research has indicated, there are many other factors that strongly influence learning outcomes beyond the level of resources available to schools.

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.

Analysis of My School 2.0 data indicates that while independent schools with high income per student have the most students with high NAPLAN scores, strong NAPLAN performance is maintained across all the income quartiles.¹³

¹² ABS *Schools, Australia* data and DEEWR Non-Government Schools Census 2010 – does not include independent Catholic enrolments

¹³ Deloitte Analysis 2009 Financial Data for My School – March 2011

INDEPENDENT SCHOOLS HAVE A SIGNIFICANT AND INCREASING NUMBER OF DISADVANTAGED STUDENTS AND STUDENTS WITH SPECIAL NEEDS.

Enrolments of special needs students in independent schools are increasing annually with the major constraint on enrolment growth being additional resourcing to adequately support their needs.

Independent schools are not-for-profit institutions that are set up and governed independently, the majority on an individual school basis. As autonomous, independent entities, most independent schools cannot rely on support from a systemic school authority to provide additional resources to meet the needs of increasing numbers of students with special needs such as students with disabilities, students from a language background other than English, rural and remote students, indigenous students, students with social, behavioural or emotional issues or other educationally disadvantaged students and students who need special support. It should also be noted that parents have the right to choose a school of their choice and that schools, unless they can categorically prove undue hardship due to the enrolment of a student with a disability, are required under the *Disability Discrimination Act 1992*, to enrol these students regardless of the level of supplementary assistance that may be available. The Australian Government and some state and territory governments provide limited supplementary assistance to support the additional costs associated with educating special needs students. However, the bulk of the additional costs of these students in independent schools must be met by the individual school community.

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.

Despite the issues around ensuring adequate funding support for high needs students in independent schools, the number of these students in independent schools is significant and continues to increase annually. Indeed, 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.

Despite the best intentions of independent schools, the harsh reality is that once parents realise the resource constraints experienced by independent schools for their special needs child compared to what their child could attract in a government school, they often have to make the heartbreaking decision to send their child to a school which is not their first choice, often separating siblings.

The role of the independent school sector in providing for students with disabilities has increased dramatically in recent years. In 2010, around 12,170 students with disabilities enrolled in independent schools, an enrolment increase of 89 per cent since 1999.

About 79 per cent of these students were enrolled in mainstream schools and around 21 per cent enrolled in special schools which provide alternative educational settings for students with high-level needs.¹⁴

Special schools in the independent sector cater for students with disabilities and special assistance schools primarily cater for students with social, emotional or behavioural difficulties.

Special schools provide alternative educational settings for students with high-level needs. These schools may cater for students with disabilities such as autism, as well as students who are at risk of disengaging from school, who are struggling in a mainstream environment or who have behavioural issues. These schools provide parents and students with an alternative choice from a mainstream school to a school that more effectively meets the needs of particular students. Many mainstream independent schools also incorporate a unit to cater for students with special needs.

The independent sector also caters for students with severe social, emotional and behavioural issues through its Special Assistance Schools. These schools serve young people who have disengaged from education and whose needs are not met by mainstream education. They are often referred from community services, juvenile justice and other schools both government and non-government. Special Assistance Schools have developed specially adapted programs and structures designed to re-engage students in education and prepare them for further training and employment.

Independent schools are also enrolling increasing numbers of students from a language background other than English. Since 2006, the number of students in independent schools eligible for assistance under the Australian Government's English as a Second Language New Arrivals Program has increased by 43 per cent.

The independent schools sector provides a significant contribution to educating students from Australia's rural and remote areas, where the high costs of schooling provision pose a challenge for governments and school communities. Many people are surprised to learn that there are independent schools outside of cities and larger regional centres. While 70 per cent of independent schools are located in metropolitan areas, 27 per cent are in provincial areas and 3 per cent in remote areas.¹⁵ This is broadly consistent with the location of the Australian population generally.

Many students from rural and remote areas attend boarding schools in the state and territory capital cities or larger regional towns. Alternatively, rural and remote students may board elsewhere but attend an independent school as a day student. Others attend independent schools in their local areas or choose the option of distance education.

The independent sector dominates boarding school provision in Australia, with some 152 boarding schools and about 16,830 boarding students.¹⁶ Providing quality boarding facilities is expensive and like all education costs, the cost of boarding provision is increasing.

14 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

15 MCEECDYA Geographic Location Database 2009

16 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

There are 9,315 indigenous students in independent schools. There are 31 independent schools with indigenous enrolments of more than 50 per cent. There is a strong commitment and innovative approach towards meeting the specific educational needs of indigenous students across a range of settings and types of independent schools. Some students are within local independent schools, others attend schools that provide special programs for indigenous students, and some students attend boarding schools, while others attend indigenous schools or indigenous community schools that cater exclusively for indigenous students. Many schools provide boarding scholarships.

The majority of indigenous students in the sector are located in Queensland (34 per cent), New South Wales (23 per cent), Western Australia (16 per cent), and the Northern Territory (14 per cent).¹⁷

Schools and the state and territory AIs work together to provide a range of programs for indigenous students. In Western Australia, indigenous liaison officers have been employed to provide direct support to indigenous students from rural and remote regions of Western Australia who are boarding at independent schools in Perth and a Support Unit to assist indigenous community schools in remote areas of the State.

Independent schools also cater for the development of gifted and talented students. Many have scholarship programs for students who are gifted academically, musically, in sport, or in the performing arts. To meet the special needs of these students, independent schools adopt a number of strategies including acceleration, extension programs and participation in university courses.

INDEPENDENT SCHOOLS SERVE ALL SOCIO ECONOMIC SEGMENTS OF AUSTRALIAN SOCIETY.

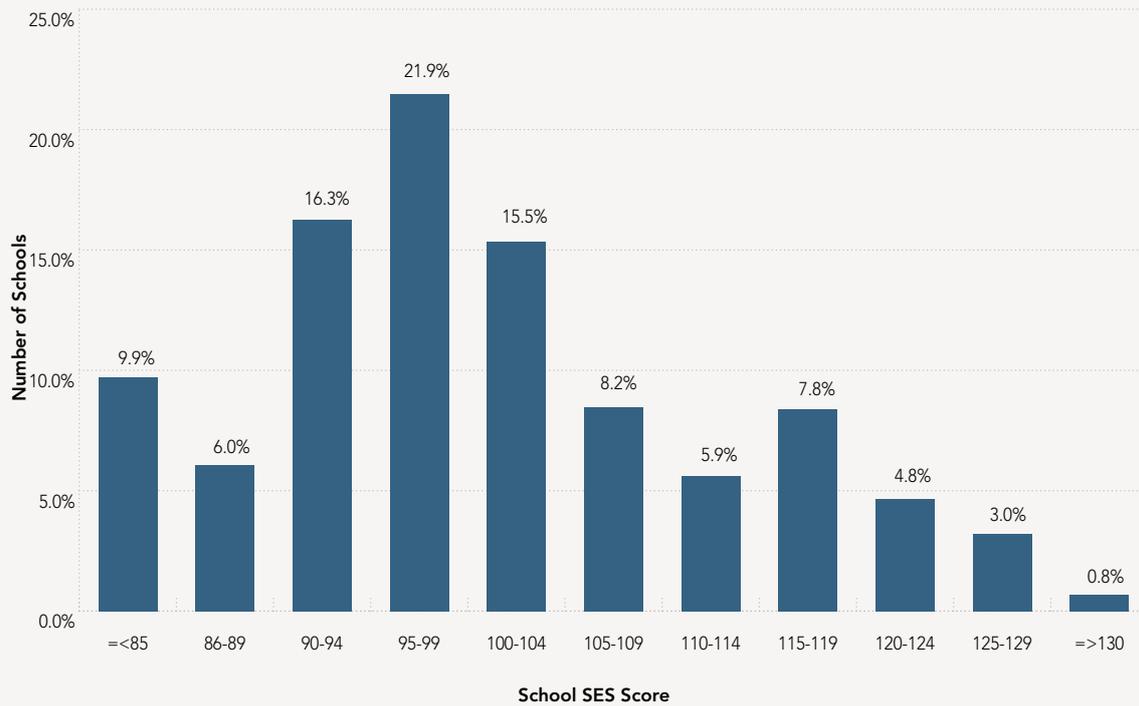
Independent schools draw their enrolments from the full spectrum of socio-economic status.

There is sometimes a perception that independent schools only educate students from wealthy families. In fact, the socio-economic profile of individual schools varies greatly across the sector, with some schools drawing students from quite diverse backgrounds while at other schools there may be a greater concentration of students from low SES or higher SES backgrounds.

Independent schools attract students from all income groups, as can be demonstrated from Chart 4 which shows the distribution of independent schools by SES score range. Trends in enrolments also indicate that the fastest growing segment of the sector is in low fee schools, providing access to independent schools for lower income families.

17 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

CHART 4: DISTRIBUTION OF INDEPENDENT SCHOOLS BY SES SCORE RANGE, 2010



Source: Senate Education, Employment and Workplace Relations Committee, Budget Estimates, Answer to Question on Notice EW0074_11

ABS data on family income also provides an insight into the SES profile of all school sectors. Table 1 shows school students by family income by sector.

While the independent sector has a higher level of higher SES families which would be expected, it is clear that the independent sector also has the majority of its enrolments across the other income bands demonstrating a pattern broadly consistent with the other sectors.

Most independent schools provide scholarships, part-scholarships and fee relief for disadvantaged students to give them the opportunity to access a quality education of their choice. These include students from low socio-economic backgrounds or those who may be disadvantaged for other reasons. For many independent schools servicing remote communities, the capacity of parents and the local community to raise private income for schooling is minimal. These schools rely almost entirely on support from government and philanthropic support.

TABLE 1: SCHOOL STUDENTS BY FAMILY INCOME – AUSTRALIA, 2006

FAMILY INCOME	INDEPENDENT		CATHOLIC		GOVERNMENT		ALL SECTORS	
	NO.	%	NO.	%	NO.	%	NO.	%
< \$25,999	20,178	6.1%	31,828	6.1%	183,544	11.2%	235,550	9.4%
\$26,000 – \$33,799	19,808	5.9%	35,039	6.8%	200,698	12.2%	255,545	10.3%
\$33,800 – \$62,399	63,787	19.1%	121,082	23.4%	492,787	30.0%	677,656	27.2%
\$62,400 – \$88,399	53,529	16.1%	109,599	21.1%	325,416	19.8%	488,544	19.6%
\$88,400 – \$103,999	31,149	9.4%	59,419	11.5%	140,676	8.6%	231,244	9.3%
\$104,000+	144,671	43.4%	161,412	31.1%	298,249	18.2%	604,332	24.2%
Total	333,122	100.0%	518,379	100.0%	1,641,370	100.0%	2,492,871	100.0%

Note: Excludes other territories, educational institution attended not stated, income not applicable, partial income and income not stated

Source: ABS Census of Population and Housing 2006

Table 1 shows that the independent sector is not the preserve of the well off, with about a third of independent school enrolments coming from families earning less than average full time earnings.¹⁸

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

Kelley and Evans examined this issue in their paper “Choice Between Government, Catholic and Independent Schools: Culture and Community, Rather Than Class”¹⁹ and concluded that school sector choice is much more about culture and community than about class, with family income only playing a small role in school sector decisions, with poor and middle class families being equally likely to send their children to independent schools and the prosperous – those in the top quintile of income – being only slightly more likely than people on lower incomes to do so, net of other factors.

In fact, according to Kelley and Evans, around 60 per cent of students in all three sectors come from the middle 3 quintiles of the parental income distribution.

INDEPENDENT SCHOOLS REFLECT THE DIVERSITY OF AUSTRALIAN SOCIETY.

Independent schools enrol students from a diverse range of regions, religions and social backgrounds. Reflected throughout this submission is the diversity of independent schools. Independent schools are located in all areas of Australia including the remotest locations, enrolling students from all backgrounds and catering for the range of special educational needs students may require to achieve their education goals.

¹⁸ ABS average gross weekly earnings of \$1,305 for 2005-06

¹⁹ Choice Between Government, Catholic and Independent Schools: Culture and Community, Rather Than Class by Jonathon Kelley and M.D.R. Evans, Melbourne Institute of Applied Economic and Social Research

Many independent schools are faith-based schools with the sector encompassing the full spectrum of faiths across the Australian community including not only the well-known Anglican, Uniting Church and Catholic schools, but also Lutheran, Baptist, Seventh Day Adventist, Islamic, Greek Orthodox, Christian and Jewish schools. Table 2 provides a breakdown of the affiliations of independent schools.

TABLE 2: AFFILIATIONS OF INDEPENDENT SCHOOLS, 2010

AFFILIATION	SCHOOLS	STUDENT FTE	%
Anglican	156	137,812	25.2%
Non-Denominational	188	72,100	13.2%
Christian Schools	136	53,757	9.8%
Catholic	64	50,702	9.3%
Uniting Church in Australia	43	49,289	9.0%
Lutheran	85	36,549	6.7%
Inter-Denominational	29	20,725	3.8%
Islamic	32	20,198	3.7%
Baptist	42	17,803	3.3%
Seventh Day Adventist	47	11,043	2.0%
Presbyterian	14	9,844	1.8%
Jewish	20	9,004	1.6%
Steiner School	42	7,515	1.4%
Pentecostal	16	6,838	1.3%
Assemblies of God	10	5,596	1.0%
Greek Orthodox	8	3,894	0.7%
Montessori School	39	3,955	0.7%
Brethren	8	4,025	0.7%
Other Catholic	8	3,469	0.6%
Other Orthodox	6	2,129	0.4%
Other Religious Affiliation*	11	5,033	0.9%
Other**	83	14,607	2.7%

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

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

Source: DEEWR Non-Government Schools Census 2010

A criticism sometimes directed at religious schools in the independent sector is that because they allow students to segregate into more homogenous groups, and because religious instruction may have strict stances on morality and behaviour, they create intolerance and undermine social harmony. In her paper 'The Rise of Religious Schools', Jennifer Buckingham states that "Although testing on this assumption is scarce, existing evidence suggests that this is not the case.

People who have attended non-government schools (which are usually religious schools) do not express opinions that are less socially liberal or less tolerant of difference than students who have attended government schools. On some issues, the opposite is the case. People who attended non-government schools actually have higher rates of civic participation than people who attended government schools.”²⁰

MANY PARENTS OF CHILDREN IN GOVERNMENT SCHOOLS ARE ALSO EXERCISING CHOICE.

For a variety of reasons, many high socio-economic families exercise their right to choice and elect to send their children to government schools.

Choice is not limited to parents sending their children to non-government schools. Clearly choice is being exercised by many parents in government schools as well. As demonstrated in Table 1, many parents of students in government schools have the capacity to pay for their children’s education but choose to spend their after-tax income on other priorities. Eighteen per cent of children in government schools come from families in the highest income range. These parents clearly could afford a fee-paying school, but choose the government sector. There may be a variety of reasons for this including for ideological reasons, or because they elect to utilise their disposable income for other priorities or because their local government school is well resourced, academically oriented with a student enrolment base of students with similar family socio-educational backgrounds and values.

The wide range of family incomes in independent schools indicates that it is not only capacity but also willingness to pay that influences families to choose an independent school.

However, those families who elect to utilise their after-tax income to contribute to their children’s education are sometimes accused of contributing to the “marginalisation” of the public school sector.

Unlike in the health sector where high income earners without private health insurance are obliged to make an additional after tax contribution to support the health costs of all in the Australian community through the Medicare levy, high income earners who choose to spend their after tax income on expenditure other than on their children’s education, make no additional contribution. Australians across all income brackets who make the sacrifice to pay for private health insurance in order to avail themselves of choice in health providers and hospitals are not criticised for their contribution to the “marginalisation” of the public health sector. Instead, those utilising the private health sector are applauded for freeing up scarce resources in the public health sector. The situation for parents choosing to contribute to their children’s education is no different.

²⁰ Australian Survey of Social Attitudes (2005) Australian Social Science Data Archive – quoted in *The Rise of Religious Schools*, Jennifer Buckingham, The Centre for Independent Studies

INDEPENDENT SCHOOLS ARE HIGHLY ACCOUNTABLE FOR THE GOVERNMENT FUNDING ASSISTANCE THEY RECEIVE.

Independent schools are accountable to the Australian Government and state and territory governments and their school communities.

Independent schools are often accused of not being as accountable for government funds as government schools are.

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.

As well as the Australian Government and state and territory government education authorities, independent schools are bound by a number of other legal requirements associated with their operations. Unlike government schools where there is no individual financial accountability, independent schools are subject to significant financial scrutiny. 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. Independent schools must provide a Financial Questionnaire to the Australian Government Department of Education, Employment and Workplace Relations (DEEWR). The Financial Questionnaire is an annual collection of financial income, expenditure and liabilities from all non-government schools receiving Australian Government general recurrent grants utilising data from audited financial statements.

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.

Independent schools are also accountable to their stakeholders, including school Boards, students, parents and the school community – who are also fee-paying partners – founders and other financial supporters.

A detailed outline of the full accountability and regulation requirements governing independent schools is provided in the Background section of this submission.

GOVERNMENTS ARE INCREASINGLY RECOGNISING THE IMPORTANCE OF PRIVATE CONTRIBUTIONS AND RELYING ON PRIVATE CONTRIBUTIONS TO HELP FUND DELIVERY OF KEY GOVERNMENT SERVICES.

The competing priorities of fiscal responsibility and community demands for improvements in the quality and scope of service delivery across a range of government service areas have meant that governments are increasingly seeking to encourage and occasionally mandate private contributions to alleviate pressure on government outlays. This is occurring in areas such as health, housing, aged care, community services and in infrastructure sectors including transport, communications and energy. The role of private contribution in contributing to the income of institutions is now established in the higher education and early childhood sectors.

School education remains an area where the issue of private contributions is rarely considered as an option to increase the resources available within the sector. Parental and community investment in schooling is estimated to be 16 per cent of total expenditure on schooling in Australia. In the non-government sector, the decision by parents to make a significant contribution to their children's schooling is made by choice and represents a partnership between non-government schools and parents which provides a major contribution to the funding effort for Australian schools. Based on Productivity Commission data, ISCA calculates that the total savings in government recurrent expenditure from students attending non-government schools was some \$7.9 billion in 2008–09. This is up from \$7 billion in 2007–08. In the independent sector, parents saved governments \$3.6 billion.

With trends in government financing increasingly moving towards public/private partnerships, the non-government school funding partnership model is evidence of how this approach can work effectively in the school education sector. It highlights the importance of ensuring that school funding models encourage private investment, not just in the non-government sector but across all schooling sectors.

CONCLUSION

ISCA welcomes the opportunity to make this Submission to the Review of Funding for Schooling.

The sector makes up a significant and increasing proportion of schools and enrolments in Australia with close to 1,090 schools and around 550,000 students in 2010.²¹ Whilst on average parents in independent schools contribute 60 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 outcome of the Review is a high stakes issue for the sector.

This Submission sets out the key outcomes of the Review from the sector's perspective and addresses a number of frequently raised issues regarding independent schools, including some views and opinions highlighted in the Emerging Issues Paper.

ISCA looks forward to working with the Review Panel and the Australian Government to secure funding arrangements for schools which will ensure that all Australian students have access to a quality education.

21 DEEWR Non-Government School Census 2010 – includes independent Catholic school enrolments

BACKGROUND

A. 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.

Some schools with common aims, religious affiliations and/or educational philosophies also belong to systems within the sector. This means that some operational functions are carried out by the system on behalf of all schools within the system. Systemic schools account for 17 per cent of schools in the independent sector.

Almost all independent schools in Australia choose to become members of their state or territory Association of Independent Schools (AIS). AISs provide a range of services to member schools. In addition to representing the views of the independent school sector at state and territory level, they administer funding provided by the Australian Government on a range of targeted programs, as well as providing professional development, advice and information. Many AISs also offer industrial relations services.

Increasingly the Australian Government and its agencies are relying on AISs to provide advice on and assistance with the implementation of Australian Government programs and policies. Two recent examples have been the Smarter Schools National Partnerships and the development of ACARA's My School website. AISs are pleased to assist government and to provide services to their member schools, but it should be recognised that AISs are not funded by government for these roles.

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.

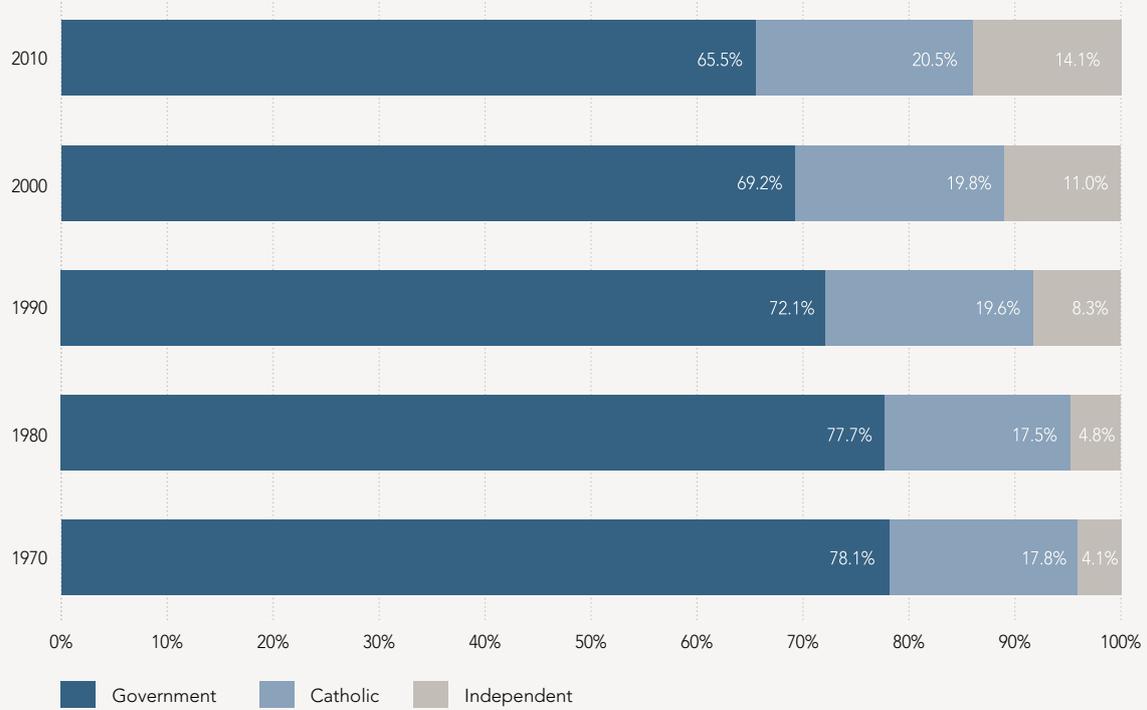
B. SCHOOL ENROLMENTS AND TRENDS

The independent school sector is the fourth largest school education provider in Australia and at secondary level is the second largest provider of schooling services.²²

²² ABS *Schools, Australia 2010* and Non-Government School Census 2010 – independent sector figures include independent Catholic enrolments

Enrolments in independent schools have grown steadily since the 1970s. According to Australian Bureau of Statistics (ABS) data, in 2010 independent schools accounted for 14 per cent of total student enrolments compared to 4 per cent in 1970²³. Full time enrolments have increased from around 114,000 in 1970 to over 491,000 in 2010.

CHART 5: ENROLMENT CHANGE BY SECTOR, 1970–2010



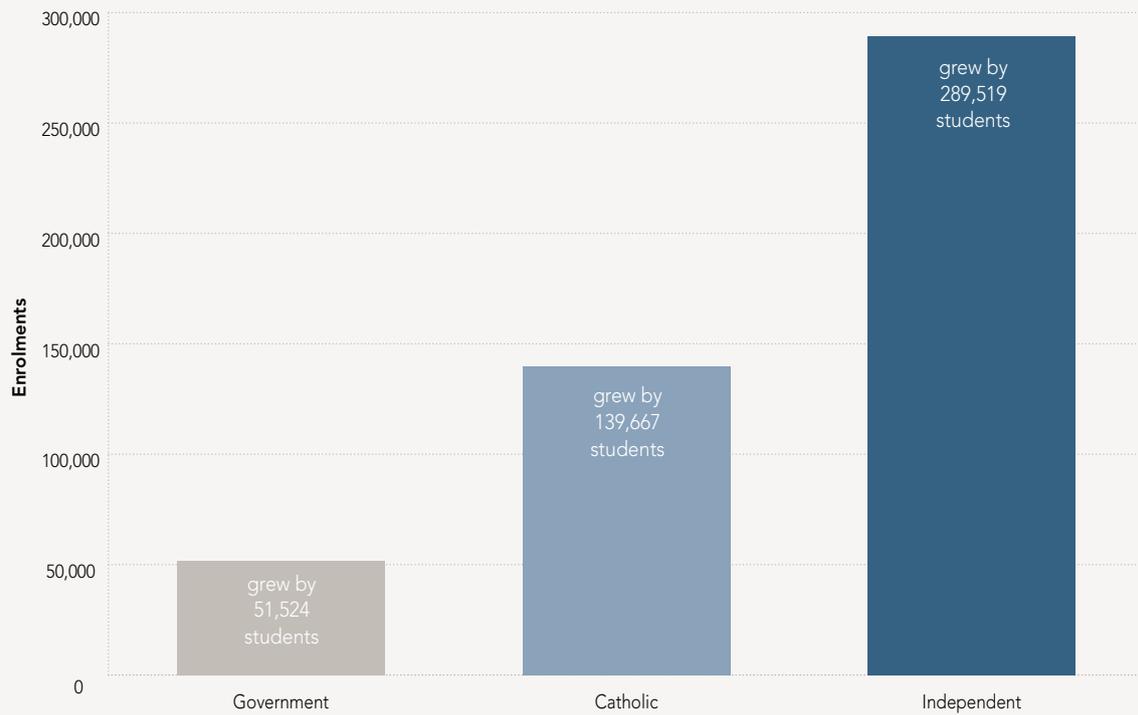
Source: DEEWR and ABS *Schools, Australia*

The steady growth in enrolments in independent schools has continued irrespective of the political persuasions of governments, funding arrangements or economic conditions over the period, and confirms that a large and growing number of Australian families want increased choice in schooling options.

Analysis of the growth in enrolments by sector shows that the independent schools sector has grown both at a higher rate and in terms of absolute numbers. Since 1985, 60 per cent of new enrolments were in the independent sector.

23 ABS data excludes independent Catholic enrolments

CHART 6: GROWTH IN ENROLMENT SHARE, 1985–2010

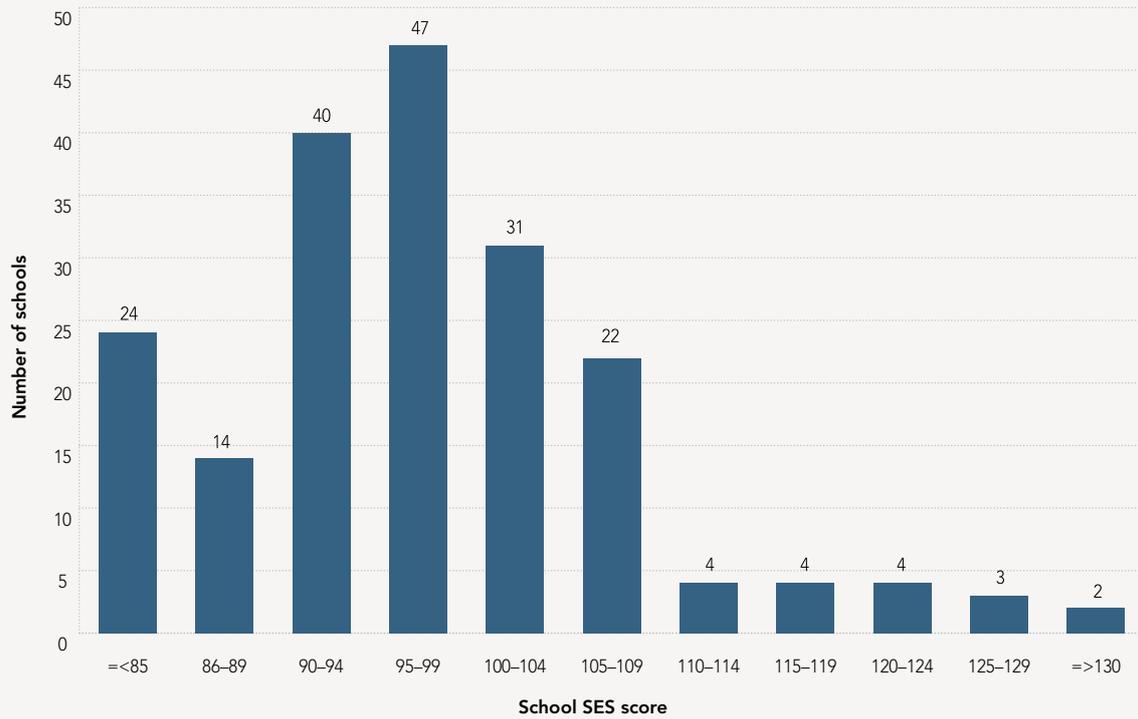


Source: ABS *Schools, Australia*

Analysis of enrolment growth patterns in the independent sector shows that enrolment growth has occurred predominantly in schools drawing students from a lower socio-economic profile. Analysis of the SES scores of the 195 new schools²⁴ which opened during the eleven year period 2000 to 2010 shows that 70 per cent have an SES score of 100 or less. Most of these new schools aim to operate with low fees, and their establishment has contributed to the increasing diversity of the sector.

²⁴ This figure does not include schools for which an SES score was not available

CHART 7: NEW SCHOOLS IN THE INDEPENDENT SECTOR BY SES, 2000–2010

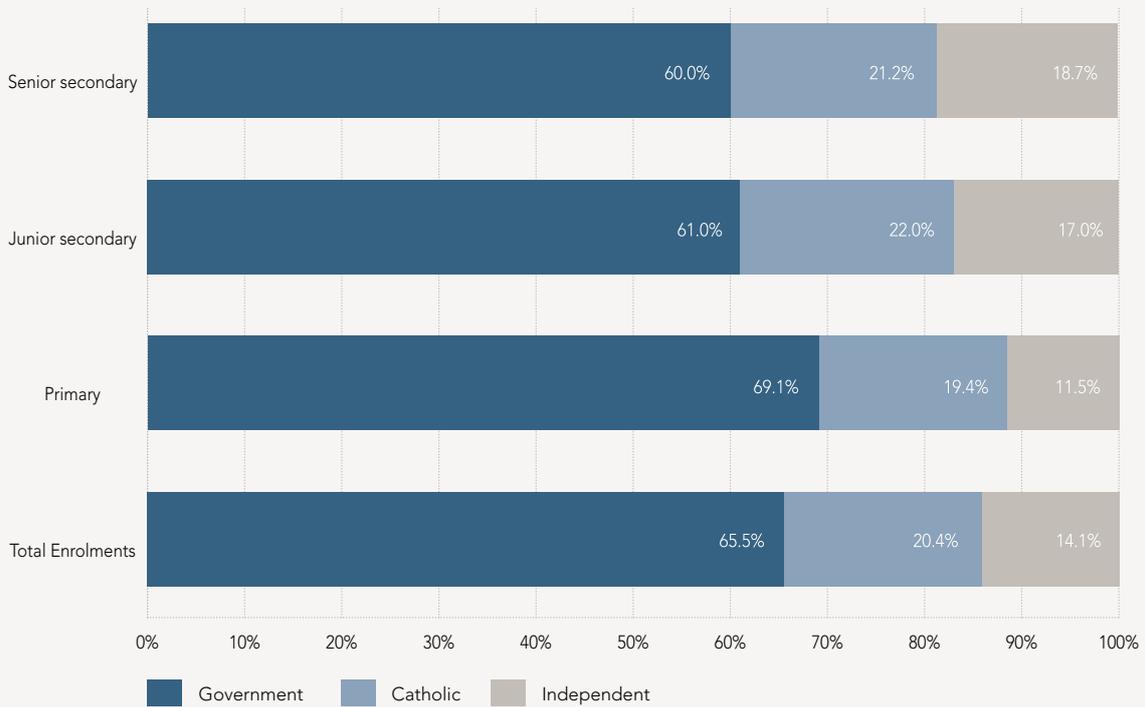


Source: DEEWR

While the independent sector accounts for 14 per cent 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 per cent of total primary enrolments. The share of enrolments in independent schools rises to around 17 per cent for junior secondary and 19 per cent for senior secondary. While the independent sector has proportionally less primary enrolments, it does have a large proportion of combined primary and secondary schools representing 62 per cent of schools in the independent sector.²⁵

²⁵ DEEWR Non-Government School Census 2010 – includes independent Catholic schools

CHART 8: AUSTRALIAN SCHOOL ENROLMENTS BY SECTOR AND LEVEL, 2010



Source: ABS Schools, Australia 2010

As previously noted, ABS data does not include independent Catholic school enrolments. When these enrolments are included the number of independent secondary enrolments rises to 305,753 making independent schools the second largest provider of secondary education in Australia.

When considering future funding arrangements for independent schools it is important not just to look at the historical trends in school enrolments, but to examine projected enrolment change. Table 3 shows projected enrolment change across all sectors by primary/secondary for the period 2010 – 2020. The projections in this table are sourced from DEEWR enrolment projections and ABS Schools Australia current 2010 data. These projections show the historical trend of the independent sector’s increasing share of enrolments continuing. Of particular note is the growth in secondary school enrolments which is highest in both percentage share and absolute numbers.

TABLE 3: PROJECTED ENROLMENT CHANGE BY SECTOR, 2010 – 2020

	2010	2020	CHANGE (NO.)	CHANGE (%)
Government Schools				
Primary	1,389,263	1,754,541	365,278	26%
Secondary	893,094	942,649	49,555	6%
Total	2,282,357	2,697,190	414,833	18%
Catholic Schools				
Primary	390,532	492,573	102,041	26%
Secondary	322,757	367,737	44,980	14%
Total	713,289	860,310	147,021	21%
Independent Schools				
Primary	230,532	302,722	72,190	31%
Secondary	260,701	338,548	77,847	30%
Total	491,233	641,270	150,037	31%

Source: DEEWR Projections and ABS *Schools, Australia 2010*

These projected enrolment figures have significant implications for the Australian Government and state and territory governments, education systems and providers. Not only will there be significant recurrent costs in educating this increase in enrolments, there will also need to be significant investment in capital infrastructure and human resources.

Table 4 provides an indication of the impact of these enrolment projections for the independent sector including an estimate of the number of new schools that would be required to accommodate these additional enrolments.

TABLE 4: PROJECTED ENROLMENT CHANGE IN INDEPENDENT SCHOOLS, 2010 – 2020

	2010	2020	CHANGE IN STUDENT NUMBERS	EQUIVALENT NUMBER OF NEW SCHOOLS*
Primary	230,532	302,722	72,190	149
Secondary	260,701	338,548	77,847	161
Total	491,233	641,270	150,037	310

Source: DEEWR Projections and ABS *Schools, Australia 2010*

* In 2010 the average size of an independent school was approximately 483 students

ENROLMENT GROWTH IMPLICATIONS

Over the period 1985 to 2010 enrolments in Australian schools grew by around 480,710 students. Of these enrolments, 289,519 or 60 per cent were in independent schools. Utilising DEEWR's enrolment projections and ABS data, enrolment growth in independent schools will continue to outpace government and Catholic school growth over the next ten years. These projections indicate that independent schools will need to accommodate an additional 150,037 students which equates to an additional 310 schools in the sector.

Future funding arrangements will need to consider the historical and projected enrolment growth patterns across the schooling sectors. Data would indicate that much of the growth in the independent sector has been met through increasing the size of existing independent schools, with existing schools increasing the number of year levels offered, and the size of enrolment intakes across year levels. This is a reflection of the considerable lead time and outlay required to establish a new independent school. There is already evidence of unmet demand in many areas of the independent sector with independent schools in many areas having lengthy waiting lists.

Critical to the capacity for the independent sector to meet parental demand for an independent education for their children will be the capacity of government funding arrangements to support the maintenance and growth of independent schools. A major constraint on the growth of existing independent schools and the establishment of new independent schools is the requirement for significant outlay on capital works.

C. REGULATORY ENVIRONMENT FOR 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 Australian 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: Australian Programs for Non-government Schools 2009 to 2012* and the *Funding Agreement between the Australian 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 Australian 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 Australian 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 Australian Government funding program have been expended appropriately. This includes providing the Australian Government with certificates certified by qualified accountants regarding the expenditure of Australian 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.

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 forces 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.

D. INDEPENDENT SECTOR DIVERSITY AND SOCIAL INCLUSION

The Melbourne Declaration on Educational Goals for Young Australians provides an overarching framework for schooling to ensure the education of young Australians is in the national interest. It is a framework that allows individual needs and aspirations to be recognised and accommodated within wider societal purposes.

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

There is a wide range of school sizes in the sector with the average size being about 483 students. This compares with an average of 338 students at government schools. At one extreme, the sector contains some of Australia’s largest schools – 13 schools have more than 2000 students – while at the other extreme, 13 per cent of schools have less than 50 students. Table 5 provides a breakdown of school size within the sector.

TABLE 5: INDEPENDENT SCHOOL SIZE, 2010

SIZE OF SCHOOL BY ENROLMENTS	NO.	%
Less than 50	141	13%
50 to 199	282	26%
200 to 999	477	44%
1000 to 1999	174	16%
2000+	13	1%
Total	1,087	100%

Source: DEEWR Non-Government Schools Census 2010

Co-educational schooling is most common in the sector, with 76 per cent of students in the sector attending co-educational schools in 2010. Single-gender schools, however, remain a feature of the sector with 11 per cent of students being at boys-only schools and 13 per cent of students being at girls-only schools.

Independent schools are usually established and developed through community groups to meet particular local schooling needs. Eighty five per cent of all independent schools have a religious affiliation. Table 6 provides a breakdown of the significant affiliations within the independent sector.

TABLE 6: AFFILIATIONS OF INDEPENDENT SCHOOLS, 2010

AFFILIATION	SCHOOLS	STUDENT FTE	%
Anglican	156	137,812	25.2%
Non-Denominational	188	72,100	13.2%
Christian Schools	136	53,757	9.8%
Catholic	64	50,702	9.3%
Uniting Church in Australia	43	49,289	9.0%
Lutheran	85	36,549	6.7%
Inter-Denominational	29	20,725	3.8%
Islamic	32	20,198	3.7%
Baptist	42	17,803	3.3%
Seventh Day Adventist	47	11,043	2.0%
Presbyterian	14	9,844	1.8%
Jewish	20	9,004	1.6%
Steiner School	42	7,515	1.4%
Pentecostal	16	6,838	1.3%
Assemblies of God	10	5,596	1.0%
Greek Orthodox	8	3,894	0.7%
Montessori School	39	3,955	0.7%
Brethren	8	4,025	0.7%
Other Catholic	8	3,469	0.6%
Other Orthodox	6	2,129	0.4%
Other Religious Affiliation*	11	5,033	0.9%
Other**	83	14,607	2.7%

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

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

Source: DEEWR Non-Government Schools Census 2010

RURAL AND REMOTE

Independent schools service communities in diverse locations across Australia – 70 per cent are in metropolitan areas, 27 per cent are in provincial areas and three per cent are in remote locations. Table 7 shows the proportion of schools by location in Australia compared to the spread of the Australian population as a whole.

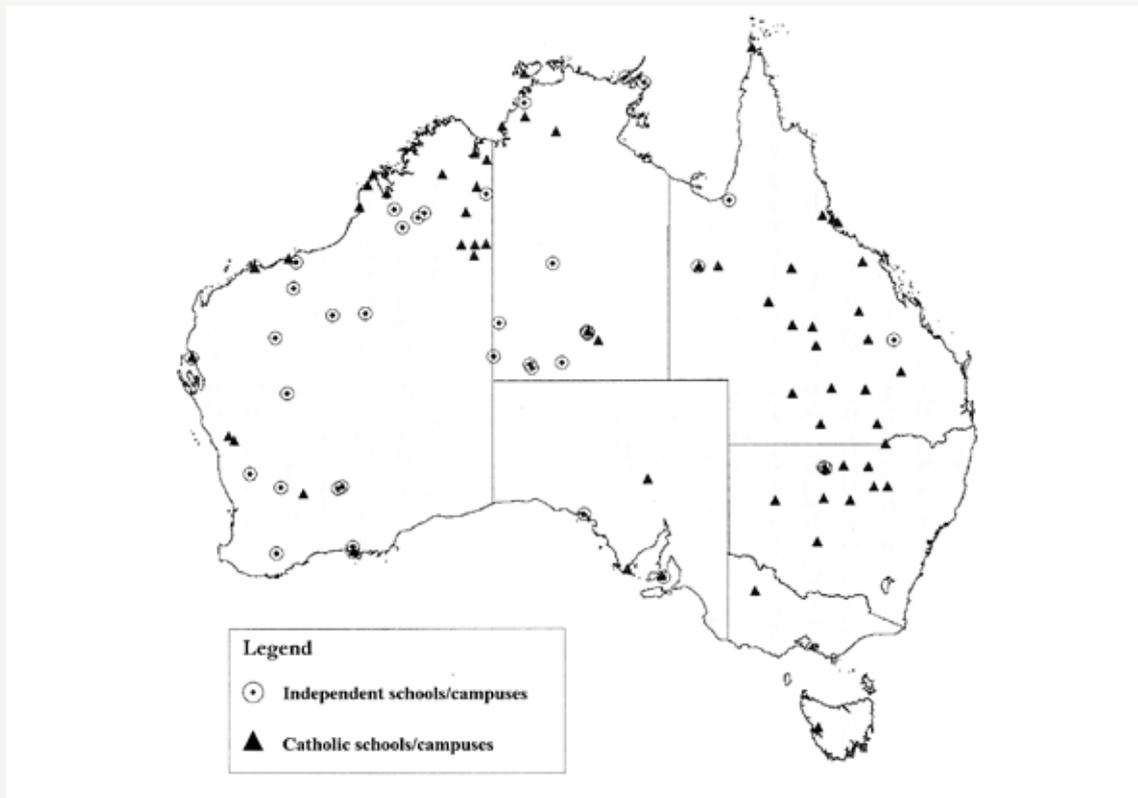
TABLE 7: LOCATION OF INDEPENDENT SCHOOLS AND THE AUSTRALIAN POPULATION

GEOGRAPHIC LOCATION	INDEPENDENT SCHOOLS	AUSTRALIAN POPULATION
Metropolitan/Major cities	70%	69%
Provincial/Regional	27%	29%
Remote	3%	2%

Source: MCEETYA Geographic Location Database and ABS Regional Population Growth Australia, 2008–09 (latest available data)

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

MAP 1: INDEPENDENT AND CATHOLIC SCHOOLS AND CAMPUSES IN REMOTE AND VERY REMOTE AUSTRALIA 2006



Source: *The Sectoral Trends of Australian Schooling Volume 1*, NCEC Australian Catholic Statistics Working Group, 2008

More generally the independent sector includes 152 boarding schools which cater for 16,830 boarding students²⁶. As well as indigenous students, these boarding schools also cater for other students from rural and remote areas, providing them with pastoral and emotional support whilst they access a quality education. Many independent schools provide scholarships to provide indigenous and other students from remote areas access to a high quality education.

26 DEEWR Non-Government School Census 2010 – includes independent Catholic schools and enrolments

LANGUAGE BACKGROUND OTHER THAN ENGLISH

Independent schools are also enrolling increasing numbers of students from a language background other than English. Since 2006, the number of students in independent schools eligible for assistance under the Australian Government's English as a Second Language New Arrivals Program has increased by 43 per cent.

LOW SOCIO-ECONOMIC STUDENTS

Most independent schools provide scholarships, part-scholarships and fee relief for disadvantaged students to give them the opportunity to access a quality education of their choice. These include students from low socio-economic backgrounds or those who may be disadvantaged for other reasons. For many independent schools servicing remote communities, the capacity of parents and the local community to raise private income for schooling is minimal. These schools rely almost entirely on support from government and philanthropic support.

Independent schools draw their enrolments from the full spectrum of socio-economic status. The majority of independent schools are located in middle to low SES scores. ABS data on family income also provides an insight into the SES profile of all school sectors. Table 8 shows school students by family income by sector. While the independent sector has a higher level of higher SES families as would be expected, it is clear that the independent sector also has the majority of its enrolments across the other income bands demonstrating a pattern broadly consistent with the other sectors.

TABLE 8: SCHOOL STUDENTS BY FAMILY INCOME – AUSTRALIA, 2006

FAMILY INCOME	INDEPENDENT		CATHOLIC		GOVERNMENT		ALL SECTORS	
	NO.	%	NO.	%	NO.	%	NO.	%
< \$25,999	20,178	6.1%	31,828	6.1%	183,544	11.2%	235,550	9.4%
\$26,000 – \$33,799	19,808	5.9%	35,039	6.8%	200,698	12.2%	255,545	10.3%
\$33,800 – \$62,399	63,787	19.1%	121,082	23.4%	492,787	30.0%	677,656	27.2%
\$62,400 – \$88,399	53,529	16.1%	109,599	21.1%	325,416	19.8%	488,544	19.6%
\$88,400 – \$103,999	31,149	9.4%	59,419	11.5%	140,676	8.6%	231,244	9.3%
\$104,000+	144,671	43.4%	161,412	31.1%	298,249	18.2%	604,332	24.2%
Total	333,122	100.0%	518,379	100.0%	1,641,370	100.0%	2,492,871	100.0%

Note: Excludes other territories, educational institution attended not stated, income not applicable, partial income and income not stated

Source: ABS Census of Population and Housing 2006

Table 8 shows that the independent sector is not the preserve of the well off, with about a third of independent school enrolments coming from families earning less than average full time earnings.²⁷

²⁷ ABS average gross weekly earnings of \$1,305 for 2005–06

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

Kelley and Evans examined this issue in their paper “Choice Between Government, Catholic and Independent Schools: Culture and Community, Rather Than Class”²⁸ and concluded that school sector choice is much more about culture and community than about class, with family income only playing a small role in school sector decisions, with poor and middle class families being equally likely to send their children to independent schools and the prosperous – those in the top quintile of income – being only slightly more likely than people on lower incomes to do so, net of other factors.

EDUCATIONAL DISADVANTAGE

The development of the Index of Community Socio-Educational Advantage (ICSEA) for the My School website for the purposes of identifying schools serving similar student populations has made it possible for the first time to compare the socio-educational profile of every school in Australia.

Analysis of the ICSEA data for government, Catholic and independent schools shows the distribution of statistically similar schools to be fairly consistent across the sectors. The 2009 ICSEA scores have been used for the purposes of the comparison as the methodology is consistent across all schools. The 2010 ICSEA scores are calculated using a hybrid methodology which is not consistent across all schools. Table 9 shows the distribution of schools by ICSEA score by sector.

TABLE 9: DISTRIBUTION OF SCHOOLS BY ICSEA SCORE, 2009

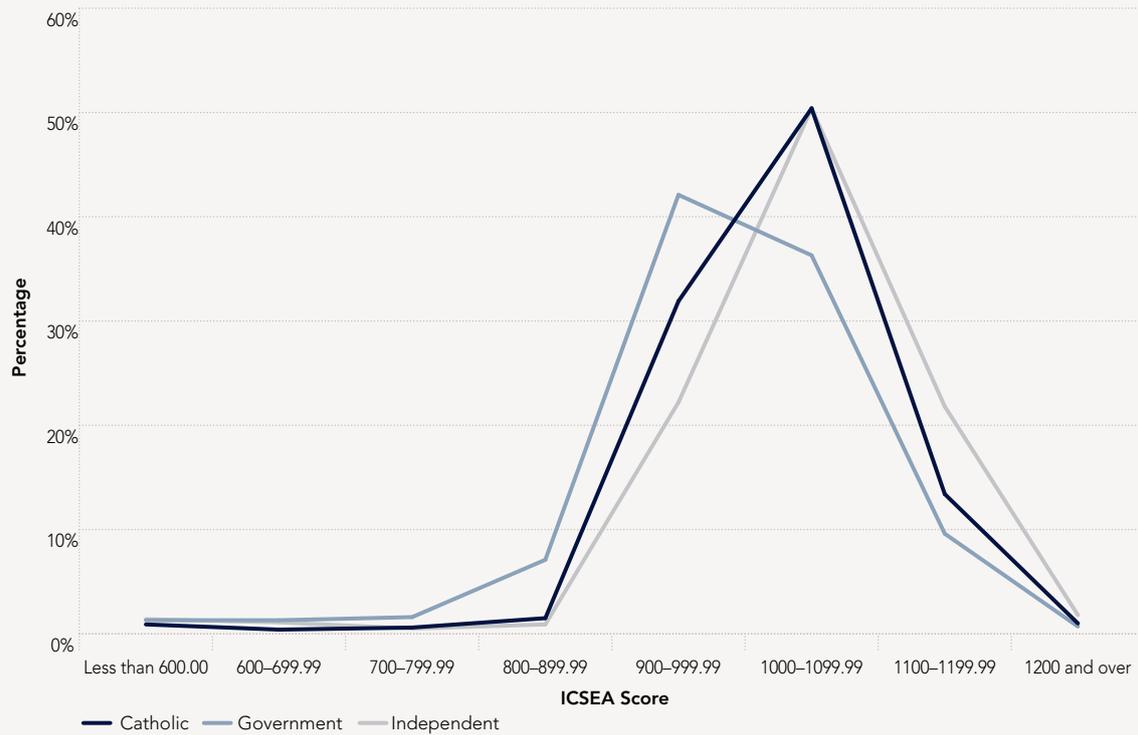
ICSEA SCORE RANGE	CATHOLIC	GOVERNMENT	INDEPENDENT
Less than 600.00	0.9%	1.3%	1.4%
600 – 699.99	0.4%	1.3%	1.1%
700 – 799.99	0.6%	1.6%	0.5%
800 – 899.99	1.5%	7.1%	0.9%
900 – 999.99	31.9%	42.1%	22.2%
1000 – 1099.99	50.4%	36.3%	50.4%
1100 – 1199.99	13.4%	9.6%	21.8%
1200 and over	1.0%	0.7%	1.8%

Source: ACARA ICSEA data

The information in Table 9 can also be presented graphically to provide a snapshot of the distribution of schools by ICSEA by sector.

²⁸ Choice Between Government, Catholic and Independent Schools: Culture and Community, Rather Than Class by Jonathon Kelley and M.D.R. Evans, Melbourne Institute of Applied Economic and Social Research

CHART 9: DISTRIBUTION OF SCHOOLS BY ICSEA SCORE, 2009



Source: ACARA ICSEA data

INDIGENOUS STUDENTS

The independent sector incorporates schools that cater for indigenous students. Indigenous student enrolments are spread broadly across the sector with many independent schools having one or two indigenous students. Other schools including urban and regional boarding schools and indigenous community schools located in remote areas have larger numbers of indigenous students.

Many of these schools have limited capacity to raise private income and are often provided with additional support by other schools within the independent sector and through independent schools generally through their AIS. The independent sector has 31 schools with an indigenous enrolment of more than 50 per cent.

More broadly, the independent sector as a whole includes indigenous enrolments of 9,315²⁹. The number of indigenous enrolments in the independent sector is increasing, with the number of enrolments increasing by 160 per cent since 1995. 720 independent schools have indigenous students enrolled. These schools include those independent schools that provide scholarships to indigenous students from remote areas to access to a high quality education.

29 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

E. CONTRIBUTION OF INDEPENDENT SCHOOLING

All schools government, Catholic and independent, contribute to the common good by providing school education to Australian students. Schools provide a benefit to individuals by equipping students with skills and knowledge to prepare them for life and employment, and a benefit to society by providing students with skills and knowledge to contribute to the social and economic development of the nation. All Australian schools and systems must agree to support the achievement of the Melbourne Declaration on Educational Goals for Young Australians. The Melbourne Declaration sets out the goals to improve educational outcomes that are central to the nation's social and economic prosperity and will position young people to live fulfilling, productive and responsible lives. The Melbourne Declaration explicitly recognises the importance of the contribution of independent schools in achieving these goals.

In independent schools the cost of education and its concomitant contribution to the common good is primarily met by parents and the school community. This parental contribution frees up scarce government resources to allocate to other priorities and reduces the need for government revenue-raising. Government resources allocated to independent schooling represents a highly efficient and effective use of government resources through its capacity to leverage private contributions to education and its social and economic benefits.

Parental and community investment in schooling is estimated to be 16 per cent of total expenditure on schooling in Australia. In the non-government sector, the decision by parents to make a significant contribution to their children's schooling is made by choice and represents a partnership between non-government schools and parents which provides a major contribution to the funding effort for Australian schools. Based on Productivity Commission data, ISCA calculates that the total savings in government recurrent expenditure from students attending non-government schools was some \$7.9 billion in 2008–09. This is up from \$7 billion in 2007–08. Any change in funding policy which adversely affects independent school funding could result in student movement to the government sector with a subsequent reduction in the savings to government and increase in costs to government.

The autonomy of independent schools enables them to respond flexibly as professional educational organisations to meet the needs of their school community and to develop, innovate and improve the school to enhance outcomes for students.

The benefits of school autonomy are now being recognised both nationally and internationally. Cross-country analysis of the OECD Programme for International Student Assessment (PISA) results suggests that the prevalence of schools' autonomy to define and elaborate their curricula and assessments relates positively to the performance of school systems, even after accounting for national income³⁰. In Australia, there was a small positive association between school autonomy in allocating resources and student performance.³¹

30 PISA 2009 Results: What makes a school successful – Resources Policies and Practices OECD

31 Challenges for Australian Education: Results from PISA 2009, ACER

The Australian Government has recognised the benefits of school autonomy reflected in its election commitment to the Empowering Local Schools reform. The Australian Labor Party Campaign media release states that "Under the Empowering Local Schools reform, participating schools will have greater responsibility over school budgets, selecting and employing teachers and staff and identifying funding priorities. This will drive improvements in students' achievements and enable schools to better meet the needs of students.

Principals will have the authority to use site managers, business managers and administration staff to handle the operation of the school, freeing up more time for teachers and principals to focus on teaching and learning. They will also be able to hire specialist teachers and support officers for areas of need identified by their school community.

While some government schools already have autonomy, most lack the authority to make key decisions that affect student outcomes and, across the country, attempts to increase local school decision-making in government sector schools have been infrequent and patchy.

A key element of this reform is empowering local school communities to make decisions about what is best for their schools and their students rather than a centralised system run by state bureaucracies dictating staffing mix and resource allocations."³²

Not only has the Australian Government acknowledged the benefits of school autonomy, but the Western Australian state government has also implemented a policy to offer schools the option of independent status with almost 100 government schools becoming Independent Public Schools from 2011.

The independent sector is characterised by the individual ethos of each school and by its overall diversity. The enrolment growth trends show that the independent sector is making an increasing contribution to the education of Australian school students and is also providing school education to a greater range of students. The rise in enrolments clearly demonstrates the strong support of Australian parents for independent schools and indicates the growing importance of the independent sector as a provider of education to the community as a whole.

Independent schools increasingly serve communities of parents from a wide range of socio-economic backgrounds, and the majority of schools have SES scores in the middle to low range.

Almost all independent schools in Australia choose to become members of their state or territory AIS. AISs provide a range of services to member schools. In addition to representing the views of the independent school sector at state and territory level, they administer funding provided by the Australian Government on a range of targeted programs, as well as providing professional development, advice and information. Many AISs also offer industrial relations services.

32 Prime Minister Campaign Media Release 2 August 2010

CURRENT FUNDING ARRANGEMENTS

Overall, the independent schools sector depends mainly on parents to fund schools, with 55 per cent of its income coming from private sources.³³ This willingness and commitment to pay school fees saves governments an estimated \$3.6 billion per annum in recurrent schooling costs.³⁴

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, the Australian 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.³⁵ The Australian Government is the major provider of public funding to independent schools, and currently has funding arrangements in place for non-government schools until 2014.

A. GENERAL RECURRENT GRANTS

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

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.

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 Australian Government.

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 Australian Government.

In 2008–09, total government operating recurrent expenditure on school education was \$38.9 billion. Total government recurrent expenditure on government schools was \$30.9 billion and \$8.1 billion on non-government schools.

33 DEEWR Financial Questionnaire 2009

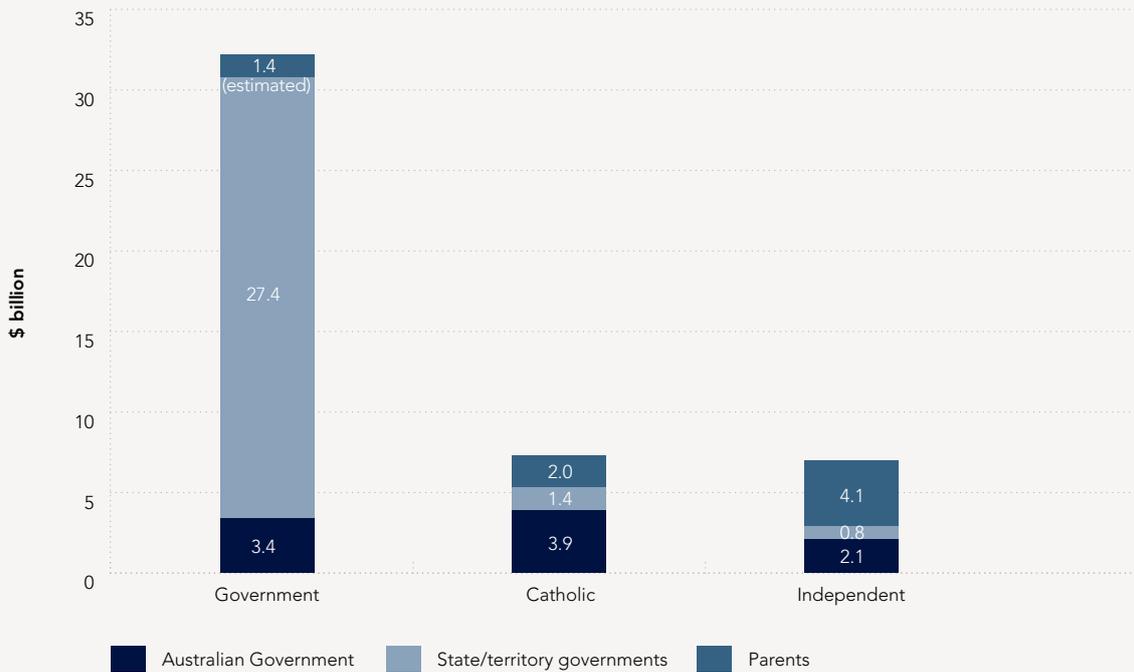
34 Based on figures derived from DEEWR Financial Questionnaire 2008 and 2009 and Productivity Commission *Report on Government Services 2011*

35 DEEWR Financial Questionnaire 2009

In 2008–09, the non-government sector received 21 per cent of government recurrent expenditure on schooling while the government sector received 79 per cent.³⁶

Nationally in 2008–09, state and territory governments provided 88.8 per cent of total government recurrent expenditure on government schools and the Australian Government provided 11.2 per cent. The Australian Government provided 71.6 per cent of total government recurrent expenditure on non-government schools, with state and territory governments providing 28.4 per cent.³⁷

CHART 10: RECURRENT FUNDING BY SECTOR, 2008–09



Note: Independent and Catholic data from the DEEWR Financial Questionnaire does not fully reconcile with the Productivity Commission non-government sector data

Source: Productivity Commission Report on Government Services 2011 and DEEWR Financial Questionnaire 2008 and 2009

In 2008–09, combining both state and Australian Government recurrent funding, public support for a student in a government school was on average \$13,544. On average, total government funding for a non-government school student was \$6,850, while for an independent school student it was \$6,100 per year. However, for a student in a very high SES school, public support could have been as low as \$1,750.³⁸

Therefore, 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.

36 Productivity Commission Report on Government Services 2011

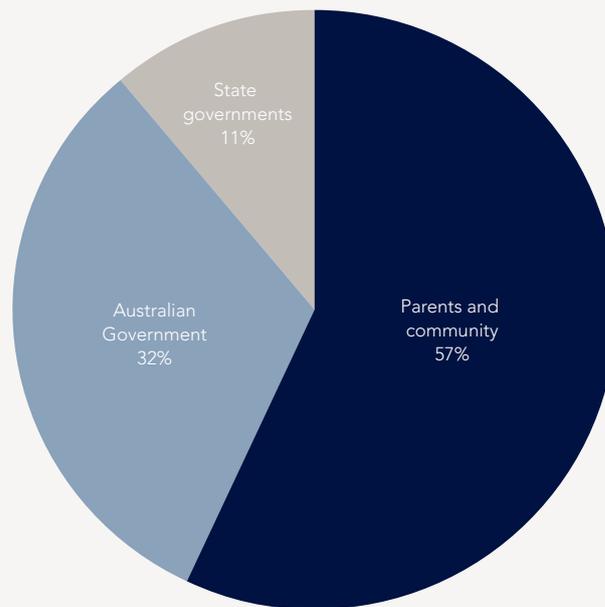
37 Productivity Commission Report on Government Services 2011

38 Productivity Commission Report on Government Services 2011 and independent sector estimates based on data derived from DEEWR Financial Questionnaire 2008 and 2009, SES funding tables and state funding data

CONTRIBUTION OF PARENTS AND THE SCHOOL COMMUNITY TO RECURRENT FUNDING

The private contribution made by parents and the school community represents the most significant source of funding for the independent school sector. Taking the sector as a whole, independent schools rely more on parents than governments for recurrent funding. In 2008–09 57 per cent of the independent sector’s recurrent funding was from private sources (mainly parents), while 43 per cent was from governments.³⁹ The proportions of private/government funding vary greatly from school to school (ie ranging between a high fee urban school to a remote independent Aboriginal community school).

CHART 11: INDEPENDENT SCHOOLS – SOURCES OF INCOME, 2008–09



Source: DEEWR Financial Questionnaire 2008 and 2009

Using Productivity Commission figures, ISCA estimates that the total savings in government recurrent expenditure from students attending non-government schools was \$7.9 billion in 2008–09. This is up from \$7 billion in 2007–08. Savings from independent schools are in the order of \$3.6 billion of this total.

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 schools must agree to in order to meet their funding obligations.

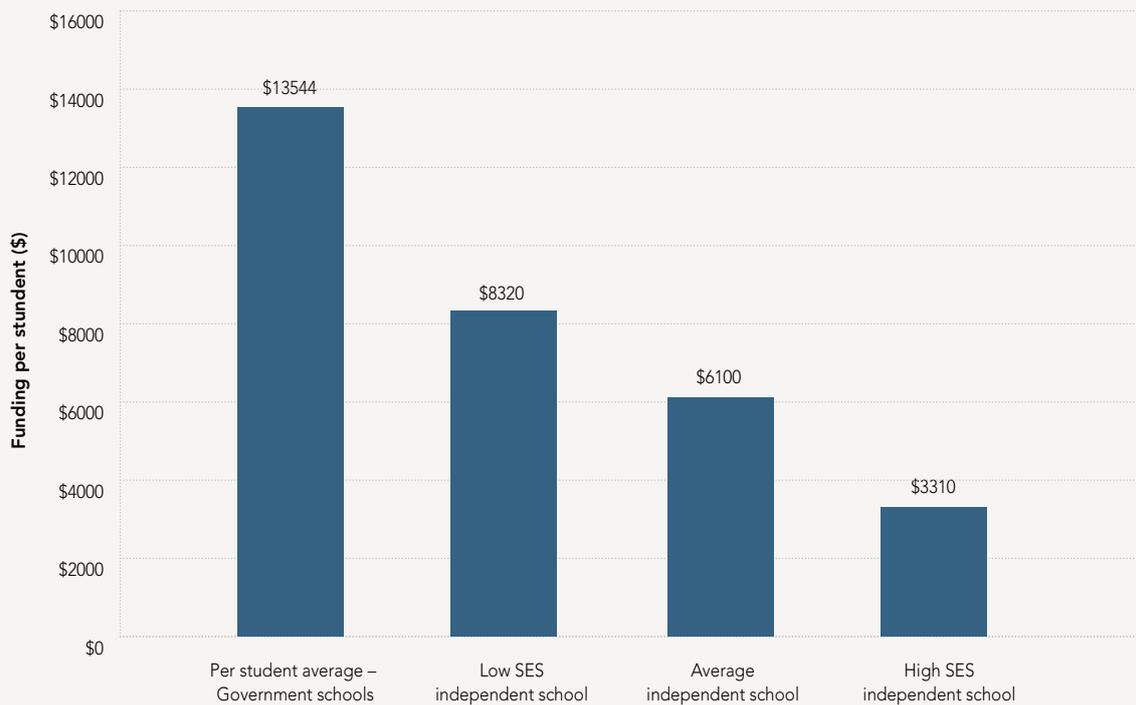
From 2009, Australian Government funding for government schools is now appropriated under the *Federal Financial Relations Act 2009*. Australian Government funding for government schools no longer makes separate provision for recurrent, capital, targeted and indigenous funding but is provided as a single figure amount known as the government schools component of the National Schools Specific Purpose Payment.

³⁹ DEEWR Financial Questionnaire 2008 and 2009. This data differs from the calendar year figures on p.57

This single payment removes the requirement for state and territory education authorities to allocate funds according to separate programs as previously determined by the Australian Government.

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. Full details of the SES funding model are provided later in this Submission.

CHART 12: TOTAL GOVERNMENT RECURRENT FUNDING PER STUDENT – GOVERNMENT AND SELECTED INDEPENDENT SCHOOLS, 2008–09



Source: Productivity Commission Report on Government Services 2011, DEEWR SES funding tables, and state funding data

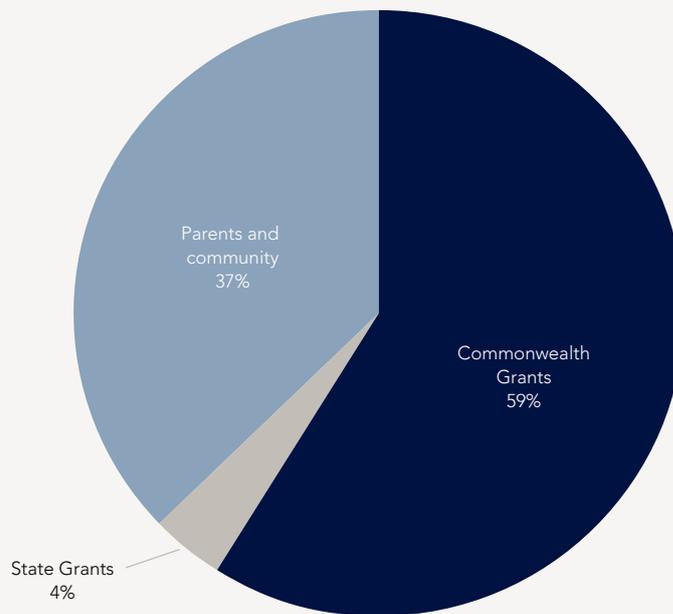
If funding from one of the partners is reduced for any reason the school must meet the shortfall by seeking a corresponding increase from another funding partner or reduce the level of services provided by the school. A reduction in a school’s funding from one or both government sources will require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

B. CAPITAL GRANTS

The Building the Education Revolution (BER) funding has had a significant, short term impact on capital grants provision for independent schools. BER funding will be discussed separately below but general discussion on capital grants and data provided excludes BER funding in order to provide a more accurate reflection of long term capital funding in the sector.

In the independent sector 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 Australian Government and state or territory government sources. For many years some 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.

CHART 13: SOURCES OF FUNDING FOR CAPITAL DEVELOPMENT, 2009



Source: DEEWR Financial Questionnaire 2009

The introduction of the Building the Education Revolution in 2009 has significantly altered the sources of capital funding for schools (see Chart 13) and will continue to do so for the duration of the program. Historically, the majority of the cost is borne by parents and communities, generally providing up to 80 per cent of the funds for capital development in independent schools.

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 10 provides details of previous Australian Government capital grants allocations to give an indication of the funding relativities by sector.

TABLE 10: AUSTRALIAN GOVERNMENT CAPITAL GRANTS ALLOCATIONS, 2008 (LATEST AVAILABLE DATA INCLUDING ALL SECTORS)

All schools	\$436m	
Government schools	\$310m	71%
Non-government schools	\$127m	29%
Estimated independent school sector share	\$50m	11%

Source: DEEWR Capital Grants Factsheet and *Financial Assistance Granted to Each State in Respect of 2008* (Green Report)

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 only about a quarter of the sector's capital funding⁴⁰. In the independent sector, capital development is mostly financed by family contribution. In 2009 some \$403 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.⁴¹

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.

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 Australian Government grants must join the relevant BGA.

Australian Government 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 per cent of capital funding) and the proportion of total state and territory non-government enrolments (40 per cent of capital funding).

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 2008, 65 per cent of total capital funding available to independent schools went to schools with an SES score below 100, and 88 per cent of grants went to schools with an SES score less than 110.⁴²

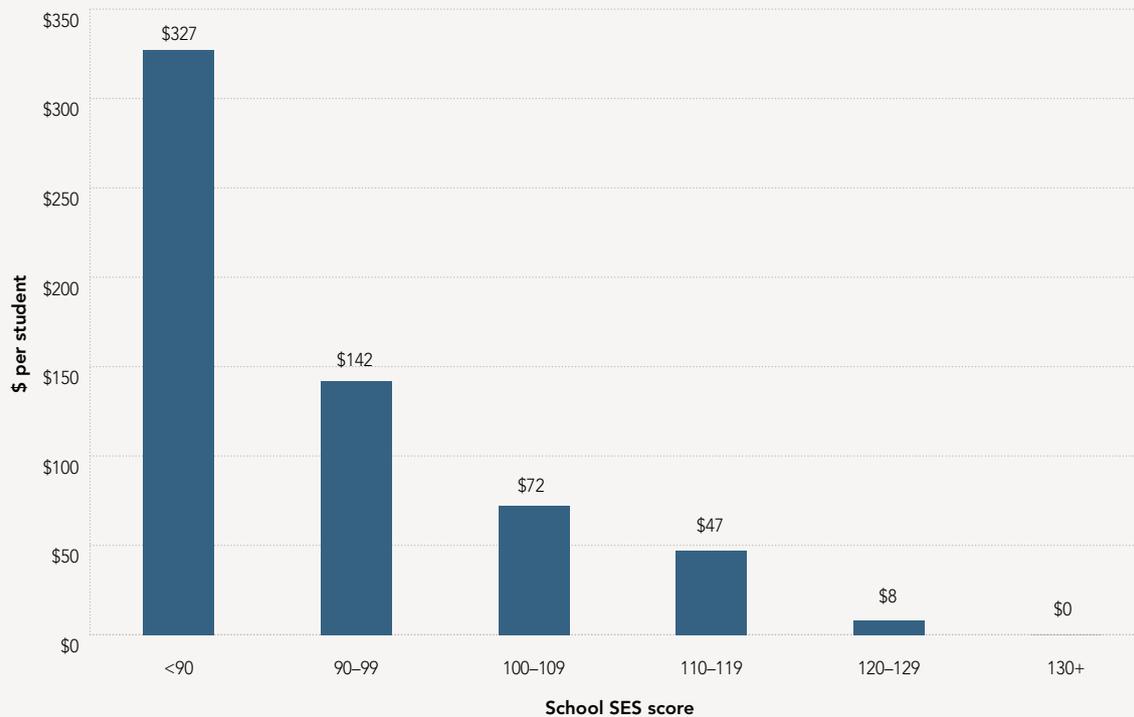
Chart 14 shows that the bulk of Australian Government Capital Grants for the independent sector benefits students in schools with a low SES score.

40 Excludes the one off impact of the BER.

41 DEEWR Financial Questionnaire 2009

42 DEEWR *Financial Assistance Granted to Each State in Respect of 2008* (Green Report)

CHART 14: AUSTRALIAN GOVERNMENT CAPITAL GRANTS PROGRAM FUNDING FOR INDEPENDENT SCHOOLS BY SCHOOL SES SCORE EXPRESSED AS A \$ PER STUDENT, 2008 (LATEST AVAILABLE DATA)



Source: DEEWR *Financial Assistance Granted to Each State in Respect of 2008* (Green Report) and school SES data

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.

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 2009, the net borrowings of the sector for capital purposes were \$3 billion, which equates to approximately \$6,197 per student.⁴³

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.

A continuing high level of investment in capital facilities for independent schools is required to support the enrolment growth that is occurring in the sector. The impact of these increased demands are reflected in the level of capital expenditure being incurred, which in 2009 for independent schools was \$1.68 billion and in Catholic schools was \$1.66 billion. These amounts are very similar despite there being higher enrolments in Catholic schools.⁴⁴

43 DEEWR Financial Questionnaire 2009 and figures derived using ABS *Schools Australia* enrolment data

44 DEEWR Financial Questionnaire 2009

DEEWR projects that enrolments in the independent sector will continue to grow over the coming quadrennium, with the result that the pressure to expand facilities to accommodate the growth will continue. The greatest impact will be on the smaller schools and new schools without the resource base to finance building programs from parental contributions.

C. TARGETED PROGRAMS

The Australian Government also provides funding assistance to non-government schools for a range of targeted programs to assist students with special needs. Targeted grants are provided for:

- the literacy, numeracy and special learning needs of students who are educationally disadvantaged (educational disadvantage may be associated with a range of factors such as a disability or learning difficulty, a language background other than English, Aboriginal or Torres Strait Islander background, low socio-economic background or geographical location);
- teaching English to new arrivals;
- education in country areas; and
- languages education.

Funding for Targeted Programs for non-government schools in 2010 is estimated to be \$210 million. Targeted Programs funding for government schools was incorporated into the National Education Agreement from 2009 and paid through *Federal Financial Relations Act 2009*.

Targeted program funding is administered on behalf of the Australian Government by state and territory AISs. Individual AISs sign a Targeted Program Funding Agreement with the Australian Government. The Associations play a vital 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 Australian Government guidelines.

Targeted program funding is very significant for the independent sector. As the majority of schools in the sector operate as separate autonomous entities, there is no capacity to move funds between schools to support other schools enrolling students with particular educational needs.

Targeted programs provide an essential source of funds in the sector to address the educational needs of educationally disadvantaged students in independent schools. Delivering targeted programs through the AISs maximises the utility of relatively limited available funds. 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. AISs can utilise a small proportion of targeted funds to assist with their administration of the programs.

D. INDIGENOUS GRANTS

Non-government Majority Indigenous Student Schools have a General Recurrent Grant SES funding level of 70 per cent of the relevant AGSRC amounts which is the highest funding level.

INDIGENOUS SUPPLEMENTARY ASSISTANCE (ISA)

From 1 January 2009, under the *Schools Assistance Act 2008*, indigenous education programs in the school sector previously funded under the *Indigenous Education (Targeted Assistance) Act 2000* have been consolidated into a single per capita entitlement titled Indigenous Supplementary Assistance (ISA). Funding for the following indigenous education programs have been incorporated into the ISA entitlement:

- Supplementary Recurrent Assistance (SRA);
- English as Second Language – Indigenous Language Speaking Students;
- Homework Centres;
- Indigenous Tutorial Assistance Scheme;
- In-Class Tuition;
- Years 9, 10, 11, 12 ;
- Remote Indigenous Students;
- Transitional Project Assistance equivalent funding under the National Indigenous English Literacy and Numeracy Strategy;
- Building an Indigenous Workforce in government service delivery.

The stated rationale for this change from DEEWR was to provide schools with greater flexibility in the application of funds and reduce the administrative burden on schools.

However, due to the diversity of the different programs combined into the composite funding amount, the impact on the funding of individual schools was indiscriminate. Some schools received additional funding, but a large number of schools had the funding available to them reduced.

The *Schools Assistance Act 2008* includes provision for an Indigenous Funding Guarantee (IFG) which purported to assist those schools where funding was reduced. The IFG is a transitional arrangement which was intended to ensure that schools which might otherwise lose funding under the new arrangements would receive total funding comparable to their 2008 entitlements. The IFG maintains this total funding to schools in dollar terms until their recurrent funding entitlements under the new arrangements increase to an amount greater than their initial (2008) funding levels.

The premise of the IFG is, however, seriously flawed. The operation of the IFG results in real term reductions in funding for schools which will never be recovered, including once their recurrent income overtakes their previous dollar funding amount. This situation is exacerbated for those schools experiencing enrolment growth. Effectively this means that indigenous funding was frozen at 2008 levels, irrespective of movements in enrolment numbers.

The upshot is that schools who are servicing the needs of the most disadvantaged students in Australia no longer have access to the same level of real resources to support these students as they did in 2008. The financial impact on schools varies depending on their individual circumstances, but for some schools the loss of funds can amount to several hundred thousand dollars. The per capita impact for particular independent schools is shown in Table 11.

TABLE 11: IMPACT OF CHANGES TO INDIGENOUS FUNDING ARRANGEMENTS ON INDIVIDUAL INDEPENDENT SCHOOLS (PER CAPITA)

SCHOOL	INDIGENOUS STUDENTS	LOCATION	2008 IESIP	2009 ISA/IFG	2010 ISA/IFG
School A	82	WA	\$6,809	\$7,615	\$5,930
School B	45	Vic	\$8,728	\$8,550	\$3,789
School C	272	NT	\$4,376	\$4,199	\$2,548
School D	71	NT	\$6,547	\$6,920	\$5,513
School E	47	NSW	\$3,503	\$3,120	\$1,805
School F	70	NSW	\$3,583	\$3,339	\$2,548

Source: DEEWR

E. NATIONAL PARTNERSHIPS

In the Smarter Schools National Partnership for Low Socio-economic Status School Communities, the Australian Government provides funding to support education reform activities in approximately 1,700 low socio-economic status schools around the country. The Smarter Schools National Partnership for Literacy and Numeracy provides 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 provides funding to improve the quality of the Australian teaching workforce.

Unlike the Building the Education Revolution, funding for these Smarter Schools National Partnerships were not provided to states and sectors, but were channelled through state and territory governments.

F. BUILDING THE EDUCATION REVOLUTION

Substantial investment in capital infrastructure across all schooling sectors was provided through the Australian Government's Building the Education Revolution (BER) program, in particular, through the Primary Schools for the 21st Century element (P21).

The Program comprises three elements. 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. According to the BER National Co-ordinator's Implementation Report⁴⁵, 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 per cent of funding available under this element of the BER.

45 Building the Education Revolution: National Co-ordinator's Implementation Report February – September 2009

The National School Pride element of BER is providing \$1.29 billion for minor capital works and refurbishment projects in all eligible Australian schools. According to the BER National Co-ordinator's Implementation Report, the NSP element of the BER funded 1,059 projects in 990 independent schools for a total of \$128 million or 10.87 per cent of available funding under this element.

The third element of the BER is the Science and Language Centres for 21st Century Secondary Schools (SLC) which provides \$821.8 million for the construction of new or refurbishment of existing science laboratories or language learning centres in secondary schools. This funding was provided on an application basis and assessed according to criteria relating to disadvantage and need. According to the BER National Co-ordinator's Implementation Report, the SLC element of the BER funded 66 projects in independent schools for a total of \$90 million or 11.12 per cent of available funding under this element.

The independent sector welcomes the substantial investment in capital infrastructure across all schooling sectors provided through the Building the Education Revolution, particularly the Primary Schools for the 21st Century element.

The independent sector greatly appreciates the inclusive nature of the P21 initiative which means that all independent primary and combined schools are able to access funding under this element. The Australian 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 Australian Government funds for capital works have benefitted from the funding.

While the BER was delivered as a National Partnership, unlike the Smarter Schools National Partnerships, each education sector in each state and territory was allocated by the Australian Government a proportion of BER funding based on their enrolments. This meant that the BGA in each state and territory was responsible for administering the funding allocated by the Australian Government 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 Australian Government 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.

The benefits of the BER were increased in the independent sector as additional funding was contributed towards BER projects by independent school communities. The BER initiative leveraged an additional \$370 million in private contributions from independent school communities towards BER projects.

G. DIGITAL EDUCATION REVOLUTION

The key component of the Digital Education Revolution for independent schools is the National Secondary School Computer Fund which provides funding for new information and communication technology equipment for all secondary schools with students in years 9 to 12.

H. TRADE TRAINING CENTRES

The Trade Training Centres in Schools Program aims to provide secondary students access to vocational education through Trade Training Centres.

I. OTHER PROGRAMS

SHORT TERM EMERGENCY ASSISTANCE

Short Term Emergency Assistance is available for non-government schools experiencing unexpected, short-term circumstances resulting in financial difficulty.

NATIONAL SCHOOL CHAPLAINCY PROGRAM

The National School Chaplaincy Program aims to support school communities that wish to access the services of a school chaplain or secular pastoral care worker.

NATIONAL ASIAN LANGUAGES AND STUDIES IN SCHOOLS PROGRAM

The aim of the program is to increase opportunities for school students to become familiar with the languages and cultures of Australia's key regional neighbours, namely China, Indonesia, Japan and Korea.

KEY BACKGROUND ISSUES

A. SUPPLEMENTATION

The *Schools Assistance Act 2008* provides for annual supplementation for Australian 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. Capital Grants are supplemented annually in line with movements in the Building Price Index, reflecting movements in building prices and wage costs.

Supplementation of government funding which reflects real movements in school education costs is critical to independent schools to ensure the value of funding is not diminished resulting in a decline in funding in real terms.

The increasing costs of schooling reflect wage increases for teaching and support staff, the increasing investment in schools demanded by curriculum and technological change, lower student-to-teacher ratios and higher general staffing levels. Consequently often the costs of schooling increase 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.

B. STUDENTS WITH DISABILITIES

Students with special needs, including students with disabilities, in independent schools do not receive the same level of additional funding to meet their individual learning needs as their counterparts in government schools. This lack of equity is of considerable concern to the independent schools sector.

The role of the independent school sector in providing for students with disabilities has increased dramatically in recent years. In 2010, around 12,170 students with disabilities enrolled in independent schools, an enrolment increase of 89 per cent since 1999. About 79 per cent of these students were enrolled in mainstream schools and around 21 per cent enrolled in special schools, which provide alternative educational settings for students with high-level needs.⁴⁶

As noted above, the Australian Government provides some funding assistance to independent schools to assist educationally disadvantaged students through targeted programs, specifically the Literacy, Numeracy and Special Learning Needs Program. However, it is widely acknowledged that the general recurrent and targeted funding provided to non-government schools under the *Schools Assistance Act 2008* does not adequately resource students with disabilities in independent schools.

46 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

For students with disabilities in government schools, the cost of their education provision is met by the Australian community as a whole. Students with disabilities in independent schools generally receive significantly less government funding for their educational support needs than if they were educated in a government school. For students with disabilities in independent schools, the Australian Government provides a small amount of additional support under the *Schools Assistance Act 2008*, but there remains an often significant gap in funding to meet the needs of these students. The funding differential is usually greatest for students with high-level support needs who may require, for example, a full-time aide. As highlighted by the school financial data available on the My School 2.0 website, the gap in funding for these students can be in excess of \$40,000 per student per year.

For students with disabilities in independent schools, the gap in funding must be met by individual school communities. The school must either adjust the quality of provision to other students or increase school fees. In some instances, insufficient resourcing means that the needs of particular students with disabilities are inadequately met – an unsatisfactory outcome for the student, the family, the school and the broader community.

C. INDIGENOUS STUDENTS

In 2010 there were 9,315 indigenous students enrolled in independent schools. This represents an increase of 160 per cent since 1995. 720 independent schools have indigenous students enrolled.⁴⁷

As a group, indigenous students tend to face greater barriers to educational achievement. A number of independent schools provide education to significant populations of indigenous students, while some independent schools are exclusively indigenous. In these schools private contributions, in terms of fee income and fundraising, are very limited or in some cases non-existent. Many of these schools face high costs due to their remoteness or distance from large population centres.

Indigenous students account for a quarter of independent sector enrolments in the Northern Territory, and in Western Australia many of the indigenous students in the independent sector attend schools in remote locations. It is ISCA's view that neither Australian Government or state and territory funding arrangements for non-government schools adequately address the very substantial cost differential in school provision for students in remote locations. There is also a pressing need for additional provision for teacher housing in remote schools which is also not being addressed under current arrangements.

The independent sector also has longstanding concerns about the funding arrangements of independent schools which cater predominantly for indigenous students. These schools often need to provide a range of services beyond those required to provide a quality education. Before these students are in a position to learn, schools frequently need to address many health, wellbeing and pastoral care issues. Transport costs are another significant cost, particularly in rural and remote areas. It is critical that governments recognise that these schools are in a unique position to assist these children and this opportunity can be missed or not fully utilised due to lack of resources.

47 DEEWR Non-Government School Census 2010 – includes independent Catholic enrolments

It is also important to recognise that although indigenous students may be attending schools in urban or regional areas, they may need additional support due to their specific circumstances and needs, particularly if they are from remote areas.

Current funding arrangements do not adequately recognise the often significant additional support that schools are required to provide to support a quality education for indigenous students. It should also be noted that the attendance of indigenous students can be erratic and schools can be penalised financially through per capita funding arrangements right at a time when they need additional resources to ensure they are in a position to attract and retain these high need students.

D. THE SES FUNDING MODEL: AN EXPLANATION

The Socio-Economic Status (SES) funding model for Australian Government recurrent 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 entitlements.

- Schools with scores of 85 and below receive 70 per cent of the AGSRC amount.
- Schools with SES scores of 130 and above receive 13.7 per cent of the AGSRC amount.
- Schools between 85 and 130 are funded on a continuum, with each score receiving a different amount.

Actual scores in 2010 for independent schools ranged from 65 to 135.

The data used for the calculation of a school's SES score comes from the ABS Census of Population and Housing and is based on three main areas; income, education and occupation. The measure is obtained by linking students' residential addresses to their Census Collection Districts (CCD) and then aggregating the CCD scores to reach a score for the school.

In order to take into account the specialised needs of some school communities, special schools, special assistance schools and Majority Indigenous Student Schools receive the maximum rate of funding regardless of their SES score.

Schools' SES scores are recalculated every five years with the release of new data from the ABS Census of Population and Housing. Schools that have had a decrease in their SES score move directly to their new funding level and schools which have had an increase in their SES score are assisted in the transition to a lower funding level by being classified as Funding Guarantee (FG). Schools which are Funding Guaranteed have their entitlements frozen at the dollar amount of their previous grant until, through annual indexation, their new funding level is equal to or greater than their previous grant.

When the SES funding model was introduced, there was also an undertaking provided by the then government that there would be 'no losers'. This led to the creation of classification known as Funding Maintained (FM). Independent schools which would have moved to a lower funding rate when the SES model was introduced in 2001 had their grants fixed at the year 2000 rate. These grants are indexed annually in the same way as other grants under the SES system. At the beginning of 2010, the majority of independent schools were funded on their SES score.

This submission has been prepared by 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
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Canberra
31 March 2011

