

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 fees not only covers the education of students but also pays for the costs of managing a small- or medium-sized not-for-profit business. These additional costs include governance, legal, compliance, debt servicing, employment relations, human resources and professional development costs. Government and Catholic systems utilise economies of scale by partially or wholly managing these activities at a regional or state level on behalf of their schools. Therefore, in comparing the resources available to schools across sectors, it is important to consider the different operational nature of schools, and the additional costs and infrastructure needs faced by independent schools.
- Accountability mechanisms are also reflective of the autonomy of independent schools, as these schools have a high level of direct accountability to parents and their communities, as well as to government(s) via the department(s) of education and Australian Securities and Investments Commission (ASIC).
- *My School* 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 contributed by parents and the school community, with only about 20 per cent on average of these capital costs contributed by the government. Many schools receive no government contribution to capital developments at all, therefore their resource structure reflects the need for the intergenerational nature of these assets to generate sufficient revenue to meet not only current debt-servicing needs but future demands for capital expenditure. It should be noted that for the period 2009–12 the federal government's stimulus package injected significant additional capital funding for schools across all sectors.
- As noted for some government and Catholic jurisdictions, there are some independent schools where Year 1 minus 2 (preschool) 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.
- In January 2011, ACARA, Department of Education (formerly DEEWR) and the independent sector worked collaboratively to resolve an issue regarding the

treatment of debt. The methodology was revised to remove the potential for double-counting debt servicing in income deductions to arrive at the net recurrent income figure. The technical aspects of this approach are outlined in the ACARA FDWG Financial Data Reporting Methodology report provided on *My School*.

- For independent schools that have enrolled full fee paying overseas students, finance data includes income from these students.
- *My School* 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 various sectors and reflect the additional capital costs borne by independent and Catholic system schools. Then 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 limitations were recognised in the Deloitte letters of assurance.