



**SENATE STANDING COMMITTEE ON EDUCATION, EMPLOYMENT
AND WORKPLACE RELATIONS
INQUIRY INTO THE SCHOOLS ASSISTANCE BILL 2008 AND THE
EDUCATION LEGISLATION AMENDMENT BILL 2008**

**SUBMISSION BY THE
INDEPENDENT SCHOOLS COUNCIL OF AUSTRALIA (ISCA)**

Key Points in Submission

1. ISCA welcomes the consideration by the Parliament of the Schools Assistance Bill 2008. The legislation seeks to implement those funding arrangements for non-government schools that were announced prior to the 2007 Federal Election. The legislation provides independent schools with certainty about funding arrangements for the next four years.
2. The sector supports the continuation of general recurrent funding based on the SES funding arrangements, continued funding for capital and targeted programs and increased funding for non-government schools with high numbers of Indigenous students.
3. The Bill also provides some details regarding the financial and educational accountability requirements that will apply to all schools. The sector, however, has some concerns with the lack of detail around these provisions provided in the Bill. This submission discusses those issues which have the potential to impact negatively on independent schools.
4. It may well be that some or all of these issues will be adequately covered under the regulations and the administrative program guidelines. However, the independent sector is not in a position to make that assessment as these documents have not yet been made available.
5. It should be noted that a priority for the sector is the passage of the legislation before the end of 2008. If passage of the legislation is delayed into 2009, this will have a significant impact on the financial viability of many independent schools, as no Australian Government general recurrent funding can flow to non-government schools until this legislation is enacted.
6. Ultimately it is ISCA's objective to ensure that independent schools receive the financial and other support covered by the legislation while ensuring that independent schools continue to enjoy the autonomy to be able to offer parents choice and flexibility in the education of their children.

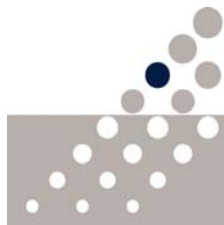


Table of Contents

About ISCA	3
About the independent school sector	4
School enrolment trends	4
Funding environment for the independent school sector	5
Contribution of parents and the school community	5
State and Territory government policies	7
Annual indexation	8
ISCA's key funding principles	8
Base grant for all students	8
Stability and predictability	9
Additional needs-based support	9
Other issues	10
Indigenous education	10
Capital funding	10
Program administration	10
Regulatory environment for schools	11
Regulatory framework for the 2009 to 2012 funding period	11
Schools Assistance Bill 2008	11
National Curriculum	13
Reports on programs and financial operations	14
Funding for Indigenous students	14
Financial viability	15

About ISCA

The Independent Schools Council of Australia (ISCA) is the peak national body covering the independent school sector. It comprises the State and Territory Associations of Independent Schools. Through these Associations it represents a sector with 1,100 schools and around 511,000 students accounting for nearly 15 per cent of Australian school enrolments.

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

- Schools affiliated with 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 high risk factors.

Independent schools are not-for-profit institutions founded by religious or other groups in the community and are registered with the relevant state or territory education authority. Most independent schools are set up and governed independently on an individual school basis. However, some independent schools with common aims and educational philosophies are governed and administered as systems, for example the Lutheran systems. Systemic schools account for nearly 17 per cent of schools in the independent sector.

Independent Catholic schools are a significant part of the sector, accounting for 10 per cent of the independent sector's enrolments. These schools have been included in ISCA's figures¹.

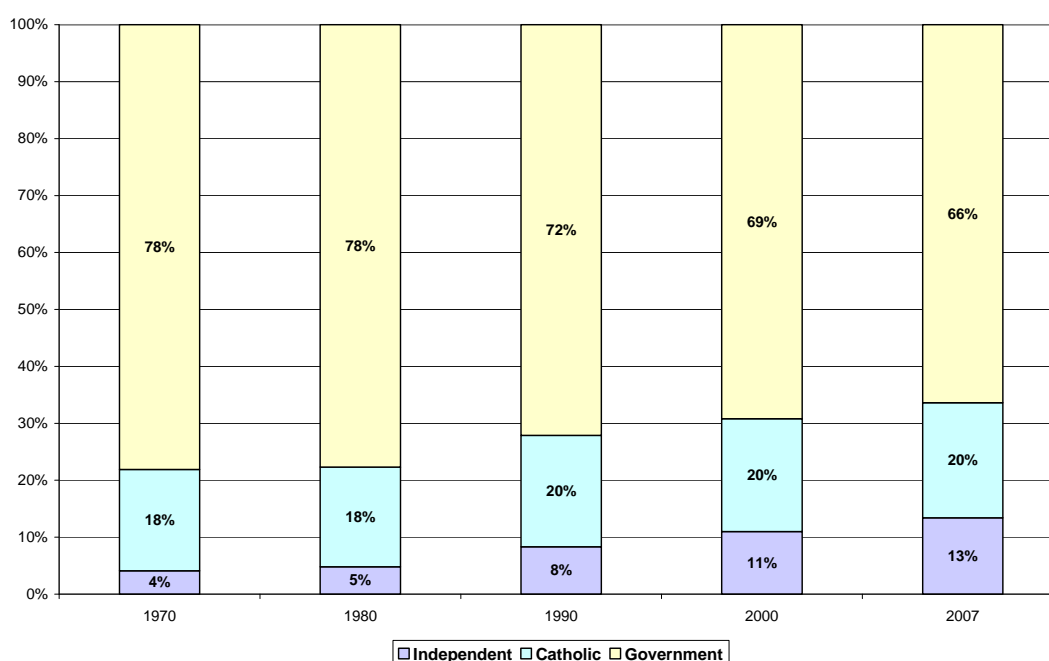
¹ Figures in this submission have been sourced from ABS *Schools Australia*, the DEEWR Census of Non-government Schools, the DEEWR Non-government Schools Financial Questionnaire and the Productivity Commission *Report on Government Services*.

About the independent school sector

School enrolment trends

7. Enrolments in independent schools have grown steadily since 1970. In 2007 the independent schools sector accounted for some 15 per cent of total student enrolments compared to 4 per cent in 1970². Full time enrolments have increased from some 114,000 in 1970 to approximately 511,000 in 2007. The steady growth in enrolments in independent schools has been irrespective of the political persuasions of governments over the period, and confirms that a large and growing number of Australian families want increased choice in schooling options.

Table 1: Growth in School Enrolments 1970 – 2007³



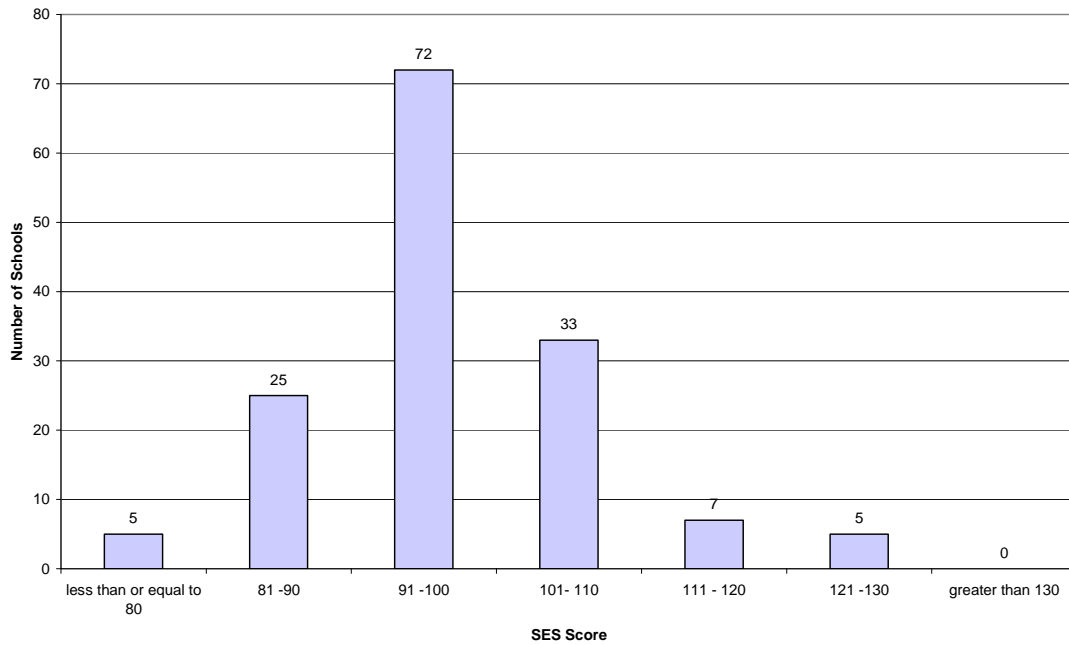
8. Analysis of enrolment growth patterns in the independent sector shows that enrolment growth has occurred predominantly in schools drawing students from a lower socio-economic profile. An analysis of the SES scores of the 147 new schools⁴ which opened during the eight year period 2000 to 2007 shows that nearly 70% of them have an SES score of 100 or less. Most of these new schools aim to operate with low fees, and their establishment has contributed to the increasing diversity of the sector.

² Includes independent Catholic schools.

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

⁴ This figure does not include schools for which an SES score was not available.

Table 2: New schools in the independent sector by SES, 2000 – 2007

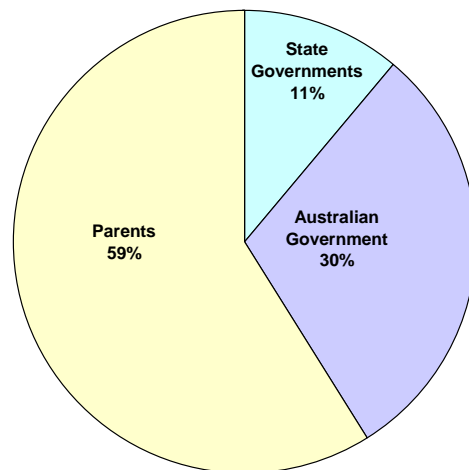


Funding environment for the independent school sector

Contribution of parents and the school community

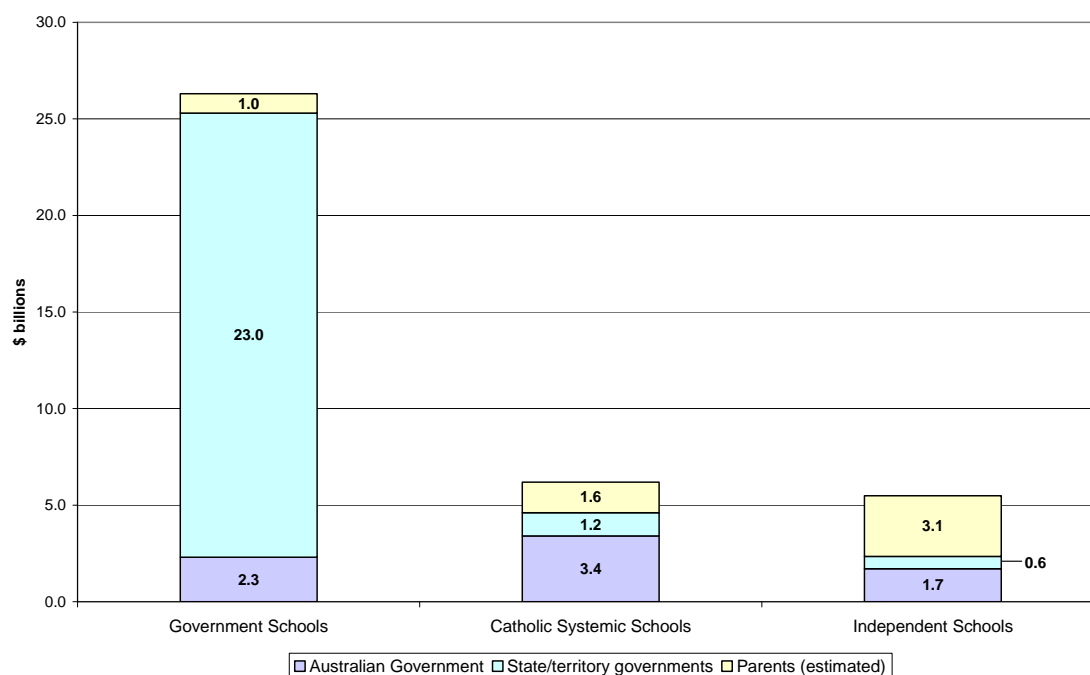
9. The private contribution made by parents and the school community represents the most significant source of funding for the independent school sector. Schools are reliant for their operation on stable and predictable funding from three sources:
- parents
 - the Australian Government
 - state and territory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

Table 3: Independent schools – sources of income



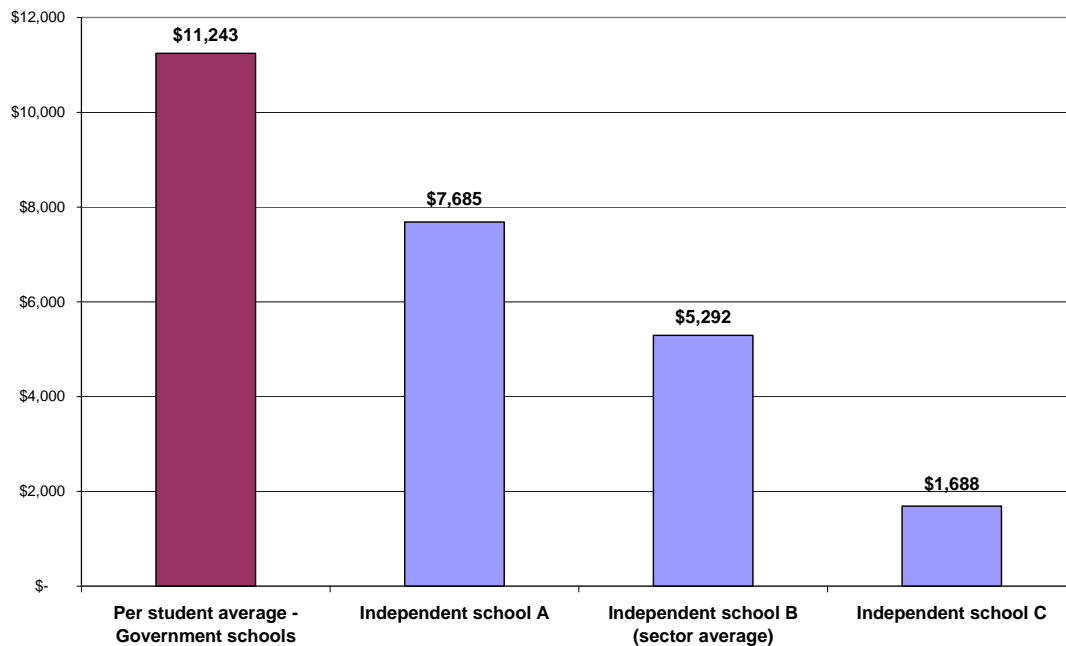
10. Taking the sector as a whole, independent schools rely substantially more on parents than governments to provide funding. On average, independent schools receive 59 per cent of income from private sources (mainly parents) and 41 per cent of income from governments.

Table 4: Recurrent funding by sector 2005-06



11. 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.
12. Australian Government 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. Increases in Government funding to the non-government sector, relative to the government sector, are due to the increased number of students attending independent schools (See table 1). Further, many of these new students are from a lower socio-economic profile and therefore attract higher levels of Australian Government funding (See table 2).

Table 5: Total Government Recurrent Funding Per Student – Government and Independent Schools 2005-06



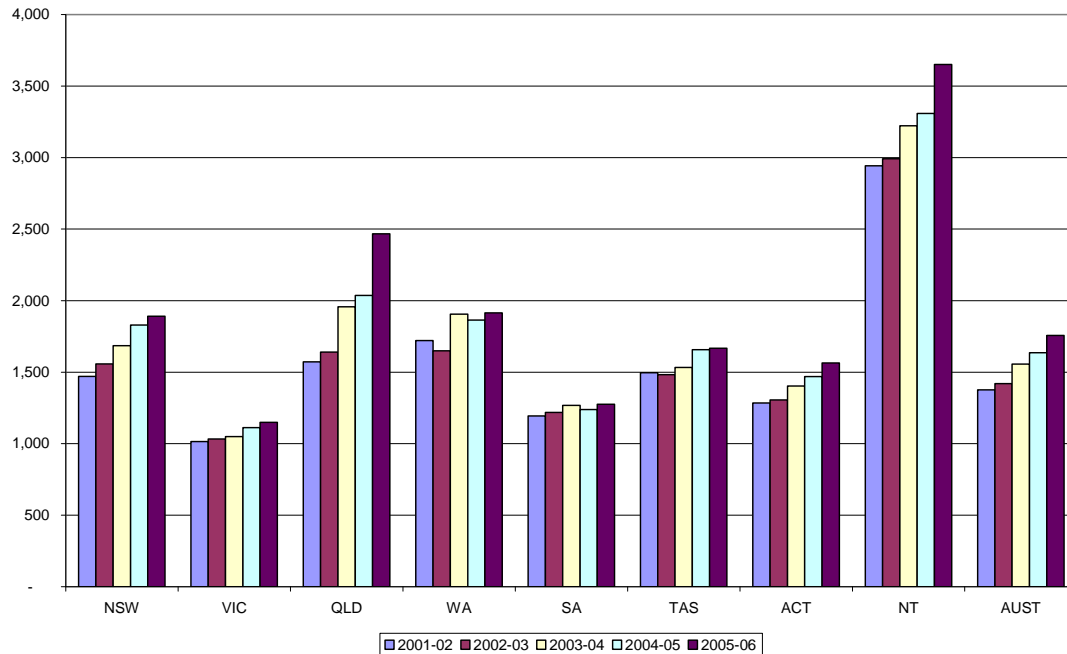
13. If funding from one of the partners is reduced for any reason the school must meet the shortfall by seeking a corresponding increase from another funding partner or reduce the level of services provided by the school. A reduction in a school's funding from one or both government sources will require a greater contribution by parents and the school community.
14. The savings to governments in Australia from the education of school students in non-government schools is in the order of \$5.5 billion per annum. Savings from independent schools are in the order of \$2.6 billion of this total.
15. Parents pay for most capital development in independent schools through fees and donations to school building funds, and other fundraising activities. This parental contribution represents about 84 per cent of total capital spending, while the remainder of the sector's capital funding is contributed from federal and state or territory government sources, although this contribution varies significantly depending on the State or Territory.

State and Territory government policies

16. Around 41 per cent of total funding for independent schools is from government sources, largely from the Australian Government. State and territory governments provide some of this funding support, amounting nationally to about 11 per cent of the sector's total recurrent funding. However, the contribution by each state and territory government varies considerably.
17. To gain the full picture of government funding to independent schools, it is important that the amounts provided by both the Australian Government and individual state and territory governments are looked at together. While Australian

Government recurrent funding is uniform based on SES scores across all states and territories, the funding provided by state and territory governments differs markedly. See Table 6 below derived from recent reports by the Australian Government Productivity Commission's *Report on Government Services*.

Table 6: State and Territory Governments recurrent expenditure per FTE student in non-government schools 2001-02 to 2005-06



Annual indexation

- To ensure the ongoing financial viability of independent schools, it is essential that governments contribute to the increasing costs of schooling through annual indexation of grants based on a specific schools index. ISCA supports the use of Average Government School Recurrent Costs (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.

ISCA's key funding principles

- ISCA believes the following key principles should underpin recurrent funding policies for independent schools:

Base grant for all students

- Australian society recognises that it is a fundamental 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 federal 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.

21. The independent schools sector strongly supports a reasonable base grant for each independent school student. ISCA believes that the funding arrangements in the Schools Assistance Bill substantially satisfy these criteria. The independent sector has found that on balance the SES model works well, and is superior to the previous funding model based on the Education Resource Index (ERI).

Stability and predictability

22. Stable and predictable funding arrangements enable families to plan with certainty for the private funds that they commit to their children's schooling. ISCA strongly endorses the established policy of providing legislated quadrennial funding for government and non-government schools, adjusted annually to meet cost increases. ISCA notes, however, that COAG has agreed to implement a new framework for Commonwealth-State financial relations. This framework changes the Australian Government funding arrangements for government schools with the development of the National Education Agreement and funding being appropriated through the proposed *State Finances Act*.
23. The funding guarantee approach is fully supported by ISCA as a fair and reasonable mechanism to phase in any necessary funding adjustments under the SES scheme. The funding guarantee continues a principle which has for decades been a feature of schools funding, recognising that funding adjustments need to be phased in over a period of time.
24. ISCA supports the continuation of funding maintenance as an essential element of the operation of the SES scheme. It is an inescapable fact that a large number of schools have since 2001 been dependent on the funding maintenance mechanism to provide them with a funding level adequate for their financial viability.

Additional needs-based support

25. The base grant should be supplemented by needs-based funding. The SES model provides an effective and efficient mechanism for needs-based general recurrent funding for schools. Governments must recognise the relative educational disadvantage of certain students - including students with disabilities, students from non-English speaking backgrounds, Indigenous students and students from rural and remote areas - and provide additional funding specifically addressing the needs of these students. ISCA strongly supports the retention in the Bill of targeted funding for educationally disadvantaged students.
26. In particular the independent sector values funding by the Australian Government that supports education provision for students with very high needs. These include Indigenous students, students with disability, humanitarian settlement entrants and schools in remote locations. Government funding assistance allows families of these students greater flexibility in choosing the education which is best suited to their needs.

Other issues

Indigenous education

27. There are nearly 7,500 Indigenous students in the independent schools sector. This represents 5 per cent of the Indigenous student population. The majority of Indigenous students in the sector are located in Queensland (33 per cent), Western Australia (18 per cent), the Northern Territory (16 per cent)⁵, and New South Wales (20 per cent), where there are significant numbers of Indigenous students in metropolitan schools.
28. ISCA welcomes the provisions in the Bill for Indigenous education which provides additional funding for non-government schools that have significant numbers of Indigenous students. The maximum rate of general recurrent funding will automatically apply to non-government schools in remote and very remote areas that have 50 percent or more Indigenous enrolments and to non-government schools in other areas that have 80 per cent or more Indigenous enrolments.
29. ISCA also notes that the Bill provides funding for Indigenous students which was previously appropriated under the *Indigenous Education (Targeted Assistance) Act 2000*. ISCA acknowledges the efficiencies of streamlining the non-government elements of various Indigenous school education programs. However, as noted below in the submission, ISCA is keen to ensure that this initiative does not impact negatively on independent schools with Indigenous enrolments or on the capacity of those Associations of Independent Schools that provide support services to these students and schools.

Capital funding

30. The Schools Assistance Bill continues to provide support for capital works for the non-government sector. 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 16 percent of the sector's capital funding⁶. In the independent sector capital development is mostly financed by family contribution.

Program administration

31. Specific purpose funding for capital and targeted programs in the independent sector are administered by the Association of Independent Schools in each state and territory. The Associations play a vital role in delivering funding within in 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.

⁵ No longer includes indigenous enrolments in Catholic schools in NT which were previously included in the independent sector.

⁶ Includes capital funding from both State Governments (5%) and the Australian Government (11%).

32. Australian Government capital grants for independent and Catholic schools are administered by Block Grant Authorities (BGA) in each state and territory. ISCA appreciates that the Government has recognised the work of the BGAs in assessing and delivering capital grants to independent schools. The role of BGAs in each state and territory has recently expanded to include implementation and program administration for the National Secondary School Computer Fund and the Trade Training Centres in Schools Program.
33. The above arrangements are long standing, and are demonstrably reliable and cost-effective. They also provide an efficient mechanism for ensuring school and sector-wide accountability. ISCA strongly supports the continuation of the current arrangements for the 2009 to 2012 quadrennium.

Regulatory environment for schools

34. Independent schools accept their responsibility to use government funds in accordance with the purposes set down for the relevant program and their responsibility to account for the use of these funds. Independent schools have always operated within a comprehensive framework of government regulatory mandates and self-regulatory mechanisms, including state and territory government requirements for school registration, accreditation and credentialing, conditions of funding as well as reporting and accountability requirements.
35. In recent years, both state and federal governments have introduced increased regulatory and reporting requirements as a condition of funding for all schools, including independent schools. This expanding regulatory framework has significant workload implications both for independent schools and for the Associations which represent them (ISCA and the State Associations). The procedures adopted through MCEETYA and by the Australian Government to implement and monitor the regulatory requirements are generally developed for systemic school environments. These procedures have to be adapted, often with difficulty, to fit the independent sector.

Regulatory framework for the 2009 to 2012 funding period

36. ISCA notes that the Australian Government is highlighting that a central feature of funding arrangements for 2009 to 2012 is a simpler, strengthened performance information and reporting framework. The Schools Assistance Bill removes many of the onerous reporting requirements of the previous legislation. However, the Bill includes a number of provisions that reflect the Government's priority for improving transparency and accountability of schools and school systems which are of concern to the sector. The Bill does not contain sufficient detail on these provisions to enable the sector to understand the full impact on independent schools.

Schools Assistance Bill 2008

37. ISCA welcomes the consideration by the Parliament of the Schools Assistance Bill 2008. The legislation will ensure that the funding arrangements for non-government schools that were announced prior to the 2007 Federal Election will

be implemented. The legislation provides independent schools with certainty about future funding arrangements. It also provides some details regarding the financial and educational accountability requirements that will apply to all schools.

38. Passage of the Schools Assistance Bill before the end of the 2008 parliamentary sittings is critical to ensure funding for non-government schools is available from the start of 2009. No Australian Government general recurrent funding can flow to non-government schools until this legislation is enacted.
39. ISCA supports the provisions in the legislation to continue the current arrangements for General Recurrent, Capital and Targeted Programs. ISCA welcomes the increased funding for schools with high Indigenous enrolments and notes the changes to Indigenous Supplementary Assistance. It should be noted, however, that some in the sector have expressed concern regarding the provision in the Bill for the phasing out of establishment assistance grants for new non-government schools.
40. ISCA notes that, as with previous legislation, the Schools Assistance Bill contains conditions of funding and accountability arrangements. Many of the detailed accountability requirements of the current legislation have been removed. The Bill requires:
 - funding agreements to be in place with the Commonwealth
 - national student assessments
 - national reports on the outcomes of schooling
 - reports on individual school information
 - reporting to parents
 - publication by schools of information relating to schools
 - implementation of the national curriculum
 - acquittal of grants
 - reports on programs and financial operations
 - access to accounts, records and documents for monitoring purposes
 - participation in evaluation of programs
 - failure to comply provisions including repayment, reduction and delaying of payments.
41. ISCA understands that specific details on many of the above provisions will be contained in regulations and notes that this is not unusual and occurred with the passage of the previous legislation when schools signed funding agreements prior to the finalisation of regulations in order to receive funding.
42. The lack of detail in the Bill relating to some of the proposed accountability requirements has caused concern within the sector. It may well be that some or all of these issues will be adequately covered under the regulations and the administrative program guidelines. However, the independent sector is not in a

position to make that assessment as these documents have not yet been made available.

43. Specifically independent sector concerns with the lack of detail in the legislation relate to the following:

National Curriculum

44. Under Section 22 of the Bill, funding agreements will require schools to implement “the national curriculum prescribed by the regulations for primary and secondary education”. The prescribed deadline for implementation of the national curriculum is 31 January 2012.
45. The sector has yet to see the draft regulations or guidelines and consequently it is not clear precisely what the Government intends to require of schools under this provision. There is also considerable uncertainty about the final form of the national curriculum given that it is in its formative stage of development. The Bill in effect will require independent schools to agree to have their funding contingent on an undefined curriculum, subject to undefined arrangements.
46. Many independent schools offer curricula such as the International Baccalaureate, Montessori and Steiner programs and will wish to continue to do so in the future. There are also independent schools that offer high quality teaching and learning programs for students with special needs, including students with disabilities and students at severe educational risk. ISCA also considers that it is important for the autonomy of independent schools that they have the flexibility to deliver curriculum in a context that reflects the school’s values and ethos. The capacity to deliver the curriculum according to a school’s philosophy and pedagogical approach is essential for the continued operation of these schools. It is not clear that this will be possible under this legislation.
47. The National Curriculum Board in its most recent discussion paper “The Shape of the National Curriculum: A Proposal for Discussion” canvasses this issue as follows: “All states and territories currently have processes by which schools can be accredited to offer something other than their relevant state or territory curriculum. These offerings include the International Baccalaureate, programs developed within a particular educational philosophy that influences curriculum design (e.g. Montessori and Steiner) and special schools with curriculum adapted to the needs of their students. Such provisions could continue in the presence of a national curriculum though that will remain a matter for the states and territories’ registration authorities.”
48. ISCA’s position in relation to National Curriculum is on the public record as follows and we are seeking to ensure that the legislation respects our position and that the Regulations will allow for independent schools to continue their high quality teaching and learning programs beyond 2011.
49. ISCA supports in-principle the development of a national curriculum that:
 - is developed in cooperation with national and state school authorities across the three school sectors

- identifies the core content and achievement standards
- incorporates generic cross-curricula competencies
- does not explicitly prescribe assessment strategies or specific pedagogies
- enables schools to localize the curriculum content, meets the needs of individual learners and provides a variety of recognised study pathways for students
- enables schools to use other recognised curriculum such as the International Baccalaureate
- enables schools to deliver the curriculum within a recognised educational philosophy such as Montessori or Steiner
- facilitates the reporting of student's results against achievement standards that recognize the different approaches to assessment across the years of schooling.

Reports on programs and financial operations

50. Section 24 of the Bill includes reference to largely undefined reporting requirements relating to the “funding sources” of independent schools. As it is not clear from the Bill why this information is being sought, this provision is being interpreted by many in the sector as a significant threat to the future autonomy and independence of independent schools. As the detail of the reporting requirements is not articulated, there is concern in the sector that sensitive financial information may be misused or misinterpreted.
51. Independent schools are already required to provide detailed annual reporting on their financial circumstances to the Australian Government via the Financial Questionnaire and, depending on their governance structures, to the Australian Securities and Investments Commission. ISCA questions the need to impose additional financial reporting requirements on financial inputs.
52. Increasing the reporting requirements of schools would appear contrary to COAG's stated position with regard to focusing on educational outcomes rather than inputs and reducing the regulatory and compliance burden. As part of its regulatory reform agenda, COAG has agreed to maximise the efficiency of regulation by, inter alia, reducing the burden of regulation and compliance costs. (COAG meeting, 26 March 2008 Communiqué). In addition, the validity of continuing to require an Annual Financial Questionnaire return has been questioned in recent years by the Productivity Commission and others.

Funding for Indigenous students

53. The shift of some elements of Indigenous funding from the *Indigenous Education (Targeted Assistance) Act 2000* into recurrent funding under the Schools Assistance Bill 2008 has the potential to impact negatively on some independent schools with enrolments of Indigenous students. The professional support services provided by Associations of Independent Schools in Western Australia, South Australia and

Queensland in particular, appear to be in jeopardy under these proposed arrangements whereby per capita payments will be made directly to schools that are then expected to purchase Indigenous Support Unit services. This approach has the potential to diminish the ability of schools to benefit fully from the amalgamation of elements of Indigenous funding, and reduce the resources available through the State Associations to independent schools with significant Indigenous enrolments. Provision should be made for the current administrative arrangements to continue. ISCA is currently in negotiation with the Government regarding these arrangements to ensure that these support services can continue to be offered by Associations to these Indigenous students.

Financial viability

54. The independent sector acknowledges the obligations on the Minister to ensure that Australian Government funding is not directed to organisations that are not financially secure. Section 15 (c) (i) of the Bill seeks to address this obligation. However, this Section can be interpreted that a qualified audit statement is a relevant consideration to identify a school that may not be financially viable. There are many reasons why an audit report would be qualified and in many cases these reasons would have little to do with the financial viability of a school. We could accept that expressed concern about financial viability by the auditor is a valid consideration for the Minister in refusing or delaying a payment but we consider that a 'qualified audit report' is too broad a basis for assessing the financial viability of a school.

This submission has been prepared by ISCA in close consultation with our member associations:

Association of Independent Schools of the ACT Inc.
The Association of Independent Schools of New South Wales Ltd.
Association of Independent Schools of the Northern Territory Inc.
Independent Schools Queensland
Association of Independent Schools of South Australia
The Association of Independent Schools of Tasmania
Association of Independent Schools of Victoria Inc.
Association of Independent Schools of Western Australia Inc.

Bill Daniels
Executive Director
Independent Schools Council of Australia

31 October 2008