SUBMISSION TO

SENATE EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS COMMITTEE

AUSTRALIAN EDUCATION BILL 2012

FEBRUARY 2013

INTRODUCTION

Independent Schools Queensland (ISQ) represents the interests of Queensland's independent schools. ISQ currently represents some 187 independent schools in Queensland enrolling approximately 115,000 students.

ISQ welcomes the opportunity, on behalf of its members, to make this submission to the Senate Education, Employment and Workplace Relations Committee's Inquiry into the provisions of the *Australian Education Bill 2012*.

ISQ is a member association of the Independent Schools Council of Australia (ISCA). ISCA has made a submission to this Inquiry. The submission by ISCA is made on behalf of its member associations. ISQ strongly endorses the ISCA submission to the Senate Committee on the Bill.

BACKGROUND

The *Australian Education Bill 2012* was introduced into the House of Representatives by the Minister for School Education, Early Childhood and Youth, the Honourable Peter Garrett AM MP, on 28th November 2012. On 29th November 2012, the Senate referred the Bill for inquiry and report to the Education, Employment and Workplace Relations Committee.

The Bill should be considered in the context of the Australian Government's intended reform of school education, including funding arrangements for schools.

In April 2010, The Australian Government commissioned an expert panel, chaired by Mr David Gonski AC, to review the funding arrangements for schooling. The Panel's report and recommendations, "*Review of Funding for Schooling*" were released in February 2012. The Prime Minister, the Honourable Julia Gillard MP, outlined the Australian Government's response to the Gonski recommendations on 3rd September 2012.

The outcomes of the Review and the resulting *Australian Education Bill 2012* are critical for independent schools. The Australian Government is the principal public funding source for independent schools[1] and the current legislation providing for that funding, the *Schools Assistance Act 2008*, expires on 31st December 2013.

It is understood that the Commonwealth intends to update the *Australian Education Bill 2012* to provide the legislative basis for school education and funding reform, including the appropriation of funds, yet it currently contains no detail on future school funding arrangements.

The Bill simply provides an outline of a proposed National Plan for School Improvement and a broad funding framework which is based on the funding model recommended by the Gonski Panel.

Less than eleven months from the proposed implementation of a new schools funding model, independent schools do not know what their public funding entitlement will be, how it will be calculated, how it will be delivered and what conditions might be placed on any funding.

[1] For Queensland independent schools, on average 50% of recurrent funding is provided by parents, 35% by the Australian Government and 15% by the Queensland Government.

This situation is not only unsatisfactory, it is unprecedented. It is causing significant uncertainty for schools and is particularly frustrating given that the review of funding for schooling was first commissioned nearly three years ago.

Schools and parents urgently need the details missing from the *Australian Education Bill 2012* in relation to funding.

There appears to have been little progress in the resolution of the funding details which will be required before their incorporation into the *Australian Education Bill 2012.* Given that the finalisation of the funding details is likely to be complex (including the negotiations required with State/Territory Governments, the non-government education sectors and the passage of the legislation through the Australian Parliament), independent schools are increasingly concerned about the continuing uncertainty about future funding arrangements.

Independent schools require certainty in funding arrangements to ensure proper financial and strategic planning. Unfortunately, the *Australian Education Bill 2012* does not provide such certainty leaving independent schools in a position which does not allow for proper long term planning.

COMMENTS ON THE PROVISIONS OF THE BILL

PREAMBLE

Education Funding – an Entitlement of Citizenship

The Bill rightly acknowledges "*all students in all schools are entitled to an excellent education*".

In her formal response to the Gonski recommendations on 3rd September 2012, the Prime Minister stated that the proposed Bill "*will establish our nation's support for a child's education as one of the entitlements of citizenship*".

It is disappointing that a statement to this effect has not been included in the Preamble. This would ensure clarity in relation to Governments' responsibility to ensure that every student, no matter which schools they attend, is entitled to adequate and equitable funding support for their education.

The Role of Education Providers and Parents

Whilst recognising that the Bill is Australian Government legislation, it is disappointing that it does not give any recognition to the critical role played by State/Territory Governments, non-government education authorities and parents in the provision of school education. In the case of independent schools in Queensland, parents invest nearly $1 billion annually from their after tax income to support the provision of school education through the payment of fees.

The Bill should at a minimum acknowledge the considerable work undertaken by education authorities to achieve excellent education outcomes for all students, as well as the important partnership between schools and parents and the contribution that parents make to schooling expenditure through the payment of fees and fund raising.

Clause 2 - Commencement

The Bill has a commencement date of 1st January 2014 as specified in Clause 2.

As outlined above, schools find themselves in an unprecedented situation at the current time, whereby less than 11 months from the introduction of a new funding system, they have no knowledge of their funding entitlements.

In the past, it had been a Commonwealth Government convention to give schools at least two years notice of changes in funding arrangements. This was most relevant for schools that may have received reduced public funding as a result of funding changes. It provided them with the opportunity to properly plan for changes in their level of government funding.

Whilst the Australian Government has consistently made a commitment that no school will be worse-off under any new funding system from 2014, this has not comforted all schools. The commitment does not extend to schools being worse-off in real terms (for example, as a result of indexation arrangements) and early figures available under the Gonski recommendations indicated that a large number of schools would in fact be worse-off. The Australian Government has refused to commit to no school losing a dollar in real terms.

The Australian Government has stated its intention to implement the proposed new funding model over a period of six years from 2014. This is a lengthy implementation timetable, not previously seen in terms of the introduction of a new schools funding model and provides for further uncertainty in terms of the capacity for schools to make long-term financial and educational plans.

When schools plan their financial operations well in advance, it is based on an assumed level of resourcing. Governments should therefore recognise the impact on schools and their communities of funding changes, particularly changes that will be implemented over such a long period of time.

The uncertainty for schools is further highlighted by a significant number of unresolved issues in terms of the proposed funding model. Many of these questions arise from the fact that the proposed model involves a combination of Australian Government and State/Territory Government funding.

Many important questions remain unresolved including, for example:

- The relative contribution of the Australian Government and States/Territory Governments to schools funding
- The indexation arrangements to apply to schools funding
- The continuation of current Targeted Programs and National Partnerships
- The timing of payments to schools
- Accountability requirements
- Any conditions to be placed on funding

These, and many other unresolved matters, are important issues for independent schools. The lack of detail in relation to these matters has been very frustrating and has meant that many schools have a view that it would not be possible to properly implement the new funding model within the proposed timeframe.

Clause 3 – Objects

One of the key objectives of the Bill is "*for Australia to be ranked, by 2025, as one of the top 5 highest performing countries based on the performance of Australian school students in reading, mathematics and science, and based on the quality and equity of Australian schooling*".

No Australian would disagree with an objective that Australian school students be amongst the highest performing students globally.

However, the reality is that such aspirational targets fail to excite schools and school leaders who are the key people in ensuring that such targets are met. There are a number of reasons for this.

Australian education is "littered" with targets - including COAG targets, Australian Government targets, and state/territory government targets. Some of these targets relate to the overall performance of the schooling system, whilst others relate to individual groups of students. In addition, individual schools and systems of schools often have their own targets.

There appears to be a willingness to set targets (particularly in relation to literacy and numeracy), however, there does not appear to be the same willingness to examine what such targets mean at the local school level, to school leaders and to the teachers in the classroom.

Further, there appears to be little that can be done if the targets are not meet. Often we seem to just move onto another target.

In the case of the Bill's target, its relevance to schools is further eroded by its timeframe – 2025, and its reliance on single city Asian states as key benchmarks.

Educational targets should first and foremost be meaningful to schools, school leaders and classroom teachers.

Clause 5 – Improving the performance of schools and school students

Clause 5 provides for "*how the Commonwealth will address the matters referred to in the preamble, and achieve the goals*".

The role that education providers, including independent schools, will need to play in the achievement of the goals as set out in the Bill should be recognised in this part of the Bill.

The Commonwealth, whilst providing significant funding for schooling, does not own or operate schools. At a minimum, this section should acknowledge that the achievement of the goals outlined in the Bill will be a partnership effort between the Commonwealth, State/Territory Governments, non-government education providers and parents.

Further, there should be recognition of the significant educational outcomes already achieved by education providers and their commitment to excellence in schooling. The failure to properly recognise the role of education providers in the Bill is unfortunate and has the potential to result in an adversarial relationship between the Australian Government and providers rather than the required partnership approach to school improvement.

Clauses 6 and 7 – Developing a national plan and reform directions

Boards of governors or committees of management are the key decision-making bodies for independent schools and are responsible for their school's educational provision, current and future development and staffing. Their decision making is undertaken in the context of the needs of their particular school community.

It is this level of autonomy and local decision making which is a fundamental feature of independent schooling and is a driver of education outcomes and school improvement. The continued growth of enrolments in the independent schooling sector confirms there is a high level of parent satisfaction with the education provided by independent schools.

For independent schools, school improvement is driven at the local level by school boards, school leaders and in particular by the expectations of fee paying parents.

Whilst independent schools would support the intent of a National Plan for School Improvement, it is imperative that any such Plan must reflect the diversity of schooling provision and the different approaches taken by individual independent schools in response to community demands.

There must not be a systemic approach or a "one-size-fits-all" model for school improvement plans. Any such approaches would have a significant negative impact on the provision of choice and diversity in schooling. Research confirms that diversity and local school autonomy are major drivers of school improvement. To stifle such school improvement through the imposition of a "top down" designed National Plan would not be in the best interests of the Australian schooling system.

Any National Plan for School Improvement must be based on clear evidence that its measures will lead to improved educational outcomes. Further, the additional resourcing requirements at the individual school level as a result of specified measures in a National Plan must not be at the expense of successful programs and approaches already operating in individual schools. Unfortunately, there is the capacity for the measures as required under a National Plan to replace effective provision already in place in schools.

Importantly, the development of any National Plan must be undertaken in close co-operation with education providers. One example of the lack of consultation in the proposed National Plan is the inclusion of targets in relation to Australia in the Asian Century. There has been no consultation with education providers as to whether or not such targets are appropriate to a National Plan for School Improvement, or how they might be achieved.

Clause 7 - Reform directions

The Bill identifies four key reform directions – *quality teaching, quality learning, empowered school leadership and transparency and accountability*.

The Bill gives no recognition to the considerable work of education providers in each of these areas. For example, independent schools are already committed to quality teaching and learning. Independent schools already have empowered school leaders and are highly accountable to Governments and the community.

Independent schools would be concerned if the proposed National Plan for School Improvement limited the scope for innovation, flexibility and diversity in approaches to quality teaching and learning currently possible in independent schools. Individual schools operate in an environment of choice and diversity. The incentives that operate in this environment impose an imperative on independent schools to constantly strive to ensure they provide a high quality educational experience for their students.

Independent schools would be concerned if the reform direction of transparency and accountability simply resulted in the collection of more data. Independent schools already provide a significant amount of data to Governments, at a considerable administrative cost. Any additional data should

only be sought when there are clear educational benefits for students. Further, data collected from schools should result in reliable, high quality and robust collections.

Whilst recognising there may be national or systemic benefits from the provision of quantities of data, individual independent schools rarely benefit from the collection of data. Collecting and reporting additional data is a significant cost for independent schools in terms of staff time and resources and often involves significant information technology costs as well. It diverts resources from the critical task of teaching and learning. When Governments pursue more comprehensive and complex data collections, the cost of collection, collation and submission falls on the individual school and its community. While the benefit of additional data is accrued by governments and researchers, the cost of this benefit is shifted to the parents of students in independent schools.

Reform directions must account for independent schools offering a diversity of alterative educational approaches and philosophies. The structures, objectives, outcomes and parental expectations of these schools may not readily accord with more traditional educational approaches. A flexible approach to promoting ongoing school improvement which reflects the diversity of the independent sector will be critical.

Clause 8 – Developing benchmarks and supporting improvement

Independent schools engage in continual evaluation and assessment in order to ensure schools continue to meet the needs of students and expectations of parents and would question the relevance of national benchmarks for assessing the performance of schools and school students.

The independent sector is characterised by the diverse nature of its schools and students as well as the opportunities for flexibility and innovation offered by the autonomous nature of independent schools. The independent sector will be highly resistive to any initiatives, including standardised benchmarks, which contribute to a reduction in the autonomy and diversity of the sector.

Under State/Territory accreditation arrangements, independent schools are already subjected to provisions in relation to school improvement. For example, the Queensland *Education (Accreditation of Non State Schools) Act 2001* already has specific provisions relating to continuous school improvement as a requirement for on-going accreditation.

Further, organisations such as Independent Schools Queensland provide support to their member schools through a range of professional services in relation to school improvement and the use of data to underpin improvement strategies.

In this context, the development of national benchmarks should be debated in relation to their relevance to individual schools. Benchmarks and prescribed approaches to improving school performance have the potential to seriously diminish educational diversity and limit innovative and flexible approaches to improving educational outcomes.

The Bill should facilitate high performing schools rather than restricting all schools to be assessed against prescribed benchmarks. Independent schools would advocate for greater flexibility around school improvement strategies in order to recognise the unique characteristics of each school and the needs of their school community.

Independent schools would want any National Plan for Schools Improvement and its reform directions and benchmarks to focus on empowering schools to make a real difference to student

learning outcomes rather than becoming an additional bureaucratic burden necessitating the further transfer of resources away from schools' core business of educating students.

Clause 9 – School funding

Currently the Bill provides for a broad funding framework based on the funding model recommended in the Gonski Report. Independent schools are frustrated that the Bill contains no further details on funding arrangements for individual schools.

The Bill requires a commitment by schools to implementation of the National Plan as a prerequisite for Commonwealth Government funding. Given Australian Government schools funding is provided through States Grants legislation, it is unclear as to what the position of independent schools would be if their State/Territory Government did not commit to the National Plan.

Whilst for many years, the provision of Australian Government funding for schooling has been subject to various conditions, this requirement that schools must commit to the National Plan in order to receive funding appears to be at variance with the Prime Minister's statement that the Bill "*will establish our nation's support for a child's education as one of the entitlements of citizenship*".

Education funding might be an entitlement of citizenship, but it will only be provided on certain conditions.

The key issue for independent schools is the early resolution of the detailed funding arrangements to be included in the Bill. The current Schools Assistance Act 2008 expires on 31st December 2013.

As previously noted, the increasing uncertainty surrounding future funding arrangements for independent schools is making it difficult for schools to undertake important financial and administrative planning. The parents and potential parents of students in non-government schools are also impacted as the current funding uncertainty means it is difficult for parents to determine their capacity to make a long-term financial/educational commitment for their children's school education.

Given that the Bill does not provide any detail in relation to future funding arrangements, Independent Schools Queensland can only reiterate the key principles that should apply to future funding arrangements.

These principles were outlined in the ISQ submission to the Gonski Review Panel in March 2011 as follows.
ISQ believes that any future funding model for schools should be based on the following seven principles:

- **Equity/fairness:** Per student funding should be similar for schools serving communities with similar attributes.
- **Adequacy:** Funding levels should be sufficient to provide for an appropriately high level of service to deliver agreed educational outcomes.
- **Predictability:** Schools should have a high degree of certainty about future funding to facilitate their sound financial planning and management.
- **Incentive:** the funding arrangements should support students in a way that encourages, not discourages, parental investment in their children's schooling.
- **Transparency:** Assessment of need should be based on reliable and transparent data.

- **Flexibility:** Schools should not be locked into a particular funding level that impedes them from responding to changes in their school community.
- **Simplicity:** The funding arrangements should be simple to administer, with low administration costs for government and low compliance costs for schools.

ISQ also outlined that any potential funding model should also take into account further criteria as follows:

- **Consistency:** Funding arrangements should apply consistently to all non-government schools regardless of organisational or systemic arrangements.
- **Student–based:** The independent sector supports a student-based approach to assessing need for the purposes of a school funding model. A student-based methodology which relies on robust data regarding student characteristics provides an effective and transparent means to determine the resourcing needs of individual schools and to efficiently meet the changing patterns of demand.
- **Robust data:** Any funding model must rely on reliable, robust, up-to-date data that cannot be subject to manipulation or interpretation.
- **Appeals processes:** Any funding model may result in schools that produce anomalous outcomes in the application of funding mechanisms. There should be a formalised process for any school that believes they need special consideration to seek an appeal.
- **Transitional arrangements:** Changes to funding arrangements should also incorporate appropriate transitional arrangements. Effective transitional arrangements will ensure an equitable transition to any new arrangements, providing minimal impact on individual schools and their operations.

The Committee's attention is drawn to ISQ's submission to the Gonski Review as outlined at Attachment 1.

The Committee's attention is also drawn to the ISCA submission to this Inquiry and to the Key Considerations in relation to any future funding model as outlined under the section Discussion - Proposed New Funding Model.

These key considerations and key points are outlined below:

Funding for individual independent schools

When considering future school funding arrangements, the key issue for independent schools is the level of funding provided at the *individual school level.* It is critical that any proposed school funding model must work at the individual school level for independent schools.

No independent schools should receive less funding in real terms

The independent schools sector's key outcome for the Review of Funding is that no independent school or student should receive less funding *in real terms*. The Commonwealth Government has stated that no school will lose a dollar as an outcome of the Review but has refused to commit to no school losing a dollar in real terms.

Transition arrangements

The objective of any new funding model should be to ensure that as many schools as possible can be accommodated within the model from its commencement. Currently a significant number of

independent schools are not accommodated within the model and will presumably need to "transition" to the model over time. A policy outcome whereby up to a third of independent schools are "transition" schools is not acceptable to the independent sector.

Careful consideration needs to be given to the treatment of schools that are deemed to be outside the model. For these schools, nothing has changed at the level of the individual school. Schools still have the same student cohort and staffing arrangements. A decision by governments to alter funding arrangements is beyond their control but has the potential for major upheaval at the school level.

Indexation

The independent sector would be supportive of an approach to indexation which provided stability and certainty, but only if the level of indexation represented an appropriate reflection of the movement of the costs of school education.

SES recalibration exercise

As part of its ongoing administration of the current SES funding arrangements for non-government schools, the Commonwealth Department of Employment, Education and Workplace Relations (DEEWR) has commenced the process of recalibrating the SES scores of every independent and Catholic school for the purposes of SES funding from 2014.

The SES recalibration, while being an appropriate part of program administration, will be a major complicating factor in assessing the impact of the proposed new funding arrangements and has the potential to radically change the future funding outcomes for non-government schools.

Harmonisation of Regulatory Frameworks for Non-Government Schools

While the non-government sector is yet to be formally consulted on this issue it is understood that the Commonwealth Government has set out three areas for potential harmonisation being: not-for-profit criteria; sustainable viability standards for schools and claims on and use of recurrent funding.

While the outcomes of this agenda cannot be determined at this time, there is potential for the outcomes of this exercise to impact on the operations of independent schools.

Future role of AISs

Increasingly governments and their agencies have relied on AISs to provide advice on and assistance with the implementation of other government programs and initiatives including, in the case of the Australian Government, the development of the Australian Curriculum, national testing, Smarter Schools National Partnerships and the development of ACARA's My School website. AISs are pleased to assist government and provide services to their member schools, but it should be recognised that AISs are not funded by government for all of these support roles.

While the Australian Government has not committed to any of the Gonski Report recommendations, were these recommendations to be implemented as part of a new funding model, they would have significant implications for the current AIS business models and on the operations of individual independent schools. The current capacity for AISs to provide a co-ordinated sector-wide support network for independent schools would be significantly compromised. It would also shift the responsibility for the development of strategies to address disadvantage and implement

government policy and initiatives to the individual independent school with associated resource implications and loss of relevant expertise.

Capital funding.

The Australian Education Bill 2012 does not address the issue of capital funding for non-government schools.

Capital Grants Program funding is critical to those schools in the independent sector with the least capacity to raise private income for capital purposes, including low SES schools and schools that are newly established and experiencing enrolment growth. A clear commitment from the Commonwealth Government for continuing the Capital Grants Program for non-government schools is sought.

Independent Schools Queensland
8th February 2013

ATTACHMENT 1

INDEPENDENT SCHOOLS QUEENSLAND SUBMISSION TO THE GONSKI PANEL – MARCH 2011

SUBMISSION TO

REVIEW OF FUNDING FOR SCHOOLING

MARCH 2011

SUMMARY

This submission presents the position of Independent Schools Queensland (ISQ) concerning future funding arrangements for independent schools.

ISQ also strongly endorses the submission of the Independent Schools Council of Australia on behalf of all independent schools in Australia.

The key role that independent schools perform in successfully building an educated society has been recognised by governments since these schools began to operate in early colonial times. Government funding has been, and continues to be, an essential major resource for the effective operation of independent schools in Queensland that currently educate some 110,000 school-aged children.

Future funding arrangements must incorporate the following aspects if independent schools in Queensland are to continue to be able to fulfill this role:

- a direct funding relationship with the Australian Government based in legislation;
- funding certainty and stability based on minimum funding cycles of four years or longer;
- a transparent and fair mechanism for indexing all government grants on an annual basis in line with cost increases in the school education sector – such as the Average Government School Recurrent Cost (AGSRC);
- transitional arrangements to any new funding model that ensure no school is worse off in real terms;
- recurrent and capital funding allocated on a per student basis to ensure that resources are allocated to adequately match areas of service demand;
- student-based funding approach including a basic entitlement for all students and an appropriate level of needs based funding;
- funding arrangements that do not discourage or penalise private investment in school education but rather recognise and encourage private contributions;
- funding equity for students with special needs attending independent schools (including students with disabilities) to reflect the full service cost for these students in government schools;
- recognition of the additional resource requirements of students with indigenous backgrounds;
- recognition of the additional resource requirements of rural and remote education delivery through additional loading on recurrent funding and support for boarding options;
- an appropriate level of accountability for public funding while recognising the essential characteristics of autonomy and flexibility in independent school education provision; and
- the current State funding relationship with the Queensland Government is retained.

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CONCLUSION

INTRODUCTION

Independent Schools Queensland (ISQ) was established in 1968 as a non-profit organisation to represent and promote the interests of Queensland's independent schools. ISQ currently represents some 185 independent schools in Queensland enrolling approximately 110,000 students.
ISQ welcomes the opportunity, on behalf of its members, to make this submission to the Panel for the Review of Funding for Schooling.

ISQ is a member association of the Independent Schools Council of Australia (ISCA) and as such strongly endorses the ISCA submission to the Review of Funding for Schooling.

SECTION 1 - INDEPENDENT SCHOOLS IN QUEENSLAND AND CURRENT FUNDING ARRANGEMENTS

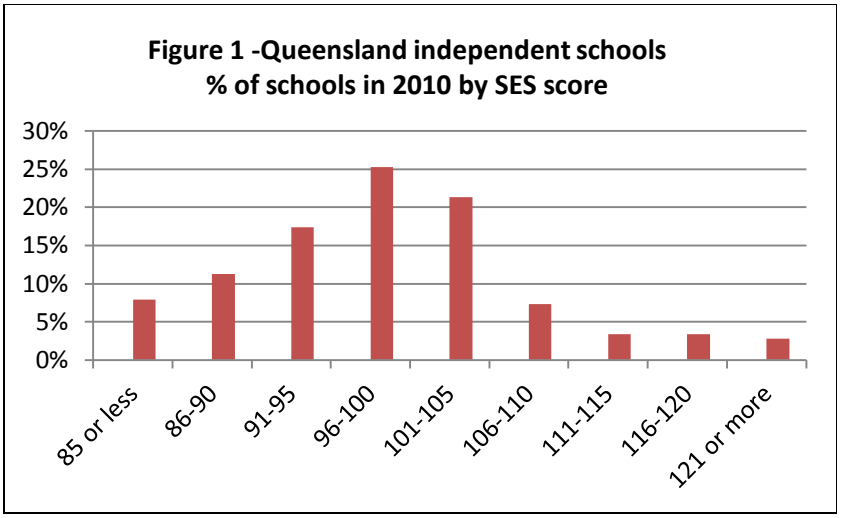
CHARACTERISTICS OF INDEPENDENT SCHOOLS IN QUEENSLAND

Independent schools are not-for-profit educational institutions that operate with a high level of autonomy that allows them to respond effectively and efficiently to the changing needs of their school communities.

The majority of these schools are governed on an individual stand-alone basis.
Independent schools are highly accountable to their communities and to various government authorities for the quality of their governance and the services they provide.
Independent schools in Queensland serve communities of parents from a wide range of socio-economic and cultural backgrounds, including Islamic and Indigenous communities.
More than half (62%) of Queensland independent schools have an SES of 100 or below.

The data also show that the socio-economic backgrounds of families choosing independent schools are broadly similar to that of families attending Catholic schools in Queensland (66% have an SES of 100 or below).

The following Figure 1 shows the distribution of SES scores of independent schools in Queensland as of 2010.



A feature of the independent sector in Queensland is its continuing strong growth. Over the past decade, the average annual growth in enrolments in the independent school sector has been around 4.0% - one of the fastest growth rates of any school sector in Australia.

Recent statistics illustrate the extent of this growth. Total enrolments across all Queensland schools increased by 7 023 (FTE) in 2010, over 2009, and this represented 28% of all enrolment growth across Australia (25 182 FTE). Of the Queensland enrolment growth in 2010, some 32% enrolled into independent schools (*Schools Australia 2010*).

For many years, the independent school sector in Queensland has increased enrolments each year above its then market share – resulting in a consistently increasing market share (of 15% in 2010 - up from 12% in 2000). Table 1 shows the overall growth of enrolments (FTE) in Queensland over the ten years from 2000 to 2010 by each sector.

Table 1: Queensland FTE enrolment growth - 10 years: 2000 to 2010 (*Schools Australia 2010*)

Sector	Growth in enrolments	Share of growth
Government	56,032	46%
Catholic	31,201	25%
Independent	35,520	29%
Total	**122,753**	

Government projections of future school enrolments also indicate that the Queensland independent sector is expected to continue to grow strongly.

This enrolment growth illustrates that the independent sector is making an increasing contribution to the education of Queensland school students and is expected to continue to do so with enrolments projected to grow strongly into the future.

Much of the recent growth has been through the establishment of low fee schools providing wider community access to independent schooling.

CURRENT FUNDING ARRANGEMENTS

Independent schools in Queensland have a long history of providing quality education services to communities across the state.

The strong partnership between governments, parents and schools has been and remains critical to the success of independent schools.

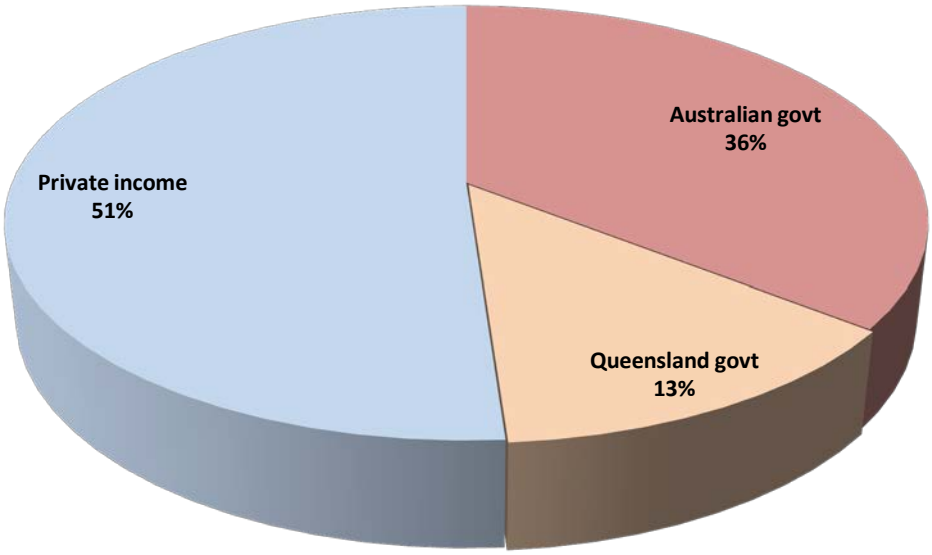
Successive Commonwealth and Queensland governments have recognised and supported this critical partnership through significant recurrent and capital funding.

Notwithstanding this significant support from governments, parental and private contributions currently make up over half (51%) of the average gross income per student received by Queensland independent schools.

In 2009, average gross contributions per student were $4 883 from the Australian Government; $1 824 from the Queensland Government; and $7 015 from private sources, including parental fees.

The relative proportions of these contributions are shown in Figure 2.

Figure 2 - Queensland Independent Schools 2009 Gross Income by Source (ave. per student)



Under the Australian Government's SES funding arrangements, the majority of Queensland independent schools (85%) are funded in accord with their actual SES score. This compares with less than half (47%) of all Catholic schools in Queensland being funded on their actual SES score. The remainder are funded to reflect their historical levels of Australian Government funding.
Table 2 shows the status of Queensland's non-government schools under the Australian Government's SES funding arrangements.

Table 2: Queensland Non-government Schools SES Funding Status as at 2010

	Funding Guarantee (2008)	Funding Maintained	SES
Independent	2%	13%	85%
Catholic	0%	53%	47%

(Source: DEEWR website)

Queensland's schooling sector constitutes a major social enterprise – utilising total income of some $8 041 million in 2009.

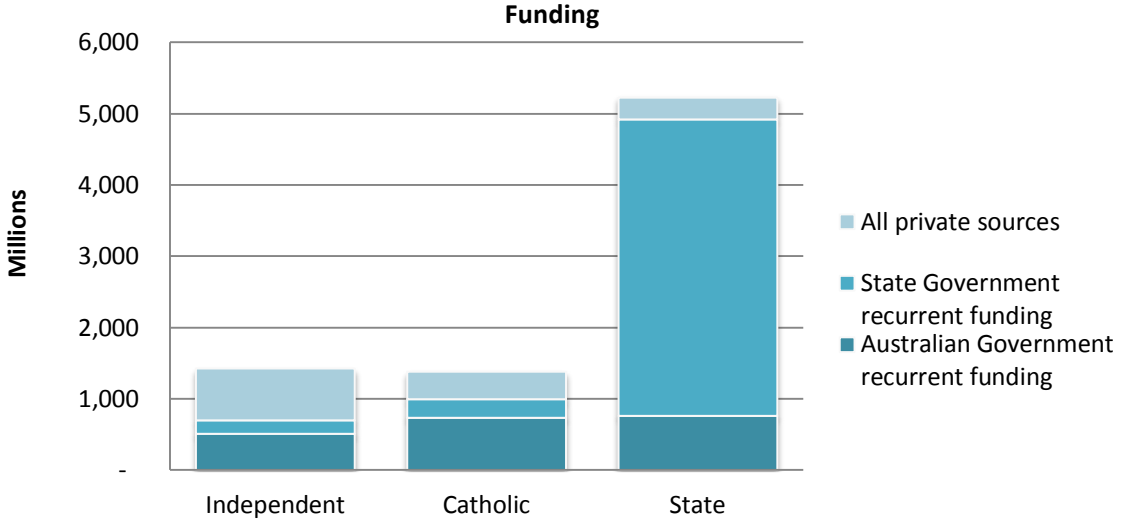
Table 3 shows that overall, independent schools in Queensland received significantly less government funding than either of the Catholic or State school sectors; and contributed significantly more from private income (i.e. some $730 million, being more than the combined total of the other two sectors).

Table 3: Gross recurrent income by source for Queensland schools in 2009 ($M)				
	Australian Government recurrent funding	State Government recurrent funding	All private sources	Total gross recurrent income
Independent	508.1	189.7	729.9	1,427.8
Catholic	738.9	257.2	389.3	1,385.5
State	763.8	4,161.6	302.4	5,227.9
All Queensland	2,010.8	4,608.6	1,421.8	8,041.3

(Source: *My School* data)

Figure 3 shows that contrary to some strident public opinion, in 2009, the Queensland independent school sector received less Australian Government and less Queensland Government funding than either the Catholic or State sectors.

Figure 3 - Total 2009 Funding - Queensland School Sectors by Source of Funding



In summary, under current funding arrangements, the independent school sector in Queensland receives the least amount of government support but makes the largest private investment in schooling. It has nevertheless been, over many years, the strongest sector in terms of enrolment growth, reflecting preferred parental choice.

The independent sector is providing choice and diversity for parents from all segments of society. The diversity of the sector contributes to the innovation and vitality of education in Australia and the Australian Government's recognition of this through its long standing direct funding arrangements for independent schools is most welcome.

SECTION 2 - FUTURE FUNDING ARRANGEMENTS

PRINCIPLES OF A SCHOOL FUNDING MODEL

ISQ believes that any future funding model for schools should be based on the following seven principles:

- **Equity/fairness**: per student funding should be similar for schools serving communities with similar attributes.
- **Adequacy:** funding levels should be sufficient to provide for an appropriately high level of service to deliver agreed educational outcomes.
- **Predictability:** schools should have a high degree of certainty about future funding to facilitate their sound financial planning and management.
- **Incentive:** the funding arrangements should support students in a way that encourages, not discourages, parental investment in their children's schooling.
- **Transparency:** assessment of need should be based on reliable and transparent data.
- **Flexibility:** schools should not be locked into a particular funding level that impedes them from responding to changes in their school community.
- **Simplicity:** the funding arrangements should be simple to administer, with low administration costs for government and low compliance costs for schools.

Any potential funding model should also take into account the further criteria outlined below:

- **Consistency:** Funding arrangements should apply consistently to all non-government schools regardless of organisational or systemic arrangements.
- **Student–based:** The independent sector supports a student-based approach to assessing need for the purposes of a school funding model. A student-based methodology which relies on robust data regarding student characteristics provides an effective and transparent means to determine the resourcing needs of individual schools and to efficiently meet the changing patterns of demand.
- **Robust data: A**ny funding model must rely on reliable, robust, up-to-date data that cannot be subject to manipulation or interpretation.
- **Appeals processes:** Any funding model may result in schools that produce anomalous outcomes in the application of funding mechanisms. There should be a formalised process for any school that believes they need special consideration to seek an appeal.
- **Transitional arrangements:** Changes to funding arrangements should also incorporate appropriate transitional arrangements. Effective transitional arrangements will ensure an equitable transition to any new arrangements, providing minimal impact on individual schools and their operations.

ESSENTIALS FOR SCHOOL FUNDING ARRANGEMENTS

In order to reflect the above principles and criteria, ISQ believes that any new future funding arrangements for independent schools must incorporate the following aspects:

- a direct funding relationship with the Australian Government based in legislation;
- funding certainty and stability based on minimum funding cycles of four years or longer;
- a transparent and fair mechanism for indexing all government grants on an annual basis in line with cost increases in the school education sector – such as the Average Government School Recurrent Cost (AGSRC);
- transitional arrangements to any new funding model that ensure no school is worse off in real terms;

- recurrent and capital funding allocated on a per student basis to ensure that resources are allocated to adequately match areas of service demand;
- student-based funding approach including a basic entitlement for all students and an appropriate level of needs based funding;
- funding arrangements that do not discourage or penalise private investment in school education but rather recognise and encourage private contributions;
- funding equity for students with special needs attending independent schools (including students with disabilities) to reflect the full service cost for these students in government schools;
- recognition of the additional resource requirements of students with indigenous backgrounds;
- recognition of the additional resource requirements of rural and remote education delivery through additional loading on recurrent funding and support for boarding options;
- an appropriate level of accountability for public funding while recognising the essential characteristics of autonomy and flexibility in independent school education provision; and
- the current State funding relationship with the Queensland Government is retained.

The key components of any new funding model are elaborated further below:

Need for Stability and Certainty

Stability and certainty in funding are most important for schools if they are to have the ability to sustain consistent quality in their educational provision. A predictable funding model allows for sound financial planning and effective long-term management.

The current Australian Government arrangements involving legislated quadrennial funding are fully supported as providing this level of stability and certainty.

Such stability and certainty is especially important during a period where there has been, and continues to be, major education reforms in the schooling system.

The Australian Government has in recent times initiated major changes particularly in the areas of accountability and reporting and the national education agenda that are impacting on schools.

The Queensland Government also instigated major school reforms in recent years under the policy banner *Education and Training Reforms for the Future* (ETRF), including the introduction of the Preparatory Year of schooling.

Basic Entitlement and Needs-based Support for All Students

ISQ believes that every student attending school is entitled to receive a base level of government funding towards the cost of his or her education. Governments have for decades recognised this basic entitlement for all parents of school-aged children.

The current SES funding model provides for a minimum or basic entitlement of 13.7% of the Average Government School Recurrent Cost (AGSRC). Further funding is provided based on the SES score of a school, up to a maximum of 70% of the AGSRC.

ISQ believes a basic entitlement under any future funding system should be set at a minimum of, at least, 25% of the average cost of educating a student in a government school.
In addition to a basic entitlement, many families would not be able to choose an independent school option without the government providing an appropriate level of needs based funding.

Needs based funding seeks to address the critical issue of equity/fairness.

Independent schools are increasingly chosen by families from across the broad spectrum of Australian society, including from low SES communities, indigenous and migrant families, and by families whose students have special or high needs. For these families to access independent schools, government funding arrangements must incorporate needs based funding, in addition to a basic entitlement for all.

Transitional arrangements

ISQ supports the Gillard Government's commitment that no school will lose "a dollar" as a result of the outcomes of the Funding Review. Transitional arrangements that give effect to this commitment would need to be implemented under any new funding model.

The requirement for such a commitment has been well established as a funding principle under previous and current Australian Government funding models. A funding guarantee operates to ensure stability in the funding of school operations and to protect against funding reforms undermining the viability of particular schools. This is in the interests of the whole community given the estimated savings in taxpayer expenditure from students attending independent schools.

For a commitment - that "no school will lose a dollar" - to be effective, a funding guarantee needs to be maintained in real terms. With education costs rising at between 5% and 8% per year, maintenance of funding in real terms is essential if schools are to remain viable and to continue to deliver the education outcomes expected by their communities. Maintenance of funding offers stability of operations for schools and is essential for schools to continue providing education at an affordable level without significant changes to their mission, ethos and service levels.

The Australian Government's commitment to maintain individual school funding in real terms was an essential element of the SES funding scheme when introduced for the 2001-2004 quadrennium. Its continuation over the 2005-2008 and 2009-2013 funding periods has been supported by ISQ. The future challenge for government is to ensure its commitment to at least maintain current government funding levels for all schools is delivered while addressing the critical issue of equity/fairness for all schools.

Indexation

An important feature of any school funding model is annual supplementation or indexation of grants based on movement in an appropriate cost index. The continued use of the AGSRC for this purpose is supported.

Whilst the AGSRC is not a complete measure of government school recurrent costs (with estimates that the AGSRC index understates the actual costs of government schooling by approximately 20%), its use for indexation purposes is supported as it maintains the overall balance between Australian Government funding for non-government schools and expenditure by governments on state schools. With average annual increase in school costs running at between 5% and 8% per annum, indexation at less than this level would effectively be a cut in funding support from government.

Indices based on general CPI or general wage cost increases do not adequately reflect the higher costs of school education. School education costs are rising to reflect not only high teacher salary increases but also lower student-to-teacher ratios and increased general staffing required to operate effectively in an increasingly regulated environment and to meet heightened community expectations.

Any reduction of government funding would necessarily result in either a commensurate increase in school fees paid by parents or a reduction in the level and/or quality of service. Neither of these outcomes would be acceptable to the Queensland communities increasingly choosing to educate their children at independent schools.

For independent schools to continue to make the significant and growing contribution that they currently do, government funding must be maintained in real terms.

SECTION 3 - OTHER SPECIFIC ISSUES

STUDENTS WITH SPECIAL NEEDS AND DISABILITIES (SWD)

The number of students with special needs, including those with disabilities (SWD), continues to increase in Queensland's independent schools.

Over the five year period 2005 to 2010, enrolment of SWD has increased at an annual compound rate of around 14%, from some 886 to 1709.

Furthermore, independent Special Assistance Schools (SAS) have multiplied over the past few years from two in 2006 to seven in 2011. SAS serve students who are - or are likely to become - disengaged from formal education. These students have high level needs.

The inequity of funding for students with special needs, including those with disabilities, continues to be a major concern for independent schools and the communities they serve.

The level of funding currently provided by governments falls well short of the cost of the educational and support needs required to provide quality schooling outcomes for these students. This places an extraordinary burden on families for whom a particular independent school is the most appropriate option for their student with special needs.

ISQ believes that students with special needs and disabilities in independent schools should receive the same level of government funding and access to services for their education as they would have received if they attended a government school. Such an equitable funding arrangement would better enable families of these students to consider the most appropriate choice of school for their child.

INDIGENOUS SCHOOLS AND STUDENTS

Queensland has a number of independent schools that cater specifically for indigenous students. Some 29 percent of all indigenous students attending the nation's independent schools are in Queensland.

Given the challenges faced by these schools and their limited ability to raise private funds, ISQ believes these schools should be entitled to receive the maximum general recurrent funding. The current policy of maximum funding for Majority Indigenous Schools, such as these schools, should be retained regardless of the future model adopted.

Queensland independent schools have a solid reputation for high achievement by their indigenous students and many of these schools offer scholarships and other fee assistance to indigenous students. Given the persistence of generally lower outcomes for indigenous students overall, ISQ supports future arrangements that include additional funding being provided for the education of indigenous students.

RURAL AND REMOTE

Queensland has a highly dispersed population and a number of independent schools located in rural and remote areas.

Schools in these areas face additional costs associated with their geographic location i.e. the 'tyranny of distance'. In particular, these additional costs relate to the costs of goods and services (freight and limited local supply), staff salaries and accommodation, school transport for students and parents, and staff travelling – to name a few.

Schools serving rural and remote communities are often relatively small in size and can therefore also face additional funding pressures as a result. By contrast, larger schools are relatively better positioned due to the benefits of their greater 'economy of scale'.

Independent schools in Queensland have a long and highly regarded tradition of providing excellent boarding services to students from rural and remote communities, including indigenous communities. Often these services are provided to parents at less than cost and include many boarding fee concessions for families facing economic hardships, such as during droughts and floods. ISQ strongly supports funding arrangements that deliver additional recurrent funding to rural and remote schools and supports the continuation of viable boarding options for families in rural and remote areas of Queensland.

DISTANCE EDUCATION

Six Queensland independent schools are currently accredited by the Non-State Schools Accreditation Board to provide distance education. Each of these schools also provides a day school. Students attending these schools can be categorised as either "day students" or "DE students" depending on the educational delivery mode. Distance education is not home schooling as it involves a full schooling service.

Distance education is an important aspect of independent schooling services in Queensland, currently providing a high quality education to over 2,500 students or approximately 2.5% of independent school enrolments.

Over recent years, there has been significant growth in the number of DE students enrolling in these schools, demonstrating an increasing demand for such an educational provision.

Under current Australian Government funding arrangements, these students are funded at the lowest possible level (13.7% of AGSRC) without reference to either educational need or the socio-economic circumstances of the family. This current situation is clearly inequitable and should be changed so that these students also receive government support that matches what they would receive if they were "day students".

Furthermore, indigenous students enrolled in distance education are not eligible for the Australian Government's Indigenous Supplementary Assistance, whilst indigenous "day students" are eligible (*Schools Assistance Act 2008*, sections 65 & 66). For these students, the Act artificially discriminates according to educational delivery mode.
Distance Education, if properly resourced, provides the same world class educational outcomes as any school. This is because the pedagogy, professional staffing, programming and organisation are generally based on sound education practice and delivered by experienced educators who have a passion for what they do.

In terms of students who have special learning needs or are at risk of disengagement from learning, a Distance Education program is able to deliver education in a way which can be flexibly tailored to suit the needs of these students.

As part of the Review of Funding for Schooling, the Panel should give consideration to ensuring that in any future model, funding for DE students is fair and equitable.

TARGETED FUNDING

Targeted program funding is very significant for Queensland's independent schools, providing an essential source of funds to address the needs of educationally disadvantaged students. These funds should be enhanced to ensure such students have the best opportunities to succeed at school. ISQ's strategic position includes a clear focus and priority on the importance of targeted funding. Queensland independent schools effectively deliver targeted programs to achieve the best educational outcomes for educationally disadvantaged students.

ISQ successfully and efficiently manages allocations to independent schools to maximize the educational outcomes derived from these limited funds. ISQ therefore supports targeted funding that is administered through authorities such as the various Associations of Independent Schools. These funding programs may include funds targeting students with special needs and those with indigenous backgrounds, language backgrounds other than English, or low SES and other disadvantaged backgrounds.

SYSTEMIC SCHOOLS

Within the Queensland independent sector, there are currently three recognised school systems (Queensland Lutheran System; Northern Australian Conference of the SDA Church; and South Queensland Conference of the Seventh Day Adventist Church). In 2010, these systems involved 37 schools or approximately 20% of all independent schools.

The decision whether to belong to a system of schools should remain a matter for each individual school.

It would be unfair if the decision by any school to become part of a school system resulted in that school attracting a different level of government funding than if the school decided not to be in a system.

Furthermore, it would also be unfair if government funding arrangements did not treat all school systems similarly.

CAPITAL FUNDING

Both state and national governments have long recognised the enormous value that independent school communities are making to the social infrastructure needs of the Australian society.
The value of this private investment in Queensland school infrastructure has equalled the investment by government. Over the five years, 2004 to 2008, the capital investment by non-government schools totaled $1 975 million while the State school sector capital expenditure was $1 900 million (*National Report on Schooling*, 2004 to 2008).
Government capital assistance and grants have a high degree of leverage as independent school parents contribute around 80% of the capital cost of their schools.

With future enrolment growth projected to increase significantly over the coming decade, in line with historical trends, pressure will increase on government budgets to provide the necessary school infrastructure to accommodate these future enrolments. Projections by the Department of

Education, Employment and Workplace Relations indicate that, nationally, enrolments could increase by more than 730 000 by 2020 – requiring some 2 000 additional schools to be built.

Such a demand on government budgets can only be ameliorated by the continued significant private investment of families who chose non-government schooling for their children. For this investment to remain at current levels in the independent sector, governments must continue to make adequate capital assistance available to the sector.

Sufficient expansion of existing schools and the establishment of new schools in areas of population growth cannot be undertaken without this government assistance.

Indeed, the Queensland independent sector is currently facing capacity constraints in this regard. With a projected additional 50 000 enrolments in Queensland independent schools by 2022 – requiring the equivalent of up to 100 new schools (or some 10 per year) – adequate levels of government capital assistance will remain essential to the supply of future schooling infrastructure.

The independent school sector has demonstrated its capacity to efficiently and effectively leverage government capital funding to meet emerging demand for school infrastructure. Most recently this has been demonstrated in the manner by which the sector implemented the Australian Government's massive stimulus package, the Building the Education Revolution (BER) program.

CONCLUSION

Government has a constitutional obligation to ensure all Australian children are well educated, regardless of their familial background or location.

Australia lags behind a number of other OECD countries when comparing the level of resources committed to school education as a percentage of gross national product.

While recent government investment in school education has been welcomed, significant additional resources over the long term are required if Australia is to continue to develop its people to their full potential.

In the context of this review of funding of schooling, close attention is required not only on how the 'pie' is cut but also, just as importantly, on the size of the 'pie'. The review of all school funding offers the government a rare opportunity to unambiguously address the national interest through increased and well targeted financial resources.

Independent schools have proven themselves to be key partners with governments and parents in the effective development of Australia's human potential. Future government funding arrangements must ensure that this successful partnership remains just as strong into the future.

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