

Submission to the Senate Education and Employment Legislation Committee

Australian Education Amendment Bill 2017

25 May 2017



**Independent Schools
Queensland**

choice & diversity

About Queensland Independent Schools

Community confidence in the independent schooling sector remains strong with about 120,000 students enrolled in 202 independent schools across Queensland in 2017. These schools educate approximately 15 percent of the state’s total school-age population and about 20 percent of all secondary students.

The strength of Queensland’s independent schooling sector lies in the rich mix of education choices and opportunities local schools provide families. Independent schools are as diverse as the students and parents who make up their close-knit communities. Of Queensland’s 202 independent schools: 183 educate children with disability; 109 cater for students for whom English is a second language or dialect; 184 enrol Indigenous students; 72 offer international education programs; 33 provide boarding services; and 17 cater specifically for students who have disengaged from mainstream education.

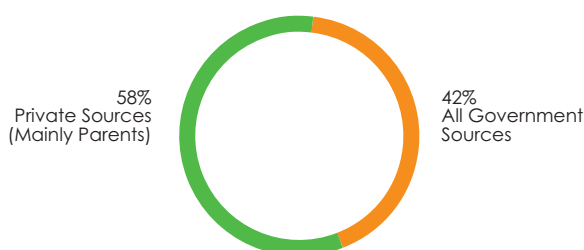
Common to all independent schools is their commitment to strong student outcomes, high standards of behaviour, and the welfare and well-being of students.

Over the past 10 years enrolments at Queensland independent schools have increased by 21 percent. This growth is a clear indication that parents value an independent education and are prepared to invest their after-tax incomes in their child’s schooling.

Independent Schooling in Australia

Australian independent schools receive the majority of their income from private sources (mostly through parents paying fees from their after-tax income) according to analysis by the Independent Schools Council of Australia (ISCA). Public funding (from both the Commonwealth and State/Territory Governments) represents on average just over 40 percent of the income of independent schools (Graph 1).

Graph 1: Sources of Income for Australian Independent Schools

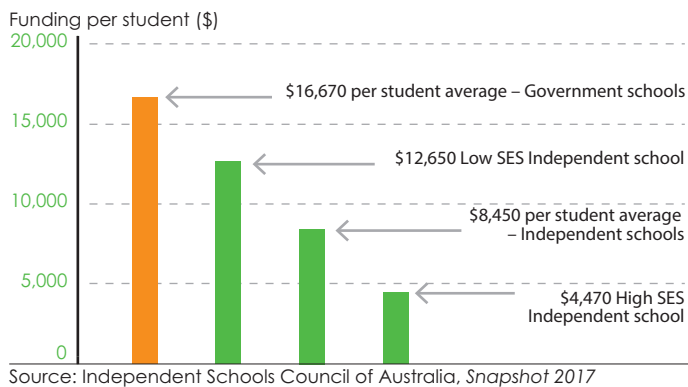


Source: Independent Schools Council of Australia, *Snapshot 2017*

The lower levels of total recurrent public funding allocated to students in the independent schooling sector reduce the financial burden on governments across the nation, with average recurrent savings estimated to be about \$4.4 billion annually.

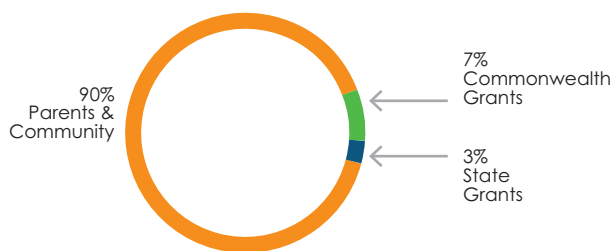
Government funding for independent schools varies from school to school depending on the capacity of the school's community to contribute fees. The capacity to contribute is determined by the school's socio-economic score (SES). In the non-government sector, these scores range from a low of 73 to a high of 131, with the lower scores reflecting higher levels of disadvantage and need. Schools with high SES scores receive the lowest levels of government assistance (Graph 2).

Graph 2: Total Government Recurrent Funding per Student 2014-15 (All Government Sources)



On average, parents also contribute 90 percent of the capital income available to independent schools (Graph 3).

Graph 3: Main Sources of Capital Funding in Independent Schools 2015

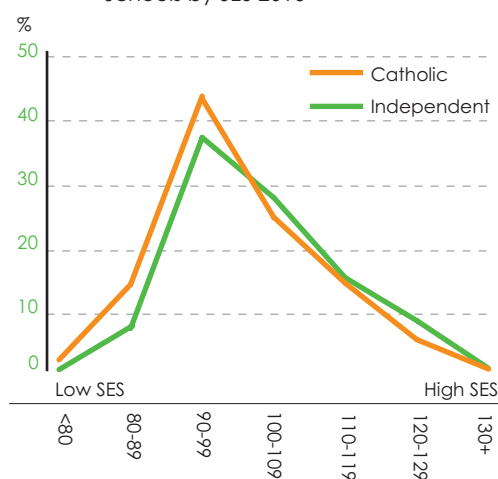


Socio-economic Profile of Non-government Schools

The majority of Australian independent schools fall within the 85 to 115 SES range, confirming that the sector serves a broad composition of Australian communities. The SES profile of the independent sector is not dissimilar to the SES profile of the Catholic education sector, according to the latest 2016 SES data published by the Federal Department of Education and Training (Graph 4).

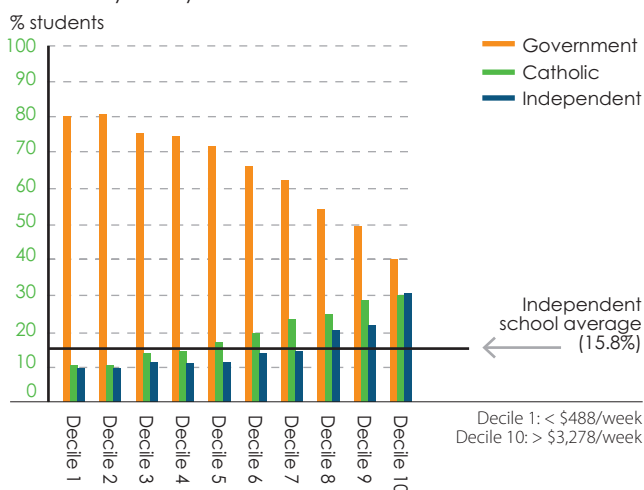
At the state level, according to the latest income data available from the 2011 census, Queensland state schools enrol the largest number of students from families who fall within the highest income brackets. This contrasts with public perceptions. The data shows independent and Catholic schools enrol similar numbers of these students (Graph 5 and Table 1).

Graph 4: Australian Catholic and Independent Schools by SES 2016



Source: ISCA analysis of 2016 SES data

Graph 5: Queensland Students by Sector by Family Income Deciles 2011



Source: ABS, Australian National Census, 2011

Table 1: Type of Educational Institution Attended by Queensland Students 2011 by Family Income Deciles

| TYPE OF EDUCATIONAL INSTITUTION | GROSS FAMILY INCOME PER WEEK | | | | | | | | | | |
|---------------------------------|------------------------------|-----------------------------|-------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------------|----------------|
| | DECILE 1 (< \$488) | DECILE 2 (\$488 TO < \$831) | DECILE 3 (\$831 TO < \$1,108) | DECILE 4 (\$1,108 TO < \$1,383) | DECILE 5 (\$1,383 TO < \$1,627) | DECILE 6 (\$1,627 TO < \$1,858) | DECILE 7 (\$1,858 TO < \$2,260) | DECILE 8 (\$2,260 TO < \$2,660) | DECILE 9 (\$2,660 TO < \$3,278) | DECILE 10 (> \$3,278) | TOTAL |
| PRIMARY | | | | | | | | | | | |
| Government | 27,078 | 26,483 | 28,858 | 22,726 | 27,891 | 22,976 | 22,073 | 19,877 | 16,784 | 12,767 | 227,513 |
| Catholic | 3,448 | 3,417 | 5,035 | 4,332 | 6,386 | 6,628 | 8,228 | 8,905 | 9,255 | 8,473 | 64,107 |
| Independent | 2,690 | 2,521 | 3,670 | 2,767 | 3,822 | 4,139 | 4,403 | 6,144 | 5,641 | 6,844 | 42,641 |
| Primary Total | 33,216 | 32,421 | 37,563 | 29,825 | 38,099 | 33,743 | 34,704 | 34,926 | 31,680 | 28,084 | 334,261 |
| SECONDARY | | | | | | | | | | | |
| Government | 12,287 | 15,566 | 15,401 | 12,062 | 13,423 | 12,070 | 13,034 | 10,488 | 9,778 | 7,428 | 121,537 |
| Catholic | 1,701 | 2,302 | 3,034 | 2,549 | 3,400 | 3,806 | 5,051 | 5,248 | 6,417 | 6,830 | 40,338 |
| Independent | 2,171 | 2,227 | 2,958 | 2,396 | 2,906 | 3,385 | 3,822 | 5,415 | 6,153 | 8,560 | 39,993 |
| Secondary Total | 16,159 | 20,095 | 21,393 | 17,007 | 19,729 | 19,261 | 21,907 | 21,151 | 22,348 | 22,818 | 201,868 |
| ALL SCHOOLS | | | | | | | | | | | |
| Government | 39,365 | 42,049 | 44,259 | 34,788 | 41,314 | 35,046 | 35,107 | 30,365 | 26,562 | 20,195 | 349,050 |
| Catholic | 5,149 | 5,719 | 8,069 | 6,881 | 9,786 | 10,434 | 13,279 | 14,153 | 15,672 | 15,303 | 104,445 |
| Independent | 4,861 | 4,748 | 6,628 | 5,163 | 6,728 | 7,524 | 8,225 | 11,559 | 11,794 | 15,404 | 82,634 |
| All Schools Total | 49,375 | 52,516 | 58,956 | 46,832 | 57,828 | 53,004 | 56,611 | 56,077 | 54,028 | 50,902 | 536,129 |

Data is based on place of enumeration and relates to families with children under 15 years or dependents with children attending schools. Data is constrained to families who identified their family income level, and where family relationships were able to be identified.

Source: ABS, Australian National Census, 2011.

Australian Government Funding for Schools

Background

The Australian Education Amendment Bill 2017 (the Bill) amends the *Australian Education Act 2013* (the Act) which prescribes the funding model that distributes Australian Government funding to schools. The Act also prescribes various requirements in terms of schools in receipt of Australian Government funding.

The Australian Government will provide the following funding for schools as outlined in the 2017-18 Federal Budget (Table 2).

Table 2: Australian Government Total Schools Funding

| SCHOOLS | ESTIMATES \$M | | | PROJECTIONS \$M | |
|------------------------|---------------|---------|---------|-----------------|---------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Non-government schools | 10,597 | 11,136 | 11,690 | 12,309 | 12,965 |
| Government schools | 6,498 | 7,081 | 7,576 | 8,148 | 8,743 |

Non-government schools funding is expected to increase by 3.0 percent in real terms between 2016-17 and 2017-18, and by 8.8 percent in real terms from 2017-18 to 2020-21. Funding for government schools is expected to increase by 6.8 percent in real terms between 2016-17 and 2017-18, and then by 15.4 percent in real terms from 2017-18 to 2020-21.

Estimated Australian Government recurrent funding on a calendar year basis for Queensland independent schools, is outlined in Table 3.

Table 3: Australian Government Funding for Queensland Independent Schools

| CALENDAR YEAR | \$M |
|------------------|---------------|
| 2017 | 909 |
| 2018 | 956 |
| 2019 | 1,010 |
| 2020 | 1,086 |
| 2021 | 1,145 |
| 2022 | 1,204 |
| 2023 | 1,263 |
| 2024 | 1,322 |
| 2025 | 1,382 |
| 2026 | 1,447 |
| 2027 | 1,512 |
| 2018-2027 | 12,328 |

The Australian Government funding for schools proposed in the Bill represents an increase of between 4.5 percent and 7.5 percent annually.

It comes on top of significant increased investment in schooling by the Federal Government over the past 10 years and at a time when legitimate questions are being raised as to whether or not increased funding for schools results in improved educational outcomes.

The increased levels of Australian Government funding for schools proposed in the Bill will provide support, certainty and stability for schools.

The Bill will amend various technical aspects of the current legislated funding model for schools as prescribed in the Act. The Schooling Resource Standard (SRS) funding model (commonly, but incorrectly known as the "Gonski" model) was introduced in 2014. Its implementation was severely compromised by a multitude of special deals across states and territories and sectors and the unsustainable commitment that no school would be worse off.

Australian Education Amendment Bill 2017 – Changes to the Funding Model

The Bill will result in a number of significant changes to the SRS funding model as currently provided for in the Act. These include:

- 1 Recalculation of the SRS
- 2 Capacity to Contribute (CTC)
- 3 Student Weighted Average SES for Systems
- 4 Commonwealth Share of Loaded SRS and Indexation
- 5 Loading for Students with Disability; and
- 6 Transition Adjustment Fund.

1. Recalculation of the SRS

The Bill prescribes new amounts for the primary (\$10,953) and secondary (\$13,764) SRS for 2018.

It is understood the 2018 SRS amounts have been calculated using the same methodology used to calculate the SRS in 2014.

The recalculation of the SRS is timely to ensure that changes to the costs of schooling since 2014 are properly reflected in the SRS.

The recalculation results in the primary SRS increasing by 6.23 percent over the 2017 figures, whilst the secondary SRS has increased by 1.5 percent. As a result, there will be a change in the relativities in the funding schools receive for primary students and secondary students. This change reflects the costs of providing primary and secondary education to the standard underpinning the SRS.

It is noted the higher increase in the primary SRS will also have the effect of reducing the impact of the change in the CTC settings for primary students for schools in the SES band 108 to 122.

The recalculation of the SRS is supported as it reflects the change in cost structures for primary and secondary education over the past four years.

2. Capacity to Contribute

The SES of a school will continue to be used to determine the CTC settings for the SRS funding model. The SRS is discounted by the CTC for non-government schools to determine the amount of their funding entitlement.

SES has been used as the accepted mechanism for the funding of independent schools since 2001. SES is a simple, transparent and objective measure based on ABS data and an effective mechanism in funding schools equitably based on the socio-economic status of the families of students that attend a school.

Under the current SRS funding model, there are different CTC settings for primary and secondary education with the result that schools between SES bands 108 to 122 receive a per capita amount for a primary student that is higher than the per capita amount for a secondary student. In 2016, at the widest point the difference was \$628.

There is no justifiable policy rationale for a CTC setting which results in primary students receiving a higher per capita amount than secondary students in the same SES band.

The Bill addresses this issue and adjusts the CTC settings to ensure that such a scenario is no longer possible.

Whilst noting that the change will impact all non-government schools with primary students in the SES bands 108 to 122, it is supported on the grounds of equity and fairness.

3. Student Weighted Average SES for Systems

Under the current SRS funding model, school systems are provided with an option to either utilise schools' individual SES scores to calculate CTC for the system or a student weighted average SES score for the entire system. The Bill removes the student weighted average SES option.

The student weighted average SES score has delivered significant additional funding to some systems. There is no apparent policy rationale why a student in one school should receive more funding than a similar student in another school simply because they attend a school that is part of a system.

The principle of applying any funding model on an equitable and sector-blind basis is central to the integrity and fairness of providing government funding for schooling. Treating all students for funding purposes on the same basis provides a level playing field for all non-government schools.

This change will apply to both non-government schooling sectors. Within the Queensland independent sector, there are currently four (4) systems, two of which have elected to utilise the weighted average SES.

Systems play an important role in Australian education, however, there is no apparent reason why systemic and non-systemic schools should be treated differently for funding purposes.

The continuing provision for systems to reallocate funding to individual schools within their system is supported.

While it is acknowledged that this change will impact independent sector systems, the measure is supported on the grounds of equity, fairness and the creation of a level playing field for all non-government schools.

4. Commonwealth Share of Loaded SRS and Indexation

The Bill provides for a 10-year transition for all non-government schools to reach a new target of 80 percent Commonwealth share of their loaded SRS entitlement. Currently Commonwealth share varies from school to school and across states and territories.

The provision that all non-government schools receive 80 percent of their loaded SRS from the Australian Government is important in terms of: equity; application of the funding model without reference to sector or state/territory; and creating a level playing field. It recognises that each individual school's loaded SRS will be different and will reflect the needs of its school community both in terms of student need and socio-economic profile.

Given that presently the Australian Government funding share varies between schools (based on historical factors), the Bill provides for a transition process. This new transition arrangement is significantly different from the current transition arrangements provided for in the Act. Currently, independent schools receive a set percentage increase in funding on an annual basis depending on whether they are classified as "above", "on", or "below" their loaded SRS entitlement (3 percent for schools "above SRS", 3.6 percent for schools "on SRS" and 4.7 percent for schools "below SRS").

The Bill provides for indexation of the SRS by 3.56 percent from 2018 to 2021. From 2021 a floating index rate will apply and will be a composite of 75 percent Wage Price Index and 25 percent Consumer Price Index with a guaranteed minimum of 3 percent.

Under these arrangements, a school's annual indexation will vary from year to year, based not only on the SRS indexation rate, but also its transition path to 80 percent Commonwealth share. A school's loaded SRS will continue to vary on an annual basis dependent on various characteristics such as student needs.

This is a significant change for all schools. While schools' SRS entitlements will be indexed over time, the transition arrangements mean that all schools will experience varying levels of funding growth, with many receiving less than the SRS indexation rate.

The changes will result in some schools receiving a higher or lesser rate of indexation than they are currently receiving. However, once all schools are transitioned to their 80 percent Commonwealth share, the relevant indexation rate will be applied to all schools on the same basis.

The proposed new transition arrangements result in 24 non-government schools experiencing negative growth from 2017 to 2018 and a further group of schools experiencing projected negative growth at points throughout their 10-year transition. There is a further group of schools that will be projected to receive indexation at less than the indexation rate for the SRS, effectively resulting in a reduction in per capita funding in real terms.

For Queensland independent schools, the vast majority will continue to receive annual indexation of their federal funding in excess of the indexation rate for the SRS.

For many of the schools with negative indexation growth or growth at less than the indexation of the SRS, the adjustment will be difficult and a potential disruption to their school communities. For some of these schools, this may result in an upward adjustment to fee levels or changes in their education provision.

Whilst the 10-year transition period will assist some of these schools to make the required adjustments in an orderly and planned fashion, the Government will need to work closely with these schools to ensure that no school is vulnerable to unacceptable dislocation.

In this regard the Bill's provision for a transition adjustment fund is welcomed (see below).

The impacted schools have been funded according to legislation previously passed by the Australian Parliament and have established educational programs and fee levels based on that funding. They have built strong communities which they rightly wish to continue serving.

Particular regard should be paid to the circumstances of parents with students currently enrolled in these schools and parents who have made a firm commitment to enrol their children in the coming years. These parents have made a decision based on known fee levels and education provision.

There will be challenges moving to a new schools funding model, however the commitment to 80 percent Commonwealth share of loaded SRS is supported because it is equitable, gives non-government schools certainty and confirms the Commonwealth as the ongoing primary public funder of non-government schools.

5. Loading for Students with Disability

The Bill provides for changes to the loading for students with disability which is currently based on the number of students verified under state/territory criteria. From 2018, the loading will be based on the number of students at a school identified in the Nationally Consistent Collection of Data on School Students with Disability (NCCD).

Further, the loading will be differential based on NCCD categories, as outlined in Table 4.

Table 4: Proposed Loading Rates for Students with Disability

| | PRIMARY % | SECONDARY % |
|---------------|-----------|-------------|
| Supplementary | 42 | 33 |
| Substantial | 146 | 116 |
| Extensive | 312 | 248 |

The separate loading rates for primary and secondary means the loading dollar amounts will be similar regardless of whether the student is a primary student or a secondary student.

The loading will continue to be sector-blind and fully publicly funded.

The use of NCCD for the basis of the loading is accepted with some caution given the variability of data across states and territories in the 2015 and 2016 collections and the current lack of quality assurance in relation to the data.

The Bill provides for a higher loading for students in Special Schools which is appropriate and supported as these schools educate one of the most highly educationally disadvantaged groups of students.

6. Transition Adjustment Fund

The Bill provides for a Transition Adjustment Fund intended to assist disadvantaged and vulnerable non-government schools adversely impacted by the changes to the funding model.

Transition Fund assistance should be available in the first instance for schools losing funding in dollar terms in 2018 or over the transition period. For these schools, transition assistance might be provided to freeze their funding at current dollar levels to assist with any adjustments required to fees or education provision.

Factors such as the level of school fees, the size of any adjustment to fees required, the age of the school, the asset base and debt levels, the composition of the school's income (for example, proportion from government and private sources) and the impact on the school community, should be taken into account to determine any amount of transition assistance.

Consideration of transition assistance for schools losing funding in real terms during the transition period should be made on a case-by-case submission by individual schools.

In those cases where schools experiencing a loss of funding believe their SES does not genuinely reflect their school community's socio-economic status, a review of their SES score should be undertaken (as per the current review processes available).

Establishment of the Transition Adjustment Fund is strongly supported. However, it is noted that the Budget provision is approximately \$40 million over a 10-year period. This allocation may need to be increased.

Australian Education Amendment Bill 2017 – Other Changes

The Bill proposes a number of other changes to the Act in terms of accountability, compliance and education reforms.

The Bill will require State and Territory Governments to at least maintain their 2017 real per-student funding levels for schooling as a condition of receiving Commonwealth funding.

This measure is supported given the importance of the State Government as a funding partner for non-government schools.

Non-government schools will be required to co-operate with their respective state and territories in implementing national policy reforms and agreements. The Queensland independent schools sector has a long and successful history of collaboration with the Queensland Government in terms of schooling policy and provision. This provision in the Bill will be met by the Queensland independent sector whether enacted or not.

The Bill also removes the current requirement for approved authorities responsible for more than one school to have implementation plans and the requirement for approved authorities to have school improvement frameworks. Given Queensland non-government schools must meet similar requirements under the *Queensland Education (Accreditation of Non-State Schools) Act 2012*, this measure is strongly supported as a sensible reduction in red tape.

The Bill will also require the Minister to take into account enrolment growth when deciding on the amount of capital funding to be made available to non-government schools. Currently only the change in the Building Price Index and the Wages Index are taken into account.

This measure is strongly supported to ensure that capital funding allocated to non-government schools keeps pace with growing enrolments.

The proposed measures relating to state government funding being maintained in real terms; national policy reform; removing duplicate school improvement documentation; and non-government capital funding keeping pace with enrolment growth are supported.

Concluding Comments

The Australian Education Amendment Bill 2017 provides the opportunity to enact a nationally consistent, sustainable, needs-based and equitable funding model for Australian schooling.

The proposed changes to the Schooling Resource Standard (SRS) funding model will impact the funding of individual independent schools. Such changes are inevitable with the move to a sector-blind funding model which is applied equitably to all schools without reference to their state/territory location or sector.

The funding increases for the independent sector are modest, but sustainable, and for the majority of independent schools will provide the required level of government support to provide an excellent education for students whilst keeping pace with education cost increases.

Addressing the existing numerous inconsistent funding arrangements based on sector and state/territory agreements which have resulted in different levels of funding for similar schools across Australia, is in the long-term interests of future generations of Australian students and their parents.

If the "Gonski" model is accepted as being right for Australian schooling (as many have been advocating), then it should be implemented fairly and equitably without special deals. Such an implementation will inevitably result in some schools in the non-government sectors adjusting resourcing at the individual school level.

The Government should be sensitive to those schools where any adjustments results in financial vulnerability in the short-term or unacceptable dislocation of existing school communities.

Finally, the level of Australian Government support for independent schools is fully justified. By not taking up a place in a state school, children in Queensland independent schools save governments and therefore taxpayers in the order of \$1 billion per year in both recurrent and building costs. Queensland independent schools fulfil an important economic and social role by enriching the diversity of school offerings available to local families and positively contributing to the economic and cultural lifeblood of the state and nation.

Independent Schools Queensland 25 May 2017

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