

ISCA Submission

to the

Productivity Commission Inquiry into  
Introducing Competition and Informed  
User Choice into Human Services

25 July 2016

## TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
INTRODUCTION.....	3
BACKGROUND.....	3
ABOUT THE INDEPENDENT SCHOOL SECTOR .....	4
SOCIAL AND ECONOMIC CONTRIBUTION OF INDEPENDENT SCHOOLS .....	5
INDEPENDENT SCHOOL ENROLMENTS AND TRENDS .....	7
New Independent Schools and the Size of Established Independent Schools .....	8
Disadvantaged Students in Independent Schools .....	9
Projected Future Enrolments in Independent Schools.....	11
SCHOOL FUNDING IN AUSTRALIA .....	12
THE SERVICE DELIVERY FRAMEWORK FOR INDEPENDENT SCHOOLS.....	14
Roles and Responsibilities for Education in the Federation .....	14
Compliance Costs.....	15
Measuring Outcomes.....	17
KEY ISSUES FOR INDEPENDENT SCHOOLS.....	18
Limits and Barriers for Independent Schools to Further Competition and Choice .....	18
Lack of Choice for Students with Disability.....	20
Limits to Choice for Indigenous Students in Remote Communities .....	21
CONCLUSION.....	22

## INTRODUCTION

The Independent Schools Council of Australia (ISCA) welcomes the opportunity to provide this submission to the Inquiry into Introducing Competition and Informed User Choice into Human Services.

Independent schools play a critical role in providing choice, diversity, innovation and excellence in Australian schooling. This submission:

- Provides background information for the Commission on the characteristics, contribution and public benefits of Independent schools in Australia
- Outlines the historic and projected enrolment trends in Independent schools
- Provides information on the funding and regulation of Australian schools, particularly Independent schools
- Discusses the social and economic contribution of Independent schools to the Australian community
- Summarises the service delivery framework under which Independent schools operate
- Identifies a range of key issues which present limitations to the choice offered by Independent schools and to greater competition and informed user choice in the school education sector.

## BACKGROUND

ISCA is the peak national body representing the Independent school sector. It comprises the eight state and territory Associations of Independent Schools (AISs). Through these Associations, ISCA represents a sector with 1,091 schools and 586,800 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 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.

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 practise an internationally recognised educational philosophy such as Rudolf Steiner or Montessori schools.

Independent Catholic schools are a significant part of the sector, accounting for 10 per cent of the Independent sector's enrolments.

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 Lutheran systems. While systemic schools account for 18 per cent of schools in the Independent sector, four out of five schools in the sector are autonomous non-systemic schools.

## 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 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, as the majority of Independent schools operate autonomously they do not rely on central bureaucracies or bodies and are separately accountable to governments and their parent and school communities.

While almost all Independent schools choose to become members of their State or Territory Association of Independent Schools (AIS), the AIS does not act as a 'system authority' for the sector.

AISs provide a range of professional services directly to schools, as well as providing educational support such as learning opportunities, advice and information. Many AISs also offer industrial relations services, child protection services, and implement government programs, for example the Australian Government Capital Grants Program. In addition, AISs represent the views of the Independent school sector at the state and territory level.

The autonomy of Independent schools enables them to respond flexibly, effectively and creatively 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.

Schools in the Independent sector reflect Australia's social and ethnic diversity. Independent schools represent a range of religious affiliations and educational philosophies, serving the needs of individuals or groups such as students with disabilities and Indigenous students, and educating a diverse range of students across all socio-economic and socio-educational backgrounds. The diversity of Independent schools contributes to the expanding range of choices available for young Australians to be educated in schools with different cultural, religious and educational philosophies.

There is a common perception, encouraged by media portrayal, that Independent schools are large, urban schools which only cater to high income families. In fact, ninety percent of Independent schools are low to medium fee establishments, and they cater to the full spectrum of Australian society.

Independent schools also 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 and who are now attending Independent special assistance schools.

The range of fees paid varies greatly from school to school reflecting the diversity of the sector. The spectrum of fees range from schools serving highly disadvantaged communities which charge no fees, through to schools which charge in excess of \$20,000 per year. It should be noted that schools charging in excess of \$20,000 per year only represent 10 per cent of Independent schools. The median fees charged per student in Independent schools are \$5,887 per year<sup>1</sup>.

## SOCIAL AND ECONOMIC CONTRIBUTION OF INDEPENDENT SCHOOLS

As noted above, the Independent sector educates a significant proportion of the Australian school-aged population and an increasing share of educationally disadvantaged students. This represents not only a substantial role in the education of Australian children but also a major contribution to the overall economic and social wellbeing of Australia.

Nationally schools in the Independent sector:

- Employ 86,000 staff
- Pay annual salaries and wages of \$6.5 billion
- Contribute Pay As You Go taxes of \$1.6 billion
- Fund more than \$0.7 billion in annual superannuation contributions.

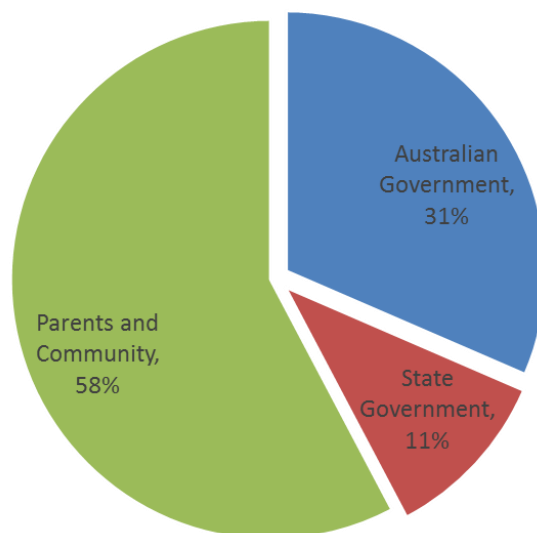
Independent schools are committed to providing their students with a high quality education experience that meets the needs of their students. The autonomous nature of the sector allows schools the opportunity to be innovative and flexible in their efforts to improve educational outcomes and meet the particular educational needs of all their students.

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<sup>1</sup> Excludes full fee paying overseas students

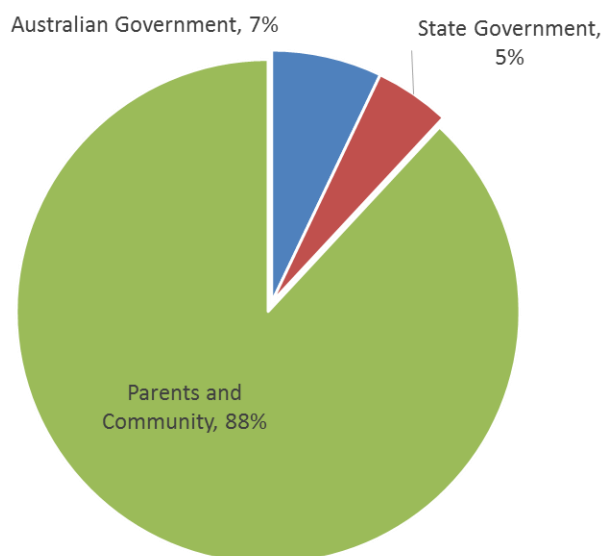
The efforts of Independent school communities in supporting their children's education results in significant savings to government. Overall, the Independent school sector relies primarily on parents to fund schools, with 58 per cent of recurrent income coming from private sources. This willingness and commitment of Independent school parents to pay school fees saves governments an estimated \$4.3 billion per annum in recurrent schooling costs.

#### **Independent sector recurrent income by source 2014**



Source: ACARA My School 7.0 (2014 Financial Data)

#### **Independent sector capital expenditure by source 2014**



Source: ACARA My School 7.0 (2014 Financial Data)

In addition, through fees and donations, parents and donors nationally provide 88 per cent of capital funding for Independent school buildings, grounds and equipment.<sup>2</sup> 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 2014 the net total borrowings of the sector for capital were \$3.1 billion, which equates to \$5,860 per student.

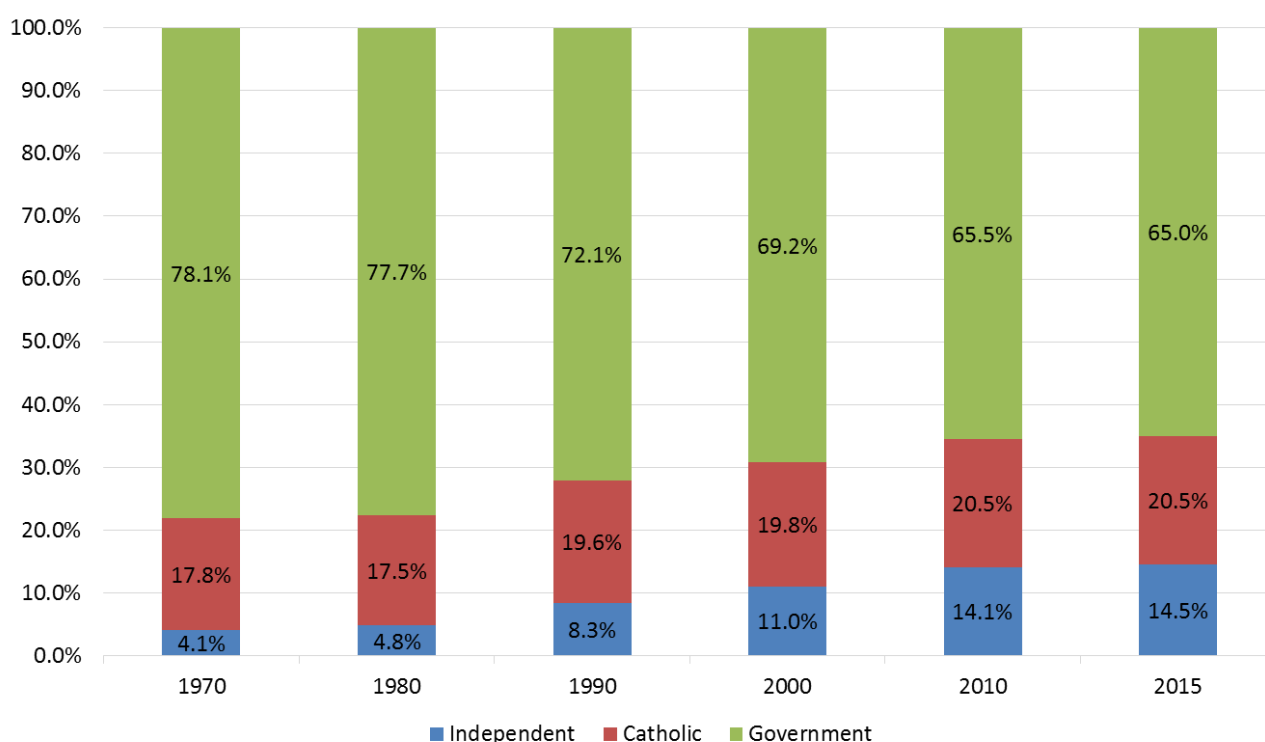
Government investment in Independent school capital development is a very efficient use of scarce government resources. For example, between 2009 and 2011 Commonwealth funds provided under the Building the Education Revolution (BER) initiative leveraged an additional \$370 million in private contributions from Independent school communities towards BER projects.

Parental contributions to the funding of Independent schools frees up scarce government resources to be allocated to other priorities and reduces the need for government revenue-raising. Public funding allocated to Independent schooling represents a highly efficient and effective use of government resources because of the sector's capacity to leverage private contributions to education and its social and economic benefits.

## INDEPENDENT SCHOOL ENROLMENTS AND TRENDS

The Independent sector is nationally the third largest school education provider in Australia (after the New South Wales Government system and the Catholic education systems) and at secondary level the Independent sector is the largest provider of school services.

### Enrolment share by sector 1970-2015



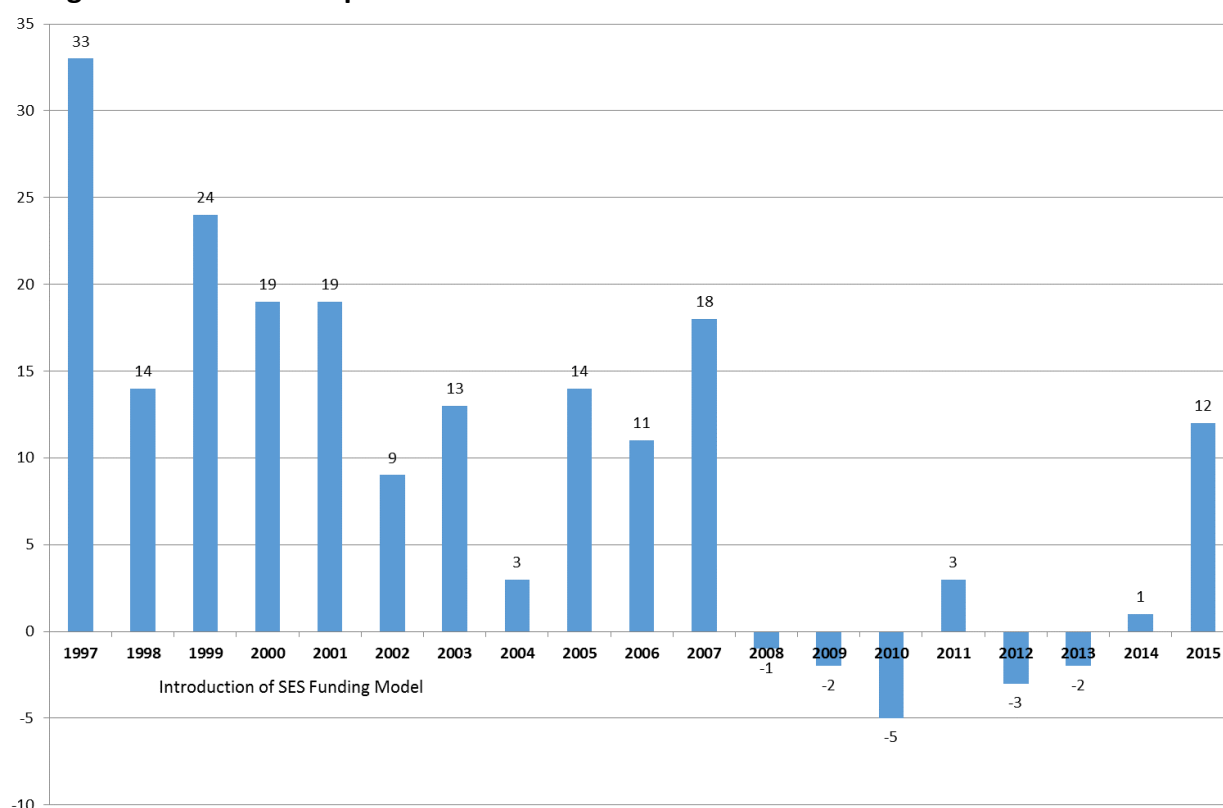
Source: ABS Schools Australia 2015 (FT student enrolments)

<sup>2</sup> ACARA My School 7.0 (2014 Financial Data)

Enrolments in Independent schools have grown steadily since the 1970s. According to ABS data, in 2015 Independent schools accounted for 14.4 per cent of total student enrolments (18.3 per cent of secondary enrolments) compared to 4 per cent in 1970. Full time enrolments have increased from around 124,000 in 1970 to nearly 540,000 in 2015.<sup>3</sup> With the inclusion of Independent Catholic school enrolments, the sector enrolment is 586,800 students.

## New Independent Schools and the Size of Established Independent Schools

### Change in number of Independent schools - 1997-2015



Source: ABS Schools Australia 2015

Note: Figures exclude Independent Catholic schools

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. Table 1 below shows that the size of Independent schools has grown steadily over the last 35 years to an average in 2015 of around 525 students. This compares with an average of 365 students at government schools. The increase in average size is an indication of the very high costs associated with establishing a new Independent school and the often significant administrative and legislative barriers and expenses.

As the 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. This situation has created limits to the choice available to parents and communities who would

<sup>3</sup> Note: ABS Independent sector data excludes Independent Catholic enrolments.



like to choose an Independent school education for their family, and represents a significant constraint to growth of enrolments in Independent schools.

**Table 1 - Average size of Independent schools - 1980-2015**

	No. schools	FT enrolments	Average school size
1980	529	144,270	273
1990	803	252,611	315
2000	938	357,507	381
2010	1,017	491,233	483
2015	1,028	539,377	525

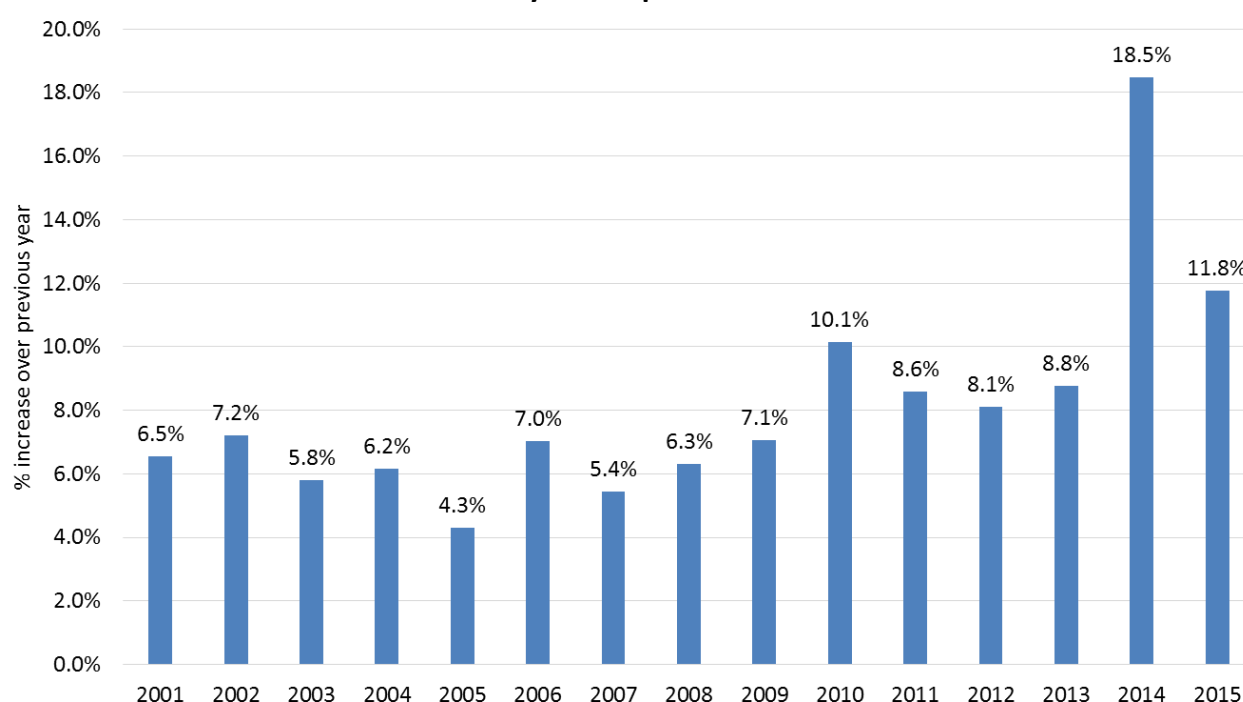
Source: ABS Schools Australia (FT student enrolments; Schools data)

Note: Figures exclude Independent Catholic schools

## Disadvantaged Students in Independent 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.

**Annual increase in students with disability in Independent schools 2001-2015**



Source: Department of Education and Training Non-Government School Census 2015

Note: Figures exclude Independent Catholic schools

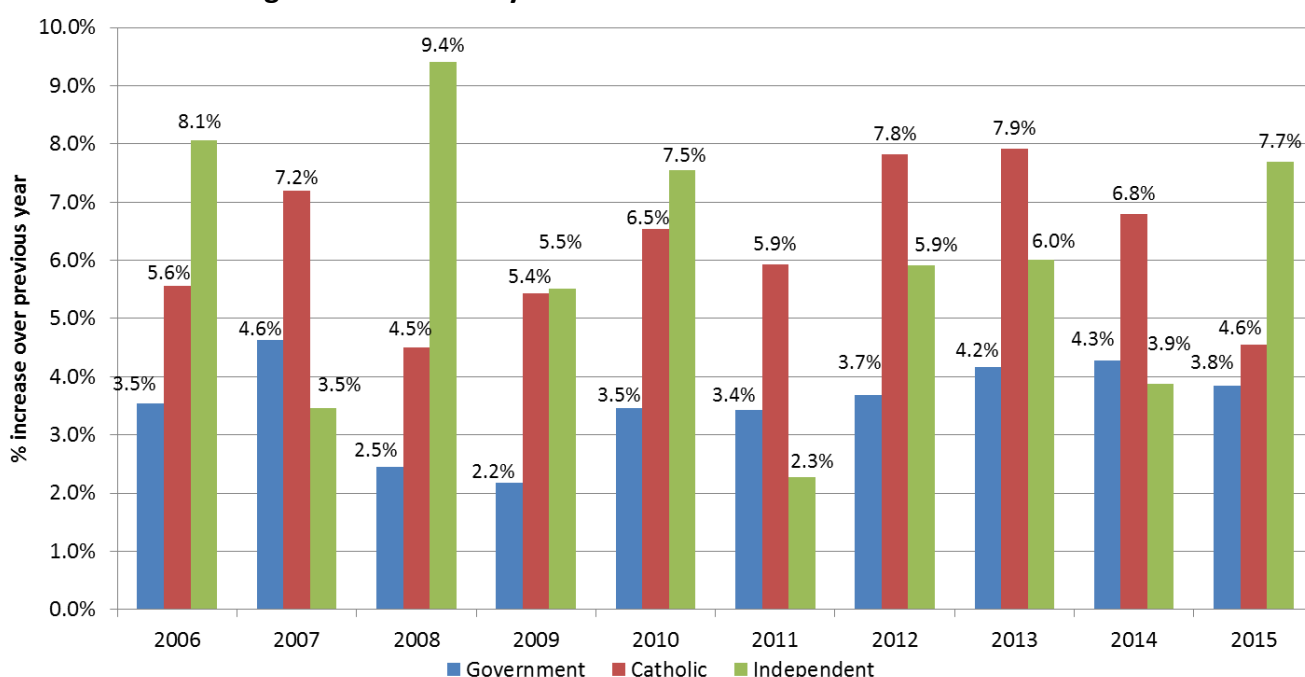
The role of the Independent school sector in providing for students with disability has increased dramatically in recent years. The number of students with disability in Independent schools is significant and continues to increase annually. In particular, over the last 15 years there has been a consistent and steady trend of increasing enrolments of students with disability in Independent schools, with an average annual growth rate of 8 per cent. In 2015, almost 20,000 students with disability were enrolled in Independent schools.

This is double the number of students with disability who were enrolled in Independent schools in 2006.

The growth in enrolments of students with disability has been greatest in mainstream schools, which now account for some 82 per cent of students with disability in Independent schools, including those with high to very high support needs. Around 18 per cent of students are enrolled in special schools which provide alternative educational settings for students with high-level needs.<sup>4</sup>

Indigenous student enrolments are dispersed broadly across the Independent sector and in 2015 there were 12,003 Indigenous students enrolled in 805 independent schools. Seventy four per cent of Independent schools in Australia enrolled Indigenous students in 2015. Enrolments of Indigenous students in Independent schools have grown at an average rate of more than 5 per cent per year over the last two decades.

### Growth rates of Indigenous students by sector 2006-2015



Source: ABS Schools Australia 2015 (Indigenous FTE student data)

Note: Figures exclude Independent Catholic schools

Indigenous students are educated across a range of settings and in different types of schools in the Independent sector. There are some Independent schools that provide education to significant populations of Indigenous students with some schools serving entirely Indigenous populations. A significant number of these schools are located in rural or remote areas.

The context and educational environment means that the needs of Indigenous students, and thus of the schools, teachers and support staff, vary according to the educational

<sup>4</sup> Department of Education and Training Non-Government School Census 2015 – includes Independent Catholic enrolments

environment. Independent schools servicing disadvantaged communities often do so at a much greater cost than schools operating in other areas. It is not uncommon for these schools to provide students with an extended range of other non-educational human services such as health care, meals, clothing and family support services. These services are always provided free of charge to the students and almost always funded from the school community.

The Independent sector is the major provider of boarding school education in Australia, including for Indigenous students. Nearly 2,400 Indigenous boarders attend 117 Independent schools. These schools are often the only option for Indigenous students who choose to board to complete their education.

Half of these students attend schools with either very large numbers or a high concentration of Indigenous boarders. Many come from remote communities where primary level education is the only schooling locally available and they have to leave their communities in order to undertake secondary studies.

Many Independent boarding schools provide scholarships to support access to education for Indigenous students or are involved in community based programs to provide scholarships to these students. The inclusion of Indigenous students in these schools supports choice and increases diversity, promotes cultural understanding and social responsibility, and assists with government priorities to close the gap between Indigenous and non-Indigenous Australians.

### Projected Future Enrolments in Independent Schools

Based on Commonwealth Department of Education and Training projections, by 2020 Australia will need a further 2,000 schools to accommodate more than 700,000 additional enrolments.

Future policy settings by all governments will need to consider not only the historical but also the projected enrolment growth patterns across the schooling sectors.

Table 2 below shows enrolment growth in Independent schools is projected to continue to outpace government and Catholic school growth over the next decade. These projections indicate that Independent schools will need to accommodate an additional 98,000 students which equates to an additional 187 schools in the sector.

**Table 2 - Projected enrolment change in Independent schools - 2015 – 2025**

	2015	2025**	Change (no.)	Equivalent number of new schools*
Primary	246,917	277,281	30,364	58
Secondary	292,460	360,020	67,560	129
Total	539,377	637,301	97,924	187

Source: Department of Education and Training Projections and ABS Schools Australia 2015 (FT student enrolments)

\*Based on average school size for Independent sector for 2015 derived from ABS schools data.

\*\* Note: Projections beyond 2015 impacted by shift of Year 7 from Primary to Secondary in WA & QLD

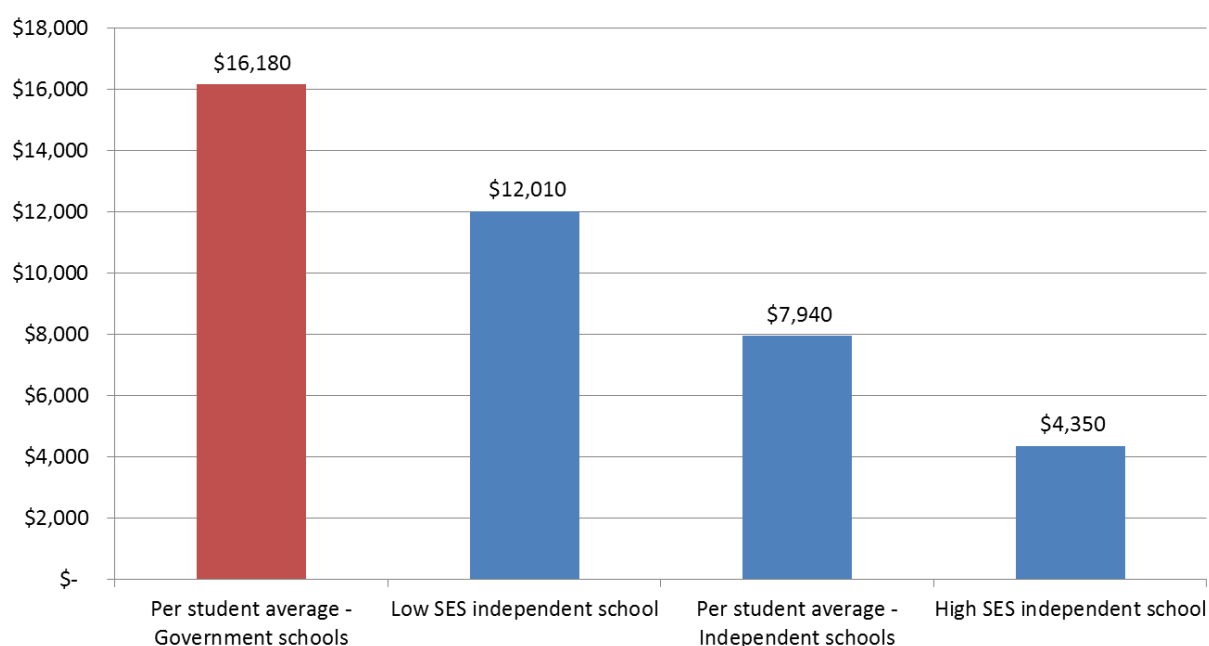
These projected enrolment figures have significant implications for the Australian Government, state and territory governments, education systems and providers. Not only will there be significant recurrent costs in educating this increase in enrolments, there will also need to be significant investment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

Critical to the capacity of the Independent sector to meet parental demand for an Independent school education for their children will be the provision of government funding arrangements to help facilitate and support the maintenance and growth of Independent schools.

## SCHOOL FUNDING IN AUSTRALIA

Students in government schools receive the most public funding per student for school education, and the main source of this funding is the state or territory government that owns and operates the school. Students in non-government schools receive a lower level of public funding, and the main source of this support is the Australian Government.

### Total government recurrent funding per student 2013/14



Source: Productivity Commission Report on Government Services 2016, Department of Education and Training Financial Questionnaire

A new funding model was introduced in 2014 under the *Australian Education Act 2013* for Australian Government funding for government and non-government schools. If fully implemented, under the Schooling Resource Standard (SRS) funding model Australian Government recurrent funding would be provided as a base grant with additional loadings aimed at addressing educational disadvantage. The latter funding is directed towards the support of particular groups of students, such as students with disability, students with low English language proficiency and Indigenous students.

The implementation arrangements for the SRS funding model were originally for the model to be phased in between 2014 and 2019. The Australian Government has agreed to

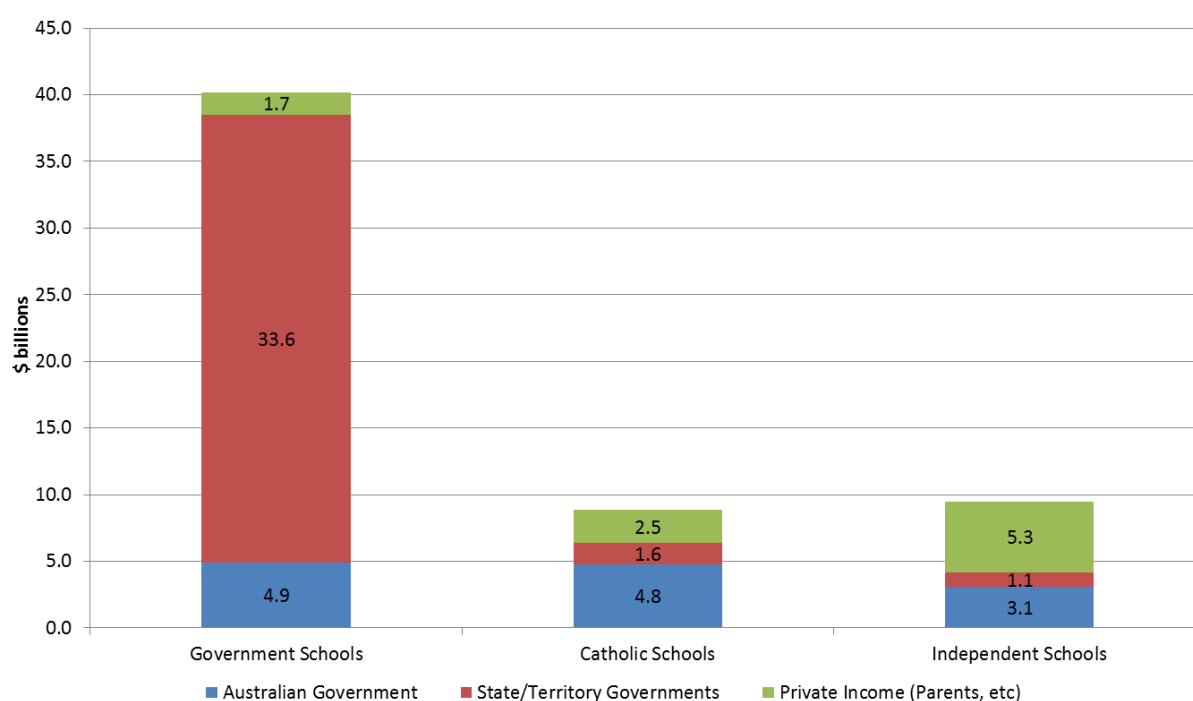
implement the initial four years (2014 to 2017), and committed to an “affordable, transparent and easy to understand” funding model proposed for 2018 onwards. As will be highlighted further in this submission, long-term government funding certainty is essential for prudent financial and educational planning in Independent schools.

The SRS funding arrangements only apply directly to the approximately 900 non-systemic Independent schools. The other 8,700 schools in Australia belong to school systems and system authorities can decide how to distribute funding for their schools. Thus systemic schools do not necessarily receive their funding entitlement under the SRS funding arrangements, but rather are funded according to the funding methodology used by their system authority.

In 2013-14, total government operating recurrent expenditure on school education was \$49.1 billion. Total government recurrent expenditure on government schools was \$38.5 billion and \$10.6 billion on non-government schools. The non-government sector received 24 per cent of total government recurrent expenditure on schooling while the government sector received 76 per cent.<sup>5</sup>

Nationally in 2013-14, state and territory governments provided 87.3 per cent of total government recurrent expenditure on government schools and the Australian Government provided 12.7 per cent. Conversely, the Australian Government provided 74 per cent of total government recurrent expenditure on non-government schools, with state and territory governments providing 26 per cent.<sup>6</sup>

### Schools recurrent funding by sector 2013/14



Source: Productivity Commission Report on Government Services; Department of Education & Training Financial Questionnaire

<sup>5</sup> Productivity Commission Report on Government Services 2016

<sup>6</sup> Productivity Commission Report on Government Services 2016

In 2013-14, combining both state and Australian Government funding, public support for a student in a government school was on average \$16,177. On average, total government funding for a non-government school student was \$9,327, while for an Independent school student it was \$7,940 per year.<sup>7</sup>

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 with many Independent school students receiving significantly less.

## THE SERVICE DELIVERY FRAMEWORK FOR INDEPENDENT SCHOOLS

### Roles and Responsibilities for Education in the Federation

While the Constitution allocates primary responsibility for school education to state and territory governments, the Australian Government plays an important role in supporting the provision of school educational services for the benefit of the community as a whole.

As noted earlier, state and territory governments are the owners, operators, and primary funders of government schools. The primary interest of state and territory governments is to ensure the ongoing operation and viability of the government schools in their jurisdiction.

Independent schools are set up and governed independently on an individual school basis or as part of system of Independent schools. However, responsibility for the registration and regulation of both government and non-government schools rests with state and territory governments.

This means that responsibility for the regulation of Independent schools rests with one level of government and responsibility for the majority of public funding of Independent schools rests with a different level of government. In this context, the Independent sector believes that competitive neutrality is an important principle in creating a level playing field for schools. The separation of funding and regulation is critical to the continued autonomy and ongoing funding security of Independent schools.

It is of benefit to both communities and governments that Independent schools are able to operate in a stable regulatory environment which fosters accountability, choice and diversity in order to meet community needs.

Government and non-government schools in each state and territory draw their enrolments from the same pool of potential students. While Independent schools rely on individuals, religious or community groups to establish schools and then depend on gaining and maintaining enrolments to provide the resources to provide education services, government owned schools are supported by the full weight of state and territory government resources.

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<sup>7</sup> Productivity Commission Report on Government Services 2016 and Department of Education and Training Non-Government School Financial Questionnaire

This disparity is most clearly reflected in that the Independent school sector relies primarily on the willingness and commitment of parents to pay fees from their after-tax dollars in order to fund the costs of operating schools. In addition, through fees and donations, Independent school communities nationally provide on average 86 per cent of capital funding for schools buildings, grounds and equipment, and in many schools, 100 per cent.

The current situation in which the Australian Government is the main source of public funding to Independent schools ensures that there is separation between the funding of Independent schools and state and territory governments as the regulators of non-government schools and systems.

As previously noted, there are significant benefits for the Australian Government from its direct funding relationship with Independent schools. This includes that funds are used by schools for education purposes with little funding lost to administration or overheads (this contrasts sharply with large government and non-government systems).

As it stands, the responsibility of the Australian Government as the major public funder of Independent schools and the direct funding relationship that Independent schools have with the Australian Government is the sector's primary assurance of a degree of competitive neutrality.

### Compliance Costs

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.

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. Autonomy enables Independent schools to respond effectively and creatively to the needs of the students and communities they serve.

As organisations that receive public funding to provide high-quality educational services to a wide section of the Australian community, Independent schools recognise the importance of accountability and transparency. However, the increasing levels of compliance, accountability and data provision do have significant and tangible resource implications for Independent schools.

Independent schools must meet the criteria established by the relevant state or territory government for registration and accreditation as a school. In all states and territories, Independent school registration is reviewed on an ongoing basis to ensure that schools meet minimum standards and other requirements in relation to staffing, facilities, environment, management, curriculum and reporting requirements.

In order to receive Australian Government funding, Independent schools must be not-for-profit institutions and comply with wide-ranging and detailed legislative requirements.

These requirements are specified in Sections 75 and 76 of the *Australian Education Act 2013*.

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, they are accountable to the Australian Securities and Investments Commission, or to their state or territory registrar of associations. They must submit audited annual financial statements to these bodies, which are available for public scrutiny. They are also subject to regulation by the Australian Taxation Office and the Australian Charities and Not-for-profits Commission (ACNC).

Independent schools are required to comply with an extensive set of conditions, reporting and accountabilities attached to both state and territory and Australian Government funding. As the major source of government funding for Independent schools, the Australian Government imposes a comprehensive set of conditions and accountability requirements, educational and financial.

The Australian Government requires, as a condition of funding, that all schools commit to the *Melbourne Declaration on Educational Goals for Young Australians*, which was endorsed by all state, territory and Commonwealth Ministers of Education in 2008. The *Melbourne Declaration* sets the direction for Australian schooling through to 2018.

Through this commitment all Australian schools, including Independent schools, are working towards common goals in education and to the achievement of performance measures, including testing for and reporting against literacy and numeracy benchmarks.

All Independent schools are engaged in the implementation of the Australian Curriculum developed under the auspices of the Australian Curriculum, Assessment and Reporting Authority (ACARA) and participate in national student assessments such as national literacy and numeracy tests (NAPLAN) and provide data for the My School website managed by ACARA.

Independent schools also participate in international tests such as the Programme for International Student Assessment (PISA), Trends in International Mathematics and Science Study (TIMSS) and Progress in International Reading Literacy Study (PIRLS),

Schools and systems also provide the data required for the National Schools Statistics Collection which informs both the *Schools, Australia* publication produced by the Australian Bureau of Statistics (ABS), the *National Report on Schooling in Australia* produced by ACARA, and for two collections of data for students with disability, including the Nationally Consistent Collection of Data (NCCD).

Independent schools must demonstrate that the funds they receive under each government funding program have been expended appropriately, and must also provide extensive financial data to the Australian Government Department of Education and Training via the annual Financial Questionnaire for Non-Government Schools. Data from the Financial Questionnaire is used to analyse the income and expenditure patterns of non-government



schools and school systems for both research and accountability purposes. Data on schools, students and staffing is also collected by the Department through the Non-Government School Census.

Depending on the educational services they provide, Independent schools may in addition be required to meet accountability frameworks for Vocational Education and Training (VET), the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), and Early Childhood Education and Care.

As employers, Independent schools must comply with legislation and regulations covering such issues as equal employment opportunity, industrial awards and work health and safety.

As educational institutions they must comply with health, safety, privacy and child protection requirements as well as regulations relating to building and fire codes.

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.

The heavy cost of compliance with regulatory and other government requirements places a significant financial burden on schools, especially for the non-systemic schools which comprise the Independent sector.

### Measuring Outcomes

The Issues Paper notes the need for qualitative and quantitative data in the context of a robust evidence base in order to make an informed assessment about the potential for improved outcomes and thus where the benefits from increased competition, contestability and user choice might lie.

The Issues Paper also notes that there are currently limited means for assessing outcomes for schooling; referring specifically to the limitations of NAPLAN to fully quantify the quality, equity, efficiency, accountability, and responsiveness of schools.

The national education evidence base is currently the focus of a separate Productivity Commission Inquiry. While supporting the development of a national education evidence base, in its submission to the Inquiry, ISCA noted the following.

“There is value in building a national evidence base for education to assist and inform policy development and evaluation. All education jurisdictions, sectors and schools currently provide significant amounts of data to a range of bodies and data custodians for a range of uses.

In order to build on the existing data collections and create a more comprehensive and useable evidence base, there are a number of issues that need attention and resourcing. One of the core issues is privacy and how to address the concerns of jurisdictions and sectors when dealing with a range of legislative requirements and conflicting requirements.

Resolving these issues will require investment in national data collection and education evidence base in order to ensure that all schools are able to collect and report data on an equal basis without suffering undue impost.”<sup>8</sup>

## KEY ISSUES FOR INDEPENDENT SCHOOLS

The overview of human services discussion in the Issues Paper is useful for highlighting the factors influencing the Australian economy and social structures which create the complex operating environment for Independent schools. As a significant provider of school education in Australia, Independent schools contribute to the broad range of choice and diversity in school education available to the Australian community.

The Independent sector supports the Commission’s emphasis on the need for a high quality human services sector that delivers social and economic benefits to the community as a whole through the attributes of quality, equity, efficiency, accountability and responsiveness. Human services reflecting such qualities will help meet the challenges and opportunities the Australian community faces now and into the future.

### Limits and Barriers for Independent Schools to Further Competition and Choice

Non-government organisations have been involved in establishing schools to provide both primary and secondary education to the Australian community for many years. Over the last four decades governments in Australia have shown a commitment to, and support of, a degree of choice and competition in the provision of school education. As such, school education represents a mature sector with regard to the application of competition, contestability and informed user choice to human services. However, there remain a range of factors that limit the potential for families and communities to choose an Independent school education.

#### *Capital Developments for Existing and New Independent Schools*

There are significant administrative and legislative barriers and costs which prevent existing Independent schools from expanding to meet the demands of enrolment growth, and for new Independent schools to be established to serve new communities, which is a major factor limiting the further delivery of choice in school education.

The steady growth in enrolments in Independent schools has placed heavy demands on capital development such as buildings, grounds and equipment in the sector. Growth of enrolments in the sector requires not just the building of new schools, but also the refurbishment or expansion of existing facilities, the replacement of out-of-date facilities, and upgrades to equipment to meet changing curricula and expanded courses.

Capital developments for existing schools or plans for establishing a new Independent school will often take many years of planning and negotiations with local, state and territory governments, and the investment of significant financial resources. Often these resources are invested without any assurance that local governments will approve the proposed

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<sup>8</sup> [http://www.pc.gov.au/data/assets/pdf\\_file/0004/199660/sub039-education-evidence.pdf](http://www.pc.gov.au/data/assets/pdf_file/0004/199660/sub039-education-evidence.pdf)

developments and allow them to proceed. Communities wishing to establish a new Independent school do not receive any recurrent financial support from governments until after the school has been registered and started operation.

Government and non-government school systems may find it easier to fund capital developments at particular schools or locations as they have the capacity to pool financial resources across the system. This is not the case for most Independent school communities which are, in the main, individually responsible for funding their capital developments. As discussed previously, these costs in the Independent sector are largely paid for by parental fees and donations, often supporting high levels of debt over many years.

The future enrolment-driven capital needs of Independent schools, including the capacity of the sector to meet the need for additional new schools and the projected demand, will not be able to be achieved without substantial government assistance.

Streamlining of government regulations and funding arrangements would assist Independent schools to establish new schools. Consideration of options to support the significant capital required to establish and expand new and existing schools would also support the Independent sector to continue to meet the anticipated demand for Independent schooling into the future.

#### *Affordability of Independent Schools*

The choice for families and communities to select an Independent school would be restricted if the costs of Independent schooling increases faster than family incomes. In the Independent school sector, parents contribute to rising school costs through fee increases.

It is critical that public funding to Independent schools keeps pace with movements in school costs so that public funding maintains its value in real terms.

Governments have long recognised a need to index their recurrent funding for schools annually, to provide for the increasing costs of schooling including movements in salaries and conditions for staff and other cost increases such as increased reporting, accountability and administration. Schools in all sectors face continuing financial pressures from rising community expectations in areas such as curriculum, information technology, specialist teachers and pastoral care as well as increases in teacher salaries and extensive regulatory and administrative requirements.

Fees in Independent schools, while varying considerably from school to school, have generally been increasing at a rate similar to increases in government school costs. To avoid any decrease in the quality of education offered by schools it is important that public funding for students keeps pace with increased costs through annual indexation of grants based on a specific schools index.

#### *Public Funding Certainty*

Long term certainty regarding public funding of Independent schools is critical to the expansion of choice that is offered to families and communities by Independent schools.

Independent schools rely on stable and predictable government funding in order to plan and deliver their education programs. Stability in government funding allows schools to confidently predict the level of private contribution they will need to ensure the ongoing financial viability of schools and the maintenance of quality of education programs.

Stability and predictability in government funding is also important to parents intending to send their children to Independent schools. The level of government funding is a key determinant of the level of fees, and parents need to plan their finances in advance to meet the cost of school fees.

The continuing financial viability of Independent schools depends on governments maintaining stability and predictability in their funding policies for the sector, as well as on the continuing commitment and capacity of parents to pay fees.

### Lack of Choice for Students with Disability

Within the Independent sector, there are certain groups of students which experience a reduced level of choice when accessing school education. The first of these groups of students are students with disability.

Lack of adequate and equitable government funding for students with disability in Independent schools is a major constraint limiting choice for parents seeking to enrol a student with a disability in an Independent school.

Students with disability enrolled in Independent schools do not receive the same level of additional government funding as their counterparts in government schools. Students with disability in Independent schools receive some additional funding from governments to meet the needs of students, but generally the level of public funding available is significantly less than the additional funding required to meet the needs of students with disability in Independent schools. The funding differential for students with disability between school sectors can be substantial. For students with high level needs, the gap in funding can be over \$40,000 per student per year.

In Independent schools these additional unmet costs are borne by the parent body and school community.

Despite these significant funding shortfalls, the role of the Independent school sector in educating students with disability has increased dramatically in recent decades. There is no shortage of students with disability seeking to attend Independent schools and no lack of will on the part of Independent schools to enrol them. Despite the unsatisfactory levels of government funding support for high needs students in Independent schools, the number of these students in Independent schools is significant and continues to increase annually with the number of students with disability in Independent schools increasing on average at around 8 per cent per annum, well in excess of overall enrolment growth. In 2015, almost 20,000 students with disability were enrolled in Independent schools. This is double the number of students with disability who were enrolled in Independent schools in 2006.

The Independent sector believes that students with disability must be appropriately and equitably resourced by governments regardless of the type of school they attend thereby ensuring the parents of a student with disability have access to the same levels of choice as all parents.

### Limits to Choice for Indigenous Students in Remote Communities

Another group of students within the Independent sector which can experience limited choice for school education are Indigenous students from rural and remote areas. As a group, Indigenous students face significant barriers to educational achievement. In order to overcome these barriers many Indigenous parents are enrolling their children in Independent schools. However, the capacity for Indigenous families to choose an Independent school remains limited, particularly for students in remote communities.

As noted above, 74 per cent of Independent schools in Australia enrolled Indigenous students in 2015. Funding arrangements need to ensure that Indigenous students are not disadvantaged because their parents have chosen an Independent school.

The provision of education to Indigenous students in remote areas of Australia can be complex and expensive. In these schools, capacity to raise private contributions, in terms of fee income and fundraising, is 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.

Many of these schools also provide services to support students' social, emotional and health issues; without adequate support in these areas, the students are not ready or able to learn. However, Independent schools do not receive specific additional funding in recognition of the provision of these additional services which are often funded through general educational resources (thereby reducing the pool of funding available for this purpose). 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 the major provider of boarding school education in Australia, the Independent sector is also a major provider of boarding school education for Indigenous students. In fact, the Independent sector is frequently the only option for Indigenous students who choose to board to complete their education. Many Independent schools work with organisations such as the Australian Indigenous Education Foundation, Yulari, and other scholarship programs to provide choice in schooling for Indigenous parents who would otherwise not have access to the full range of choices available.

Of the 2,400 Indigenous boarders in the Independent sector, half attend schools with very large numbers or concentrations of Indigenous boarders. Many of these students come from remote communities where primary level education is the only education available and in order to undertake secondary studies, they have to leave their communities. Some regional centres have hostels in regional centres and students can attend government schools but for many, a Catholic or Independent boarding school is the only option. The needs of these students are very high as many come into the school with low levels of literacy and numeracy and do not have a strong educational background.

While these schools may be in receipt of ABSTUDY to support the education needs of Indigenous students, the quantum of ABSTUDY is not sufficient nor is it intended for the additional costs of meeting the complex health and social/emotional needs of these students. As students' families often can make no contribution to their additional costs, these costs must be met by schools. When compared to the cost of boarding provision in government facilities, the current ABSTUDY payment is meeting only half of these expenses.

Where Indigenous parents are successful in obtaining paid employment, even minimal income can significantly affect the level of their ABSTUDY payments for their children. This means that a successful outcome of employment results in parents no longer being able to fund the boarding education of their children – or alternatively the boarding school no longer receiving adequate income to cover the costs of the education of these students.

Often these Indigenous parents are graduates of these boarding schools and are seeking the same quality of education for their own children. However, by virtue of their successful employment outcomes and likely positive contribution to their communities, they are precluded by the resultant reduction in ABSTUDY from providing their own children with these educational benefits.

The government providing adequate support for Indigenous students from remote and rural locations who must study away from home to complete their school education is critical to ensuring access to adequate choice and the opportunities of school education for these Indigenous students.

## CONCLUSION

This submission has outlined the environment in which Independent schools provide educational services to the Australian community in the context of the attributes identified in the Issues Paper as necessary for good public services; quality, equity, efficiency, accountability, and responsiveness.

Schools in the Independent sector cater for and reflect the full spectrum of Australian society. Ninety percent of Independent schools are low to medium fee establishments which provide an equitable and affordable choice of a high-quality education to a diverse range of families and communities. Independent schools also educate a significant and growing number of disadvantaged students.

Independent schools represent an efficient use of public funding for school education, providing an incentive for parents to contribute their after-tax dollars to support their children's education, resulting in significant savings to government and maximising the utility of public funding to support school education.

The benefits of Independent schools to both communities and governments are maximised when Independent schools can operate in a stable regulatory environment which fosters accountability, choice and diversity in order to meet community needs, and public funding allocated in an effective and efficient way.

The Independent sector particularly welcomes the Issues Paper's emphasis on the importance of establishing choice and diversity for the provision of high-quality human services. These principles are critical to ensure an appropriate and effective operating environment for Independent schools.

The current circumstances in which Independent schools are funded directly by the Australian Government separate the funding of Independent schools from their regulation by state and territory governments. The distinct responsibilities of the two levels of government provide a degree of assurance that Independent schools will be able to operate in a stable environment of relative competitive neutrality.

The autonomy of Independent schools enables them to respond flexibly, effectively and creatively 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 Independent school sector supports the Commission's emphasis on the need for a high quality human services sector that delivers social and economic benefits to the community as a whole through the attributes of quality, equity, efficiency, accountability and responsiveness. Within the school education sector a range of significant issues remain which creates limits and barriers to Independent Schools further providing user choice and competition in support of this outcome.

ISCA appreciates the opportunity to raise these issues with the Commission as part of its Inquiry.

This submission has been prepared by the 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.



Colette Colman  
Executive Director  
Independent Schools Council of Australia  
Canberra

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