

Independent schools

Jurisdiction-specific comments

- A key distinguishing feature of the independent school sector compared to government schools is that 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, capital levies, and fundraising must cover the capital costs of providing well-designed facilities as well as meet the recurrent costs of educating students. Recurrent costs include teacher, administration and other support personnel salaries, teaching and learning resources, rent, property maintenance, computer technology including data & internet, utilities, legal & regulatory compliance, interest on loans and mortgages, insurance, as well as ongoing professional development costs. Capital costs can include the principal repayment of loans and mortgages; contributions to local councils for future infrastructure costs such as road works, and installation of utilities; acquisition of land for future expansion; the costs of reports required to support the development application submissions when applying to local or state / territory government agencies; the cost of construction of new facilities, renovation of existing facilities to ensure they are of an appropriate standard for student wellbeing and optimised academic outcomes. Government and Catholic systems can utilise economies of scale by 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 recognise how different the operational nature of independent schools are compared to other school sectors, and the additional costs faced by independent schools.
- To amplify the above point, it is important to note that *My School* measures independent and Catholic systemic schools by total income whereas government schools are measured on total expenditure, which is used as a proxy for income. Therefore, certain allowances and deductions have been made to the revenue amounts to provide a fairer comparison of operational costs across the various sectors by excluding a provision for the past, present and future capital costs borne by independent schools which are by and large self-sustaining. Notwithstanding this, there are still limitations in the comparability of the financial data across schools, sectors and systems due to the methodology adopted, arising essentially due to the timing of capital expenditure, whether it has occurred in the past or is planned for the future. The agreed methodology was recognised to have limitations and these are recognised in the auditor's Letters of Assurance.
- *My School* shows capital expenditure by source. For most independent schools, the necessary facilities such as new school buildings, the maintenance and refurbishment of existing buildings, as well as grounds and other equipment, are paid for by contributions from parents and the school community and by borrowing, as historically only approximately 10 per cent of these capital costs across the sector are contributed by Commonwealth or State and Territory governments. 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 demands for expenditure over the capital cycle.

- 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 *My School*.
- The accountability requirements imposed on independent schools also reflect their autonomous nature, as these schools have high levels of financial and non-financial reporting to Government via the Department/s of Education, the Australian Securities and Investments Commission (ASIC), and the Australian Charities and Not For Profits Commission (ACNC), and the school registration body in each State or Territory. They are also accountable to parents, associated entities (such as religious bodies), local communities, banks and insurers.
- Similar to government and Catholic jurisdictions, there are many independent schools that operate Early Learning Centres and as such costs attributable to Year 1 minus 2 enrolments have been included where they could not be accurately separated from the school's F/K/P-12 financial data.
- A notional amount has been recorded against the recurrent income for some independent schools, which represents the annual administrative cost incurred by the various Block Grant Authorities in administering the Australian Government Capital Grant Program and relevant state government capital grant programs for independent schools. This charge reflects that these schools benefit from the various administrative and advisory services provided by the BGA's with respect to capital works programs, irrespective of whether a school may receive a capital grant.
- For independent schools which have enrolled full fee-paying overseas students, finance data includes income from these students. It should be noted that overseas students do not receive any funding from either the state or Commonwealth government, so the full non-subsidised tuition fee must be collected from these students in order to meet their costs of tuition.
- Independent schools, due to the nature of their governance structures, are autonomous entities, regulated under Commonwealth and state legislation by ASIC, the ACNC and/or state agencies. Accordingly, those entities are required to lodge financial reports to the relevant regulator that adhere to Australian Accounting Standards. These accounting standards can specify how the treatment of certain expenses such as entitlement provisions, leasing costs, recognition of revenue from customers and recognition of grants from Government, are treated in those financial statements. This is done to reflect the fact that many transactions for a school reflect a multi-year obligation and can not necessarily be readily compared in one year comparison. This may affect the comparison of independent school results against those of other sectors.