



Independent Schools
Council of Australia

LT110/15

16 April 2015

Mr David de Carvalho
First Assistant Secretary
White Paper on the Reform of the Federation
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

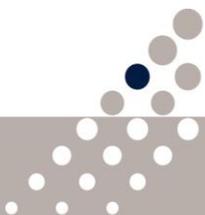
Dear Mr de Carvalho

I am writing regarding work underway to progress the White Paper on the Reform of the Federation. A number of Independent sector organisations, including the Independent Schools Council of Australia (ISCA), have participated in the Department's stakeholder consultation roundtables and the sector appreciates the opportunity for consultation.

ISCA acknowledges that early childhood and school education are key areas of interest for the White Paper process given the shared responsibilities for these functions between the Commonwealth and the states and territories. In this context, *Issues Paper 4: Roles and responsibilities in education Part A: Early Childhood and Schools* is a significant document, providing important historical and contextual information as a framework for future policy development.

With the knowledge that the Department of the Prime Minister and Cabinet is currently working on the preparation of a Green Paper for release later this year, I would like to address a number of issues raised in the Issues Paper which ISCA believes require further comment or clarification.

The Issues Paper poses a number of questions for discussion, which seek to address how restructuring Commonwealth/state relations could facilitate improvements in the functioning and outcomes of early childhood and school education in Australia. You should be aware at the outset that the Independent sector does not consider that there are fundamental structural problems with the interaction of Commonwealth and state governments in the policy development and funding of school education.



This view was supported by the various school education stakeholders at the Canberra stakeholder consultation roundtable.

In terms of school education policy development, there are areas where there is a clear benefit in developing policy at the national level. ISCA believes it is entirely appropriate and indeed essential for the Commonwealth Government to provide national leadership, acting co-operatively through the Education Council. Key initiatives such as the National Curriculum and *My School* would never have occurred without Commonwealth Government leadership, nor will they be sustained without continued strong Commonwealth involvement.

While there is an overlap in funding responsibilities, ISCA believes that sourcing funding from two levels of government is beneficial to both government and non-government schools. As clearly articulated in the Issues Paper, the Commonwealth Government has for many decades accepted primary funding responsibility for non-government schools and state and territory governments have primary funding responsibility for government schools. Conversely the Commonwealth Government provides a level of funding for government schools, and state and territory governments provide some funding for non-government schools. For Independent schools, having government funding from two different sources, spreads the risk of governments making changes to their school funding arrangements, with one level of government providing a funding buffer against dramatic funding policy changes at the other level of government. This is particularly important for stand-alone Independent schools which cannot rely on systemic support.

It should also be noted that many Independent schools also provide early childhood education. The provision of early childhood services is a significant growth area for the Independent school sector, driven by parent and community demand.

Unfortunately, accurate Australia-wide preschool participation rate data for Independent schools seems to be either unavailable, or in some cases incomplete, for many jurisdictions. This is primarily due to the vastly different delivery models for preschool services in Australia and the differing roles of Independent schools in these delivery models. It is important that future consideration of the funding, operation and regulation of early childhood education recognises the important and significant contribution that the Independent school sector makes to the early childhood sector.

The attached Information Paper provides detailed comment on Issues Paper 4.

I would appreciate the opportunity to meet with you and your staff to further discuss or clarify the issues raised in the attached paper.

Yours faithfully,

Dr Yvonne Luxford
Executive Director

Cc:

The Hon. Tony Abbott, MP Prime Minister of Australia

The Hon. Christopher Pyne, MP Minister for Education

The Hon. Kate Ellis, MP Shadow Minister for Education

Senator Penny Wright

Ms Lisa Paul, AO PSM, Secretary, Department of Education

Mr Ross Fox, Executive Director, National Catholic Education Commission



Independent Schools
Council of Australia

REFORM OF THE FEDERATION WHITE PAPER
ISSUES PAPER 4: ROLES AND RESPONSIBILITIES IN EDUCATION
PART A: EARLY CHILDHOOD AND SCHOOLS

INFORMATION PAPER
INDEPENDENT SCHOOLS COUNCIL OF AUSTRALIA

April 2015

INTRODUCTION

ISCA is the peak national body covering the Independent schools sector. It comprises the eight state and territory Associations of Independent Schools (AISs). Through these Associations, ISCA represents a sector with 1,080 schools and 560,000 students, accounting for approximately 16 per cent of Australian school enrolments. ISCA's major role is to bring the unique needs of independent schools to the attention of the Commonwealth Government and to represent the sector on national issues.

Independent schools are not-for-profit institutions that are set up and governed independently on an individual school basis. Independent schools are registered by 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.

However, some Independent schools with common aims and educational philosophies are governed and administered as systems, for example Lutheran systems. Systemic schools account for 18 per cent of schools in the Independent sector.

Whilst a common media portrayal is that Independent schools are large, urban schools only catering to high income families, in fact, ninety percent of Independent schools are low to medium fee establishments which cater to the full spectrum of Australian society. Independent schools cater to specific groups of disadvantaged students including: high needs students with disability attending special schools; Indigenous students attending remote 100 per cent Indigenous schools in Western Australia and the Northern Territory; and highly disadvantaged urban youth who have been excluded from both government and non-government schools attending Independent special assistance schools.

The numbers of disadvantaged students in Independent schools, including students with disability, Indigenous and students with a language background other than English, have been increasing at a higher rate than overall enrolments for many years.

ISSUES

The Independent Schools Council of Australia (ISCA) acknowledges the work of the Department of the Prime Minister and Cabinet in the preparation of Issues Paper 4, and the important background information the Paper provides to set the scene for future discussion and policy development in the context of the Reform of the Federation White Paper.

The Independent school sector is keen to work co-operatively with the Government to facilitate consideration of the Reform of the Federation. To this end, ISCA believes that it is critical that the Reform of the Federation work be informed by contextual and historical information that is balanced and accurate.

Looking at the issues raised in Issues Paper 4, ISCA considers that there are a number of areas that require further comment and clarification. ISCA's comments seek to provide further information, as well as addressing some inaccuracies. It would be appreciated if the sector's comments and clarifications could be considered in the context of the development of the Green Paper.

In order to ensure an accurate and informed consideration of the information provided in the Issues Paper, rather than providing itemised commentary, ISCA has prepared feedback which addresses key overarching themes covered by the Paper.

1. Commonwealth/state relations in the school education context

The Issues Paper seeks to put the case that improving the allocation of roles and responsibilities would make it easier for governments to identify what the problems are, and who is responsible for fixing them, while empowering citizens to hold the appropriate level of government to account for taking the action necessary to improve outcomes. ISCA does not consider that there are identified problems with accountability in the school education sector or that the Issues Paper presents a compelling case for change in the school education sector.

While it may be true that citizens seek to blame a particular level of government for increases in unemployment or inflation, citizens tend to blame individual schools or teachers if there is an issue with their child's education. Care needs to be taken not to overstate the importance of the various levels of government in *accountability* for school education.

ISCA does not consider that the Issues Paper presents a compelling case for any lack of clarity in the development or implementation of school education policy. In fact, the Paper sets out clearly the various levels of responsibility for school education between governments and notes the effective operation of the relevant Education Council.

The arguments set out under the *Policy* heading of the Paper, are intended as arguments for change. However, the scenarios proposed in the Paper are effectively statements reflecting processes which already occur in the school sector and are indicative of a functional and effective Commonwealth/state relationship.

The Commonwealth Government will always seek to fund discrete programs which may fall outside its purview, regardless of portfolio or indeed regardless of the conventions of Commonwealth/state relations. The National School Chaplaincy Programme is a relevant example of this. Efforts to reform Commonwealth/state relations are unlikely to prevent the advent of *ad hoc* Commonwealth Government funding to support specific school education initiatives.

Likewise, questions relating to fiscal sustainability are unlikely to be overcome through any changes to Commonwealth/state relations in the area of school education. The question of fiscal sustainability is much wider than school education and relates to the structural problem of vertical fiscal imbalance. The Commonwealth Government commenced its involvement in funding school education to address problems with the inadequacy of funding in both government and non-government schools which

impacted on student learning outcomes. Half a century later, this justification for the continued engagement of the Commonwealth Government remains valid.

2. Discussion of needs based funding for schools.

ISCA understands the focus in the Issues Paper on needs based funding for schools. However, it is important to note that the Schooling Resource Standard (SRS) is not the “first time school funding has been needs based”. A number of sections in the Issues Paper include variations of the statement that the move to the SRS funding arrangements represents the “first time school funding has been needs based”. Repeating this statement without critical analysis is simply incorrect.

Commonwealth Government funding to non-government schools has always utilised a needs-based funding approach. The previous Commonwealth funding model for non-government schools, the socioeconomic model (SES), is a good example of such a needs-based approach. Indeed, the SES model is still utilised under the SRS funding arrangements to determine non-government schools’ capacity to contribute.

The Funding Maintained arrangements of the SES funding model meant that some non-government schools continued to be funded under the previous Commonwealth Government needs-based model (the Education Resources Index). ISCA is concerned that only Independent schools are highlighted in the Issues Paper as Funding Maintained schools.

In the interests of presenting an accurate and balanced presentation of the history of school funding arrangements, it should be highlighted that Funding Maintenance was predominantly an issue for Catholic systemic schools, with 55 per cent of Catholic-systemic schools being Funding Maintained. The vast majority of Independent schools (83 per cent) were funded according to their SES funding entitlement – so were unquestionably funded according to that needs-based funding model.

The statement that for the first time schools are funded on a needs basis also implies that all schools are actually funded according to their SRS funding entitlement.

3. The Schooling Resource Standard (SRS) Funding Model actually only applies to non-systemic Independent schools.

ISCA is concerned to ensure that the information provided in any future publications relating to the Reform of the Federation presents an accurate reflection of current school funding arrangements. Wording throughout the Issues Paper implies that all schools are now funded according to their SRS entitlement. This is not the case, with the actual number of schools funded according to their SRS being negligible.

The statement that all schools are funded according to their SRS is inaccurate on two counts:

- 1) No systemic schools (including government, Catholic and systemic Independent schools) are or ever will be funded according to their SRS entitlements as all systems redistribute their funding according to their own needs based methodologies. Under the funding arrangements from 2014 onwards, school

systems, both government and non-government, will receive funds based on a transition to the new funding model but will retain their existing and long-standing capacity to redistribute their schools' funding entitlements across schools within the system according to their own needs-based methodologies.

- 2) The vast majority of schools and systems are in transition to their SRS entitlement and, taking into account the current policy settings, most schools and systems will never be funded according to their SRS entitlement. Only those Independent schools which have transitioned to their SRS entitlement or which are new schools are actually funded according to their SRS entitlement. This currently numbers around 40 Independent schools. The majority of Independent schools are funded according to their historical funding levels plus indexation (plus some additional transitional funding if they are operating below their SRS entitlement).

4. Schools across sectors are not actually funded on the same basis.

As noted in the previous section, it is important to understand that despite the initial intention of the SRS funding arrangements, only those few Independent schools that are currently funded according to their SRS entitlement are actually funded on the same basis.

The rhetoric surrounding the introduction of the SRS funding arrangements was that there was now a national funding model which meant that all Australian schools would be funded on the same basis, according to their SRS entitlement. The notion of a national funding model has not become a reality for the following reasons:

- Not all states or territories signed up to the SRS funding arrangements;
- The states and territory that did sign up to the SRS funding arrangements all negotiated differing implementation agreements with the Commonwealth Government, including differing transition paths;
- Government and non-government systems will continue to redistribute funds according to their own needs-based methodologies;
- a measure of capacity to contribute operates for non-government schools but not for government schools;
- the current Commonwealth Government has only committed to the initial four years of the funding arrangements rendering it unlikely that the model will ever be fully implemented.

For example, in the section headed "Equity, efficiency and effectiveness.." the Issues Paper states "Prior to the introduction of the schooling resource standard and its planned introduction of a single disability loading, there was large variation in how states and territories funded students with disability....". Similar to the misconception that there is a national funding model, the implication from this statement is that students with disability are now funded on a consistent basis.

Unfortunately, this is not the case and there remain significant variations in how states and territories and indeed the Commonwealth fund students with disabilities. Only students whose schools are actually funded according to their SRS funding arrangements (the around 40 Independent schools funded according to their SRS) are

actually receiving a loading for students with disability. Students with disability in systemic schools are funded according to their state or territory or non-government school system arrangements. There is no consistency of treatment of students with disability within the Independent sector. Independent schools which are operating below their SRS funding entitlement receive a small amount of additional transitional funding, the calculation of which takes into account students with disabilities. Independent schools which are currently deemed to be receiving government funding in excess of their SRS entitlement receive NO additional student with disability funding for any new student with disability enrolments in the school.

5. Independent schools are not the reason that all schools are not funded on the same basis.

ISCA is concerned that readers of Issues Paper 4 may be left with the impression that it is the Independent school sector that is responsible for any inconsistency in the application of the SRS funding arrangements. The Issues Paper repeatedly makes reference to the fact that around 17 per cent of Independent schools are receiving funding in excess of their SRS entitlements. The Paper then goes on to say that entirely due to this fact “This means that not all students are consistently funded on the same basis....”. As noted earlier in this Information Paper, virtually no Australian school students are funded on the same basis. Significant misunderstanding in the community could be fostered by the Issues Paper’s claim that the only students who are not consistently funded are those students in 17 per cent of Independent schools.

The *only* students that *are* funded on a consistent basis are students enrolled in the around 40 Independent schools that are actually funded according to their SRS entitlement. No student at a systemic school is funded on a consistent basis as every system has its own needs based funding reallocation methodology.

ISCA believes that it is critical that further work on the Reform of the Federation presents an accurate and balanced approach to any discussion of school funding arrangements. In this light, ISCA considers that Issues Paper 4 is misleading as it singles out Independent schools being the sole cause of funding inconsistency.

Aside from the situation with school systems, all of which reallocate funding according to their own needs-based methodologies, there are numerous other examples where the SRS funding arrangements have been compromised in their implementation. One such example is the agreement made to utilise the lower national student weighted system average to determine capacity to contribute for Catholic systemic schools in the ACT, rather than the significantly higher local system average.

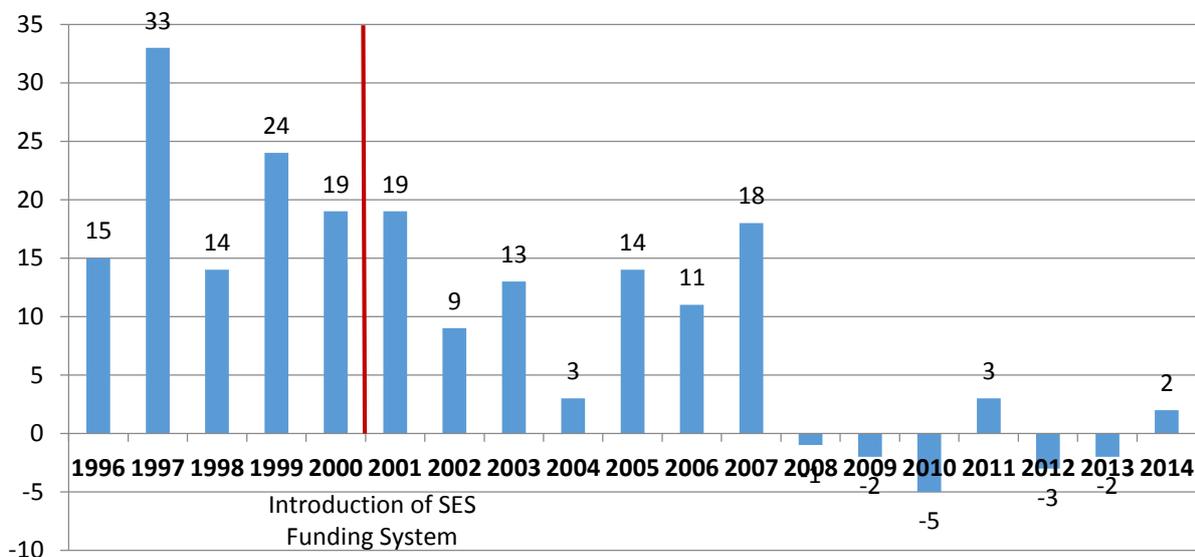
Both a significant number of Catholic systemic schools and 17 per cent of Independent schools are currently receiving funding in excess of their SRS entitlements while they transition over time towards the SRS model. This overfunding is not as obvious for schools within a system due to systemic funding redistribution arrangements.

6. Factual information regarding the SES funding arrangements

It is concerning that Issues Paper 4 perpetuates a number of myths about school funding and in particular the Independent schools sector. ISCA is keen to ensure that

factual information is presented to inform future policy development. For example, in the section headed “1983 to 2007”, the Paper states that the move to the socioeconomic (SES) funding model “led to a very significant increase in funding to non-government schools. Subsequently there was an increase in the number of small, low-fee, independent schools.” This statement is often made by the critics of funding for non-government schools and is simply false. The growth in Independent schools commenced well before the SES funding arrangements were implemented (see table below). In fact, since the introduction of the SES funding arrangements, the increase in the number of Independent schools has been relatively modest.

Change in number of Independent schools previous year 1996 - 2014



Source: ABS Schools, Australia and Department of Education Non-government School Census
 Note: Excludes independent Catholic schools

7. Balanced discussion of all non-government schools

ISCA believes that an effective policy debate must be informed by complete and balanced background information. To this end, ISCA is concerned that the Issues Paper restricts discussion to the Independent sector. A balanced discussion needs to include all aspects of the non-government sector, including Catholic systemic schools and their significant impact on previous and current funding arrangements.

Recourse to utilising Independent schools exclusively for examples of funding anomalies is misleading and unnecessary, as funding anomalies exist across all schools and sectors.

ISCA considers that if the Green Paper proposes to include any detailed discussion of school education then the treatment of all school sectors should be more balanced than in Issues Paper 4.

8. Other issues

- ISCA notes that the Issues Paper uses the terms “public” schools and “government” schools interchangeably. The accepted terminology is “government” schools and “non-government” schools.
- The Paper states under the section dealing with the period 1983 to 2007 that the New Schools Policy was removed in 2007. This is incorrect. The New Schools Policy was removed following the election of the Howard Coalition Government in 1996.
- In section 2.3, information is provided on the growth in student numbers and government funding. The information on funding is split between government schools (increase of 4 per cent) and non-government schools (increase of 5 per cent). The growth in student numbers (averaging 0.8 per cent) is inexplicably not split between sectors. This makes it impossible for the reader to understand that a key factor in the differential in funding growth between the government and non-government sectors is differential enrolment growth rates between sectors. By presenting information in this format, the Issues Paper has missed the opportunity to highlight this issue and place increases in funding to non-government schools in their proper context.
- The Fiscal Sustainability section asks the question “What responsibilities should families have in contributing to the costs of their child’s schooling in addition to contributions made through the tax system?” Presumably this question should read “families in government schools” as on average 65 per cent of funding for students in Independent schools comes from private income including fees from parents.
- In the Glossary, the definition of Average Government School Recurrent Costs model includes the statement that the AGSRC was used to determine resource standards between 1995 and 2008. This is not correct. The AGSRC was used to determine resource standards between 1995 and 2013. In 2009, funding for government schools was moved out of the *Schools Assistance Act 2008* and appropriated under the *Federal Financial Relations Act 2009*. However, AGSRC continued to be utilised as a resource base for both government and non-government schools. See Parliamentary Library Background Note - Australian Government funding for schools explained: 2013 Update¹ which states “Average Government School Recurrent Costs (AGSRC) are the basis for calculating Australian Government recurrent funding for government and non-government school students”.
- The Glossary also refers to the Education Resources Index and the timing of the introduction of the SES funding arrangements. The SES model was introduced in 2001 for Independent schools only. Catholic systemic schools did not join the model until 2005. See the Parliamentary Library’s 2013 Update which states “Catholic systemic schools did not join the SES system until 2005”.

¹ Parliamentary Library Background Note - Australian Government funding for schools explained: 2013 Update – Marilyn Harrington

- The Glossary defines the Socio-economic status model and states that this model was introduced in 2001. This model was introduced in 2001 for Independent schools only. Catholic systemic schools did not join the model until 2005. See Parliamentary Library references above.