



INDEPENDENT SCHOOLS COUNCIL OF AUSTRALIA

COMMENTS ON REVIEW OF FUNDING FOR SCHOOLING - DISCUSSION PAPER AND DRAFT TERMS OF REFERENCE

The Independent Schools Council of Australia (ISCA) appreciates the opportunity to comment on the discussion paper and the draft terms of reference for the review of funding for schooling. These comments have been prepared following extensive consultation with all eight Associations of Independent Schools, as well as with other national organisations representing particular groups of independent schools.

ISCA welcomes the undertaking by the Deputy Prime Minister that the review will be transparent, consultative, informed by evidence and not about taking money away from schools. ISCA acknowledges the expertise of the panel members and looks forward to establishing an effective working relationship with the panel and the review secretariat.

The review of funding for schooling is a matter of major importance for the around 1,100 independent schools in Australia. The stability of the funding partnership between governments and parents which supports independent schools is a significant factor in the sector's capacity to provide choice and diversity for the growing number of Australian families that choose an independent education for their children.

This paper: highlights the key independent sector issues for the review; provides comment on the discussion paper; seeks changes to the discussion paper; comments on the draft terms of reference; and seeks changes to the draft terms of reference.

Key issues

There are a number of key issues that ISCA considers critical to the outcomes of the review that relate to the conduct of the review and priorities for the independent sector.

- The review must be informed by data that is comprehensive, comparable and accurate and gives due consideration to the impact of enrolment trends and the sectors where enrolment growth is projected to be greatest.
- It is not clear from the discussion paper what is included in the definition of schooling. Given the growing emphasis on the importance of early childhood education, changes to compulsory school ages and transitions from schooling to further education, training and work, how will these broader aspects of schooling be considered in the review? Early childhood education, for



example, is a significant issue for independent schools. Many schools offer early childhood education and its importance for disadvantaged students including indigenous students and students with disability should be considered.

- The review must recognise the significant private contribution to the costs of education made by independent school parents and communities. The outcomes of the review should not operate to discourage these contributions. Independent school communities will expect a continuation of at least current levels of public funding support for every student.
- The review outcomes should not compromise the values and ethos, governance and management arrangements of individual schools and acknowledge that independent schools are autonomous and the sector should not be treated as a system.
- The independent sector highly values its direct funding relationship with the Commonwealth Government and the funding certainty and stability provided by quadrennial legislation and annual indexation.
- The independent sector supports a needs-based approach to funding to recognise the relative educational needs of students.
- Particular importance must be given to students with special needs including students with a disability, indigenous, rural and remote, English as a second language learners or who are otherwise disadvantaged.

Comments on the Discussion Paper

There are a number of omissions and inaccuracies in the discussion paper which are outlined below.

Message from the Minister

Despite the Minister's opening message (on page 3) stating that "The review is not about taking money away from schools....", the implications from the Minister's various statements regarding the review is that a funding guarantee model will be adopted for transitional arrangements to the effect that any school will continue to receive the same funding as before until its new funding allocation reaches that level and begins to overtake it¹. This statement, while allaying the concerns of some within the sector, has the potential for significant repercussions for funding maintained schools in both the Catholic and independent sectors. The implication of the application of an effective funding freeze for these schools is a funding reduction in real terms. There is no acknowledgement or discussion of this considerable threat to these schools in the discussion paper.

Current Situation for Funding

Average Government School Recurrent Costs (AGSRC)

On page 8, the discussion paper implies that AGSRC provides an accurate reflection of the costs of educating a student in a government school. This is misleading and the implication that AGSRC is a measure of real costs should be removed. AGSRC is an index and while it is accepted that it be used to measure annual changes in costs, it understates the actual costs of schooling by thousands of dollars. This review provides an opportunity to accurately determine the facts on the costs of schooling. The work also currently being undertaken on reporting of school finances for the *My School* website is also relevant to consideration of this issue.

¹ Deputy Prime Minister Speech to Sydney Institute 15 April 2010

Government Schools - National Education Agreement (NEA)

On page 9, the information provided on the NEA notes that the financial reforms associated with the NEA and the Intergovernmental Agreement on Federal Financial Relations removes input controls and places a focus on State and Territory Governments to report on the outcomes of education. There is no requirement under the new Commonwealth/state financial arrangements for funding paid under the FFR Act to be spent on schools. In contrast, the *Schools Assistance Act 2008* continues to require that funding appropriated to non-government schools be spent on school education. This distinction should be specifically recognised in the discussion paper.

Funding Flow Charts

The flow charts for both government (page 11) and non-government schools (page 14) public sources of funding by definition exclude parental contribution towards the cost of schooling. In order to give an accurate reflection of school funding, the flow charts should not be limited to just public funding. The flow charts should include parental contribution, which particularly in the independent sector, make up the majority of available funds for many schools. To provide a complete picture of funding arrangements the charts should be amended to include private income.

The non-government schools public funding sources diagram also suggests that state and territory governments are providing some matched funding for national partnership initiatives in non-government schools. There has been no indication in negotiations with states and territories on the implementation of the Smarter Schools National Partnerships that state and territory governments will be contributing matched funding to the non-government sector. The diagram should be adjusted accordingly.

Non-government schools - Capital funding

The discussion paper (on page 13) notes that in 2009 approximately \$135.3 million was available for non-government schools under the Capital Grants Program. The independent sector highly values the contribution the Commonwealth Government makes towards capital in the sector. However in order to provide an accurate reflection of capital funding for independent schools, it is important to note that Commonwealth Grants make up only 16 per cent of funding for capital development. Parents and school communities provide a full 80 per cent of funds for capital developments in independent schools and reference to this contribution should be included in the discussion paper. The paper should also note that capital is a critical consideration for the future capacity of all school sectors to meet the demands of projected enrolment growth.

Students with particular needs

It is concerning to note the emphasis the discussion paper (page 15) places on lack of nationally comparable data and consistent funding mechanisms as a barrier to addressing the needs of students with particular needs. The lack of nationally comparable data has been unresolved for decades despite numerous attempts to develop consistent definitions and approaches. It is of grave concern to the independent sector that this issue continues to be held up as a reason for the lack of commitment from governments to address the serious funding inadequacies for these students.

While the funds available for students with particular needs are clearly inadequate, the administration and support arrangements in the independent sector work well and benefit schools, teachers and students at minimal or no cost to schools. This should be recognised in the discussion paper.

The contribution parents and families make towards the cost of schooling

The figures provided (on page 15) for the non-government sector are limited to fees and charges. The discussion paper states that parental contributions through fees and charges represented 51.3 per cent for independent schools. This figure significantly understates the contribution from independent parents and school communities to independent schools. Fees and charges represent only a portion of parent and school community contribution in the independent sector and is not an accurate reflection of total private income. When private income from all sources is taken into account, this funding source represents 60 per cent of income for independent schools. The paper should be amended to the correct figure.

The discussion paper generally does not give due recognition to the significance of parental and community investment in schooling which 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. This effort should be noted in the discussion paper, noting the estimate based on Productivity Commission data that some \$7 billion in savings to governments is provided by enrolments in the non-government sector.

Questions about school funding

What is the basic entitlement needed to provide a child with a high quality education? (page 16)

The use of the term basic entitlement has generally been used to describe the principle that governments have a responsibility to provide each Australian child with a reasonable base level of funding regardless of the school they attend as acknowledgement that schooling is an important public good. A basic entitlement has been an established feature of Commonwealth funding for non-government schools for 40 years. The use of basic entitlement in the discussion paper would appear to refer not to a base level of funding but to consideration of a resource standard. If this is the case, then this should be explicitly stated. In any event, the meaning of the term should be clarified.

The issue of capital funding is also dealt with under the heading of basic entitlement. The issue of capital funding is much broader and needs to be considered in the context of enrolment growth generally and enrolment growth across sectors specifically.

The section on basic entitlement also asks a question about what programs work well. Given all Commonwealth school funding for government schools is now paid as untied funds with an outcomes focus, and the majority of Commonwealth funding for non-government schools is for general recurrent grants, it is unclear what is meant by the term "program" in this context. Does it refer to targeted programs, capital grants programs or initiatives funded under the range of school National Partnerships? This needs to be clarified in the discussion paper.

What lessons can be learned from overseas and domestic funding models, particularly in systems and nations that deliver world class, high-equity outcomes in cost-effective ways? (page 16)

The independent sector queries the emphasis the discussion paper places on overseas funding models and performance comparisons. While international comparison is important, it should also be acknowledged that Australian schools continue to provide a standard of education that we should be proud of. It is also of concern that the paper assumes a reliance on overseas funding models for consideration in the Australian context. As has been broadly acknowledged, the Australian schooling model is distinctly Australian and any future funding arrangements should be in response to the particular characteristics of the Australian model, reflecting our unique history, culture and aspirations.

Which features of state and territory government funding models could and should be considered at a national level? (page 17)

The discussion paper suggests that the review consider which features of state and territory government funding models could and should be considered at national level. The variation in the quantum of funding provided by state and territory governments to independent schools is one obvious area worth consideration.

It is a significant oversight that the discussion paper does not suggest the review examine the features of independent school funding and operation that could be considered for all schools. The features of independent schools including autonomy and flexibility are frequently held up as key elements in successful delivery of education and should therefore be considered as part of a meaningful and comprehensive consideration of funding models. The funding model for Commonwealth funding of independent schools also represents an exemplary approach which ensures funds are provided efficiently and effectively to where education services are delivered with minimal funding lost in overheads and administration. The discussion paper should include these aspects of independent schools as an area of inquiry.

Suggested Review Scope

Principles

The principles section of the paper ignores the issues of private contribution. When noting that all issues surrounding school funding should be considered, the paper fails to mention private contribution which is an issue for all sectors, particularly the independent sector. In addition, it is generally accepted across the Australian community that governments should support the right of parents to exercise choice in their children's schooling and support diversity in schooling options. Parents need the financial support to allow that choice. The stated principles of simplicity, flexibility, stability, equity, value for money, transparency and best practice should also include some discussion of incentive in recognition that the current funding model for non-government schools does not discourage parents and school communities from investing in their children's education, as well as enshrining the notion of choice in schooling. We suggest that the concepts of incentive and choice be specifically included in the principles.

Comments on the Draft Terms of Reference

The following comments are provided to enhance the existing draft terms of reference or address omissions:

Existing draft terms of reference

- *'the likely growth of demand and student need'* does not provide enough detail and should be strengthened to clearly articulate the need for the review to consider the full impact of enrolment trends and the sectors where enrolment growth is projected to be greatest. Given the need for stability in school funding arrangements, this approach needs to consider long term trends to examine growth patterns for the next twenty years.
- *'whether a basic entitlement for every student is required and how it should be determined'* – the term 'basic entitlement' appears to be used here in a different context to its use earlier in the paper. Here it would appear to be used in its broadly accepted meaning of a reasonable base level of funding as opposed to earlier in the paper when it appears to be utilised to mean a resource standard. Once again the paper should clarify and standardise its use of the term 'basic entitlement'.

- *‘how to achieve cost-effectiveness in the provision of school funding’* should be clarified. Does this mean how to achieve *increased* cost-effectiveness in the provision of school funding as the independent sector would argue that it already provides high quality school education utilising government contribution in a very cost effective manner.
- *‘the best way to meet the costs of specific factors such as indigeneity, location, disability and socio-economic disadvantage which can act as barriers to educational achievement’* should be expanded to consider not only the quantum of support required but the most effective model for delivering additional support for these students. For non-systemic schools, a model which provides scope for capitalising on economies of scale to maximise the effectiveness of limited resources is critical.
- *‘what lessons can be learned from funding arrangements overseas and in Australia, especially those in high performing school systems’*. As noted in the comments on the discussion paper, the review should not just consider the features of high performing school systems, but should also examine the features of independent school funding and operation which are also widely acknowledged as conducive to high performance.
- *‘the appropriate composition of school funding, including teaching, capital and other costs of schooling’* should be amended. The significance of funding issues such as funding for special needs students and capital grants need to be recognised in the terms of reference. Therefore consideration of capital funding should be a separate reference. The appropriate composition of school funding should also take into account the cost to schools of implementing reforms such as the Australian curriculum, national testing and reporting, as well as increasing accountability requirements.
- *‘the place of voluntary and private contributions and fees in school funding arrangements’*. The significance of private contributions, particularly to the independent sector, is significantly understated in the discussion paper and in this draft term of reference. The terms of reference need to ensure that private contributions are not treated as an afterthought but reflect the fact that private income represents 60 per cent of sources of funding for independent schools. Private contributions also have strong links to achieving cost effectiveness in schooling and the need for a funding model that does not discourage these contributions should be also be acknowledged in the terms of reference.
- *‘What forms of regulatory oversight are necessary to ensure high standards of delivery and probity among schools receiving public funding’*. It is not clear what process the review will utilise to consider this aspect of school administration as regulation of all schools is the responsibility of state and territory governments and the approach to school regulation varies significantly across the jurisdictions.
- *‘what, if any, transitional assistance should be offered to schools in making the transition to a new system’*. Given that the Deputy Prime Minister has made the commitment ‘no school will lose a dollar of funding in the sense that their school budget per student will not reduce in dollar terms’² the inference in this reference to the possibility of no transitional assistance is at odds with the Deputy Prime Minister’s statement and should be amended.

New terms of reference

- The draft terms of reference currently make no acknowledgement of the long standing structure of schooling in Australia which provides parents with choice to select the school that most meets their child’s needs regardless of sector. The terms of reference should acknowledge the current structure of Australian schooling which enshrines the value of choice in schooling.

² Deputy Prime Minister Speech to Sydney Institute 15 April 2010

- Whilst linked to the reference dealing with transitional assistance, the current terms of reference are silent on the issues of the importance for all schools of funding stability and security. The terms of reference should be amended to recognise that Commonwealth funding has for decades provided schools with funding stability and certainty and these continue to be a priority for funding arrangements.
- The draft terms of reference currently do not address the issue of identifying effective models for the administration of funds for specific programs or how funding will be legislated in future. The independent sector highly values its direct funding relationship with the Commonwealth Government and the significance of this issue is should be reflected in the draft terms of reference.

Bill Daniels
Executive Director

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