

## Independent schools

### Jurisdiction-specific comments

- A key distinguishing feature of the independent school sector compared to government schools is that with very few exceptions, independent schools operate autonomously with school operating costs as well as capital expenditure needs being met directly by each school.
- Revenue derived by independent schools through tuition and capital fees not only covers the education of students through teacher salary payments but also pays for the overhead and infrastructure costs associated with these small to medium sized, not-for-profit businesses. These additional costs include rent, property maintenance, new and refreshed technology, internet bandwidth, electricity, legal & compliance, interest on loans, workplace management, as well as professional development costs. Government and Catholic systems utilise economies of scale by partially or managing certain activities at a regional or state level on behalf of their schools, whilst devolving only small responsibilities to individual schools. Therefore, in comparing the resources available to schools across the sectors, it is important to consider how different the operational nature of independent schools are and the additional costs faced by independent schools.
- Accountability requirements also reflect the autonomy of independent schools as these schools have a high level of direct accountability to Government/s via the Department/s of Education, the Australian Securities and Investments Commission (ASIC), and the Australian Charities and Not For Profits Commission (ACNC) as well as to parents and their local communities.
- MySchool shows capital expenditure by source. For most independent schools, the necessary facilities and infrastructure such as new school buildings, maintenance and renovation of existing buildings, grounds and equipment, are paid for by contributions from parents and the school community, with less than 10 per cent of these capital costs across the sector contributed by government. Many schools receive no government contribution at all for capital developments and therefore their revenue model reflects the inter-generational nature of their assets and the need to generate sufficient revenue to meet not only current debt servicing needs but future demands for capital expenditure.
- As noted for some government and Catholic jurisdictions, there are some independent schools where Year 1 minus 2 (pre-school) costs and enrolments have been included where they could not be accurately separated from school financial data.
- A notional amount has been recorded against both recurrent income and capital expenditure for each independent school that represents the annual administrative cost incurred by Block Grant Authorities in administering Australian Government Capital Grant Programs and state government capital grant programs for independent schools. This recognises that these schools may be in planning, design, or construction phases for projects that can span a number of years and that the costs are not just related to one year.

- Since January 2011, after collaboration with ACARA and the Australian Government Department of Education, the independent sector, has reported debt servicing monies in relation to income deductions in such a way that the potential for double counting these deductions to arrive at the net recurrent income figure has been removed. The technical aspects of this approach are outlined in the ACARA FDWG Financial Data Reporting Methodology report provided on MySchool.
- For independent schools which have enrolled full fee paying overseas students, finance data includes income from these students.
- MySchool measures independent and Catholic systemic schools by total income whereas government schools are measured on expenditure as a proxy for income. Therefore, certain allowances and deductions have been made in an attempt to equalise operational costs across the various sectors and reflect the additional capital costs borne by independent and Catholic system schools. Therefore there will be limitations in the comparability of the financial data across schools and systems due to the methodology adopted. The agreed methodology was recognised to have limitations and these are recognised in the Deloitte Letters of Assurance.