

The Effect of Red Tape on Private Education Submission by

The Independent Schools Council of Australia (ISCA)

Introduction: About ISCA

ISCA is the national peak body representing the Independent schooling sector. It comprises the eight state and territory Associations of Independent Schools (AISs). Through these Associations, ISCA represents a sector with 1,123 schools and 604,436 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 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 eight 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. 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.

Overview

ISCA welcomes the opportunity to make this submission in response to the Senate Committee on Red Tape's *Inquiry into The Effect of Red Tape on Private Education*.

ISCA supports the work being undertaken by the Senate Committee on Red Tape to examine the cost to Independent schools of the increased compliance burden they face in view of increasing regulation, reporting, and accountability requirements.

Independent schools are heavily regulated entities, subject to a range of legislation both at the state and territory level as well as at the national level. A recent review of applicable legislation in one state showed that schools are subject to over 40 pieces of state legislation and 15 pieces of national legislation covering areas as diverse as child protection, overseas students, and privacy.

This submission outlines the role of ISCA and the state and territory AISs, provides an overview of the regulatory environment for Independent schools, and addresses a range of issues raised in the Senate Red Tape Committee's Terms of Reference.

About the Independent school sector

Independent schools are not-for-profit institutions that are set up and governed independently on an individual school basis. Each Independent school is required to be registered with the relevant state or territory education authority.

Individual Independent schools operate in an environment of choice and diversity. The forces that operate in this environment impose an imperative for schools to be aware, innovative, and responsive to change in order to ensure that they continue to meet the needs of students and the expectations of parents to provide a high quality educational experience for their students.

Independent schools are highly accountable to their school communities. Independent schools have a greater range of accountabilities than any other type of school in Australia due to the multifaceted mix of their responsibilities to stakeholders, governments, authorities, and their legal obligations as incorporated bodies.

The steady growth of the Independent sector is evidence of the public confidence in the accountability of Independent schools through the mix of contribution to education policies, legislative compliance, and self-regulation.

Independent school enrolments continue to increase, and new Independent schools continue to be established, because 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.

The Role of State and Territory Associations of Independent Schools

Independent schools in each state and territory are directly represented and supported by the Association of Independent Schools (AIS) in their jurisdiction. While almost all Independent schools choose to become members of their state or territory Association of Independent Schools, the AIS does not act as a 'system authority' for member schools.

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, policy and compliance support, professional learning 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 or territory level.

Regulatory Environment for Independent Schools

The importance of independence

Independent schools have a reputation as providers of high quality education in Australia. Independent schools are also recognised for their leadership and innovation in education and enjoy high levels of public trust and parental satisfaction. Underpinning this success is their autonomy as self-managing schools.

Self-management is the distinguishing characteristic of Independent schools, differentiating them from government schools, which are owned and managed by state and territory governments, and the 1,744 Catholic schools, most of which belong to systems operated by Catholic education authorities throughout Australia. Unlike other school sectors, the majority of Independent schools operate autonomously. These schools do not rely on central bureaucracies or bodies and are separately accountable to their parent and school communities as well as to the Commonwealth and state or territory governments.

While some Independent schools belong to small systems or networks, most are managed by their own board of governors or management committee. These boards of governors or committees of management are the key decision-making bodies, accountable to their parent and school community and responsible for issues such as details of the school's educational programs, staffing, co-curricular content, student behaviour management, financial management, and current and future development.

International research has established a link between school autonomy in these elements of a school's operation and student achievement. Autonomy enables schools to respond more flexibly and innovatively to their local community and to their own students' needs.

The importance of accountability

The research which links school autonomy with student achievement also points to the importance of accountability. It is where autonomy is coupled with appropriate accountability – accountability for educational provision and student learning as well as for responsible financial management – that it has been found to be associated with better student outcomes.

Independent schools are well aware that they survive only with continued stakeholder support. They are highly accountable, being responsible to their local communities, required to meet public standards of educational and financial accountability, and having to comply with the legislative, regulatory and mandatory reporting requirements that apply to all schools.

Through self-regulatory mechanisms and comprehensive regulatory and accountability regimes, a strong system of accountability for government funding is in place.

Independent schools recognise the importance of accountability and transparency. However, increased legislation at Commonwealth as well as state and territory level has increased regulation, reporting requirements, and administration for Independent schools. The increased regulation impacts on the adaptability and capacity for Independent schools to innovate and respond to changing society expectations of how best to prepare students for future life.

The increasing bureaucratic burden on schools adds significantly to the cost of Independent schools and means that scarce financial and staffing resources must be directed away from schools' core business of educating students.

In Independent schools the cost burden is inevitably borne directly by parents, families, and school communities. This burden falls disproportionately on smaller schools that do not have the necessary economies of scale to absorb the cost of increased regulation, and on Independent schools that serve low socio-economic communities.

Research undertaken within the Independent sector has identified high levels of concern on the part of principals and board members about the amount of time and stress external compliance requirements are placing on school communities.

An indication of the increasing regulatory pressures on Independent schools in recent years is that non-teaching staff numbers in the sector grew by 44 per cent in the 10 years to 2017. This compares with an increase in student enrolments of 17 per cent and in teachers of 20 per cent.

Governance

Self-governing schools are more directly accountable to their immediate communities than is possible for schools that are part of large centralised systems. Private funding contributions through the payment of fees increase the school's accountability to parents and provide a performance-related incentive. The reality for Independent schools is that they need to remain competitive to survive, consistently meeting high parental expectations for the development of students both academically and socially. The freedom of students and their families to exercise choice in schooling is one of the most demanding forms of accountability for Independent schools.

In their governance arrangements, Independent schools are expected to meet the standards of social and financial accountability applying to corporate entities or incorporated associations. Independent school governors are responsible for making sure their school meets the same standards of business operation and reporting expected of other corporations. Just like the members of a corporate board, governors are individually and collectively responsible for compliance with these and other requirements. They play a key role in ensuring schools are accountable, particularly in matters of self-regulation.

School governors represent one of the largest volunteer bodies in Australia. More than 10,000 people who come from every walk of life are members of Independent school governing boards.

The principal of an Independent school is accountable to the board of governors for the school's educational programs, including how they relate to the strategic directions and ethos of the school.

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, administration, financial management, curriculum and reporting.

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.

In addition to their not-for-profit status, all Independent schools are charitable institutions and as such fall under the auspices of the Australian Charities and Not-for-profits Commission (ACNC). Independent schools are also subject to regulation by the Australian Taxation Office.

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.

The regulatory environment associated with funding

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.

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 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 collected also collected by the Department through the Non-Government School Census. This data is subject to extensive quality assurance processes and audit as it is also used to inform the current funding model for both per capita base and needs-based loadings.

Educational accountability

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. The *Melbourne Declaration* has set the direction for Australian schooling since 2008.

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), participate in the National Assessment Program which includes literacy and numeracy testing (NAPLAN) and three-yearly assessments in Science Literacy, Civics and Citizenship, and Information and Communication Technology (ICT) Literacy, and provide data for the My School website managed by ACARA.

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) and the *National Report on Schooling in Australia* produced by ACARA.

Commencing in 2018, Independent schools will also be required to work with their state or territory government to support that government in fulfilling its obligations under the Australian Government's new National Schooling Reform Agreement and associated bilateral implementation agreements.

The Associations of Independent Schools (AISs) in each state and territory and ISCA liaise closely with relevant government bodies on behalf of Independent schools to represent the interests of the sector and to ensure that schools understand and are able to fulfil their obligations.

Through these commitments and by satisfying other extensive registration, reporting and accountability requirements, Independent schools remain fully and individually accountable for meeting the public purposes of schooling. They work to achieve the high quality educational outcomes on which national prosperity depends and to promote the social cohesion, tolerance and civic-mindedness which support democracy and the well-being of society as a whole.

Reporting and data collection

The school sector is already highly involved in the provision of data for a range of accountability requirements at both the state and national level. Independent schools have extensive Commonwealth legislative accountability requirements under the *Australian Education Act 2013* to provide information through national data collections and must comply with any related quality assurance and / or audit processes.

Further to this, there are a range of data collections and surveys that schools may be selected for or choose to opt in to, again at the state, national and also international level. For many Independent schools this is a significant burden in terms of the resources required to fulfil these requirements.

The provision of significant amounts of data to Government mean ongoing and increasing administrative costs for individual schools diverting resources away from schools' core business of educating students. Whilst recognising the benefits of research and data, there are also

concerns within the sector regarding the purposes for which data is collected, its fitness for purpose, and the need for privacy and data access concerns to be addressed.

The potential impact of any new data collections on Independent schools, in addition to their current obligations, must be carefully considered by governments. Any additional data collections need to be considered by balancing the usefulness of any additional data without adding additional reporting to burden to schools. There needs to be an assessment of the utility of what is being collected currently compared to what is useful for educators, schools, and parents to know, and for collections to be designed accordingly.

While technology is often seen as the answer to the problem of multiple reporting requirements and indeed, may provide solutions over time, the technological capability of a school is a core component of its ability to collect and collate data, and to transmit and store data efficiently.

While many non-government schools and systems have access to adequate computer systems and internet access, some still do not. When a data collection is introduced by the Australian Government for schools, it is often the case that the Department of Education and Training will devise an option for 'low technology schools'. For example, for the Student Attendance collection, the department provides an on-line calculation tool for those schools unable to do the calculation themselves with their own systems. Many small and remote Independent schools fall into this category.

This lack of technological currency, as well as the diverse range of digital platforms to which schools may be required to upload, impacts on the ability of these schools to adopt new practices or to undertake additional data reporting. For the Independent sector it is a significant impediment to the introduction of possible changes such as a Unique Student Identifier. Many schools would require assistance to implement such a change to their systems, and it is possible that for a subset of Independent schools, such a change would not be possible without a significant financial investment by government(s).

Currently many 'low technology' Independent schools are supported by the Australian Government Department of Education and Training and Associations of Independent Schools to complete national data collections. For many schools reporting is an onerous task which ties up considerable resources and the demands on schools need to be very closely examined to ensure that they are an effective use of a school's time and that effort is made to streamline data collections to ensure that the cumulative reporting burden does not become too great.

Nationally Consistent Collection of Data on Student with Disability (NCCD)

Since 2013, Australian schools have been progressively participating in the Nationally Consistent Collection of Data on Student with Disability (NCCD). 2015 was the first year that all schools participated in the collection.

This collection is an intensive exercise for schools as it is based on the teacher judgement of the level of adjustment provided to each student with disability within a school based on the definition of disability in the *Disability Discrimination Act 1997* (DDA). The NCCD represents a major departure for all Australian schools in reporting on students with disability which had previously been based on a medical diagnosis model.

Implementation of the new methodology has required professional learning for teachers, teacher's aides as well as the executive staff of all schools in addition to moderation exercises at the state and sector level. From 2018 the NCCD will become a part of the Non-government School Census and be subject to the same quality assurance and audit process.

For Independent schools, the challenges of this collection are compounded by the necessity of continuing to utilise the existing state-based definitions of disability for their Non-government School Census collection in some states and territories.

Student Background Data

One key element of the current Schooling Resource Standard (SRS) Funding model are the needs-based loadings. Two of these rely on Student Background Data (SBD) collected from students' enrolment forms. These provide information relating to parents' occupation and education levels and other similar information. This information is used for the calculation of the Low Socio-Educational Advantage (SEA) Loading and the Disadvantaged Language Background Other than English (DLBOTE) Loading.

For Independent schools, this data is provided to ACARA for the students sitting NAPLAN in any given year. Since the introduction of the original SRS Funding model in 2014, what has become clear is that for a sub-set of Independent schools, it is extremely difficult to collect this data due to the nature of the cohort of the students attending some Independent schools.

For Indigenous schools and Special Assistance Schools serving highly disadvantaged and mobile communities the collection of this data is extremely problematic. The SEA and DLBOTE values for funding undergo a major review every two years. The experience of the sector has been that it is extraordinarily difficult for these schools to get sufficient accurate data that will result in SEA and DLBOTE values that are reflective of the school community and which deliver the funding to which they are entitled.

Some schools have expended huge amounts of time and money in attempting to obtain more accurate data for review, however even these efforts are not guaranteed to result in a more accurate score. As a result of representations from the Independent sector in 2017 and 2018 the Australian Government has agreed to deem the SEA and DLBOTE values for a specified subset of schools meeting certain criteria to ensure that they get the loadings they are entitled to as schools serving some of the most disadvantaged students in the country.

This process, involving the reduction of red tape, has saved both schools, the Department and ACARA significant amounts of time and resources while delivering positive educational outcomes for students.

ACNC and ASIC

Unlike government schools, most Independent schools are not-for-profit entities and / or charities and as such are subject to the regulation and reporting requirements of the Australian Charities and Not-for-profits Commission (ACNC). As companies limited by guarantee or as incorporated associations, they are also accountable to the Australian Securities and Investments Commission (ASIC) or to their state or territory registrar of associations.

When the ACNC came into being, it was recognised that there was significant overlap in reporting requirements between the ACNC and the Australian Government Department of Education and Training in relation to the reporting requirements for non-government schools, and also between ACNC and ASIC for a range of entities.

To address this issue, the ACNC and the Department set up the Non-government Schools Streamlined Reporting Working Group which includes representatives from the Independent and Catholic sectors. This group has worked to reduce any overlapping reporting requirements in line with one of ACNC's objects which is 'promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector'.¹

One key element of this model is the aim to 'report once, use often'. To this end, under the current transitional reporting requirements, non-government schools are not required to complete the financial reporting element of the Annual Information Statement, rather this information is provided through the Non-government Schools Financial Questionnaire. It is intended that following some changes to the Financial Questionnaire, the ACNC will be able to approve the FQ as an ACNC-approved form for the financial section of the Annual Information Statement.

This group continues to progress work on reducing the reporting burden on non-government schools and is a very useful model of how sector and national bodies can work together to reduce the impact of red-tape.

In July 2018 ACNC announced that under the ASIC Supervisory Cost Recovery Levy Amendment (Enhancements) Regulations 2018 Schedule 2, registered charities would no longer have to pay the ASIC levy. This legislation was based on the view that requiring charitable companies to pay the levy was "disproportionate to ASIC's actual regulatory oversight of charitable companies," given the ACNC's role as principal regulator of companies that are registered charities.²

This is positive example of where red tape and excessive levies can be addressed through legislation.

International education

For the vast majority of Independent schools, overseas students do not determine the school's sustainability. Rather, overseas students are not enrolled for financial reasons, but rather provide a much-valued international element and diversity to school populations.

ISCA has identified a number of areas where non-government schools have been inadvertently and adversely affected by efforts to improve accountability and sustainability measures in other more high-risk sectors and where the nature of the non-government schools sector has meant that a "one-size-fits-all" application of policy has resulted in a financial and bureaucratic burden on schools which acts as a significant disincentive for schools to enter or expand the overseas student market.

¹ http://www.acnc.gov.au/ACNC/About_ACNC/Redtape_redu/ACNC/Report/Red_tape.aspx

² https://acnc.gov.au/ACNC/Comms/LN/LN 20180702.aspx

In the Independent sector, each school is responsible for its own compliance with *Education Services for Overseas Students (ESOS) framework* in order to be registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). This represents a significant regulatory burden on schools for a relatively small cohort of international students compared to domestic students, and a relatively small number of students overall compared to student cohorts in other education sectors.

ISCA estimates between 30-40 per cent of all CRICOS registered providers in Australia are Independent schools that are individually registered and individually responsible for meeting compliance requirements. By contrast, state departments of education hold single provider registrations covering any number of government schools enrolling overseas students within a state or territory.

Overseas student enrolments in independent schools vary from 1 to over 200 overseas students. The median number of overseas students at an Independent school is 8 students.

A significant issue for Independent schools is the duplication of state and Australian Government legislative frameworks in some states and territories. Schools are subject to two layers of regulation with no mechanism or agency oversight to ensure consistency of application of ESOS regulation across states and territories.

It is also of concern to ISCA that in the application of ESOS regulation in all jurisdictions, risk assessment frameworks used by regulatory authorities to assess education providers are not generally transparent, except where legislated (as in the TPS levy discussed below). This creates a situation where it is difficult to identify areas where concerns could be addressed, and a lighter regulatory touch used.

Further, there is a disconnect between national and state international education strategies driving growth in economic opportunities for education providers and the regulatory activities of the Department of Home Affairs, the Department of Education and Training, and the state regulators for schools.

Previous attempt of streamlining ESOS have yielded some small results after long periods of consultation and effort but have generally advantaged other sectors to a far higher degree than schools because of the responsibilities associated with enrolling students under the age of 18 responsibilities e.g., differential reporting requirements.

In its submission to the 2014 Review of ESOS, ISCA noted that "...it is quite clear that it is the view of schools that there is significant overlap between domestic regulation and the ESOS framework. There is also a strong view that it is not understood that schools' primary role is in the education of children and for this reason, they are not only subject to a range of other important legislation relating to child protection but that they, more than any other sector, have experience in caring for the well-being of under-18-year-old students. Schools believe that this should be acknowledged, rather than be viewed as a 'risk'."

Independent schools have also been disproportionately disadvantaged by the introduction of the Tuition Protection Service (TPS) in other regulatory aspects. These include the greatly

³ http://isca.edu.au//wp-content/uploads/2017/02/2014-05-22-ISCA-ESOS-Review-submission.pdf p.8

increased administrative burden required for reporting all payments of fees into the Provider Registration and International Student Management System (PRISMS) and being subject to the risk rated component of the TPS levy which is collected levies all education providers to fund refunds in the case of provider closure. Unlike large education providers, non-government schools have limited administration resources, whilst government schools and other government funded providers are exempt from the risk component of the TPS levy.

Historically, like government schools, non-government schools in receipt of Australian Government recurrent funding were exempt from some of the financial provisions of the ESOS Act based on the low risk nature of the sector. This is no longer the case.

Since the introduction of the TPS and the re-basing of the Annual Registration Charge, the non-government school sector is the only sector paying more than under the previous model. 2015 TPS calculations of the combined ARC and TPS charges for each sector, compared to PRISMS enrolment data showed that non-government schools were contributing 10 per cent of the total amount levied on industry for ARC and TPS charges, whilst enrolling 1 per cent of international students.

Recent changes to the levy settings were beneficial for many providers however, the emphasis on reducing the per enrolment component rather than the base fee component means that there was a minimal saving for most Independent schools given the sector's relatively low enrolments. It is ISCA's view that there should be an additional risk factor – overseas students as a proportion of total enrolments - which would go some way to offsetting the unsuitability of some of the other risk factors for the school sector.

The decision to not build sectoral differences into the levy risk ratings unfairly disadvantages Independent schools and has resulted in a disproportionate cost being borne by the non-government school sector. As noted in the ISCA submission to Productivity Commission's Barriers to Services Exports Issues Paper, this means that "government and non-government schools sectors are no longer treated as having the same level of risk, resulting in additional fees and charges (which are not incurred by government schools) and an increase in administrative burden and reporting which individual Independent schools are not able to resource on a systemic level as the government sector is able to do".4

Along with re-basing the ARC and introduction of a TPS levy for all providers, all non-government providers wishing to become CRICOS registered are subject to an Entry to Market Charge (EMC) of over \$16,000 payable in the first two years of being registered. This, along with all other regulatory requirements, is a large disincentive for a small non-government school seeking to enrol a small number of overseas students.

ISCA has consistently advocated for the "low risk" nature of highly regulated Independent schools as justification for significant reduction of administrative burden and cost, or "red tape", in this area.

12

⁴ http://isca.edu.au/wp-content/uploads/2017/02/ISCA-submission-to-PC-Barriers-to-Services-Exports-25-May-2015.pdf, p4

Conclusion

ISCA acknowledges and supports the work being undertaken by the Senate Committee on Red Tape to examine the cost to Independent schools of the increased compliance burden they face in view of increasing regulation, reporting, and accountability requirements.

In addressing the current Inquiry's Terms of Reference, ISCA has identified the following key points in order to reduce the effect of regulation and the associated costs of compliance for Independent schools:

- note that state and territory Associations of Independent Schools will continue to work with Independent schools to assist them to achieve the Government's school improvement priorities;
- ensure appropriate consultation with the Independent school sector in the development and implementation of policy priorities, and improve transparency around government decisionmaking processes;
- ensure that the implementation of policy priorities is not overly prescriptive and does not impinge on the autonomy of Independent schools to make decisions regarding their management and operation;
- recognise that for Independent schools any additional regulation, administration, compliance, and reporting responsibilities incur additional costs and these costs must be borne directly by parents, families and school communities;
- consider that strategies for achieving the Government's policy priorities may be better
 addressed through policy documents and guidelines rather than enshrined in legislation to
 provide flexibility to adapt to changing circumstances.

8 August 2018