



ASSOCIATION OF INDEPENDENT SCHOOLS OF NSW#

SUBMISSION TO IPART REVIEW
OF THE LOCAL GOVERNMENT
RATING SYSTEM



Submission to IPART re amendments to Local Government Act

The Association of Independent Schools NSW (AISNSW) welcomes the opportunity to provide IPART with our comments on its Review of the Local Government Rating System in NSW.

AISNSW is the peak body for independent schools in NSW and provides a wide range of services to independent schools throughout NSW to support their provision of education. This provision is supported by wide consultation with stakeholders. Independent schools are a diverse group of non-government schools serving a range of different communities, representing over 469 campuses who together enrol more than 190,000 students and employ over 24,500 people. The sector which educates one in six children, includes both faith-based and secular schools, as well as schools that provide services to children with learning difficulties or behavioural problems, while others offer a particular educational philosophy or interpretation of mainstream education.

All independent schools have a primary objective to educate children and provide services that meet the curriculum set by the NSW and Australian Governments. All independent schools are For Purpose/Not-For-Profit, most often with a charitable status. Accordingly as entities they are regulated and report to the *Australian Charities and Not-for-Profits Commission (ACNC)* and the *Australian Tax Office (ATO)*, and as schools they are regulated by the *Board of Studies, Teaching and Educational Standards (BOSTES)*, the *Australian Curriculum, Assessment and Reporting Authority (ACARA)*, and the State and Federal *Department/s of Education*.

Education is a compulsory activity mandated by the Government and the independent education sector, along with the Catholic education sector, are considered by Governments around Australia as joint education providers due to them collectively providing education to 35% of the school age population.

The notion of parental choice in education has been well established by Governments since the 1970's and schools have been supported financially since that time to ensure the majority of parents in Australia have access to the education provider of their choice.

A diverse sector that enriches communities.

Independent schools vary remarkably in scope and character:

- 68% of independent schools in NSW are below the midpoint of the Socio Economic Status (SES). The SES score is the 'capacity of the school community to contribute to the operating costs' and this measure is derived from various items in the ABS census, identified through address mapping of the child's parents and comprised of factors such as household income and education level. The Department of Education uses the measure to determine how much funding schools will receive. This left side skewness demonstrates that the majority of independent schools fall below the median level of 'educational advantage'. Of these schools, the average contribution of Government funding to meet expenses is 75%, the remainder being sourced through parent contributions.
- 54% of schools have enrolments below 300 which is the common definition of a small school. This would most likely place their total revenue below \$4 million.

- 58% of schools charge less than \$5,000 tuition fees. This would not be considered an excessive impost on parents and dispels the myth that all independent schools are only for the very affluent. 77% of schools have fees less than \$10,000 and would still be considered low to medium fee schools.
- As a sector, NSW independent schools expend nearly \$500 million on capital works every year. This activity is often outsourced to local builders and suppliers, who are also often ratepayers and residents.
- As a sector, NSW Independent schools have \$1.1 billion in debt. This debt is supported through the ongoing payment of tuition fees paid by parents.
- As a sector, independent schools in NSW have a nominal GDP of over \$3.8 billion making them a significant contributor to the NSW economy and to the individual communities in which they reside.
- Many schools have a policy of inclusion and student diversity offering scholarships and discounts to those families without sufficient financial resources to meet tuition costs. Independent schools have a history of supporting disadvantaged children with many providing dedicated facilities.
- Education is a labour-intensive industry and the vast majority of schools spend between 65-80% of their expenses on labour costs. Those personnel typically live within 10km of the school, often making them residents who live and shop within the same Local Government Area.
- Although some schools draw students from outside an area, the majority of students travel very short distances to school, embedding the school as a critical hub of community activity.

AISNSW's Role:

A key function of AISNSW is to administer capital grant funding programs on behalf of the State and Commonwealth Governments. Prior to allocation of government grants to facilitate capital works projects, a thorough financial assessment must be carried out on an average 60-70 schools per annum to determine financial need. This process, which has been undertaken by this organisation for over 20 years, gives us insight into the financial situation for many independent schools. It also provides us with a great deal of information about the interactions between local councils and the schools with respect to the broad spectrum of infrastructure related issues. This funding contributes only 7% to the annual capital expenditure that schools undertake requiring the parents and related communities to fund the remainder.

The Future:

The Department of Planning has projected significant increases in the population through to at least 2031 as a result of improved birth rates and migration. The impact on schools will be greater than that experienced overall by the state because the school age population is not impacted by mortality rates or aging. The increase across the state is projected to be between 20-40% depending on the specific Local Government Area so it is expected that growth rates for school age populations will generally trend towards the upper end of that range. This data is well known and easily obtainable.

As mentioned above, the independent education sector is considered by the NSW Government as a joint education provider and indeed they have expressed that the non-government sector should plan to grow to accommodate this population growth at rates sufficient to maintain the current market share. This maintenance of market share is essential as a transfer of students back to the Government sector, brought about by an increase in independent school costs, would place additional stress on the NSW Government budget.

The Role of Independent Schools in the Community:

Schools represent a critical part of the community fabric and indeed many parents choose a suburb based on the choice and availability of schools in that area, whether these are government, Catholic or independent schools. This has an impact on the desirability of suburbs which ultimately feeds into the growth and success of related commercial areas.

Most schools allow the community to use their facilities (multi-purpose halls and sporting fields) when possible, consolidating the view that independent schools are now considered to be part of the social infrastructure expected in a community.

Many local councils appear to hold the view that independent schools are more akin to property developers and should be levied accordingly. However we believe the opposite is true. Independent schools 'respond' to the demand, just as government schools would, by increasing their capacity to accept more students. New schools, often in greenfield areas under development, don't create a demand that draws people into an area putting pressure on existing infrastructure. Instead, they respond to the demands of parents who desire a wider choice of educational options. Often, smaller schools are more agile, not requiring significant capital infrastructure before beginning to meet demand for places as suburbs grow. Existing schools that have achieved a solid reputation can of course draw potential ratepayers into the area, enhancing property values. Both are pluses for a community.

We acknowledge that Councils will object to the availability of exemptions to independent schools on the basis that they are 'private' or 'rich' schools that can afford to pay rates. Unfortunately this is not the case for the vast majority of schools who are small, catering for a large proportion of Australian society, most of whom would not consider themselves well off. Independent schools are not private. They charge tuition fees because they are not 100% funded by the Government otherwise they could not provide a quality learning environment. Most independent schools charge low to medium fees and make surpluses of less than 5% so they can remain affordable to the community.

IPART Considerations

The review is examining whether to leave exemptions in place or make changes based on four options:

1. Removing the exemption for some land use categories where there are commercial activities
2. Narrowing exemptions where commercial and non-commercial uses exist
3. Giving councils discretion over the level of exemption
4. Replacing some exemptions with rebates

IPART says its aim is fivefold, namely to ensure exemptions are:

- efficient
- equitable
- simple
- sustainable, and
- competitively neutral

The Independent School View

It is our strong view that independent schools should retain the exemption from council rates on the basis that they provide the public benefit of education. Rate exemptions help independent schools provide valuable infrastructure that plays a vital role in the development of local communities. The AISNSW supports the IPART review into local council rate exemptions to ensure ratepayers continue to receive the social and economic benefits that the existence of independent schools specifically bring to a community.

Efficiency – we note a rate exemption to a government service provider must not result in a more efficient, competing non-government provider incurring higher costs that may force it to cease operating.

Retaining the exemption to independent schools will reduce extra costs being imposed on state and federal governments for the provision of education. The existence of independent schools has a net positive impact on the economy saving the government substantial monies. This has been well documented by the *Productivity Commission*. Conversely, if independent schools were required to pay rates on the lands they occupy, this additional burden could only be accommodated by increasing tuition fees which would place an additional cost on parents, possibly impacting on their ability to exercise choice in schooling.

The existence of independent schools is positive for the NSW economy because while it educates 16% of the state's children it is allocated less than 5% of the NSW Government's education budget. Of the \$3.8 billion in annual expenditure contributed by the sector, less than 43% of this is met from combined Government funding (the remainder being met from parent's after tax earnings). Within the Non-Government sector, comprising Catholic and Independent schools, the latter is the lowest funded and therefore provides significant value for tax and rate exemptions. This is in stark contrast to the public perception that all independent schools are highly funded.

Equitable – we note IPART's comment that rate exemptions may be equitable when the exempt activity provides a large benefit to local ratepayers, or where the exempt organisation has limited ability to pay.

There is no doubt that education is considered a public benefit. This should be the case regardless of the provider, as long as those providers are NFPs. Although independent schools must charge a tuition fee in order to cover costs, most allocate a proportion of their revenue to provide a social benefit by assisting those less fortunate in the local area through free or heavily discounted fees and scholarships, which results in more equitable outcomes for society. They contribute to valuable social and educational benefits to a broad section of their local communities in which they operate.

There are many other sporting and entertainment precincts/venues within Sydney that are currently exempt from council rates. To remove the exemption for schools while retaining it for such entities would be unfair and inequitable.

Capacity to Pay – as stated above, many schools are considered small businesses, and all are structured as charities and Not-For-Profit. These schools are tightly budgeted and any excess funds are used to pay down debt for past, present and future buildings. The debates around education funding are well publicised but the primary argument is that to ensure Australian citizens have the freedom to choose an educational institution that they feel will best educate their child and prepare them for a meaningful employed future, and in the wider context to ensure Australian students continue to rank in the upper quartile of countries with respect to global benchmarks, the Government has enacted legislation to support schools and therefore parents by providing a combination of funding and exemptions for them to fulfil this requirement. Most individual independent schools often do not receive financial support from affiliated religious organisations and so have come to depend upon the support provided by the various levels of Government. To withdraw any of those exemptions will fundamentally impact the ability for schools to meet this collective national goal in a cost-effective manner. The additional monies to pay council rates would adversely affect most schools causing disruption in the delivery of educational services, creating a detrimental ripple effect throughout the community and the wider economy.

Simplicity – we note IPART argues for reduced complexity to minimise administrative and monitoring costs associated with exemptions.

AISNSW supports this and contends that in practical terms, despite the ownership structure, all schools operate in a similar manner and there can be no real distinction drawn between the operating characteristics, land use, cultural and socio-economic background, of any school, whether it is Government or non-Government.

All schools should continue to receive rate exemptions on the basis of the public benefit provided by them all. We consider the provision of education and schooling should remain entrenched in this and other legislation as a key factor in improving Australia's future as we all look forward to the same goal. To remove the exemption would be a retrograde step.

Sustainability – we note IPART suggests that exemptions reduce the size and diversity of the rate base and therefore may compromise sustainability.

We note that most Councils were already not operating in a sustainable manner for reasons that are now the subject of another Government/IPART review. We believe that providing exemptions to independent schools was not a significant part of that sustainability issue and once the Councils have been amalgamated into more efficient entities and the parallel issue of how parcels of land in NSW should be rated in the future has been resolved, the larger Council structures will be more sustainable.

Many independent schools are significant drawcards for many Local Government areas which brings a level of cache that is highly sought after by parents. We therefore contend that providing ongoing exemptions for independent schools will continue to add considerable value to the various communities within the Council area, by making the address more desirable, thereby improving capital values.

Competitive Neutrality – we note IPART states that ‘competing organisations must to be treated in a similar way’ to promote fair and efficient competition between public and private businesses.

Notwithstanding that the independent sector does not consider itself to be in competition with other education providers, a view recently supported by the NSW Government, it would not be appropriate to provide an exemption to one or two sectors of an industry and deny that exemption to others. If IPART supports the retention of exemptions for government schools, we consider it essential that it retain the exemption for independent schools.

Conclusion

This submission argues that independent schools should continue to receive exemptions from Council rates on the basis that schools provide a valuable service by affordably educating Australian children to improve the country’s future.

The introduction of funding for independent schools has been a tremendous boost to the economy, evidenced by the growth in the sector and the outstanding academic results achieved. Choice in schooling and the various funding strategies deployed by Governments in the past have arguably raised the quality of all schools.

The ongoing provision of quality schooling will continue to require the cooperation and support from the many levels of Government, as well as the schools and parents, to ensure the independent sector continues to contribute to the outstanding levels of academic achievement the country needs.

At a local level independent schools are considered a critical part of the landscape not only contributing to the desirability of a suburb, but also sharing resources with local sporting clubs and other educational institutions that an area may be deficient in. This is a quid-pro-quo for the support schools receive from their local council.

Most independent schools would be significantly impacted if the burden of additional costs were levied on them, possibly resulting in the contraction in the size of a school, placing pressure on government schools as the costs to educate a child in a Government school are greater than those achieved in independent schools.

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