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Report to

**Review Secretariat
School Funding Review**

AISSA Response to the Review of Funding for Schooling Discussion Paper and Draft Terms of Reference

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EXECUTIVE SUMMARY

The Association of Independent Schools of South Australia (AISSA), which represents the interests of 96 not-for-profit South Australian Independent schools, welcomes the opportunity to comment on the draft Terms of Reference for the Review of Funding for Schooling. The AISSA is a member of the Independent Schools Council of Australia (ISCA) and has contributed to ISCA's detailed response. We strongly support ISCA's comments on the detail of the paper.

The AISSA acknowledges the Australian Government's commitment to developing education and care services based on high expectations and to ensuring that students from disadvantaged backgrounds are given the support to reach the identified education standards. We also note the call from the Federal Minister to examine opportunities for improvement in the current funding arrangements and to seek a debate that is not encumbered by the ideological approaches that usually accompany this topic.

The AISSA raises the following matters:

- The need to encourage increased investment from both governments and private sources in school education;
- The differences in the mix of funding sources between government and non-government schools being a function of the different 'ownership' of schools;
- Independent schools as not-for-profit organisations;
- The significance of establishing a timeline for the review and to evaluate any proposed new funding arrangements in relation to the impact on individual schools;
- The need to examine the changing enrolment patterns and socio-economic profiles across school sectors and recognition that choice of schooling is now an expectation within the community;
- The significant contribution of Independent schools to the Australian Government's education reform agenda;
- The need to create new funding arrangements that do not discourage parents from contributing to the cost of educating their children;
- The extent to which the Australian Government intends to redistribute existing government funds across schools rather than increase the overall budget for education;
- The importance of examining effective approaches to the administration of government funds, both recurrent and those allocated for specific purposes, e.g. students with disabilities, Indigenous children, etc;
- The importance of developing a funding model based on enhancing choice and excellence and for there to be clarity in the application of the term 'basic entitlement';
- The uncertainty generated by the reference to a *funding guarantee* which in real terms appears to imply schools will lose funding over time;
- The need for the review to resolve issues relating to the funding of students with disabilities and learning difficulties and to examine the importance of Australian Government funding to Non-Government

school authorities to provide support services to schools such as professional development of teachers and advice to schools to assist students with disabilities;

- The disparity of levels of State funding allocations to students attending Independent schools across States and Territories;
- The application of the COAG *Best Practice Regulation: A Guide for Ministerial Councils and National Standard Setting Bodies* relating to reducing government red tape.

Suggested Changes to Draft Terms of Reference

The AISSA recommends the following **additions** to the Terms of Reference:

Choice in Education

- Ways to support parent's right to choice in schooling options.

Sources of Government Funding

- Relative roles of the State/Territory and Commonwealth Governments in funding school education, particularly in relation to the requirement to address local or state needs.

Administrative Structures Supporting the Delivery of Government Funding

- The effectiveness of administrative and management structures across the education sectors in the delivery of school resources.

Increased Expectations on Schools

- The changing nature of schooling in Australia and the consequent implications for resourcing schools.

The AISSA recommends the following **modifications** to the draft Terms of Reference.

The Cost of Educating a Student to World Class Educational Standards

The AISSA recommends amending the first term of reference to:

- The cost of educating a student to world class educational standards and to meet future challenges.

Appropriate Composition of School Funding, Including Teaching, Capital and Other Costs of Schooling

The AISSA recommends that this term of reference be modified to:

- What components should be included in a consideration of the total cost of educating a student in a high performing school sector, for

example, teaching, capital and other costs, particularly relating to students experiencing educational disadvantage.

1.0 INTRODUCTION

1.1. Background

The Association of Independent Schools of South Australia (AISSA), which represents the interests of 96 not-for-profit South Australian Independent schools, welcomes the opportunity to comment on the draft Terms of Reference for the Review of Funding for Schooling. The AISSA is a member of the Independent Schools Council of Australia (ISCA) and has contributed to ISCA's detailed response. We strongly support ISCA's comments on the detail of the paper.

The general comments and recommended amendments to the Terms of Reference outlined in this response are based on initial feedback from AISSA member schools and related school authorities. This response is provided on the understanding that there will be further opportunities for detailed submissions once the Terms of Reference are finalised.

We note the commitment by the Federal Minister for Education, the Hon Julia Gillard, to reject the divisive ideological debates of the past on school funding and the objective to seek a consensus for the benefit of the educational needs of the community. (See Speech to Sydney Institute, 15 April 2010). Many myths and incorrect assumptions about Independent schools have accompanied these ideological debates. These negative assumptions should not drive changes to the government funding of Independent schools.

We further note that the above speech by the Minister opens with a focus on the critics' attack on the current Commonwealth funding policy for Non-Government schools. These critics often ignore the contributions of State/Territory governments to the funding of Government and Non-Government schools, the disparities in total government funding amounts between the sectors, and the major investment by Non-Government school parents in the education of their children. If this is to be a comprehensive and genuine review of the funding of all schools then it should not just focus on the perceived problems associated with the government funding arrangements for Non-Government schools or concentrate on Commonwealth funding arrangements.

The AISSA supports the commitment from the Minister to conduct the review in an open and transparent manner and in particular that it will be evidenced-based. However, the AISSA also considers there are some critical historical factors that cannot be dismissed in developing new funding arrangements for schools and students. These are identified in the text below.

The AISSA has identified some key elements of future funding arrangements both from the Minister's above speech and the discussion paper, including:

- the development of an education system based on high expectations for every student;
- funding agreements that apply the same requirements of transparency and accountability to all schools;

- treatment of schools consistently across sectors;
- the cost of educating a young person to a *standard*;
- examination of the funding of all schools from all sources;
- the impact of different forms of disadvantage (e.g. students with disabilities, Indigenous) on the cost of education – *demography is not destiny*;
- the use of ICSEA and other information on the website to inform the funding review;
- the notion of a basic entitlement and resource standard;
- parents/families contribution to the cost of educating their children;
- the notion of a *funding guarantee* and additional *transitional assistance*.

These broad parameters have influenced the AISSA response to the discussion paper and draft Terms of Reference.

The AISSA considers this funding review should be considered in the wider policy context. Australia faces many challenges in providing a range of community services given its ageing demographic profile, but also a growth in the 0-14 age group. A key challenge for the Australian Government in the long term is to develop strategies which will support the changing needs of the Australian community and promote economic growth in light of a possible declining tax base. Both government and private investment in education and care must be considered as making a positive contribution to meeting these challenges.

1.2. Context

We note that the funding review is an integral element of the Australian Government's drive for improvement in education standards based on high expectations, greater accountability and transparency of performance and enhanced government funding support for students from disadvantaged backgrounds.

The determination of the Federal Minister to reject the notion that it is too hard to educate some children effectively is strongly supported. How we encourage government and private investment (rather than just government investment) is a fundamental question that should be investigated by the review.

The funding of Non-Government schools in Australia is partly a product of changing government policies over time and in some cases decisions for political expediency. However the differences in the mix of funding sources between Government and Non-Government schools can be also explained

because of their different 'ownership'. Non-Government schools are supported by their communities and as not-for-profit entities have relied more significantly on private sources of income. Government schools by their very nature are predominantly funded by governments. It appears from the Federal Minister's speech and the discussion paper that the overall vision is to establish a more unified funding system '...that delivers funding consistency across all sectors...'

It is essential that the different mix of sources of funding across school sectors is recognised and in the attempt to generate consistency across schools the Government does not discourage parents and others in the wider school community to invest in the education of children attending Independent schools.

The Federal Minister's speech and the discussion paper indicate that this review will examine some significant structural (e.g. the role of State/Territory and Australian governments in funding schools) and philosophical policy positions (e.g. a review of funding of all schools from all sources). If the above vision is to be achieved then it is likely to have significant implications for many schools across the nation. Any review of funding arrangements of this scale generates uncertainty; the assurance given by the Federal Minister that '...no schools will lose a dollar of funding in the sense that their school budget per student will not reduce in dollar terms...' has not allayed concerns for many member schools. Independent schools and system authorities undertake long-term strategic and business planning. Most schools have made commitments to future building programs and the enhancement of student support services and educational programs. It is therefore essential for the viability of many Independent schools that the review is concluded within a publicly announced timeline and that the Australian Government determines its response to the recommendations in consultation with key school authorities. The potential impact of any proposed changes should also be modelled to determine their impact on the financial viability of schools.

1.3. Choice and Investment

As in other States and Territories the Independent school sector in South Australia has experienced steady growth in student enrolments and in the number of schools. It now caters for 16.4% of total enrolments in South Australia and together with the Catholic sector provides school education for approximately 34% of student enrolments in the State. The breadth of education programs and support services provided to students and their families has also grown substantially. Many Independent schools also provide early childhood services and out of school care, for which they receive no recurrent government funding.

Independent schools are now more accessible to a wider socio-economic spectrum of families and make a significant contribution to the Federal and State government strategic education objectives and to building community capacity. The Independent school sector produces valuable and high quality outcomes for the public funds provided by governments.

Choice of schooling and diversity within that choice are now firmly entrenched characteristics of the profile of the school sector in Australia. There is a community expectation that this choice will now be available to parents. A recent research project undertaken by three Associations' of Independent Schools (including AISSA) indicated that four out of ten parents with children at a Government school would prefer to send their children to an Independent school if fees were not an issue. (See *Community attitudes towards independent schools: a nationwide survey* February 2010).

Governments of various political persuasions have indicated their support for parental choice of school. Whilst government policy relating to government funding of Non-Government schools has facilitated the expansion of the Non-Government school sectors the fact is parents are driving the demand. We note that the FAQs document that accompanied the discussion paper states that the current Australian Government '... respects the right of parents to choose a Government or Non-Government school for their children...' However, there is no reference to the principle of *choice* in the overall vision for schooling in Australia.

The diversity of the schooling system in Australia should be considered a positive attribute and therefore incorporated as a fundamental principle that underpins the Australian Government's new funding arrangements.

The wide range of Commonwealth funding initiatives, outlined the Federal Minister's speech and in the discussion paper, such as the National Partnerships, Building Education Revolution, Trade Training Centres, etc have been applied with consistency across school sectors. However government funding levels have not been affected by the investment of parents and others in school communities. The Low SES Communities National Partnership does identify disadvantaged schools across the three school sectors as eligible for additional Australian Government funding; however private contribution to each school's income does not directly influence the allocation of the government funds.

This review offers an opportunity to create a new approach to the funding framework for schools – one which recognises the long-term importance of government investment in education but importantly does not provide a disincentive for parents to invest in the education of their children.

2.0 FOCUS AREAS FOR THE REVIEW

This discussion paper identifies a number of focus areas for consideration by the review.

2.1. Improving the Distribution of Resources to Where they are Needed Most to Raise Student Achievement and Narrowing Gaps in Achievement Caused by Factors Such as Disadvantage

The AISSA welcomes the discussion paper's focus on reducing the gap in achievement for students experiencing educational disadvantage regardless of sector. However, we note that 'achievement', 'standards' and 'world class

education system' are often discussed as though they have fixed and measurable meanings. It is essential that the review clarify what is meant by these terms and also identify the key characteristics outside of funding that support high quality schooling. We challenge the notion that redistribution of government funding across schools or to particular groups of students will automatically result in the enhancement of student achievement and overall school performance. There have been many programs implemented by Federal and State governments that have made little sustainable difference to the education outcomes for disadvantaged students.

It is essential that the review examine in detail the causal factors behind the apparent drop in standards in international testing relative to other nations as outlined in the discussion paper. Redistribution of government funding will not alone meet government expectations of an increase in standards in education against international benchmarks. We should not develop new funding arrangements for schools that punish schools that do perform at a high standard or assume that redistribution to other students and schools will alone generate improvements in the standard of education across the nation and in comparison to other nations.

In South Australia Independent schools are heavily reliant on Commonwealth Targeted Program funding to support students experiencing educational disadvantage. The Targeted Program funding model provides one management point which achieves economies of scale and an effective and efficient delivery model of funding to these students. Removal of Targeted Program funding would result in a significant loss of services to SA Independent school students.

2.1.1. Resource standard

The discussion paper appears to assume that there is a quantifiable resource standard, which will produce a satisfactory standard of education, and that existing resources should be redistributed as a method for all students to attain this 'standard'. The AISSA considers this an inappropriate starting point for the review of school funding.

Government funding of education is a direct investment in Australia's future. The goal of all funding model/s should be to support continuing excellence in education. Consequently, **the key question for the funding review panel should be how can we move toward a funding system that enhances choice and excellence in schooling and continuous improvement in high education standards.**

AISSA contends that new funding arrangements for schools must be partly based on an *incentive model* that provides incentives for schools to seek improvement rather than a model that is based on punishing school communities that financially support their schools to achieve the objectives of the Australian Government.

2.1.2. Basic entitlement

There is considerable confusion among member schools relating to the application of the term *entitlement*. Current funding arrangements include access to a *minimum entitlement* to Australian Government funding per student (e.g. 13.7% of the AGSRC per student). Member schools have interpreted the application of a *basic entitlement* included in the discussion paper as an entitlement of funds from all sources based on a calculation of what funds are required to provide a child with a high quality education. (See P 6 of the discussion paper).

2.1.3. Governance and management of funds

The governance and management approaches within the Independent school sector have been effective and efficient in the use of government funds. The AISSA strongly recommends that the review consider what individual schools and school authorities are doing well across the school sectors, in particular as this relates to producing high quality outcomes for students experiencing educational disadvantage. **This analysis should include both the administration of funds and the method of distribution.**

2.1.4. Students with special needs

This major review is an opportunity to genuinely consider the resource needs of students with disabilities and learning difficulties. It is inadequate for the authors of the discussion paper to place so much emphasis on the ‘...lack of nationally comparable data and consistent funding mechanisms...’ for the lack of success in improving support for students with particular needs. This review is an opportunity to examine the organisational/structural impediments to providing effective and efficient support to these students. The Federal Minister’s determination to reject the ‘...orthodoxies that say that it is too hard to educate some children effectively...’ is a good starting point. However, additional funds or redistribution of funds from others will not solve the challenges. Organisational cultures will need to change. At the moment the gap between rhetoric and reality is far too wide.

Access to State Government services for students with special needs who attend Non-Government schools is a source of inequity that should be considered by the review panel.

2.2. Investing in Education

2.2.1 Parent contribution

A key strength of the Independent school sector is the investment parents and others in the school community make by choice to the education of their children and the consequent accountability schools have to parents, for education standards, that flow from this relationship.

In many other countries, such as the United States, philanthropy is something that is highly valued. We note that in Australia in other not-for-profit areas for example, health and aged care, private investment and philanthropy is largely

welcomed or at the least seen as not problematic by governments and the community. By contrast in the not-for-profit school education sector private investment and philanthropy is seen by many to be a negative characteristic.

2.2.2 Funding guarantee

The Minister's assurance that a *funding guarantee* will be applied to any school disadvantaged by changes to funding made as a result of the review, signals the expectation that some schools will have their official funding levels reduced over time in real terms (Speech to Sydney Institute, 15 April 2010). This commitment by the Minister has not allayed fears among member schools that in real terms, some schools will lose money if indexation does not meet increasing education costs. This was a feature of the Latham funding proposals, which would have significantly disadvantaged a large number of Independent schools over time (See Great Australian Schools Australian Labor Party Policy Document, 2004 P10). Further at this early stage of the review the extent of the application of the funding guarantee is unclear. AISSA member schools have also questioned whether such a mechanism will be applied to Government schools.

It is essential that the outcomes from the review do not discourage or penalise parent investment in their children's education. While Independent school parents make a choice to make this investment, this does not diminish the entitlement of all Australian students to a fair level of government funding to support their education.

2.2.3 Timing of implementation

Concern has been expressed regarding the implication in the Minister's speech that changes will be made to the funding arrangements commencing in 2013. For schools that may be subject to *funding guarantee* arrangements this may not be an adequate timeframe to make necessary budgetary changes, thereby placing an increased burden on parents, and could in some cases impact on the financial viability of some schools. **Hence, the transitional assistance to schools that may in fact have their government funding reduced in real terms needs to be a high priority for the review.**

2.3. Improving the Distribution of Funding

2.3.1 State funding

The proposed examination of all sources of government funding (State and Commonwealth) is essential if the review is to produce equitable outcomes. State/Territory Government funding formulas and grant amounts differ significantly across Australia. South Australian Non-Government schools, for example, receive the second lowest per capita State grant (\$1,533) across the States/Territories and are well below the national average (National Report on Schooling in Australia 2008).

2.3.2 Impact of school ownership

The AISSA recognises the complexity and disparities in current funding arrangements across the Commonwealth, States and Territories and between sectors. However, AISSA is concerned with the apparent assumption in the discussion paper and accompanying FAQ documents that a major outcome of the review will be a unified model for the funding of Australian schools ‘that delivers funding consistency across all sectors...’ (See Review of Funding for Schooling FAQs P.1) There are key differences in the mix of income sources for Government and Non-Government schools resulting from their different ownership arrangements. Independent schools have been established in response to community demands, with parents investing financially, and through other means, in their children’s education by choice. Independent school governance and management arrangements reflect this origin and also their (individual schools) foundational values. In contrast by their very nature Government schools have been established and predominantly funded and managed by State governments.

The AISSA urges the review panel to examine the extent to which it is feasible to have one funding model that delivers recurrent funding consistency across all sectors.

Any move to a unified system of funding will require changes in State/Territory and Commonwealth responsibilities for the funding of Government and Non-Government schools. The States/Territories provide the majority of government funding for Government schools while the majority of government funding received by Non-Government schools comes from the Australian Government.

The AISSA questions to what extent under a unified funding model the Australian Government will be able to determine the allocation of funding for Government schools, for example in regard to Government schools which are deemed to be *funding guaranteed*. Further a more uniform model of funding is likely to bring further embedding of Independent schools and system authorities within centralised government administration structures; hence, lessening their effective local governance and management arrangements.

3.0 PRINCIPLES

3.1. Choice in Education

It is a serious omission that choice and diversity in education is not included in the Principles. Families have strongly indicated, for example, through the significant enrolment growth in the Non-Government school sector, that they support choice and diversity in schooling options. This principle is also supported by the major political parties.

The AISSA recommends that the statement ‘parents have a right to choose the school which best meets the needs of their family’ be explicitly included as a principle which will underpin the review.

3.2. COAG Best Practice Regulation

The principles should make reference to the Council of Australian Governments (COAG) principles of best practice regulation as outlined in the Council of Australian Governments (2007) *Best Practice Regulation: A Guide for Ministerial Councils and National Standard Setting Bodies*. It is essential that any changes to the school funding arrangements meet the COAG commitment to 'establish and maintain effective arrangements to maximize the efficiency of new and amended regulation and avoid unnecessary compliance costs and restrictions on competition' (Council of Australian Government's Meeting 10 February 2006).

4.0 TERMS OF REFERENCE

4.1. Additional Terms of Reference

The AISSA recommends the addition of the following Terms of Reference.

4.1.1. Choice in Education

The Minister states in her message that 'How we resource schools goes directly to aspirations Australians have for the future, for their children, for their communities and for their sense of fairness in Australian society'. Australian families have clearly indicated that they want choice in education and diversity of schooling options.

The AISSA recommends that the Terms of Reference include:

- Ways to support parent's right to choice in schooling options.

4.1.2. Sources of Government Funding

The AISSA strongly supports the review focus on all sources of government funding (State and Commonwealth). State/Territory government funding differs across the States and Territories in terms of funding formulas and funding amounts.

The Terms of Reference should, however, make it explicit that all sources of government funding will be considered. We note that the Terms of Reference explicitly include 'the place of voluntary and private contributions and fees in school funding arrangements'.

The AISSA recommends that the Terms of Reference include:

- Relative roles of the State/Territory and Commonwealth Governments in funding school education, particularly in relation to the requirement to address local or state needs.

4.1.3. Administrative Structures Supporting the Delivery of Government Funding

It is essential that the review examine the different models and administrative structures across the sectors. This is not sufficiently covered in the existing Terms of Reference. We reiterate the point made in the ISCA response that the Independent school sector provides an example of an effective model for distributing government funding to where it is needed most and delivering high quality outcomes.

The community will need to be convinced that significantly different funding arrangements will lead to higher expectations of schools and significantly improved educational outcomes

The AISSA recommends that the Terms of Reference include.

- The effectiveness of administrative and management structures across the education sectors in the delivery of school resources.

4.1.4. Increased Expectations on Schools

All schools (Government and Non-Government) have faced increased expectations from governments and the community to take responsibility for solving a range of social and economic problems, for example, obesity, drug abuse, socio-economic disadvantage, unemployment among young people, cyber bullying and family dysfunction. Schools have also faced increased expectations in regard to providing diverse curriculum options and an ICT learning environment. There has been minimal debate in Australia about the purpose of schooling in this emerging context and the consequent impact on the resource needs of schools.

The AISSA recommends that the Terms of Reference include:

- The changing nature of schooling in Australia and the consequent implications for resourcing schools.

4.2. Modifications to Draft Terms of Reference

The AISSA recommends the modification of the following Terms of Reference.

4.2.1. The Cost of Educating a Student to World Class Educational Standards

The recent global financial crisis and consequent volatility of world economies has highlighted the importance of having an education system focussed on continuous improvement and investment.

The AISSA recommends amending the first term of reference to:

- The cost of educating a student to world class educational standards and to meet future challenges.

4.2.2. Appropriate Composition of School Funding, Including Teaching, Capital and Other Costs of Schooling

The term of reference – ‘the appropriate composition of school funding, including teaching, capital and other costs of schooling’ – does not reflect the diversity or different needs of schools across and within the sectors.

The AISSA recommends that this term of reference be modified to:

- What components should be included in a consideration of the total cost of educating a student in a high performing school sector, for example, teaching, capital and other costs, particularly relating to students experiencing educational disadvantage.

5.0 CONCLUDING COMMENTS

It is the AISSA position that any funding debate needs to be conducted with access to up-to-date information and free from the ideological dogma that has hindered previous debates. We hope this can be achieved in the current review.

The AISSA looks forward to providing a more detailed response to the review on behalf of its member schools and participating in consultations.