

The Senate

Select Committee on
School Funding

Equity and excellence in Australian schools

July 2014

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Membership of the Committee

Members

Senator the Hon Jacinta Collins (ALP, VIC) **Chair**

Senator Penny Wright (AG, SA) **Deputy Chair**

Senator Chris Back (LP, WA) from 11 February 2014

Senator Bridget McKenzie (NATS, VIC)

from 12 December 2013 to 3 March 2014

from 18 March 2014

Senator Deborah O'Neill (ALP, NSW)

Senator Anne Urquhart (ALP, TAS)

Senator John Williams (NATS, NSW)

Senator Helen Kroger (LP, VIC) from 12 December 2013 to 11 February 2014

Senator O'Sullivan (NATS, QLD) from 3 to 18 March 2014

Participating members

Senator Sean Edwards (LP, SA)

Senator Bridget McKenzie (NATS, VIC) from 3 to 18 March 2014

Secretariat

Mr Stephen Palethorpe, Secretary

Mr Glenn Ryall, Principal Research Officer

Miss Jedidiah Reardon, A/g Principal Research Officer

Mr Tim Hillman, A/g Senior Research Officer

Ms Rosalind McMahon, Administrative Officer

Ms Marina Katic, Administrative Officer

Mr Michael Griffiths, Committee Resources Officer

PO Box 6100

Parliament House

Canberra ACT 2600

Phone: 02 6277 3419

Email: schoolfunding.sen@aph.gov.au

Website: http://www.aph.gov.au/select_schoolfunding

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Terms of Reference

On 12 December 2013 the Senate established a select committee on School Funding with the following terms of reference:

- 1) That a select committee, to be known as the Select Committee on School Funding, be established to inquire into and report on the development and implementation of national school funding arrangements and school reform, with particular reference to:
 - a. the implementation of needs-based funding arrangements, from 1 January 2014, for all schools and school systems, including:
 - (i) Commonwealth funding, methods for the distribution of funds, funding arrangements and agreements with states and territories, as well as related accountability and transparency measures,
 - (ii) funding arrangements for individual schools,
 - (iii) the extent to which schools can anticipate their total future funding and links to educational programs in future years,
 - (iv) the consequential equity of educational opportunity between states and territories, schools and students,
 - (v) progress towards the Schooling Resource Standard, and
 - (vi) the implementation of schools reforms,
 - b. how funding arrangements will meet the needs of all schools and individual students, including Indigenous students, students with disability, small schools, remote schools, students with limited English, and students from socially and economically disadvantaged backgrounds;
 - c. the Government's proposed changes to the *Australian Education Act 2013*, related legislative instruments and their consequences;
 - d. the economic impacts of school education policy;
 - e. the Government's consideration of expert findings, research, public consultation and reports in the development and implementation of school policy, including the selection of experts to provide advice on education policy; and
 - f. any related matters.¹

1 *Journals of the Senate*, 12 December 2013, pp 370–371.

Executive Summary

The historic Gonski Review Report identified several highly concerning trends in the educational outcomes of Australian students. It found that over the past decade, the performance of Australian students had declined at all levels of achievement compared to international benchmarks. Furthermore, a concerning proportion of Australia's lowest performing students were found not to be meeting minimum standards of achievement.

In addition to declining performance, the review found that Australia has a significant gap between its highest and lowest performing students; far greater than in many OECD countries. Disturbingly, the review identified an unacceptable link between low levels of achievement and educational disadvantage, particularly among students from low socioeconomic and Indigenous backgrounds.

The OECD has consistently argued for countries to address disadvantage and increase equity in school systems, most particularly in the publication 'Equity and Quality in Education – supporting disadvantaged students and schools':

The highest performing education systems are those that combine equity with quality. They give all children opportunities for a good quality education...Educational failure also imposes high costs on society. Poorly educated people limit economies' capacity to produce, grow and innovate. School failure damages social cohesion and mobility, and imposes additional costs on public budgets to deal with the consequences – higher spending on public health and social support and greater criminality, among others. For all these reasons, improving equity in education and reducing school failure should be a high priority in all OECD education policy agendas.¹

The Gonski Review stressed the need for an equitable school funding system: one that ensures that differences in educational outcomes are not the result of differences in wealth, income, power or possessions. To address the current imbalances, the review recommended a national needs-based and sector-blind school funding model. The new funding model would provide a level of base funding to all schools and additional targeted funding to disadvantaged students in order to remove inequities and minimise the identified performance gap.

Submissions to the committee's inquiry noted the strong consensus that was developed through the Gonski process, across the public, Catholic and Independent schooling sectors.

The previous government's National Plan for School Improvement (NPSI) was the vehicle for implementing a national needs-based funding model grounded in the

1 OECD (2012), *Equity and Quality in Education: Supporting Disadvantaged Students and Schools*, OECD Publishing. <http://dx.doi.org/10.1787/9789264130852-en>, p. 3.

findings of the Gonski Review and building on the consensus achieved by the review process.

In total, the former government expected that the NPSI, when fully implemented by 2020, would see an additional \$6.5 billion spent on schools per annum by the Commonwealth and State and Territory Governments. This new funding model was accompanied by an improvement framework for schools and teaching, with five areas of reform identified for implementation.

However, following the 2013 federal election, and despite promises of a "unity ticket" on education policy, the Abbott Government has begun to effectively unpick the overwhelming consensus built during the Gonski Review and NPSI negotiations. Although for the first four years funding will remain as set out under the *Australian Education Act 2013*, after 2017 funding will be indexed to 'CPI plus enrolment growth'. By the Abbott Government's own projections, this will result in a \$30 billion cut to the education sector over the medium term. Such significant cuts jeopardise the widespread improvements in student outcomes that were to flow from a strategically funded needs-based model. As a result, the quality of education provided to those Australian school children most in need of additional support will remain inferior, and we will continue to fail to realise the full potential of our latent human capital.

Assessing evidence from around Australia

The committee conducted public hearings in six states and heard the views of a wide range of stakeholders: public, Catholic and independent school associations; parents, teachers, principals; unions and, in some cases, State and Territory Governments. In addition to the public hearings, the committee received over 3400 submissions over the course of the inquiry.

The evidence collected through the committee's inquiry clearly shows:

- the complexity of previous, pre-Gonski funding arrangements; the ground-breaking consensus achieved by the Gonski Report;
- the agreement and goodwill achieved amongst jurisdictions covering approximately 80 per cent of Australian school students² through the implementation of the NPSI; and
- the disruption and confusion which has resulted from the change from the NSPI to the Students First funding arrangements.

As part of the evidence gathered in its inquiry, the committee notes that a very significant majority of school funding stakeholders support the findings of the Gonski Review and the arrangements agreed under the NPSI.

The committee identified a number of themes from the evidence gathered:

- Uncertainty about future funding, particularly beyond the four years of provided for in the 2013-14 Budget;

2 See paragraph 9.1.

- Lack of clarity regarding the process for amendments to the *Australia Education Act 2013* and the possible effect of removing the 'command and control' mechanism from the Act;
- The need for accountability and transparency measures to ensure that funding is going to those schools which require it most; and
- Transparency around the future levels of funding, particularly indexation decisions, by states and territories.

The committee considers that without certainty, accountability and transparency in school funding, achieving high quality educational outcomes for Australian students will not be possible.

Needs-based funding for schools now and into the future

As a result of its inquiry, the committee believes that the Abbott Government's changes to school funding arrangements will be detrimental to Australian schools, students, and to the broader Australian community. In particular, the changes will put at risk adequate funding for those students most at need, for example, students with disability.

At the recent Budget Estimates, Coalition Senators wrongly claimed that it was the Abbott Government which had delivered a needs-based funding model.³

It is the committee's view that without the Gonski Review, without the NPSI negotiations with states and territories, and without the passage of the *Australian Education Act 2013*, there would not be a national needs-based school funding model in Australia. The committee submits that, under the Abbott Government's arrangements, a needs-based funding model will last for a mere four years. After that, amendments to the *Australian Education Act 2013* and the low level indexation of funding post-2017 will mean that schools and the students they support cannot rely on adequate funding. This in turn will lead to inferior results for those students most in need and will further exacerbate the widening gap of educational achievement.

The committee's eight recommendations aim to ameliorate the grim future for school funding in Australia.

3 Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 83.

Recommendations

Recommendation 1 (*commit to implementation of the NPSI*)

The committee believes that the significant consensus achieved from the Gonski Review and the agreements negotiated under the National Plan for School Improvement (NPSI) must not be lost with the current government's harmful and confusing changes. The committee recommends the Australian Government honour its pre-election commitments to fully implement the national needs-based, sector-blind funding model incorporated in the NPSI to improve equity across Australian schools. In particular, the Australian Government should commit to the following elements of the NPSI:

- the six year transition to a nationally consistent Schooling Resource Standard;
- maintain the commitments made under the National Education Reform Agreement (NERA) and bilateral agreements with participating states and territories, in particular the five areas of the NPSI:
 - quality teaching
 - quality learning
 - empowered school leadership
 - meeting student need
 - greater transparency and accountability; and
- conduct reviews prescribed under the NERA and strive for equitable funding for schools most in need.

Recommendation 2 (*non-participating states*)

The committee recommends that the government work with non-participating states and territories to:

- maintain the existing education spending of all non-participating states and territories;
- ensure appropriate indexation of education spending for all non-participating states and territories;
- ensure that adequate co-contribution arrangements are agreed by all non-participating states and territories to establish a national School Resource Standard; and
- achieve agreement with non-participating states and territories to the national funding model and NPSI established under the *Australian Education Act 2013*.

Recommendation 3 (*disability loading*)

The committee recommends that the government moves, as a matter of urgency, to a disability loading based on actual student need. To this end, the committee recommends that data collection and decisions about the loading for students with a disability should be expedited so as to provide certainty around a needs-based disability loading to replace the temporary arrangements in 2015. This must happen in close consultation with advocacy groups, the various school sectors and states and territories.

Recommendation 4 (*disability loading*)

The committee recommends the Federal Government honours its election commitment for increased funding to cover unmet need for students with a disability.

Further, the committee recommends that the government works with all states, territories and advocacy groups to clarify the interaction between the disability loading and the National Disability Insurance Scheme.

Recommendation 5 (*disability loading*)

The committee recommends that information assisting parents and carers of students with a disability be produced and distributed as soon as possible.

Recommendation 6 (*federal-state relations and accountability*)

The committee recommends that the Department of Education produce an annual 'report card' detailing the breakdown of school funding including:

- **funding provided to states and territories (participating and non-participating) and non-government schools by sector;**
- **comparable information contributed by state and territory governments about their school funding;**
- **the extent to which these arrangements are achieving equitable funding to schools and students in most need; and**
- **funding broken down to a school level.**

Recommendation 7 (*indexation rate post 2017*)

The committee recommends that the Australian Government should reinstate an appropriate indexation rate for school funding. The government should ensure that Commonwealth school funding is not cut in real terms by adopting a more realistic indexation rate that ensures annual indexation is not below actual cost pressures. The committee notes that the previously agreed rates increased Commonwealth funding at 4.7 per cent per annum and states' contributions at 3 per cent per annum.

Recommendation 8 (*ongoing scrutiny*)

The committee recommends the Senate pay particular regard to:

- any further cuts to Commonwealth or state education funding;
- the effect on Commonwealth-state relations with any further cuts or changes, particularly the effect on states' ability to adequately fund schools; and
- any reviews conducted or amendments proposed to the *Australian Education Act 2013*.

The committee also recommends that the Senate refer any amendments proposed to the *Australian Education Act 2013* to the Senate Education and Employment Legislation Committee for inquiry and report.

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Abbreviations

ABS	Australian Bureau of Statistics
ACARA	Australian Curriculum, Assessment and Reporting Authority
AEA	Australian Education Act 2013
AEU	Australian Education Union
AGSRC	Average Government School Recurrent Costs
ARIA	Accessibility/Remoteness Index of Australia
ASPA	Australian Secondary Principals Association
ATSI	Aboriginal and Torres Strait Islander
CDA	Children with Disability Australia
CIS	Centre for Independent Studies
COAG	Council of Australian Governments
CPI	Consumer Price Index
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GRG	General Recurrent Grants
HOA	Heads of Agreement
ICSEA	Index of Community Socio-Economic Advantage
IGAFFR	Inter-Governmental Agreement on Federal Financial Relations
ISCA	Independent Schools Council of Australia
MOU	Memorandum Of Understanding
MYEFO	Mid-Year Economic and Fiscal Outlook
NAPLAN	National Assessment Program-Literacy and Numeracy
NCEC	National Catholic Education Commission
NCOA	National Commission Of Audit
NEA	National Education Agreement
NERA	National Education Reform Agreement
NDIS	National Disability Insurance Scheme
NP	National Partnerships
NPSI	National Plan for School improvement
OECD	Organisation for Economic Co-operation and Development

PISA	Programme for International Student Assessment
SEA	Socio-Economic Advantage
SES	Socio-Economic Status
SPP	Specific Purpose Payments
SRS	Schooling Resource Standard
SSPRA	School Support Program Resource Allocation
VCE	Victorian Certificate of Education

Chapter 1

Conduct of the inquiry

Introduction

1.1 On 12 December 2013, the Senate established the Select Committee on School Funding. The initial reporting date was 13 May 2014. On 27 March 2014, the Senate agreed to an extension of time to report until 26 June 2014.¹

Conduct of the inquiry

1.2 The committee advertised the inquiry on its website and in *The Australian*, and invited submissions from interested organisations and individuals. The committee received 445 submissions, as listed in Appendix 1.

1.3 The committee also received approximately 3000 submissions through an electronic form on the Australian Education Union website. These submissions included specific information about schools and represented the views of individual parents, teachers, and principals.

1.4 A private briefing was held with the Commonwealth Department of Education on 18 February 2014. On 13 March 2014 the committee agreed to make public the transcript from this briefing.²

1.5 The committee held public hearings in all states (with the exception the Northern Territory) in order to facilitate the gathering of evidence from as many state-based organisations and individuals as possible. A full list of public hearings and witnesses who gave evidence is included in Appendix 2.

1.6 It was the committee's hope that by travelling to each state, it would allow state government education departments to participate in the committee's inquiry. However, many state and territory governments declined to participate in the inquiry. South Australia, Tasmania and the Northern Territory were the only state and territory governments which did not decline the invitation to appear at public hearings.

Notes on references

1.7 References to submissions in this report are to individual submissions received by the committee and published on the committee's website. References to the committee Hansards are to the official transcripts.

1 *Journals of the Senate*, 27 March 2014, p. 746.

2 *Committee Hansard*, 13 March 2014, p. 3.

Structure of the report

1.8 The committee was established to inquire into 'the development and implementation of national school funding arrangements and school reform' with a particular reference to:

- the implementation of needs-based funding arrangements;
- how funding arrangements will meet the needs of all schools and individual students;
- the Government's proposed changes to the *Australian Education Act 2013*;
- the economic impacts of school education policy;
- the Government's consideration of advice, from various sources, on education policy; and
- any related matters.³

1.9 The report's initial chapters provide background details, setting the context for the inquiry:

- Chapters 2 and 3 provide an historical overview and detailed information on schools, students numbers and school funding in Australia;
- Chapter 4 considers the economic impacts of school education policy;

1.10 The report then outlines the previous government's reforms to school funding, including the *Australian Education Act 2013* in Chapter 5. Analysis on the changes to school funding arrangements of the current government is contained in Chapter 6.

1.11 Chapter 7 provides a comparative assessment of the funding arrangements under the previous government and those introduced under the Students First policy of the current government. The effect of the changes on students with specific education needs, accountability and transparency, equity of educational opportunity, and implementation of school reforms relating to teaching and learning quality are examined in Chapter 8. Finally, the committee makes a series of recommendations to improve school funding arrangements in Chapter 9.

Acknowledgements

1.12 The committee thanks the many organisations and individuals that made written submissions, and those who gave evidence at the public hearings.

1.13 In particular, the committee thanks the staff and students of the Immaculate Heart of Mary School and the Darlington Primary School in Adelaide, who hosted the committee's site visits and public hearings on 30 April.

3 Terms of reference:
www.aph.gov.au/Parliamentary_Business/Committees/Senate/School_Funding/School_Funding/Terms_of_Reference.



From the left: Senator Penny Wright (Deputy Chair), Mr Stephen Palethorpe (Committee Secretary), Senator the Hon Jacinta Collins (Chair), and Senator Deborah O'Neill. The committee conducted a public hearing and site visit at the Darlington Primary School, Adelaide on 30 April 2014.

Chapter 2

History of Australian Government funding of schools

2.1 The 2014-15 Budget was widely regarded as marking the end of the school funding reforms introduced by the Rudd/Gillard Governments in response to the Gonski Review recommendations. With the announcement of the funding arrangements in the 2014-15 Budget, Abbott Government funding arrangements for schools changed for the third time since 2009.¹

2.2 In December 2011, the Gonski Review Report commented that:

When considered holistically, the current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian Government and state and territory governments across the schooling sectors.²

2.3 The Gonski Review was initiated in April 2010 and the funding for schools prior to 2009 was a chief focus of the review's scrutiny. The review provided 'one of the most exhaustive reviews of schooling that we [Australia] have had for decades, going back to the mid-1970s'³; a means of assessing the effectiveness of the approach to Australian Government school funding which had been in place since the 1970s.

2.4 Outlining the history of school funding arrangements is essential as a guide through the complexity of the funding paid by states, territories and the Commonwealth. The difficulties of tracking the actual funding, especially under the recent changes to school funding policy, are examined in the following chapter.

Funding prior to 2009

2.5 Prior to the *States Grants (Science Laboratories and Technical Training) Act 1964* (States Grants Act), there was no direct Australian Government funding for schools in the states. Government assistance under the States Grants Act was gradually extended to include financial assistance for library facilities and then capital expenditure, at the same time extending the assistance to non-government schools.⁴

2.6 Commonwealth recurrent funding for schools began in 1970 with the *States Grants (Independent Schools) Act 1969*. In 1973 the Interim Committee for the Australian Schools Commission, chaired by Professor Peter Karmel, advocated a

1 Ms Marilyn Harrington, Parliamentary Library, *Budget Review 2014-15*, May 2014, p. [1], www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201415/School, (accessed on 9 June 2014).

2 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiv.

3 Mr Chris Bonnor, private capacity, *Committee Hansard*, 1 May 2014, p. 35.

4 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, pp 2–3, http://parlinfo.aph.gov.au/parlInfo/download/library/prspub/366868/upload_binary/366868.pdf;fileType=application/pdf#search=%222010s%22, (accessed on 9 June 2014).

needs-based funding model to ensure that all schools could achieve similar standards. The implementation of the recommendations were a major turning point in school funding:

As a result of the Karmel Committee's recommendations, Australian Government recurrent funding was extended to government schools in 1974. In the same year, special funding programs (targeted programs) were introduced, which provided additional funding for disadvantaged schools, special education, teacher professional development and innovation.⁵

2.7 The Schools Commission was established in 1974 to administer school funding and payments to states, including recurrent funding. Grants for targeted programs for government and non-government schools, were made triennially under the States Grants (Schools Assistance) Acts.⁶

2.8 Until 2008, this basic legislative and funding structure remained, notwithstanding changes in funding formulae and the abolition of the Schools Commission in 1988:

From 1985 to 2008, most Australian Government funding for government and non-government schools was provided on a four-yearly basis under the one Commonwealth Act. Specific purpose payments (SPPs) continued with general recurrent grants (GRGs), which were allocated differently for government and non-government schools, capital grants for targeted programs. Over that period there were different resource standards that determined the amount of per student recurrent funding. From 1995, GRGs, (which constituted the majority of ongoing Australian Government funding for schools), were provided on a per student basis as a percentage of the resource standard known as Average Government School Recurrent Costs (AGSRC).⁷

Funding from 2009 to 2013

2.9 From 2009 until the commencement of the *Australian Education Act 2013*, most Commonwealth funding for school education was provided under the National Schools Specific Purpose Payment, which had two components—one for government schools and one for non-government schools. Other funding for school education was provided through National Partnerships and the Australian Government's own school education programmes (known as Commonwealth Own-Purpose Expenses).⁸

5 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, p. 3.

6 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, pp 3–4.

7 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, p. 4.

8 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, p. 4.

2.10 Figure 5 below provides an overview of Australian Government school funding arrangements utilised between 2009 and 2013.

National Schools Specific Purpose Payment—government schools component

2.11 The National Schools Specific Purpose Payment (SPP) for government schools was provided through the Intergovernmental Agreement on Federal Financial Relations. The National Schools SPP was indexed each year, according to a formula based on increases in the Average Government School Recurrent Costs (AGSRC) primary and secondary amounts (converted to a weighted average) and growth in full-time equivalent enrolments.⁹ Table 5 below shows that the average growth rate of the AGSRC over 1999–2012 was 5.8 per cent. Over that period, combined primary and secondary school enrolments increased by 340 415 full time students, equivalent to a 0.8 per cent annual increase.¹⁰

National Education Agreement

2.12 The National Education Agreement between the Australian Government and State and Territory governments was formulated under the Intergovernmental Agreement on Federal Financial Relations. This Agreement sets out the agreed objectives and outcomes for schooling, the roles and responsibilities of each level of government, performance indicators and benchmarks, reporting mechanisms and 'policy and reform directions'. State and Territory government education authorities had discretion as to how to spend the National Schools SPP funding to achieve the agreed outcomes.¹¹

National Schools Specific Purpose Payment—non-government schools component

2.13 Funding for the non-government schools component of the National Schools SPP was provided under the *Schools Assistance Act 2008*.

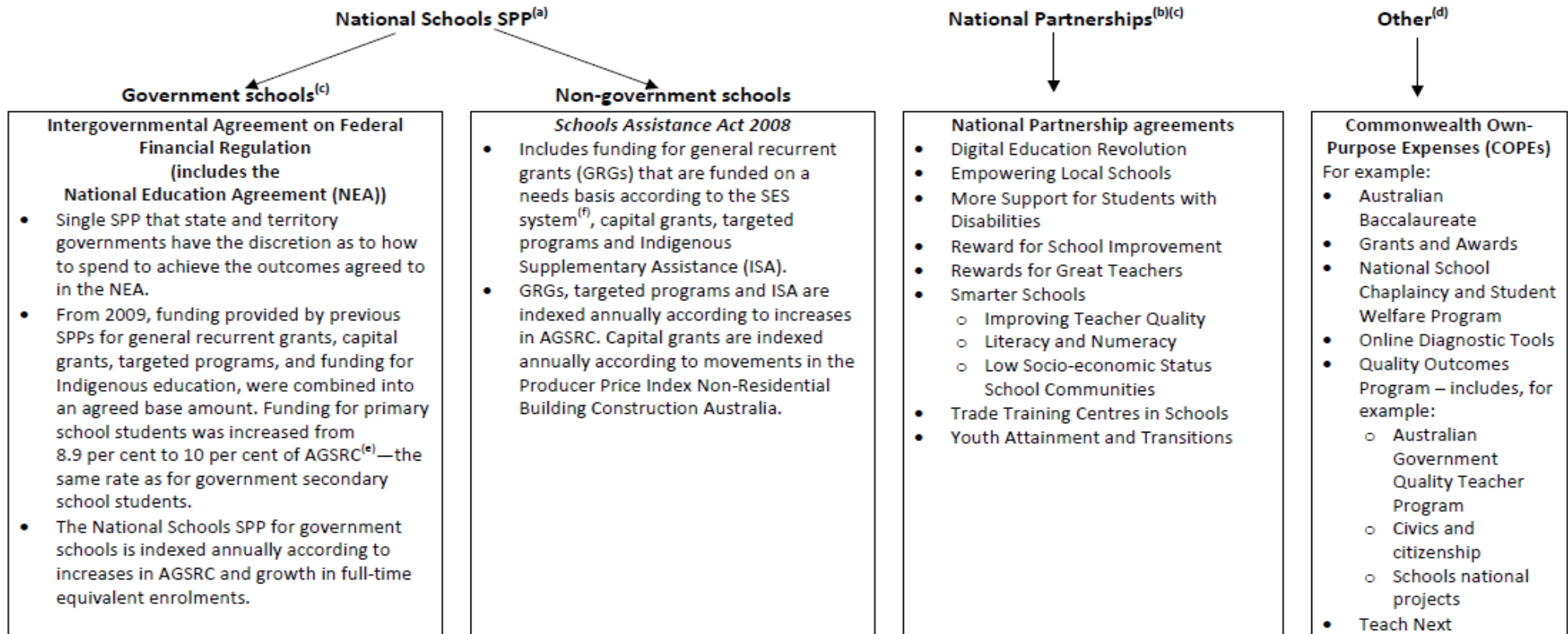
2.14 The National Schools SPP for non-government schools included targeted programmes such as the Literacy, Numeracy and Special Learning Needs Programme, the English as a Second Language—New Arrivals Programme, the Schools Languages Programme, and the Country Areas Programme. The *Schools Assistance Act 2008* also provided for additional recurrent funding for indigenous students in non-government schools, non-government schools in remote areas and distance education students.

9 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 4–5.

10 Enrolment data taken from Australian Bureau of Statistics, *Publication 4221.0 – Schools Australia 2013*, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4221.0Main%20Features42013?opendocument&tabname=Summary&prodno=4221.0&issue=2013&num=&view>, (accessed on 20 June 2014).

11 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 5.

Figure 1—Australian Government school funding arrangements, 2009–2013¹²



(a) Specific Purpose Payment.

(b) Includes National Partnerships administered by the Department of Education, Employment and Workplace Relations. Note: education components of the Closing the Gap in the Northern Territory National Partnership are not included in this figure.

(c) Authorised by the *Federal Financial Relations Act 2009*.

(d) Authorised by the *Financial Management and Accountability Act 1997*, section 32(b).

(e) Average Government School Recurrent Costs.

(f) Socioeconomic Status system.

2.15 Payments to non-government school education authorities could not be made until an authority had signed an agreement with the Australian Government. The agreements prescribed the conditions with which an education authority must comply in order to receive funding. The conditions included educational and financial performance and accountability requirements.¹³

General recurrent funding for non-government schools—the Socioeconomic Status (SES) system

2.16 Australian Government general recurrent per student funding for non-government schools was based on a measure of need. Since 2001, the rate at which non-government schools receive general recurrent funding was determined by the estimated capacity of a school's community to support its school—that is, its SES. The SES Index included three dimensions—income, education and occupation.

2.17 A non-government school's SES score determines its per student general recurrent funding rate, as a percentage of AGSRC. In total, there were 46 SES funding scores, with funding rates ranging from 13.7 per cent to 70.0 per cent of AGSRC:

- those non-government schools with the lowest SES scores (85 or less) were funded at 70.0 per cent of AGSRC;
- those non-government schools with the highest SES scores (130 or greater) were funded at 13.7 per cent of AGSRC; and
- those non-government schools with an SES score between 85 and 100 were funded along a continuum, with each single point change in the SES score resulting in a change in funding.¹⁴

2.18 Some non-government schools automatically received the maximum rate of funding, regardless of their SES score. These schools were:

- non-government special schools—schools that cater for students with disabilities;
- Special Assistance Schools—schools that mainly cater for students with social, emotional or behavioural difficulties; and
- Majority Indigenous Student Schools—schools with 80 per cent or more indigenous enrolments or, for very remote schools, 50 per cent or more indigenous enrolments.¹⁵

2.19 When the SES system was introduced in 2001, the then Australian Government made a commitment that no school would be financially worse off under

13 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 7–8.

14 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 10.

15 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 10.

the new system. As a result not all non-government schools were funded according to their SES score. Under the SES system, non-government schools either:

- were funded according to the rate for their SES score with indexation;
- had funding maintained at their year 2000 rate with indexation;
- had funding maintained at their year 2004 rate with indexation; or
- had funding guaranteed at their year 2008 without indexation.¹⁶

2.20 As at 1 January 2012, of the 2722 non-government schools funded by the Australian Government:

- 60.3 per cent (1642 schools) were funded according to their SES score;
- 39.5 per cent (1075 schools) had their funding maintained at either their year 2000 or year 2004 rate with indexation; and
- 0.2 per cent (5 schools) had their funded guaranteed without indexation at their year 2008 per student amount.¹⁷



Senator Penny Wright (Deputy Chair) and Senator the Hon Jacinta Collins (Chair) with Ms Emily Sayer (Deputy Principal) during the committee's site visit at the Immaculate Heart of Mary School, Adelaide, 30 April 2014.

16 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 11.

17 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 8–12.

National Partnerships

2.21 Additional funding for government and non-government schools was provided through a number of special purpose National Partnerships. Most National Partnerships were formulated through COAG and had as their basis an agreed national goal. The structure and conditions of the National Partnerships varied, and included, in some cases, co-payments with State and Territory government and non-government education authorities, performance rewards and the creation of pilot programmes.¹⁸

2.22 Examples of National Partnerships are provided in Figure 5 above.

Other funding

2.23 There are other Commonwealth school education programmes which are referred to as 'Commonwealth Own-Purpose Expenses'. Examples include:

- Grants and awards;
- National School Chaplaincy and Student Welfare Programme;
- National Trade Cadetships; and
- the Quality Outcomes Programme (elements of which include Schools National Projects, Community Festivals, Parliament and Civics Education Rebate, the Australian Government Quality Teacher Program, civics and citizenship education, the Australian Institute for Teaching and School Leadership and the Australian Curriculum Assessment and Reporting Authority).¹⁹

Average Government School Recurrent Costs

2.24 Average Government School Recurrent Costs (AGSRC) were the basis for calculating Australian Government recurrent funding for government and non-government school students. There was a different primary and secondary AGSRC amount because of the differences in the costs associated with educating primary school students and secondary school students.

2.25 The Australian Government's per student (government and non-government) recurrent funding was provided at a percentage of the AGSRC. In the case of the National Schools SPP for government schools, the base amount was calculated on the basis of 10 per cent of the AGSRC for per student recurrent funding. Per student recurrent funding for non-government school students ranged along a continuum from 13.7 to 70.0 per cent of the AGSRC.

18 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 15–16.

19 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 17.

2.26 In 2013 the AGSRC amounts were \$10 411 (primary) and \$13 032 (secondary).²⁰

Calculation of the AGSRC amounts

2.27 The AGSRC amounts were based on State and Territory government recurrent expense data, which included both Australian Government and State and Territory government funds, maintained by the Standing Council on School Education and Early Childhood. The recurrent expense data included:

- employee-related expenses;
- out-of-school expenses (such as teachers based in a regional office and the costs of regional and central administration);
- redundancies (including payments of accrued leave, other entitlements, superannuation and special incentives);
- other operating expenses (such as student transport, cleaning, utilities, repairs and maintenance, minor stores, plant and equipment, rentals and leases, etc.); and
- grants and subsidies paid directly to schools for any school education purpose.²¹

2.28 The final primary and secondary AGSRC amounts for any one year were calculated by dividing the total of these expenses for each level of education in the previous financial year by the average of government school primary and secondary enrolments for the previous two years.²²

Variability of the AGSRC

2.29 Table 1 below shows that the annual rate of increase in the AGSRC was quite variable, and not necessarily uniform between the primary and secondary amounts. However, the average annual rate of growth was 5.8 per cent in nominal terms.

20 *Schools Assistance Regulations 2009*, p. 15.

21 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 17–18.

22 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 18–19.

Reviews of School Funding

The Gonski Review

2.30 In April 2010 the then Commonwealth Minister for Education, the Hon Julia Gillard MP, announced a review, chaired by Mr David Gonski AC, to examine government funding for schools and the role of private funding in school education.²³

2.31 The Gonski Panel conducted a comprehensive consultation process:

- meeting with 71 education groups across Australia;
- considering 1290 submissions in response to its discussion paper 'Review of Funding for Schooling: Emerging Issues Paper';
- visiting 39 schools and campuses across all states and territories;
- considering 118 submissions received in response to its second paper 'Review of Funding for Schooling: Paper on Commissioned Research'; and
- commissioning four pieces of research:
 - 'Assessment of current process for targeting of schools funding to disadvantaged students' by the Australian Council for Educational Research;
 - 'Assessing existing funding models for schooling in Australia' by Deloitte Access Economics;
 - 'Feasibility of a national schooling recurrent resource standard' by the Allen Consulting Group; and
 - 'Schooling challenges and opportunities' by a consortium led by the Nous Group which included the Melbourne Graduate School of Education at the University of Melbourne and the National Institute of Labour Studies at Flinders University.²⁴

2.32 In conducting its review the Panel considered the funding requirements of:

...students from all schools across the government, Catholic and independent school sectors. It considered the current arrangements for providing Australian Government and state and territory funding to schools, as well as other sources of school income.

2.33 The Panel noted:

23 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 35.

24 *Review of Funding for Schooling Final Report* (Gonski Review Report), Appendix B – Review process and consultation, December 2011, pp 228–229.

The task of understanding and responding to the challenges of the current funding arrangements for schooling is complex. There are significant differences in the way Australian schools are organised across sectors, as well as differences in the demographics of the student bodies and the challenges faced by sectors and states.²⁵

2.34 The Panel found a range of deficiencies of the school funding arrangements that existed at that time:

When considered holistically, the current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian Government and state and territory governments across the schooling sectors.

There is a distinct lack of coordination in the way governments fund schooling, particularly in relation to directing funding to schools based on student need across jurisdictions and sectors...

It is not always clear which level of government is providing funding, nor what role the Australian Government and state and territory governments should play in funding particular educational priorities.²⁶

25 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiii.

26 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, pp xiv–xv.

Table 1—AGSRC 1999–2012, dollars per student and per cent increase²⁷

	Actual prices						Real prices ^(a)					
	Primary AGSRC		Secondary AGSRC		Weighted average (primary and secondary) ^(b)		Primary AGSRC		Secondary AGSRC		Weighted average (primary and secondary) ^(b)	
	\$ per student	% increase	\$ per student	% increase	\$ per student	% increase	\$ per student	% increase	\$ per student	% increase	\$ per student	% increase
1999	4 674	..	6 294	..	5 305	..	7 539	..	10 152	..	8 557	..
2000	5 056	8.2	6 622	5.2	5 666	6.8	7 798	3.4	10 214	0.6	8 739	2.1
2001	5 378	6.4	7 101	7.2	6 046	6.7	8 067	3.4	10 652	4.3	9 070	3.8
2002	5 657	5.2	7 469	5.2	6 358	5.1	8 226	2.0	10 860	2.0	9 245	1.9
2003	6 056	7.1	8 021	7.4	6 816	7.2	8 600	4.5	11 390	4.9	9 679	4.7
2004	6 580	8.7	8 595	7.2	7 361	8.0	8 993	4.6	11 747	3.1	10 060	3.9
2005	6 787	3.1	8 994	4.6	7 646	3.9	8 844	-1.7	11 720	-0.2	9 964	-1.0
2006	7 216	6.3	9 319	3.6	8 038	5.1	8 954	1.2	11 564	-1.3	9 975	0.1
2007	7 614	5.5	9 724	4.3	8 444	5.0	9 097	1.6	11 618	0.5	10 088	1.1
2008	8 044	5.6	10 061	3.5	8 838	4.7	8 972	-1.4	11 222	-3.4	9 858	-2.3
2009	8 380	4.2	10 646	5.8	9 272	4.9	9 338	4.1	11 863	5.7	10 331	4.8
2010	9 070	8.2	11 393	7.0	9 987	7.7	9 560	2.4	12 009	1.2	10 527	1.9
2011	9 697	6.9	11 945	4.8	10 583	6.0	9 823	2.7	12 100	0.8	10 721	1.8
2012	10 057	3.7	12 445	4.2	10 992	3.9	10 057	2.4	12 445	2.9	10 992	2.5
Growth 1999–2012 %	115.2		97.7		107.2		33.4		22.6		28.5	
Annual average growth rate 1999–2012 %	6.1		5.4		5.8		2.2		1.6		1.9	

(a) Expressed in 2012 dollars using the implicit price deflator for non-farm gross domestic product, including Parliamentary Library forecast for 2012.

(b) Average AGSRC weighted by full-time equivalent government primary and secondary school enrolments.

27 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 20.

2.35 The Gonski Review highlighted the declining standards of achievement over the past decade:

...the performance of Australian students has declined at all levels of achievement, notably at the top end...

In addition to declining performance across the board, Australia has a significant gap between its highest and lowest performing students. This performance gap is far greater in Australia than in many Organisation for Economic Co-operation and Development countries... A concerning proportion of Australia's lowest performing students are not meeting minimum standards of achievement. There is also an unacceptable link between low levels of achievement and educational disadvantage, particularly among students from low socioeconomic and Indigenous backgrounds.²⁸

2.36 Based on these findings, the Gonski Review made 41 recommendations, geared towards creating and implementing a needs-based and sector-blind school funding model.

2.37 The Gonski Review's core recommendation was that the level of recurrent funding for all school students should be determined by a Schooling Resource Standard (SRS). The SRS would include a benchmark per student amount (with different amounts for primary and secondary school students).

2.38 The Review also recognised that increased concentration of disadvantaged students in certain schools has a significant impact on educational outcomes. Accordingly it recommended the introduction of loadings for various student-based and school-based sources of disadvantage (socio-economic status (SES) background, disability, English language proficiency, indigenous status, and school size and location).

2.39 The per student SRS would be based on the resources used by high-achieving schools, as identified by their performance in the National Assessment Program – Literacy and Numeracy (NAPLAN), and indexed annually. Government schools would receive the full amount of the per student SRS, while the SRS amount for non-government schools would be adjusted according to the community's capacity to contribute to supporting the school. Some non-government schools, such as special schools and those that do not have the capacity to charge fees, would receive the full SRS per student amount. The Review recommended that a minimum public contribution per student for every non-government school be applied, set at between 20 and 25 per cent of the SRS, excluding loadings. The loadings for disadvantage would apply to all eligible students regardless of the school they attended.

2.40 The Gonski Review estimated that its proposals would require an additional \$5 billion²⁹ in annual recurrent funding spread across both tiers of government. This

28 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiii.

29 At 2009 prices.

estimate did not include the Gonski Review's recommendations for expanded capital funding.³⁰

Rudd/Gillard Governments response to the Gonski Review

2.41 The previous government responded to the final report of the Gonski Review in September 2012. Through its 'National Plan for School Improvement' (NPSI) the Rudd/Gillard Governments accepted the core recurrent funding recommendations of the Gonski Review; that is, an SRS for all school students supported by various loadings for disadvantage. The proposed new funding model was accompanied by an improvement framework for schools and teaching, with five areas of reform identified for implementation.³¹ In total, the Rudd/Gillard Governments expected that the NPSI, when fully implemented by 2020, would see an additional \$6.5 billion spent on schools each year by the Commonwealth and State and Territory Governments, in line with the estimates in the final report of the Gonski Review.³²

2.42 Implementation of the previous government's response to the Gonski Review findings is described in detail in Chapter 5.

National Commission of Audit findings on school funding

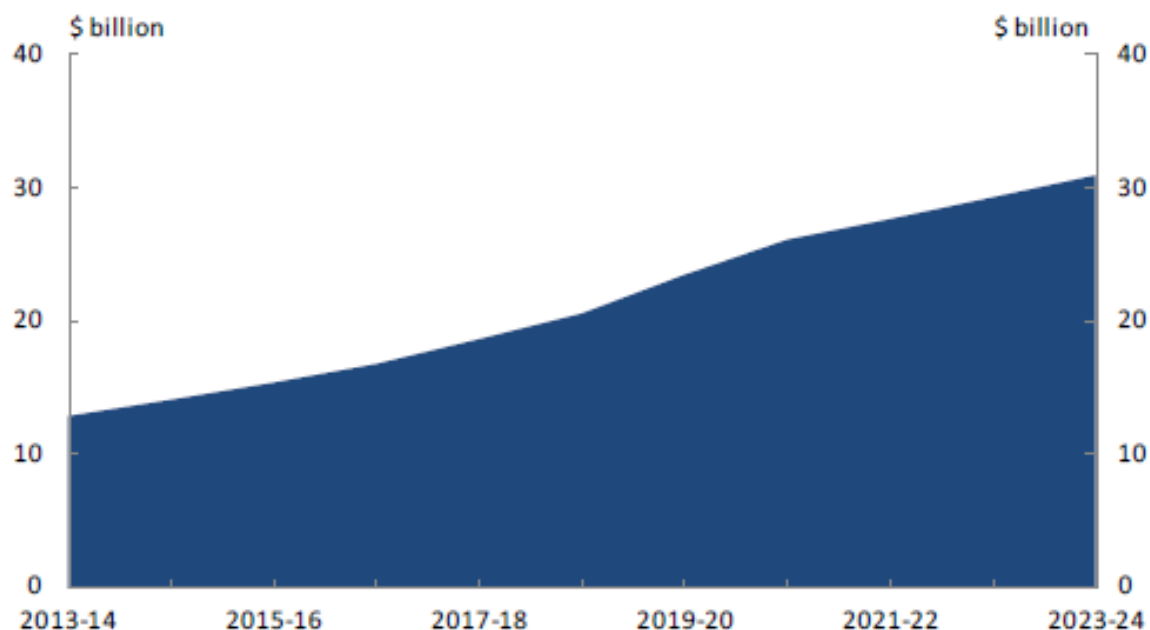
2.43 In the context of advising the Abbott Government on its long-term fiscal strategy, the National Commission of Audit (NCOA) argued that school funding has increased under the AGSRC model, and would increase further with the implementation of the NPSI, by 'over 9.2 per cent per year over the next 10 years'.³³ Figure 2 below is taken from the NCOA report and shows the projected increase of funding under the NPSI.

30 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 36.

31 The five areas of reform are: Quality Teaching; Quality Learning; Empowered School Leadership; Meeting Student Need; Transparency and Accountability. For further information see: Australian Government, *National Plan for School Improvement*, May 2013, p. 8, www.budget.gov.au/2013-14/content/glossy/gonski_policy/download/NPSI.pdf, (accessed on 9 June 2014).

32 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 37.

33 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 262, www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html, (accessed 9 June 2014).

Figure 2—Growth of Commonwealth expenditure on school funding³⁴

Source: National Commission of Audit.

Issues relating to school funding as identified by the National Commission of Audit

2.44 The NCOA identified the following issues with education funding:³⁵

- Duplication and complexity of the roles of the Commonwealth and the States in schools funding; and
- That the assertion that increased funding would lead to improved student outcomes is incorrect.³⁶

2.45 On this latter point the NCOA stated:

...increasing funding does not necessarily equate to better student outcomes. There is no clear, consistent correlation in the academic literature between increased funding (including through reducing class sizes) and school outcomes (Hanushek and Woessmann, 2010; Hanushek, 2006;

34 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 262, www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html, (accessed 9 June 2014).

35 For further discussion of the findings of the NCOA, including the link between improved educational outcomes and funding and indexation of school funding see Chapters 4 and 7 respectively.

36 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 265, www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html, (accessed 9 June 2014).

Hoxby, 2000; Krueger, 1999 is an example which does show a small positive effect).³⁷

Areas identified for reform by the National Commission of Audit

2.46 The NCOA report recommends that policy and funding responsibility for education funding be transferred from the Commonwealth to the states, returning to the model in place before the 1970s'.³⁸

Commonwealth funding would have far fewer conditions attached, and those conditions would be focused on monitoring and transparency, including requiring the States to identify and publish their own needs-based formula for allocating funding between schools in all sectors, publish data on school outcomes on a consistent basis and continue to participate in national and international testing and the national curriculum.³⁹

2.47 The NCOA report also suggests that Commonwealth funding could be simplified and potential growth in funding capped:

Growth in Commonwealth funding could be reduced and streamlined by setting funding for the government and non-government sectors in each State and Territory at 2017 per student levels for each sector in that State or Territory, indexed annually by an appropriate measure to reflect reasonable inflation in school costs. Indexation could be simply done using a weighted average of the Consumer Price Index and the relevant Wage Price Index for the schools sector.⁴⁰

Abbott Government response to the findings of the National Commission of Audit

2.48 On 13 May the Treasurer, the Hon Joe Hockey MP, and the Minister for Finance, Senator the Hon Mathias Cormann, outlined the Abbott Government's response to the findings of the NCOA in a joint press release. The ministers stated that the 'National Commission of Audit was an important input to the Abbott Government's considerations and many of the policy issues raised in the National Commission Audit have been considered by the Abbott Government when preparing the 2014-15 Budget'.⁴¹

37 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 265, www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html, (accessed 9 June 2014).

38 National Commission of Audit, *Phase One Report*, February 2014, p. 127, www.ncoa.gov.au/report/phase-one/, (accessed 9 June 2014).

39 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 267, www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html, (accessed 9 June 2014).

40 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 268, www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html, (accessed 9 June 2014).

41 'Our response to the National Commission of Audit report', Joint Media Release the Hon J.B. Hockey, Treasurer, and Senator the Hon Mathias Cormann, Minister for Finance, 13 May 2014, www.financeminister.gov.au/media/2014/mr_2014-46.html, (accessed 9 June 2014).

2.49 The 2014-15 Budget contains some measures, such as indexation of school funding from 2018, which appear to flow from the findings of the National Commission of Audit.⁴² However, with regards to the introduction of indexation of school funding post-2017, the Budget measure differs greatly from the NCOA recommendation.

2.50 Recommendation 23 of the NCOA regarding schools funding recommends, amongst other things, that Commonwealth funding from 2018 onwards should be consistent with 2017 funding levels with:

...annual funding for each sector in each jurisdiction calculated as the per student amount, adjusted for the number of students enrolled in that year and indexed by a weighted average of the CPI and the relevant Wage Price Index.⁴³

2.51 As discussed further in Chapters 6 and 7, the 2014-15 Budget introduces indexation for school funding post-2017, however this indexation is based on 'CPI enrolment growth'.⁴⁴ Mr Cook from the Department of Education explained that that, on average, CPI would be 2.5 per cent and enrolment around two per cent, making a rate of 4.5 per cent.⁴⁵

2.52 Neither the Abbott Government nor the Commonwealth Department of Education provided an explanation as to why the Abbott Government has chosen CPI indexation rather than using the recommendation of the NCOA.

2.53 The ministers' media release explained that the Abbott Government would 'continue to methodically consider and review the issues raised in the National Commission of Audit report that are not addressed in the 2014-15 Budget'.⁴⁶ The ministers' media release also provided a table of NCOA recommendations and the vehicle for their future consideration. In this table, school funding is to be considered further in the Federation White Paper.⁴⁷

42 The measures in the 2014-15 Budget and the initiatives in the Abbott Government's Students First policy are discussed in detail in Chapter 6.

43 National Commission of Audit Recommendations, Recommendation 23, www.ncoa.gov.au/report/phase-one/recommendations.html, (accessed 20 June 2014).

44 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 37.

45 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 37.

46 'Our response to the National Commission of Audit report', Joint Media Release the Hon J.B. Hockey, Treasurer, and Senator the Hon Mathias Cormann, Minister for Finance, 13 May 2014 www.financeminister.gov.au/media/2014/mr_2014-46.html, (accessed 9 June 2014).

47 'Our response to the National Commission of Audit report', Joint Media Release the Hon J.B. Hockey, Treasurer, and Senator the Hon Mathias Cormann, Minister for Finance, 13 May 2014 www.financeminister.gov.au/media/2014/mr_2014-46.html, (accessed 9 June 2014).

2.54 On 28 June 2014, the Prime Minister released the Terms of Reference for the White Paper on the Reform of the Federation. The objectives of the White Paper will be:

- reduce and end, as far as possible, the waste, duplication and second guessing between different levels of government;
- achieve a more efficient and effective federation, and in so doing, improve national productivity;
- make interacting with government simpler for citizens;
- ensure our federal system:
 - is better understood and valued by Australians (and the case for reform supported);
 - has clearer allocation of roles and responsibilities;
 - enhances governments' autonomy, flexibility and political accountability; and
 - supports Australia's economic growth and international competitiveness.⁴⁸

2.55 The areas to be considered in relation to the allocation of roles and responsibilities of the different levels of government are health, education, housing and homelessness, and other areas within scope.

2.56 The White Paper process will be a standing item on the COAG agenda. Work on the White Paper will be overseen by a Steering Committee comprising: 'the Secretaries and Chief Executives of the Commonwealth Department of Prime Minister and Cabinet, State/Territory First Ministers' departments and the Australian Local Government Association.'⁴⁹

2.57 Issues papers on health, education, and housing and homelessness are due to be released in the second half of 2014, followed by a Green Paper in the first half of 2015 and the White Paper by the end of 2015.⁵⁰

48 Prime Minister, the Hon Tony Abbott MP, 'White Paper on Reform of the Federation', media release, 28 June 2014, www.pm.gov.au/media/2014-06-28/white-paper-reform-federation.

49 Prime Minister, the Hon Tony Abbott MP, 'White Paper on Reform of the Federation', media release, 28 June 2014.

50 Prime Minister, the Hon Tony Abbott MP, 'White Paper on Reform of the Federation', media release, 28 June 2014.

Chapter 3

States and territories and school funding

Division of funding between states and the Commonwealth

3.1 The Productivity Commission *Report on Government Services 2014* summarises the division of school funding across states and territories and the Australian Government:

Under constitutional arrangements, the State and Territory governments have responsibility to ensure the delivery of schooling to all children of school age. They determine curricula, regulate school activities and provide most of the funding. State and Territory governments are directly responsible for the administration of government schools, for which they provide the majority of government funding. Non-government schools operate under conditions determined by State and Territory government registration authorities and also receive State and Territory government funding.¹

3.2 The Gonski Review found the fact that both states and territories and the Australian Government provided funding for schools leads to duplication and confusion:

It is not always clear which level of government is providing funding, nor what role the Australian Government and state and territory governments should play in funding particular educational priorities.²

3.3 Further, the Gonski Review found because states and territories allocated different resources to school funding, it could appear that some publicly funded schools struggled both financially and academically in comparison to others.³ The duplication of funding could also fuel public perception of a lack of equality between schools:

Historically, the states and territories are the primary funders of government schools and the Australian Government is the primary funder of non-government schools. These roles are divisive within significant parts of the Australian community because they can give the false and misleading impression of a preference by the Australian Government for non-government schools over government schools, and a corresponding false and misleading view of neglect by state and territory governments of the funding needs of non-government schools.⁴

1 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, p. 4.4, www.pc.gov.au/data/assets/pdf_file/0015/132306/rogs-2014-volumeb-chapter4.pdf, (accessed 20 June 2014).

2 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xv.

3 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xv.

4 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xv.

3.4 Analysing the data around school funding in Australia, even for the last decade, is a difficult task. It is an undertaking which involves attempting to draw on state, territory and federal budgets; and datasets collected by organisations such as Australian Curriculum, Assessment and Reporting Authority (ACARA) and the Australian Bureau of Statistics (ABS). These collections of data are not directly comparable as they each use different measures of time (financial years versus calendar years) and their reporting timeframes can vary considerably.

3.5 The Gonski Review Report, published in December 2011, represents one of the most comprehensive analysis of school funding arrangements ever undertaken. It collected comprehensive data from states, territories and the Commonwealth along with datasets from other organisations such as ACARA and the ABS. The report itself, despite the often heated public debate about its implementation, is largely well regarded, as explained by the former President of NSW Secondary Principals' Council Mr Chris Bonnor:

It was one of the most exhaustive reviews of schooling that we have had for decades, going back to the mid-1970s. It was huge. The consultation process was enormous, as was the research and the number of schools visited. The process and the recommendations were welcomed by all sectors and the media. We went through a moment when that report was delivered of enormous agreement.⁵

3.6 This chapter provides an outline of the school funding arrangements by the Commonwealth and by State and Territory Governments, with the purpose of demonstrating the complexities of the system and the problems identified by both the Gonski Report and other researchers and experts. Funding amounts and other data are identified by source and year throughout the chapter.

School and student numbers by state and territory

3.7 The ABS divides its data regarding schools into three groups: Government Schools, Non-Government Schools (Catholic); and Non-Government Schools (Independent). In 2013, the ABS records 9393 schools in total and notes a net fall of 34 schools from 2012.⁶ The number of schools in each group by state is represented in Table 1 below.

5 Mr Chris Bonnor, private capacity, *Committee Hansard*, 1 May, Sydney, p. 35.

6 Australian Bureau of Statistics, *Publication 4221.0 – Schools Australia 2013*, www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4221.0Main%20Features42013?opendocument&tabname=Summary&prodno=4221.0&issue=2013&num=&view, (accessed on 20 June 2014).

Table 2—Australian schools by state and sector, 2013⁷

Jurisdiction	Government Schools	Non-Government Schools (Catholic)	Non-Government Schools (Independent)	Total
NSW	2164	586	331	3081
VIC	1526	487	206	2219
QLD	1238	297	184	1719
WA	768	160	139	1067
SA	527	103	92	722
TAS	198	37	28	263
NT	154	17	21	192
ACT	86	30	14	130
Total	6661	1717	1015	9393

3.8 The ABS records a total of 3 645 519 students attending school in Australia in 2013. Within this total, approximately twice as many students attend government schools (2 375 024 or 65 per cent) as attend non-government schools (1 270 495 or 35 per cent).⁸

Overall school funding

Overall school expenditure – Commonwealth, states and territories⁹

3.9 In 2011-12, total Commonwealth, State and Territory government recurrent expenditure on school education was \$47.1 billion.¹⁰

7 Australian Bureau of Statistics, *Publication 4221.0 – Schools Australia 2013*, www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4221.0Main%20Features42013?opendocument&tabname=Summary&prodno=4221.0&issue=2013&num=&view, (accessed on 20 June 2014).

8 Australian Bureau of Statistics, *Publication 4221.0 – Schools Australia 2013*, www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4221.0Main%20Features42013?opendocument&tabname=Summary&prodno=4221.0&issue=2013&num=&view, (accessed on 20 June 2014).

9 Please note that the question of capital funding is not the focus of this inquiry and therefore it has not been discussed in this report.

3.10 During the same period, total Commonwealth, State and Territory Government recurrent expenditure on government schools was \$36.5 billion, or 77.6 per cent of total government recurrent expenditure on school education.¹¹ State and Territory governments provided 87.5 per cent of total government recurrent expenditure to government schools, with the Australian Government providing 12.5 per cent.

3.11 In contrast, government recurrent expenditure on non-government schools was mainly provided by the Australian Government (73.4 per cent), with State and Territory Governments providing 26.6 per cent.¹²

3.12 Figure 3 below, taken from the Gonski Report, demonstrates the funding inputs which comprise funding per school type. Although the data is for 2009, the figure is included here to show clearly the average proportion of funding for each school type from each source.¹³

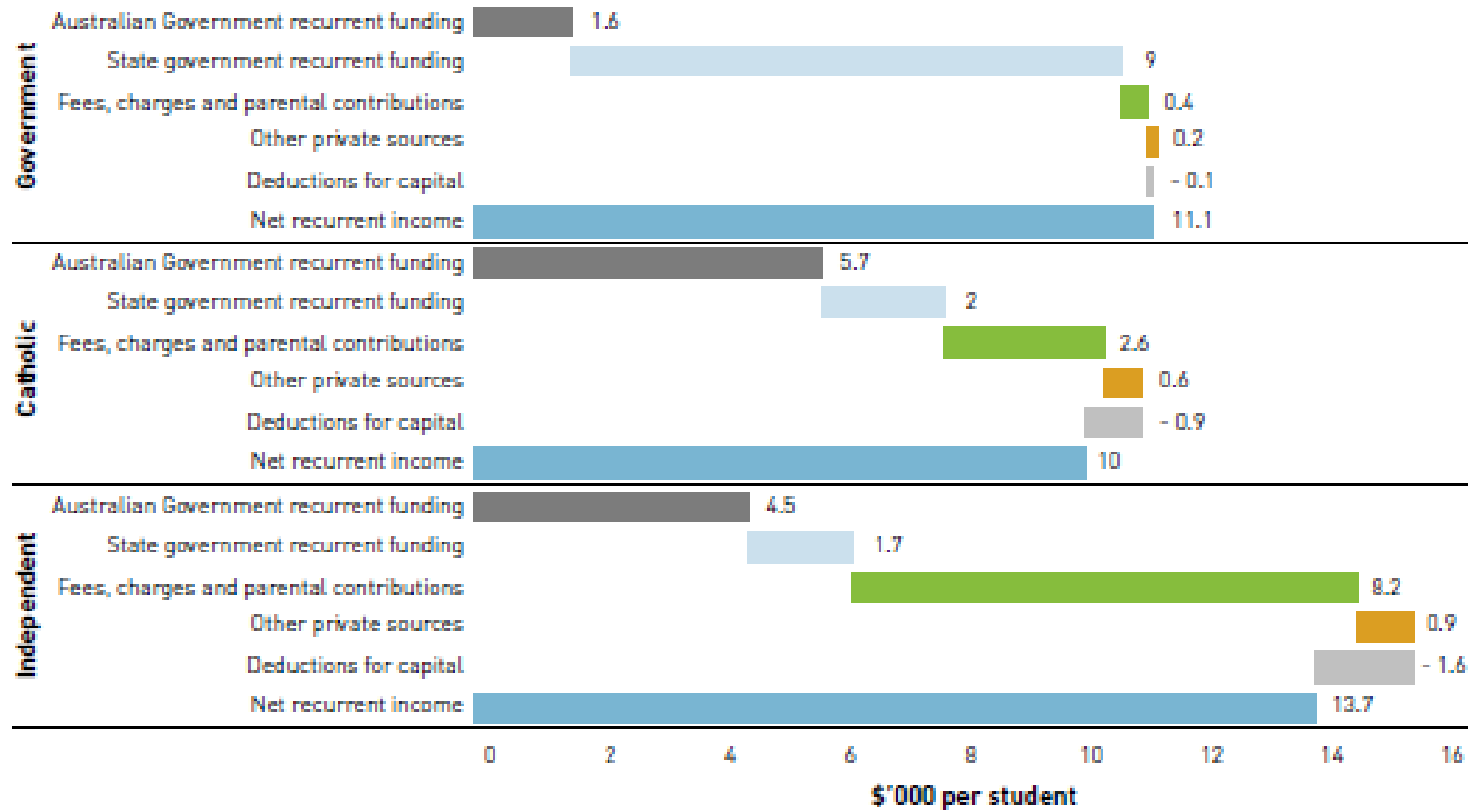
10 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, p. 4.4, www.pc.gov.au/data/assets/pdf_file/0015/132306/rogs-2014-volumeb-chapter4.pdf, (accessed 20 June 2014).

11 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, p. 4.4, www.pc.gov.au/data/assets/pdf_file/0015/132306/rogs-2014-volumeb-chapter4.pdf, (accessed 20 June 2014).

12 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, p. 4.4, www.pc.gov.au/data/assets/pdf_file/0015/132306/rogs-2014-volumeb-chapter4.pdf, (accessed 20 June 2014).

13 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 15.

Figure 3—Average net recurrent income per student by source of income and sector, 2009¹⁴



Source: ACARA dataset 2011.

14 *Review of Funding for Schooling Final Report (Gonski Review Report)*, December 2011, p. 15.

Expenditure trend in overall total government funding

3.13 In 2011-12, total government nominal recurrent expenditure per full-time equivalent (FTE) student in all schools (government and non-government) was \$13 255. It increased by 25 per cent from \$10 601 in 2007-08.¹⁵

3.14 Mr David Gillespie, author of the book 'Free Schools', advised caution in making a dollar for dollar comparison of the government funding for government and non-government schools:

A lot of people run with the headline, which is that it costs \$15,000 to educate a government school student and it costs \$9,000 to educate a non-government school student, and they say, 'Well, there you go; we're saving \$6,000 per student.' But there is a lot of stuff factored into that government school student that is not factored into the non-government school student—the utilisation costs of the assets, for example, which comes in at close to \$3,000 per student, are factored into the government-school student funding, not the non-government school student funding, despite the fact that the government pays for the non-government school student's assets. The capital contribution by the government into the non-government school is not factored in, and neither is the depreciation on that capital, but the contribution to the government school is factored in. When you take all those things out, when you boil it down to what actually matters in a school—which is the people doing the teaching and administering—then the costs get very, very close. On the current numbers I think it is almost \$9,000 for a non-government school student, and for a government school student it is just a smidge over \$10,000...¹⁶

Increases in Commonwealth spending on school education

3.15 While overall government expenditure per FTE student increased over the five-year period from 2007-08 to 2011-12, there are significant differences in the level of recurrent funding provided in recent years by the Commonwealth, compared with the States and Territories.

3.16 As indicated in Table 3 below, recurrent expenditure by the Australian Government increased each year from 2007-08 to 2011-12.

3.17 In 2007-08, the Australian Government's expenditure was \$2333 per FTE student. This increased steadily to \$3470 in 2011-12.¹⁷ Therefore, over this five-year

15 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, p. 4.38, [www.pc.gov.au/ data/assets/pdf file/0015/132306/rogs-2014-volumeb-chapter4.pdf](http://www.pc.gov.au/data/assets/pdf_file/0015/132306/rogs-2014-volumeb-chapter4.pdf), (accessed 20 June 2014).

16 Mr David Gillespie, private capacity, *Committee Hansard*, 1 May, Sydney, p. 13.

17 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, Table 4A.18, www.pc.gov.au/ data/assets/pdf file/0015/132306/rogs-2014-volumeb-chapter4.pdf, (accessed 20 June 2014).

period Commonwealth recurrent spending on school education increased by 49 per cent.¹⁸

State and Territory spending on school education

3.18 By comparison, Table 3 below shows that in 2007-08 the average of all State and Territory Governments' recurrent expenditure was \$8268 per FTE student. This expenditure increased to \$9785 in 2011-12. Over this five-year period, overall State and Territory recurrent spending on school education increased by 18.3 per cent in nominal terms (compared to a 49 per cent increase for Commonwealth spending on school education).

3.19 Recurrent expenditure per FTE student by individual State and Territory Governments over the same five-year period has generally increased, as set out in Table 3 below. The table shows that the rate of increase in Commonwealth expenditure has been more than double that of any of the states or territories and more than 2½ times the state average.

Table 3—Funding and percentage increase by jurisdiction

Jurisdiction	Funding year 2007-08	Funding year 2011-12	Percentage increase
NSW	\$8154	\$9805	20.2
QLD	\$8400	\$9938	18.3
VIC	\$7137	\$8177	14.6
SA	\$7908	\$9745	23.2
WA	\$10553	\$12131	15.0
TAS	\$8642	\$10372	20.0
NT	\$12841	\$15712	22.4
ACT	\$9426	\$11603	23.1
State average	\$8268	\$9785	18.3
Commonwealth average	\$2333	\$3470	49.0

18 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, Table 4A.18, www.pc.gov.au/data/assets/pdf_file/0015/132306/rogs-2014-volumeb-chapter4.pdf, (accessed 20 June 2014).

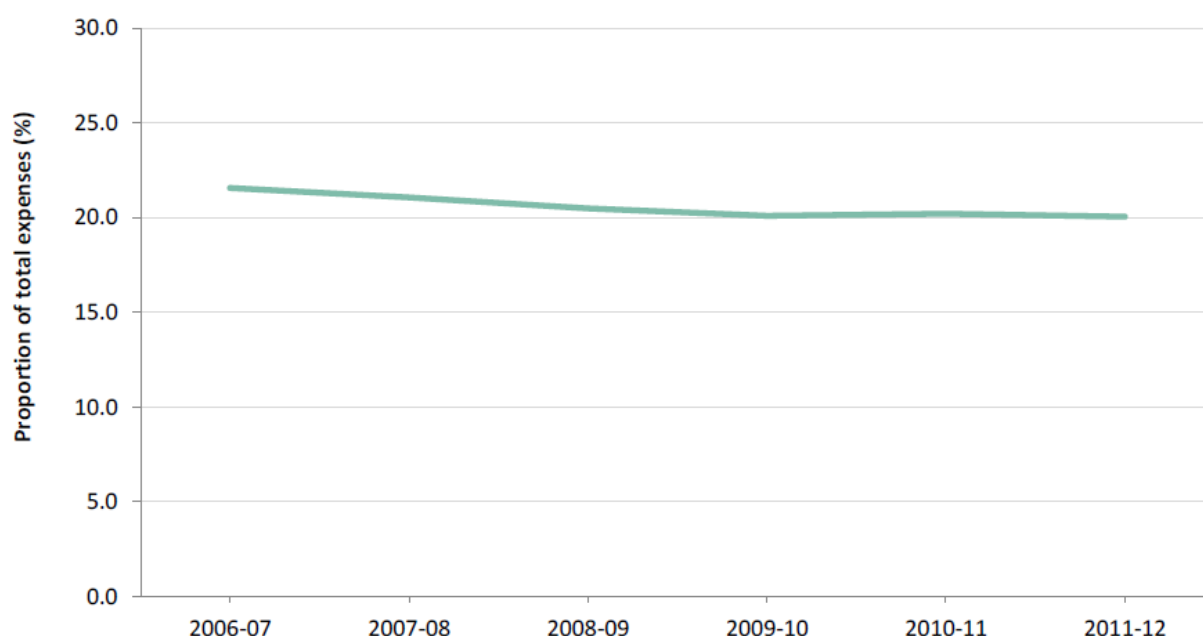
Spending on schools as a proportion of all State/Territory expenditure

3.20 While in 2011-12 State and Territory Governments spent \$42 billion on school education services (including all recurrent and capital expenditure), 20 per cent of total State/Territory expenses, there was in fact a decrease in real terms of school funding by State and Territory Governments as a proportion of overall expenditure.

3.21 Figure 3 below shows that the proportion of State/Territory spending devoted to school education has decreased as a proportion of total state expenditure over recent years from 21.6 per cent in 2006-07 to 20.0 per cent in 2011-12.¹⁹

3.22 In comparison, as discussed above, over this time Commonwealth funding for schools has increased. Further discussion of individual state funding arrangements under the NPSI is detailed in Chapter 5, with information on the recent state and territory budgets in Chapter 6.

Figure 4—State/Territory spending on school education, 2006-07 to 2011-12²⁰



Examples of State Government decreases in school funding since 2011

3.23 Before considering specific examples of State Government decreases in school funding it is important to note that the structure of state and territory budgets can vary considerably in their presentation of government spending. Further, the variance in timing between the handing down of state and territory budgets and the Australian Government budget also poses problems in ascertaining how states have allocated, or in some cases combined, Australian Government funds with state funds.

19 Commonwealth Grants Commission, *Schools Education* (2013), p. 1.

20 Commonwealth Grants Commission, *Schools Education* (2013), p. 1.

New South Wales

3.24 In September 2012, the New South Wales Government announced that it would be making savings to the education budget amounting to \$1.7 billion over the next four years. These cuts entailed reductions in administrative staff, an increase in TAFE fees and capping of funding for non-government schools.²¹

3.25 In April 2013, as part of signing the National Education Reform Agreement (NERA), the New South Wales Government committed 'about' \$1.7 billion in additional funding over the term of the agreement. The Premier of New South Wales described this amount as a coincidence that this was the same amount as the cuts announced in 2012.²²

3.26 In October 2013, as a result of the New South Wales Government introducing its new needs-based funding system, the Resource Allocation Model,²³ it was revealed that 'more than 200 schools in New South Wales, many in low socio-economic areas' would receive less funding. However, other schools would receive more funding.²⁴

3.27 Recently, NSW Premier Mike Baird has stated his commitment to NERA and called on the Abbott Government to maintain the agreement for the full six year period.²⁵ The committee invited the NSW Department of Education and Communities to appear at three different hearings, but the department declined each invitation. NSW has however, been the only state to publish a breakdown across forward estimates (out to 2019) of the allocation of funds from the NERA and the matching state funding.²⁶

Victoria

3.28 The 2012-13 Victorian budget reduced funding for Support Services Delivery from \$337.8 million in 2011-12 to \$303.6 million in 2012-13. This involved removing the school component of the Education Maintenance Allowance for schools with a high percentage of disadvantaged students. The budget papers explain the reduced funding as reflecting 'the completion of fixed-term budget initiatives, redirection of

21 New South Wales Government, Department of Education and Communities, 'Saving measures to meet our budget', www.det.nsw.edu.au/media/downloads/about-us/news-at-det/media-centre/media-releases/yr2012/savingmeasurestomeetbudget.pdf, (accessed 20 June 2014).

22 Mark Kenny, Josephine Tovey, Daniel Hurst, 'Gonski reforms O'Farrell secures extra \$3.3b – NSW leads the way', *Sydney Morning Herald*, 24 April 2013.

23 See Appendix 4.

24 New South Wales Government, Department of Education and Communities, 'Resource allocation model', <http://www.dec.nsw.gov.au/about-the-department/our-reforms/local-schools-local-decisions/reform-agenda/resource-allocation-model> (accessed 20 June 2014).

25 Alexandra Smith, 'Mike Baird to maintain push for full Gonski funding', *Sydney Morning Herald*, 29 April 2014, www.smh.com.au/national/education/mike-baird-to-maintain-push-for-full-gonski-funding-20140429-zr1at.html (accessed 20 June 2014).

26 A copy of the breakdown information is at Appendix 4.

Education Maintenance Allowance funding to the School Education output group, and the achievement of government savings'.²⁷

3.29 The Victorian Government was the only state government which had handed down its 2014-15 budget prior to the Abbott Government's 2014-15 budget, and the Victorian Premier joined the other state and territory heads of government in arguing against the measures announced for school funding in the Abbott Government's budget.²⁸

3.30 At the Victorian Parliament's 2014-15 Budget Estimates on 13 May, the Minister for Education Mr Martin Dixon MP, advised that this budget was the first since Victoria had signed the NERA in August 2013. The minister explained the allocation of funding as it appeared in the 2014-15 budget:

The national funding agreement was signed in, I think, early August [2013], and that committed the Victorian and the Australian governments to \$12.2 billion of new funding over six years. The Victorian government's share of that is \$5.4 billion over those six years, and we are beginning to deliver that money into our schools this year. This is the first budget since that agreement was signed. There is \$1.2 billion already out there, and there is [\$1.6 billion] of initiatives in this year's budget towards that six-year goal. We know that that is backloaded. Most of the funding comes on stream in the second half, in fact in the last two years, of that six-year agreement. We will certainly do our bit, with guarantees that we will provide the \$5.4 billion over six years that we said we would put on the table, and obviously we will hold the federal government accountable to do its bit in terms of the balance of the money.²⁹

3.31 However, the minister also advised that as the Victorian budget pooled the Australian Government school funding money and the State Government contribution. He could not provide a detailed split of the allocation of the funding over each of the forward years:

In Victoria there is no such thing as Gonski money. It is the money that the state government puts into education, it is the money that the federal government puts into education and that is the school funding. We do not treat them as two separate buckets of money. It is school funding, and we do not divide them up like that, especially in Victoria where we have a very devolved education system, where we do not have line item budgets, where we allow schools to spend the funding that they receive on the programs and services that are going to best meet the needs of their community.

27 Evonne Barry, 'State schools take a hit', *Herald Sun*, 2 May 2012, p. 6; Evonne Barry, 'Students face cuts', *Herald Sun*, 25 May 2012, p. 10; Jewel Topsfield, 'Schools set to suffer as budget cuts hit hard', *The Age*, 30 January 2013, p. 3.

28 Emma Griffiths, 'Budget 2014: States accuse Federal Government of forcing them to push for GST hike', *ABC News Online*, 15 May 2014, www.abc.net.au/news/2014-05-14/budget-2014-states-react-to-health-and-education-cuts/5452234 (accessed 20 June 2014).

29 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, p. 5.

In terms of why everything is not there year by year, broken down, it is the same. You mentioned capital. It is the same. There is \$500 million of capital that has gone into the forward estimates in this year's budget, but that does not mean that is the only money we are going to spend over the next four years on capital works. It is the same with output funding as well. It is exactly the same. Money is held in contingency, and then it is fed into budgets over the ensuing years.

As I said, there is a total now in the school education budget of \$2.8 billion in this year's budget—[\$1.2 billion] existing and an extra [\$1.6 billion]—and the rest of that money will roll out over the next five budgets.³⁰

South Australia

3.32 In December 2013, the Prime Minister and Commonwealth Minister for Education stated that South Australia had cut its education budget despite signing up to the NERA. The South Australian Education Minister responded by stating that efficiency dividends of \$223 million were made before the NERA had been signed and that after signing the agreement the South Australian Government had agreed to increase funding.³¹

3.33 At the committee's public hearing on 30 April, Mr Tony Harrison, Chief Executive of the Department for Education and Child Development South Australia told the committee that South Australia had welcomed the six year NERA as it provided an opportunity for long term planning.³² Mr Harrison outlined for the committee the difference between the four year funding approach (under Students First) and the six year approach (under NERA):

Mr Harrison: I will highlight the difference between a four-year approach and a six-year approach in the South Australian context. If you look at the total funding from South Australian and Commonwealth perspectives in years 1, 2, 3 and 4, we are talking about \$2.986 billion in year 1—2014—increasing to \$3.103 billion in 2015. In year 3 it goes to \$3.24 billion and in year 4 it goes to \$3.379 billion. That is a total of \$12.7 billion over that four-year period. If you look at years 5 and 6—

CHAIR: To clarify those figures: this is both Commonwealth and state contribution?

Mr Harrison: That is right. So the total over the four-year period is \$12.710 billion. Year 5 combined was to be a contribution of \$3.628 billion and year 6 was to be \$3.990 billion. Those two years are \$7.619 billion. You can obviously see that years 5 and 6 were an important part of the

30 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, pp 5–6.

31 The Hon Christopher Pyne MP, Minister for Education' South Australia's education cuts expose Labor hypocrisy', media release, 2 December 2013; Tory Shepherd, 'Ministers bicker over education cuts claim', *Adelaide Advertiser*, 4 December 2013, p. 2.

32 Mr Tony Harrison, South Australian Department of Education and Child Development, *Committee Hansard*, 30 April 2014, p. 6.

model for us in the sense of how it was ramped and how the formulas were worked out over that six-year period.³³

3.34 The additionality funding from the South Australian Government had, Mr Harrison explained, been matched to the original six year funding agreement:

Table 4—Additionality funding – South Australia

	2014 (Year 1)	2015 (Year 2)	2016 (Year 3)	2017 (Year 4)	2018 (Year 5)	2019 (Year 6)
SA additionality funding	\$25m	\$33m	\$43m	\$51m	\$160m	\$342m

3.35 Mr Harrison stressed that without the funding originally allocated for years five and six, South Australian schools faced a funding shortfall:

Looking at those amounts of money, you can see that potentially, if [funding for years 5 and 6 is] not realised, there is a significant shortfall if we work on a four-year model versus a six-year model.³⁴

3.36 Mr Harrison also provided for the committee an example of the difficulties which could arise if funding was not certain:

The fact that when we operate in three- and four-year cycles—and often it is around election cycles and government terms of three and four years—it provides a great difficulty to try to have that long-term planning for long-term teaching and learning improvements. It is hard to turn on these programs on then and turn them off. We seem to spend a lot of money in seed funding establishing programs and we seem to spend considerable time actually getting programs off the ground. We can often lose six months, 12 months or sometimes even two years before programs really start to get some traction. Before you know it, without the certainty of funding, you are having to work out whether you start winding back those programs.³⁵

33 Mr Tony Harrison, South Australian Department of Education and Child Development, *Committee Hansard*, 30 April 2014, p. 7.

34 Mr Tony Harrison, South Australian Department of Education and Child Development, *Committee Hansard*, 30 April 2014, p. 7.

35 Mr Tony Harrison, South Australian Department of Education and Child Development, *Committee Hansard*, 30 April 2014, p. 9.



Senator the Hon Jacinta Collins (Chair) and Senator Deborah O'Neill with Ms Emily Sayer (Deputy Principal) during the committee's site visit at the Immaculate Heart of Mary School, Adelaide, 30 April 2014.

Tasmania

3.37 As part of the 2011-12 Tasmanian Budget, it was announced that, in accordance with the Tasmanian Government's objective to return the Budget to a sustainable position, the Department of Education would implement a number of strategies to achieve the following savings:

Table 5—Tasmanian Government, 2011-12 projected savings, education

Year	Projected saving
2011-12	\$45.9 million
2012-13	\$56.0 million
2013-14	\$49.0 million
2014-15	\$38.9 million

3.38 Savings strategies would include:

- implementing the Renewing our Education System process;
- extending the Voluntary Workforce Renewal programme;
- establishing a single corporate services model;
- ceasing targeted funding allocated to reduce class sizes;
- reducing the level of non-government general educational grant funding;

- gaining efficiencies through revised organisational and operational structures; and
- deferring some capital investment projects.³⁶

3.39 At the committee's public hearing on 16 May, the Department of Education Tasmania officials confirmed that despite the recent change of State Government, Tasmania would proceed with the allocations of funding and initiatives under the previously announced program.³⁷

Allocation of funds to non-participating states – MYEFO 2013

3.40 The December 2013 MYEFO included the allocation of \$1.2 billion to Queensland, Western Australia and the Northern Territory under the Students First policy.³⁸ The funding followed negotiations conducted by the Abbott Government; the two states and one territory had not previously signed the NERA with the Rudd/Gillard Governments.

3.41 Overall, Queensland received \$794.4 million; Western Australia received \$120.3 million; and the Northern Territory received \$272.5 million, allocated as follows, with updates annually for current enrolment data:³⁹

3.42 The Minister for Education, the Hon Christopher Pyne MP, wrote to the Queensland, Western Australia and the Northern Territory regarding the allocation of funding and outlining the Abbott Government's belief in states' autonomy:

The Government recognises that states and territories remain responsible for their schools and that all non-government schools should maintain their independence and autonomy. In 2014 it is the Government's intention, following consultation, to amend the command and control aspects of the *Australian Education Act 2013* to ensure jurisdictions maintain authority for their schools.

Given our joint commitment to addressing student need and improving educational outcomes for all students, it is my expectation that your

36 Tasmanian Government, Budget Paper No 2, 2011-12, Government Services, Volume 1, p. 3.5, [www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/2011-12_BP2_Volume_1.pdf/\\$file/2011-12_BP2_Volume_1.pdf](http://www.treasury.tas.gov.au/domino/DTF/DTF.nsf/LookupFiles/2011-12_BP2_Volume_1.pdf/$file/2011-12_BP2_Volume_1.pdf), (accessed 20 June 2014).

37 Mr Colin Pettit, Secretary Department of Education Tasmania, *Committee Hansard*, 16 May 2014, p. 29.

38 Australian Government, Mid-Year Economic and Fiscal Outlook 2013-14, December 2013, www.budget.gov.au/2013-14/content/myefo/html/08_attachment_e.htm (accessed 20 June 2014).

39 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation. Table is reproduced from the table in each letter.

Government would continue its funding effort across schools [in the relevant state or territory] through the forward estimates period.⁴⁰

3.43 Discussion regarding the accountability of states for this funding is discussed in more detail in Chapter 8.

Queensland

3.44 The 2012-13 Queensland Budget listed 'fiscal repair savings measures' of about \$758 million over four years for the Department of Education, Training and Employment.⁴¹ It also announced that in line with the Queensland Government's 'commitment to reduce waste and improve efficiency' savings of \$9.9 million were achieved as a result of lower than budgeted program costs, unfilled vacancies and reduced business costs.⁴²

3.45 The Budget attracted media criticism which suggests that funding for school education had been cut in real terms and that the Queensland Minister for Education was quoted as having to make 'some difficult decisions' in the budget.⁴³

3.46 The Queensland Teachers Union analysis of the Budget concluded that there were 'real cuts' to staffing allocations:

Only 270 additional teachers, teacher-aides and support staff were funded in the budget, yet the Department of Education, Training and Employment's own estimate is that 837 are needed to cater for growth...

The shortfall is being funded by redirecting existing staffing allocations that have been used by schools to limit class sizes, provide early literacy support and allow schools to offer a broader curriculum, particularly in high schools...

The overall education budget is up by a tiny 0.3 per cent, which is far short of projected inflation of 2.75 per cent...⁴⁴

Western Australia

3.47 In August 2013, the Western Australian Government announced a new student-centred funding model to be implemented from 2015. Under the model,

40 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation.

41 Queensland Government, *State budget 2012–13: budget measures: budget paper no. 4*, <http://budget.qld.gov.au/budget-papers/2012-13/bp4-2012-13.pdf>, (accessed 18 June 2014), p. 5.

42 Queensland Government, *State budget 2012–13: budget measures: budget paper no. 4*, <http://budget.qld.gov.au/budget-papers/2012-13/bp4-2012-13.pdf>, (accessed 18 June 2014), p. 40.

43 Justine Ferrari, 'Do the maths: states cut as Gonski gives', *The Australian*, 13 September 2013.

44 Queensland Teacher' Union, *Devils emerge from education budget detail*, Media Release, 12 September 2012.

schools will have a one-line budget comprising a salaries component and a cash component, with capacity for resources to be moved between these two components.⁴⁵

3.48 In his announcement, the Western Australian Minister for Education stated that the new model would be accompanied by 'reforms to improve the efficiency of WA's public education system, which include staff reductions where positions could no longer be justified'. While overall teacher numbers would be maintained in 2014, there would be reductions in central and regional office positions and education assistants.⁴⁶

3.49 There have also been reports and claims that the new funding model will result in class size increases, school closures and amalgamations and that School Support Program resource allocations which provide support for students with additional literacy and numeracy needs and with behavioural problems will be cut by a third. It has also been reported that the Education Department has put a new levy on schools to cover the cost of long service leave liability.⁴⁷

3.50 The Department of Education Western Australia had, via letter on 26 March, confirmed that senior officials including the department's Director General, Ms Sharyn O'Neill, would be attending the committee's public hearing in Perth on 29 April. However, in a letter to the committee on 24 April, Ms O'Neill advised that departmental officials would not attend the public hearing 'due to a change in circumstances'.⁴⁸

Northern Territory

3.51 In May 2013, the Northern Territory Education Minister stated in a newspaper interview that student-teacher ratios would be increased in middle and high schools as part of a plan to reduce the ratios in the early year of schooling.⁴⁹

3.52 The 2013-14 Northern Territory budget reduced funding for government school education (comprising primary, middle years and senior years education) by

45 Western Australian Government, Department of Education, *Changes to public school funding frequently asked questions*, <http://det.wa.edu.au/schoolsandyou/detcms/schoolsandyou/schools-and-you/news/facts-on-changes-to-education-assistants-in-public-schools.en> (accessed 18 June 2014).

46 The Hon. Peter Collier, Minister for Education Western Australia, 'School reforms to deliver equity and efficiency', Media release, 20 August 2013.

47 Mr Gareth Parker, 'School Axe: Teacher freeze and less help in education squeeze', *West Australian*, 21 August 2013; Bethany Hiatt, 'Schools warn of savage cuts', *West Australian*, 23 August 2013.

48 Document tabled by the Senate Select Committee on School Funding, at the public hearing in Perth on 29 April 2014: Correspondence from the Western Australian Department of Education regarding the Senate Select Committee on School Funding's public hearing on 29 April 2014.

49 Ms Nicole Mills, 'Teachers protest at student ration move', *Northern Territory News*, 4 May 2013.

\$18 million. The budget papers explain the reduction as largely due to reductions in Commonwealth-funded programmes and efficiency measures.⁵⁰

50 Northern Territory Government, *2013–14 Northern Territory budget: budget paper no. 3: agency budget statements*, www.treasury.nt.gov.au/PMS/Publications/BudgetFinance/BudgetPapers/I-BP03-1314.pdf (accessed 18 June 2014), p. 191.

Chapter 4

The economic effect of school funding policy

4.1 Delivering the Jean Blackburn Oration at the University of Melbourne on 21 May 2014, Mr David Gonski AC reflected on his involvement in the review and report which now bear his name, and the fact that his name has become a byword for school funding in Australia. Mr Gonski had no regrets about being involved in the review, but he did regret the decision to include in the report 'calculations of what...a new school resource standard were likely to cost.'¹ Mr Gonski explained:

We also wanted, by noting the amount, to put it into context. We knew that the additional cost to governments which we noted was \$5 billion based on the 2009 numbers was a large number but we also knew that it was an increase of just under 15% of all government recurrent funding for schooling that year. We also knew that it was less than 0.5% of the gross domestic product of Australia for that year...

In retrospect, the decision to mention the number clouded the entire response to our review. Major media outlets talked of further billions for education and no doubt those who had to find the amount were very bluntly reminded of what was involved.

In fact our review was more subtle than an ask just for more money.

Lost in the discussion for more money were the central tenets of our review.²

4.2 The Gonski Review argued that education was not just a cost; it was an investment which would ultimately benefit Australia as a nation. The first three Findings of the Gonski Review highlighted this argument:

Finding 1 Australian schooling needs to lift the performance of students at all levels of achievement, particularly the lowest performers. Australia must also improve its international standing by arresting the decline that has been witnessed over the past decade. For Australian students to take their rightful place in a globalised world, socially, culturally and economically, they will need to have levels of education that equip them for this opportunity and challenge.

Finding 2 The challenge for the review is to design a funding model that adequately reflects the different needs of students to enable resources to be directed to where they are needed most. All Australian students should be allowed to achieve their very best regardless of their background or circumstances.

Finding 3 Australia's schooling system needs to help ensure that the targets for students attaining Year 12 or equivalent qualifications are met and that

1 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, p. 10.

2 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, pp. 11-12.

students leave school with the skills and capacities required to actively participate in society, and contribute to Australia's prosperity.³

4.3 The national needs-based, sector-blind approach to delivering school funding recommended by the Gonski Review was designed to address the widening gap between high-achieving and low-achieving students. Mechanisms for funding to be distributed in a transparent and accountable method meant that governments could not only ensure that funds went where they were needed, but also that results could be measured and funding distribution evaluated.⁴

4.4 This chapter explores the link between school funding and economic effect, and examines the argument for strategic use of funding to target areas of need.

Economic effect of school funding

4.5 The Gonski Review linked quality educational outcomes for students to increased national productivity:

Individuals who reach their full potential in schooling are usually able to make better career and life choices, leading to successful and productive lives. Success in schooling also helps to provide the skills and capacities needed to keep a society strong into the future. It deepens a country's knowledge base and level of expertise, and increases productivity and competitiveness within the global economy. Hanushek and Woessmann (2010) found that higher educational achievement led to significantly bigger economic returns, when they investigated the relationship between cognitive skills and economic growth in developed countries.⁵

4.6 Post the Global Financial Crisis, the OECD has found that education was significant in determining a person's economic and social prospects. For example, the OECD found that:

Unemployment rates among university graduates stood at 4.4% on average across OECD countries in 2009. But people who did not complete high school faced unemployment rates of 11.5%, up from 8.7% the year before. This adds to the huge problem of youth unemployment that today exceeds 17% in the OECD area.⁶

3 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xxix.

4 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, Recommendations and Findings.

5 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 19.

6 OECD, 'Education: crisis reinforces importance of a good education, says OECD', media release, 13 September 2011, www.oecd.org/newsroom/educationcrisisreinforcesimportanceofagoodeducationsaysoced.htm.

4.7 OECD Secretary-General Angel Gurría argued that 'investment in education is not only about money, it's also an investment in the future.'⁷ The OECD also observed that education of individuals provided a benefit to society at large:

Governments therefore need to invest in education. In the long-run, their budgets will benefit from investment in education. The better educated are less likely to need unemployment benefits or welfare assistance, and pay more tax when they enter the job market.

A man with a tertiary education will pay back an average USD 91 000 in income taxes and social contributions over his working life, over and above what the government pays for his degree.⁸

4.8 The OECD argued that the education of individuals contributes to society as a whole:

A large body of literature suggests that education is strongly associated with a variety of social outcomes, such as better health, stronger civic and social engagement, and reduced crime. A smaller number of studies further suggest that education has a positive effect on most of these social outcomes.⁹

4.9 The implication from the OECD's argument is clear: inadequate or poorly targeted education funding increases disadvantage and inequity, leading to a number of significant and costly social problems.

4.10 The Gonski Panel defined equity in schooling as 'ensuring that differences in educational outcomes are not the result of differences in wealth, income, power or possessions.' The Panel noted that:

Equity in this sense does not mean that all students are the same or will achieve the same outcomes. Rather, it means that all students must have access to an acceptable international standard of education, regardless of where they live or the school they attend.¹⁰

4.11 It was the view of the Gonski Panel that ensuring that all Australian children have access to the best possible education could be considered 'the moral imperative of schooling',¹¹ beyond the legal obligation of governments to provide opportunity of schooling.

7 OECD, 'Education: crisis reinforces importance of a good education, says OECD', media release, 13 September 2011.

8 OECD, 'Education: crisis reinforces importance of a good education, says OECD', media release, 13 September 2011.

9 OECD, Centre for Educational Research and Innovation – CERI, *Improving Health and Social Cohesion through Education*, www.oecd.org/edu/cei/improvinghealthandsocialcohesionthrougheducation.htm.

10 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 105.

11 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 105.

4.12 In his Jean Blackburn Oration, Mr Gonski spoke of the importance of school education to individuals and society:

I cannot easily forget the differences I saw in the schools I visited. To say that many of the schools in the state systems need further assistance both in money and tender loving care is to me an understatement.

Governments need to embrace the importance of school education to individuals and to the productivity of our society. There needs to be a commitment to a properly funded needs based aspirational system and a failure to do so will be to our detriment.¹²

4.13 A key finding of the Gonski Review was that educational disadvantage had a significant effect on student outcomes in Australia. Those students which experience disadvantage are at risk of underperformance. The Gonski Review found that it was essential for disadvantaged students and schools to receive targeted funding so that the equity of education outcomes could be improved.¹³

4.14 As a result of this finding, the Gonski panel concluded that:

Australia must aspire to have a schooling system that is among the best in the world for its quality and equity, and must prioritise support for its lowest performing students. Every child should have access to the best possible education, regardless of where they live, the income of their family or the school they attend. Further, no student in Australia should leave school without the basic skills and competencies needed to participate in the workforce and lead successful and productive lives. The system as a whole must work to meet the needs of all Australian children, now and in the future.¹⁴

4.15 The foundation of the reforms to school funding recommended by the Gonski Panel was the improved coordination of funding at state and federal government level so that 'funding effort can be maximised, particular effort to improve the educational outcomes of disadvantaged students.'¹⁵ Unless the funding inequity for disadvantaged students is addressed, a proportion of Australian students will fail to reach their full potential and Australia as a nation will be poorer.

The link between school funding and student outcomes

4.16 Despite the widespread support for greater school funding, the committee also heard argument against increases in school funding. In particular, Professor Henry Ergas argued that increased school funding in Australia has not resulted in a positive effect on educational outcomes:

12 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, p.19.

13 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 108.

14 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiv.

15 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xv.

At the heart of the national school funding arrangements is the substantial further increase in public expenditure on schools.

Real government expenditure already increased by 3.8 per cent annually over the period from 2000 to 2012. In those school funding arrangements, Commonwealth outlays are projected to rise from \$13.5 billion in calendar year 2014 to \$17.6 billion in 2017 and then to \$22 billion in 2019. These very substantial increases have a high opportunity cost in terms of forcing taxes to be higher or other public spending to be lower than they would otherwise be. As a result, they can only be justified if there is compelling evidence that they will yield gains that exceed those opportunity costs yet that evidence has not been advanced. On the contrary, as the OECD recently pointed out...once one goes above a level of expenditure—some 50 per cent to 60 per cent of that in Australia—further increases in expenditure per student do not in themselves have any positive impact on performance.¹⁶

4.17 The Centre for Independent Studies (CIS) also made a similar point in a recent paper examining funding levels matched against Australian students' performance in international comparisons. Figure 5 below is extracted from the CIS report as it illustrates the point being argued in that report and by witnesses such as Professor Ergas.

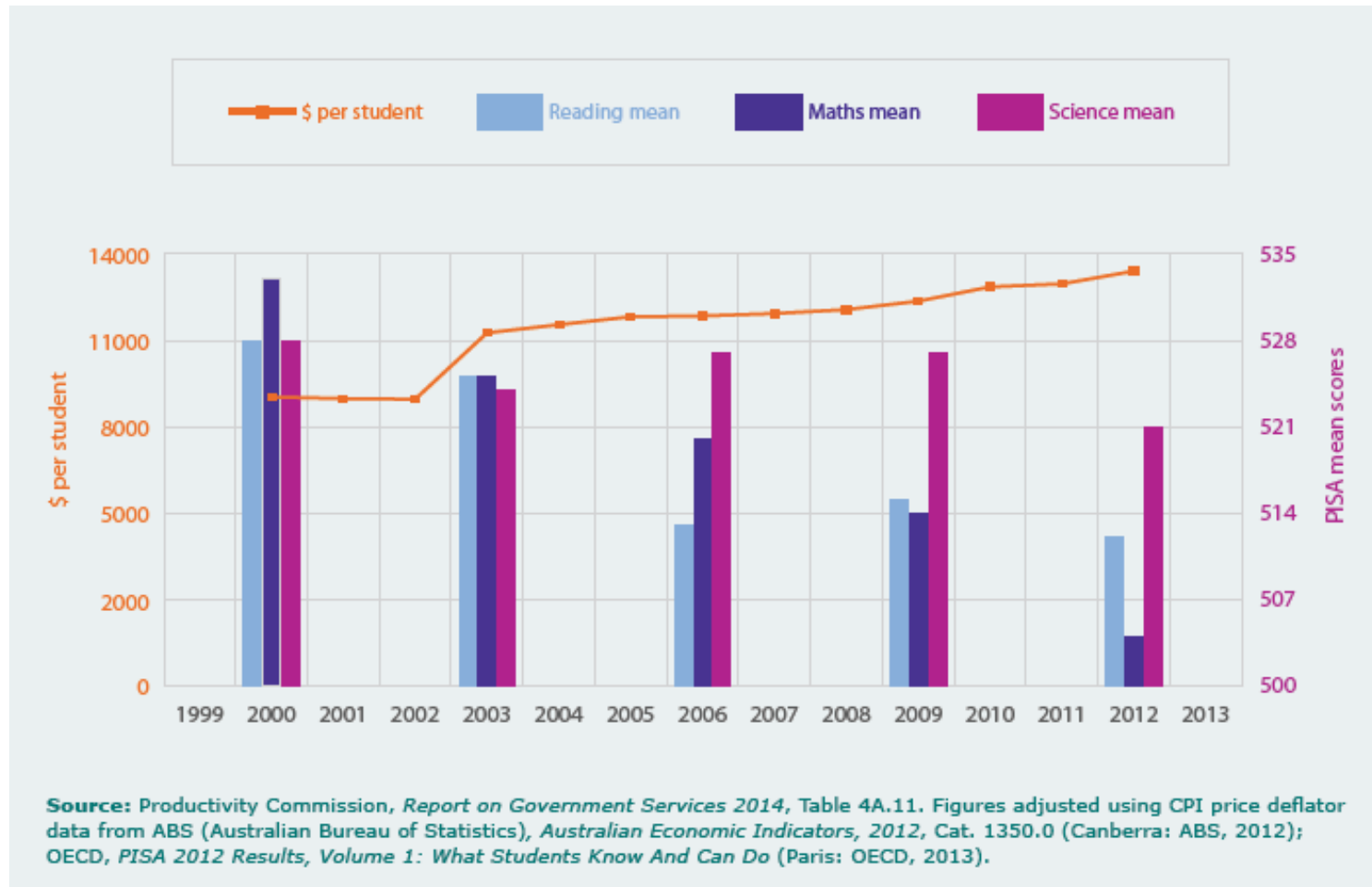
4.18 In answers to questions on notice, Dr Ken Boston, former head of the NSW Education Department and member of the Gonski Review Panel, refuted the argument put by Professor Ergas and the CIS report. Dr Boston lists a number of publications which he argued identify a clear link between expenditure and school performance. In particular Dr Boston explained:

Grubb (2011) is an important publication, which Prof. Ergas has not represented accurately. Its thrust is to show that school outcomes depend very much on how school resources are used. Grubb sees money as an essential but not sufficient condition for school improvement: his major contention is that funding is an essential element in the creation of “compound resources”, in which money and other resources are combined to improve school outcomes. In the Australian context, examples of compound resources might include the application of funds in disadvantaged schools to support whole-school instructional leadership, teachers' aides, counsellors, intervention programs and home/school liaison personnel fluent in the dominant community language.¹⁷

16 Professor Henry Ergas, private capacity, *Committee Hansard*, 1 May 2014, p. 58.

17 Dr Ken Boston, private capacity, answer to question on notice, 16 May 2014, p. 1.

Figure 5—Per student funding (real 2010-11 dollars) and PISA mean scores, Australia¹⁸



18 Jennifer Buckingham, 'School Funding on a Budget (T30.09)', Centre for Independent Studies, p. 11, www.cis.org.au/images/stories/target30/t30.09.pdf.

4.19 Dr Boston also observed that the OECD report on the 2012 PISA results, which is cited by those arguing that increased expenditure does not result in improved educational outcomes, found that 'high-performing countries tend to allocate resources more equitably across socio-economically advantaged and disadvantaged schools'. He explained that due to the problems in the allocation of school funding in Australia, the gap between advantaged and disadvantaged schools is greater:

Australia does not have a good record in allocating school funding equitably. The OECD (2013b,c) shows that disadvantaged schools in Australia have far fewer educational resources than advantaged schools. They experience more teacher shortages, and more shortages or inadequacy of educational materials and physical infrastructure than advantaged schools.

The gaps in human and material resources between disadvantaged and advantaged secondary schools in Australia are amongst the largest of all the countries participating in PISA, and certainly amongst the higher performing countries. Out of 65 nations participating in PISA, only Taiwan has a greater differential between advantaged and disadvantaged schools in the supply of teachers. Only ten countries have greater inequity than Australia in the allocation of educational resources.¹⁹

4.20 The Gonski Review Report noted that based on OECD data for 2008, government expenditure on schooling was relatively low in comparison on other countries: Australia's expenditure on primary, secondary and post-secondary non-tertiary education was 3 per cent of GDP compared to the OECD average of 3.5 per cent.²⁰ As Mr Gonski noted in his Jean Blackburn Oration, \$5 billion based on the 2009 funding was a large number, however it represented an increase of just under 15 per cent of government recurrent funding for schooling that year, and less than 0.5 per cent of Australia's GDP for that year.²¹ With a 0.5 per cent increase, Australia would still have been under the OECD average of 3.5 per cent.

4.21 The NCOA report asserted that funding had been high under the AGSRC funding model (2000 onwards) and that growth would be increase exponentially post the implementation of the NPSI.²² In reality, and when considering the OECD data, Australian schools funding growth under the NPSI would not be remarkable when compared to other countries as a proportion of GDP. For example when the NCOA argues that school funding had been high under the AGSRC from 2000 on, the OECD

19 Dr Ken Boston, private capacity, answer to question on notice, 16 May 2014, pp 4–5.

20 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 13.

21 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, pp. 11-12.

22 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 262, www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html, (accessed 9 June 2014).

data for 2000 has Australia spending 5.2 per cent of GDP on education funding compared to an OECD average of 5.4 per cent.²³

4.22 The importance of the NPSI model, with its implementation of an SRS including loadings for disadvantage, was to use funds allocated for schools strategically. This followed the key argument of the Gonski Review that funding arrangements should be structured so as to increase equity in the schooling system:

The structure of schooling systems and school funding arrangements can facilitate, or hinder, equity. Field, Kuczera and Pont (2007) suggest that in order to promote equity, expenditure in education should be targeted to schools most in need of support within a schooling system, so that minimum standards of achievement are met everywhere. They also suggest that funding arrangements should promote transparency and accountability by funding recipients, particularly government and non-government school systems, for the allocation of resources so that the impact of addressing inequity and improving educational outcomes can be measured.

While funding arrangements play a critical role in improving equity in educational outcomes, allocating the right level of resources in the right places is only part of the challenge. Of equal importance is ensuring that additional resources are used in the most educationally effective ways. The key to achieving greater equity in schooling therefore lies not only in an increased investment in disadvantaged schools and students, but also in ensuring additional resources are used to employ strategies in a comprehensive, integrated and sustainable manner.²⁴

4.23 While the NCOA, like Professor Ergas, focused purely on the cost of education, the Gonski Review outlined a funding model which aimed to make the best use of school funding by targeting it to the areas of most need and the strategic use of the additional resources.

Specific examples of improved student outcomes of school funding

4.24 The committee heard a number of real-life examples which support the argument made by Dr Boston; that funding levels and its distribution are linked to educational outcomes, particularly where funding is specifically targeted to alleviating disadvantage. Many examples provided were in relation to the programs schools could run using the funding provided under the National Partnerships Program. Two such examples are extracted below in abridged form. These examples, from schools in Victoria, show that small amounts of targeted funding, if used strategically in areas such as teacher quality, can result in improved educational outcomes.

4.25 The first example is from Mr David Adamson, Principal of the Essendon Keilor College in Melbourne. Mr Adamson provided his evidence as part of a session,

23 OECD (2013), *Education at a Glance 2013: OECD Indicators*, OECD Publishing, <http://dx.doi.org/10.1787/eag-2013-en>

24 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 109.

included at the conclusion of several of the committee's public hearings, which allowed teachers, parents and principals to give short statements to the committee:

In 2011, I received about \$70,000 national partnership money because I had a significant cohort of kids who were performing well below standard in literacy and numeracy. That is the only time ever I received any money for that because we solved the problem and so I did not have that cohort any more. How did I solve the problem? I did it by employing 0.7 of a teacher—\$70,000 covered about 0.7 of a teacher. I have multi campuses—I have two year 7 to year 9 campuses. I split that money across the two campuses and got a couple of my teachers who were experts, one in literacy and one in numeracy, to coach staff to set up a literacy and numeracy program. It was a small amount of time, a third of a teacher's allotment, 10 or 15 periods a week that they were able to put into that. We were able to train them and then to train other teachers in teaching literacy and numeracy. So the students in year 7 in that time who had that plus or minus three-year spread of abilities...by looking at NAPLAN and other results we were able, in two years, to narrow that six-year gap to around four years, as well as pushing everybody up. So a small amount of money could make a significant difference if used properly.

We do not have that money any more. The teachers have moved on. The expertise is disappearing. Over time the ability to make that significant difference disappears very quickly. So in a two- or three-year period, if I am not careful I am going to lose all that expertise in the school. The two teachers I trained as coaches are nearing retirement age. I do not have the resources to continue those programs so I do not get additional funding.

So when you hear stories that money does not matter, it really does matter. Targeted properly it can make a significant difference to student outcomes...²⁵

4.26 The second example is from Ms Karen Money, the principal of William Ruthven Secondary College in Melbourne. Ms Money also provided her evidence as part of an individual parents, teachers and principals session at the committee's public hearing:

We had a brand new timetable, curriculum and methodology of doing things. Part of that methodology was being able to employ, with some national partnerships money, some good leading teachers to come in and build into their allotment for 70-minute periods of coaching—similar to what David [Adamson] was saying, having the expertise of expert teachers coaching their peers and colleagues to lift the capacity of all of the other teachers with the consistency of practice across the school—and that has resulted in some learning improvements for our students, which is the main game for all of us.

It was very contentious, very difficult, to do a lot of those things, but it needed to be done if you were really serious about students learning at the

25 Mr David Adamson, Principal of the Essendon Keilor College, Melbourne *Committee Hansard*, 3 April 2014, p. 53.

centre. It also meant a big culture change. It meant changing the values, changing language around, for example, 'They're only Reservoir kids, so what do you expect from them?' to 'I expect everything for them. I expect them to be treated like every other young person in Australia, a democratic country, where they should have access to the best possible teaching no matter the postcode and no matter where they live.

...the real point that I wanted to make was that if you have people who can see the good research around on what makes schools better and what improves them and you can enable practitioners and teachers to learn from each other and get better at what they do, ultimately even with our low SES, non-English speaking background students who you would not necessarily expect the very best from, you can get the very best.

In 2010 the median VCE study score was 25 and last year [2013] it was 28. So it has gone up by one each year. That does not sound like a lot but it is a big difference to VCE median study scores. We had a perfect study score of 50 from Amir Mallelari, a young Arabic boy. He will receive a Premier's Award for his VCE. He is one of our Reservoir boys. It is important to have good teaching, good and consistent practice, committed staff who have the time, and staff who have the expertise, but that costs money. To lift the capacity for these young people is what is important. Last year we had 10 per cent of our VCE study scores over 40. That came from a low of 4.2 [per cent] the year before...²⁶

4.27 The committee heard similar examples of the significant difference made by targeted funding in other states. The Queensland Teachers' Union representative, Mr Kevin Bates, summed up the position in his evidence:

Quality learning relies on appropriate funding. This is firmly established in part 2 of our submission, where outcomes for students in national partnership schools dramatically improved when school resourcing increased. The quality of a child's education should not depend on the circumstances they are born into.²⁷

4.28 Other witnesses, for example Mrs Gail McHardy of the Parents Victoria Association, argued for the importance of continuity of funding and the effect of uncertainty on a school being able to continue running a successful program:

We often see in our space that schools will go, 'We've got this opportunity; we could do that because we could link it to that grant or we could link it to that initiative of the government,' and they will support that because that is what they want to do. So schools are very creative and savvy in doing it but, unfortunately, that money goes only for a period of time and does not sustain the program. That is one of the biggest frustrations for families.

26 Ms Karen Money, Principal of William Ruthven Secondary College, Melbourne, *Committee Hansard*, 3 April 2014, p. 54.

27 Mr Kevin Bates, President, Queensland Teachers' Union, *Committee Hansard*, 1 April 2014, p. 1.

They think: 'This is wonderful. Why don't you keep it going?' The schools say: 'We can't. The money has run out.' That is our biggest frustration.²⁸

4.29 Mr Rob Nairn, Executive Director of the Australian Secondary Principals Association, argued that funding is part of the equation for ensuring quality educational outcomes. The other components required are consistency of funding and capability of school leaders:

But here is the sting in the tail: if you give lots of money to people who do not have the necessary capabilities to use that money effectively, then you are not going to make any difference at all. Now, I could give you examples of principals that have received national partnership money that said, 'I've just received \$150,000 from the federal government; I don't know what to do with it'—whereas, under the proposed funding model, you have a system where principals can rely on dollars coming in year by year. You can put in some sustainable interventions, so it is not a matter of, 'I'll fund this teacher for this year,' or the next two years, and it makes a difference, and then the teacher goes and everything falls apart. You can actually plan as a school community and get things sorted out so that you have something sustainable into the future. I think that is the important part of any funding model....

A great leader with inadequate funding is only going to be able to do a portion of what they could do if they had adequate resources. The OECD points to flexibility over your curriculum and your resources as enabling you to implement things that are going to make difference. It is not so much about flexibility over your budget and your buildings and those sorts of things.

I think one of the strengths of the Gonski funding was that, six years down the track, everybody would be at the same level, and that was the generally recognised, essential point of funding for every student. We are concerned that we are not going to reach that point, simply because the commitment is for four years; and, if we do not get to that point, then what are we going to have?²⁹

4.30 The committee also heard from Catholic and Independent schools that consistent funding, particularly for students with specific educational needs, was something desperately needed. For example Mr Wayne Bull, Principal of La Salle College, Western Australia told the committee:

I am delighted to be able to present this evidence. My name is Wayne Bull and I am principle of La Salle College in Middle Swan, which is located in the outer metro of Perth. Our school has an SES of 99 and an ICSEA of 1,016. We are part of the Catholic education system of Western Australia. Our fees are currently \$3,500 per year, although approximately 10 per cent

28 Mrs Gail McHardy, Executive Officer, Parents Victoria Inc, *Committee Hansard*, 3 April 2014, p. 38.

29 Mr Rob Nairn, Executive Director, Australian Secondary Principals Association, Western Australia, *Committee Hansard*, 29 April 2014, pp 22–23.

of our parents pay no fees at all and another 25 to 30 per cent are on some form of concession. We have a large education support unit supporting 70 students with disability ranging from quite severe intellectual or physical disability through to moderate. We also have 92 Indigenous students, 42 of whom are boarders. So we have a unique situation where our boarding is only for Indigenous students and these students come only from the Kimberley from remote locations where secondary education is not available—places like Balgo Hills, Billiluna, Mulan and so on.

Fundamentally, I am very supportive of the Gonski model and the Better Schools funding model. The fact the model recognises a base funding whereby schools have a basic requirement to run the school, and then various loadings which are provided on the basis of need and disadvantage. I believe that this is a very positive and equitable approach. My understanding, though, is for the next four years, while the funding is guaranteed, much of the additional funding—the big gains—were going to come in years five and six. So as a principal looking ahead for the next four years I have some certainty; I was looking forward to even greater certainty in years five and six but I guess there are some questions there.

In some ways it has been a bit of a challenge trying to explain the new funding model to my community, to my board and to parent groups. I guess the idea of explaining that has been a little challenging—the fact that there was a model in place which looked at a six-year arrangement, which has now come back to four. For La Salle, particularly given the diverse make-up of our students, supporting students with disability and our Indigenous students is critical for us.³⁰

4.31 Mr Warwick Dean, Principal of the Hutchins School in Tasmania, provided the perspective of an Independent school:

The Hutchins School is a non-profit institution which is set up and governed on an individual basis as a truly independent school. Unlike in other sectors, the school does not rely on a central bureaucracy or bodies and is separately accountable to the Hutchins School board, its parent body and the school community.

I think perhaps there is a common perception—I have actually worked in other states—that independent schools are large urban schools that cater for high-income families. At my school I do not think that is true. I have noticed, for example, that 90 per cent of independent schools are low- to medium-fee establishments which cater for the full spectrum of Australian society, and my school is no different. Tuition fees for a senior student at my school are an all-inclusive \$14,800. The early learning centre, which is to the end of grade 2, is \$9,380, with years 3 to 6 being \$10,640.

I know the critical element of the negotiations with the former government was an agreement reached that total public funding for schools would increase by at least three per cent under new funding arrangements. On this

30 Mr Wayne Bull, Principal, La Salle College, Western Australia, *Committee Hansard*, 29 April 2014, p. 25.

we relied. Payments received thus far indicate that this commitment is not being met at this time for the Hutchins School. Unlike the 900 non-systemic independent schools, government systemic schools and Catholic systemic schools are not obliged to fund their schools according to the new funding arrangements but are able to continue their longstanding capacity to redistribute funding according to their own methodology. This means that the only schools in Australia funded according to the new funding arrangements seem to be the 900 systemic independent schools. The Hutchins School is one of these schools. The other 8,500 schools are part of either government or non-government systems. My concern, therefore, for the Hutchins School is that the basic school systems can redistribute their funding, which mitigates some of the problems with the model in terms of its volatility and uncertainty to provide systemic schools with a greater degree of funding certainty and stability, but independent schools receive their funding directly from governments, so there is no capacity to redistribute funds to address the flaws in the model. The capacity of school systems to redistribute funding means that, despite the rhetoric, government schools can suffer and have suffered reductions in funding even in signatory states, and I believe that is unfounded.

The negotiation process for us was a difficult environment. The former government's key objective was, in my opinion, to secure a sign-on from all state and territory governments, and I believe independent schools were not a key priority or focus in either the negotiations or the structure and implementation of any model. The government has committed to funding only the first four years of arrangements, and Minister Pyne has indicated that in the final year of the current four-year funding period the government will enter into a new quadrennium funding agreement with all states and territories and non-government sectors. It is my hope that the concerns raised here will be attended to as a model for funding agreements as they are devised.³¹

Committee comment

4.32 The committee is persuaded by the evidence that there is a link between funding and the achievement of improved educational outcomes. At the same time the committee recognises that improved school funding arrangements are an essential but not sufficient condition of lifting the overall performance of student outcomes, and in particular addressing the long-tail of educational underperformance. There is a requirement for the ongoing development in related areas of policy such as improved teacher training, quality learning, school leadership and parental engagement.

4.33 A key point often overlooked by those arguing against increased investment in education, is that provided funding is used strategically and targeted to those areas of most need, the equity gap will diminish and beneficial results can be achieved.

4.34 At its site visits to the Immaculate Heart of Mary School and the Darlington Primary School in Adelaide, committee members were able to see firsthand how

31 Mr Warwick Dean, Principal, Hutchins School, Tasmania, *Committee Hansard*, 4 April 2014, pp 41–42.

targeted funding can be used to achieve outstanding results for students. It is the committee's view that the above examples clearly demonstrate what can be achieved by implementing a national needs-based, sector-blind system of school funding. The committee is encouraged by the results which can be achieved through targeted funding, such as that in the National Partnerships Program.

4.35 The committee endorses the views put so clearly by Dr Ken Boston:

I can see that Ergas and others, as economists, are looking at the macro-economics of the thing. When you get down into the classroom, when you understand what is going on and when you see wasted human potential because the resources are simply not there, then it focuses the mind on where this country is going. I go back to one of my initial points: if we are hard strapped for cash, as we seem to be, it is better to spend the money we do have for education strategically on areas of need, rather than divvy it up according to some sort of historical approach whereby sectors get a certain amount and no school loses a dollar.³²



From left: Senator Penny Wright (Deputy Chair), Senator Deborah O'Neill, Senator the Hon Jacinta Collins (Chair), Ms Jo Miller (Deputy Principal) and Mr Stephen Palethorpe (Committee Secretary). The committee saw first-hand the benefits to the students of the Darlington Primary School, Adelaide, from funds provided through the National Partnerships Program during the site visit to that school on 30 April 2014.

32 Dr Ken Boston, private capacity, *Committee Hansard*, 16 May 2014, p. 5.

Chapter 5

Rudd/Gillard Governments' school funding reforms

5.1 The recommendations of the Gonski Report were the basis for the Rudd/Gillard Governments' National Plan for School Improvement (NPSI). With the enactment of the *Australian Education Act 2013*, NPSI funding commenced on 1 January 2014. This chapter outlines the elements of NPSI, its planned implementation, and the transition from the previous funding model to arrangements under NPSI.

5.2 The purpose of this chapter is to provide an outline of the changes to school funding arrangements which were initiated by the Gonski Report findings. The following chapter mirrors this in providing a similar outline of the current Abbott Government's Students First policy as a continuation of reforms to school funding arrangements.

The National Plan for School Improvement

5.3 The NPSI was developed by the previous government in consultation with state and territory education ministers. It sought to establish a new national needs-based, sector-blind school funding model linked to reforms with the aim of moving Australian schools into the top five in the world by 2025.¹

5.4 The reforms proposed under NPSI focused on five main areas:

- quality teaching;
- quality learning;
- empowered school leadership;
- meeting student need; and
- greater transparency and accountability.²

Quality teaching

5.5 In relation to the 'quality teaching' reform area, under the NPSI it was proposed that:

- All teacher education courses would need to meet new national requirements and be accredited against new national standards for initial teacher education courses by 2015;
- All new teachers would need to be in the top 30 per cent of the population for literacy and numeracy before they could graduate;
- Student teachers would have more practical classroom experience before they could graduate;

1 Commonwealth of Australia, *National Plan for School Improvement*, May 2013, p. 3.

2 Australian Government, *Better Schools: A National Plan for School Improvement*, p. 1.

- There would be extra support for new teachers during their first two years of teaching;
- There would be a new national approach for admission into teaching courses that would recognise the personal qualities needed for teaching as well as academic achievement;
- Every teacher would have an annual performance assessment from 2014 as a new Australian Teacher Performance and Development Framework was implemented; and
- All teachers would have access to ongoing training throughout their career.³

Quality learning

5.6 In the 'quality learning' reform area it was proposed that:

- By 2016 all school would have implemented that Australian Curriculum in all learning areas from Foundation to Year 10, and by 2018 for Years 11 and 12;
- There would be a three-year 'national reading blitz' focussing on improving literacy skills for students between Foundation and Year 3;
- Students would have greater access to vocational learning;
- Students would have more opportunities to learn about our region, including its languages and cultures; and
- Students in Years 3, 5, 7 and 9 would take part in an annual science test as part of the NAPLAN tests.⁴

Empowered school leadership

5.7 In the 'empowered school leadership' reform area it was proposed that:

- Principals be given more power to make decisions over the way they run their schools;
- Principals would be responsible for leading the development of an annual School Improvement Plan; and
- There would be a new Principals' Performance and Development Framework to help support principal selection and development.⁵

Meeting student need

5.8 In the 'meeting student need' reform area it was proposed that:

- The new school funding system would be based on the needs of individual students;

3 Australian Government, *Better Schools: A National Plan for School Improvement*, pp 1–2.

4 Australian Government, *Better Schools: A National Plan for School Improvement*, p. 3.

5 Australian Government, *Better Schools: A National Plan for School Improvement*, p. 4.

- Schools would need to provide more information to parents and families to help them support their child's education;
- Schools would focus on improving support for indigenous students;
- Schools would have a greater focus on high performing students; and
- Every school would have a Safe School Plan to prevent bullying.⁶

Greater transparency and accountability

5.9 In the 'greater transparency and accountability' reform area it was proposed that:

- The 'My School' website would provide parents with more information about their child's school;
- An Australian School Performance Institute would be established to collect better data about school performance and provide expert help to schools and school systems to help them improve results; and
- A comprehensive national education data programme would be developed to improve national data quality, consistency and collection.⁷

Implementing the new funding model

5.10 The NPSI was designed to create a national approach to school funding by adopting a needs-based Schooling Resource Standard (SRS) that would apply to all students, irrespective of whether they attend government or non-government schools. The Australian Education Bill 2013 underpinned the provision of Australian Government funding to states and territories, as well as non-government schools. Gaining Royal Assent on 27 June 2013, the *Australian Education Act 2013* provided for states and territories to receive recurrent funding provided that they were party to the National Education Reform Agreement (NERA) and had signed a bilateral agreement with the Australian Government.⁸

Summary of arrangements under the NPSI

5.11 A summary of the intergovernmental arrangements with participating, non-participating and non-government schools is provided at Figure 6 below.

Government schools

5.12 For government schools, the NPSI was to be established by an agreement—the National Education Reform Agreement (NERA)—signed by the Prime Minister and Premiers and Chief Ministers in participating states.⁹ In addition to this overarching agreement (signed by all participating State and Territory Governments)

6 Australian Government, *Better Schools: A National Plan for School Improvement*, p. 5.

7 Australian Government, *Better Schools: A National Plan for School Improvement*, p. 13.

8 *Australian Education Bill 2013*, Revised Explanatory Memorandum, p. 2.

9 A copy of the Council of Australian Governments, *National Education Reform Agreement* (NERA) is included at Appendix 5.

there would be bilateral agreements between the Commonwealth and each individual State and Territory Government.¹⁰ Each State and Territory would also be required to develop an implementation plan to outline how the national reforms will be supported across all government schools in their system.¹¹

5.13 Government schools in States and Territories that did not enter into the NERA ('non-participating states') would continue to be funded by the Australian Government under a modified version of the existing system of funding. Non-participating states would still be expected to engage in key national reforms and have school improvements plans.

5.14 Further detail about the status of agreements between the Commonwealth and the States and Territories is provided below.

Non-government schools

5.15 Non-government schools are not party to the National Education Reform Agreement. Non-government school systems (like the Catholic school system in each jurisdiction) were asked to commit to the NPSI through memorandums of understanding setting out their implementation plans. In the case of individual (non-systemic) independent schools, the school improvement plan for each school would outline the schools planned activities and/or reforms under the NPSI.¹²

5.16 There was no option for non-government schools to continue to receive funding under previous arrangements.¹³

School improvement plans

5.17 Under these arrangements all schools (government and non-government) would be required to have an annual school improvement plan, developed in consultation with parents and the community. These plans would outline the steps a school would take to improve student results under the national reforms and would be publicly available, thus working towards the goal of transparency and accountability under NPSI.¹⁴

10 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 2.

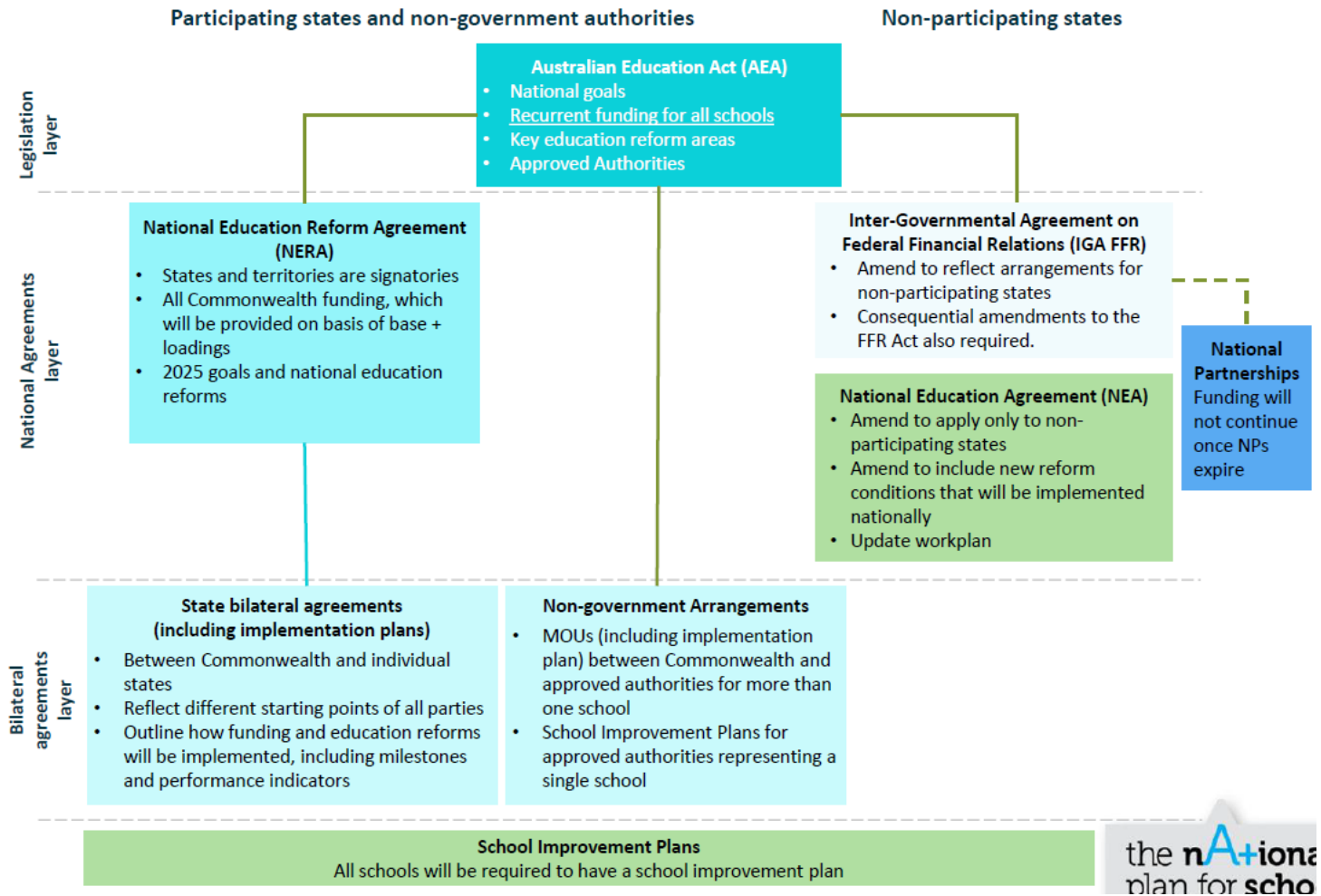
11 Ms Louise Hanlon, Group Manager, Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 35.

12 Ms Louise Hanlon, Group Manager, Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 35.

13 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 2.

14 Ms Louise Hanlon, Group Manager, Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 36.

Figure 6—Summary of arrangements under the National Plan for School Improvement¹⁵



15 Ms Louise Hanlon, Group Manager, former Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 34.

The Schooling Resource Standard

5.18 The Schooling Resource Standard (SRS) is the central component of the NPSI's needs-based school funding model. The Gonski Review argued that:

Australia needs effective arrangements for funding schools across all levels of government—arrangements that ensure resources are being provided where they are needed. The funding arrangements should be aimed at achieving an internationally competitive high standard of schooling, where outcomes are not determined by socioeconomic status or the type of school the child attends, and where the Australian Government and state and territory governments work in partnership to meet the schooling needs of all Australian children.¹⁶

5.19 To further this funding aim, the Gonski Panel recommended that all recurrent school funding whether from the state/territory governments or the Australian Government, be based on an SRS. The SRS would:

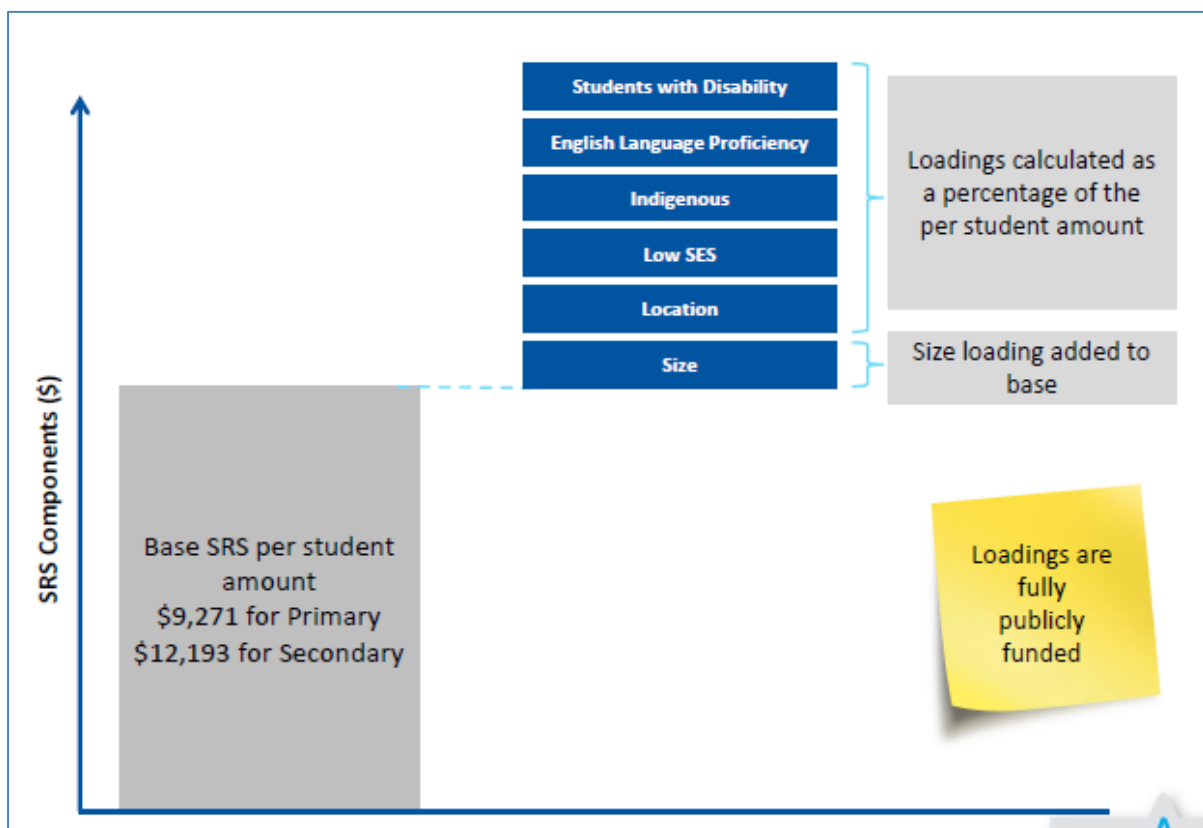
- form the basis for general recurrent funding for all students in all schooling sectors
- consist of separate per student amounts for primary school students and secondary school students
- provide loadings for the additional costs of meeting certain educational needs. These loadings would take into account socioeconomic background, disability, English language proficiency, the particular needs of Indigenous students, school size, and school location
- be based on actual resources used by schools already achieving high educational outcomes for their students over a sustained period of time
- recognise that schools with similar student populations require the same level of resources regardless of whether they are located in the government, Catholic or independent school sectors
- be periodically reviewed every four years so that it continues to reflect community aspirations and, in between reviews, be indexed using a simple measure that is based on the actual increase in costs in schools already achieving the relevant high educational outcomes over a sustained period of time.¹⁷

5.20 Figure 7 below provides a graphical representation of the SRS.

16 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiv.

17 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xvi.

Figure 7—Schooling Resource Standard (SRS)¹⁸



5.21 The base SRS per student amount referred to in Figure 7 above is, as stated in the NERA, the per student funding amount represents the recurrent resources required to support a student with minimal educational disadvantage. The system will deliver a per-student level of funding based on current funding levels for high-achieving, efficient schools. The Gonski Review defined these schools as 'those where at least 80 per cent of students are achieving above the national minimum standard, for their year level, in both reading and numeracy, across each of the three years 2008 to 2010'.¹⁹ Recommendation 9 of the Gonski Review, used '...across each of the three most recent years of NAPLAN results'.²⁰

5.22 For 2014, the per student funding amounts are \$9271 per primary school student and \$12 193 per secondary school student.²¹

18 Ms Louise Hanlon, Group Manager, former Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 6.

19 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 157.

20 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xxii.

21 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 3.

5.23 School funding payments to states and territories under the *Australian Education Act 2013* began in 2014. The Department of Education explained in the workings of the Act and the SRS in its submission:

The model uses a range of student characteristic and school data to calculate a school's funding entitlement. This data includes enrolment numbers, school location, the number of students from low SES backgrounds, the number of Aboriginal and Torres Strait Islander students, the number of students who have limited ELP and the number of students with disability. It also involves consideration of each school's capacity to contribute. The capacity to contribute percentage for government, special, special assistance, majority Aboriginal and Torres Strait Islander and sole provider schools is set at zero, which means that those schools are fully funded by government. Non-government schools attract a capacity to contribute percentage reflecting their school community's capacity to support the operation of their school measured by SES score, which determines the ratio of public to private funding.²²

5.24 The first payments to states and territories under the Act were made on 7 January 2014:

...representing approximately \$4.7 billion to 837 approved authorities representing 9,435 schools:

- \$398 million for the first of 12 monthly payments for 6,708 government schools
- \$2.6 billion for 50 per cent upfront payments to 1,655 Catholic schools
- \$1.7 billion for 50 per cent upfront payments to 1072 independent schools.

Further payments to non-government schools are generally made in July (25 per cent) and October (25 per cent plus any enrolment adjustments). Funding for government schools will be provided to states and territories monthly.²³

5.25 Under the NPSI, the SRS benchmark was to be indexed by 3.6 per cent annually with an independent review of indexation arrangements to be completed by March 2015, as set out in the NERA.²⁴ In evidence at the committee's public hearing on 13 March, Mr Cook advised that the planned reviews on loadings and indexation would be conducted, and that the Abbott Government would use the reviews to work with states and territories on arrangements post 2017.²⁵ Further discussion on indexation rates post-2017 and the consultation with participating states and territories is in Chapters 6-8.

22 Department of Education, *Submission 43*, p. 6

23 Department of Education, *Submission 43*, p. 7

24 *Australian Education Act 2013*, s. 32 and Council of Australian Governments, *National Education Reform Agreement*, provisions 10 and 105 (Appendix 5).

25 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 13 March 2014, p. 2.

Per student funding amount

Government schools

5.26 The per student funding amounts for government school students will be fully government funded.²⁶

Non-government schools

5.27 The government contribution to the per student funding amounts for most non-government schools is adjusted according to a school's 'capacity to contribute'. The measure is based on a school's socioeconomic status (SES) score that takes into account parent contributions and other sources of private income.²⁷

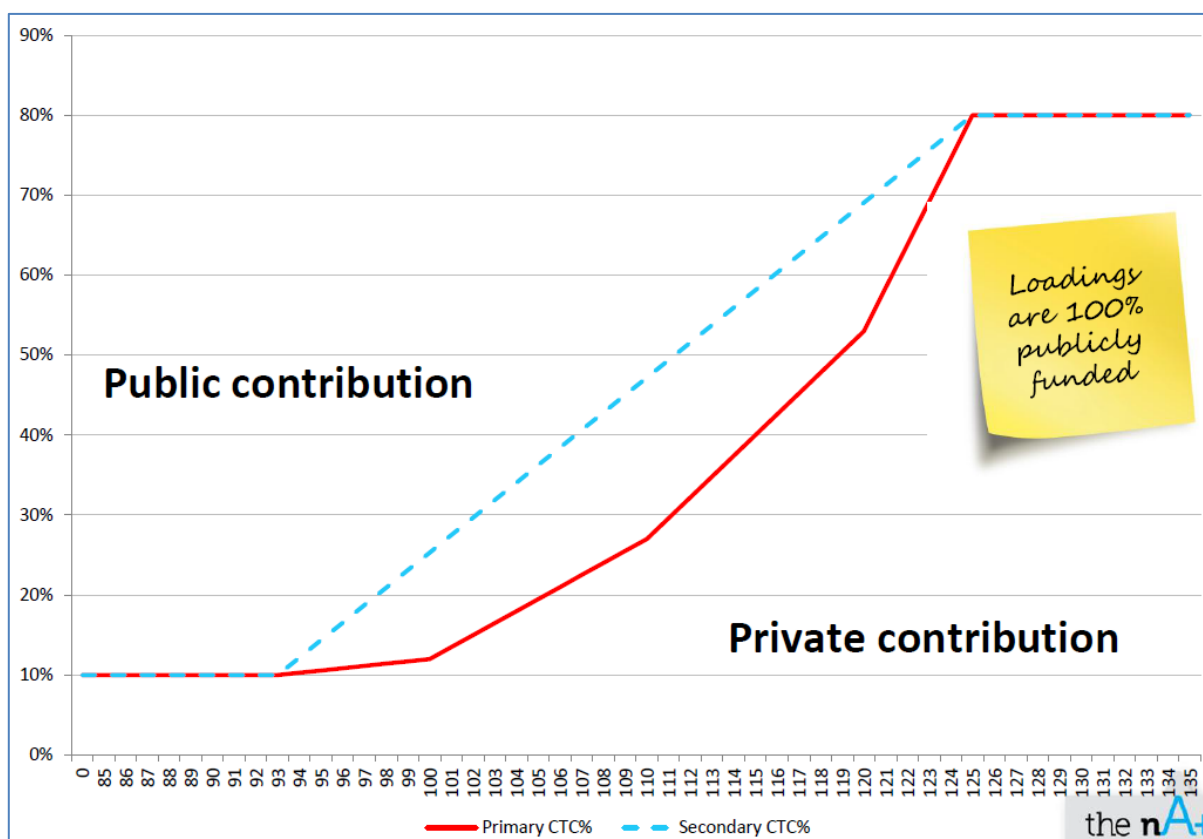
5.28 As outlined in Figure 8 below, a non-government school's SES score determines its capacity to contribute as a percentage of the per student funding amount:

- those non-government schools with the lowest SES scores (93 or less) will be deemed to contribute 10 per cent of the per student funding amounts for primary and secondary students;
- those non-government schools with the highest SES scores (125 or greater) will be deemed to contribute 80 per cent of the per student funding amounts; and
- for those non-government schools with an SES score between 93 and 125, the capacity to contribute will range along a continuum between 10 per cent and 80 per cent of the per student amount. The percentage amounts in between the two end points, however, will be different for primary and secondary schools with the same SES score.²⁸

26 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 3.

27 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 2.

28 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, pp 3–4.

Figure 8—Capacity to contribute arrangements for non-government schools²⁹

Non-government schools exempt from the 'capacity to contribute' requirement

5.29 Certain categories of non-government schools will be exempt from the 'capacity to contribute' requirement. As a result their per student funding amounts will be fully government-funded. These schools are:

- special schools—schools that cater for students with disabilities;
- Special Assistance Schools—schools that cater for students with social, emotional or behavioural difficulties;
- majority Aboriginal and Torres Strait Islander (ATSI) schools—schools with 80 per cent or more ATSI student enrolments or, for very remote schools or schools with students from very remote areas, 50 per cent or more ATSI enrolments; and
- sole-provider schools—schools in remote or very remote areas or with students from these areas that are located more than 25 kilometres from another school that provides the same level of education.³⁰

29 Ms Louise Hanlon, Group Manager, former Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 6.

30 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 4.

Loadings for disadvantage

5.30 There are six loadings which will be added to the base per student SRS amount to meet the additional needs of disadvantaged students and schools:

- low socio-economic status students;
- Aboriginal and Torres Strait Islander students;
- students with low English language proficiency;
- students with disability;
- school size; and
- school location.

5.31 Each of these loadings has a particular funding formula and the loadings will be fully government-funded.³¹ The continued development of the loadings under the Students First policy is discussed further in Chapter 6.

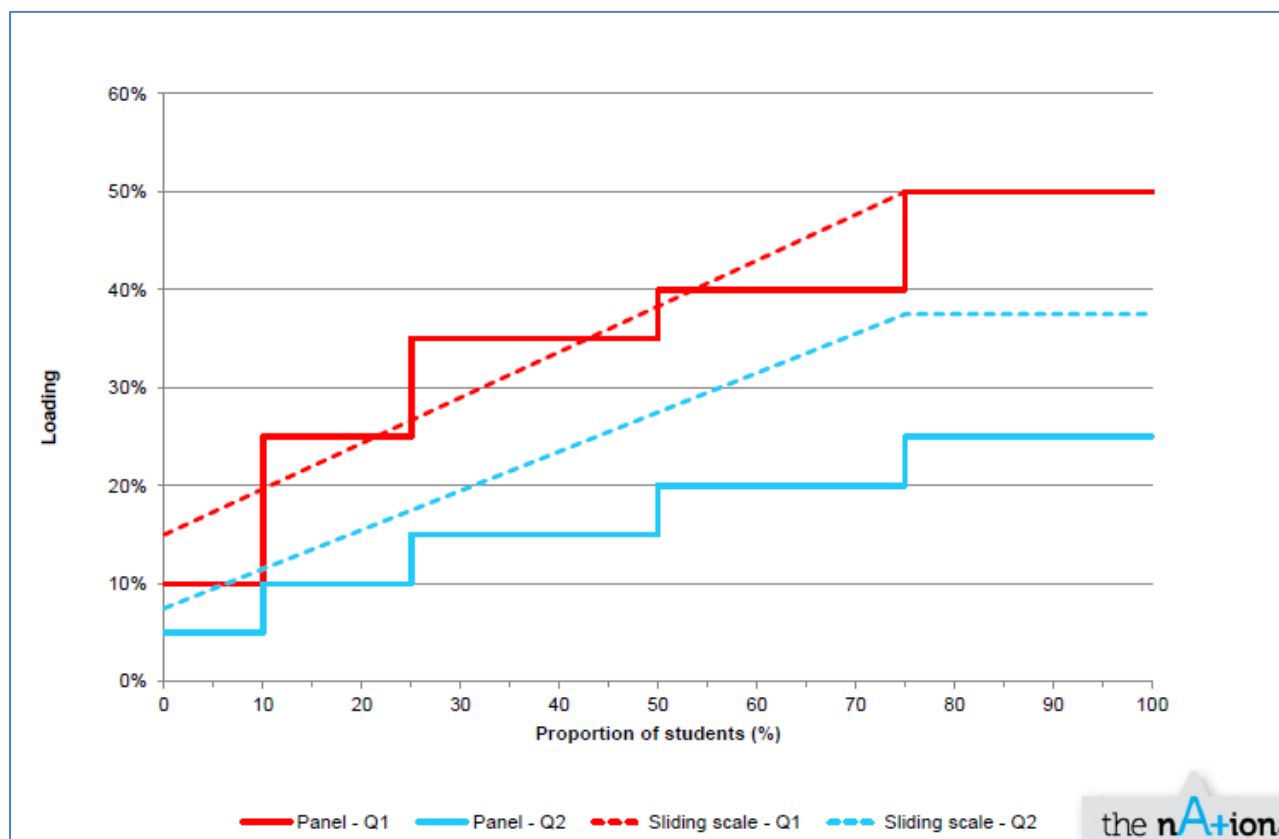
Low socio-economic status students

5.32 The loading for low socio-economic status students is calculated as follows and represented by Figure 9 below:

- For students in socio-educational advantage (SEA) Quartile 1 – a loading ranging from 15 per cent of the per student amount for each Q1 student to 50 per cent of the per student amount for each Q1 student in a school where 75 per cent or more of students are in Q1; and
- For students in SEA Quartile 2 – a loading ranging from 7.5 per cent of the per student amount for each Q2 student to 37.5 per cent of the per student amount for each Q2 student where 75 per cent or more of the students are in Q2.³²

31 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, pp 4–5.

32 Council of Australian Governments, *National Education Reform Agreement*, p. 27 (Appendix 5). For further information on the Index of Community Socio-Educational Advantage (ICSEA) see the 'MySchool Fact Sheet', www.acara.edu.au/verve/resources/Fact_Sheet_-_About_ICSEA.pdf or the 'MySchool Guide to Understanding ICSEA' www.acara.edu.au/verve/resources/Guide_to_understanding_ICSEA.pdf. See also *Australian Education Act 2013*, s. 38.

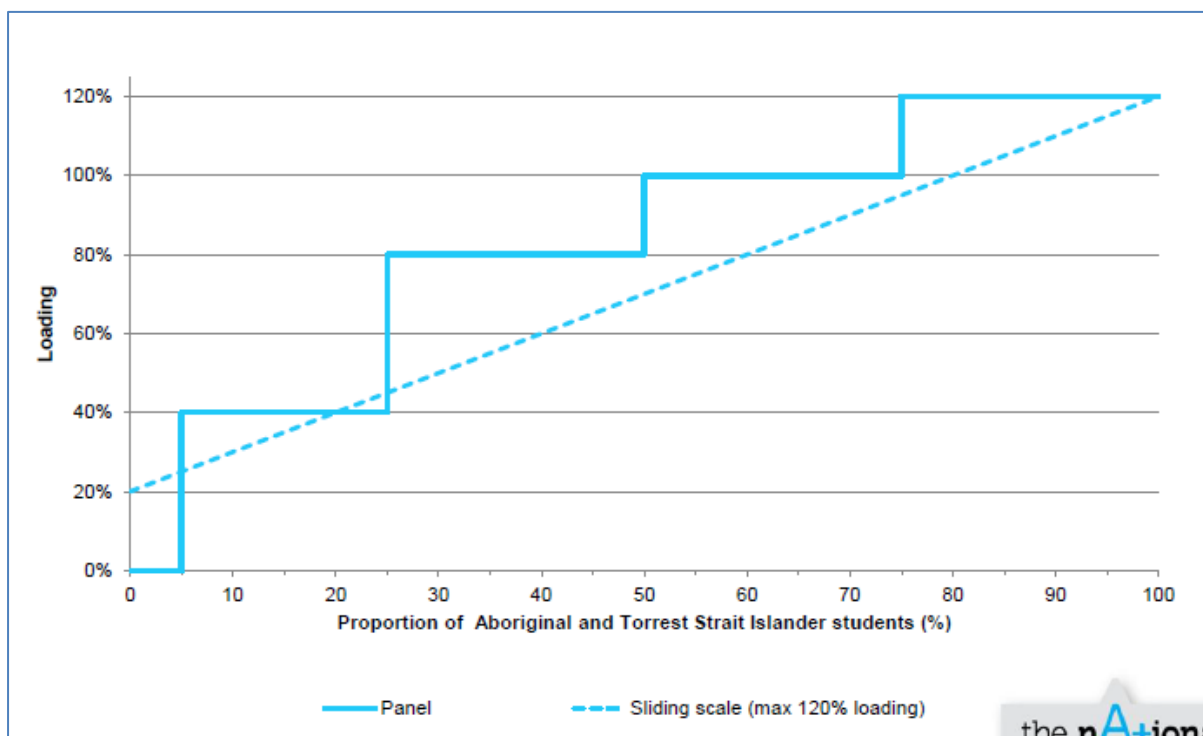
Figure 9–Low Socio-Economic Status Loading³³

Aboriginal and Torres Strait Islander students

5.33 The loading for students from Aboriginal or Torres Strait Islander backgrounds ranges from 20 per cent of the per student amount for the first Aboriginal or Torres Strait Islander background student up to 120 per cent of the per student amount for each Aboriginal or Torres Strait Islander background student in a school where 100 per cent of students are from Aboriginal or Torres Strait Islander backgrounds.³⁴ A graphic representation of the loading is below:

33 Ms Louise Hanlon, Group Manager, former Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 13.

34 Council of Australian Governments, *National Education Reform Agreement*, p. 27 (Appendix 5). See also *Australian Education Act 2013*, s. 37.

Figure 10–Indigenous Student Loading³⁵

Students with low English language proficiency

5.34 The National Education Reform Agreement provides for an interim loading for students with low English language proficiency of ten per cent of the per student amount for each disadvantaged student with a language background other than English – up to an unspecified capped funding amount.³⁶

Students with disability

5.35 The National Education Reform Agreement provides for an interim loading in 2014 of 186 per cent of the per student amount for each student with disability (with a new nationally consistent student with disability loading proposed to be available from 2015).³⁷ Discussion of the work being undertaken to implement a permanent loading for disability is in Chapter 8.

School size loading

5.36 As outlined in Figure 8 below, the school size loading is calculated as follows:

- \$150 000 for primary schools with up to 200 enrolments, tapering to zero for schools with 300 enrolments and above. For schools with less than 15

35 Ms Louise Hanlon, Group Manager, former Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 15.

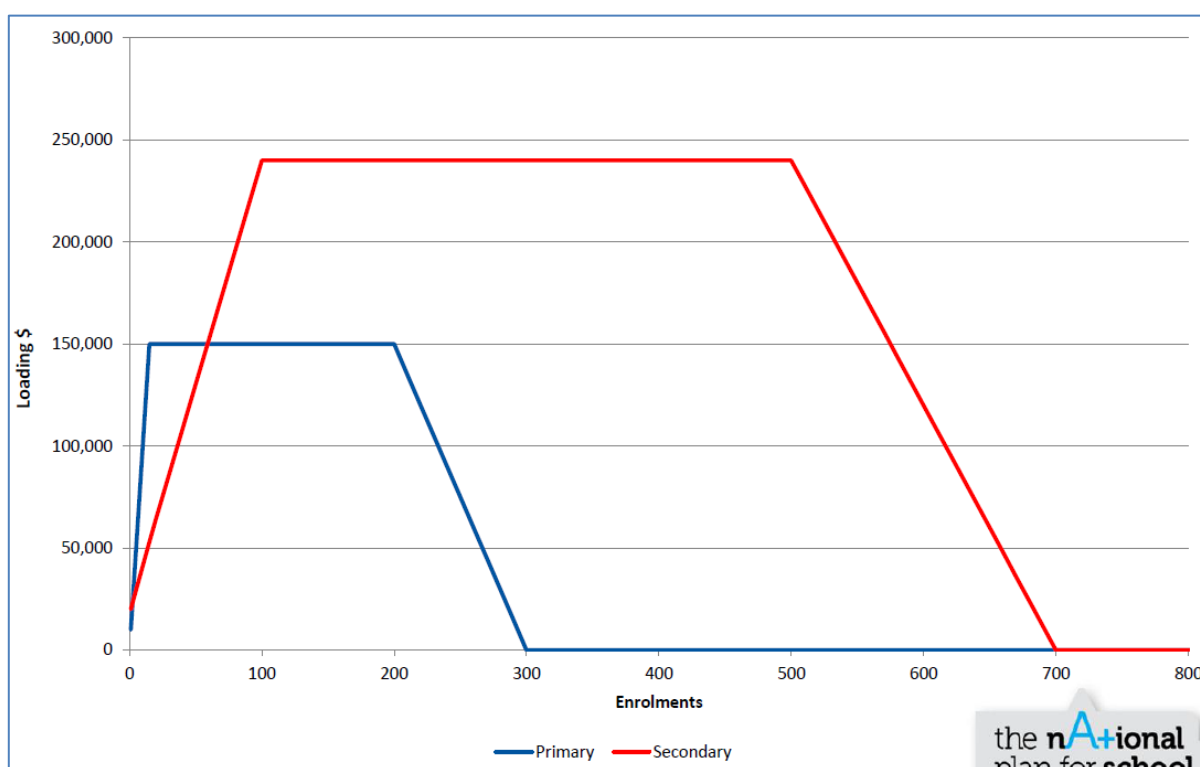
36 Council of Australian Governments, *National Education Reform Agreement*, p. 27 (Appendix 5). See also *Australian Education Act 2013*, s. 39.

37 Council of Australian Governments, *National Education Reform Agreement*, p. 27 (Appendix 5). See also *Australian Education Act 2013*, s. 36.

students, the size loading ranges from \$10 000 up to \$150 000 based on enrolments and remoteness;

- \$240 000 for secondary schools with up to 500 enrolments, tapering to zero for schools with 700 enrolments and above. For schools with less than 100 students, the size loading ranges from \$20 000 up to \$240 000 based on enrolments and remoteness; and
- the loading for combined schools is based on a weighted average of primary and secondary students.³⁸

Figure 11—School Size Loading³⁹



School location loading

5.37 The Accessibility/Remoteness Index of Australia (ARIA) classifications are used to calculate the school location loading. ARIA measures remoteness on a continuous scale (ranging from 0 to 15) with scores based on road distance to service towns of different sizes. As outlined in Figure 9 below, the school location loading is calculated as a percentage of the per student amount as follows:

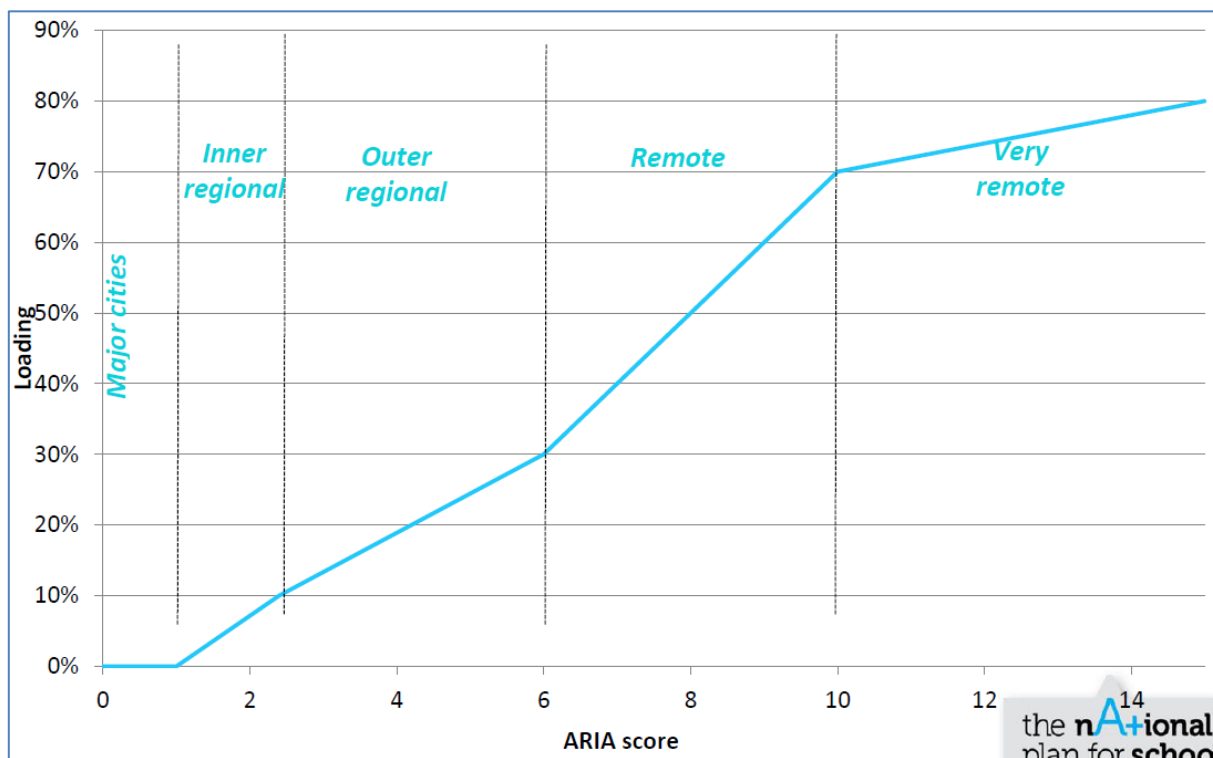
- Inner regional schools – up to 10 per cent;
- Outer regional schools – between 10 and 30 per cent;

38 Council of Australian Governments, *National Education Reform Agreement*, p. 28 (Appendix 5). See also *Australian Education Act 2013*, ss 42–51.

39 Ms Louise Hanlon, Group Manager, Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 6.

- Remote schools – between 30 and 70 per cent; and
- Very remote schools – between 70 and 80 per cent.⁴⁰

Figure 12—School Location Loading⁴¹



Funding under the NPSI

Baseline funding

5.38 Under the NERA, State and Territory Governments commit to maintaining their 'baseline' (existing) recurrent funding levels indexed by an agreed percentage.⁴² The Rudd/Gillard Governments committed to index its baseline recurrent funding amount by 4.7 per cent. When signing the NERA the New South Wales, South

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- 40 Council of Australian Governments, *National Education Reform Agreement*, p. 28 (Appendix 5). See also *Australian Education Act 2013*, ss 40–41. Ms Louise Hanlon, Group Manager, Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 10.
- 41 Ms Louise Hanlon, Group Manager, Commonwealth Department of Education, Employment and Workplace Relations, *National Plan for School Improvement and school funding reform*, Presentation to Parents Forum, 17 June 2013, p. 11.
- 42 Council of Australian Governments, *National Education Reform Agreement*, provisions 63–65 (Appendix 5). In this context and throughout this section, 'indexed' means that the funding is nominally increased at the agreed percentage each year.

Australian and ACT Governments agreed to a 3 per cent indexation rate for their baseline recurrent funding contributions.⁴³

Additional funding

5.39 In addition to maintaining their baseline recurrent funding with indexation, all governments that are party to the NERA agree to contribute an additional amount to ensure all schools are at least funded at 95 per cent of their SRS by 2019. The total additional amount is the difference between the projected total SRS amount for 2019, including the amount represented by non-government schools' capacity to contribute, and the projected total Commonwealth, State and Territory Government baseline recurrent funding for 2019.⁴⁴

5.40 Under the NERA the additional funding is to be shared between the Commonwealth and participating States and Territories at a ratio of 65:35, subject to transitional arrangements.⁴⁵

Transitional arrangements

5.41 Under the NERA, the additional funding is phased in over six years from 2014 to 2019, with the transitional arrangements for each State and Territory finalised through the bilateral agreements.

5.42 If the States, Territories and the Commonwealth followed the funding plan set out in the 2013-14 Federal Budget, most of the additional funding would be provided in the last two years of the transition period. The 2013-14 Budget indicated that \$2.8 billion (28.6 per cent) of the Rudd/Gillard Governments' original share of the additional funding would be provided from 2013-14 to 2016-17, meaning the remaining 71.4 per cent would be provided in 2017-18 and 2018-19 financial years.⁴⁶

Schools currently funded at their Schooling Resource Standard amount

5.43 Under the NERA, schools that are already funded at their SRS level or above will maintain their current level of funding with a smaller indexation rate than the general 3.6 per cent indexation rate for the SRS. These maintenance arrangements will continue until their SRS amount catches up with their actual funding level.

5.44 A school is considered to be funded above its SRS amount if its 2011 net recurrent income per student, as recorded on the My School website, projected to a 2013 funding amount plus 3 per cent is greater than its assessed SRS amount for 2014.

43 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, pp 5–6.

44 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 6.

45 Council of Australian Governments, *National Education Reform Agreement*, clauses 66–67 (Appendix 5).

46 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, pp 6–7.

5.45 The Rudd/Gillard Governments agreed to index the funding for these schools by 3 per cent. State and Territory Governments would commit to similar maintenance arrangements under the NERA, however the actual indexation rates for State and Territory Governments are outlined in the bilateral agreements with the Commonwealth Government.⁴⁷

5.46 Further detail about the status of agreements between the Commonwealth Government and the participating States and Territories Governments is provided below.

Arrangements with non-government schools

Overview

5.47 As noted above, under the *Australian Education Act 2013*, all non-government schools are required to participate in the National Plan for School Improvement in order to receive Commonwealth funding. Negotiations were held with the Catholic and independent school sectors in order to agree on the details of how the Plan would be implemented.

5.48 In considering the arrangements discussed below, it is useful to note that Commonwealth funding to non-government schools may either be:

- distributed to individual schools through a system (for example the Catholic education commissions in each State or Territory distributes funds to individual schools within their system); or
- provided to individual non-government schools (this is usually the case with independent schools).

5.49 For non-government schools, the *Australian Education Act 2013* replaced the *Schools Assistance Act 2008*.⁴⁸

Catholic schools

5.50 On 23 July 2013, the National Catholic Education Commission (NCEC) announced that all State and Territory Catholic Education Commissions had committed to the Better Schools Plan. The NCEC stated that it was confident that no school would be worse off and that the funding arrangements would deliver significant increases over time for every child in the Catholic system.⁴⁹

5.51 It was announced that the agreement would result in approximately \$1.6 billion in additional funding to 1650 Catholic systemic schools over six years.⁵⁰

47 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 7.

48 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 9.

49 National Catholic Education Commission, *Agreement on Commonwealth Government funding for Catholic schools*, Media Release, 23 July 2013.

50 The Hon Kevin Rudd MP, Prime Minister, *Catholic systemic schools to benefit from Better Schools Plan*, Media Release, 23 July 2013.

5.52 At the same time the Archdiocese of Sydney stated that:

One of the biggest sticking points between the Catholic education sector and the government was the [*Australian Education Act 2013*]. This required the distribution of funding to individual schools transferred from Australia's Catholic school systems to Canberra.

It also allowed for present and future federal education ministers to directly intervene in individual school management.

However...under the agreement announced today the Catholic education sector will maintain their autonomy and ability to distribute funds to the schools they manage and run according to local need.⁵¹

5.53 Mr Ian Baker, the Director of Policy and Programs at the Catholic Education Commission of New South Wales stated that:

We have reached a high level of agreement to move forward. Now comes the implementation of plans and issues to be negotiated at a state level with further negotiations and details to be worked on constructively and resolved.⁵²

5.54 The Archdiocese of Sydney noted that the 'next stage is to create a road map for implementation which includes Catholic Education Commissions finalising state-based implementation plans and negotiating their own individual MoU agreements with the Commonwealth.'⁵³

5.55 There is little information currently on the public record in relation to progress made in relation to state-based implementation plans and MoUs. Although on 25 November 2013 the Federal Minister for Education stated that the MoU between the Commonwealth and systemic Catholic schools was unsigned.⁵⁴

New South Wales

5.56 The Catholic Education Commission of New South Wales has released information about 2014 funding arrangements for Catholic systemic schools in NSW. In a letter dated 5 December 2013 the Commonwealth Department of Education outlines the funding arrangements which:

- recognises that the Catholic Education Commission of NSW will maintain autonomy over funding distribution within its system in accordance with the requirements of the *Australian Education Act 2013* (the Act); and

51 Catholic Communications, Sydney Archdiocese, *Catholic school sector signs onto Gonski and keeps autonomy*, Media Release, 23 July 2013.

52 Catholic Communications, Sydney Archdiocese, *Catholic school sector signs onto Gonski and keeps autonomy*, Media Release, 23 July 2013.

53 Catholic Communications, Sydney Archdiocese, *Catholic school sector signs onto Gonski and keeps autonomy*, Media Release, 23 July 2013.

54 The Hon Christopher Pyne MP, Minister for Education, *Shorten's shocker of a school funding mess*, Media Release, 25 November 2013.

- notes that the Commission's documented needs-based funding arrangement would align with the requirements of the Act.

Western Australia

5.57 In relation to Western Australia, the NCEC stated that:

Catholic education in Western Australia has unique needs and two outstanding funding issues remain unresolved. Catholic education in Western Australia will continue discussions with the Australian Government to ensure funding reflects the needs of students and schools in Western Australia.⁵⁵

5.58 There is no information currently on the public record to indicate the nature of the two unresolved funding issues or how they were resolved.

Independent schools

5.59 On 10 July 2013 the Independent Schools Council of Australia (ISCA) announced that agreement had been reached with the Rudd/Gillard Governments in relation to the Better Schools Plan.⁵⁶

5.60 It was announced that more than \$1 billion in additional funding would flow to Australian independent schools over six years.⁵⁷ ISCA stated that independent schools would only receive the maximum benefits from the model if all States and Territories sign agreements with the Commonwealth.⁵⁸

5.61 As noted above, Commonwealth funding is usually provided to individual independent schools, rather than a 'system' as is the case with government and Catholic schools. In this regard Independent Schools Victoria noted that neither they nor ISCA are able to sign agreements with the Australian Government on behalf of individual schools.⁵⁹ The only agreement between independent schools and the Commonwealth will be each school's School Improvement Plan.⁶⁰

Funding for government schools in non-participating States or Territories

5.62 As outlined above, government schools in States and Territories that are signatories to the NERA and all non-government schools will be funded under the

55 National Catholic Education Commission, *Agreement on Commonwealth Government funding for Catholic schools*, Media Release, 23 July 2013, p. 2.

56 Independent Schools Council of Australia, *Independent Schools Council welcomes agreement on Better Schools*, Media Release, 10 July 2013.

57 The Hon Kevin Rudd MP, Prime Minister, *Historic agreement reached with independent schools*, Media Release, 10 July 2013.

58 Independent Schools Council of Australia, *Independent Schools Council welcomes agreement on Better Schools*, Media Release, 10 July 2013.

59 Independent Schools Victoria, *School funding — progress but schools have not signed*, Media Release, 10 July 2013.

60 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 4.

NPSI. However, Commonwealth financial assistance for government schools in non-participating States and Territories will be paid through a separate national specific purpose payment.

5.63 The amount of financial assistance that is payable to these States and Territories is determined by reference to the amount those States and Territories received for 2013 through the national specific purpose payment for schools under the *Federal Financial Relations Act 2009*. This amount may be indexed each year, following a determination by the Minister as to the indexation rate.⁶¹

5.64 Non-participating schools (i.e. government schools in non-participating States and Territories) would not have been not eligible to receive the additional funding on offer through the NPSI.

5.65 Although not participating in the NPSI funding arrangements, non-participating State and Territory Governments are still required to agree to implement national policy initiatives for school education to receive Australian Government funding.⁶²

Accountability and transparency

5.66 In outlining its key recommendations to create a needs-based, sector-blind funding model, the Gonski Report emphasised that the SRS on which the model was based should 'be transparent, defensible and equitable and be capable of application across all sectors and systems'.⁶³ The NPSI captured the need for transparency and accountability in delivering needs-based funding in its five areas of reform: Quality Teaching, Quality Learning, Empowered School Leadership, Meeting Student Need, and Transparency and Accountability.⁶⁴ Transparency and accountability are also listed amongst the objects of the *Australian Education Act 2013*, which, as detailed below, provides the conditions for implementing the significant transparency and accountability mechanisms.⁶⁵

5.67 For those government school systems that enter into the NERA, the *Australian Education Act 2013* (the Act) replaces the school funding arrangements provided through the *Federal Financial Relations Act 2009*, the Intergovernmental Agreement on Federal Financial Relations and the National Education Agreement.

61 Commonwealth Department of Education, Guide to the *Australian Education Act 2013*, 'For government schools in non-participating states or territories', <https://aeaguide.education.gov.au/content/b22-government-schools-non-participating-states-or-territories>.

62 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, pp 10–11.

63 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xxi.

64 Commonwealth of Australia, *National Plan for School Improvement*, May 2013, p. 8.

65 *Australian Education Act 2013*, ss. 22, 77.

5.68 For those government school systems not participating in the NERA, the *Australian Education Act 2013* amended the school funding arrangements in the existing legislation and agreements as mentioned above to provide a modified version of the current funding system.⁶⁶

Rationale for accountability and transparency mechanisms

5.69 These financial reporting requirements were designed to provide transparency in ensuring that funding reached individual schools. In this regard, all parties to the NERA agree to transparency of school funding through:

- Publication on the 'My School' website of the Schooling Resource Standard (SRS) model and SRS for each school system and, from 2016 the system funding model and system-calculated entitlements for that system and every school, disaggregated by base and loading entitlements and Commonwealth, State and Territory, and private income for each school; and
- A COAG Council of Treasurers annual report on compliance by all participating jurisdictions in relation to commitments about the maintenance of funding effort and additional funding.⁶⁷

5.70 One signatory to the NERA, New South Wales, has recently published its 2014 needs-based Resource Allocation Model allocations under the equity loadings for socio-economic and Aboriginal backgrounds for each NSW public school.⁶⁸

Conditions of financial assistance

5.71 As noted above, under the Act all government and non-government school authorities will have to sign an agreement whereby they agree to implement the NPSI national school reform agenda and meet financial and other accountability requirements to receive Australian Government funding.⁶⁹

66 Ms Marilyn Harrington, Parliamentary Library, *Funding the National Plan for School Improvement: An Explanation*, June 2013, p. 9.

67 Council of Australian Governments, *National Education Reform Agreement*, clause 97 (Appendix 5).

68 New South Wales Department of Education and Communities, *2014 Resource Allocation Model equity loadings for aboriginal and socio-economic backgrounds*, Version 2, October 2013, www.det.nsw.edu.au/media/downloads/about-us/plans-reports-and-statistics/key-statistics-and-report/lsl-d-ram-stats.pdf.

69 *Australian Education Act 2013*, ss. 22, 77.

Ongoing policy requirements

5.72 An approved authority under the Act⁷⁰ must implement the following policy requirements:

- enhancing principal and teacher performance and professional development through:
 - implementation of the Australian Teacher Performance and Development Framework; and
 - providing access to ongoing professional development consistent with the Australian Charter for the Professional Learning of Teachers and School Leaders;
- implementing the Australian Curriculum or a curriculum with comparable outcomes recognised by Australian Curriculum, Assessment and Reporting Authority (ACARA);
- ensuring its schools participate in the National Assessment Program and provide data collected from those assessments;
- ensuring that:
 - the authority has a school improvement framework; and
 - each of its schools develops, implements, publishes and reviews a school improvement plan;⁷¹
- ensuring that it complies, and that each of its schools complies, with the relevant disability discrimination laws of the Commonwealth and state or territory;
- providing information⁷² required by the Australian Education Regulation 2013.⁷³

Failure to comply with the Act

5.73 The Minister may take action against a State or Territory if an approved authority fails to comply with the Act.

70 An 'approved authority' is a legal entity that the Australian Government has approved to administer funding for a school. Generally, an approved authority will have management and operational authority over the school and its administration. The approved authority for a government school is its relevant State or Territory. The approved authority for a non-government school is the body corporate approved by the Minister for that school. An approved authority can represent one or more schools.

71 Commonwealth Department of Education, Guide to the *Australian Education Act 2013*, <http://aeaguide.education.gov.au/content/d31-school-improvement-plans>

72 Commonwealth Department of Education, Guide to the *Australian Education Act 2013*, <http://aeaguide.education.gov.au/content/a313-information>

73 Commonwealth Department of Education, Guide to the *Australian Education Act 2013*, <http://aeaguide.education.gov.au/content/a312-ongoing-policy-requirements>.

5.74 There are several instances where the Minister may take action:

- A State or Territory fails to comply with the conditions of financial assistance;
- An approved authority for one or more schools located in the State or Territory fails to comply with the basic and ongoing requirements for approval (see above); and
- An approved authority breaches a condition to which the authority's approval is subject.⁷⁴

Possible actions for failure to comply

5.75 If the Minister determines that an authority or body has been non-compliant with, or has breached the Act, the Minister may take any one or more of the following actions:

- determine in writing that the State or Territory pay to the Commonwealth a specified amount;
- determine in writing that the amount of financial assistance that is payable to the State or Territory under the Act is reduced by a specified amount;
- delay making any further payment (or a part of a further payment) to the State or Territory under the Act for a year until:
 - there is a rectification of the non-compliance, breach or failure; and
 - the overpayment, amount of recoverable payment or unpaid amount is repaid.⁷⁵

5.76 Where the circumstance giving rise to a debt was the responsibility of the State or Territory (as in the case of an overpayment to a State for its government schools), the State or Territory must make the payment itself.

5.77 However, where the circumstance giving rise to a debt was the responsibility of an approved authority, block grant authority, or non-government representative body in relation to a non-government school, the State or Territory may either assign to the Commonwealth its right to recover the debt (and the Commonwealth must accept any such assignment), or promptly recover the debt from the authority or body.⁷⁶

74 Commonwealth Department of Education, Guide to the *Australian Education Act 2013*, <http://aeaguide.education.gov.au/content/e1-failure-comply-act>.

75 Commonwealth Department of Education, Guide to the *Australian Education Act 2013*, <http://aeaguide.education.gov.au/content/e11-actions-minister-may-take-result-breaching-act>.

76 Commonwealth Department of Education, Guide to the *Australian Education Act 2013*, <http://aeaguide.education.gov.au/content/e121-overpayments-and-recoverable-payments>.

Arrangements with individual States and Territories

Summary

5.78 In return for additional funding, the Rudd/Gillard Governments required every State and Territory to sign up to the new national education reforms and:

- stop education funding cuts and freezes, including maintaining current school spending and committing to three per cent annual growth on an ongoing basis; and
- provide their 35 per cent share of the additional funding required to move the schools in their State or Territory up towards the Schooling Resource Standard.⁷⁷

5.79 For a State or Territory to fully conclude a bilateral agreement with the Commonwealth it was required that they both:

- sign a Heads of Agreement (HoA) with the Commonwealth which detailed the funding arrangements and education reforms for their jurisdiction (in addition, by signing a HoA the jurisdiction was in effect signing the National Education Reform Agreement (NERA)); and
- draw up an implementation plan to outline how the national reforms would be supported across all government schools in their system (once the implementation plan had been agreed with the Commonwealth the agreement process would be finalised and the HoA would become a bilateral agreement and be published as a schedule to the NERA).⁷⁸

5.80 Table 6 provides a summary of arrangements reached with each State and Territory prior to the 2013 federal election. Further information about the status of arrangements with all jurisdictions is provided in the following sections.

77 Commonwealth of Australia, *National Plan for School Improvement*, May 2013, p. 3.

78 Council of Australian Governments, *National Education Reform Agreement*, p. 21 (Appendix 5).

Table 6—Summary of arrangements under the National Plan for School Improvement

<i>Jurisdiction</i>	<i>Signed HoA?</i>	<i>Date signed HoA</i>	<i>Bilateral agreement finalised?</i>
New South Wales	✓	23 April 2013	✓
Australian Capital Territory	✓	30 May 2013	✓
South Australia	✓	14 June 2013	✓
Tasmania	✓	9 July 2013	✗
Victoria	✓	4 August 2013	✗
Queensland	✗	-	✗
Western Australia	✗	-	✗
Northern Territory	✗	-	✗

New South Wales

5.81 On 23 April 2013 New South Wales became the first State to agree to the previous government's national education reforms.⁷⁹

5.82 It was announced that the agreement would provide New South Wales schools with additional investment totalling \$5 billion over six years. As required by the NERA, the Commonwealth would contribute 65 per cent (\$3.27 billion) and New South Wales would contribute 35 per cent (\$1.761 billion).

5.83 The Commonwealth committed to index its school education spending by 4.7 per cent per annum from 2014 into 2015 and throughout the agreement. New South Wales agreed to index its school education spending by 3 per cent per annum from 2016 onwards.

5.84 The transitional arrangements agreed between the Commonwealth and New South Wales would result in funding for NSW schools reaching at least 95 per cent of the Schooling Resource Standard in 2019.⁸⁰

79 The New South Wales Government has developed a fact sheet in relation to the school funding agreement, 'Gonski Funding Agreement Frequently Asked Questions', www.det.nsw.edu.au/media/downloads/about-us/news-at-det/announcements/yr2013/agreement-on-gonski/factsheet_FAQ.pdf. Further information about the NSW Department of Education and Communities' position on school funding can be found in the 'NSW Department of Education and Communities Discussion paper: Australian School Funding Arrangements', www.det.nsw.edu.au/media/downloads/about-us/news-at-det/announcements/discussion-paper.pdf. See also Council of Australian Governments, *National Education Reform Agreement* (Appendix 5).

5.85 A copy of the Heads of Agreement between the Commonwealth and New South Wales is publicly available.⁸¹ New South Wales developed an implementation plan which was agreed with the Commonwealth and thus the NPSI agreement process between New South Wales and the Commonwealth has been fully concluded.⁸²

Education Amendment (Non-Government School Funding) Act 2013 (NSW)

5.86 On 29 October 2013, the New South Wales Minister for Education introduced the Education Amendment (Non-Government School Funding) Bill 2013 into the NSW Parliament. The bill passed both Houses and was assented to on 20 November 2013.

5.87 The Act facilitates the provision of financial assistance to non-government schools in New South Wales, in accordance with the State's obligations under the NERA (or any future Commonwealth-State agreement on financial assistance in respect of non-government school children).⁸³

5.88 In his second reading speech on the bill, the New South Wales Minister for Education noted that the agreement reached with the Commonwealth would result in an estimated \$790 million of additional investment in NSW non-government schools. The Minister went on to explain that as a result of the agreement with the Commonwealth:

...changes are needed in the way that non-government schools are funded by New South Wales... [The bill] provides a legislative guarantee that the State will meet its obligations under national agreements. This amendment to the Act will enable the Government to carry out our commitments through the National Education Reform Agreement for funding non-government schools and systems.⁸⁴

5.89 The bill also included a provision that ensures that non-government schools are not disadvantaged should the overarching national agreement come to an end. The bill provided that if the relevant national agreement ceased, the State would maintain

80 The Hon Julia Gillard MP, Prime Minister, and the Hon Barry O'Farrell MP, Premier of New South Wales, *NSW first to sign up to national education reforms*, Media Release, 23 April 2013. See also the Hon Barry O'Farrell MP, Premier of New South Wales, *NSW to implement Gonski school funding reforms*, Media Release, 23 April 2013.

81 Heads of Agreement between the Commonwealth of Australia and the State of New South Wales on National Education Reform, April 2013, http://dpl/Books/2013/AUS_NationalEducationReformAgreementNSW.pdf.

82 Department of Education, answer to question on notice (no. 18), February 2014, p. 2.

83 *Education Amendment (Non-Government School Funding) Bill 2013 (NSW)*, Explanatory note, p. 1.

84 The Hon Adrian Piccolo MP, New South Wales Minister for Education, *Hansard*, Legislative Assembly (New South Wales), 29 October 2013, p. 24892.

the level of financial assistance that applied at the time and may increase that amount, taking account of the costs of schooling.⁸⁵

Australian Capital Territory

5.90 On 30 May 2013, the Australian Capital Territory became the second jurisdiction to agree to the previous government's national education reforms.⁸⁶

5.91 It was announced that the agreement would result in around \$190 million in extra funding for ACT schools over the six years from 2014. The extra resourcing would result in all ACT schools being funded to at least the level of the Schooling Resource Standard by 2019.

5.92 As noted above, the Commonwealth committed to index its school education spending by 4.7 per cent per year from 2014 into 2015 and throughout the agreement. The ACT committed to index its own school budget by 3 per cent per year from 2015 onwards.⁸⁷

5.93 A copy of the Heads of Agreement between the Commonwealth and the Australian Capital Territory is also publicly available⁸⁸. Like NSW, the Australian Capital Territory developed an implementation plan which was agreed with the Commonwealth and thus the NPSI agreement process between the ACT and the Commonwealth has been fully concluded.⁸⁹

South Australia

5.94 On 14 June 2013, South Australia became the third jurisdiction to agree to the previous government's national education reforms.⁹⁰

5.95 It was announced that the agreement would increase public funding to South Australian schools by around \$1.1 billion between 2013 and 2019. Total new funding to public schools would be \$717 million, new funding for Catholic schools would be \$197 million and new funding for independent schools would be \$186 million.

5.96 As noted above, the Commonwealth committed to index its school education spending by 4.7 per cent per year from 2014 into 2015 and throughout the agreement.

85 The Hon Adrian Piccolo MP, New South Wales Minister for Education, *Hansard*, Legislative Assembly (New South Wales), 29 October 2013, p. 24892.

86 Council of Australian Governments, *National Education Reform Agreement*, (Appendix 5).

87 The Hon Julia Gillard MP, Prime Minister, and Ms Katy Gallagher MLA, Chief Minister of the Australian Capital Territory, *ACT signs up to national education reforms*, Media Release, 30 May 2013.

88 Heads of Agreement between the Commonwealth of Australia and the Australian Capital Territory on National Education Reform, 30 May 2013, http://dpl/Books/2013/AUS_NationalEducationReformAgreementACT.pdf.

89 Department of Education, answer to question on notice (no. 18), February 2014, p. 2.

90 Council of Australian Governments, *National Education Reform Agreement*, (Appendix 5).

South Australia committed to reach an indexation rate of 3 per cent over the new funding period.⁹¹

5.97 A copy of the Heads of Agreement between the Commonwealth and South Australia is also publicly available⁹². South Australia has also developed an implementation plan which was agreed with the Commonwealth and thus the NPSI agreement process between South Australia and the Commonwealth has been fully concluded.⁹³



Principal of the Darlington Primary School, Adelaide, Ms Kathryn Entwistle, Senator Deborah O'Neill and Senator Penny Wright (Deputy Chair) during the committee's site visit at the Darlington Primary School, Adelaide, 30 April 2014.

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- 91 The Hon Julia Gillard MP, Prime Minister, and the Hon Jay Weatherill MP, Premier of South Australia, *South Australia agrees to national education reform*, Media Release, 14 June 2013. See also the Hon Jay Weatherill MP, Premier of South Australia, and the Hon Jennifer Rankine MP, South Australian Minister for Education and Child Development, *South Australia signs up to historic Gonksie education reforms*, Media Release, 14 June 2013.
- 92 Heads of Agreement between the Commonwealth of Australia and the State of South Australia on National Education Reform, June 2013, http://dpl/Books/2013/AUS_NationalEducationReformAgreementSA.pdf.
- 93 South Australian Department for Education and Child Development, *SA implementation of national plan*, 13 August 2013, www.decd.sa.gov.au/mediacentre/a8_publish/modules/news_64_new/details.asp?ID=1526&.

Tasmania

5.98 On 9 July 2013, Tasmania became the fourth jurisdiction to agree to the previous government's national education reforms.

5.99 The Commonwealth and Tasmanian Governments would invest more than \$380 million in extra funding between 2014 and 2019. The Commonwealth would contribute \$250 million in new funding, with Tasmania contributing \$130 million.

5.100 As noted above, the Commonwealth committed to index its school education spending by 4.7 per cent per year from 2014 into 2015 and throughout the agreement. Tasmania committed to index its 2015 base funding by 3 per cent to 2016 and every year thereafter.⁹⁴

5.101 It was announced that the Tasmanian Government's 'Fairer Funding Model' would be the means through which Better Schools funding would be allocated to government schools in Tasmania.⁹⁵

5.102 A copy of the Heads of Agreement between the Commonwealth and Tasmania is also publicly available,⁹⁶ however the Abbott Government does not consider that Tasmania finalised a bilateral agreement due to federal government caretaker arrangements coming into effect at the time.⁹⁷ On 10 December 2014, the Minister for Education, the Hon Christopher Pyne MP, advised the Tasmanian Government that it considered Tasmania a non-participating state for the purposes of the *Australian Education Act 2013*.⁹⁸

Victoria

5.103 On 23 February 2013, the Victorian Premier and Minister for Education announced the Victorian Government's proposed approach to school funding reform – *Victoria's Plan for School Funding Reform: the next step in raising student*

94 The Hon Kevin Rudd MP, Prime Minister, and the Hon Lara Giddings MP, Premier of Tasmania, *Tasmania signs up to national education reforms*, Media Release, 9 July 2013. The Hon Lara Giddings MP, Premier of Tasmania and the Hon Nick McKim MP, Tasmanian Minister for Education, *Tasmania to sign up to Better Schools Plan*, Media Release, 9 July 2013.

95 The Hon Nick McKim MP, Tasmanian Minister for Education and Skills, *Better Schools for Tasmania*, Media Release, 12 August 2013. See also 'Better Schools Tasmania with Fairer Funding for all students – Fact Sheet', www.education.tas.gov.au/documentcentre/Documents/Better-Schools-Tasmania-Fact-Sheet.pdf and 'Better Schools Tasmania – with fairer funding for all students: Frequently Asked Questions', www.education.tas.gov.au/documentcentre/Documents/Better-Schools-Tasmania-FAQ.pdf.

96 Heads of Agreement between the Commonwealth of Australia and the State of Tasmania on National Education Reform, July 2013, http://dpl/Books/2013/AUS_NationalEducationReformAgreementTAS.pdf.

97 Department of Education, answer to question on notice (no. 1), 18 February 2014.

98 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation.

performance. The Plan was presented as an alternative to the Commonwealth Government's funding model and was to form the basis for the Victorian Government's discussions with the Commonwealth in relation to school funding reform.⁹⁹

5.104 Subsequently, on 4 August 2013 Victoria became the fifth jurisdiction to agree to the previous government's national education reforms.¹⁰⁰

5.105 It was announced that the agreement would see funding allocations for Victorian schools total \$63.7 billion over six years. The Commonwealth and Victorian Governments would together invest \$12.2 billion in extra funding above 2013 levels, with Rudd/Gillard Governments contributing \$6.8 billion and the Victorian contributing \$5.4 billion.

5.106 The agreement would result in Victorian schools reaching 95 per cent of the Schooling Resource Standard by 2022.¹⁰¹

5.107 On the day of signing the agreement, the Premier stated that it was crucial that Victorian school principals and councils remain autonomous and that he 'could never allow Canberra-based bureaucrats to run Victorian schools'.¹⁰² The Premier stated that the 'Rudd Labor Government have agreed to amend the Australian Education Act to ensure Victorian school principals and councils can set the direction of their schools'.¹⁰³

5.108 A copy of the Heads of Agreement between the Commonwealth and Victoria is also publicly available.¹⁰⁴

99 Victorian Government, 'Victoria's Plan for School Funding Reform – the next step in raising student performance',
www.education.vic.gov.au/Documents/about/department/fundingreform.pdf.

100 The Victorian Government has developed two fact sheets in relation to the school funding agreement: 'School Funding – Information about school funding as a result of the School Reform Agreement made between the Victorian Government and the Commonwealth Government', www.education.vic.gov.au/Documents/about/department/vlc_fundingfact.pdf and 'School Funding Reform – Information about the Agreement between the Victorian and Commonwealth Governments',
www.education.vic.gov.au/Documents/about/department/vlcfunding.pdf.

101 The Hon Kevin Rudd MP, Prime Minister, and the Hon Dr Denis Napthine MP, Premier of Victoria, *Victoria signs up to the Better Schools Plan*, Media Release, 4 August 2013.

102 Heads of Agreement between the Commonwealth of Australia and the State of Victoria on National Education Reform, August 2013,
www.education.vic.gov.au/Documents/about/department/vlcfunding.pdf, clauses 39, 40.

103 The Hon Dr Denis Napthine MP, Premier of Victoria, and the Hon Martin Dixon MP, Victorian Minister for Education, *\$12.2 billion win for Victorian schools*, Media Release, 4 August 2013.

104 Heads of Agreement between the Commonwealth of Australia and the State of Victoria on National Education Reform, August 2013,
http://dpl/Books/2013/AUS_NationalEducationReformAgreementVIC.pdf.

Queensland

5.109 Queensland did not agree to the previous government's national education reforms.

5.110 In a submission to the Senate Education, Employment and Workplace Relations Legislation Committee, the Premier of Queensland stated that Queensland:

...will not be participating in the National Education Reform Agreement (NERA) or the National School Improvement Plan (NPSI)...Queensland opposes the funding system, the prescriptive and input focus of the NPSI and the Federal Ministerial control of schools...¹⁰⁵

5.111 In December 2013, Queensland reached agreement with the Abbott Government regarding school funding and the MYEFO 2013 allocated Queensland \$794.4 million from 2013-14 to 2016-17.¹⁰⁶

Western Australia

5.112 Western Australia did not agree to the previous government's national education reforms.

5.113 On 10 September 2013 the Premier of Western Australia stated that:

The reason we did not sign Gonski was that Julia Gillard when she was Prime Minister brought in a piece of legislation through the federal Parliament...that effectively placed the commonwealth bureaucracy in charge of schools in Western Australia.¹⁰⁷

5.114 Earlier in 2013 the Premier stated that Western Australia is:

...at least 25 per cent ahead in the funding of students in this state compared with the Australian average...we will not tie ourselves to a funding growth rate that is lower than would otherwise occur.¹⁰⁸

5.115 In December 2013, Western Australia reached agreement with the Abbott Government regarding school funding and the MYEFO 2013 allocated Western Australia \$120.3 million from 2013-14 to 2016-17.¹⁰⁹

Northern Territory

5.116 The Northern Territory did not agree to the previous government's national education reforms.

105 The Hon Campbell Newman MP, Premier of Queensland, *Submission 3*, Senate Education, Employment and Workplace Relations Legislation Committee inquiry into the provisions of the Australian Education Bill 2013 and the Australian Education (Consequential and Transitional Provisions) Bill 2013, 21 June 2013, p. 1.

106 See Chapters 3 and 6 for further discussion.

107 The Hon Colin Barnett MLA, Premier of Western Australia, *Hansard*, Legislative Assembly (Western Australia), 10 September 2013, p. 3690.

108 The Hon Colin Barnett MLA, Premier of Western Australia, *Hansard*, Legislative Assembly (Western Australia), 16 April 2013, p. 29.

109 See Chapters 3 and 6 for further discussion.

5.117 On 26 July 2013, the Chief Minister of the Northern Territory stated that under the proposed funding formula 'more than 40 per cent of Territory students attend schools that get too much funding and need less'¹¹⁰ and that:

Canberra is trying to hoodwink us into signing up to a bad deal that diverts money away from urban students in Darwin, the rural area, Palmerston, Alice Springs and Katherine and redistributes to remote schools...

...any new school funding formula must benefit all Territory schools.¹¹¹

5.118 The Chief Minister also stated that the Northern Territory could not afford to fund its share of the new funding under the model and expressed concern about the Commonwealth approving how the Territory distributes its funding to schools.¹¹²

5.119 In December 2013, the Northern Territory reached agreement with the Abbott Government regarding school funding and the MYEFO 2013 allocated the Northern Territory \$272.5 million from 2013-14 to 2016-17.¹¹³

110 AAP, 'NT rejects federal schools deal', *The Australian*, 26 July 2013, www.theaustralian.com.au/national-affairs/policy/nt-rejects-federal-schools-deal/story-fn59nlz9-1226686542820.

111 The Hon Adam Giles MLA, Chief Minister of the Northern Territory, *Territory rejects Rudd's Gonski con*, Media Release, 26 July 2013, p 1.

112 The Hon Adam Giles MLA, Chief Minister of the Northern Territory, *Territory rejects Rudd's Gonski con*, Media Release, 26 July 2013, p 2.

113 See Chapters 3 and 6 for further discussion.

Chapter 6

Funding arrangements following the 2013 federal election

6.1 The Abbott Government's Students First policy on school funding was originally outlined in the Coalition policy document *The Coalition's Policy for Schools: Students First*, published in August 2013. The policy is focussed on four keys areas:

- Teacher quality;
- Principal autonomy;
- Engaging parents in education; and
- Strengthening the curriculum.¹

6.2 The Students First policy document, while it argues that 'more money is not necessarily the only solution for better education outcomes'² also asserts that 'there will be no cut to school funding under a Coalition government.'³ The Coalition went into the 2013 election with the commitment that it would honour the agreements that the Rudd/Gillard Governments had entered into, match its funding offers, ensure that no school would be worse off; and to remove some of the conditions that the Rudd/Gillard Governments had attached to its funding for school education under the NERA.⁴

6.3 The then Leader of the Opposition stated in a press conference on 2 August 2013 that:

The essential difference between Labor and the Coalition going into the coming election is not over funding, it's over the amount of control that the Commonwealth Government should have. Under the Coalition, you'll get the funding but you won't get the strings attached so what I want to say today is that as far as school funding is concerned, Kevin Rudd and I are on a unity ticket. There is no difference between Kevin Rudd and myself when it comes to school funding.⁵

6.4 At the same press conference the then Shadow Minister for Education stated that:

1 Commonwealth Department of Education, *Students First*, <http://www.studentsfirst.gov.au/>.

2 'The Coalition's Policy for Schools: Students First' p. 2.

3 'The Coalition's Policy for Schools: Students First' p. 2.

4 The Hon Tony Abbott MP, Leader of the Opposition, Transcript of press conference, 2 August 2013.

5 The Hon Tony Abbott MP, Leader of the Opposition, Transcript of press conference, 2 August 2013.

...we will adopt exactly the same funding envelope as Labor over the forward estimates so that school principals and parents, that school systems, states and territories can plan from 2014 and onwards knowing that they will attract exactly the same funds whether they are in the new model or out of the new model that Labor would have given them if the school system had gone ahead as planned.⁶

6.5 This chapter outlines the Abbott Government's school funding policy so as to provide matching information to that contained in the previous chapter for the Rudd/Gillard Governments. Chapters 7 and 8 then discuss the effect of the changes between the Students First policy and the NPSI. The information presented in this chapter is current at the time of writing.

Implementing the Abbott Government's school funding arrangements

6.6 It is clear from public statements made following the 2013 election that the new Abbott Government has shifted its position on the school funding model:

- At first, on 17 November 2013 the Abbott Government committed to the previous government's new school funding model from 2014 to 2017;
- On 26 November 2013, the Minister for Education then announced that the new school funding model would only be implemented for 2014 and a new school funding model would be developed for implementation from 2015.
- The following day on 27 November 2013, the Abbott Government announced that an additional \$230 million would be provided to the Northern Territory, Queensland and Western Australia for 2014. This funding equated to the amount that these jurisdictions would have received had certain National Partnerships (NPs) for schools continued. The 2013-14 Budget 'redirected' \$2.1 billion from five NPs that were previously provided for in the forward estimates to defray the costs of implementing the new school funding model
- Finally on 2 December 2013, the Abbott Government reverted to its original post-election commitment to maintain previous government's school funding model over the next four years.⁷

Level of funding

6.7 In relation to the level of Commonwealth funding for schools, as noted above the Abbott Government has committed to 'maintaining the same funding envelope as Labor over the forward estimates'.⁸ The Minister for Education, the Hon Christopher

6 The Hon Christopher Pyne MP, Shadow Minister for Education, Transcript of press conference, 2 August 2013.

7 The Hon Christopher Pyne MP, Minister for Education, 'Sky News – interview with Peter Van Onselen and Paul Kelly', transcript, 17 November 2013
http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/2848533/upload_binary/2848533.pdf;fileType=application/pdf#search=%22pyne%22 (accessed 5 February 2014).

8 The Hon Christopher Pyne MP, Minister for Education, 'Coalition to put more funding into schools', Media Release, 27 November 2013.

Pyne MP, has stated numerous times that 'matching' funding allocated by the Rudd/Gillard Governments means that school funding be guaranteed until 2017; the Abbott Government will not match the Rudd/Gillard Governments' school funding for years five and six of NPSI.⁹ The issue of uncertainty resulting from the change in funding from a six year to a four year model is discussed further in Chapter 8.

6.8 As mentioned earlier, the Abbott Government has also committed to provide the non-participating jurisdictions—Queensland, Western Australia and the Northern Territory—with \$1.2 billion in additional school funding over four years.¹⁰ According to advice provided by the Department of Education, Tasmania is also considered a non-participating state as the previous Tasmanian Government did not complete the requirements necessary under the *Australian Education Act 2013*.¹¹ The status of the agreement signed by the Victorian Government, which also failed to progress to a bilateral agreement stage, is uncertain, based on evidence available to the committee.

New Commonwealth funding model

Loadings for disadvantage

6.9 The Abbott Government has indicated that the disadvantage loadings for students with disabilities, indigenous students and small and remote schools, (and also, presumably, the loading for students from non-English speaking backgrounds) will be delivered over the next four years.¹² As discussed in Chapter 5, at present the reviews of loadings and indexation specified under the NERA are being progressed. Discussion of the effect of uncertainty of funding, particularly as it relates to students who would benefit from the disability loading, is in Chapter 8.

'Command and control features'

6.10 As noted above, the Abbott Government has indicated any new funding model would '[get] rid of the prescriptive command and control features [from the *Australian Education Act 2013*] that removed authority for schools from States, Territories and the non-government sector'.¹³

9 'School funding: Education Minister Christopher Pyne defends handling of Gonski policy', *ABC news*, 3 December 2013, www.abc.net.au/news/2013-12-02/pyne-defends-handling-of-gonski-school-funding-policy/5130148.

10 The Hon Tony Abbott MP, Prime Minister, and the Hon Christopher Pyne MP, Minister for Education, 'A fairer funding agreement for schools', Media Release, 2 December 2013.

11 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation.

12 The Hon Tony Abbott MP, Prime Minister, answer to question without notice, 3 December 2013.

13 The Hon Christopher Pyne MP, Minister for Education, Transcript – Press Conference, Adelaide, 28 November 2013.

6.11 The foreshadowed amendments to the Act will affect all jurisdictions regardless of whether or not they had signed the NERA. However, the Abbott Government's stance on this matter appears to be ambivalent.

6.12 On the one hand, the Prime Minister has stated that he suspected that 'NSW and Victoria will be happy to lose the Canberra command and control elements of those deals' and, on the other, the Minister for Education has commented:

"There was conditionality attached to that of course, that won't apply to Western Australia, the Northern Territory and Queensland and we would expect the signatory states to keep the promises that they've made, but at the end of the day, that is a matter for those sovereign jurisdictions."¹⁴

6.13 A bill seeking to amend the Act will be introduced during 2014.¹⁵ The Department of Education advised the committee that the government has written to states and territories, non-government sector groups, principal associations, and parent associations in regards to the proposed changes to the legislation.¹⁶ A copy of the letter regarding the proposed amendments was provided in answer to a question on notice.¹⁷ Mr Cook of the Department of Education outlined the next steps to be taken:

I would anticipate we would be asking the states and territories and other non-government sectors and interested bodies to provide us with effectively submissions—some of that is already available to us; the states and territories have written back to us in relation to some of those things. There is also information that was available last year where some particular states had concerns around aspects of the act and provided that information to us, and so when that information is collated we will obviously provide advice to government in relation to that.¹⁸

6.14 Further discussion of the proposed amendments, particularly as they relate to the removal of the "command and control" mechanisms, is in Chapter 8.

No requirement for States and Territories to maintain or increase funding

6.15 Apart from removing some of the accountability provisions in the *Australian Education Act 2013*, there is another significant difference from the previous government's model: there is now no mechanism to ensure co-contribution from the

14 The Hon Tony Abbott MP, Prime Minister, and the Hon Christopher Pyne MP, Minister for Education, 'A fairer funding agreement for schools', Media Release, 2 December 2013.

15 Senate Standing Committee on Education and Employment, Answers to Questions on Notice, Education Portfolio, Supplementary Budget Estimates 2013-14, Department of Education, Question ED0020_14
http://www.aph.gov.au/~media/Estimates/Live/eet_ctte/estimates/supp_1314/answers/ED0020_14.ashx.

16 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 13 March 2014, pp 16–17.

17 See attachment A to Department of Education, answer to question on notice (no. 5), 13 March 2014.

18 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 13 March 2014, pp 16–17.

Northern Territory, Queensland or Western Australia. The AEU expressed its concern in the following manner:

The failure of negotiations between the Commonwealth and the jurisdictions of Queensland, Western Australia and the Northern Territory to reach six year Gonski funding agreements prior to the election of the Abbott Government in 2013 has been exploited by the new government. It has made separate short-term accommodations with those governments for additional funding, although at much lower levels than was previously on offer. and without any conditions - co-contribution, maintenance and indexation of funding effort, and distribution according to school and student need – attached, which is tantamount to writing a blank cheque.¹⁹

6.16 Media reports confirm this position, with the *Sydney Morning Herald* reporting that:

”Mr Abbott promised on Monday that he would stick to the exact terms of the deals already struck with NSW, Victoria and Tasmania, but suggested the new deals struck with Western Australia, Queensland and the Northern Territory would come with no requirements that the states and territory guarantee funding.

“We would certainly regard it as very poor form for the states to reduce their funding because they're getting extra funding from the Commonwealth,” Mr Abbott said. “[But] we don't want to micromanage the states. We don't want to try to run public schools out of Canberra, and that was the problem with the original deal that the former government did.”²⁰

6.17 The Abbott Government has qualified its original pre-election commitment that no school would be worse off under the new arrangements. What has now entered its parlance is that no school will be worse off 'from anything that the Commonwealth does'.²¹

6.18 Chapter 3 notes that in writing to non-participating states in December 2013, the Minister for Education advised of the Abbott Government's intention to amend the command and control aspects of the *Australian Education Act 2013*. The minister also advised that it was his 'expectation that your [state/territory] Government would continue its funding effort across schools [in the relevant state or territory] through the forward estimates period'.²²

19 Australian Education Union, *Submission 25*, p. 6.

20 Jonathan Swan, 'Gonski reversal: Tony Abbott backflips, puts \$1.2b into schools', *The Sydney Morning Herald*, 2 December 2013, <http://www.smh.com.au/federal-politics/political-news/gonski-reversal-tony-abbott-backflips-puts-12b-into-schools-20131202-2yl79.html>.

21 The Hon Tony Abbott MP, Prime Minister, and the Hon Christopher Pyne MP, Minister for Education, 'A fairer funding agreement for schools', Media Release, 2 December 2013.

22 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation. Emphasis added.

6.19 Discussion of the problems regarding transparency of state funding and accountability of states for implementing needs-based funding is in Chapter 8.

Review of funding model

6.20 As noted in Chapter 5, the Department of Education has advised that the reviews of indexation and loadings specified in the NERA for participating states will progress in accordance with that agreement.

Status of reforms proposed under the National Plan for School Improvement

6.21 As noted above, there is considerable confusion regarding the status and the implementation of funding under the agreements reached between the Rudd/Gillard Governments and the States and Territories. Participating states reacted angrily to Minister Pyne's announcements in regards to changes to school funding policy. For example New South Wales Education Minister Adrian Piccoli argued that the Abbott Government had 'plunged education across the country into unnecessary uncertainty'.²³ Minister Piccoli's view was that in the 'war' between states and the Australian Government, the Gonski reforms and the NPSI had been a 'peace treaty':

Mr Piccoli added the Gonski plan had ended the war between government and non-government schools over funding.

"For six months we've had peace in terms of that argument but unfortunately the actions by the Commonwealth have now reignited that."²⁴

6.22 That there had been consensus around the implementation of the NPSI was made abundantly clear by the reaction of the State and Territory Governments post-September 2013. Former Tasmanian Minister Nick McKim described it as:

"Here's a unity ticket for you right here - a Labor minister, a Greens minister, National ministers, Liberal Party ministers, sticking up and unified behind Australian schools and behind funding certainty for Australian schools,"²⁵

6.23 During Budget Estimates on 4 June 2014, the Australian Department of Education advised that the lifetime of the agreements signed with participating states is six years. However, although the Abbott Government has agreed only to provide funding for four years, there has been no approach to the participating states to change or amend the agreements.²⁶ Mr Cook made clear during Budget Estimates that the

23 'States say Christopher Pyne has dropped public schools bombshell in heated education meeting', *ABC news*, 29 November 2013, www.abc.net.au/news/2013-11-29/pyne-drops-education-overhaul-bombshell-on-states-during-heated/5124968.

24 'States say Christopher Pyne has dropped public schools bombshell in heated education meeting', *ABC news*, 29 November 2013.

25 'States say Christopher Pyne has dropped public schools bombshell in heated education meeting', *ABC news*, 29 November 2013.

26 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 96.

Abbott Government's intention to fund only the first four years of the agreement meant that 'in relation to the CPI [indexation post-2017]...[t]hose figures will not match what is in the heads of agreement in relation to years 5 and 6 in 2017 and 2018.'²⁷

6.24 The 2014-15 Federal Budget noted in relation to years five and six funding that:

...final State allocations for the 2018 school year are subject to formal negotiations between the Commonwealth and the States and Territories and the non-government sector.²⁸

6.25 According to the Department of Education 'the bilateral agreements made between the Commonwealth and each of New South Wales, South Australia and the Australian Capital Territory remain in place.'²⁹ At Budget Estimates, Mr Cook anticipated that 'the formal negotiation [between states and the Australian Government] would include discussions in relation to existing agreements.'³⁰ Mr Cook explained that, as part of the department's consultation process on the proposed amendments to the *Australian Education Act 2013*, states and territories had discussed the agreements:

...there are certain things that certainly the parties are now saying they want to change in relation to requirements around the NERA, the heads of agreement in relation to the act and the regulatory burden it places on them. They do not necessarily want to keep the agreements.³¹

6.26 When asked to provide further information in summary of the concerns regarding the NERA, the department submitted:

Following the receipt of all submissions, the department will prepare issues papers to inform more detailed discussions at consultation sessions with peak stakeholders in August 2014. Initial drafting of possible legislative amendments will occur later in 2014 for discussion with peak stakeholders as part of a third and final phase of consultations. This timeframe enables

27 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 97.

28 Budget 2014-15, Budget Paper 3, Part 2: Payments for Specific Purposes, Education. www.budget.gov.au/2014-15/content/bp3/html/bp3_03_part_2c.htm

29 Department of Education, Answer to question in writing No. 8, public hearing 16 May 2014.

30 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 97.

31 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 97.

considered consultation by stakeholders and sufficient time to draft amendments with a view to tabling legislation in 2015.³²

6.27 Further comment regarding the consultation on the proposed amendments to the *Australian Education Act 2013* is included in Chapter 8.

6.28 The budgets of participating states and territories have revealed some new information about the effect of the Abbott Government's new funding arrangements on contributions at the state and territory level. As noted in Chapters 3 and 5, South Australia has outlined the problems that it will face from the Abbott Government's decision not to fund years five and six. Another clear example of the detrimental effect of the new funding arrangements is from New South Wales. In its 2014-15 budget, the New South Wales State Government stated:

Under the NERA, Commonwealth, state and territory governments agreed to significantly reform and increase funding to education from 2014 to 2019. However, in its 2014-15 Budget the Commonwealth stated its intention to cease additional NERA funding after 2017, and to only index the payments for the last two years at the rate of the CPI, with an allowance for changes in enrolments. This unilateral decision by the Commonwealth Government represents a reduction to New South Wales of \$1.3 billion over the two years 2018 and 2019.³³

6.29 Finally, it is not clear if all of the reforms proposed as part of the NPSI ('quality teaching', 'quality learning', 'empowering school leadership', 'meeting student need', and 'greater transparency and accountability') will be progressed as planned.

Arrangements in non-participating jurisdictions

6.30 On 2 December 2013, it was announced that the level of Commonwealth funding for non-participating jurisdictions would be calculated using the same arrangements as for participating jurisdictions—therefore, the per student funding component of the Schooling Resource Standard would be nationally consistent. However, as noted above, non-participating States and Territories are not required to guarantee that there will be 'no cuts' to their own funding as they were required to do under the agreements signed with the previous government.³⁴

6.31 Non-participating states and territories are Queensland, Western Australia and the Northern Territory. Tasmania too is a non-participating state for the purposes of the *Australian Education Act 2013*. As discussed below, the status of the agreement

32 Department of Education, answer to question on notice (no. 6), Senate Education and Employment Legislation Committee, Budget Estimates, 4 June 2014.

33 NSW Budget, Budget Paper 2 – Budget Statement, Chapter 6, p. 7-9
http://www.budget.nsw.gov.au/_data/assets/pdf_file/0016/124315/Ch_7.pdf

34 The Hon Christopher Pyne MP, Minister for Education, Sky News interview with David Speers PM Agenda: national funding agreement for schools, transcript, 2 December 2013,
<http://ministers.education.gov.au/pyne/interview-david-speers-sky-news-pm-agenda-national-funding-agreement-schools>.

signed by Victoria is uncertain, at least on the evidence available to the committee at this time.

Queensland

6.32 On 28 January 2014, the Queensland Government announced that it would use the additional funds offered by the Abbott Government to implement its 'Great Results Guarantee' initiative. Under the initiative a funding boost of \$131 million would be provided to all Queensland state schools in 2014.³⁵ The Commonwealth Minister for Education has announced that the additional funding would be provided 'with no strings attached because we recognise Queensland's education authorities know how to invest in their students' education'.³⁶

6.33 Under the 'Great Results Guarantee' initiative all Queensland state schools will receive a share of the funding and enter into an agreement that commits them to guarantee that every student will either:

- achieve the National Minimum Standard for literacy and numeracy for their year level; or
- have an evidence-based plan, developed by the school, in place to address their specific learning difficulties.

6.34 State schools will enter into an agreement with the Queensland Department of Education, Training and Employment, while Independent Public Schools will establish an agreement with the School Council. The agreement will be published on each school's website and schools will have the flexibility and autonomy to decide how the funding should be spent. Student performance will be measured throughout the year and schools will be required to demonstrate how the extra funding is helping to maximise learning outcomes for all students.

6.35 It was announced that all schools will receive their current level of funding plus a share of the \$131 million. Under the guarantee, state primary schools will receive an additional \$99 million with a focus on the early years. On average, primary schools will receive an extra \$508 per student in Prep to Year 2. State high schools will share in an additional \$30 million to be distributed across all year levels, with a particular emphasis on the early years of high school. Special schools will receive an

35 The Hon Campbell Newman MP, Premier of Queensland, and the Hon John-Paul Langbroek MP, Queensland Minister for Education, Training and Employment, 'Great Results a guarantee for Queensland students', Media Release, 28 January 2014.

36 The Hon Christopher Pyne MP, Minister for Education, 'Targeting school funding where it counts', Media Release, 28 January 2014.

additional \$2 million.³⁷ The Queensland Government has published a summary of the additional funding to be provided to each school under the initiative.³⁸

6.36 However, under its agreement with the Abbott Government, Queensland is not required to guarantee that there will be 'no cuts' to their state funding as they would have been required to do if an agreement had been signed with the previous government.³⁹

6.37 In its 2014-15 Budget, the Queensland Government explained how the Australian Government funding would be allocated to schools:

Funding of \$131.3 million from the Australian Government Students First - A fairer funding agreement for schools initiative will continue to be allocated to Queensland state schools to 2014-15 through the Great Results Guarantee. All Queensland State schools, including Independent Public schools, will receive a share of the Great Results Guarantee funding and enter into an agreement that commits them to guarantee that every student will either achieve the National Minimum Standard for literacy and numeracy for their year level or have an evidence-based plan in place to address their specific learning needs.⁴⁰

Western Australia

6.38 The Western Australian Minister for Education indicated that Western Australia will use the additional funds offered by the Abbott Government for its own needs-based, student-centred school funding model which 'aligns with the Gonski recommendations' and includes base funding plus loadings centred around special needs.⁴¹

6.39 In evidence, Mr Lincoln Rose, Vice President of the State School Teachers' Union of Western Australian, disputed the State Government's categorisation of its new funding model as 'needs-based':

37 Queensland Department of Education, Training and Employment, *Great Results Guarantee*, <http://education.qld.gov.au/schools/grants/state/targeted/great-results.html>. See also 'Great Results Guarantee' <http://education.qld.gov.au/schools/grants/resources/great-results-guarantee.pdf> and 'Great Results Guarantee Fact Sheet' <http://education.qld.gov.au/schools/grants/resources/great-results-factsheet.pdf>.

38 Department of Education, Training and Employment, Queensland Government, 'Great Results Guarantee 2014 School Funding', <http://education.qld.gov.au/schools/grants/resources/2014-school-funding-allocation.pdf>.

39 The Hon Christopher Pyne MP, Minister for Education, Sky News interview with David Speers PM Agenda: national funding agreement for schools, transcript, 2 December 2013.

40 Queensland State Budget 2014-15, p. 19, Budget Paper 4 – Budget Measures www.budget.qld.gov.au/budget-papers/2014-15/bp4-2014-15.pdf.

41 ABC News, 'States put pressure on Coalition to honour original education funding model', 3 December 2013. See also 'Student-centred funding model: Frequently Asked Questions', Department of Education, Western Australian Government, <http://www.det.wa.edu.au/schoolsandyoudetcms/schoolsandyouschools-and-you/news/student-centred-funding-model-frequently-asked-questions.en>.

The WA government's new student-centred funding model is supposed to be based on the Teese report. The recent cuts, combined with the refusal to accept the original federal funding offer, ensures the state government's changes are meaningless. By cutting school budgets before implementing the student-centred funding model, the WA government is effectively engaging in sleight of hand. The model was never intended to be implemented with cuts. It will only work properly if there is additional funding, not simply a rearranging of existing, or fewer, funds.⁴²

6.40 Mr Rose cited the example of State Government cuts to School Support Program Resource Allocation (SSPRA) funding, which he described as 'money specific for the most vulnerable or disadvantaged students'.⁴³ His colleague, Miss Samantha Schofield, provided an example of SSPRA funding being used for specific programs:

An example of SSPRA funding is that you might have a reading program that is put in place. SSPRA funding could be about \$30,000 for a very small school. That could equate to about 0.4 of a teacher's workload. That means that you have about three to four hours a week where you have specialised individual attention given to a small group of students. If you have disengaged students, for example, you are able to have, again, a specialist teacher working with those students one on one, perhaps re-engaging them before they go back to a mainstream classroom.

SSPRA also accounts for programs like Getting it Right Literacy and Numeracy. They have been very successful programs in our schools before. Having that funding taken out of our schools denies those kids the ability to reach any further achievement levels, especially in a high school setting—getting beyond year 9, for example.⁴⁴

6.41 Mr Rose listed a number of examples of schools which had had cuts to SSPRA funding:

...Kimberley schools in particular, which is obviously a big issue for needs-based school funding to get the most disadvantaged students the money that they need to at least overcome, potentially, some of the disadvantage that they are born into, which SSPRA funding is there for. For Kununurra District High School, the 30 per cent reduction in SSPRA funding is worth \$196,648 this financial year, which is 2.27 per cent of the school budget. For Halls Creek District High School, the cut to SSPRA funding is \$159,918; that is a 3.07 per cent reduction in their overall school budget. So there is a considerable loss of funding that you can use for staffing and other programs that you could do to overcome the disadvantage. It might be

42 Mr Lincoln Rose, Senior Vice President State School Teachers' Union of Western Australia, *Committee Hansard*, 29 April 2014, p. 10.

43 Miss Samantha Schofield, Vice President, State School Teachers' Union of Western Australia, *Committee Hansard*, 29 April 2014, p. 11.

44 Mr Lincoln Rose, Senior Vice President State School Teachers' Union of Western Australia, *Committee Hansard*, 29 April 2014, pp. 11-12.

as simple as a breakfast program or staffing for a literacy program—things of that nature.⁴⁵

6.42 Mr Rose contended that the cuts to funding, which form part of the Western Australia Government's implementation of its needs-based, student-centred funding model, meant that the model would fail: '[i]t will not work. There will be no needs based funding in Western Australia any time soon while this system is operating'.⁴⁶

6.43 However, under its agreement with the Abbott Government, Western Australia is not required to guarantee that there will be 'no cuts' to their state funding as they would have been required to do if an agreement had been signed with the previous government.⁴⁷

6.44 In its 2014-15 budget, the Western Australian Government described the Abbott Government's Students First funding as 'NERA-equivalent'. Interestingly, the Western Australian Government noted in its budget that: '[d]etails of the new arrangements [with non-participating states] remain to be clarified'.⁴⁸

Northern Territory

6.45 In December 2013, the Northern Territory Education Minister stated that the additional funds offered by the Abbott Government would not necessarily be used to restore teaching levels or go into the recurrent funding budget. Instead, the additional funding would be used for capital projects and to fund other reforms:

We are certainly intending to use some of the funding which has come to us via the Australian government for additional capital infrastructure costs as well in the Northern Territory. So those decisions are yet to be made by the Northern Territory government.⁴⁹

6.46 In this regard the Department of Education advised that there is a requirement that Commonwealth funding is to be used 'on school education costs':⁵⁰

Senator Urquhart: But what does that mean? What is the definition of 'school education costs'?

Mr Cook: I think that would be like any government has done in the past. They may use some of that money on buildings, as I understand, but they

45 Mr Lincoln Rose, Senior Vice President State School Teachers' Union of Western Australia, *Committee Hansard*, 29 April 2014, p. 12.

46 Mr Lincoln Rose, Senior Vice President State School Teachers' Union of Western Australia, *Committee Hansard*, 29 April, pp. 12-13.

47 The Hon Christopher Pyne MP, Minister for Education, Sky News interview with David Speers PM Agenda: national funding agreement for schools, transcript, 2 December 2013.

48 Western Australian State Government Budget 2014-15, Budget Paper 3 – Economic and Fiscal Outlook, p. 110, www.treasury.wa.gov.au/cms/uploadedFiles/State_Budget/Budget_2014_15/2014-15_bp3.pdf

49 Mr Ken Davies, Chief Executive, Department of Education, Northern Territory Government, *Committee Hansard*, 4 April, p. 3.

50 See Chapter 8 for further discussion on this issue.

also may use it directly in funding schools. It is a matter for the state. That is correct. That has not changed.

Senator Urquhart: Okay. So there is no requirement that any of that money would be used directly on education. One would suspect that—

Mr Cook: No, the requirement is that it has to be used directly on education.

Senator Urquhart: But, in terms of providing teaching or whatever to students, it actually could be used for other purposes within a school.

Mr Cook: My understanding is that it could be used for maintenance in the government sector. That is entirely a matter for the government sector, and that has not changed over the course of history in terms of Commonwealth funding to the states.⁵¹

6.47 Further, under its agreement with the Abbott Government, the Northern Territory is not required to guarantee that there will be 'no cuts' to their own funding as they would have been required to do if an agreement had been signed with the previous government.⁵²

6.48 The Northern Territory's 2014-15 Budget concurs:

Unlike the NERA, the bilateral agreements [signed with Western Australia, Queensland and the Northern Territory by the Abbott Government] do not require states to provide any additional funding as a prerequisite for additional Commonwealth funding, nor do they include the reporting requirements of the NERA.⁵³

Tasmania

6.49 As noted in Chapter 5, due to the beginning of caretaker arrangements during the 2013 federal election campaign, the Heads of Agreement signed by Tasmania was not progressed to the bilateral agreement stage. Subsequently, the Abbott Government deemed Tasmania to be a non-participating state under the *Australian Education Act 2013*. The Minister for Education advised the Tasmanian Government of this in a letter dated 10 December 2013.⁵⁴ Abbott Government funding for Tasmania as a non-participating state is:⁵⁵

51 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 46.

52 The Hon Christopher Pyne MP, Minister for Education, Sky News interview with David Speers PM Agenda: national funding agreement for schools, transcript, 2 December 2013.

53 Northern Territory 2014-15 Budget, Budget Strategy and Outlook 2014-15, p. 54.
www.treasury.nt.gov.au/PMS/Publications/BudgetFinance/BudgetPapers/I-BP02-1415.pdf

54 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation.

55 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation.

Table 7—Australian Government school funding provided to Tasmania

Year	2013-14	2014-15	2015-16	2016-17	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Amount	75 689	157 036	169 596	183 534	585 856

Victoria

6.50 The Department of Education provided the committee with a chart⁵⁶ showing which states and territories had completed the requirements for participation under the *Australian Education Act 2013*. This table shows that along with the three non-participating states whose position had been known prior to August 2013 (Queensland, Western Australia and the Northern Territory), Tasmania and Victoria had not completed bilateral agreements and therefore were not classed as participating states.⁵⁷

6.51 At the Victorian State Budget Estimates on 13 May 2014, the Victorian Minister for Education, the Hon Mr Martin Dixon MP, spoke only of the Heads of Agreement signed in August 2013 and funding relating to that agreement. The minister made no mention of whether the funding received from the Australian Government by Victoria was as per the Heads of Agreement or whether Victoria had been classified by the Abbott Government as a non-participating state:

...The national funding agreement was signed in, I think, early August last year, and that committed the Victorian and the Australian governments to \$12.2 billion of new funding over six years. The Victorian government's share of that is \$5.4 billion over those six years, and we are beginning to deliver that money into our schools this year. This is the first budget since that agreement was signed. There is \$1.2 billion already out there, and there is [\$1.6 billion] of initiatives in this year's budget towards that six-year goal. We know that that is backloaded. Most of the funding comes on stream in the second half, in fact in the last two years, of that six-year agreement. We will certainly do our bit, with guarantees that we will provide the \$5.4 billion over six years that we said we would put on the table, and obviously we will hold the federal government accountable to do its bit in terms of the balance of the money.⁵⁸

6.52 At the committee's public hearing on 16 May 2014, Mr Cook tabled letters pertaining to funding for non-participating states, including Tasmania. However, Mr Cook was unable to provide information regarding Victoria:

What I have done is written to all states and territories and indicated to them what we intended to provide to the committee, and I have asked them

56 Also reproduced in Table 6, Chapter 5.

57 Department of Education, answer to question on notice (no. 1), 18 February 2014.

58 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, p. 5.

if there are any issues we need to be aware of. Four states have come back to us saying that everything is fine. I have those letters to table, including the Tasmanian heads of agreement, but I am still waiting on final responses from a number of states: New South Wales and Victoria—I have the list somewhere. I have four of the eight to date and I am happy to table them.⁵⁹

59 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 34.

Chapter 7

Comparing school funding policy arrangements

7.1 Prior to the September 2013 federal election, the Coalition had committed to a "unity ticket" with then Prime Minister Kevin Rudd on school funding. The Coalition position was widely reported, as it contrasted sharply with previous comments from the Shadow Spokesman on Education the Hon Christopher Pyne MP that a Coalition Government would honour only the first year of the NPSI funding. *The Australian* reported the Hon Tony Abbott MP (then Leader of the Opposition) explaining the "unity ticket" as:

"There is no difference between Kevin Rudd and myself when it comes to school funding," the Opposition Leader said at an independent school in Melbourne.

"We will honour the agreements that Labor has entered into. We will match the offers that Labor has made. We will make sure that no school is worse off.

"The essential difference between Labor and the Coalition going into the coming election is not over funding, it's over the amount of control that the commonwealth government should have. Under the Coalition, you'll get the funding but you won't get the strings attached."¹

7.2 In late November 2013, the new Education Minister, the Hon Christopher Pyne MP, angered State and Territory Governments by announcing that the Abbott Government would remove the NPSI model and renegotiate agreements with all states and territories.² The *ABC* reported Minister Pyne as saying that the Abbott Government would honour funding for 2014, but a new model would be implemented after that date.³ In regards to the Prime Minister's "unity ticket" pledge, Minister Pyne was quoted by the *ABC* as saying:

"The way our system works is no government can bind any future government - what one government does, another government can undo," he said.

"I made it very clear before the election that I didn't buy up to the Labor Party model. We said that we would have the same funding envelope and we will."⁴

1 'Coalition joints Labor's Gonski 'unity ticket'', *The Australian*, Justine Ferrari, 3 August 2013. www.theaustralian.com.au/national-affairs/coalition-joins-labors-gonski-unity-ticket/story-fn59niix-1226690519042#

2 'Coalition joints Labor's Gonski 'unity ticket'', *The Australian*, Justine Ferrari, 3 August 2013.

3 'Coalition to ditch Gonski model and renegotiate school funding agreements, says Education Minister Christopher Pyne', *ABC news*, 27 November 2013, www.abc.net.au/news/2013-11-26/pyne-adamant-gonski-school-funding-needs-overhaul2c-despite-st/5116978.

4 'Coalition to ditch Gonski model and renegotiate school funding agreements, says Education Minister Christopher Pyne', *ABC news*, 27 November 2013.

7.3 Statements by the Prime Minister, the Hon Tony Abbott MP, in early December 2013 appeared to change the Coalition's policy on school funding again. The *ABC* reported the Prime Minister as saying that the Coalition's election commitment was to 'match the funding total, not the model used to distribute it'.⁵ At this time, the Prime Minister was reported as saying that funding would be steady over four years:

"Under the Coalition, schools will get the same quantum of funding over the four years that they would have under Labor had it been re-elected. In fact, they will get a little bit more," he told Channel Ten on Sunday.

"I think Christopher [Pyne] said schools would get the same amount of money and schools - plural - will get the same amount of money.

"We are going to keep the promise that we actually made, not the promise that some people thought that we made, or the promise that some people might have liked us to make."⁶

7.4 At a joint press conference on 2 December 2013, the Prime Minister and the Minister for Education provided a further statement of the Abbott Government's position on school funding, this time committing to funding the NPSI funding for four years. A further commitment was made to provide \$1.2 billion to Western Australia, Queensland and the Northern Territory which had not signed agreements to be participating states under the *Australian Education Act 2013*.⁷

7.5 The joint statement on 2 December 2013 was reported as a 'backflip' and the media linked the change in policy to the widespread criticism of Minister Pyne's statements in November.⁸

7.6 That there had been widespread consensus and support for the recommendations of the Gonski Review and the agreements under the NPSI was clear from the anger of State and Territory Governments at the Coalition's policy change post-September 2013. *The Australian* documented the reactions of a number of states:

Mr O'Farrell [then Premier of NSW] led the charge, attacking Mr Pyne's performance and revealing he had written to the Prime Minister seeking his involvement to avoid a worsening standoff.

"I continue to be concerned in the way in which the federal Education Minister...is dictating this debate through the media and not doing what any

5 'PM Tony Abbott says Coalition never promised to keep Labor's Gonski school funding plan', *ABC news*, 2 December 2013, www.abc.net.au/news/2013-12-01/abbott-on-gonski/5127330.

6 'PM Tony Abbott says Coalition never promised to keep Labor's Gonski school funding plan', *ABC news*, 2 December 2013.

7 Prime Minister, the Hon Tony Abbott MP, Minister for Education, the Hon Christopher Pyne MP, joint press conference transcript, 2 December 2013, www.pm.gov.au/media/2013-12-02/joint-press-conference.

8 Jonathan Swan, 'Gonski reversal: Tony Abbott backflips, puts \$1.2b into schools', *The Sydney Morning Herald*, 2 December 2013, www.smh.com.au/federal-politics/political-news/gonski-reversal-tony-abbott-backflips-puts-12b-into-schools-20131202-2yl79.html.

other reasonable minister, state or federal, would do, which is pick up the phone and explain what the hell is going on," he said.

NSW Education Minister Adrian Piccoli joined Labor state education ministers in accusing Mr Pyne of breaking an election promise of a "unity ticket" on Gonski and labelling any shift away from needs-based modelling as a "body-blow" for education. "He [Mr Pyne] must be the only person in Australia who thinks the SES (socioeconomic status) model is a good model," Mr Piccoli said. "The Gonski panel said 'no' [to the SES model] (and) if you walk into any school in NSW every teacher and principal would say 'no'."

South Australian Labor Premier Jay Weatherill said there had been a hardening of resolve among all states ahead of Friday's meeting, saying: "We're not going to let the federal government backslide on their commitment to school funding." He stopped short of committing to legal action.

[Former] Tasmanian Education Minister Nick McKim, also the state's Greens leader, said his and other states would be "demanding" Mr Pyne provide "the full \$2.8 billion of (Gonski) funding".

"This is one of the most spectacular broken promises in Australian political history," Mr McKim said.⁹

7.7 It is clear from the commentary from September 2013 to May 2014, when the Federal Budget partially clarified the Abbott Government's changes to school funding, that there has been substantial confusion around the Abbott Government's intentions. This confusion, and the resulting uncertainty, as well as the funding changes such as indexation, are examined in this chapter.

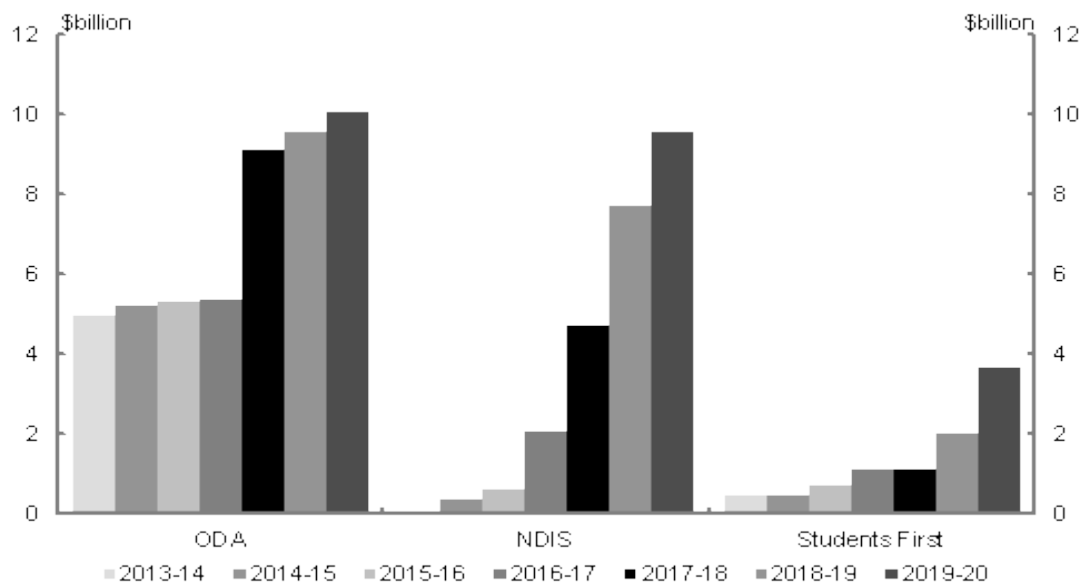
Comparing NPSI and Students First: funding

7.8 The Students First model over the period 2013-14 to 2016-17 matches the funding allocated under the NPSI. Funding is distributed using the formulas contained in the *Australian Education Act 2013*, with the caveat that amendments to the Act have been foreshadowed. Importantly though, the Students First model does not include the funding that would have been allocated for years five and six of the NPSI. This funding represents the bulk of the Australian Government funding in the NPSI:

9 Matthew Denholm, Lauren Wilson, 'Tony Abbott urged to overrule Christopher Pyne on Gonski switch', *The Australian*, 27 November 2013, www.theaustralian.com.au/national-affairs/policy/tony-abbott-urged-to-overrule-christopher-pyne-on-gonski-switch/story-fn59nlz9-1226769119215#.

\$7 billion.¹⁰ A representation of the progression of the NPSI funding appeared in the Mid-Year Economic and Fiscal Outlook (MYEFO) published in December 2013:¹¹

Figure 13—Progression of ODA, NDIS and NPSI funding over forward estimates¹²



7.9 The MYEFO noted in relation to the chart:

The projections for [Students] First assume all States and Territories participate and there are no changes to the former Government's policy except those announced publicly on 2 December 2013.¹³

7.10 The Students First funding, as documented in the MYEFO chart, demonstrates that additional annual funding from the Commonwealth increases from \$0.5 billion in 2013-14 to \$3.7 billion by 2019-20:¹⁴

10 The Budget 2013-14 shows expenditure on NPSI from 2013-14 to 2016-17 as being \$2966.8 million, out of the \$9.8 billion over six years specified in the National Plan for School Improvement Budget May 2013 document (see Australian Government, National Plan for School Improvement, May 2013, www.budget.gov.au/2013-14/content/glossy/gonski_policy/download/NPSI.pdf).

11 Australian Government, MYEFO 2013-14 Part 3: Fiscal Outlook, p. 21, http://budget.gov.au/2013-14/content/myefo/download/2013_14_MYEFO.pdf.

12 It should be noted that in the MYEFO 2013-14, the funding for Students First is also the funding which would have been allocated under NPSI. Australian Government, MYEFO 2013-14, Chart 3.1, www.budget.gov.au/2013-14/content/myefo/html/chart_data.htm#chart3.1.

13 Australian Government, MYEFO 2013-14, Chart 3.1 www.budget.gov.au/2013-14/content/myefo/html/chart_data.htm#chart3.1.

14 Australian Government, MYEFO 2013-14, Chart 3.1 www.budget.gov.au/2013-14/content/myefo/html/chart_data.htm#chart3.1.

Table 8—MYEFO breakdown of school funding

(\$b)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Students First	0.5	0.5	0.7	1.1	1.1	2.0	3.7

7.11 This funding trend in MYEFO reflects the NPSI funding specified for participating states, even though the funding is re-titled as Students First (due to the change of government at the September 2013 federal election).¹⁵

7.12 The 2 December 2013 joint announcement by the Minister for Education, the Hon Christopher Pyne MP and the Prime Minister, the Hon Tony Abbott MP, was the first instance in which the Abbott Government had confirmed that school funding under Students First would match that under the NPSI for only the first four years of the policy.¹⁶

7.13 In May 2014, the 2014-15 Federal Budget showed the Abbott Government's decision not to match the NPSI funding for years five and six and implementing a modest rate of indexation of school funding from 2018:

The Government will provide an additional \$54.1 million in 2017-18 to maintain real Commonwealth school funding beyond the 2017 school year. From the 2018 school year onwards, total school funding will be indexed by the Consumer Price Index, with an allowance for changes in enrolments.¹⁷

7.14 At the committee's public hearing on 16 May 2014, Mr Cook from the Department of Education advised that indexation from the end of 2017 (as detailed in the 2014-15 Budget) would be CPI plus enrolment growth:

CHAIR: Mr Cook, I am sorry to interrupt, but it might be useful if all of us clarify these points as we go. When you say 'CPI enrolment growth', what does that mean exactly?

Mr Cook: It is plus. It is enrolment growth on average is around two per cent. You have that, plus CPI, which is projected to be 2.5 per cent. So there is your growth of 4.5 per cent.

CHAIR: If your enrolment grows two per cent—

Mr Cook: On average. I am giving an average level here. What it means at the individual school level is, if you have 50 more children in your school,

15 See Appendix 4, National Education Reform Agreement – NSW Budget 2013-14, Additional Funding Breakdown and Department of Education and Child Development, South Australian Government, answers to questions on notice, 30 April 2014.

16 Prime Minister, the Hon Tony Abbott MP, Minister for Education, the Hon Christopher Pyne MP, joint press conference transcript, 2 December 2013, www.pm.gov.au/media/2013-12-02/joint-press-conference.

17 Australian Government, Budget 2014-15, Part 2: Expense Measures, Education, www.budget.gov.au/2014-15/content/bp2/html/bp2_expense-09.htm.

there is an enrolment growth and you will get funding for 50 more children. The alternative is, if you get 50 more children, all you are going to get is consumer price index and that is not where the government has gone. The government has been very clear that, if you get more children in your school, then your budget will increase. It will increase at a student level also by 2.5 per cent CPI.

CHAIR: All you doing is adjusting enrolment and applying CPI.

Mr Cook: That is correct. It is enrolment plus CPI.

CHAIR: It is essentially the CPI on the basis that you do not limit enrolment changes.¹⁸

7.15 On this point, the committee questions the use of enrolment growth as a component of indexation. The Department of Education provided no rationale for the inclusion of enrolment growth in calculating the indexation rate for school funding, nor the way in which Mr Cook had reached his calculation of 2 per cent enrolment growth.

7.16 The ABS reported that enrolment growth in 2013 was 1.5 per cent on the enrolments in 2012 which itself had represented a growth of 1.4 per cent on 2011 levels. Previous years had seen enrolment growth of less than 1 per cent per annum.¹⁹ The ABS noted that growth in enrolments were significantly greater at primary level than at secondary level.²⁰

Commonwealth spending cuts of approximately \$30 billion

7.17 The Budget Overview noted in relation to the indexation arrangements:

In this Budget the Government is adopting sensible indexation arrangements for schools from 2018, and hospitals from 2017-18... These measures will achieve cumulative savings of over \$80 billion by 2024-25.²¹

7.18 The following chart shows the dramatic effect of moving to CPI indexation on the funding arrangements going forward for both schools and hospitals.

18 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 37.

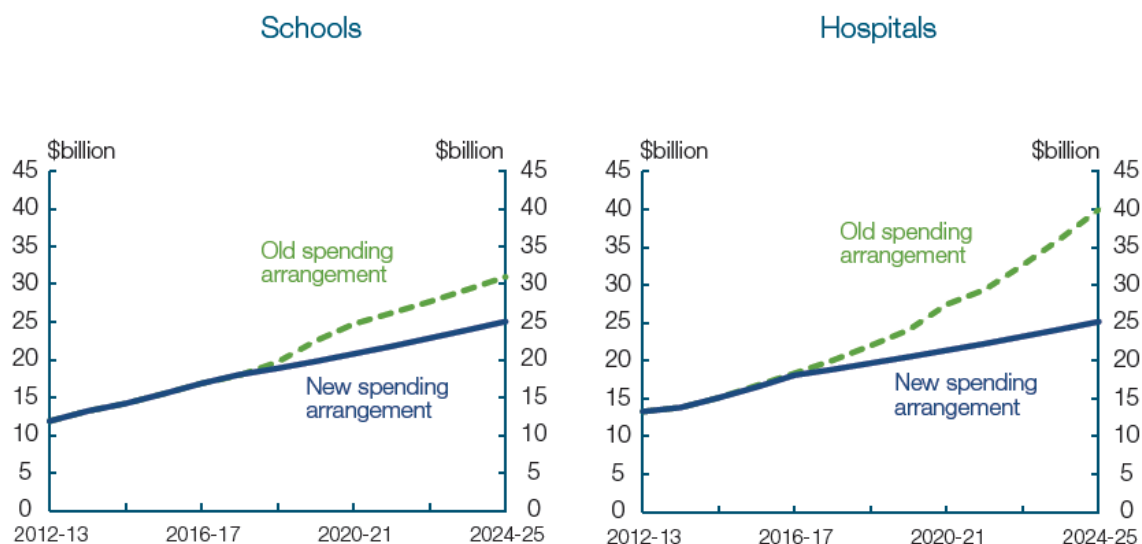
19 Australian Bureau of Statistics, *Publication 4221.0 – Schools Australia 2013*, www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4221.0Main%20Features42013?opendocument&tabname=Summary&prodno=4221.0&issue=2013&num=&view

20 Australian Bureau of Statistics, *Publication 4221.0 – Schools Australia 2013*, www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4221.0Main%20Features42013?opendocument&tabname=Summary&prodno=4221.0&issue=2013&num=&view

21 Australian Government, Budget 2014-15, Overview, p. 7, www.budget.gov.au/2014-15/content/overview/download/Budget_Overview.pdf.

Figure 14—Demonstration of future 'savings' achieved by indexation of funding for schools and hospitals post 2017²²

More sustainable spending arrangements for schools and public hospitals



7.19 At its public hearing on 16 May 2014, the committee sought advice from the Department of Education regarding the exact amount of 'savings' detailed in the above chart. Department officials were not able to explain to the committee how much of the \$80 billion worth of cuts would come from schools. They took the questions on notice. However, the response provided on 2 June 2014 to the question was that the Department of Treasury would have to provide the information.²³

7.20 When following up the answer during Budget Estimates on 4 June 2014, committee members were advised by the Department of Education to seek advice directly from the Department of Treasury. The following extract from Budget Estimates demonstrates the reluctance of the Department of Treasury to provide a response:

Senator WRIGHT: I would like to have a bit of a better understanding about the proportion of the \$80 billion reduction in hospitals and schools funding flagged in the budget papers, which relates to school funding. What proportion of that figure will come from schools?

Mr Ray: Earlier we took a question on notice which would go to the precise numbers. Senator Wong asked us, effectively, to provide the detail of the gap between the two lines in the chart and we took that on notice.

Senator Cormann: We will provide that on notice.

22 Australian Government, Budget 2014-15, Overview, p. 7, www.budget.gov.au/2014-15/content/overview/download/Budget_Overview.pdf.

23 Department of Education, answer to question on notice (no. 6) and question in writing (no. 13), 16 May 2014.

Mr Ray: But I did say earlier that the schools number is something less than \$30 billion, and something more than [\$50 billion] is the hospitals.²⁴

7.21 The decision to apply CPI indexation from 2018 was described by the Department of Education at Budget Estimates as a 'whole of government change' which would 'affect more than schooling'.²⁵ When asked if the department had done any modelling work to ascertain the effect on student outcomes of the move to CPI indexation, department representatives advised:

We did not do that work because the move to CPI indexation is beyond schooling. It was a whole of government decision, so it was not work that we put forward.²⁶

7.22 The department has also previously stated that it has no forecast data on which to make a determination about projected indexation from the end of 2017.²⁷

7.23 That the significant difference in funding for schools in years five and six of implementation of the funding model was a very real concern expressed almost universally by submitters and witnesses. Mr Chris Bonnor provided the committee with a summation of these deeply held concerns:

...we need to remember that the Gonski recommendations were welcomed by almost all players in school education. If we fall short of what was agreed, and if the funding does not go beyond four years, the argument about improving equity is going to degenerate to what we had before—that is, a redistribution of the resources we have. I have lived through that in my career. I do not want to go there again, and I hope you would not either.²⁸

7.24 The Association of Independent Schools of South Australia told the committee quite clearly that without the funding previously committed by the Rudd/Gillard Governments for years five and six, South Australian independent schools would fall behind. Mrs Grantskalns, Chief Executive of the Association of Independent Schools of South Australia explained:

It is in years 5 and 6 that the money to support individualised programs and school-based programs for those students is delivered. There is no genuine extra money, really, for the first four years for our schools, so it is years 5 and 6 where schools will be supported to deliver all that they would want to be able to deliver. Schools are actively engaging with those students; it is not that they are not doing their very best to meet the needs. But it is also true that money is helpful in doing that, for a whole range of reasons:

24 Mr Nigel Ray, Executive Director, Department of Treasury, Senate Economics Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 134.

25 Ms Lisa Paul AO PSM, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 82.

26 Ms Lisa Paul AP PSM, Secretary, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 82.

27 Department of Education, answers to questions on notice (no. 1, no. 2), 16 May 2014.

28 Mr Chris Bonnor, private capacity, *Committee Hansard*, 1 May 2014, p. 35.

because of the access it can give you to a wider curriculum, to co-curricular programs and to all kinds of experiences that cost money. So the fact that we fall further behind every year for the next four years makes years 5 and 6 critical if we are ever to get to the point where we have some equity with other schools in other states.²⁹



From the left: Senator Sean Edwards, Senator Penny Wright (Deputy Chair), Mr Stephen Palethorpe (Committee Secretary), Senator the Hon Jacinta Collins (Chair), and Senator Deborah O'Neill. The committee conducted a public hearing and site visit at the Immaculate Heart of Mary School, Adelaide, 30 April 2014.

7.25 In NSW, *The Daily Telegraph* quoted Secondary Principals Council president Ms Lila Mularczyk as saying that the NSW State Government's contribution for years five and six alone would not be enough to adequately fund schools; the Australian Government's contribution was vital:

“Without the final years of the Gonski fairer funding model, young people in our schools are denied additional access to programs and teachers to narrow their learning gap. This may include paraprofessionals to support disengaged students and infrequent school attenders or students requiring additional learning needs support because of poor language proficiency or students with learning or physical disabilities.”³⁰

29 Mrs Carolyn Grantskalns, Chief Executive, Association of Independent Schools of South Australia, *Committee Hansard*, 30 April 2014, p. 18.

30 Alicia Wood, 'How Abbott renegeing on school funding leaves NSW in a hole', *The Sunday Telegraph*, 21 June 2014, www.dailytelegraph.com.au/news/nsw/how-abbott-renegeing-on-school-funding-leaves-nsw-in-a-hole/story-fni0cx12-1226961266248.

7.26 The NSW Teachers Federation cited research by former deputy Director-General of Education in NSW Dr Jim McMorrow which stated that the Abbott Government's changes to funding arrangements would take \$2.67 billion away from schools over the period 2018-2020.³¹

7.27 The NSW State Government has confirmed that it is committed to the funding arrangements over the six years, no matter what funding is provided by the Australian Government.³² The day after the 2014-15 Federal Budget, the NSW Treasurer, the Hon Andrew Constance, told ABC Radio that the Abbott Government funding cuts will have 'major ramifications' in NSW schools resulting in a \$1.6 billion 'hit' in years five and six.³³

7.28 At the recent NSW Nationals party conference, the Hon Adrian Piccoli, NSW Education Minister spoke in support of a motion calling on the Australian Government to commit to the six years of the NPSI agreements. *The Australian* quoted the minister as saying that he had signed the NERA because it represented a significant benefit to regional schools:

“Our performances are embarrassing, and should be embarrassing to all Australians, in terms of the differences between regional NSW and metropolitan.

“Why was I the strongest advocate across all education ministers? I think it’s because I’m the only National Party minister. Our electorates benefit the most.”

Mr Piccoli agreed the federal budget deficit needed to be addressed, but it was about the choices. For example, the federal government had decided to increase defence spending, he said.³⁴

7.29 By contrast the Victorian State Government noted that it could not determine the levels of federal funding going forward due to the lack of clarity from the Abbott Government, and this affected the overall amount of funding available for schools in Victoria:

We look forward to the federal budget this evening, and we will have some clarification regarding the ongoing funding, for example, in the year 16-17. School years do not finish halfway through the year, so we are seeking

31 New South Wales Teachers Federation, 'Abbott's cuts to Gonski funding will rip \$2.67 billion away from public schools', media release, 16 June 2014, www.nswtf.org.au/news/2014/06/16/abbott%E2%80%99s-cuts-to-gonski-funding-will-rip-267-billion-away-public-schools.html

32 See Appendix 4, National Education Reform Agreement – NSW Budget 2013-14, Additional Funding Breakdown.

33 NSW Treasurer, the Hon Andrew Constance, ABC Radio National, Breakfast, 14 May 2014, www.abc.net.au/radionational/programs/breakfast/80-billion-cut-from-state-health-and-education/5451532.

34 Mark Coultan, 'NSW Nationals call for full Gonski funding', *The Australian*, 14 June 2014, www.theaustralian.com.au/national-affairs/policy/nsw-nationals-call-for-full-gonski-funding/story-fn59nlz9-1226953844158#.

commitments for school years as well to give some certainty to our schools. We look forward to some clarity from the federal government this evening as it hands down its budget. But there is no year-by-year breakdown of what is going to be spent over the next six years. As I said, two of those years are outside the forward estimates. We have identified \$1.6 billion of new funding that is going into our schools this year as a result of the funding agreement, on top of the [\$1.2 billion] that is already existing. As I said, the remainder of the money is held in the central contingency, just like we do not put the total capital spend for the next four years in the forward estimates. The money is added to as each year's budget is done. This is our first year since the funding agreement, and in subsequent budgets, when I am back here next year talking to you, I will be able to talk about the next component or the next instalment from the federal and state funding that has gone into our budgets.³⁵

7.30 Despite these uncertainties, the day after the 2014-15 Federal Budget, the Victorian Treasurer, the Hon Michael O'Brien, told ABC Radio that regardless of the actions of the Abbott Government, Victoria was committed to the funding arrangements for years five and six.³⁶

7.31 Participating states are struggling to hold to the agreements signed as part of the NPSI. This demonstrates the strength of the consensus reached between the Rudd/Gillard Governments and the participating states and territories and the importance of certainty of funding through the medium-term (that is, out to years five and six). In an article for *The Conversation* website in late November 2013, Professor Louise Watson, Director of the Education Institute at the University of Canberra, described the importance of the consensus reached with states and territories by the previous government on education funding as a legacy which was now gone:

The funding agreements now being reviewed by [Minister] Pyne were based on a bipartisan national consensus between state and federal governments which recognised the need for school reform and was committed to evidence-based school improvement.

They represent the culmination of efforts by both Labor and Coalition governments since the late 1980s to move beyond the "blame game" that was typical of federal interventions in the past. Given current concerns about the performance of Australian schooling, the new federal education minister places much at risk by trampling over this legacy.³⁷

7.32 The following chapter—chapter 8—examines the key concerns raised by submitters and witnesses during the committee's inquiry. A consistent feature of the

35 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, p. 7.

36 Victorian Treasurer, the Hon Michael O'Brien, ABC Radio National, Breakfast, 14 May 2014, www.abc.net.au/radionational/programs/breakfast/80-billion-cut-from-state-health-and-education/5451532.

37 Professor Louise Watson, 'Gonski is gone by can anything be salvaged?', *The Conversation*, 27 November 2013, <http://theconversation.com/gonski-is-gone-but-can-anything-be-salvaged-20704>.

concerns raised is difficulties faced by those who have to implement the changes as the Abbott Government transitions school funding from NPSI to Students First.

Committee comment

7.33 Despite these strong commitments from State and Territory Governments to the needs-based funding arrangements, the committee is disappointed about the refusal of many State and Territory Governments to participate in the inquiry.³⁸ Submissions were received from the Northern Territory, Queensland, the Australian Capital Territory, and South Australia. However only South Australia, the Northern Territory, and Tasmania chose to attend the committee's public hearings. Western Australia and Queensland at first agreed to attend hearings, but declined at the last moment, causing great inconvenience to the committee and other witnesses.

7.34 New South Wales refused to appear at hearings or provide a submission, despite the committee giving invitations for the State Government to attend three different public hearings. Regardless of the public commitment of the NSW Premier the Hon Mike Baird MP to the importance of school funding,³⁹ the NSW Department of Education and Communities was singularly uncooperative with the committee's requests for assistance and information. Most recently, the committee requested a copy of the presentation by the department to Mr Gonski referred to during his May 2014 Jean Blackburn Oration:

One of the most satisfying hours I have spent in the last 12 months was attending at their invitation a meeting with the department of education in New South Wales. There a well prepared and thought through presentation given by senior members of that department put up on the screen the essence of our proposed needs based approach and demonstrated that so much of it has and is being implemented in New South Wales.⁴⁰

7.35 The Minister for Education, the Hon Adrian Piccoli MP, in response to the committee's request for the presentation, declined to provide the information, arguing that as the material was out of date it would be 'of limited use to the committee'.⁴¹

7.36 Further, the committee is disturbed by the inability or unwillingness of the Commonwealth Department of Education to properly answer questions put regarding the implementation of the Students First funding arrangements. It particularly concerns the committee that the Department of Education was apparently shut out of the decisions surrounding the CPI indexation of Commonwealth school funding on the basis that it was a 'whole of government change' which would 'affect more than

38 Queensland, Western Australia, Victoria, New South Wales, and the Australian Capital Territory governments all declined to participate in the committee's inquiry.

39 Alexandra Smith, 'Mike Baird to maintain push for full Gonski funding', *Sydney Morning Herald*, 29 April 2014, www.smh.com.au/national/education/mike-baird-to-maintain-push-for-full-gonski-funding-20140429-zr1at.html.

40 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, p. 17.

41 Tabled document, letter from the Minister for Education NSW, the Hon Adrian Piccoli MP, dated 17 June 2014.

schooling'. Of equal concern was the fact that the department was unable to explain the quantum of reduced spending from the education portfolio (which is in the vicinity of \$30 billion over the period 2017-18 to 2024-25).

7.37 Of even greater concern to the committee is the apparent disintegration of the consensus around school funding which had existed prior to the Abbott Government's changes to the funding arrangements.

7.38 The committee is deeply disappointed by the conduct of those states which have not participated and the actions of the Australian Department of Education. The committee considers that such behaviour is likely to increase the state of confusion over school funding in Australia.

Chapter 8

The effect of changes to school funding arrangements

8.1 Evidence provided to the committee during its public hearings, and through over 3 400 submissions received in the course of the inquiry, demonstrated a number of issues around which concerns about the changes to school funding coalesce:

- Uncertainty about future funding, particularly beyond the four years of funding provided in the 2013-14 Budget;
- Lack of clarity regarding the process for amendments to the *Australia Education Act 2013* and the possible effect of removing the 'command and control' mechanism from the Act;
- The need for accountability and transparency measures to ensure that funding is going to those schools which require it most; and
- Transparency around the future levels of funding, particularly indexation decisions, by states and territories.

8.2 The committee considers that without certainty, accountability and transparency in school funding, achieving high quality educational outcomes for Australian students will not be possible. The remainder of this chapter examines these important issues raised during the committee's inquiry.

The effects of funding uncertainty

8.3 The committee heard that uncertainty around future funding, funding arrangements and transition was a critical issue for State and Territory Governments, schools, principals, teachers and parents.

8.4 Mr Tony Harrison, Chief Executive of the Department for Education and Child Development South Australia, noted that South Australia had been enthusiastic about signing the agreement under the NPSI primarily due to the consistency and certainty of the funding which would have been provided. He noted that 'working in short-term frames of three and four years does provide significant challenges, particularly for programming at the school level but also from a more universal education system level as well.'¹ Mr Harrison cited Singapore as an example of a successful long-term reform program in his remarks on the benefits of certainty of funding for long-term planning:

It has certainly provided us with the ability to have the longer term planning, which I know has been often mentioned to this committee in relation to the development of reform programs for a longer continuous process. In my more recent reading, there are examples in east Asian countries. You only have to cite Singapore as a country. They engaged a

1 Mr Tony Harrison, Chief Executive, Department for Education and Child Development South Australia, *Committee Hansard*, 30 April 2014, p. 7.

13-year reform program which was largely founded on the learning journey of a child from commencing school to finishing school. I think the academic research would very much support that it is difficult to make short, quick gains in education in relation to improved learning and teaching outcomes; they have to be programmed on a more extended period of time.²

8.5 Mr Rob Nairn, Executive Director of Australian Secondary Principals' Association stressed that principals need certainty of funding to be able to plan for programs and target resources to areas of need in their schools:

The problem we have had with previous funding arrangements—things like national partnership dollars that have gone into schools—is that it is an injection or a silver bullet type thing that was there for one to three years. Principals got the dollars and made some sort of an intervention that made a difference, and then the funding disappeared and there was nothing sustainable. Targeting the money directly to schools where it is needed, to the students who need it, ensures some sustainability around programs so that you are not wondering whether you are going to get a silver bullet bucket of money. You know that there is some sustainability, because you have the same cohort of students. As you build their capacity you can build into the various programs. We need a funding model that will enable some sustainability. The current funding model does not allow that.³

8.6 Ms Meredith Peace, President of the Australian Education Union, Victoria Branch explained that uncertainty around future funding could mean that schools had to cancel programs or could not plan for program implementation:

Certainly one of the things our principals and our schools said to us throughout the Gonski review, and about the importance of what was actually delivered through the funding arrangements, was the certainty of funding beyond a set period of time—that they would be able to plan and put in place programs of support for students in the long-term, knowing full well that they could keep that support in place. Even in the last six to 12 months, we have had principals say to us, in terms of the lack of transparency around funding for this year, 'We are going to have to let staff go.' Schools found out on the second last day of the school year what their revised budgets were. They were not told how much additional money they were getting; they were just given a revised budget and they had to try and work it out themselves. We had many schools who were saying, 'We will simply have to end those programs, end the employment of staff who are providing literacy support to kids in classrooms, because we have got no certainty of funding now for the sorts of programs we are running to

2 Mr Tony Harrison, Chief Executive, Department for Education and Child Development South Australia, *Committee Hansard*, 30 April 2014, p. 6.

3 Mr Rob Nairn, Executive Director, Australian Secondary Principals Association, Western Australia, *Committee Hansard*, 29 April 2014, p. 17.

support kids.' So it has made a very real difference to kids in classrooms and to our public schools.⁴

Committee comment

8.7 The committee believes that the uncertainty around school funding, a product of the Abbott Government's undertaking to fund only the first four years of the NPSI, has the potential to derail implementation of its Students First reforms. Without consistent and certain funding, schools cannot plan expenditure on programs which will improve teacher quality and educational outcomes for students. As discussed in Chapter 4, the committee considers that there is a link between funding and educational outcomes, and the committee is persuaded that unless funding is consistent and provided over a longer period than an electoral cycle, educational outcomes will suffer.

It is also clear to the committee that without certainty of funding it will not be possible to address the funding inequity that exists in the school system, as identified by the Gonski Review. The committee notes that Minister Pyne has finally acknowledged the fundamental inequity present in the Australian schools system. As recently as 2 July 2014 he is quoted as saying:

"The Australian education system routinely fails children from low socio-economic backgrounds, indigenous children and those in remote communities. As a developed country, we should not willingly accept that a child's background determines their education success."⁵

8.8 The committee is mindful that the recommendations of the Gonski Review were designed to address and reduce disadvantage in precisely the areas Minister Pyne identified.

8.9 Unless governments and schools can make long-term decisions and target those groups of students most in need, the gap between the disadvantaged and the advantaged in the Australian school system will increase. If the Abbott Government does not reverse this situation it will have effectively unpicked the overwhelming consensus built during the Gonski Review and NPSI negotiations. This will risk further exacerbating the underperformance of schools and students within the long-tail of disadvantage across the Australian schooling sector.

8.10 Without certainty of funding, schools cannot make the best decisions for students, teachers and the broader school community and act to reduce inequity. The concerns over the future of school funding post-2017 need to be urgently allayed. In light of Minister Pyne's recent and overdue acknowledgement of the existing inequity in the Australian schooling system, the committee emphasises the importance of the following recommendation.

⁴ Ms Meredith Peace, President, Australian Education Union Victoria Branch, *Committee Hansard*, 3 April Melbourne, p. 22.

⁵ Jamie Walker, 'Pyne eyes national Direct Instruction rollout', *The Australian*, 2 July 2014, www.theaustralian.com.au/national-affairs/pyne-eyes-national-direct-instruction-rollout/story-fn59niix-1226974451763#mm-premium

Recommendation 1 (*commit to implementation of the NPSI*)

The committee believes that the significant consensus achieved from the Gonski Review and the agreements negotiated under the National Plan for School Improvement (NPSI) must not be lost with the current government's harmful and confusing changes. The committee recommends the Australian Government honour its pre-election commitments to fully implement the national needs-based, sector-blind funding model incorporated in the NPSI to improve equity across Australian schools. In particular, the Australian Government should commit to the following elements of the NPSI:

- **the six year transition to a nationally consistent Schooling Resource Standard;**
- **maintain the commitments made under the National Education Reform Agreement (NERA) and bilateral agreements with participating states and territories, in particular the five areas of the NPSI:**
 - **quality teaching**
 - **quality learning**
 - **empowered school leadership**
 - **meeting student need**
 - **greater transparency and accountability; and**
- **conduct reviews prescribed under the NERA and strive for equitable funding for schools most in need.**

8.11 Uncertainty of funding has a negative effect on all schools and students, but particularly those from specific groups which rely on additional funding to decrease inequity: Indigenous students, students with disability, small schools, remote schools, students with limited English, and students from a socio-economically disadvantaged background. In this regard, Dr Ken Boston, former head of the NSW Education Department and former Gonski panellist, explained that funding targeted to areas of need, such as towards students from disadvantaged groups, can have a significant effect on education outcomes for those students:

Where it has been possible for schools and systems to target funding against areas of need, there has been real improvement. The strategic targeting of available resources on reading in the early and primary years has clearly resulted in improved achievement: as a result, over the period 2008 to 2013 there has been an improvement in reading in Year 3 and Year 5 (ACARA, 2013: 300), including notable improvement amongst Indigenous students.⁶

6 Dr Ken Boston, answers to questions on notice, 16 May 2014, p. 6.

Disability loadings

8.12 A clear example of the negative effect of uncertainty of funding on students with additional needs can be found in the consideration of disability funding. The *Australian Education Act 2013* includes an interim loading for disability, which is intended to cover 2014 until a loading can be determined. Dr Ken Boston, in a speech to the Students With Disability Forum in Canberra, explained that in recommending the development of a loading for disability, the Gonski Panel found that there was no common approach across states with regards to students with disability:

We found there was a problem in striking a loading, because of the lack of a common approach across states to identifying students with disability and the extent of educational adjustment required to support them; and because of the high variability of the cost of support for students with very different needs.

We noted that COAG had work in progress to overcome this problem by achieving a nationally consistent approach, which is now close to completion.⁷

8.13 The Gonski Panel, Dr Boston explained, recommended that a loading for disability could only be developed once the lack of a consistent approach had been overcome:

So, we recommended that, once this nationally consistent collection of data had been completed, a national schools resourcing body, in consultation with all governments and accountable to all ministers, should establish the loadings to attach to the categories of extensive, substantial or supplementary adjustments required to support the learning of children with disability.⁸

8.14 The Department of Education is undertaking work to develop a disability loading, and advised the committee that a report would be presented at First Ministers in January 2015.⁹ Meanwhile, the effect of this uncertainty on students with disability was outlined by Ms Stephanie Gotlib, Executive Officer of Children with Disability Australia:

There is a great deal yet to be finalised and negotiated before the planned introduction of a disability loading, but what is of central concern to CDA [Children with Disability Australia] is the lack of clarity about the process that will be undertaken to deliver a coherent and effective load funding model by 2015. CDA has asked, since the initial commitment was made to develop a disability loading, for the articulation of a clear program of work occurring to develop this loading and how this will be in place for the 2015

7 Dr Ken Boston, Students with Disability Canberra Forum, 12 May 2014, p. 7, www.aeufederal.org.au/Media/President/KBoston120514.pdf.

8 Dr Ken Boston, Students with Disability Canberra Forum, 12 May 2014, p. 7, www.aeufederal.org.au/Media/President/KBoston120514.pdf.

9 Mr Martin Hehir, Deputy Secretary Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 43.

school year as promised. This is still not clear for CDA. Additionally, it is of concern that there have only been minimal meaningful consultations and involvements of groups outside of government in this work to date despite there being a great deal more expertise in this area outside government than in the jurisdictions.¹⁰

8.15 Compounding the uncertainty around future disability funding is advice from the Department of Education regarding projections of annual Commonwealth funding growth for the Student with Disability loading.¹¹ The figures show the rate of growth increasing in only two jurisdictions—Western Australia and the ACT—from 2016-17 to 2017-18. In all other jurisdictions the rate of growth decreases and for the case of the Northern Territory, funding for 2017-18 goes backwards.

Disability loading and the NDIS

8.16 At its public hearings the committee heard evidence which raised concerns about the interaction between the NDIS and the disability loading. Mr Rappensberg from Novita Childrens' Services described the situation in South Australia:

South Australia is a special circumstance because it is the trial site for children for the NDIS, which is not replicated in other states in Australia. The interface issues between the NDIS and education funding will expose themselves first in this particular state.

The other issue is in relation to the loadings and how they are applied—whether they are applied generically to the school or individually to the child to fund specific supports. An organisation like Novita provides a specific support to an individual child, yet the loading may be applied to the school generically in relation to the cohort of children with special needs that they have. So that potentially is an issue as well because, as service providers move into a fee-for-service arrangement under the NDIS and the security of their previous block grant funding is removed, a service provider needs to charge a fee to be able to provide a service. So, come 1 July, in South Australia service providers entering schools will need to charge a fee for the service that they are providing, which will not be funded by the NDIS, because of that clarity around the NDIS not funding supports that access the curriculum.¹²

8.17 Further, Ms Julie Astley, Director Operations (Client Services) from Novita Childrens' Services noted that communications about the interaction between the NDIS and the disability loading were not clear, a fact which made the realities of supporting children with a disability difficult for parents and schools:

Certainly, the communication that we receive lacks sufficient detail to be able to get an informed feel on a day-to-day level for how schools will be

10 Ms Stephanie Gotlib, Executive Officer, Children with Disability Australia, *Committee Hansard*, 1 May 2014, p. 42.

11 A copy of the table is at Appendix 6.

12 Mr Glenn Rappensberg, Chief Executive, Novita Children's Services, *Committee Hansard*, 30 April 2014, p. 2.

uplifted to better support children with disabilities in the school environment and then the flow-on effect to service providers to support the schools in their endeavours. The lack of clarity, the uncertainty, is a prevalent comment that we hear in our ongoing, day-to-day communication with schools, as we provide services for and with them for kids with special needs.¹³

8.18 Mr Harrison advised of the South Australian Government's support for the need to clarify the interaction between the disability loading and the NDIS funding:

With some 13½ thousand, we, like all jurisdictions, have finite resources and go through rigorous processes of assessment to try to determine where the greatest needs are to ensure that we best utilise available funds as effectively and efficiently as we can. The strongest comment I can make is the need for absolute alignment between the two approaches from NDIS and also from improved funding which goes into the education area as well.¹⁴

Committee comment

8.19 The committee is concerned that the uncertainty around continuing funding for students with a disability is a particularly urgent example of the negative effect of the change in funding arrangements. Likewise, the committee notes that other disadvantaged groups could also be acutely affected. The confusion around the interaction between the disability loading and the NDIS is also of concern to the committee. The committee believes that the above evidence from South Australia highlights that partnerships between the State and Territory Governments and the Australian Government are critical in the ongoing development of school education policy.

8.20 The committee considers that the collection of data and decisions about the loading for students with a disability is of urgent priority. It is essential that this work is completed to provide certainty for schools, students and families.

8.21 The committee believes that eroding the agreements established with participating states will impact severely on vulnerable groups in the education system, such as students with disabilities. If a comprehensive loading for students with a disability is not established by 2015, this group of students will become an example of the tragic consequences of the Abbott Government's failure to work collaborative within the consensus built by the agreement with participating states.

Recommendation 3 (*disability loading*)

The committee recommends that the government moves, as a matter of urgency, to a disability loading based on actual student need. To this end, the committee

13 Ms Julie Astley, Director Operations (Client Services), Novita Children's Services, *Committee Hansard*, 30 April 2014, p. 2.

14 Mr Tony Harrison, Chief Executive, Department for Education and Child Development South Australia, *Committee Hansard*, 30 April 2014, p. 8.

recommends that data collection and decisions about the loading for students with a disability should be expedited so as to provide certainty around a needs-based disability loading to replace the temporary arrangements in 2015. This must happen in close consultation with advocacy groups, the various school sectors and states and territories.

Recommendation 4 (*disability loading*)

The committee recommends the Federal Government honours its election commitment for increased funding to cover unmet need for students with a disability.

Further, the committee recommends that the government works with all states, territories and advocacy groups to clarify the interaction between the disability loading and the National Disability Insurance Scheme.

Recommendation 5 (*disability loading*)

The committee recommends that information assisting parents and carers of students with a disability be produced and distributed as soon as possible.

Proposed amendments to the Australian Education Act

8.22 The proposed amendments to the *Australian Education Act 2013* centre on the removal of the so called "command and control" mechanisms. Mr Cook provided the committee with advice as to the proposed amendments:

I think the command-and-control aspect certainly talked about what requirements there would be for states and territories and approved authorities to document in great detail the things they were doing. I do not think anyone has the view—and certainly the minister does not—that transparency and accountability is not a good thing, as I said in my opening statement. The My School website information around some of those things—providing information in relation to what states and territories are required to do around COAG education targets—is all part of the work that is required to be done around accountability and transparency. But the question the minister has put to schools, states and territories is whether it is undue reach by the Commonwealth to tell schools how they should be running their business—telling every school that they must have a school improvement plan and that this is how it needs to be made up, this is what it needs to look like and this is what needs to be in the plan.¹⁵

8.23 Mr Cook provided a subsequent update in which he noted that the deadline for submissions regarding proposed amendments was the first week of May 2014. The department had collected a number of submissions as part of consultation on the proposed amendments, and some states and territories had asked for extensions until

15 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 13 March 2014, p. 18.

the end of May 2014. Mr Cook then outlined the next steps in the consultation process:

Our proposal then would be to look at all of those written submissions to summarise areas where states and territories and other stakeholders have a view that they would like to see some amendments to the current act. Our process then would be that we would actually go out and consult face to face around that just to make sure we are covering the sort of things they are suggesting. We would then provide that advice for government and then it is a matter for government as to when the amendments would be proposed to come before parliament.¹⁶

8.24 The department elaborated on Mr Cook's information in an answer to a question on notice from Budget Estimates:

Following the receipt of all submissions, the department will prepare issues papers to inform more detailed discussions at consultation sessions with peak stakeholders in August 2014. Initial drafting of possible legislative amendments will occur later in 2014 for discussion with peak stakeholders as part of a third and final phase of consultations. This timeframe enables considered consultation by stakeholders and sufficient time to draft amendments with a view to tabling legislation in 2015.¹⁷

8.25 In its answer, the department advised that as at 20 June 2014, 17 submissions had been received from stakeholders. Submissions received included: the National Catholic Education Commission, Independent Schools Council of Australia, Victoria, Queensland and the Northern Territory. The department expected to receive submissions from New South Wales, Western Australia, South Australia and the Australian Capital Territory.¹⁸ As far as the committee is aware the submissions received by the department have not been made public.

8.26 Mr Cook also advised the committee on issues that states and territories had identified as problematic with the *Australian Education Act 2013*:

Mr Cook: The states and territories have indicated a number of areas, including things like a view that there is too much power, I guess, delegated in the federal minister in their ability in the current act to require states and territories to take particular courses of action, such as policy actions, for example. There is concern about some of the specific goals that are outlined in the act in relation to PISA growth and things like that. It is probably fair to say generally that states and territories would have a preference that certain aspects of the act be less specific and provide less power to a federal minister, with the view that they are the ones who are actually responsible for school education and for seeking improvements in schools.

16 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 33.

17 Department of Education, answer to question on notice (no. 6), Senate Education and Employment Legislation Committee, Budget Estimates, 4 June 2014.

18 Department of Education, answer to question on notice (no. 6), Senate Education and Employment Legislation Committee, Budget Estimates, 4 June 2014.

Mr Hehir: The main sections tend to be the section 77, section 105 and section 22 sort of areas. But they are the areas where the Australian government minister has the power. So they are the broad areas they are looking at.¹⁹

8.27 The Australian Secondary Principals' Association summed up community concerns regarding proposed changes to the *Australian Education Act 2013*, and in particular noted the need for mechanisms to ensure that governments committed to a needs-based funding model:

Without knowing the proposed changes it would appear that any changes to reduce command and control will increase the disconnect between the commonwealth and the states. Whilst the current Act provides for transparency, we are concerned that this will be lost and result in deregulation / decoupling. ASPA does not support anything that reduces transparency and removes the obligations of governments to the provision of a high quality equitable education for all students.

We support broad accountability measures within a system in which funding and support is transparent and where governments properly assume their obligations to ensure long-term provisions for all students. We do not support OFSTED type accountability.²⁰

Committee comment

8.28 Given the timing of consultations on the proposed amendments to the *Australian Education Act 2013*, and the fact that many states and territories refused to participate in the committee's inquiry, there is limited information available around the proposed amendments. However, it is clear to the committee that removal of the 'command and control' aspects of the legislation would be highly detrimental to the implementation of the national needs-based funding arrangement under the Act. As discussed below, there are already problems emerging regarding states' and territories' compliance with the aim of implementing a national needs-based funding model.

8.29 It has been clear to the committee throughout its inquiry that the lack of certainty and the confusion around funding has caused great anxiety in the broader school community; particularly among groups who depend on additional funding to address inequity, such as students with a disability.

8.30 The committee believes that any consultations on proposed amendments need to be transparent and to form part of a community discussion. The Gonski Review was the catalyst for broad community debate about school funding policy and the committee considers that there is scope to build on that community discussion.

19 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education and Mr Martin Hehir, Deputy Secretary Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 33.

20 Australian Secondary Principals' Association, *Submission 35*, p. 5.

Accountability and transparency around provision of funding

8.31 The first payments to states and territories under the *Australian Education Act 2013* were made on 7 January 2014:

...representing approximately \$4.7 billion to 837 approved authorities representing 9,435 schools:

- \$398 million for the first of 12 monthly payments for 6,708 government schools
- \$2.6 billion for 50 per cent upfront payments to 1,655 Catholic schools
- \$1.7 billion for 50 per cent upfront payments to 1072 independent schools.

Further payments to non-government schools are generally made in July (25 per cent) and October (25 per cent plus any enrolment adjustments). Funding for government schools will be provided to states and territories monthly.²¹

8.32 However, in regards to funding in the years after the forward estimates, the Department has provided very little information:

For arrangements beyond the forward estimates, the Government has committed to working cooperatively with states and territories and the non-government sector to deliver sensible and stable funding and will draw on the planned review processes for the loadings and indexation, scheduled to start during 2014.

States, territories and non-government authorities have been advised, in January 2014, of the intention to begin these planned review processes for the loadings and indexation.²²

8.33 The difficulty of ensuring that the implementation of the Students First model actually provides funding to schools which need it is further compounded by the need for further negotiation with State and Territory Governments regarding post 2017 funding. Further, that the Abbott Government has only committed to four years of funding rather than six, despite some states having signed the NERA which extends to six years of funding, means confusion about how funding arrangements will apply, for example the Victorian Minister for Education has said:

The national funding agreement was signed in, I think, early August last year, and that committed the Victorian and the Australian governments to \$12.2 billion of new funding over six years. The Victorian government's share of that is \$5.4 billion over those six years, and we are beginning to deliver that money into our schools this year. This is the first budget since that agreement was signed. There is \$1.2 billion already out there, and there is [\$1.6 billion] of initiatives in this year's budget towards that six-year goal. We know that that is backloaded. Most of the funding comes on stream in the second half, in fact in the last two years, of that six-year agreement. We will certainly do our bit, with guarantees that we will

21 Department of Education, *Submission 43*, p. 7

22 Department of Education, *Submission 43*, p. 7.

provide the \$5.4 billion over six years that we said we would put on the table, and obviously we will hold the federal government accountable to do its bit in terms of the balance of the money.²³

Minister Pyne's "expectation" for states to maintain funding

8.34 The Minister for Education, the Hon Christopher Pyne MP, wrote to the non-participating jurisdictions of Queensland, Western Australia and the Northern Territory regarding the allocation of funding and outlining the Abbott Government's belief in states' autonomy:

The Government recognises that states and territories remain responsible for their schools and that all non-government schools should maintain their independence and autonomy. In 2014 it is the Government's intention, following consultation, to amend the command and control aspects of the *Australian Education Act 2013* to ensure jurisdictions maintain authority for their schools.

Given our joint commitment to addressing student need and improving educational outcomes for all students, it is my *expectation* that your Government would continue its funding effort across schools [in the relevant state or territory] through the forward estimates period.²⁴

8.35 As noted in Chapter 6, the Northern Territory advised the committee of its intention to use the additional Commonwealth funding for capital projects. At Budget Estimates, senators put to the Australian Department of Education the Northern Territory's intention. It appears from the response that department officials were unaware of the possibility that the territory would use the funding for capital projects:

Senator WRIGHT: He [Mr Ken Davies, Chief Executive, Department of Education Northern Territory] said it was [the Northern Territory Government's] intent to spend the money on schools but they could not guarantee every dollar would go to education costs.

Ms Paul: I think it has to. I think it has to under the act. We will have to go and look at the—

Senator WRIGHT: Well, it has to. But if it does not, it is not quite clear. How do you monitor? You monitor by results?

Ms Paul: I think we might be asking them tomorrow.

Senator WRIGHT: That is what I am asking you now. You obviously were not aware of it. That was my first question. Did you follow that up with the Northern Territory government? Clearly not, if you did not know about it.

23 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, p. 5.

24 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation. Emphasis added.

Ms Paul: We will now.²⁵

8.36 Western Australia, several witnesses noted, appears to have taken the Abbott Government funding and cut State Government spending on schools. Mr Rose, Senior Vice President of the State School Teachers' Union of Western Australia explained:

The decision by the state government to agree to an arrangement with the federal government post the federal election has allowed them to drastically cut the budgets of schools in WA. A total of \$180 million has been cut from WA schools this year. More than 500 full-time-equivalent teachers have been cut from the public system. More than 500 non-teaching positions, such as educational assistants and Aboriginal and Islander education officers, have been cut. Funding specific to the most disadvantaged students, the School Support Program Resource Allocation or SSPRA funding, has been cut by 30 per cent. Schools have also lost money designed for the performance management of teachers, level III teacher programs and a long service leave levy of \$600 per teacher and \$400 per support staff.²⁶

8.37 While its status as a non-participating state is not clear,²⁷ the Victorian State Government, in its recent Budget Estimates in May, demonstrated the difficulty of accounting for Australian Government school funding down to a school-by-school level when the Minister for Education refused to provide a breakdown of school funding:

In Victoria there is no such thing as Gonski money. It is the money that the state government puts into education, it is the money that the federal government puts into education and that is the school funding. We do not treat them as two separate buckets of money. It is school funding, and we do not divide them up like that, especially in Victoria where we have a very devolved education system, where we do not have line item budgets, where we allow schools to spend the funding that they receive on the programs and services that are going to best meet the needs of their community.²⁸

8.38 Mr Nairn, Australian Secondary Principals Association, summed up the contrast between the state agreements under NPSI and the situation under Students First:

...Under Gonski, if we took the pure Gonski model, we had some consistency and we had transparency across all the states and territories. What we have now, through political processes, different negotiations were done with different states and territories. We now have the situation where

25 Ms Lisa Paul AO PSM, Secretary, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 93.

26 Mr Lincoln Rose, Senior Vice President, State School Teachers' Union of Western Australia, *Committee Hansard*, 29 April 2014, p. 10.

27 See Chapter 6 for further discussion.

28 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, p. 6.

even states that did not sign up for it have got dollars without any necessity to increase or put in their contribution as well. That is a concern, because there is no transparency. That is one of our biggest issues at the moment. The old funding model was very hard to fathom and there was not a lot of transparency around that. We believe that Gonski was going to provide the new funding model and would provide some transparency across each of the states and territories. That, through political processes, has gone, because not all the states and territories signed up and we do not have pure Gonski going through each of the states and territories. We believe a lot of that transparency is gone.²⁹

8.39 At the June 2014 Budget Estimates, senators sought to clarify with the Australian Department of Education whether there were any guarantees that States were bound to use Australian Government school funding for needs-based educational outcomes, as opposed to capital projects. The department's reply was surprisingly clear:

Senator WRIGHT: If a state wanted to spend all of the additional Commonwealth money that they received on capital infrastructure, would there be anything to stop them from doing that?

Ms Paul: It is given to the states. The states are, of course, their own entities. They can spend the money as they wish. But, as the minister said, they have to be accountable to their electorate and to who they represent, their citizens, if you like. They are also accountable quite clearly through mechanisms like My School and so on on how their schools perform. And they need to pay their teachers et cetera. I would be astonished if they would spend—

Senator WRIGHT: We have been hearing today that this is the first national needs based funding system, thanks to the Commonwealth government, that has been delivered, but in fact there is no guarantee at all that states and territories like Western Australia, Queensland or the Northern Territory actually have to use the needs based funding formula, is there? There is no requirement. There is no legal sanction if they do not.

Mr Cook: There never has been.³⁰

Committee comment

8.40 The committee agrees with Mr Nairn and other submitters that the lack of transparency around states' allocation of school funding, particularly that funding provided by the Abbott Government for the purpose of implementing quality educational outcomes, is a major concern. The following recommendations would, the committee believes, help to ameliorate the lack of transparency and increase

29 Mr Rob Nairn, Executive Director, Australian Secondary Principals Association, Western Australia, *Committee Hansard*, 29 April 2014, p. 18.

30 Ms Lisa Paul AO PSM, Secretary, Department of Education and Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 91.

accountability around school funding so all governments can work together to ensure that funding goes to schools which need it most.

8.41 In particular, the committee is concerned that the lack of transparency in co-contribution arrangements will result in an inability to ensure that funding is going to schools which need it most. The committee finds it entirely unacceptable for the Education Minister, at a time of significant fiscal constraint, to rely solely on his "expectation" that State and Territory Governments would continue its school funding efforts. At a time when the Abbott Government is cutting approximately \$30 billion in school funding over the medium-term, it is entirely unsatisfactory for it essentially to be handing blank cheques to the three jurisdictions that refused to sign up to the NPSI.

8.42 Under the Abbott Government's changes to school funding arrangements, there are no binding mechanisms by which non-participating states and territories can be held to maintaining their current expenditure and working towards achievement of the Schooling Resource Standard. As an example, the committee notes that the Northern Territory Government, as outlined above, indicated its intention to put the additional funding towards capital expenditure. More concerning still is that the Department of Education was unaware of the situation; indeed had not maintained some review of the Territory's funding allocation.

8.43 Without accountability mechanisms, there is no way to ensure that school funding arrangements are geared towards addressing the inequities in school funding, particular for those student groups most in need.

Recommendation 2 (*non-participating states*)

The committee recommends that the government work with non-participating states and territories to:

- **maintain the existing education spending of all non-participating states and territories;**
- **ensure appropriate indexation of education spending for all non-participating states and territories;**
- **ensure that adequate co-contribution arrangements are agreed by all non-participating states and territories to establish a national School Resource Standard; and**
- **achieve agreement with non-participating states and territories to the national funding model and NPSI established under the *Australian Education Act 2013*.**

8.44 The committee has found throughout its inquiry that much information on school funding arrangements is vague, obscured by the various reporting methods of government jurisdictions in Australia. The committee believes that without clear information which is consistent across jurisdictions there cannot be an appropriate level of accountability. Meanwhile, the Abbott Government is working to reduce the

accountability measures in the *Australian Education Act 2013*. In his letter to stakeholders inviting submissions on the removal of "command and control" features of the legislation, Minister Pyne sought comments on:

...where stakeholders perceive the Act or Regulation afford an overreach of Commonwealth powers and involve unnecessary reporting to the Commonwealth in this regard and ways to streamline the administration of financial and general accountability processes.³¹

8.45 The committee is deeply concerned that the Abbott Government is working towards removing accountability and transparency from funding arrangements. Throughout its report, the committee has highlighted the importance of accountability to implementing a national needs-based funding model. The committee believes the Abbott Government should act immediately to increase accountability and dispel the confusion and uncertainty which has developed through lack of public information and transparency.

Recommendation 6 (*federal-state relations and accountability*)

The committee recommends that the Department of Education produce an annual 'report card' detailing the breakdown of school funding including:

- **funding provided to states and territories (participating and non-participating) and non-government schools by sector;**
- **comparable information contributed by state and territory governments about their school funding;**
- **the extent to which these arrangements are achieving equitable funding to schools and students in most need; and**
- **funding broken down to a school level.**

Transparency around future funding levels

Achieving the SRS

8.46 The Gonski Review described the SRS as being a basis on which the Australian Government could determine the total funding to government and non-government systems and schools and its allocation of that contribution across school systems.³² Further, the SRS could act as a constant monitor of funding for schools:

...the resource standard could also be used by state and territory governments to set the desired level of aggregate funding from state and

31 Department of Education, answer to question on notice (no. 6), Senate Education and Employment Legislation Committee, Budget Estimates, 4 June 2014, p. 1.

32 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 164.

territory governments for both government and non-government sectors in each jurisdiction. This would signal a greater commitment by state and territory governments to the funding of non-government schools as part of the new funding arrangements, as well as to the adequate funding of government schools. The same would be the case for Australian Government funding of government schools.³³

8.47 Progress towards achieving the SRS, particularly post 2017 when the Abbott Government has deemed that arrangements will be subject to negotiations between the Australian Government and the States, is in doubt. In answer to a question taken on notice, the Australian Department of Education was unable to outline progress towards the SRS post 2017:

Question No. 3 (16 May):

Senator Jacinta Collins (Chair) asked on 16 May, Proof Hansard pp 39-40:

What will changes from 2017 mean to any progression towards reaching any commonality in an SRS?

Answer

The Department is unable to determine the progression.

The Schooling Resource Standard (SRS) is a common standard including a base amount and loadings for disadvantage. Because the SRS is a measure of total funding for education, of which Commonwealth funding is only a proportion, a number of significant assumptions would need to be made, requiring extensive modelling, for example:

- the Commonwealth share of funding and additionality;
- the position of each school's funding relative to the SRS;
- the distribution of funding by systems; and
- the consistency of indexation rates over time.

8.48 Somewhat ironically, the figures which the Department would require to calculate the progression towards commonality in the SRS formed part of the agreements with participating states under the NPSI. Participating states such as South Australia are able to show progression over six years (that is past 2017) due to the projections based on their NPSI agreements.

8.49 However it is clear that the change from six years of funding to four years will have a negative effect on schools' ability to achieve the SRS. The Department for Education and Child Development South Australia advised that:

The State Government does not have projections of the number of schools that will be operating below the SRS by 2017. However, the transition arrangements for South Australian schools to reach the SRS in 2019 are not

33 *Review of Funding for Schooling Final Report (Gonski Review Report)*, December 2011, p. 164.

linear, with the majority of additional funding to be provided in 2018 and 2019.³⁴

8.50 Given that the South Australian Government had matched their funding commitments under the NERA to the 6 years of funding in that agreement, the change to 4 years of funding creates the potential for a significant shortfall and consequently means that the SRS is unlikely to be achieved.

8.51 At the committee's public hearing on 16 May 2014, senators asked the Australian Department of Education about an assertion in *The Australian* that the Abbott Government is proposing to contribute 19.1 per cent of each state's notional allocation to the SRS in government sector schools. Mr Cook explained:

For the presentation of the numbers in the budget—and it is important that I make this point because the government has been very clear that there will be formal negotiations around the distribution of funding from 2018 on—basically what has happened is, looking at the total bucket, how much does the Commonwealth spend in 2018 in the government sector?

To do that, you look at what the Commonwealth spent in 2017, apply consumer price index growth, apply enrolment growth to get a figure, and then look at the total public funding to the SRS in 2018. You divide that and you get a figure of 19.1 per cent. So the Commonwealth contribution to the SRS in terms of public funding in 2018 is 19.1 per cent [for government schools].³⁵

8.52 Mr Cook noted that although there may be a difference in SRS in different states and territories, the 19.1 per cent applied equally across all:

For the Northern Territory, for example, their schooling resource standard is the highest in the country, because they have the greatest amount of loadings and need. So their 19.1 per cent has a higher dollar value but in proportion it is the same as the 19.1 per cent that Victoria receives. But Victoria's schooling resource standard is not as high as the Northern Territory's because they do not have the significant levels of Indigenous population and distance and those sorts of things. So it is a needs-based model still in that sense for the purposes of the budget presentation. Everyone in the government sector is getting 19.1 per cent of Commonwealth funding of their schooling resource standard. That is how it is applied and that is how it appears in the budget papers.³⁶

8.53 Mr Cook did not believe that any school would get less in 2018 than they would in 2017, the difference in the SRS across states notwithstanding:

34 Department for Education and Child Development, South Australian Government, answers to questions on notice, 30 April 2014, p. 5.

35 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 38.

36 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 38.

The question was: will any school get less in 2018 than they get in 2017? On the basis that schools will actually be getting whatever they got in 2017 plus 2½ per cent plus enrolment growth, the answer to that would be no. Everyone will get at least 2½ per cent plus enrolment growth.³⁷

8.54 Mr Cook provided an expanded explanation at Budget Estimates hearings on 4 June:

To be fair, I guess we now have a methodology, for the budget paper presentation, where everyone is getting 19.1 per cent Commonwealth contribution to their state schooling resource standard. What that means for the Northern Territory, which is about \$24,000 per child, is that that they will get 19.1 per cent of \$24,000 because they have a greater need than most other states on a needs based funding model. Victoria, which probably has less need around things like Indigenous students and location and things like, will have an amount, I think, of around \$12,000. They will get 19.1 per cent of that. Everyone gets an equal proportion of what the actual schooling resource standard is for their state. So that is the government sector.³⁸

8.55 Asked the slightly different question (to that of the above question on notice), what the position of having all schools reaching a national SRS in 2018 would be, Mr Cook again was unable to provide a firm answer. Instead he argued that there were too many variables post 2017:

We have given you some data, which is question three, which is what your question was: what proportion of the SRS will be reached by the end of 2017? I do not have 2018 data, I am sorry. You will see that it is incredibly variable, depending on the agreements of the previous government. Some sectors are well above 100 per cent. Some sectors are below 100 per cent. In some states the government sector will be ahead of the non-government sector. In other states the non-government sector will be ahead of the government sector. Unfortunately, I cannot answer the question that you are asking about individual schools because states and territories then distribute their funding to individual schools. It would be misleading for me to say. I just could not answer it because a state may change how they apply some of their funding to schools over the next four years as well. The best I can give you is the information that is there at the moment around what it looks like by 2017.³⁹

8.56 The Gonski Review envisaged the SRS as a marker of school funding and consequently a measure of accountability of governments and transparency around the funding going to each school:

37 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 39.

38 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 114.

39 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 39.

A resource standard could assist in identifying total investment requirements over time for school education in Australia and provide a more reliable and relevant benchmark against which costs and outcomes for school systems and schools can be assessed. A resource standard, particularly if applied by all schooling systems, would also provide assurance to parents, taxpayers and communities that all Australian schools have the financial resources required to deliver defined and appropriate educational outcomes for all Australian children.⁴⁰

8.57 Under the new arrangements proposed by the Abbott Government, there is real danger that the SRS will not achieve the potential foreseen for it by the Gonski Review.

Committee comment

8.58 The committee disputes the Australian Department of Education's claim that the arbitrary 19.1 per cent figure will deliver each state an 'equal proportion' of funding towards the SRS. It is the committee's opinion that the arbitrary 19.1 per cent Australian Government contribution to government sector schools will result in a significant shortfall in school funding for many states. As a consequence, the burden will either fall on the State Governments to make up the difference in funding or many government schools will not reach their SRS.

8.59 Non-participating states are being effectively handed a blank cheque by the Abbott Government. There is no way of ensuring that the funding will be used to improve educational outcomes. Consequently there can be little confidence that non-participating states would make up any shortfall resulting from the 19.1 per cent allocation.

8.60 Further, due to the cavalier way the Abbott Government has treated the participating states' agreements, reducing the funding horizon from six to four years, there is little incentive or motivation for participating states to co-contribute to make up any shortfall.

8.61 As a result of the Abbott Government's decisions, it is highly likely that a proportion of government schools from around Australia will never achieve their SRS. This will jeopardise the wide-spread improvements in student outcomes that will flow from a properly and strategically funded needs-based model.

8.62 The SRS, if implemented properly, could be a benchmark for school funding by State Governments and the Australian Government. However there is a very real possibility that not only will many schools not achieve the SRS, the transparency and accountability that an SRS represents will be lost.

Indexation

8.63 As discussed in Chapter 2, the National Commission of Audit's recommendation was that school funding be indexed for inflation. At Budget

40 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 164.

Estimates in June 2014, the Department of Education advised that it had not provided input to the considerations of the NCOA regarding indexation.⁴¹

8.64 The beginning of Chapter 7 examined the difference that indexation from 2017-18 makes to the overall funding for schools; representing a substantial decrease given that the indexation begins as the funding for years five and six under NPSI would have commenced. Department of Education representatives advised that the indexation review, flagged in the NERA, would be proceeding, although they were not in a position to comment on any specific issues arising at the present regarding the indexation post 2017:

Senator JACINTA COLLINS: So whilst you say the education price index has some issues, you are not in a position to say what would be an appropriate school indexation price index?

Ms Paul: No. We are not in a position to say what it would be.

Senator JACINTA COLLINS: That was going to be the subject of the review of indexation, was it not? I can only assume—I think we had this discussion in the select committee—that it will now not proceed.

Mr Cook: The minister has written to education ministers about discussions around indexation as part of the formal negotiations. The budget papers are very clear that there will be formal negotiations on funding distribution in 2017-18. The minister has indicated that he will discuss indexation as part of that. Just to your earlier point about an education index, I might have indicated some of this in the select committee as well—⁴²

8.65 The Productivity Commission's 2014 Report on Government Services data shows that over the period from 1999 to 2012 actual recurrent expenses for school funding increased at an annual rate of 5.8 per cent.⁴³ Similarly, the Australian Bureau of Statistics education price index shows that education expenses rose 5.1 per cent in March Quarter 2013 to March Quarter 2014. By comparison, the annual CPI inflation rate to March 2014 is 2.9 per cent.⁴⁴ Given the historic and current rates of the education sector price indexation track near double the CPI rate, it is clear the Abbott Government's decision to index school funding to CPI from 2017-18 will put at risk the funding required to sustain the long-term implementation of a needs-based funding model.

41 Ms Lisa Paul AO PSM, Secretary, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 82.

42 Ms Lisa Paul AO PSM, Secretary, Department of Education and Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 85.

43 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, Table A4.18, available at www.pc.gov.au/gsp/rogs/childcare-education-training

44 Australian Bureau of Statistics, *Publication 6401.0 – Consumer Price Index, Australia, Mar 2014*, 'March Key Figures', www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6401.0Main+Features1Mar%202014?OpenDocument

8.66 Meanwhile, the effect on school funding levels of CPI indexation from 2017-18 is already clear to State Governments and advocacy groups. Mr Martin Hanscamp, Executive Officer of the Australian Association of Christian Schools told the committee on 16 May that the indexation of funding would pose considerable challenges for long-term financial planning for schools.⁴⁵

8.67 Mr Colin Pettit, Secretary, Department of Education Tasmania advised the committee that the decline in indexation from 4.7 per cent to 2.5 per cent would mean cuts of 'approximately \$9 million per annum' for the state.⁴⁶

8.68 The decrease in funding caused by indexation from 2017-18 means that if states and territories are to maintain schools funding and implement a needs-based model, they will have to make up the shortfall in funding. Chapter 3 discussed the example of South Australian Education Department, which explained how the state's school funding had been planned against the original six years of funding under the NERA.

8.69 The decision to index funding from 2017-18, two years before the end of the NERA signed by participating states leaves open the possibility that states may decrease their school funding in the medium term as they cannot rely on funding past four years. Mr Cook, Associate Secretary, Department of Education has advised that there is nothing to prevent participating states from reducing their own agreed indexation rates:

Those states and territories that have signed the National Education Reform Agreement. I guess they have agreed indexation rates and it is a matter for them as to whether they continue those indexation rates...There is a signed agreement between the Commonwealth and the states. No state has said to me that they are not implementing that agreement as it currently sits.⁴⁷

Committee comment

8.70 The committee believes that the Abbott Government's decision to implement CPI indexation from 2017-18 will result in a significant cut to school funding. The actual figures, both historical and current, show that education costs have risen at around 5–6 per cent per annum in nominal terms. By comparison, this is double the Abbott Government's long-term assumed rate of CPI inflation of 2.5 per cent per annum.⁴⁸ Even when an adjustment is made for enrolment growth, which historically has risen by 0.8 per cent per annum,⁴⁹ from 2017-18 the Abbott Government's

45 Mr Martin Hanscamp, Executive Officer, Australian Association of Christian Schools, *Committee Hansard*, 16 May 2014, p. 10.

46 Mr Colin Pettit, Secretary, Department of Education Tasmania, *Committee Hansard*, 16 May 2014, p. 32.

47 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 34.

48 Budget 2014-15, *Budget Strategy and Outlook, Budget Paper No. 1*, May 2014, pp. 7-23.

49 See paragraph 2.7.

spending on education will fall by approximately 1.5–2.5 percentage points per annum compared to long-term trends. This annual reduction in Commonwealth education sector investment, from what was agreed under the NPSI, will contribute to the Abbott Government's projected \$30 billion cut to school funding over the medium term.

8.71 As discussed above, the cut in funding has led to uncertainty in state and territory forward planning on school funding. The committee is concerned that the decision to make such a decrease in school funding going forward sends a message to States and Territories that the Abbott Government is not focused on improving educational outcomes.

8.72 The committee notes that the indexation rates for schools funding in the 2014-15 Budget impose an even more severe indexation rate than that recommended by the National Commission of Audit. This report demonstrates the committee's view that indexation to the CPI and "enrolment growth" is not adequate to maintain appropriate levels of funding for schools.

Recommendation 7 (indexation rate post 2017)

The committee recommends that the Australian Government should reinstate an appropriate indexation rate for school funding. The government should ensure that Commonwealth school funding is not cut in real terms by adopting a more realistic indexation rate that ensures annual indexation is not below actual cost pressures. The committee notes that the previously agreed rates increased Commonwealth funding at 4.7 per cent per annum and states' contributions at 3 per cent per annum.

Need for ongoing scrutiny of the effect of changes to school funding arrangements

8.73 As outlined throughout this report, there has been a lack of clear, consistent articulation of intention from the Abbott Government with regards to its changes to school funding arrangements. For example, at the time of writing and as described above, the committee has very little information about the proposed amendments to the *Australian Education Act 2013*. The consultation process on proposed amendments is being conducted behind closed doors and no submissions have been published by the Department of Education.

8.74 Non-participating states are under no obligation to make a commensurate contribution to school funding. The only leverage the Commonwealth has retained is the Education Minister's "expectation" that non-participating state will continue to adequately fund schools. At a time when the Abbott Government is forcing \$30 billion of cuts onto the states over the medium term, it is highly likely that non-participating states will further reduce their education budgets. Indeed, as discussed above, non-participating states do not appear to be obligated to put Australia Government funding into schools. There is no way the Abbott Government can guarantee that school funding provided to non-participating states is being used to address inequity and provide funding to those groups of students most in need.

8.75 Participating states, which should be able to rely on the commitments they made under the *Australian Education Act 2013*, now face uncertain funding as the Abbott Government has committed only to the first four years of funding, with modest indexation from 2018. As states now hand down their 2014-15 budgets, participating states are facing the difficult question of how to address the funding shortfall which will result from CPI indexation in years five, six and beyond.

Committee comment

8.76 The committee is deeply concerned by the ongoing uncertainty around school funding, and the Abbott Government's cuts to school funding with indexation post 2017. The committee has heard evidence that these cuts are having a detrimental impact on school programs and that funding uncertainty is jeopardising planning. The committee agrees with the comment from Mr Gonski on indexation:

So the concept of aspiration (or indeed their [the National Commission of Audit] concept of efficiency) ends in 2017 and from then on funding increases by indexes not specifically related to changes in costs in education. If the funding be wrong in 2017 it will be perpetuated and if circumstances and aspirations change after that date they will be presumably irrelevant. No doubt this is simple but like a lot that is simple it is not adequate.⁵⁰

8.77 Without clarity from the Abbott Government about its intentions past the first four years of funding and the proposed amendments to the *Australian Education Act 2013*, State and Territory Governments cannot work towards addressing inequity in the school funding system. The committee believes that, prior to the introduction of the Students First funding arrangements; there was widespread consensus and purpose amongst stakeholders, underpinned by the agreements under the NPSI. The committee considers that this consensus is now at risk of disintegrating, along with the ability of all governments to work together to implement a needs-based funding model for schools.

8.78 As the Abbott Government has provided few accountability and transparency mechanisms around its changes to school funding arrangements, the committee believes that the Parliament must undertake increased scrutiny, to ensure that schools and students most in need do not suffer as a result of the changes to funding.

Recommendation 8 (*ongoing scrutiny*)

The committee recommends the Senate pay particular regard to:

- **any further cuts to Commonwealth or state education funding;**
- **the effect on Commonwealth-state relations with any further cuts or changes, particularly the effect on states' ability to adequately fund schools; and**

50 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, p. 23.

- any reviews conducted or amendments proposed to the *Australian Education Act 2013*.

The committee also recommends that the Senate refer any amendments proposed to the *Australian Education Act 2013* to the Senate Education and Employment Legislation Committee for inquiry and report.



From the left: Mr Stephen Palethorpe (Committee Secretary), Principal Ms Kathryn Entwistle, Senator Deborah O'Neill, Senator Penny Wright (Deputy Chair). The committee conducted a public hearing and site visit at the Darlington Primary School, Adelaide on 30 April 2014.

Chapter 9

Conclusion

Committee comment

9.1 This report has demonstrated:

- the complexity of previous, pre-Gonski funding arrangements; the ground-breaking consensus achieved by the Gonski Report;
- the agreement and goodwill achieved amongst jurisdictions covering approximately 80 per cent of Australian school students¹ in the implementation of the National Plan for School Improvement (NPSI); and
- the disruption and confusion which has resulted from the change from the NPSI to the Students First funding arrangements.

9.2 The committee sees the Gonski Review as a fundamental benchmark in the history of school funding in Australia. The Review demonstrated the importance of an equitable and nationally consistent funding approach and the link between education outcomes and investment in the school sector. Equity was an essential concern in the Gonski Review. As Mr Gonski said when delivering the Jean Blackburn Oration:

One of the easiest decisions we were able to take is what we as a review team believed “equity” should mean in determining a suitable funding system in Australia.

We felt strongly and unanimously that a funding system must ensure that differences in educational outcomes are not the result of differences in wealth, income, power or possessions.

Flowing from this a funding system based on need was both obvious and important.²

9.3 The Gonski Review defined equity in schooling as 'ensuring that differences in educational outcomes are not the result of differences in wealth, income, power or possessions.'³ This definition recognised that not all students are the same or can

1 The 80 per cent figure is calculated using figures from Table 4.3 in Volume B of the Productivity Commission's *Report on Government Services 2014*. As a proportion of the national total, students in NSW, Victoria, South Australia, the ACT and Tasmania amounts to 67.42 per cent. When the students in Catholic and Independent Schools in Queensland, Western Australia and the Northern Territory are added, this figure is 80.41 per cent. The Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, Table 4.3 FTE student enrolments, August 2012, p. 4.9, www.pc.gov.au/data/assets/pdf_file/0015/132306/rogs-2014-volumeb-chapter4.pdf, (accessed 20 June 2014).

2 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, p. 13.

3 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 105.

achieve the same outcomes; rather it meant equity of access for all students to a high quality education.

9.4 Without a funding system which allocates resources to schools and students most in need, equity of access to high quality education is not possible. Dr David Zyngier, senior lecturer from Monash University who appeared in private capacity, explained the importance of allocating funds to alleviate disadvantage:

The equity implications of a school's socioeconomic status are, as we know, considerable. Individual students are advantaged or disadvantaged by their own backgrounds—who their parents are—but the impact of this can be reduced or magnified in the schools they attend. School choice is exercised in Australia, favouring those with resources to exercise that choice while reducing opportunities for disadvantaged students who are increasingly sitting in classrooms alongside their own disadvantaged peers. Professor Richard Teese of the University of Melbourne calls this 'sinks of disadvantage'.⁴

9.5 Dr Zyngier argued that under previous school funding models that pre-dated the Gonski Review, the idea that parents and students had choice in regards to schools was a myth:

Choice is only available for those who have the wherewithal to make that choice. We have heard about the end of the age of entitlement. However, when a person on the basic wage of \$55,000 a year pays his or her taxes, that person does not have a choice, but their taxes go to enable someone who is on a salary of \$150,000 or more per annum to exercise that choice. So it is a bogus choice.⁵

9.6 The committee believes that genuine 'choice' will only be possible if funding is targeted to address areas of need. This can only occur if Australia effectively implements a needs-based school funding model, and adequately invest in that model into the future.

9.7 The Gonski Review also built strong community support for a national needs-based, sector-blind funding model which, if properly implemented, would raise education outcomes and reduce inequity. The historical reforms to education funding were driven forward by the NPSI, which began the process of implementing a national needs-based, sector-blind model, working with all stakeholders and including the community in the process of change.

9.8 On the proviso that adequate time, expenditure and effort are dedicated to embed these reforms, the committee is confident that these changes will boost educational standards across the board, effectively support those students with genuine needs, and address the long tail of underachievement regardless of schooling sector.

4 Dr David Zyngier, private capacity, *Committee Hansard*, 3 April 2014, p. 42.

5 Dr David Zyngier, private capacity, *Committee Hansard*, 3 April 2014, p. 47.

9.9 However, with the Abbott Government's changes to school funding arrangements, states and territories will have only four years of funding certainty.

9.10 After the shambolic first months of policy formulation from the Abbott Government, some commentators reflected on what would happen if the Gonski Review recommendations languished:

But it's worth reminding ourselves what the Gonski review tried to fix (which Pyne might have been reminded of, had he accepted the invitation made by Gonski panel member Kathryn Greiner to talk him through the review's findings).

Under the existing arrangements, the "educational outcomes" of indigenous kids have fallen two years - *two years* - behind those of non-indigenous kids....

Sixty per cent of children who are not proficient in English, and about 30 per cent of indigenous children and those living in "very remote" areas, are considered "developmentally vulnerable".

And that too often means they're dropping out of the system.

In 2009, the report tells us, 56 per cent of children from low socio-economic backgrounds finished year 12, compared with 75 per cent of children from high socio-economic backgrounds.⁶

9.11 Professor Stephen Dinham, national president of the Australian College of Educators stressed that the consequences of the Abbott Government's changes would be highly detrimental to Australia as a nation:

...It is hard not to conclude that what we are seeing is a deliberate strategy to dismantle public education, partly for ideological and partly for financial reasons.

If these developments continue then the inevitable outcomes will be greater inequity and continuing decline in educational performance, something that will provide the proponents for such change with further "evidence" to support their position and for even more far-reaching change.

Australia is becoming a less equitable society both generally and in respect of education and as has been demonstrated, inequality in society is actually worse for everyone.⁷

9.12 Although noting that there are arguments both for and against linking the amount of funding to educational outcomes, the committee considers that schools cannot set high standards for teacher quality and student outcomes without adequate funding. Without certainty of funding, and adequate funding from both the

6 Bianca Hall, 'Government backflip on Gonski reforms puts school funding in chaos', *The Age*, 1 December 2013, www.theage.com.au/comment/government-backflip-on-gonski-reforms-puts-school-funding-in-chaos-20131130-2yj3.html.

7 Stephen Dinham, 'Why free market will not fix problems with teachers and teaching', *The Sydney Morning Herald*, 2 April 2014, <http://www.smh.com.au/comment/why-free-market-will-not-fix-problems-with-teachers-and-teaching-20140402-zqpo2.html>.

Commonwealth and State Governments, schools, students and the Australian community will suffer.

9.13 At its public hearing on 16 May 2014, the committee heard from Dr Ken Boston. Dr Boston was able to offer a unique and important perspective on school funding: that of a former Gonski Review panellist, former head of the NSW Department of Education, and ongoing commentator on school funding and educational outcomes. The committee considers that Dr Boston provided one of the clearest summations of the need for school funding arrangements to be clear, consistent, and certain into the future:

The disturbing thing is that there has been real growth in education spending in the years 2000-2012, the high water mark of sector based, needs-blind funding, and during those years our national performance has declined. The government and Commission of Audit conclude that funding is therefore not the critical factor in the decline, but the issue is the increased funding is not then spent strategically. Too much is being spent on schools that do not need it. Not enough is being spent on what matters where it matters.

In concluding I go back to the five-year gap in reading performance. The government is quite wrong on the cause of this and other similar gaps. This gap is not the result of insufficient autonomy to schools and their principals. It is not the result of underachieving schools having poor teachers. It is not the result of an unchallenging curriculum. It is not the result of failing to make Thomas Hardy compulsory reading in year 8. It is the direct result of sector based, needs-blind funding; and, so long as that system continues, the quality of education provided for disadvantaged children will remain inferior, the oxygen will continue to be sucked from any genuine competition, we will continue to fail to realise the full potential of our latent human capital and Australian education will remain an international basket case.⁸

9.14 The committee recognises that school funding is a policy issue on which the States, Territories and the Commonwealth Government must work together with each school sector and school communities. In conducting public hearings in six states, the committee was able to take views from a range of stakeholders: public, Catholic and independent school associations; parents, teachers, principals; unions and, in some cases, State Governments.

9.15 The committee notes that a very significant majority of stakeholders in education funding support the findings of the Gonski Review and the arrangements agreed under the NPSI. For this reason, the committee is particularly concerned that this consensus is in danger of being undermined in the confusion created by the Abbott Government's changes to school funding.

9.16 The committee believes that it will not be possible to achieve the best educational outcomes for Australian students if there is not a genuine commitment by

8 Dr Ken Boston, private capacity, *Committee Hansard*, 16 May 2014, pp 1-2.

the Australian Government to a national needs-based, sector-blind funding model which is implemented across all jurisdictions.

9.17 The committee urges the Abbott Government to fulfil its pre-election commitment so that the strong community consensus developed through the Gonski Review and the NPSI implementation can be preserved. The committee has made the following recommendations in this report as a way forward for the Australia Government implement a genuine needs-based funding model.

Recommendation 1 (*commit to implementation of the NPSI*)

The committee believes that the significant consensus achieved from the Gonski Review and the agreements negotiated under the National Plan for School Improvement (NPSI) must not be lost with the current government's harmful and confusing changes. The committee recommends the Australian Government honour its pre-election commitments to fully implement the national needs-based, sector-blind funding model incorporated in the NPSI to improve equity across Australian schools. In particular, the Australian Government should commit to the following elements of the NPSI:

- **the six year transition to a nationally consistent Schooling Resource Standard;**
- **maintain the commitments made under the National Education Reform Agreement (NERA) and bilateral agreements with participating states and territories, in particular the five areas of the NPSI:**
 - **quality teaching**
 - **quality learning**
 - **empowered school leadership**
 - **meeting student need**
 - **greater transparency and accountability; and**
- **conduct reviews prescribed under the NERA and strive for equitable funding for schools most in need.**

Recommendation 2 (*non-participating states*)

The committee recommends that the government work with non-participating states and territories to:

- **maintain the existing education spending of all non-participating states and territories;**
- **ensure appropriate indexation of education spending for all non-participating states and territories;**

- ensure that adequate co-contribution arrangements are agreed by all non-participating states and territories to establish a national School Resource Standard; and
- achieve agreement with non-participating states and territories to the national funding model and NPSI established under the *Australian Education Act 2013*.

Recommendation 3 (*disability loading*)

The committee recommends that the government moves, as a matter of urgency, to a disability loading based on actual student need. To this end, the committee recommends that data collection and decisions about the loading for students with a disability should be expedited so as to provide certainty around a needs-based disability loading to replace the temporary arrangements in 2015. This must happen in close consultation with advocacy groups, the various school sectors and states and territories.

Recommendation 4 (*disability loading*)

The committee recommends the Federal Government honours its election commitment for increased funding to cover unmet need for students with a disability.

Further, the committee recommends that the government works with all states, territories and advocacy groups to clarify the interaction between the disability loading and the National Disability Insurance Scheme.

Recommendation 5 (*disability loading*)

The committee recommends that information assisting parents and carers of students with a disability be produced and distributed as soon as possible.

Recommendation 6 (*federal-state relations and accountability*)

The committee recommends that the Department of Education produce an annual 'report card' detailing the breakdown of school funding including:

- funding provided to states and territories (participating and non-participating) and non-government schools by sector;

-
- **comparable information contributed by state and territory governments about their school funding;**
 - **the extent to which these arrangements are achieving equitable funding to schools and students in most need; and**
 - **funding broken down to a school level.**

Recommendation 7 (*indexation rate post 2017*)

The committee recommends that the Australian Government should reinstate an appropriate indexation rate for school funding. The government should ensure that Commonwealth school funding is not cut in real terms by adopting a more realistic indexation rate that ensures annual indexation is not below actual cost pressures. The committee notes that the previously agreed rates increased Commonwealth funding at 4.7 per cent per annum and states' contributions at 3 per cent per annum.

Recommendation 8 (*ongoing scrutiny*)

The committee recommends the Senate pay particular regard to:

- **any further cuts to Commonwealth or state education funding;**
- **the effect on Commonwealth-state relations with any further cuts or changes, particularly the effect on states' ability to adequately fund schools; and**
- **any reviews conducted or amendments proposed to the *Australian Education Act 2013*.**

The committee also recommends that the Senate refer any amendments proposed to the *Australian Education Act 2013* to the Senate Education and Employment Legislation Committee for inquiry and report.

Senator the Hon Jacinta Collins

Committee Chair

Australian Greens Additional Comments

Introduction

The Australian Greens are pleased to endorse the majority report and recommendations of the Senate Select Committee on School Funding.

The Australian Greens supported the Australian Education Act 2013. We did so in the knowledge that, while the Act did not implement the full range of recommendations from the Gonski review of school funding, it would begin to provide the framework for a better education for every Australian child.

However, the Australian Greens remain highly critical of the manner in which the previous government approached the negotiations with state and territory governments and the lack of transparency and accountability in the Act.

Despite these criticisms, the Greens acknowledge that the previous government was overseeing a transition towards a more equitable school funding system.

The Australian Greens utterly condemn the current government's disregard for a genuine needs-based funding model and the lack of transparency in relation to their expenditure on schools. As is clear from the data examined in this report, the Coalition's deep cuts to education, including abandoning the planned fifth and sixth years of funding, will mean hundreds of schools across the country will never reach the Schooling Resource Standard envisaged in the Gonski review. In other words, thousands of Australian children will miss out on the best education this country can provide, often solely because of their family circumstances.

The Australian Greens believe that education is the foundation of democracy and a well-resourced, public education system is vital for a healthy and fair society. We believe it is the right of all Australian children to have access to high-quality and affordable education. The public education system is the only guarantee of this right, being open to every child irrespective of the wealth or background of their family, and it is under serious threat from the policies of the Abbott Government.

Federal negotiation process

Many of the submissions to the Select Committee expressed frustration at the process of negotiation conducted by the previous government – including the delay between the release of the Gonski panel's report and the Gillard Government response, and the lack of transparency around the negotiations that ensued.

Dr Ken Boston, former head of the NSW Education Department and member of the Gonski review panel, was particularly critical of what he called 'the 20 lost months' between the panel's report and the 2013 election:

There was ample time during that period, in my view, for Gonski to have been implemented satisfactorily with the support of the states. ... The basic reason we do not have Gonski today is not because we elected the Abbott

government but because the previous government failed in the politics of its delivery.¹

The Australian Greens equally lament the 14-month gap between the release of the panel's report and the Gillard Government response, which meant negotiations with state governments and school sectors were conducted in the heat of an election campaign. This gap allowed the unravelling of the initial general consensus that met the release of the Gonski report, in which most significant stakeholders acknowledged its authority and the compelling case it made for a larger investment in education in Australia, and a more equitable funding system.

It is our view the previous government delayed action on the recommendations of the Gonski review panel to ensure education would be a key election battleground. The support of the Parliament was there to legislate for the panel's recommendations well ahead of this period, yet the previous government was willing to risk the education of Australian children to boost their own electoral chances.

The Gillard Government created a number of false deadlines for signatory states, including the COAG meeting of April 19, 2013 and the end of the 2012-13 financial year. In the end, negotiations continued right up until the September 2013 election. Dr Boston's submission to the Committee said this highly politicised context created:

...a scramble to secure an agreement to deals in which the fundamental Gonski principles became a secondary consideration. The result is thoroughly unsatisfactory: agreements with some states and not with others, and – amongst participating states – different agreements and indexation arrangements.²

This was evident in a second and higher offer being made to Western Australia, with an extra \$620 million on the table.³ The South Australian Government also was offered a further \$90 million.⁴ This followed reports South Australia would receive approximately half as much Federal money on a per-student basis as NSW, Queensland and Tasmania, with accusations the Federal Government was 'using Gonski funding to boost its election prospects in the eastern states'.⁵

1 Dr Ken Boston, private capacity, *Committee Hansard*, 16 May 2014, p. 7.

2 Dr Ken Boston, *Submission 29*, p. 2

3 Aleisha Orr, 'WA offered \$620m sweetener to sign up to Gonski deal', *WA Today*, 12 June 2013, <http://www.watoday.com.au/wa-news/wa-offered-620m-sweetener-to-sign-up-to-gonski-deal-20130612-2o3ta.html#ixzz36IXcJ6TD> (accessed 4 July 2014).

4 Tory Shepherd and Sheradyn Holderhead, 'Julia Gillard signs Gonski deal with Jay Weatherill, delivering extra \$656m for SA students', *The Advertiser*, 14 June 2013, <http://www.adelaidenow.com.au/news/south-australia/julia-gillard-signs-gonski-deal-with-jay-weatherill-delivering-extra-656m-for-sa-students/story-e6frea83-1226663709829> (accessed 4 July 2014).

5 Sheradyn Holderhead, 'Why Gonski education funding numbers don't add up for South Australia', *The Advertiser*, 18 April 2013, <http://www.adelaidenow.com.au/news/why-gonski-education-funding-numbers-dont-add-up-for-south-australia/story-fn3o6nna-1226623861667> (accessed 4 July 2014).

The signatory states and territories all negotiated differing implementation arrangements with the Commonwealth government. For example, the final agreement between South Australia and the Commonwealth reflects an arrangement whereby an even larger percentage of funding was to be delivered in the fifth and sixth years than had been agreed with other states.

Mr Martin Hanscamp, Executive Officer of the Australian Association of Christian Schools, also critiqued ‘the messiness, opaqueness and inconsistency that had emerged from state-federal negotiations with different jurisdictions receiving different deals’.⁶

It is the view of the Australian Greens that the Gillard Government’s decision not to establish a National Schools Resourcing Body, as recommended by the Gonski review, to conduct these negotiations with states and schooling sectors is largely to blame for these failures.

The National Schools Resourcing Body (NSRB) was integral to the effective implementation of the recommendations of the Gonski Review. Such a body, independent of governments and the various sectors and interest that characterise education debates in Australia, could have provided the governance necessary to ensure school funding was provided in a way that maximised its educational impact and minimised self-interest, including political and sectoral interests.

The Australian Greens strongly regret that the Australian Education Act 2013 did not provide for this body.

Dr Boston told the Committee that the failure to establish the NSRB was a major mistake:

You refer to the national schools resourcing body. Looking back over the Gonski period, one reflects on what went wrong. The failure of the national schools resourcing body to be established was a major mistake; and, with the government going off into unilateral discussions behind closed doors with state governments and then the unseemly last few months we had with the Labor government when Gonski was being hawked around the country with very little appreciation of its basic principles, I think that was all very bad.⁷

The Australian Greens agree with Dr Boston’s further evidence to the committee that the decision to negotiate individually in a political environment eroded the consensus that had been built through the Gonski panel’s extensive consultation with state governments, schooling sectors, community groups and others.

In conjunction with the recommendations in the majority report urging the Government to progress a six year transition to a nationally consistent Schooling Resource Standard and work with non-participating states and territories, the

6 Mr Martin Hanscamp, Executive Officer, Australian Association of Christian Schools, *Committee Hansard*, 16 May 2014, p. 10.

7 Dr Ken Boston, private capacity, *Committee Hansard*, 16 May 2014, p. 7.

Australian Greens strongly believe a NRSB should be part of this framework to prevent school funding from continuing to be a political football kicked around by the two old parties.

Recommendation 1

The Australian Greens recommend the Commonwealth Government establish a National Schools Resourcing Body, as envisaged in the Gonski Review of School Funding, to administer current funding arrangements, rebuild shared ownership of the Gonski reforms and manage future school funding negotiations.

Australian Education Act 2013 implementation

As noted by many submitters to the Committee and acknowledged in the majority report, the Australian Education Act 2013 introduced by the previous government did not incorporate the full scope of recommendations made by the Gonski Review.

While the previous government independently chose not to adopt certain recommendations, other principles were eroded during the negotiation process. The Australian Association of Christian Schools noted ‘political tweaking’ had led the delivery of a ‘complex, confusing and therefore less credible model’.⁸

The Australian Greens note three key areas where poor implementation jeopardised the overall success of school funding reforms – transparency, funding distribution over the six years and the ‘no school will lose a dollar’ dictum.

Firstly, a number of submissions criticised the lack of transparency under the current Act, which created uncertainty for schools and the broader community.⁹

The Australian Greens were equally disappointed in the lack of transparency and accountability measures in the Australian Education Act 2013, and sought to move substantive amendments in this area. We wanted to include yearly reporting obligations providing for transparency in how public funds are distributed within a particular schooling system, to be included in the regulations and the legislation itself.

Under these reporting requirements schools would have to report their resources – their assets, income, fees and other interests of a beneficial nature – as an essential element of transparency and accountability in the context of needs-based funding. We wished to embed this in legislation because we knew there was a high risk of these transparency measures being overturned by a future Coalition government.

Our amendments would have also mitigated against Federal funding being dissipated within bureaucracies before reaching the schools where it is most sorely needed.

Secondly, there was a great degree of criticism of the previous government’s decision to backload two-thirds of the total funding package into the fifth and sixth years.

8 Australian Association of Christian Schools, *submission 48*, p. 1.

9 For example, see South Australian Primary Principals Association, *Submission 45*, and Victorian Principals Association, *Submission 46*.

The Australian Greens believe this decision to put the majority of funding outside the forward estimates (and beyond two Federal elections) was a cynical exercise which damaged the perceived legitimacy of the previous government's commitment.

Mr Ross Fox, Executive Director of the National Catholic Education Commission, told the Committee the NCEC had immediately advised schools not to count on the final two years of funding.¹⁰ The Independent Education Union of Australia also expressed a similar sentiment.¹¹

The Australian Greens consistently argued for a shorter transition period, arguing revenue could be found from a strengthened mining tax, and other revenue reforms, to deliver the full quantum of funding within four years. The Greens believe that a society's budget reflects its values and adequate investment in education benefits its citizens and the economy.

Finally, the requirement that no school would lose a dollar significantly increased the cost of the reforms and undermined equity principles.

As Dr Boston told the Committee:

To start off by saying that there would be no loss of a dollar to any school and then for the current government presumably to take the same view is initially to build into any solution a higher cost than is absolutely necessary. We could continue state aid to all church schools, we could continue to provide government funding to all schools, but, by redistributing it in some way, we could go much further towards addressing the real educational issues of this country in our low performing private schools, catholic systemic schools and public schools than we are able to with the current solution.¹²

With neither the previous or current government willing to raise the revenue necessary to bring all Australian schools up to standard, a genuine approach to equality of opportunity in all Australian schools will need to take a braver approach.

As said by Mr Peter Garrigan, President of the Australian Council of State School Organisations, 'If funding for education is to be reduced, it should be given not to those who need it the least, but to those who need it the most'.¹³

School funding under the Abbott Government

The Australian Greens strongly believe the Gillard Government must bear some of the responsibility for the fact this once-in-a-generation chance to fix huge inequality

10 Mr Ross Fox, Executive Director, National Catholic Education Commission, *Committee Hansard*, 13 March 2014, pp. 28-9.

11 Mr Richard Shearman, Federal President, Independent Education Union of Australia, *Committee Hansard*, 13 March 2014, pp. 57.

12 Dr Ken Boston, private capacity, *Committee Hansard*, 16 May 2014, p. 2-3.

13 Mr Peter Garrigan, President, Australian Council of State School Organisations, *Committee Hansard*, 13 March 2014, p. 64.

across Australian schools may be lost because of its failures in negotiation and implementation.

However, the Australian Greens acknowledge the previous government's many achievements in beginning the transition to a genuine needs-based, nationwide school funding system. As a result of their work, some of the fundamental structures of Gonski are in place.

We also note the destabilising influence of the previous Opposition on this issue, who sought to discourage state Liberal governments from signing up to Gillard Government's offers and undermine consensus built with school sectors and other stakeholders.

The numerous conflicting positions expressed by the previous Shadow Education Minister also created confusion in the community. In opposition, Mr Pyne called the reforms 'un-implementable'¹⁴ and a 'Conski'¹⁵ before his infamous "unity ticket" declaration. Mr Pyne initially said the Gonski report was a 'failed report'¹⁶ but later wrote to State Governments saying it was 'a road map' to 'improved student education outcomes'.¹⁷ Many more such inconsistencies could be listed.

Furthermore, Mr Pyne consistently denied the findings of the Gonski report that there was inequality in Australian schooling system.¹⁸

For the many reasons so comprehensively detailed in the majority report, the Australian Greens condemn the Coalition's continued unwillingness to genuinely embrace the need for significant additional investment in education in Australia, and to approach the principled recommendations of the Gonski review panel with any degree of fair-mindedness, foresight or commitment.

The principles of the Gonski review are strong, sound and fair. Ministers in the Abbott Government regularly refer to 'cleaning up Labor's mess'. If they have any intention of following through on this rhetoric, they will do so by perusing a nationally consistent needs-based funding model and implementing the recommendations of the Gonski review panel.

14 Shadow Minister for Education, the Hon Christopher Pyne MP, press conference transcript, 26 November 2013, <http://www.pyneonline.com.au/media/transcripts/press-conference-parliament-house>

15 Shadow Minister for Education, the Hon Christopher Pyne MP, 'Gillards Conski Not Gonski', media release, 14 April 2013, <http://www.pyneonline.com.au/media/media-releases/gillards-conski-not-gonski>

16 Shadow Minister for Education, the Hon Christopher Pyne MP, *ABC Lateline*, interview transcript, 16 July 2012, <http://www.abc.net.au/lateline/content/2012/s3547117.htm>

17 Australian Education Union, 'Pyne must show his hand on Gonski – AEU', media release, 6 November 2013, http://www.aeunt.org.au/images/mediarelease/media_release_6_november_2013.pdf

18 Shadow Minister for Education, the Hon Christopher Pyne MP, *ABC Lateline*, interview transcript, 19 February 2014, <http://www.abc.net.au/lateline/content/2013/s3948371.htm>

It is an indictment on our claim to be a country of the “fair go” that in 21st century Australia wealth and social position is a greater determinant of educational opportunity and outcomes than talent and hard work, and that this is more the case in Australia than in some other OECD nations.

As expressed by AEU Federal President Angelo Gavrielatos – needs-based funding is a simple equation:

Either people can put their hands up and say, 'Yes, we believe that all children should be able to attend schools that have resources that are needed for them to be given the opportunity to succeed,' or they do not. Either it is about all kids or it is about some kids. That will define the kind of society we are going to be.¹⁹

As found by the Gonski review panel and reiterated by Dr Boston, the huge disparity in measures like reading and mathematical skills between the most and least privileged students are ‘the direct result of a sector-based, needs-blind funding’ model.²⁰

Failure to deliver a the full funding amount will entrench privilege in education; it will leave so many schools – particularly government schools – below the schooling resource standard (that is, the level of funding which the Gonski review established is required to provide students with a high quality education) and with no clear means of ever reaching that level of funding.

Hundreds of submissions received by the Committee came from schools all across the country – detailing how they would use the extra money to help disadvantaged students in their school, from hiring specialist literacy and numeracy teachers to programs to improve student wellbeing. The Australian Greens strongly encourage Minister for Education Christopher Pyne to read these submissions closely to understand what the Coalition’s cuts will mean for individual students.

Ultimately, the Coalition’s decision to repudiate the fifth and sixth years of the Gonski school funding reforms will disadvantage every one of Australia’s 3.6 million students. In so doing, the Coalition has abandoned every child, every parent, every teacher and every school, but none more so than those in greatest need.

Maintaining the current inequality in education should not be an option. As stated by the St Vincent de Paul National Council, ‘the current level of inequality in education resources is a recipe for entrenching social exclusion and perpetuating privilege. The social and economic costs of exclusion will always be higher than a proper and equitable investment in education’.²¹

19 Mr Angelo Gavrielatos, Federal President, Australian Education Union, *Committee Hansard*, 13 March 2014, p. 47.

20 Dr Ken Boston, private capacity, *Committee Hansard*, 16 May 2014, p. 2.

21 St Vincent de Paul National Council, *Submission 36*, p. 4.

As such, the Australian Greens are pleased to endorse the majority report and recommendations of the committee, and commit to continued advocacy for a more equitable funding arrangement to ensure every Australian child has the opportunity to reach their potential.

Senator Penny Wright (Deputy Chair)
Australian Greens Senator for South Australia

Government Senators' Dissenting Report

Introduction

This dissenting report was prompted for several reasons.

First and immediately, to correct the inaccuracies and bias in the majority report developed with a clear political agenda and which has eschewed the evidence on school education in Australia today.

Second, and more importantly to seek to place future school funding in relation to the Commonwealth, which is all this Senate Committee can and should be considering, in a better context than has occurred throughout these hearings and in the debate, if it can be called that, which preceded the Senate Committee's appointment.

Third, to outline core principles which should drive Commonwealth school education policy for the future and to focus discussion and hopefully future education policy to those issues that matter most – namely the policies needed to improve education outcomes of students.

The Commonwealth's funding arrangements for schools became an area of settled public policy by the early 1970s. After years of acrimonious partisan and sectarian debate, there was strong bipartisan support for Australia's unique school system where the states and territories were responsible for school policy, and most of the funding, with additional Commonwealth support. Such Commonwealth funding was needs based and reflected principles of equity, fairness and choice. Irrespective of the type of government, of course, there was a residue of confusion about how the funding system worked, and myths abounded regarding funding models and criteria.

Sadly, this bipartisan support and rational debate was swept aside following the release of the *Gonski Review of Funding for Schooling* (henceforth called the Gonski Review) in November 2011.

Certainly, there were legitimate reasons as to why the Rudd Government instigated the Gonski Review:

- the current funding arrangements to states were drawing to an end;
- there were changes in Australia's school population;
- concerns about the nation's international comparative school education performance; and
- the need to clarify public contributions to schooling.

Appointing a public inquiry, like the Gonski Review, independent, expert advice to collect information, establish the facts, dispel the myths and provide evidence based recommendations to government on school funding. This approach by government has a long tradition in Australian public policy.

Unfortunately, the Gonski Review failed as a public inquiry on multiple fronts: in terms of process; improving public debate; promoting agreement and in providing clear evidence for its recommendations.

Instead, it reignited old debates, creating fissures rather than consent and agreement. Most importantly, the Gonski Review focussed solely on government funding. This may not have been the intention of the Gonski Review, but nevertheless, this is what has occurred. And since its completion in December 2011, the findings of the Gonski Review have been used by some to further their own political/ideological purpose.

Government Senators completely agree that adequate funding is essential for any education system to operate effectively, but it is only a means to an end and that end must be to improve education quality. Quality of and excellence in education must be measured in terms of student affect.

The issue is what constitutes ‘adequate’ funding for quality education, as in other areas of public policy, is not just about expenditure levels, but also about effectiveness and also value for money. In school education spending levels, as international research attests, is no guarantee of education performance. Some high-spending countries perform poorly, while those spending comparatively less do better. Despite this evidence, any discussion of this in the Australian context has been met with derision.

The Gonski Report was hijacked, by vested interests, by well meaning, but not always, well informed commentators and others. Consequently, other important policy initiatives which could affect education performance, were ignored or obscured in this obsession about funding levels rather than what works to improve education quality and outcomes for students. During these last four years Australia has missed the boat and our education performance has continued to decline. A number of witnesses made this point, but they have largely been ignored. Ms Michelle Green Chief Executive of Independent Schools Victoria summarised the current school funding policy debate, and in doing so she noted the gap in expectations:

We note that millions of dollars was spent during the 676 days between the initial announcement of the review of funding for schooling and the final report. This gave us a lot of time to consider options. A total of 7,357 submissions and 977 pages of interim and final reports were published. Now, 774 days from the then government's initial response, we are discussing the new funding model. What do we find? Independent Schools Victoria is well known for strong economic analysis and our research, which is detailed in our submission, clearly shows that the new funding model is based on poor evidence that is not robust and was not thought through. The model is not sustainable and will cause, we believe, public policy problems within the next five years for governments and for schools—government schools as well as non-government schools. There is a gap between people's understanding of the model, what is actually being delivered and what is happening in schools. Our concern is that the general public in Australia perceives that, once the funding model is in place, the

issue is resolved, but we know that there is likely to be continuing instability, continuing questions and continuing discussions.¹

Key principles

This dissenting report is based on four core principles:

First, quality should be the prime driver and ultimate goal of all education policy. Although quality is often talked about by the many interested parties involved it is rarely defined and too often it is lost in the rhetoric about funding levels, equity (itself poorly defined and contested) and mismatched use of evidence. While quality education is multidimensional and hard to define this dissenting report believes its key elements are about improving student performance in the classroom across clear and agreed areas of education performance – literacy, numeracy and science and in a wider range of skills and competencies that do not always lend themselves to simplistic indicators.

Second, this dissenting report seeks to re-anchor discussion about school funding in the realities of the Commonwealth government's actual constitutional responsibilities, historic roles in this area, current responsibilities, actual capacities and the nation's very real current financial constraints.

This means accepting the federal system and the dominant role of the states and territories in both school funding and school management. According to the last available figures (2011-12) the Commonwealth is only responsible for 15 per cent of the total expenditure of public schools and the states for the remaining 85 per cent. Government Senators recognise that there is a role for the Commonwealth to promote national goals and to work collaboratively with the states and territories.

The problems of increased regulation not just on states, but also on individual schools needs to be remembered. As will be discussed later, such intrusion, embodied in the current *Australian Education Act 2013* is one of the problems identified by many stakeholders, but conveniently overlooked in the majority report. The Department of Education advised the committee of the significant response it had received to its initial consultation work on the *Australian Education Act 2013*:

Mr Cook: The states and territories have indicated a number of areas, including things like a view that there is too much power, I guess, delegated in the federal minister in their ability in the current act to require states and territories to take particular courses of action, such as policy actions, for example. There is concern about some of the specific goals that are outlined in the act in relation to PISA growth and things like that. It is probably fair to say generally that states and territories would have a preference that certain aspects of the act be less specific and provide less power to a federal minister, with the view that they are the ones who are actually responsible for school education and for seeking improvements in schools.

1 Ms Michelle Green, Chief Executive, Independent Schools Victoria, *Committee Hansard*, 3 April 2014, p. 10.

Mr Hehir: The main sections tend to be the section 77, section 105 and section 22 sort of areas. But they are the areas where the Australian government minister has the power. So they are the broad areas they are looking at.²

Moreover, some major Commonwealth programs, while well-intentioned have wasted funds and achieved little. For instance, the previous government provided \$540 million from 2008-12 to the states and territories to improve literacy and numeracy to targeted schools. The Australian National Audit Office's (ANAO) National Partnership Agreement on Literacy and Numeracy report examined the program and found no significant difference in NAPLAN outcomes between schools participating in this National Partnership and not. Further evaluation is due, but these results are not promising notwithstanding the time lags involved.

A **third** principle of this dissenting report is that parental contributions and a vibrant non-government sector adds to a nation's education capacities and should not be seen as an aberration or somehow undermining the foundations of a democracy. OECD reports³ highlight how education systems have welcomed private investment from parents, non-government organisations and enterprises in schools, a move driven by economic necessity but also with the object of offering greater choice for parents and spurring creativity and innovation within schools. Also, public funding for privately managed schools have helped those from lower socio-economic backgrounds exercise choice and attend schools in the non-government sector. Again, the debate about school funding has deteriorated into a de facto attack on the non-government sector, often distorting the facts and using statistics selectively. Again, the Gonski Review failed to give this issue the study it deserved.

Fourth, this dissenting report strongly supports 'needs' based funding and providing additional and targeted assistance to the disadvantaged. Contrary to the majority report, "needs-based funding" did not begin with the Gonski Review. Commonwealth school funding has always been needs based and as will be highlighted later, as have state and territory school funding systems. But, the effectiveness of these funding arrangements in improving results both in Australia and internationally has increasingly been questioned. Increasing evidence stresses the need for education policies that focus on quality rather than just the socio-economic background of students. The United Kingdom Government's 2010 White Paper on Schooling (*The Importance of Teaching, The Schools White Paper*) concluded:

The very best performing education systems show us that there need be no contradiction between a rigorous focus on high standards and a determination to narrow attainment gaps between pupils from different parts of society; between a rigorous and stretching curriculum and high

2 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education and Mr Martin Hehir, Deputy Secretary Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 33.

3 OECD 2012, *Public and Private Schools: How Management and Funding Relate to their Socio-Economic Profile*, Paris: OECD

participation in education; or between autonomous teachers and schools and high levels of accountability. Indeed, these jurisdictions show us that we must pay attention to all of these things at once if our school system is to become one of the world's fastest improving.⁴

There is need for wider debate on this issue. The fact that in Australia despite massive funding to the disadvantaged there has been little improvement in their education outcomes must be a real concern. We need to ask ourselves why this is so, not in terms of seeking to reduce spending, but in terms of seeking to make a real difference, to focus on spending that works rather than seeing education only in terms of quantity of money rather than quality of outcomes. Numerous witnesses highlighted the need for targeted funding.

In summary, the remainder of this dissenting report will focus on:

- Reviewing the Gonski Report and its implementation
- Education reforms that matter
- Current government's reforms agenda and spending program

Reviewing the Gonski Report and its implementation

Given that the whole focus of the Senate Committee's inquiry was essentially a review of the whether the Gonski model was being implemented or not rather than exploring its Terms of Reference, then it is important to revisit the Review. Evidence garnered over the course of the inquiry highlights important basic issues concerning the original Gonski report and thus the arguments used by a number of participants in the inquiry.

The Schooling Resource Standard

First, the key underlying concept of the Gonski Report, the Schooling Resource Standard (SRS) is used as the basis of funding schools. According to the Melbourne Institute of Applied Economic and Social Research, the SRS is "flawed" and "puzzling" in its assumption that there is a close correlation between funding levels for certain reference schools that performed at particular education standards. The Institute commented thus:

This leads us to conclude that the actual Schooling resource Standards used in the Gonski Report are ...arbitrary, and despite the veneer of technical sophistication in their construction, do not have a sound methodological basis.⁵

4 UK Department for Education, 2010, *The Importance of Teaching, The Schools White Paper 2010*, London: UK Government

5 Justman, M., and Ryan, C., 2013, "What's wrong with the Gonski report: Funding Reform and Student Achievement", Melbourne Institute for Applied Economic and Social Research, Policy Brief No 1/13, 7

This view was shared by others who appeared before the Committee but unfortunately have received little attention in the majority report.

For example at the committee's public hearing on 1 May, Professor Henry Ergas made particular note of the Gonski Review's link between disadvantage and student educational outcomes. His comments rated only a brief mention in the majority report, yet the issue is clearly one which rates more extensive consideration. For instance, Professor Ergas noted:

On that, if I may address the question that was raised with the previous witnesses about the evidence on the relationship between SES and school performance. The point that I was making—and it is not a point I am in any way alone in making, and I believe that in my submission I cited at least one other source that addresses this question in considerable detail—was that when you look at the relationship between one variable and another you have to try to control for the many things that are going to influence that other variable. If you want to look at the relationship between weight and health, you have to try to take account of whether people smoke or not in doing so. If you do not do that, you will get results that are simply unreliable.

It is very difficult in education to untangle those relationships. Indeed, in any complex causal social situation it is by its nature difficult to do so. But one of the important factors is that, as I said, when you look at the relationship between SES and outcomes, you need to in some way correct for heterogeneity between schools, or the fact that schools are not identical. We have known that in the literature since the 1960s. If you fail to do that, you will bias the results—I mean 'bias' in a statistical sense. You will not get an accurate indicator.⁶

Increasing spending

Second, the evidence that increased spending leads to improved education outcomes as argued in the Gonski report and which forms much of the debate since, must be challenged. The evidence for this is lacking in the report and by those who have taken this view since.

Those arguing against the approach taken by the ALP/Green minority government, such as economist Ms Judith Sloan, point to the Gonski Report's failure to justify the record additional spending (\$5 billion per annum) called for in its recommendations:

This lack of relationship between per-student spending and student performance is one of the core weaknesses of the Gonski Report. The report advocates additional annual spending of \$5 billion a year (on top of an estimated \$6.5bn). But apart from the political need to ensure that no school

6 Professor Henry Ergas, private capacity, *Committee Hansard*, 1 May 2014, p. 61.

is made worse off by the change to the funding formulas, the case is never made to justify such a massive increase.⁷

Loadings

Third, the formula and evidence underpinning some of the loadings was not evidence-based.

Professor Henry Ergas questioned the justification for the Gonski Review's distribution of increased funding through the disadvantage loadings. Professor Ergas argued that once a level of funding was reached, there was little evidence that further increases would have any benefit.⁸ Professor Ergas submitted that the Gonski Review had not provided evidence to support spending on loadings for disadvantage as it had not established a link between concentrated disadvantage and poorer student performance. On the contrary, Professor Ergas submitted that:

The data the [Gonski] report presents suggests performance deteriorates linearly as the concentration of students from low SES areas rises...the relation between concentration of disadvantage and outcomes is a straight line, not one that drops off more steeply as concentration increases. Nor is there any evidence in the report that suggests that overcoming the impacts of concentrated disadvantage requires more than proportionate rises in spending as the level of concentration increases. As a result, the structure of the loadings from disadvantage lacks an evidentiary basis. That is undesirable in itself, but to add to the problems the possible consequences of those loadings are almost difficult to credit.⁹

In the view of Government Senators, to truly 'Give a Gonski' it is necessary to remember that the principle of the Gonski Review recommendations was to change school funding policy so that funds could be used to target areas of most need. As Dr Boston explained, the Gonski Review was clear that within the proposed new funding model, there was much to be worked out. The loadings, particularly for disability, being a prime example:

...the resource standard, the model in the document...which is the proposed model for the schooling resource standard, is a model. There are no dollars attached to it. It is a schema, and our recommendation was that that and the loadings be tested with the national school resourcing body in order to decide precisely what the figures should be, what the loading should be, whether that sloped line should be exactly sloped at that level or stepped or concave or convex—all that had to be negotiated with the national schools resourcing body responsible to all the ministers, and that never happened. Instead, it was done unilaterally with different deals being done with

7 Ms Judith Sloan, 'Why I don't give a Gonski for more school spending', *The Australian*, 28 August 2012, www.theaustralian.com.au/opinion/columnists/why-i-dont-give-a-gonski-for-more-school-spending/story-fnbkvnk7-1226459316708

8 Professor Henry Ergas, Private Capacity, Committee Hansard, 1 May 2014, p. 58.

9 Professor Henry Ergas, Private Capacity, Committee Hansard, 1 May 2014, p. 58.

different states, and that is when it came apart. We cannot say that Gonski finally tied down all the numbers—it did not. The step to tie down all the numbers was never taken and, as the Independent Schools Council pointed out to your inquiry, we now have 27 different models around the country, all having some sort of needs-based component to them, but none of them being the pure Gonski. It is a mess.¹⁰

In its submission, Independent Schools Victoria argued, using the low socio-economic (SES) loading, that the loadings are:

- complex and lack transparency;
- have no evidence base;
- invite incentives for 'gaming' by schools, sectors and states; and
- are unfair in their treatment of different schools and sectors.¹¹

Others were also critical of the quality of the Gonski Review's research including much of the specially commissioned consultancy work. For example Mr Ross Fox, Executive Director of the National Catholic Education Commission advised the committee of the NCEC's concerns about the Gonski Review's commissioned research:

Allen Consulting Group had one of the four research tasks. They produced the model. Gonski has very little technical discussion of the model. Lots of us were very critical of the Allen model and, indeed, still are. The idea that you set the standard of all Australian schools on the basis of NAPLAN results alone, then isolate the schools and say, 'These are the highest performing schools,'—on NAPLAN and nothing else—'what do they cost?' and make that the basis of all your funding—¹²

These flaws are not acknowledged in the final majority report.

The majority report also suggested that the Government has not implemented the disability loading. Inquiries into the *Australian Education Act 2013* highlighted that the previous government had not revealed a loading and had no agreed definition.

The Australian Government has already introduced a funding loading to support students with disability which commenced in 2014. The loading is provided for students with disability in government and non-government schools on the same basis.

There is more Commonwealth funding for students with disability than ever before. \$4.8 billion for students with disability is available over the forward estimates within this Budget. This includes \$1.1 billion for 2014-15; \$1.2 billion for 2015-16; \$1.3 billion for 2016-17; \$1.3 billion for 2017-18.

10 Dr Ken Boston, Private Capacity, Committee Hansard, 16 May 2014, p. 3.

11 Independent Schools Victoria, *Submission 59*, pp. 5-10.

12 Mr Ross Fox, Executive Director, National Catholic Education Commission, *Committee Hansard*, 13 March 2014, p. 26.

The 2014 loading is set at 186 per cent of the base per-student Schooling Resource Standard (SRS). This means a loading of \$17,244 for primary students and \$22,679 for secondary students.

Students in special schools are eligible to attract a loading that is 223 per cent of the SRS in recognition of the complex needs of these students. This is \$20,674 for primary students and \$27,190 for secondary students.

Government Senators welcome the advice that the Government is continuing to work with state and territory governments and non-government education authorities on the data collection process. All parties agree that accurate information is needed before a more refined loading can be calculated.

In addition, the Abbott Government has honoured its commitment to provide an extra \$100 million to extend the More Support for Students with Disability initiative in the 2014 school year. This funding has provided a boost to help improve teacher skills and increase the inclusiveness of schools, a fundamental action for improving students with disability outcomes and experience of schooling.

A national system

Fourth, the Gonski Review and its advocates believed that one of the goals of the new funding arrangements would be to create a national ‘needs’ based funding system, that was sector blind and less complex than previously.¹³ Independent Schools Council of Australia (ISCA) summed up the current complicated mess that was partly contributed to by the Gonski Report, but greatly exacerbated by the rushed, politically driven agenda of the Gillard and Rudd governments prior to the September 2013 election:

It is clear that the current situation with school funding in Australia is anything national. With each state and territory government and the Commonwealth government operating different funding arrangements across three schooling sectors, there are at least 27 different funding models in operation. This is even more complex than the previous arrangement.¹⁴

Other independent commentators and analysts have concurred with this assessment.¹⁵

Contrary to rhetoric of the ALP/Green Opposition, there was no national school funding system. Only three states and territories signed in full (NSW, ACT and SA); two only signed the heads of agreement (VIC and TAS); and three did not sign at all

13 See for example Dr David Zyngier writing in *The Conversation* on 27 November 2013 on 'Ditching Gonski: what's so unfair about funding based on need?', <https://theconversation.com/ditching-gonski-whats-so-unfair-about-funding-based-on-need-20795>

14 Mr Bill Daniels, Chief Executive Officer, Independent Schools Council of Australia, *Committee Hansard*, 13 March 2014, p34.

15 Justman and Ryan, op cit., pp4-5. Caldwell, B., 2014, Realigning the governance of schools in Australia: Energising an experimentalists approach, Centre for Strategic Education, Seminar Series 233, April.

(WA, Qld and NT). Moreover, the signatory states negotiated different implementation arrangements government and non-government sectors will redistribute funds according to their own needs and methodologies. These problems have not been acknowledged in the majority report and Government Senators are disappointed that despite clear evidence the majority report repeats tired rhetoric rather than the facts.

Centralised control and federal-state relations

Fifth, the Gonski Review and its politicised implementation via the *Australian Education Act 2013* has added to the confusion about government responsibility for school education by continuing old battlegrounds in schools funding: state versus federal government funding and government versus non-government schools.

Government Senators consider that the measures currently in place in the *Australian Education Act 2013* fail to acknowledge the constitutional responsibility and long experience that State governments have had in delivering mass education. In fact, the operation of the *Australian Education Act 2013* as forcibly legislated by the ALP/Green minority government erodes the states' responsibility to run public schools.

In an article for *The Conversation* website, Professor Cheryl Saunders analysed the reforms incorporated in the *Australian Education Act 2013*. The article examines the argument by then Opposition Spokesman the Hon Christopher Pyne MP and various state premiers, that the reforms represented a significant shift in Commonwealth power over states. Professor Saunders' view was that the reforms were an unprecedented shift in power:

In brief, Pyne and the states are right. This is a significant shift...Schools are a state responsibility, historically and constitutionally. However, while the states run public schools and oversee schooling, the Commonwealth since the Menzies government has contributed to funding using tied or conditional grants. While the states are not legally obliged to accept these payments, their financial circumstances make it effectively impossible to refuse.

So, while the Commonwealth has been involved in education for many years, the new laws, regulations and related agreements signify unprecedented federal power over schools at a far more detailed level than previously.¹⁶

Constitutional law expert Professor Anne Twomey agreed with Professor Saunders' analysis:

16 Professor Cheryl Saunders, Professor Anne Twomey, 'FactCheck: are the Gonski school reforms a federal power grab?', *The Conversation*, 11 July 2013, <http://theconversation.com/factcheck-are-the-gonski-school-reforms-a-federal-power-grab-15458>

I agree with this assessment. The Commonwealth will obtain potentially wide powers with respect to schooling in the states through this Act [*Australian Education Act 2013*] and its broad regulation-making powers. It may be that the Commonwealth does not intend to use these powers in an intrusive manner, but this can't be guaranteed for future governments.

It is not possible to describe the [Rudd/Gillard] government's education reforms as simply a means to achieve better funding for schools. If that was the sole aim, it could be done by providing the money without new conditions and powers. This legislation clearly goes beyond that aim by significantly expanding Commonwealth power.¹⁷

Professor Saunders' conclusion is particularly telling, with its implicit contrast between the aims of the Gonski Review recommendations and the reality of the ALP/Green minority government's school funding reforms:

Reallocating funds to schools on the basis of need is one thing. But the 2012 Gonski report into Australia's education system also emphasised the importance of respecting the expertise and experience of the states in running schools, and the new federal laws fall short of this. You can debate whether this is a good or bad thing for education, but it is undeniable.¹⁸

Recent history shows that the ALP/Green minority government did not achieve an agreement with all states and territories as claimed; it was never able to work together with the other governments to implement its needs-based model. In the opinion of Government Senators, this is because the previous government tried to impose its view on the state and territory governments, rather than working cooperatively with them.

The majority report suggests, there was "overwhelming consensus" for all the changes proposed under the Gonski mantle by the previous government. This is simply incorrect. Three states and territories did not sign up. Two only signed the heads of agreement. The negotiation processes were long winded and secret.

It is clear to Government Senators that having successfully implemented a needs-based funding system that includes agreements with all states and territories, the Government should continue to work to resolve the command and control problems in the *Australian Education Act 2013*.

17 Professor Cheryl Saunders, Professor Anne Twomey, 'FactCheck: are the Gonski school reforms a federal power grab?', *The Conversation*, 11 July 2013, <http://theconversation.com/factcheck-are-the-gonski-school-reforms-a-federal-power-grab-15458>

18 Professor Cheryl Saunders, Professor Anne Twomey, 'FactCheck: are the Gonski school reforms a federal power grab?', *The Conversation*, 11 July 2013, <http://theconversation.com/factcheck-are-the-gonski-school-reforms-a-federal-power-grab-15458>

Excessive regulation

Sixth, closely related to this intrusion into state government areas of responsibility was the way the Gonski funding model operated. As highlighted above, there were different agreements and different starting times for the states in relation to the new funding model.

The majority report does not discuss the evidence presented to the committee regarding the inherent problems with the *Australian Education Act 2013*. Government Senators believe these issues must be overcome if needs-based funding is to be successful. A clear example is the evidence from Mr Cook, Department of Education, regarding the arbitrary and unfair nature of the SRS:

The Schooling Resource Standard is actually what is overall, a combination of both a student price and loadings. So, technically, the Schooling Resource Standard includes both loadings and a per student price. But, if you take WA and the ACT, for example...they possibly will have a view that for them the SRS was not a model that was going to work, because they were getting much less Commonwealth funding purely on the basis that, as a state, they had decided to invest more than other states and territories. Therefore, as a state, because you have invested so much, the Commonwealth is not going to give you as much to reach a particular arbitrary standard.

The government will no doubt have a policy view around where we go into the future. At the moment, as I indicated, in the budget papers, the government's view is that applying arbitrary percentages to an arbitrary standard did not give a fair amount of Commonwealth funding to each state and territory, because some were disadvantaged because as a state they had invested more than other states and territories...¹⁹

How this matter has been tackled by the present Government is discussed later in this report.

Another example is the evidence from the Department of Education on the states and territories which are keen to amend the *Australian Education Act 2013* and remove the overbearing and unnecessary legislative compliance constraints:

Mr Cook: The states and territories have indicated a number of areas, including...a view that there is too much power...delegated in the federal minister in their ability in the current act to require states and territories to take particular courses of action, such as policy actions... There is concern about some of the specific goals that are outlined in the act in relation to PISA [Programme for International Student Assessment] growth... It is probably fair to say generally that states and territories would have a preference that certain aspects of the act be less specific and provide less power to a federal minister, with the view that they are the ones who are actually responsible for school education and for seeking improvements in schools.

19 Mr Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, pp. 47-48.

Mr Hehir: The main sections tend to be the section 77 [Ongoing policy requirements for approved authorities], section 105 [Minister may give a direction in relation to an implementation plan] and section 22 [Conditions of financial assistance—implementing national policy initiatives relating to school education]... But they are the areas where the Australian government minister has the power. So they are the broad areas [states and territories] are looking at.²⁰

Also, given Australia's regional and rural features Government Senators consider that this is a further argument for states and territories to be able to exercise control over the allocation of school funding for rural and regional students.

Australia is a continent of extremes, in particular extreme distances. However, the definition of 'rurality' or remoteness can vary depending on the circumstances of each state and territory and the location of population centres. The Victorian Auditor-General, Mr John Doyle observed that there could be differences in what is regarded as rural depending on school location and he was not aware of a widespread definition of 'rural'. Further, Mr Doyle noted:

But I would argue that even on the fringe of the metropolitan area, where there is perhaps a lack of public transport and what have you, you have issues that are very similar to those in a rural subdivision type school.²¹

Government Senators contend that it is state and territory governments which are best placed to make decisions about the allocation of school funding as they have in-depth knowledge of their state or territory demographics. A definition made at the national level, without reference to differences in each state and territory, risks creating inequity of funding.

This excessive intrusion was not limited just to state and territory governments. It impacted on both non-government sector and government sectors in varying ways. For instance, Section 77 (d) of the *Australian Education Act 2013* required all schools to provide detailed school improvement plans imposed a far reaching onerous demand on more than 9,500 individual schools across Australia. This will have a disproportionate impact on some schools, especially small schools in the non-government sector. In principle treating all schools the same may be desirable but the reality of our system is that schools in different sectors operate very differently. Small non-government schools do not have the resources of a large state bureaucracy to provide support for such demanding administrative requirements.

There is no mention in the majority report executive summary about these concerns.

20 Mr Cook, Associate Secretary Early Childhood, Schools and Youth, and Mr Martin Hehir, Deputy Secretary Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 34.

21 Mr John Doyle, Victorian Auditor-General, *Committee Hansard*, 16 May 2014, p. 20.

Education reforms that matter

What is most disappointing to Government Senators has been the almost total focus on funding as a means to improve education outcomes and to tackle issues of equity by the majority report and public debates. This ignores evidence that has long been available but too often ignored by successive governments and vested interests: that simplification of more money does not work in practice.

Funding levels and education performance

There is no evidence that spending is a predictor of education performance. The evidence and research, much of it presented to the Committee clearly shows this.

The common argument promoted by the AEU and other advocates of increasing education funding is that more money equals better educational outcomes. However, as Dr Jennifer Buckingham wrote in 'School Funding on a Budget', increased funding for schools does not translate to improved educational outcomes:

Cross-country analyses of international tests have consistently found no correlation between spending on education and student performance—countries that spend more on school education do not always perform better. Furthermore, when a country increases funding to its schools, there is no guarantee of a corresponding improvement in performance. Therefore, at a system level at least, there is no evidence that increasing spending on schools leads to improved performance.²²

Many others have confirmed this analysis. This is not ideological, but reflects Australian and international evidence.

Proponents of the increased school funding argument, such as the AEU, the Australian Labor Party, the Australian Greens, and some academics like Dr David Zyngier, cite Australia's poor performance in the OECD's PISA as evidence that further funding is needed to stop Australia falling behind other countries.²³ The objects of the *Australian Education Act 2013* also reference international standards:

- (i) for Australia to be placed, by 2025, in the top 5 highest performing countries based on the performance of school students in reading, mathematics and science;
- (ii) for the Australian schooling system to be considered a high quality and highly equitable schooling system by international standards by 2025;²⁴

22 Dr Jennifer Buckingham, *School Funding on a Budget* (published as part of the TARGET30 Reducing the Burden for Future Generations paper series), Centre for Independent Studies, T30.09, www.cis.org.au/images/stories/target30/t30.09.pdf, p. 11.

23 Ms Charis Palmer, 'Australia closing equity gap, but education performance slipping: OECD', *The Conversation*, 13 February 2013, <http://theconversation.com/australia-closing-equity-gap-but-education-performance-slipping-oecd-12195>

24 *Australian Education Act 2013*, subparagraphs 3(1)(a)(i) and (ii).

PISA results should, however, be taken in context. Dr Jennifer Buckingham has stated that factors such as the increased number of countries participating in PISA, the addition of the East Asian OECD 'partner economies', and that participating countries 'may have mean scores that are not statistically different', that is that they are so close as not to indicate real differences in performance.²⁵ Authors Mr Stewart Riddle, Professor Bob Lingard, and Mr Sam Sellar advised that PISA results should be used by governments more to 'see how their education systems "stack up" against others on the reading, science and mathematical skills of 15 year-old school students' but should remember that:

However, this measure can't tell us everything about the quality of education systems. It is a simple measure that doesn't take in the complexities of education. Its newly found prominence comes at a time when we need more nuance in the education debate, not less.²⁶

The emphasis placed on PISA scores is a symptom of the simplification of the education funding debate which took place under the ALP/Green minority government. Achieving educational excellence and equity is complex in its practice and its implementation. Linking additional funding to aspirations of greater PISA results, as the *Australian Education Act 2013* and the NPSI do, reduces the complexity of school funding policy to the erroneous equation of more funding equals better results. This is simply an innumerate approach to the evidence.

Further, the PISA results show that highest performing countries are not necessarily the highest spending countries. Finland, widely regarded as the trendsetter in education quality, has demonstrated that 'high participation rates and widespread equity coupled with good learning results have been established without increasing educational spending'.²⁷

In fact the Gonski Review findings were not focused on more funding; they were aimed at redistributing funding so that it could be targeted strategically to address areas of greatest need.²⁸

In hindsight, Mr David Gonski himself regretted the decision to include in the report 'calculations of what...a new school resource standard were likely to cost.'²⁹ Mr Gonski explained:

In retrospect, the decision to mention the number clouded the entire response to our review. Major media outlets talked of further billions for

25 Dr Jennifer Buckingham, 'Don't panic about PISA', *ABC Online The Drum*, 4 December 2013, www.abc.net.au/news/2013-12-04/buckingham-pisa-panic/5133364

26 Mr Stewart Riddle, Professor Bob Lingard, Mr Sam Sellar, 'Australia's PISA slump is big news but what's the real story?', *The Conversation*, 3 December 2013, <http://theconversation.com/australias-pisa-slump-is-big-news-but-whats-the-real-story-20964>

27 Sahlberg, P. , "Education policies for raising student learning: The Finnish approach," *Journal of Education Policy*, Vol 22, No 2, March 2007, pp147-171.

28 Dr Ken Boston, *Submission 29*, p. 1.

29 Mr David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, p. 10.

education and no doubt those who had to find the amount were very bluntly reminded of what was involved.

In fact our review was more subtle than asking just for more money.³⁰

The ALP/Green minority government's focus on funding has been detrimental to sound debate based on evidence rather than self-interest, emotions and hysteria. As some commentators viewed the situation following the 2013 federal election:

...the crucial issue is how and where that money is best spent.

And this is where the Labor government made a fatal error and lost control of the school funding debate. It focused on the extra \$14.5 billion it was pouring into the system rather than the fundamental structural reform the Gonski model heralds.

The problem facing Pyne is not that the Gonski model is bad and unworkable; the problem is the way Labor mishandled its implementation. It would be a mistake for him to throw out reforms that provide a fair, transparent and equitable way of giving schools the money they need.

The Gonski reforms redistribute money to schools that need it most, but the main message conveyed over the past two years was that Gonski means more money. It was fed by the perception that Labor was offering sweetheart deals to get states to sign up.³¹

Mr David Gonski himself has more recently also admitted:

Monies may have increased (in Australia) but not been given in the correct areas. Other countries may be more adept in where they put their money.³²

Again, the majority report, like the AEU have ignored the evidence about Australia's funding levels compared to other countries. ACER's 2013 review of the PISA results concluded that in relation to adequacy of resources for schools. Australian scores were well above the OECD average, indicating that, relative to other OECD countries, Australian schools on average had access to a high quality of educational resources.³³

This is not the picture that is painted about Australia by some. Depending on the years chosen Australian spending on schools has been slightly above or slightly below the OECD average, but overall total spending on primary and secondary schools between 1987-88 to 2011-12 has doubled in real terms, with the government sector getting a bigger proportion. Much of this funding has gone to increasing the number of teachers³⁴ and reducing the class sizes which on one assessment giving Australia the

30 Mr David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, pp 11–12.

31 Ms Justine Ferrari, 'Implement the Gonski model as the fairest way of funding schools', *The Australian*, 29 November 2013, www.theaustralian.com.au/national-affairs/opinion/implement-the-gonski-model-as-the-fairest-way-of-funding-schools/story-e6frgd0x-1226770833511.

32 Gonski, D., 'David Gonski speaks out on implementation of education reforms,' Transcript, ABC, 22 May 2014.

33 Thomson, S., et al, 2013, PISA 2012: How Australia measures up, Melbourne, ACER, p263.

34 Productivity Commission, 2012, Schools Workforce, Canberra: Commonwealth Government.

smallest classrooms in the OECD³⁵ and according to others giving Australia, slightly larger classrooms.³⁶ The point is not to argue the semantics of these issues, but to highlight that in terms of spending, teacher numbers (and pay), and classroom sizes, Australia performs relative well.

The equity argument

There is confusion about what is meant by equity in relation to education. Too often it is seen the same as equality of outcomes rather than in terms of improving access to adequate resources. These issues require further detailed discussion. Suffice to point out that according to the 2012 PISA results Australia is a high equity country with socio-economic background being less important in affecting student performance than the OECD average.³⁷ What the evidence does show in relation to Australia is that real inequality occurs within schools rather than between them. What matters is the class a student attends than the school. This reinforces the notion that teacher quality really matters. As evidenced by school principals of both government and non-government witnesses.³⁸ Further, too much weight is given to the ability of schools to overcome the other factors that have long been shown to affect student performance—family background and not just wealth.

Restoring funding certainty and developing a national needs based school funding system

There has been considerable debate in the public arena, repeated in the majority report, that the Abbott Government has reduced school education funding and introduced wide ranging cuts and that these “significant cuts jeopardise the widespread improvements in student outcomes.” No evidence is offered to support this claim. Further, putting aside partisanship, the true nature of the present government’s funding arrangements have not been explained or acknowledged in the majority report. Another unfortunate omission.

The majority report argued that the Abbott Government's Students First policy, under which the National Plan for School Improvement (NPSI) funding will be reviewed and amendments proposed to the *Australian Education Act 2013*, is a reversal of the pre-election commitment to school funding. In reality, as the Hon Christopher Pyne MP, Minister for Education, has repeatedly stated since the 2013 federal election, the

35 Thomson, op cit., pp264-265.

36 OECD, Education at a Glance 2013, Paris: OECD.

37 Dr Jennifer Buckingham, 'Don't panic about PISA', ABC Online The Drum, 4 December 2013, www.abc.net.au/news/2013-12-04/buckingham-pisa-panic/5133364

38 For example see discussion regarding the need for using funding strategically to improve teacher quality: Mr David Adamson, Principal of the Essendon Keilor College, Melbourne *Committee Hansard*, 3 April 2014, p. 53 and Ms Karen Money, Principal of William Ruthven Secondary College, Melbourne, *Committee Hansard*, 3 April 2014, p. 54.

Government will provide the same amount of funding as the former Government for schools.³⁹ This commitment is reflected in the 2014-15 Budget, with the Abbott Government's allocation of recurrent spending \$64.5 billion in recurrent funding for Students First over the forward estimates.⁴⁰

In fact, in addition to matching the funding across the forward estimates, the Government has successfully concluded negotiations with Western Australia, Queensland and the Northern Territory, providing an additional \$1.2 billion for these governments; funds which the ALP/Greens minority government cut from schools in these states.

With agreements with Western Australia, Queensland and the Northern Territory in place, all states and territories and the non-government sector, now have clear arrangements for school funding for the next four years. Working cooperatively with the state and territory governments to 'improve education outcomes all around Australia'⁴¹ is a key part of the Students First Policy. It allows state and territory governments to operate free from interference of the Australian Government.

Government Senators observe that certainty of funding was a clear issue and concern for sectors, states and schools throughout the failed attempt by the ALP/Greens minority government to achieve a national needs-based funding arrangement. This was particularly so during the two attempts made by the ALP/Greens minority government to legislate for the reforms.⁴² This frustration was evidenced by all parties throughout inquiries of the Senate Education and Employment Committee and the Select committee.

In fact, the Abbott Government has achieved what the previous government promised, but could not deliver—a national needs-based system. In June 2014, the Secretary of the Department of Education, Ms Lisa Paul, confirmed that the Government has delivered the first national needs-based funding model.⁴³

Implementing a national needs-based funding model across Australia could not have been achieved without the cooperation of the states and territories. This was demonstrated by the Rudd/Gillard Government's failure to achieve agreement with all

39 'Tony Abbott rejects claims of broken election promise on Gonski school funding', *ABC News*, 27 November 2013, www.abc.net.au/news/2013-11-27/government-denies-breaking-election-promise-on-school-funding/5119204

40 2014-15 Budget, Budget Paper 3, Federal Financial Relations, pp 34–37.

41 Australian Liberal Party, 'The Coalition's Policy for Schools: Students First', August 2013, <http://lpaweb-static.s3.amazonaws.com/13-08-29%20The%20Coalition%27s%20Policy%20for%20Schools%20-%20policy%20document.pdf> p. 4.

42 Senate Education, Employment and Workplace Relations Legislation Committee Report 'Australian Education Bill 2013' p. 1; Senate Education, Employment and Workplace Relations Legislation Committee Report 'Australian Education Bill 2012 [Provisions]' p. 8.

43 Ms Lisa Paul AO PSM, Secretary, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 86.

states and territories due to its refusal to negotiate. Western Australian Premier, the Hon Colin Barnett MLA, noted the NPSI was never going to achieve real action on school funding:

I think the Commonwealth, the new Commonwealth Government, is right to go back to square one, keep the money on the table, but you must have a consistent approach. You can't have the Commonwealth discriminating between states or having one policy on education in one state and another policy elsewhere.⁴⁴

The Abbott Government's Students First policy allows state and territory governments to continue to implement the needs-based funding models they were already working to implement or had already established, as **Table 1** below demonstrates. Mr Cook advised that all states have some form of needs-based funding, as indicated by research done by the Department of Education:

What I can say—having worked in education in two other states but also talking to every single state based on the consultations we did over the last two or three years—is that every state has a form of needs based state funding model, as do the Catholic systems, where they all have funding for indigeneity and for low SES. They may have different definitions as to how they define low SES. They all have funding allocations based on the size and location, particularly the larger states. You would expect WA, Queensland and New South Wales all factor that in. Some states have that very explicitly and publicly available. If you go to Victoria, on the education website, you can download their student resource package, which is their needs based funding formula. It gives you very clear directions as to what dollars a school that is 100 kilometres from Melbourne would get based on location and all that sort of stuff.⁴⁵

44 'States furious about Gonski funding changes', *ABC Radio – PM Program*, 26 November 2013, www.abc.net.au/pm/content/2013/s3899480.htm

45 Budget Estimates Committee Hansard, 4 June 2014, p. 94.

Table 1—State/Territory school funding policies

State/ Territory	Current school funding policy	Needs-based model?
Queensland	Great Results Guarantee ⁴⁶	✓
NSW	Resource Allocation Model ⁴⁷	✓
ACT	Enhanced School Based Management ⁴⁸	✓
Victoria	Student Resource Package ⁴⁹	✓
South Australia	School Funding Reform ⁵⁰	✓
Tasmania	Fairer Funding Model ⁵¹	✓
Western Australia	Excellence and Equity: Strategic Plan for WA Public Schools 2012-2015 and Classroom First Strategy ⁵²	✓
Northern Territory	The NT Government aims to provide quality education services to all students, no matter where they live. ⁵³	✓

46 Queensland Government, Great Results Guarantee School Funding Fact Sheet, <http://education.qld.gov.au/schools/grants/resources/great-results-guarantee.pdf>

47 New South Wales Government, School Funding Resource Allocation Model, www.dec.nsw.gov.au/about-the-department/our-reforms/local-schools-local-decisions/reform-agenda/resource-allocation-model

48 ACT Government, *Submission 78*.

49 Victorian Government, Schools Funding Reform Fact Sheet, www.education.vic.gov.au/Documents/about/departments/vlc_fundingfact.pdf

50 South Australian Government, School Funding Reform, www.decd.sa.gov.au/SchoolFundingReform/

51 Tasmania Government, Schools Funding Model, www.education.tas.gov.au/documentcentre/Documents/Better-Schools-Tasmania-Funding-Model.pdf

52 Western Australian Government, Strategic Directions, www.education.wa.edu.au/home/detcms/navigation/about-us/public-education-at-a-glance/our-strategic-directions/

53 Northern Territory Government, Submission 31. The submission notes that 'Strategic priorities include improving educational outcomes for Indigenous students, increasing autonomy in schools to enable greater local decision making about how resources are allocated to respond to local needs, and greater community involvement in the management of schools.'

Spending issues

Throughout the hearings there have been allegations that the current Government has broken its promises and reduced school spending. This criticism increased after the May budget concerning spending over the forward estimates.

The Abbott Government's achievements in terms of school education spending include:

- Funding is more under the government in the current forward estimates than the previous government having restored \$1.2 billion taken out by the previous government and distributed to the previous non-signatory states of Queensland, Western Australia and Northern Territory;
- Commonwealth recurrent and capital spending from 2013-4 to 2017-18 increased for all sectors by \$4.9 billion – a 37.2% increase;
- For each of the financial years Commonwealth recurrent and capital funding will grow to the states and territories and non-government sector and by:
 - 8.7 per cent in 2014-15
 - 8.9 per cent in 2015-16
 - 8.9 per cent in 2016-17
 - 6.6 per cent in 2017-18⁵⁴

Table 2 below further summarises Commonwealth funding to all states and territories and sectors over the forward estimates. The increases speak for themselves.

Post 2017 funding arrangements

There has been considerable debate about the funding for years five and six under the original Gonski model and promises made by the previous government. The complaint is that as the present government has not committed beyond 2018 it was thus heralding in further cuts to spending and therefore undermining the school system. This debate was particularly rampant prior to the release of the Government's first budget in May. The criticism escalated after the budget when the government's new funding arrangements, which involved increasing recurrent school funding growth to the states and territories based on movements of Consumer Price Index (CPI) plus enrolments, was publicised through discussion at Budget Estimates. These funding arrangements were different to, and amounted to \$30 billion in cuts. However, the promises made by the previous government were not budgeted for in the forward estimates. The ABC Fact Check on this issue is instructive. It concluded:

The Government did not cut \$30 billion from schools in the May budget. It says it will change the rate of increase from 2018, which is beyond the current budget period and term of Parliament.

54 All figures based on Budget Paper 3, p36.

The \$30 billion figure used by Ms Ellis is based on adding up 10 years of difference between the increases that Labor says it would have funded (4.7 or 3 per cent per year) and an estimate of the rate of increase that the current Government says it will apply (the CPI). It is a component of the \$80 billion in savings that the Government itself is trumpeting.⁵⁵

The Opposition has yet to confirm that it would fund years five and six if they were in office. To date they have been equivocal on this issue. It is a pity that the Opposition Senators did not clarify their parties' position in the majority report.

What the Government has instigated after 2018 are not cuts but slower growth after years of increasing spending on education by all governments, but especially by the Commonwealth, during the last two decades. The use of CPI is consistent with the rest of Commonwealth funding and is fiscally responsible in light of the current budget situation.

There are further changes. From 2018 onwards Commonwealth funding to each state and territory will be based on the same percentage (currently estimated at 19.1 per cent) of the fully loaded SRS. States and territories were previously on different transition paths to the desired SRS level in terms of amounts they would receive from the Commonwealth and the rate at which additional funding is paid. This was based on how far they were originally below the SRS in 2014 and the deal negotiated (or not) with the Commonwealth. Under the previous model, states that funded their schools at relatively low levels compared to the SRS (such as Victoria which was at 82 per cent of the SRS in 2014), would receive higher additional Commonwealth funding compared to states who had funded their schools well (WA was above 90 per cent of the SRS in 2014). Hence, in 2017 Commonwealth funding would have been 20.5 per cent of the SRS for Victoria, but only 15 per cent of the SRS for WA (in other words far less). To simply index the 2017 funding amounts based on the above distribution across the states and territories by CPI and enrolments separately would continue this unfairness. So, the Government has foreshadowed that from 2018 all states and territories get notionally the same SRS contribution from the Commonwealth (19.1 per cent), but this redistribution is indicative only and as stated in the Budget Paper 3, "final state allocations ... are subject to formal negotiations."⁵⁶

This is a more honest and fairer approach than previously.

55 *ABC Fact Check*, 'Is the Abbott Government cutting \$30 billion from school funding?', July 2014. 2

56 Budget Paper 3, p36.

Table 2–Commonwealth funding to all states and territories and sectors over the forward estimates

Growth over the FEs (13/14 - 17/18) by sector

Current Government arrangements (includes \$1.2b extra at MYEFO and 14/15 budget measure parameters); per BP3 p36																				
OPTION		2013-14 (\$m)			\$m	13/14 to 14/15		\$m	14/15 to 15/16		\$m	15/16 to 16/17		\$m	16/17 to 17/18		TOTAL 2013/14 to 2017/18		All Sectors over FE	
State	Sector	SPP+NP	SFF	Total	2014-15	\$ growth	% growth	2015-16	\$ growth	% growth	2016-17	\$ growth	% growth	2017-18	\$ growth	% growth	\$ growth	% growth	\$ growth	% growth
NSW	Gov	671.7	735.7	1,407.4	1,551.8	144.4	10.3%	1,716.5	164.7	10.6%	1,964.3	247.8	14.4%	2,105.2	140.9	7.2%	697.8	49.6%	1,355	33.0%
NSW	Non-Gov	1,323.7	1,376.4	2,700.1	2,831.8	131.7	4.9%	3,008.2	176.4	6.2%	3,203.7	195.5	6.5%	3,356.8	153.1	4.8%	656.7	24.3%		
VIC	Gov	486.9	548.4	1,035.3	1,171.3	136.0	13.1%	1,291.4	120.1	10.3%	1,388.6	97.2	7.5%	1,424.2	35.6	2.6%	388.9	37.6%	1,022	31.4%
VIC	Non-Gov	1,088.7	1,134.1	2,222.8	2,348.0	125.2	5.6%	2,522.9	174.9	7.4%	2,706.3	183.4	7.3%	2,855.8	149.5	5.5%	633.0	28.5%		
QLD	Gov	440.7	523.1	963.8	1,128.1	164.3	17.0%	1,300.2	172.1	15.3%	1,492.5	192.3	14.8%	1,626.1	133.6	9.0%	662.3	68.7%	1,290	46.8%
QLD	Non-Gov	876.7	918.2	1,794.9	1,927.3	132.4	7.4%	2,101.1	173.8	9.0%	2,274.0	172.9	8.2%	2,422.5	148.5	6.5%	627.6	35.0%		
SA	Gov	149.8	184.3	334.1	379.1	45.0	13.5%	401.3	22.2	5.9%	424.3	23.0	5.7%	457.8	33.5	7.9%	123.7	37.0%	275	27.4%
SA	Non-Gov	330.0	338.3	668.3	694.8	26.5	4.0%	737.3	42.5	6.1%	782.9	45.6	6.2%	819.4	36.5	4.7%	151.1	22.6%		
WA	Gov	220.0	245.1	465.1	528.2	63.1	13.6%	597.7	69.5	13.2%	664.8	67.1	11.2%	824.8	160.0	24.1%	359.7	77.3%	696	51.0%
WA	Non-Gov	437.8	461.0	898.8	970.6	71.8	8.0%	1,064.6	94.0	9.7%	1,157.0	92.4	8.7%	1,235.3	78.3	6.8%	336.5	37.4%		
TAS	Gov	51.3	71.3	122.6	147.8	25.2	20.6%	159.5	11.7	7.9%	172.2	12.7	8.0%	179.5	7.3	4.2%	56.9	46.4%	111	37.2%
TAS	Non-Gov	85.4	89.8	175.2	186.6	11.4	6.5%	201.9	15.3	8.2%	218.0	16.1	8.0%	229.2	11.2	5.1%	54.0	30.8%		
ACT	Gov	31.7	36.2	67.9	73.4	5.5	8.1%	76.1	2.7	3.7%	79.5	3.4	4.5%	95.8	16.3	20.5%	27.9	41.1%	67	28.7%
ACT	Non-Gov	79.1	86.1	165.2	174.3	9.1	5.5%	185.6	11.3	6.5%	197.6	12.0	6.5%	204.3	6.7	3.4%	39.1	23.7%		
NT	Gov	28.3	63.8	92.1	133.8	41.7	45.3%	146.8	13.0	9.7%	161.5	14.7	10.0%	158.4	-3.1	-1.9%	66.3	72.0%	109	53.9%
NT	Non-Gov	50.2	59.6	109.8	125.8	16.0	14.6%	133.7	7.9	6.3%	144.5	10.8	8.1%	152.4	7.9	5.5%	42.6	38.8%		
Australia	Gov	2,080.4	2,407.8	4,488.2	5,113.6	625.2	13.9%	5,689.5	576.0	11.3%	6,347.5	658.2	11.6%	6,871.8	524.1	8.3%	2,384	53.1%	4,925	37.2%
Australia	Non-Gov	4,271.6	4,464.1	8,735.7	9,260.4	524.1	6.0%	9,956.7	696.1	7.5%	10,684.9	728.7	7.3%	11,277.2	591.7	5.5%	2,542	29.1%		
Australia	All	6,352.0	6,871.9	13,223.9	14,374.0	1,149.3	8.7%	15,646.2	1,272.1	8.9%	17,032.4	1,386.9	8.9%	18,149.0	1,115.8	6.6%	4,925	37.2%		

Where the Commonwealth fits in school education

While it may not be relevant to the ALP/Green ideology of centralisation, Government Senators have a deep and abiding respect for the issue of where does the Commonwealth government in our federation fit in relation to school funding and the education system as a whole, fit?

It needs to be reiterated, that the Commonwealth is not the major funder or policy authority in this area, a fact conveniently ignored by those pursuing their own political agenda. Its approximate share of total government funding to schools (i.e. Commonwealth) to government schools is only 16.6 per cent and to all schools 32.6 per cent. In relation to the SRS, the Commonwealth only provides a relatively small contribution to the SRS—the vast majority of funding for government schools is still provided by the states and territories (up to 85 per cent).

The importance of understanding the Commonwealth actual role in funding schools, its ability to react appropriately at a local level and its Constitutional powers to develop school education policy, cannot be exaggerated.

Conclusion: Future debate for real education reform in Australia

Ending the sloganeering

Sadly, for the government Senators, the recent debate about school funding that has occurred since the Gonski Review was announced in 2010 has become politicised and driven by ideology. At times it has been reduced to sloganeering, epitomised by the Australian Education Union's 'Give a Gonski' campaign.

The AEU maintained that if someone does not support the recommendations of the Gonski Review, then they do not care about student outcomes. As Dr Jennifer Buckingham wrote in *The Australian* in April 2013:

The "I Give A Gonski" campaign gives the impression that the proposed school funding reforms represent a big, fat cheque for public education. The implication is that if you don't "give a Gonski", you don't care about schools.⁵⁷

This emotive framing of education funding policy has been detrimental to public debate. As Judith Sloan, economist, wrote in *The Australian*:

57 Dr Jennifer Buckingham, 'Gonski reforms at risk of failure to launch', *The Australian*, 5 April 2013, www.theaustralian.com.au/national-affairs/opinion/gonski-reforms-at-risk-of-failure-to-launch/story-e6frgd0x-1226612773677

So do I give a Gonski? Probably not because what I mean by giving a Gonski is not what others, particularly the Australian Education Union, mean by it.⁵⁸

The hysterical language used by the AEU has obscured the realities of education policy funding, in particular that increasing funding without any targeting, results in diminished returns represented by an unsatisfactory educational outcome.

The common argument promoted by the AEU and other advocates of increasing education funding is the simplistic assumption that more money equals better educational outcomes. However, as Dr Jennifer Buckingham wrote in 'School Funding on a Budget', increased funding for schools does not translate to improved educational outcomes:

Cross-country analyses of international tests have consistently found no correlation between spending on education and student performance—countries that spend more on school education do not always perform better. Furthermore, when a country increases funding to its schools, there is no guarantee of a corresponding improvement in performance. Therefore, at a system level at least, there is no evidence that increasing spending on schools leads to improved performance.⁵⁹

The 'Give A Gonski' campaign represented a substantial commitment of resources by the AEU and teachers' unions around Australia. Some of that spending is represented below in **Table 3**, based on the evidence gathered by the committee during its inquiry.

58 Ms Judith Sloan, 'Why I don't give a Gonski for more school spending', *The Australian*, 28 August 2012, www.theaustralian.com.au/opinion/columnists/why-i-dont-give-a-gonski-for-more-school-spending/story-fnbkvnk7-1226459316708

59 Dr Jennifer Buckingham, *School Funding on a Budget* (published as part of the TARGET30 Reducing the Burden for Future Generations paper series), Centre for Independent Studies, T30.09, www.cis.org.au/images/stories/target30/t30.09.pdf, p. 11.

Table 3: Education union spending on the 'I Give A Gonski' campaign

Organisation	Amount
AEU Federal Office	The AEU's 2012 and 2013 audited reports show total expenditure on our National Public Education Campaign (Schools and TAFE Funding Campaigns). Expenditure for 2012 was \$2,900,427. Expenditure for 2013 was \$4,396,574. ⁶⁰
State School Teachers' Union of Western Australia (SSTUWA)	The SSTUWA's 2013 audited reports show total expenditure on our Gonski campaign was \$24,732.01. The budget for the 2014 Gonski campaign is \$66,000. ⁶¹
Queensland Teachers' Union	In 2013 the Australian Education Union – Queensland Branch contributed \$394,000 to the public education campaign. The Queensland Teachers' Union spent \$32,504 on Gonski related campaign activities. The Queensland Teachers' Union budget makes no allocation to campaigning in 2014, although campaign reserves may be allocated for this purpose. The Australian Education Union – Queensland Branch will make a contribution of \$237,333 to the public education campaign and paid advertising. ⁶²
NSW Teachers' Federation	NSW AEU: Public education campaign fees \$186,714; Public Education Campaign Advertising: \$996,552. ⁶³
AEU Victoria Branch	The AEU Victorian Branch spent \$159,000 in 2013 on campaign activities relating to the Gonski campaign. At this stage we are unable to provide details of any expenditure for 2014. ⁶⁴

The 'Give A Gonski' campaign included posters, buses, social media campaigns and television advertisements. On 3 February 2013, the AEU launched a television advertisement which ran nationwide for two weeks. Included as part of the launch were buses with campaign advertising.⁶⁵ The 'Give A Gonski' campaign was active during the lead up to the 2013 federal election, with a lively social media presence which distilled this complex issue to slogans and emotive rhetoric. The result has been

60 Australian Education Union Federal Office, answer to question on notice, 13 March 2014, p. 1.

61 State School Teachers' Union of Western Australia, answer to question on notice, 29 April 2014, p. 1.

62 Queensland Teachers' Union, answer to question on notice, 1 April 2014, p. 2.

63 NSW Teachers' Federation, answer to question on notice, 1 May 2014, p. 1.

64 Australian Education Union Victorian Branch, answer to question on notice, 3 April 2014, p. 1.

65 Kym Agius, 'Gonski ad campaign launched', *The Australian*, 3 February 2013, <http://www.theaustralian.com.au/news/latest-news/more-action-on-gonski-needed-poll/story-fn3dxiwe-1226567572494>

distorted public debate and a lack of opportunity to understand the policy issues around school funding.

In the opinion of the Government Senators, the fact that the 'Give A Gonski' campaign ran predominantly during the year of the 2013 federal election, was a major component in politicising the school funding debate, and limiting the scope for sensible policy discussion. It also contaminated the focus of these hearings.

Next steps

In terms of future discussion debate and policy development we need to do better. A quality education system in an increasingly competitive world is not a luxury, but a necessity.

We cannot tackle issues of equity unless our education system is of high quality and has the flexibility to deliver the range of services needed to improve student improvement in the classroom.

The evidence is clear about what makes for a quality education system:

- increasing school and principal autonomy;
- having quality teachers appropriately selected, trained in rigorous and relevant courses with high levels of responsibility and accountability;
- a professional teacher workforce; and
- increased parental engagement to nurture learning and promote life-long practices outside the school room.

In the view of Government Senators, the majority report of the select committee is disappointing. Instead of identifying common ground on which consensus around school funding can be built, the majority report adds to the emotive rhetoric which is stifling common sense policy debate on school funding.

Government Senators encourage the Opposition and minor parties to remove the emotion from the school funding debate and work with the Government to focus policy development on ensuring all Australian students receive an education which equips them to be the very best they can be, irrespective of the school they attend or the state they live in. As a function of their birthright each Australian citizen is equitably entitled to an excellent education, no matter where they live or which school they attend.

Senator Chris Back
Liberal Senator for Western Australia

Senator Bridget McKenzie
Nationals Senator for Victoria

Senator John Williams
Nationals Senator for New South Wales

Appendix 2

Additional information and answers to questions on notice received by the committee¹

Additional Information

- 1 Document tabled by Mr Michael Fay, President, Queensland Association of State School Principals, at the public hearing in Brisbane on 1/4/14: The APPA Narrative for Primary School Education
- 2 Document tabled by Ms Rebecca McGuren, Principal, Darra State School, at the public hearing in Brisbane on 1/4/14: NAPLAN School Data (Darra State School)
- 3 Document tabled by Mr Llewellyn Paulger, Principal, Redbank Plains State High School, at the public hearing in Brisbane on 1/4/14: 2010-2013 Student Summary Data
- 4 Document tabled by Ms Michelle Green, Chief Executive, Independent Schools Victoria, at the public hearing in Melbourne on 3/4/14: Opening statement
- 5 Document tabled by Mrs Jill Healey, Executive Principal, Flinders Christian Community College, at the public hearing in Melbourne on 3/4/14: Opening statement
- 6 Documents tabled by Ms Karen Money, Principal, William Ruthven College, at the public hearing in Melbourne on 3/4/14: Documents supporting opening statement
- 7 Document tabled by Ms Rachel Graham-Hilder, Parent, at the public hearing in Hobart on 4/4/14: Opening statement
- 8 Document tabled by Mr Warwick Dean, Principal, Hutchins School, at the public hearing in Hobart on 4/4/14: Opening statement
- 9 Documents tabled by Mr Warwick Dean, Principal, Hutchins School, at the public hearing in Hobart on 4/4/14: Supporting information
- 10 Document tabled by Mr Terry Polglase, President, Australian Education Union (Tasmanian Branch), at the public hearing in Hobart on 4/4/14: Gonski Guarantee

1 Additional information and answers to questions on notice received by the committee can be found here:
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/School_Funding/School_Funding/Additional_Documents

- 11 Document tabled by State School Teachers' Union of Western Australia, at the public hearing in Perth on 29/4/14: Questions on Notice - 2013/14 Legislative Council Estimates Hearings
- 12 Document tabled by the Senate Select Committee on School Funding, at the public hearing in Perth on 29/4/14: Correspondence from the Western Australian Department of Education regarding the Senate Select Committee on School Funding's public hearing on the 29 April 2014
- 13 Document tabled by Mr Mike Williss, Research Officer, Australian Education Union (South Australia Branch), at the public hearing at Darlington Primary School, Adelaide on 30/4/14: Newspaper article
- 14 Document tabled by Mr Mike Williss, Research Officer, Australian Education Union (South Australia Branch), at the public hearing at Darlington Primary School, Adelaide on 30/4/14: Notes on the Measure of Socio-Economic Need
- 15 Document tabled by Mr Chris Bonnor, at the public hearing in Sydney on 1/5/14: New Approaches to persistent problems
- 16 Document tabled by Catholic Schools Office, at the public hearing in Sydney on 1/5/14: Submission to the Senate Select Committee on School Funding
- 17 Document tabled by Mr Maurie Mulheron, President, New South Wales Teachers Federation, at the public hearing in Sydney on 1/5/14: Document relating to NSW Teachers Federation's concerns about school funding
- 18 Document tabled by Professor Henry Ergas, at the public hearing in Sydney on 1/5/14: Powerpoint presentation to Senate Select Committee on School Funding
- 19 Document tabled by Mr John Doyle, Victorian Auditor-General, at the public hearing in Canberra on 16/5/14: presentation re report 'Access to Education for Rural Students'
- 20 Document tabled by Mr Cook, Associated Secretary, Department of Education, at the public hearing in Canberra on 16/5/14: answers to questions provided prior to the hearing by Senator Wright
- 21 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education, at the public hearing in Canberra on 16/5/14: State Heads of Agreement
- 22 Document tabled by Mr Tony Cook, Associate Secretary Department of Education, at the public hearing in Canberra on 16/5/14: Minister Pyne's letters to States re school funding

Answers to Questions on Notice

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- 1 Answers to questions on notice from Senator Collins (Chair) and Senator Wright asked on 18 February 2014_status on agreements
 - 2 Answers to questions on notice from Senator Collins - What were the Commonwealths projections for AGSRC for 2013 2017 - 18 February 2014
 - 3 Answers to questions on notice from Senator Wright - What are the 5 principles - 18 February 2014
 - 4 Answers to questions on notice from Senator Wright - How many schools have implementation plans - 18 February 2014
 - 5 Answers to questions on notice from Senator McKenzie and Senator Wright - CW contribution and state Current
 - 6 Answers to questions on notice from Senator McKenzie - Chile NZ Mexico Korea PISA OECD - 18 February 2014
 - 7 Answers to questions on notice from Senator McKenzie - OECD report copy - 18 February 2014
 - 8 Answers to questions on notice from Senator Urquhart - Fixed loadings - 18 February 2014
 - 9 Answers to questions on notice from Senator O'Neill - range of samples of implementation plans - 18 February 2014
 - 10 Answers to questions on notice from Senator Collins – Shortfall in SRS for QLD NT WA - 18 February 2014
 - 11 Answers to questions on notice from Senator Back - public statements by non-participating state premiers or chief ministers - 18 February 2014
 - 12 Answers to questions on notice from Senator Collins - Summaries of cuts to State and Territories education spend - 18 February 2014
 - 13 Answers to questions on notice from Senator McKenzie and Senator Back at public hearing in Sydney on 13 March 2014
 - 14 Answers to questions on notice from Senator Collins and Senator Wright from Department of Education at hearing on 13 March 2014
 - 15 Answers to questions on notice from Senator Collins and Senator Wright from Department of Education at hearing in Sydney on 13 March 2014
 - 16 Answers to questions on notice from Senator Collins from Department of

Education at hearing in Sydney on 13 March 2014

- 17 Answer to question on notice from Senator Back from Department of Education at hearing in Sydney on 13 March 2014
- 18 Answer to question on notice from Senator O'Neill from Department of Education at hearing in Sydney on 13 March 2014
- 19 Answer to question on notice from Senator Collins from Department of Education at hearing in Sydney on 13 March 2014
- 20 Answer to question on notice from Senator Collins from Department of Education at hearing in Sydney on 13 March 2014
- 21 Answer to question on notice from Senator Back from Independent Schools Council of Australia at hearing in Sydney on 13 March 2014
- 22 Answers to questions on notice from Senators McKenzie and Collins from Queensland Teachers' Union at hearing in Brisbane on 1 April 2014
- 23 Answer to question on notice from Senator McKenzie from Queensland Association of State School Principals at hearing in Brisbane on 1 April 2014
- 24 Answer to question on notice from Senator McKenzie from Australian Education Union at hearing in Melbourne on 3 April 2014
- 25 Answer to question on notice from Independent Schools Victoria at hearing in Melbourne on 3 April 2014
- 26 Answer to question on notice from Senator Wright from Northern Territory Government at hearing in Hobart on 4 April 2014
- 27 Answer to question on notice from The Association of Independent Schools of South Australia at hearing in Adelaide on 30 April 2014
- 28 Answer to question on notice from Senator McKenzie from Mr Chris Bonnor at hearing in Sydney on 1 May 2014
- 29 Answer to question on notice from Novita Childrens Services at hearing in Adelaide on 30 April 2014
- 30 Answers to questions on notice at 29 April public hearing in Perth, Australian Secondary Principals Association
- 31 Answers to questions on notice at 29 April public hearing in Perth, Catholic Education Office Western Australia

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- 32 Answers to questions on notice at 29 April public hearing in Perth, State School Teachers' Union Western Australia
 - 33 Answers to questions on notice at 30 April public hearing in Adelaide (Immaculate Heart of Mary School), Department for Education and Child Development South Australia
 - 34 Answers to questions on notice at 1 May public hearing in Sydney, Australian Primary Principals Association
 - 35 Answers to questions on notice at 1 May public hearing in Sydney, Mr David Gillespie
 - 36 Answers to questions on notice at 1 May public hearing in Sydney, Mr Peter Hamill, Director of Schools (Diocese of Broken Bay); Mr Ray Collins, Director of Schools (Diocese of Maitland-Newcastle); Mr Peter Turner, Director of Schools (Catholic Education Office Wollongong)
 - 37 Answers to questions on notice at 16 May public hearing in Canberra, Department of Education Tasmania
 - 38 Answers to questions on notice - 13 March 2014 public hearing in Sydney - National Catholic Education Commission
 - 39 Answers to questions on notice - 1 May public hearing, Sydney - NSW Teachers' Federation
 - 40 Answers to questions on notice - public hearing 16 May, Canberra - Victorian Auditor-General
 - 41 Answers to questions on notice - public hearing 16 May, Canberra - Dr Ken Boston
 - 42 Answers to questions on notice - public hearing 16 May, Canberra - Australian Association of Christian Schools
 - 43 Answer to question on notice from Senator Collins - Department of Education, public hearing on 16 May, Canberra
 - 44 Answer to question on notice from Senator Collins - Department of Education, public hearing on 16 May, Canberra
 - 45 Answer to question on notice from Senator Collins - Department of Education, public hearing on 16 May, Canberra
 - 46 Answer to question on notice from Senator Collins - Department of Education,

- public hearing on 16 May, Canberra
- 47 Answer to question on notice from Senator McKenzie - Department of Education, public hearing on 16 May, Canberra
- 48 Answer to question on notice from Senator Collins - Department of Education, public hearing on 16 May, Canberra
- 49 Answer to question on notice from Senator Collins - Department of Education, public hearing on 16 May, Canberra
- 50 Answers to questions in writing - Department of Education, public hearing on 16 May, Canberra
- 51 Answers to questions on notice - public hearing 16 May, Canberra - ACARA
- 52 Answers to questions on notice (Attachment) - public hearing 16 May, Canberra - ACARA
- 53 Answers to questions in writing - public hearing 16 May, Canberra - ACARA
- 54 Department of Education - response in writing to issues raised in the Independent Schools Council of Australia supplementary submission (Supplementary Submission 57)
- 55 Answer to questions on notice 1 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 56 Answer to questions on notice 2 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 57 Answer to questions on notice 3 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 58 Answer to questions on notice 4 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 59 Answer to questions on notice 5 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 60 Answer to questions on notice 6 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on

School Funding).

- 61 Answer to questions on notice 7 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 62 Answers to questions on notice 8 and 9 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 63 Attachment A to answers to questions on notice 8 and 9 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 64 Attachment B to answers to questions on notice 8 and 9 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 65 Answer to questions on notice 10 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 66 Answer to questions on notice 11 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 67 Answer to questions on notice 12 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).
- 68 Answer to questions on notice 13 (of 13) - Department of Education - Budget Estimates, 4 June 2014 (questions relevant to work of Senate Select Committee on School Funding).

Appendix 3

Witnesses who appeared before the committee¹

Tuesday, 18 February 2014 – Canberra

Department of Education

Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth

Mr Martin Hehir, Deputy Secretary, Schools and Youth

Thursday, 13 March 2014 – Sydney

Commonwealth Department of Education

Mr Tony Crook, Associate Secretary, Early Childhood, Schools and Youth

Mr Martin Hehir, Deputy Secretary, Schools and Youth

National Catholic Education Commission

Mr Ross Fox, Executive Director

Dr Brian Croke, Executive Director, Catholic Education Commission New South Wales

Mr Stephen Elder, Executive Director, Catholic Education Commission Victoria

Independent Schools Council of Australia

Mr Bill Daniels, Executive Director

Australian Education Union

Mr Angelo Gavrielatos, Federal President

Ms Jenni Devereaux, Federal Research Officer

Independent Education Union of Australia

Mr Richard Shearman, Federal President

Mr Chris Watt, Federal Secretary

Australian Council of State School Organisations

Mr Peter Garrigan, President

Mrs Judith Bundy, Senior Vice President

1 Hearings webpage:
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/School_Funding/School_Funding/Public_Hearings

Appendix 4

National Education Reform Agreement – NSW Budget 2013-14, Additional Funding Breakdown



National Education Reform Agreement

NSW Budget 2013/14

As a first step towards reaching the overall education funding goal under the National Education Reform Agreement there is additional funding of \$153 million from the NSW and Commonwealth Governments for the 2014 school year.

In April 2013 the NSW and Commonwealth Governments committed to the National Education Reform Agreement, commonly known as the "Gonski" funding agreement.

The agreement will deliver \$5 billion of additional school education investment during 2014 to 2019. NSW will contribute \$1.7 billion of the additional funding.

Government, Catholic and Independent schools will be funded towards the same Schooling Resource Standard, based on the cost of achieving an academic standard, regardless of school type, rather than being based on what is currently spent in government schools.

As part of this funding agreement resource loadings will be provided for students from low socio-economic groups, students with disability and those with additional learning and support needs, Aboriginal students, students who need help with English and schools that are disadvantaged by their size or remoteness.

These arrangements will improve the allocation between all schools, deliver additional resources for NSW schools and target them where they are most needed.

Additional Funding Breakdown 2014

In the 2014 school year there will be an additional \$153 million in funding from the NSW and Commonwealth governments. This will be allocated across the sectors as follows:

- Government schools will receive an additional \$118 million in funding
- Catholic schools will receive an additional \$19 million in funding
- Independent schools will receive an additional \$16 million in funding.

The NSW Government will continue to implement its key reforms including:

- Local Schools, Local Decisions
- Great Teaching, Inspired Learning
- Connected Communities
- Every Student, Every School
- Literacy and Numeracy Action Plan

as part of the National Education Reform Agreement.

Further information

www.dec.nsw.gov.au

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NSW Department of Education and Communities

Base Funding to NSW Schools*

Calendar year

Government Sector Base Funding (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW Base contribution	7,379	7,601	7,870	8,169	8,492	8,840	48,350
Commonwealth Base contribution	1,412	1,484	1,562	1,649	1,742	1,844	9,694
Total Base Funding	8,791	9,085	9,432	9,818	10,234	10,683	58,044

Catholic Sector Base Funding (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW Base contribution	484	501	521	541	563	585	3,196
Commonwealth Base contribution	1,552	1,640	1,733	1,830	1,933	2,044	10,733
Total Base Funding	2,036	2,142	2,255	2,371	2,496	2,630	13,929

Independent Sector Base Funding (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW Base contribution	401	419	438	458	479	500	2,696
Commonwealth Base contribution	1,061	1,129	1,202	1,278	1,357	1,442	7,469
Total Base Funding	1,462	1,548	1,640	1,736	1,836	1,942	10,165

ALL NSW Schools Base Funding (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW Base contribution	8,264	8,521	8,829	9,169	9,533	9,925	54,242
Commonwealth Base contribution	4,025	4,254	4,498	4,757	5,033	5,330	27,896
Total Base Funding	12,289	12,775	13,327	13,926	14,566	15,255	82,138

Base Funding by Sector (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
Government Schools	8,791	9,085	9,432	9,818	10,234	10,683	58,044
Non-Government Schools	3,498	3,690	3,895	4,108	4,332	4,572	24,093
Total Base Funding	12,289	12,775	13,327	13,926	14,566	15,255	82,138

*Based on current enrolment projections and settings agreed in the NERA (including indexation).

Additional Funding to NSW Schools*

Calendar year

Government Sector Additionality (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW additional contribution	38	82	127	255	405	534	1,440
Commonwealth additional contribution	80	166	255	490	748	1,062	2,803
Total Additional Funding	118	249	382	745	1,153	1,597	4,243

Catholic Sector Additionality (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW additional contribution	6	12	18	33	49	61	179
Commonwealth additional contribution	13	25	36	64	91	121	350
Total Additional Funding	19	37	53	98	141	181	529

Independent Sector Additionality (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW additional contribution	9	12	16	25	36	43	142
Commonwealth additional contribution	7	9	9	21	31	42	118
Total Additional Funding	16	21	25	46	66	85	260

All NSW Schools Additionality (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
NSW additional contribution	53	107	160	313	490	638	1,761
Commonwealth additional contribution	100	200	300	575	870	1,225	3,271
Total Additional Funding	153	307	460	889	1,360	1,863	5,032

Additional Funding by Sector (\$m)	2014	2015	2016	2017	2018	2019	TOTAL
Government Schools	118	249	382	745	1,153	1,597	4,243
Non-Government Schools	35	58	79	144	207	267	789
Total Additional Funding	153	307	460	889	1,360	1,863	5,032

*Based on current enrolment projections and settings agreed in the NERA (including indexation).

Funding to NSW Government Schools*

Calendar year

Government Schools (\$m)	2014	2015	2016	2017	2018	2019	TOTAL (2014 - 2019)
NSW Base contribution	7,379	7,601	7,870	8,169	8,492	8,840	48,350
Commonwealth Base contribution	1,412	1,484	1,562	1,649	1,742	1,844	9,694
NSW additional contribution	38	82	127	255	405	534	1,440
Commonwealth additional contribution	80	166	255	490	748	1,062	2,803
Total NSW contribution	7,416	7,683	7,997	8,424	8,897	9,374	49,791
Total Commonwealth contribution	1,493	1,651	1,818	2,139	2,491	2,906	12,497
Total Funding	8,909	9,334	9,814	10,563	11,387	12,280	62,287

*Based on current enrolment projections and settings agreed in the NERA (including indexation).

Funding to NSW Non-Government Schools*

Calendar year

Non-Government Schools (\$m)	2014	2015	2016	2017	2018	2019	TOTAL (2014 - 2019)
Catholic Sector							
NSW Base contribution	484	501	521	541	563	585	3,196
Commonwealth Base contribution	1,552	1,640	1,733	1,830	1,933	2,044	10,733
NSW additional contribution	6	12	18	33	49	61	179
Commonwealth additional contribution	13	25	36	64	91	121	350
Total NSW contribution	490	514	539	575	612	646	3,375
Total Commonwealth contribution	1,564	1,665	1,769	1,894	2,025	2,165	11,083
Total Funding	2,054	2,179	2,308	2,469	2,637	2,811	14,458

Independent Sector							
NSW Base contribution	401	419	438	458	479	500	2,696
Commonwealth Base contribution	1,061	1,129	1,202	1,278	1,357	1,442	7,469
NSW additional contribution	9	12	16	25	36	43	142
Commonwealth additional contribution	7	9	9	21	31	42	118
Total NSW contribution	411	431	454	484	515	544	2,838
Total Commonwealth contribution	1,068	1,138	1,211	1,299	1,388	1,483	7,587
Total Funding	1,478	1,569	1,665	1,782	1,903	2,027	10,425

Total Non-Government Schools							
NSW Base contribution	885	920	960	1,000	1,041	1,086	5,892
Commonwealth Base contribution	2,612	2,770	2,935	3,108	3,290	3,486	18,202
NSW additional contribution	15	24	34	59	85	104	321
Commonwealth additional contribution	20	34	45	85	122	162	468
Total NSW contribution	900	945	993	1,058	1,127	1,190	6,213
Total Commonwealth contribution	2,632	2,803	2,980	3,193	3,413	3,648	18,670
Total Funding	3,533	3,748	3,973	4,252	4,539	4,838	24,882

Total Additionality by Sector	2014	2015	2016	2017	2018	2019	TOTAL
Catholic Sector	19	37	53	98	141	181	529
Independent Sector	16	21	25	46	66	85	260
Total Non-Government Additionality	35	58	79	144	207	267	789

*Based on current enrolment projections and settings agreed in the NERA (including indexation).

Tuesday, 1 April 2014 – Brisbane**Queensland Teachers' Union**

Mr Kevin Bates, President, and President, Australian Education Union (Queensland Branch)

Ms Kim Roy, Acting Research Officer

Christian Education Ministries

Dr Terry Harding, General Manager, Schools Department

Queensland Association of State School Principles

Mr Michael Fay, President

Society for the Provision of Education in Rural Australia

Associate Professor Karen Noble, President

Autism Spectrum Australia and Autism Queensland

Dr Trevor Clark, Director, Education and Senior ASD Research Consultant (Aspect)

Ms Penelope Beeston, Chief Executive Officer, Autism Queensland Limited

Individual Teachers and Parents session

Ms Rebecca McGuren, Principal, Darra State School

Mr Andrew Thompson, Principal, Ipswich West Special School

Mr Llewellyn Paulger, Principal, Redbank Plains State High School

Thursday, 3 April 2014 – Melbourne**School for Travelling Show Children**

Ms Catherine Fullerton, Executive Teacher and School Board Member

Independent Schools Victoria

Ms Michelle Green, Chief Executive

Mr Nigel Bartlett, Manager, Funding and Accountability

Mr Mathew Ryan, Consulting Economist

Australian Education Union (Victorian Branch)

Ms Meredith Peace, President

Mr Justin Mullaly, Deputy President

Mr Justin Bowd, Research Officer

Australian Council of TESOL Associations

Mr Mark Melican, President Vic TESOL

Ms Mairead Hannan, Treasurer, VicTESOL

Parents Victoria Inc

Ms McHardy, Executive Officer

Ms Leanne McCurdy, Administration Officer

Dr David Zyngier, Private capacity

Individual Teachers and Parents session

Mr David Adamson, Principal, Essendon Keilor College
Mrs Jill Healey, Executive Principal, Flinders Christian Community College'
Ms Karen Money, Principal, William Ruthven Secondary College
Dr James Thyer, Private capacity

Friday, 4 April 2014 – Hobart**Northern Territory Department of Education**

Mr Ken Davies, Chief Executive

Tasmanian Catholic Education Commission

Mr Greg McNamara, Chairman
Dr Patricia Hindmarsh, Director
Mr John Hills, Head of Corporate Services
Mrs Anne Rybak, Finance Manager

Australian Education Union (Tasmanian Branch)

Mr Terry Polglase, President

Tasmanian Association of State School Organisations

Mrs Jenny Eddington, President

Australian Parents Council

Ms Caz Bosch, President
Mr Ian Dalton, Executive Director

Independent Schools Tasmania

Mr Tony Crehan, Executive Director

Individual Parents and Teachers Session

Ms Rachel Graham-Hilder, Private capacity
Mr Warwick Dean, Principal

Tuesday, 29 April 2014 – Perth**Catholic Education Office of Western Australia**

Dr Tim McDonald, Executive Director
Mr Gerry Doyle, Director, Finance Planning and School Resources
Mr Edward Simons, Director, Governance and Administration
Mr Reuben Norris, Team Leader, Resources

State School Teachers' Union of Western Australia

Mr Lincoln Rose, Senior Vice President
Ms Samantha Schofield, Vice President

Australian Secondary Principals' Association

Mr Rob Nairn, Executive Director

Individual Principals, Teachers and Parents

Mr Wayne Bull, Principal, La Salle College
Mr David Cameron, Principal, Quintilian School
Mrs Shelley Hill, Parents and Friends Federation of Western Australia
Mrs Tanya Turner, Private capacity

Wednesday, 30 April 2014 – Adelaide

Novita Children's Services

Mr Glenn Rappensberg, Chief Executive
Ms Julie Astley, Director Operations (Client Services)

Department for Education and Child Development, South Australia

Mr Tony Harrison, Chief Executive
Ms Julieann Riedstra, Deputy Chief Executive, Resources
Mr Ben Temperly, Executive Director, Office for Strategy and Performance
Mr Chris Bernardi, Chief Financial Officer
Mr Mark Witham, Director, Research and Evaluation

Association of Independent Schools of South Australia

Mrs Carolyn Grantskalns, Chief Executive
Mr Roger Anderson, Deputy Chief Executive
Dr Bronwyn Donaghey, Senior Policy Adviser

Wednesday, 30 April 2014 – Adelaide

South Australia Branch of the Australian Education Union

Ms Jan Murphy, Vice President
Mr Michael Williss, Research Officer

Thursday, 1 May 2014 – Sydney

Diocese of Broken Bay

Mr Peter Hamill, Director of Schools, Catholic Schools Office

Diocese of Maitland-Newcastle

Mr Ray Collins, Director of Schools, Catholic Schools Office

Catholic Education Office Wollongong

Mr Peter Turner, Director of Schools

Mr David Gillespie, Private capacity

New South Wales Teachers Federation

Mr Maurie Mulheron, President

Catholic School Parents Australia

Mr Anthony O'Byrne, Chair
Ms Danielle Cronin, Deputy Chairperson

Mr Chris Bonnor, Private capacity

Children with Disability Australia

Ms Stephanie Gotlib, Executive Officer

Australian Primary Principals Association

Mr Norm Hart, President

Mr Michael Nuttall, Executive Officer

Professor Henry Ergas, Private capacity

Friday, 16 May 2014 – Canberra

Dr Ken Boston AO, Private capacity**Australian Association of Christian Schools**

Mr Martin Hanscamp, Executive Officer

Mrs Lynne Doneley, AACS Council Member

Office of Victorian Auditor-General

Mr John Doyle, Victorian Auditor-General

Mr Kristopher Waring, Sector Director

Christian Schools Australia

Mr Stephen O'Doherty, Chief Executive Officer

Department of Education, Tasmania

Mr Colin Pettit, Secretary

Commonwealth Department of Education

Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth

Mr Martin Hehir, Deputy Secretary, Schools and Youth

Australian Curriculum Assessment and Reporting Authority

Mr Robert Randall, Chief Executive Officer

Appendix 5

National Education Reform Agreement 2013

NATIONAL EDUCATION REFORM AGREEMENT

Council of
Australian
Governments

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National Education Reform Agreement

PRELIMINARIES

1. The Parties to this Agreement recognise that ensuring all young people have the best possible start in life is vital to the well-being of families, communities and the nation as a whole. High quality schooling supported by strong community engagement is central to Australia's future prosperity and social cohesion.
2. The *National Education Reform Agreement* (this Agreement) has been established to pursue this agenda. This Agreement will be overseen by the relevant Standing Council established under the Council of Australian Governments (COAG) to consider school education matters.
3. This Agreement provides that schools are funded according to the needs of students as a means to achieving the objective and outcomes outlined in this Agreement. These funding arrangements, backed up by clear and meaningful public reporting on outcomes, will support and reinforce the education reforms also contained in this Agreement. In combination, these reforms will drive the school improvement needed to ensure that Australian schools deliver a high quality education to all students.
4. This Agreement will build on the *Melbourne Declaration on Educational Goals for Young Australians* (2008), which reaffirmed the importance of national collaboration and promoting high quality schooling for all Australian students, and the shared COAG targets and outcomes encompassed in the *National Education Agreement* (2008). This Agreement also encompasses the policy directions set out in schools National Partnerships related to the *National Education Agreement*. It provides the basis for working toward the national goals that Australia will be ranked, by 2025, as one of the top five highest performing countries based on the performance of Australian school students in reading, mathematics and science, and based on the quality and equity of Australian schooling – as set out in the National Plan for School Improvement (NPSI) at Part 4 of this Agreement.
5. The *Australian Education Act 2013* will provide the legislative framework at a Commonwealth level that, consistent with this Agreement, sets out the broad reform directions for Australian schooling to reach the 2025 goals, the details of Commonwealth funding arrangements to support those goals, and arrangements to apply to the non-government sector. These goals are converted into COAG targets for the purposes of this Agreement.
6. The Parties commit to be socially inclusive and address disadvantage, including for students who are Aboriginal or Torres Strait Islander, have disability, come from non-English language backgrounds or are socio-economically disadvantaged. That commitment is embodied in the objective and outcomes of this Agreement. This Agreement will drive reform directions to 'Close the Gap' in education outcomes between Aboriginal and Torres Strait Islander students and non-Indigenous students. The Parties recognise the need to accelerate improvement in the education outcomes of Aboriginal and Torres Strait Islander students. The Parties recognise the right to equality and non-discrimination and the right to education.
7. The Parties have also agreed other objectives and outcomes – in particular, in the *National Indigenous Reform Agreement* (2008) – which the Parties will pursue through the broadest possible spectrum of government action. Consequently, this Agreement will be implemented

consistently with the objectives and outcomes of all National Agreements and National Partnerships entered into by the Parties.

8. The Parties recognise the important role of non-government schools and systems as providers of school education and affirm non-government schools and systems' responsibilities in implementing the relevant aspects of the NPSI. Mechanisms will be established between the Commonwealth, States and Territories and the non-government schools and systems to implement the relevant aspects of the NPSI. The accountabilities for non-government schools and systems, in order to receive Commonwealth funding, will be outlined in the *Australian Education Act 2013*.
9. This Agreement is associated with the *Intergovernmental Agreement on Federal Financial Relations* (IGA FFR), and should be read in conjunction with the payment arrangements in that Agreement.

PART 1 - PARTIES AND OPERATION

Parties

10. The Parties to this Agreement (the Parties) are:
 - a. the Commonwealth of Australia (the Commonwealth); and
 - b. the States and Territories, being:
 - i. The State of New South Wales;
 - ii. The State of Victoria;
 - iii. The State of Queensland;
 - iv. The State of Western Australia;
 - v. The State of South Australia;
 - vi. The State of Tasmania;
 - vii. The Australian Capital Territory; and
 - viii. The Northern Territory.

Term

11. This Agreement will operate from 1 January 2014 unless the Parties agree in writing to revoke it.

Variations

12. This Agreement may be amended at any time with the agreement in writing of First Ministers and with terms and conditions as agreed by all the Parties.
13. Unless otherwise specified, the schedules to this Agreement may be amended or revoked, and new schedules added, at any time with the written agreement of the relevant portfolio Commonwealth Minister and all State and Territory Ministers for school education. Where an amendment has material funding implications for more than one State or Territory, agreement will be sought from First Ministers. For Schedules A and B, the following arrangements apply:

- a. amendment of a bilateral agreement in Schedule A, or the inclusion of an additional bilateral agreement in that schedule, only requires the agreement of the Prime Minister and the relevant First Minister; and
- b. Schedule B may only be amended by agreement between First Ministers.

Participation

Existing Agreements

14. If a State or Territory signs this Agreement prior to 1 January 2014, on 1 January 2014 it will cease to be a Party to the *National Education Agreement* and the following National Partnership Agreements:
 - a. Rewards for Great Teachers; and
 - b. Low Socio-Economic Status School Communities.

Withdrawal of Parties

15. A Party to this Agreement may terminate its participation in this Agreement at any time by notifying all the other Parties in writing.

Dispute Resolution

16. Any Party may give notice to the other Parties of a dispute under this Agreement.
17. Officials of relevant parties will attempt to resolve any dispute in the first instance. If a dispute cannot be resolved by officials it may be escalated to the relevant Ministers, and if necessary, the relevant COAG Council.
18. If a dispute cannot be resolved by the relevant Ministers, it may be referred to the relevant First Ministers and, if necessary, to COAG for consideration.

PART 2 – STATEMENT OF OBJECTIVE AND OUTCOMES

Objective

19. The Parties commit to the objective that Australian schooling provides a high quality and equitable education for all students.
20. All aspects of this Agreement contribute to, or measure progress towards, that objective.

Outcomes

21. This Agreement will contribute to the following outcomes:
 - a. Australian students excel by international standards;
 - b. young people make a successful transition from school to work and/or further study;
 - c. all children are engaged in and benefiting from schooling; and
 - d. schooling reduces the educational disadvantage of children, including Aboriginal and Torres Strait Islander children and children from low socio-economic status backgrounds.

COAG Targets

22. The Parties have agreed to the following existing national targets which are critical to the achievement of the objective and outcomes:
- a. lift the Year 12 (or equivalent) or Certificate II attainment rate to 90 per cent by 2015;
 - b. lift the Year 12 (or equivalent) or Certificate III attainment rate to 90 per cent by 2020;
 - c. at least halve the gap for Aboriginal and Torres Strait Islander students in Year 12 or equivalent attainment rates by 2020, from the 2006 baseline; and
 - d. halve the gap for Aboriginal and Torres Strait Islander students in reading, writing and numeracy by 2018, from the 2008 baseline.
23. The Parties have agreed new ambitious national targets with respect to Australia’s international performance:
- a. Australia placed in the top 5 countries internationally in reading, mathematics and science by 2025; and
 - b. Australia considered to be a high quality and high equity schooling system by international standards by 2025.
24. The Parties agree that further work be undertaken by Education Ministers, in consultation with Ministers responsible for Indigenous Affairs, to set a more ambitious target (with reference to provisions 22.c. and d.) to further reduce the gap for Aboriginal and Torres Strait Islander students in reading, writing and numeracy by 2025. This work will be undertaken in the context of developing a new Aboriginal and Torres Strait Islander Education Action Plan, which will operate from 2015 and be appended as a schedule to this Agreement.

Outputs

25. The objective and outcomes of this Agreement will be achieved by outputs that deliver against the National Plan for School Improvement reform directions (as outlined in Part 4 of this Agreement).

Performance Indicators

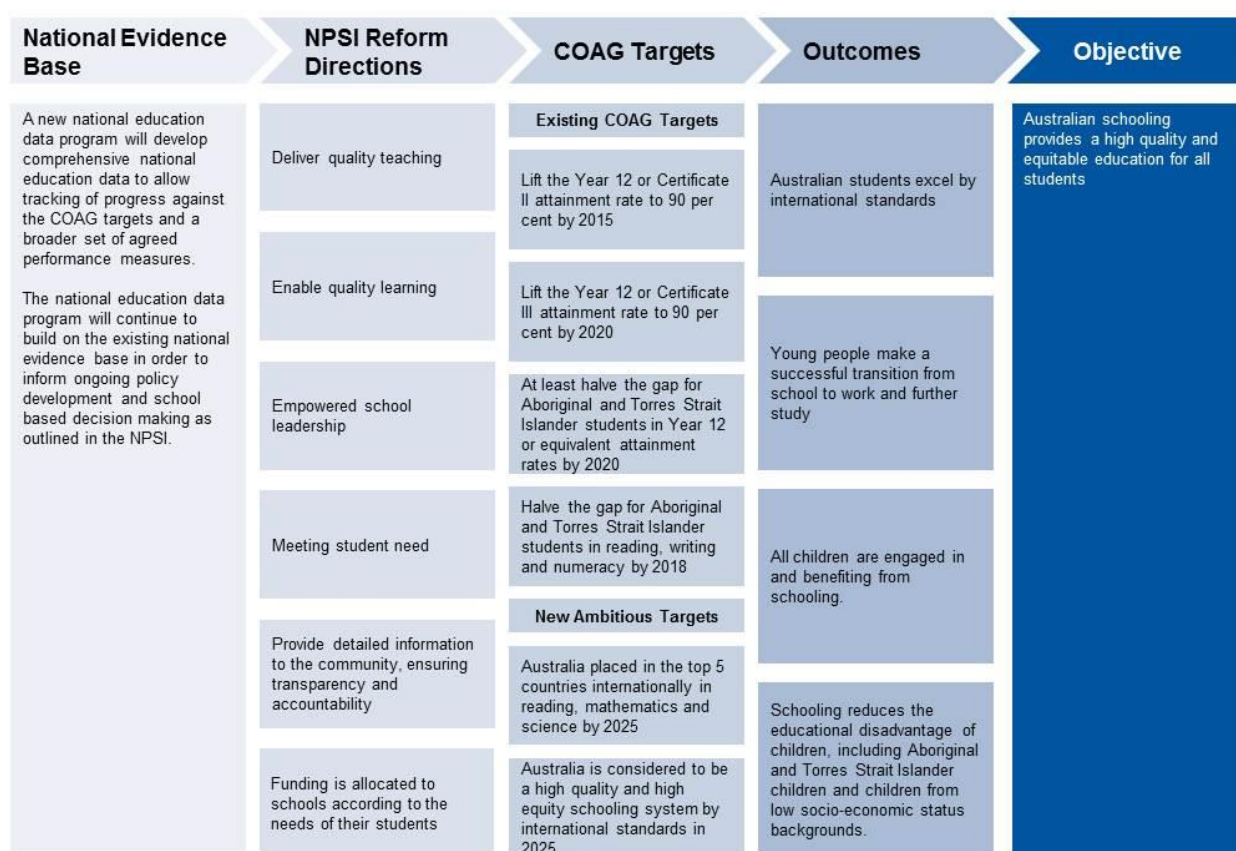
26. The following performance indicators, which were used in the *National Education Agreement* prior to this Agreement coming into operation, will be used to assess the performance of the Parties toward achieving these outcomes:

Outcome	Performance Indicators
Australian students excel by international standards.	1. The proportion of students in the bottom and top levels of performance in international testing.
Young people make a successful transition from school to work and/or further study.	2. The proportion of young people who have attained at least a Year 12 or equivalent or Australian Qualifications Framework (AQF) Certificate II/III or above.
	3. The proportion of young people participating in post school education, training or employment.

All children are engaged in and benefitting from schooling.	4. Literacy and numeracy achievement of Year 3, 5, 7 and 9 in national testing. 5. Rate of attendance at school.
Schooling reduces the educational disadvantage of children, including Aboriginal and Torres Strait Islander children and children from low socio-economic status backgrounds.	6. All performance indicators are to be disaggregated, where possible, by equity groups.

COAG targets	Performance Indicators
Australia placed in the top 5 countries internationally in reading, mathematics and science by 2025.	7. Australia's mean scores for Organisation for Economic Cooperation and Development's (OECD) Programme for International Student Assessment (PISA) testing in reading, mathematics and science.
Australia considered to be a high quality and high equity schooling system by international standards in 2025.	8. Australia's achievement in PISA relative to the OECD average. 9. Relationship between the socio-economic background and PISA educational performance of Australian students compared to other countries and the OECD average.
Lift the Year 12 (or equivalent) or Certificate II attainment rate to 90% by 2015.	10. The proportion of young people who have completed Year 12 or equivalent or gained a qualification at AQF Certificate II or above.
Lift the Year 12 (or equivalent) or Certificate III attainment rate to 90% by 2020.	11. The proportion of young people who have completed Year 12 or equivalent or gained a qualification at AQF Certificate III or above.
At least halve the gap for Aboriginal and Torres Strait Islander students in Year 12 or equivalent attainment rates by 2020.	12. The proportion of Aboriginal and Torres Strait Islander young people who have completed Year 12 or equivalent or gained a qualification at AQF Certificate II or above compared with non-Indigenous students.
Halve the gap for Aboriginal and Torres Strait Islander students in reading, writing and numeracy by 2018.	13. The proportion of Aboriginal and Torres Strait Islander students who achieved at or above the national minimum standard (for reading, writing and numeracy, in Years 3, 5, 7 and 9) compared with non-Indigenous students. 14. National Assessment Program–Literacy and Numeracy (NAPLAN) mean scale scores of Aboriginal and Torres Strait Islander students (for reading, writing and numeracy in Years 3, 5, 7 and 9) compared with non-Indigenous students.

27. Performance indicators, measures and data sets will be developed to monitor the impact of education reforms introduced through the NPSI. These will be agreed by the relevant Standing Council by 30 June 2014. In determining these performance indicators, measures and data sets, the Standing Council will:
- seek to use existing performance indicators, measures and data sets where possible, to ensure continuity and minimise costs; and
 - balance the national benefits of access to data with the impact on jurisdictions providing that data.
28. The Standing Council will also consult with Commonwealth and State and Territory bodies, including the COAG Reform Council (CRC), that have experience with developing, analysing and reporting on performance indicators, measures and data sets.



PART 3 — ROLES AND RESPONSIBILITIES

Shared Responsibilities of the Commonwealth and the States and Territories

29. The Commonwealth and the States and Territories will:
- develop, progress and review the agreed national objective, outcomes and reform directions for school education as set out in Part 4 of this Agreement;
 - fund school education as per the arrangements specified in Part 5 of this Agreement to ensure that each student and school is funded on the basis of need;

- c. establish and agree bilateral agreements that reflect reform priorities in a local context, including implementation plans for the NPSI;
- d. implement agreed transparency and accountability arrangements;
- e. chart progress against performance indicators for all jurisdictions and schooling sectors;
- f. support the improved achievement of educational outcomes relating to Aboriginal and Torres Strait Islander young people;
- g. provide public leadership that encourages the community to recognise and embrace the importance of the nationally agreed outcomes;
- h. work together to develop, publish and disseminate evidence on what works best in schools to support the achievement of the agreed national objective and outcomes, including by:
 - i. researching, sharing and evaluating improvement and innovation strategies;
 - ii. taking account of national and international trends associated with school performance and education outcomes; and
 - iii. examining the impact and effectiveness of Australian school education across policy and strategy, program effectiveness and practice, and implementation in school settings; and
- i. monitor teacher supply;
- j. work together to improve the quality and timeliness of the data that supports the achievement of the objective and outcomes; and
- k. participate in the work of Australia's national education bodies as agreed by the relevant Standing Council.

The Role of the States and Territories

30. The States and Territories will:

- a. ensure that all school-aged children are given the opportunity to enrol in a safe and supportive school that provides a high quality education, including where students have particular needs. States and Territories are also responsible for ensuring that children of compulsory school-age attend school and therefore are responsible for:
 - i. developing policy;
 - ii. delivering services;
 - iii. monitoring and reviewing performance of individual schools; and
 - iv. regulating schools;so as to work towards the national objective and the achievement of outcomes compatible with local circumstances and priorities;
- b. implement the NPSI reforms, as set out in Part 4 and as agreed in bilateral agreements;

- c. provide transparency and accountability, particularly for the government systems, including collecting data and reporting against agreed performance measures for monitoring and evaluating school improvement;
- d. ensure that schools provide clear performance reporting to parents and carers and to their local communities;
- e. manage government schooling systems;
- f. manage the employment conditions of teachers in the government school sector;
- g. manage the regulatory framework for all schools, including registration and accreditation, educational quality assurance, and monitoring and reviewing the performance of schools and systems;
- h. provide the required financial and student data from government systems to the relevant national education body and ensure that it is of the quality agreed by the relevant Standing Council;
- i. work with the non-government school sector in their State or Territory to support their participation in relevant aspects of this Agreement; and
- j. share best practice and school improvement strategies to support continuous improvement of school systems and individual schools.

Role of the Commonwealth

31. The Commonwealth will:

- a. allocate funding to States and Territories on the basis of need as determined by the Schooling Resource Standard (SRS), set out in Part 5 and Schedule B, to support improved service delivery and reform to meet nationally agreed outcomes and to achieve the national objective;
- b. implement nationally agreed reforms – in particular, to lift the quality of teaching through national higher education policy;
- c. develop national policy priorities for school education, and invest in actions to secure nationally agreed policy priorities, in consultation with States and Territories;
- d. ensure that the Commonwealth funding arrangements for non-government schools and systems are consistent with, and support the responsibilities of, the States and Territories in respect of regulation, educational quality assurance, performance and reporting on educational outcomes, including jurisdiction specific policies that support the achievement of the objective and outcomes of this Agreement;
- e. ensure that arrangements between the Commonwealth and non-government education authorities include a provision that the non-government school sector will work with Governments within each State or Territory to ensure their participation in relevant aspects of this Agreement, including jurisdiction specific policies that support the achievement of the objective and outcomes of this Agreement; and
- f. lead Australia's international engagement on educational matters, including the international assessment programs of the Organisation for Economic Co-operation and Development.

PART 4 – NATIONAL PLAN FOR SCHOOL IMPROVEMENT (NPSI)

Reform Directions

32. This Agreement places students and their achievement of the nationally agreed outcomes at the centre of any reform efforts.
33. The reform directions in this Agreement describe the broad evidence-based areas of action that Parties agree will make a significant contribution to meeting the national goals that Australia will be ranked, by 2025, as one of the top five highest performing countries based on the performance of Australian school students in reading, mathematics and science, and based on the quality and equity of Australian schooling (as measured by PISA 2024).
34. In meeting these goals and other targets outlined in this Agreement, new evidence-based reforms will build on the substantial work on school reform undertaken collaboratively by Education Ministers and First Ministers over a number of years through national frameworks, National Agreements and National Partnerships.
35. The Parties commit to the following reform directions:
 - a. quality teaching;
 - b. quality learning;
 - c. empowered school leadership;
 - d. meeting student need; and
 - e. transparency and accountability.
36. For each reform direction, the Parties will commit to reforms to raise student achievement through implementation of existing reforms and new signature reforms.
37. A number of signature reforms will require consistent national effort by all Parties. These include:
 - a. initial teacher education, registration and certification against the Australian Professional Standards for Teachers;
 - b. a national assessment program aligned with the Australian Curriculum;
 - c. national data collection, research, reporting and dissemination of evidence of successful strategies for school improvement; and
 - d. an acceleration of the national effort to close the gaps in education for Aboriginal and Torres Strait Islander students and increase their opportunities to excel in education through the current *Aboriginal and Torres Strait Islander Education Action Plan* and commitment to develop and implement a new Plan.
38. Other reforms provide flexibility in the pace and pathways for implementation to take into account local context, available resources and the speed of learning from evidence and evaluation. Bilateral agreements in Schedules A will set out agreed milestones, feedback and evaluation mechanisms for each reform direction, drawing on the details of these reforms that are outlined in the Standing Council on School Education and Early Childhood (SCSEEC) National Plan for School Improvement Forward Work Plan in Schedule D.
39. The reform directions will be implemented over the period from 2014-2019 as agreed between Parties in Schedules A. The reform approach for the subsequent period of 2020-2025 will be

informed by the reviews of the NPSI and this Agreement as outlined in Part 6, with a view to ensuring that Parties are on track to reach the national 2025 goals.

40. SCSEEC will provide an annual *State of Our Schools* report to COAG that assesses progress against COAG targets, the reforms outlined in the NPSI and the effectiveness of improvement strategies. This work will be supported by national education agencies and education authorities, including non-government education authorities and schools.
41. The Parties further agree that this report will be made public to account to the Australian community on progress against the targets, performance indicators and reforms outlined in this Agreement.
42. The SCSEEC National Plan for School Improvement Forward Work Plan at Schedule D will be reviewed and updated by SCSEEC in the first instance at its May 2013 meeting, and thereafter at least on an annual basis.
43. The Parties recognise the role of the national education agencies (Australian Curriculum, Assessment and Reporting Authority (ACARA), the Australian Institute for Teaching and School Leadership (AITSL) and Education Services Australia (ESA)) in supporting the delivery of the agenda outlined in this Agreement.
44. The Parties agree that SCSEEC will undertake a review to identify the most efficient and effective governance and institutional arrangements to deliver the reforms outlined in this Agreement. This review will be finalised by 31 July 2013. This review will encompass the independent process at provision 56.a.
45. As part of the review, existing governance arrangements, charters, letters of expectation and budgets for ACARA, AITSL and ESA will be reviewed by SCSEEC and updated to reflect this Agreement and any agreed outcomes of the review.
46. Subject to the agreed outcomes of the review described at provision 44, Parties will invest in the work plans and budgets for the national education bodies on the basis of the SCSEEC shared funding formula.

Existing and new signature reforms

Quality teaching

47. The Parties commit to continue effort in existing reform areas:
 - a. implement the Australian Professional Standards for Teachers;
 - b. implement the Accreditation of Initial Teacher Education Programs: Standards and Procedures in Australia;
 - c. endorse the Certification of Highly Accomplished and Lead Teachers Principles and Processes;
 - d. implement nationally consistent registration of teachers in Australia; and
 - e. improve the quality of, and access to, professional development and performance feedback, through adoption of the Australian Teacher Performance and Development Framework and the Charter for Professional Learning of Teachers and School Leaders in Australia.

48. The Parties agree to the following new signature reforms:
- a. Improve the preparation of teacher graduates:
 - i. accelerate the schedule of the Accreditation of Initial Teacher Education Programs: Standards and Procedures in Australia;
 - ii. review initial teacher education programs, to be undertaken by the Tertiary Education Quality Standards Agency in consultation with universities and teacher employers;
 - iii. greater use of enhanced admissions processes to initial teacher education courses;
 - iv. develop and implement a literacy and numeracy assessment for student teachers before graduation from their initial teacher training; and
 - v. develop and implement an agreed national approach to delivering higher quality practicum, to improve the quality of preparation and readiness of graduate teachers.
 - b. Improve the quality of induction into the profession:
 - i. develop and implement national guidelines for support of beginning teachers that set out the essential elements for quality support, allowing flexibility for local implementation.
 - c. Enhance teacher performance and professional development:
 - i. implement the Australian Professional Standards for Teachers, to ensure the development of teachers' expertise and effectiveness in improving student outcomes is recognised.

Quality learning

49. The Parties commit to continue effort in existing reform areas:
- a. develop and implement the Australian Curriculum from Foundation to Year 12 as already agreed by SCSEEC;
 - b. participate in the National Assessment Program; and
 - c. implement the Australian Early Development Index to provide a three yearly snapshot of young children's development in communities across Australia.
50. The Parties agree to the following new signature reforms:
- a. Strengthen the early years of education and improve student outcomes through higher quality instruction and parental engagement:
 - i. provide comprehensive literacy and numeracy support from Foundation to Year 3 with an intensive intervention on reading.
 - ii. provide school readiness assessments for students on entry to school to assist teachers to understand and meet the needs of individual students in their first few years at school.

- b. Extend Australian Curriculum reform:
 - i. implement the Australian Curriculum from Foundation to Year 12 as agreed through existing processes;
 - ii. provide significant exposure to the studies of Asia and work towards provision of continuous access to a priority Asian language;
 - iii. review and modernise the current national framework for vocational education in schools to better align with student, school, vocational education and training (VET), and employer requirements; and
 - iv. ensure comprehensive, high quality online resources are readily available and aligned to the Australian Curriculum.
- c. Align national assessment with the Australian Curriculum through existing processes:
 - i. deliver national online assessments that align with the Australian Curriculum and benchmark results against international testing;
 - ii. enhance and expand the National Assessment Program, by the addition of annual full cohort testing of science, with cohorts to be agreed by SCSEEC; and
 - iii. report national assessments against minimum, proficient and advanced standards once the new standards are developed and endorsed by SCSEEC.

Empowered school leadership

- 51. The Parties commit to continue effort in existing reform areas:
 - a. adopt the Australian Professional Standard for Principals; and
 - b. endorsement of the National School Improvement Tool, with the manner in which the tool might be used to be determined by schools and systems.
- 52. The Parties agree to the following new signature reforms:
 - a. strengthen school leadership:
 - i. develop a plan for year by year school improvement, including annual reporting of progress;
 - ii. develop and implement a new Principal Performance and Development Framework, supporting principals to increase their focus on leadership of effective teaching and learning in their schools; and
 - iii. give all school principals greater authority to make decisions affecting their schools and build stronger partnerships with parents and into the community including with non-government organisations.
 - b. prepare future school leaders;
 - i. develop a framework and associated modules to support aspiring principals to develop the skills required for school leadership.

Meeting student need

53. The Parties commit to continue effort in existing reform areas:
- a. implement the *Aboriginal and Torres Strait Islander Education Action Plan 2010-2014*;
 - b. implement the 2005 Disability Standards for Education; and
 - c. implement the elements of the National Safe Schools Framework.
54. The Parties agree to the following new signature reforms:
- a. implement an equitable funding model for all students
 - i. implement the needs-based funding model as set out in Part 5 of this Agreement.
 - b. strengthen parent and community engagement:
 - i. provide better support for, and engagement with, parents and families, including advice on how best to contribute to their child's learning at home; and
 - ii. establish effective partnerships between schools and other organisations in the community.
 - c. provide inclusive education to meet the needs of individual students and identify those at risk:
 - i. accelerate actions to close the gaps in outcomes for Aboriginal and Torres Strait Islander students and increase their opportunities to excel in education;
 - ii. commit to develop a new Aboriginal and Torres Strait Islander Education Action Plan for 2015-2020;
 - iii. provide reasonable adjustments for students with disability to reflect the national definitions agreed by SCSEEC; and
 - iv. encourage excellence and meet the needs of high-performing students.

Transparency and accountability

55. The Parties commit to continue effort in existing reform areas:
- a. national reporting of performance data;
 - b. provide school-level information as agreed by SCSEEC for the *My School* website; and
 - c. develop agreed pathways for harmonising non-government school regulatory arrangements, consistent with the requirements of the Australian Charities and Not-for-profits Commission.
56. The Parties agree to the following new signature reforms:
- a. Establish an Australian School Performance entity; following an independent process to:
 - i. identify the roles, functions and governance to enable the entity to support school improvement and enhance national data, accountability, analysis and research capability;

- ii. consider the appropriate institutional arrangements, including consideration of the capacity of existing education agencies to deliver the recommended functions; and
- iii. consider the most cost-efficient and effective delivery of the recommended functions in a way which avoids duplication of existing agencies.

This process will be completed by 31 May 2013 for consideration of its recommendations by SCSEEC. The process will form the first phase of the review at provision 44.

- b. Build the evidence base through a national research plan;
 - i. develop a national research plan to ensure performance data is analysed and policy evaluated, which will be appended to this Agreement as Schedule F once agreed by SCSEEC; and
 - ii. improve the dissemination of research and data analysis to inform policy development.
- c. Improve national data quality, consistency and collection and capture information about educational outcomes and policy interventions to inform the ongoing work of the Standing Council.
 - i. Develop a comprehensive national education data program, which will be appended to this Agreement as Schedule E once agreed by SCSEEC.
 - ii. Develop arrangements for transparency and accountability for all jurisdictions that quantify targets and chart growth against these targets, subject to regular review, to achieve the 2025 COAG targets and agreed reforms.
- d. Reporting:
 - i. provide an annual *State of Our Schools* report to COAG that assesses progress against COAG targets, the reforms outlined in the National Plan for School Improvement and the effectiveness of improvement strategies; and
 - ii. further enhance *My School* as agreed by SCSEEC.

PART 5 — FUNDING REFORM ARRANGEMENTS

Principles for Needs-based Funding

57. The Parties agree that needs-based funding arrangements that take account of the specific circumstances of students, individual schools and systems are an important way to minimise disadvantage and to facilitate a high quality education for every student in every school.
58. The Parties will maximise educational outcomes by ensuring funding arrangements are aligned with the agreed needs-based arrangements for resourcing schooling, consistent with the following principles:
- a. provision to schools of a per student amount representing recurrent resources required to support a student with minimal educational disadvantage to achieve expected educational outcomes;

- b. for non-government schools, the per student amount articulated at 59.a. will recognise the extent of those schools' capacity to contribute;
- c. provision of 'loadings' providing additional funding to categories of educational need where that additional funding is required to support student achievement, including but not limited to:
 - i. school location;
 - ii. school size;
 - iii. low socio-economic status students;
 - iv. Aboriginal and Torres Strait Islander students;
 - v. students with limited English language proficiency; and
 - vi. students with disability;
- d. funding arrangements will take account of efficiencies that can be realised while achieving improved student outcomes; and
- e. publicly available and transparent funding formulae for calculating the level of funding each school receives.

Commonwealth Adoption of Needs-based Funding Arrangements – the Schooling Resource Standard (SRS)

59. The Commonwealth will calculate its contribution to recurrent funding for schooling according to the SRS, which includes:
- a. a per student amount representing the recurrent resources required to support a student with minimal educational disadvantage to achieve the standard designated in Schedule B, taking account of efficiencies;
 - b. loadings for school location, school size; low socio-economic status students; Aboriginal and Torres Strait Islander students; students with limited English language proficiency; and students with disability; and
 - c. a capacity to contribute adjustment for non-government schools.
60. The approach to calculating funding entitlements under the SRS is set out in Schedule B with the consequential payments authorised under the *Australian Education Act 2013*.
61. The Commonwealth will provide funding to the States and Territories calculated in accordance with provision 59-60 for distribution as part of shared funding arrangements for all schools.

State and Territory Adoption of Needs-based Funding Arrangements

62. States and Territories that are party to this Agreement will implement needs-based funding arrangements from 1 January 2014, as set out in Schedule A, in line with the principles at provisions 57-58.

Maintaining Current Funding Effort

63. The Parties agree that the 'additional funding' under this Agreement is the positive difference between what would have been provided under the funding arrangements that preceded this Agreement and the SRS.

64. On this basis, to ensure a consistent baseline for calculating shares of additional funding (as per provisions 66-67) and to ensure funding from one Party does not substitute for funding from another in aiming to reach SRS funding levels by 2019, Parties agree to maintain current funding effort as set out in this provision and adjusted for indexation as set out in provisions 68-69.
- a. Parties agree that the approach for calculating what would have been provided under previous arrangements will be as follows:
 - i. *Baseline*: current funding levels will be calculated using the nationally-consistent school-level Commonwealth and State and Territory 2011 recurrent income as recorded on the *My School* website.
 - ii. *From 2011 to 2014*: 2011 Commonwealth and State and Territory recurrent funding levels will have grown at rates set out in Schedule A.
 - iii. *From 2014 to 2019*: 2014 Commonwealth and State and Territory recurrent funding levels will be grown at rates set out in Schedule A.
65. The Parties recognise the importance of encouraging innovations and consolidations that create cost efficiencies for schools and systems, but note that any efficiencies will not impact on the financial arrangements set out in Schedules A and B without a variation to those Schedules in accordance with provision 13.a.

Commonwealth and State or Territory Shares of Additional Funding

66. All Parties agree to work cooperatively towards reaching the full SRS funding level by 2019 as per the transition arrangements at provisions 79-80.
67. Additional funding, as defined in provision 63, will be shared between the Commonwealth and participating States and Territories at a ratio of 65:35, subject to transition arrangements at provisions 81-90. The amounts each Party will provide in total, and as additional funding, are set out in Schedule A.

Indexation

68. The Parties recognise that indexation which reflects the agreed cost (set out in Schedule A) of delivering education services (including being consistent with wages policy) is integral to ensuring high quality schooling for all students in all schools and systems.
69. The Parties agree that the SRS and Parties' base funding levels (as defined in provision 64.a.i.) will be indexed at the rates set out in Schedules A and B (which will be updated following the review set out in Schedule G).

Non-government School Funding

70. Where a payment to a State or Territory includes a nominated amount for a non-government 'approved authority' (which includes school systems and/or individual schools), that State or Territory will pass on that payment to the approved authority, as calculated by the Commonwealth.
71. Parties agree to calculate and distribute funding using an agreed needs-based funding model to ensure that non-government schools are sufficiently resourced to deliver high quality education to all students, taking into account the capacity to contribute.
72. Parties agree to maintain current funding effort to non-government schools and systems and ensure that the appropriate proportion of additional funding is directed to non-government schools and systems, as per 64-69 and as set out in Schedule A.

73. Parties recognise that system costs for implementing school-level reform costs of NPSI are included as part of needs-based funding arrangements.

Commonwealth National Education Reform Agreement (NERA) Funding

74. From 1 January 2014, for States and Territories that are Parties to this Agreement and have signed a bilateral agreement, Commonwealth funding for government schools will be calculated according to the SRS and will replace the government schools component of the National Schools Specific Purpose Payment (NSSPP). This funding will be referred to as Commonwealth National Education Reform Agreement (NERA) funding.

75. The *Australian Education Act 2013* will set out funding arrangements for approved non-government education authorities.

76. The Commonwealth Treasurer will ensure that the GST distribution process will not have the effect of unwinding the recognition of educational disadvantage embedded in the NERA funding arrangements.

77. The Commonwealth Treasurer will instruct the Commonwealth Grants Commission (CGC) to ensure that no State or Territory will receive a windfall gain through the GST distribution from non-participation in NERA funding arrangements.

78. Commonwealth NERA funding to participating States and Territories will be paid in accordance with the payment arrangements set out in Schedule D to the IGA FFR.

Transition Arrangements

79. All Parties will progressively transition to the funding arrangements outlined in Part 5 of this Agreement by 31 December 2019, by aiming to reach each of the agreed implementation milestones set out in Schedule A.

80. The transitional funding set out in Schedule A will operate from 1 January 2014.

PART 6 — IMPLEMENTATION, ACCOUNTABILITY AND REVIEW

Implementation

81. The Parties commit to implement agreed arrangements to deliver on the objective, outcomes and reform directions contained in this Agreement. Parties commit to develop more detailed implementation arrangements to be included in bilateral agreements set out in Schedule A.

82. Once a State or Territory reaches agreement with the Commonwealth on implementation arrangements through a bilateral agreement, but not before 1 January 2014, Commonwealth NERA payments to that State or Territory will commence.

83. Implementation arrangements will be set out as follows:

- a. this Agreement sets out the shared objective, outcomes and reform directions to be implemented by all Parties; and
- b. bilateral agreements (Schedule A) with each of the Parties will set out the actions to be implemented at the State/Territory level in order to achieve the objective, outcomes and reform directions outlined in this Agreement.

84. Implementation arrangements set out for non-government education authorities and independent schools in the *Australian Education Act 2013* shall align with the objective, outcomes, reform directions and other relevant provisions of this Agreement.

Bilateral Agreements

85. Any Heads of Agreement agreed prior to the meeting of the Council of Australian Governments on 19 April 2013 between the Commonwealth and each participating State and Territory will be appended to this Agreement in Schedule A. These Heads of Agreement will be replaced by the relevant bilateral agreement once finalised.

86. Bilateral agreements will outline specific arrangements additional to those set out in this Agreement, and will reflect reform priorities in a local context, including implementation plans for the NPSI and agreed funding arrangements.

87. The NPSI will be implemented across all participating jurisdictions, taking into account local context and different starting points. States and Territories will set out the jurisdiction-specific actions to implement NPSI reform directions and the process, for charting progress of those jurisdiction specific actions.

88. Bilateral agreement will, outline jurisdiction specific arrangements with respect to education reforms, including:

- a. planned activities, programs and initiatives to be implemented and how these contribute to reform directions and achievement of COAG targets;
- b. implementation milestones and timelines, with milestones reflecting the activities that are to be undertaken as part of this Agreement in order to achieve the outcomes and targets set out in Part 2 of this Agreement; and
- c. additional performance indicators to track progress, and feedback and evaluation mechanisms to chart progress and assess the impact of implemented activities in achieving the objective and outcomes of this Agreement.

89. Bilateral agreements will outline jurisdiction arrangements with respect to funding reforms, including the State or Territory needs-based funding model, which will be consistent with the principles for needs-based funding set out in Part 5 of this Agreement, taking into account local circumstances.

90. Each agreement should include a provision setting out arrangements for, and frequency of, reviews of the bilateral agreements, making reference to provision 106.

Reporting and Accountability

91. All Parties to this Agreement are accountable to the community for progress against the agreed objective, outcomes, and COAG targets implemented through this Agreement and bilateral agreements (set out in Schedule A).

92. Accountability through public reporting is a key mechanism to give the community confidence that outcomes are being achieved to improve the quality and equity of Australia's schooling system.

93. In this context, the Parties also recognise the importance of minimising the reporting burden created by agreed reporting and accountability arrangements.

Reporting and Accountability Arrangements Continued under this Agreement

94. All Parties to this Agreement commit to continued support for existing reporting and accountability arrangements, including:
- a. national reporting of performance data; and
 - b. providing school-level information for the *My School* website.

Reporting by the CRC

95. All Parties commit to annual reporting by the CRC, against the outcomes and COAG targets specified in Part 2 of this Agreement, and commit to continue to provide the CRC with the information they require to fulfil their independent reporting role.
96. The CRC may draw upon all available sources of information.

Funding Transparency

97. All Parties agree to transparency of school funding through:
- a. commencing from the date that the relevant information becomes available, the publication on the *My School* website of the SRS model and SRS entitlement for each system and, from 2016 the system funding model and system-calculated entitlements for that system and every school, disaggregated by base and loading entitlements and Commonwealth, State and Territory, and private income for each school.
 - b. Parties will agree the details for the representation of school-level information, including SRS school-level entitlements, on the *My School* website by 30 June 2013, subject to consideration of 2013 data when it becomes available in 2013.
 - c. Parties also agree that the COAG Council of Treasurers will produce an annual report to COAG on compliance by all participating jurisdictions, with maintaining of funding effort and additional funding commitments set out in provisions 63-67 and bilateral agreements (set out in Schedule A). This report will be published following consideration by COAG.

Improved Funding Assurance

98. All Parties agree to update internal policies and procedures on non-government schools and systems to require more collaborative engagement between governments on compliance monitoring, investigation and enforcement.

Bilateral Activities

99. All Parties agree to provide an annual progress report to the relevant Standing Council outlining progress on implementation measured against performance indicators, milestones and feedback and evaluation mechanisms outlined in bilateral agreements set out in Schedule A.
100. These reports will be published online after consideration by the Standing Council and the Standing Council will also provide all reports to the CRC.

Review of this Agreement

Comprehensive Review

101. Comprehensive reviews of this Agreement will be commissioned by First Ministers of participating jurisdictions and undertaken by a panel of independent reviewers agreed by First Ministers of participating jurisdictions.
102. A comprehensive review of all elements of this Agreement (including funding and policy elements) will be completed by 30 June 2016 in accordance with the terms of reference set out in Schedule G.
103. The Parties agree that the second comprehensive review of this Agreement will occur by 30 June 2019 to inform progress of this Agreement beyond the six year transition period.
104. To support effective reviews, all Parties will collect and establish baseline information at the commencement of this Agreement and provide this to a panel of independent reviewers for the purposes of review.

Indexation Review

105. The Parties agree to commission an independent review of the indexation arrangements set out in provisions 68-69 in accordance with the terms of reference set out in Schedule G. The review will be completed by March 2015 and will be implemented from the beginning of the 2016 school year.

Review of Bilateral Agreements

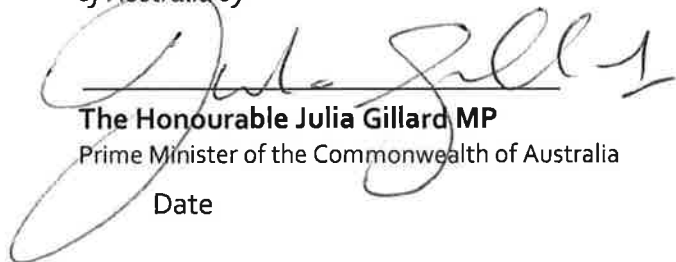
106. Provision for periodic review of the bilateral agreements to this Agreement will be agreed by parties to those bilateral agreements. The Parties agree to review bilateral agreements, at least every three years.

Finalisation, Review and Update of Elements in the SRS

107. Parties will finalise loadings for:
 - a. students with disability (SWD) loading, so that a nationally consistent methodology for calculating this loading, as agreed by the relevant Standing Council, will be available for consideration by the Parties from 1 January 2015; and
 - b. English language proficiency (ELP) loading, so that a nationally consistent methodology for calculating this loading, as agreed by the relevant Standing Council, will be available for consideration by the Parties will be implemented from 1 January 2015.
108. Parties will review the low socio-economic status (SES) loading, so that the review findings, as agreed by the relevant Standing Council, will be available for consideration by the Parties from 1 January 2015.
109. The Commonwealth will also review the socio-economic status (SES) score methodology by 2017 to ensure this score remains the most appropriate means of assessing the relative educational advantage of non-government schools, including their capacity to contribute.
110. If the result of these reviews involves material funding implications, the Standing Council will refer the matter to First Ministers.
111. The Commonwealth will update each of the elements in the Commonwealth funding model, by incorporating the most recently available input data, with the following frequencies:

- a. school location, following every release of Australian Bureau of Statistics (ABS) five-yearly census data;
 - b. capacity to contribute, following every release of ABS five-yearly census data;
 - c. per student amount every three years;
 - d. low socio-economic status (SES), every two years;
 - e. English language proficiency (ELP) annually;
 - f. student enrolments annually;
 - g. Aboriginal or Torres Strait Islander (A&TSI) annually;
 - h. students with disability (SWD) annually;
 - i. school size annually; and
 - j. payment estimate annually.
112. Any consequential variations to this Agreement which arise from reviews set out in this section should follow the arrangements set out in the variations provisions at 12-13.

Signed for and on behalf of the Commonwealth of Australia by



The Honourable Julia Gillard MP
Prime Minister of the Commonwealth of Australia

Date

Signed for and on behalf of the State of New South Wales by



The Honourable Barry O'Farrell MP
Premier of the State of New South Wales

Date 23.4.13

Signed for and on behalf of the State of Victoria by

The Honourable Dr Denis Napthine MLA
Premier of the State of Victoria

Date

Signed for and on behalf of the State of Queensland by

The Honourable Campbell Newman MP
Premier of the State of Queensland

Date

Signed for and on behalf of the State of Western Australia by

The Honourable Colin Barnett MLA
Premier of the State of Western Australia

Date

Signed for and on behalf of the State of South Australia by

The Honourable Jay Weatherill MP
Premier of the State of South Australia

Date

Signed for and on behalf of the State of Tasmania by

The Honourable Lara Giddings MP
Premier of the State of Tasmania

Date

Signed for and on behalf of the Australian Capital Territory by

Ms Katy Gallagher MLA
Chief Minister of the Australian Capital Territory

Date

Signed for and on behalf of the Northern Territory by

The Honourable Adam Giles MLA
Chief Minister of the Northern Territory

Date

Signed for and on behalf of the Commonwealth of Australia by

The Honourable Julia Gillard MP
Prime Minister of the Commonwealth of Australia
Date

Signed for and on behalf of the State of New South Wales by

The Honourable Barry O'Farrell MP
Premier of the State of New South Wales
Date

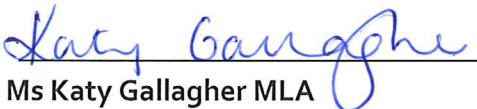
Signed for and on behalf of the State of Queensland by

The Honourable Campbell Newman MP
Premier of the State of Queensland
Date

Signed for and on behalf of the State of South Australia by

The Honourable Jay Weatherill MP
Premier of the State of South Australia
Date

Signed for and on behalf of the Australian Capital Territory by


Ms Katy Gallagher MLA
Chief Minister of the Australian Capital Territory
Date

Signed for and on behalf of the State of Victoria by

The Honourable Dr Denis Napthine MLA
Premier of the State of Victoria
Date

Signed for and on behalf of the State of Western Australia by

The Honourable Colin Barnett MLA
Premier of the State of Western Australia
Date

Signed for and on behalf of the State of Tasmania by

The Honourable Lara Giddings MP
Premier of the State of Tasmania
Date

Signed for and on behalf of the Northern Territory by

The Honourable Adam Giles MLA
Chief Minister of the Northern Territory
Date

SCHEDULE A – BILATERAL AGREEMENTS

[Heads of Agreement will be appended to this Schedule at the 19 April 2013 COAG meeting and replaced by bilateral agreements once finalised.]

SCHEDULE B - COMMONWEALTH FUNDING

1. The Commonwealth's approach to calculating funding for schooling is set out in this Schedule and the *Australian Education Act 2013*, with the consequential payments authorised by that Act and made according to the payment arrangements in the IGA FFR.

The Schooling Resource Standard (SRS)

2. The SRS comprises per student amounts, with loadings for categories of educational need where it is known that additional funding is required to support student outcomes.
3. The SRS will provide per student amounts representing the recurrent resources required to support a student with minimal educational disadvantage.
 - a. This is calculated on a standard of school effectiveness and efficiency based on schools that meet a demanding student outcome benchmark at a lower than average cost. Reference schools are those where at least 80 per cent of the students exceed the national minimum standard in reading and numeracy under NAPLAN across three years (the 'standard' referred to in provision 59.a).
 - b. The per student amounts will be as follows:
 - i. primary - \$9,271; and
 - ii. secondary - \$12,193.
4. The following loadings to the per student amount will also be calculated:
 - a. A loading for students from low socio-economic status (SES) backgrounds:
 - i. for students in socio-educational advantage (SEA) Quarter 1 - a loading ranging from 15 per cent of the per student amount for each Q1 student to 50 per cent of the per student amount for each Q1 student in a school where 75 per cent or more of the students are in Q1; and
 - ii. for students in SEA Quarter 2 - a loading ranging from 7.5 per cent of the per student amount for each Q2 student to 37.5 per cent of the per student amount for each Q2 student in a school where 75 per cent or more of the students are in Q2.
 - b. A loading for students from Aboriginal or Torres Strait Islander backgrounds ranging from 20 per cent of the per student amount for the first Aboriginal or Torres Strait Islander background student up to 120 per cent of the per student amount for each Aboriginal or Torres Strait Islander background student in a school where 100 per cent of students are from Aboriginal or Torres Strait Islander backgrounds.
 - c. An interim loading for students with low English language proficiency of 10 per cent of the per student amount for each disadvantaged student with a language background other than English – up to a capped funding amount.
 - d. An interim loading in 2014 of 186 per cent of the per student amount for each student with disability (a new nationally consistent student with disability loading will be available from 2015.)

- e. A school size loading:
 - i. \$150,000 for primary schools with up to 200 enrolments, tapering to zero for schools with 300 enrolments and above. For schools with less than 15 students, the size loading ranges from \$10,000 up to \$150,000 based on enrolments and remoteness;
 - ii. \$240,000 for secondary schools with up to 500 enrolments, tapering to zero for schools with 700 enrolments and above. For schools with less than 100 students, the size loading ranges from \$20,000 up to \$240,000 based on enrolments and remoteness; and
 - iii. the loading for combined schools is based on a weighted average of primary and secondary students.
 - f. A location loading using the continuous Accessibility/Remoteness Index of Australia (ARIA) classifications to calculate a loading of up to 80 per cent of the per student amount for an ARIA classification of 15 (very remote): this loading is applied to the per student amount and size loading.
5. Input data into the SRS will be reviewed and updated at the frequencies as specified in Part 6 of this Agreement.

Commonwealth Funding to Government Systems

6. For State and Territory government systems, the Commonwealth will provide its current funding contribution, calculated as per provision 64 of this Agreement, and the agreed shares of additional funding requirements for government schools as set out in provisions 66 - 67 of this Agreement, and with indexation as set out in 68-69 of this Agreement and 10-14 of this Schedule.

Commonwealth Funding to Non-Government Systems and Schools

7. Non-government schools are subject to a 'capacity to contribute' adjustment to the per student amount recognising the extent of those schools' capacity to contribute:
- a. For both primary and secondary schools:
 - i. a maximum public contribution of 90 per cent of the per student amount for schools with an SES score of less than or equal to 93; and
 - ii. a minimum public contribution of 20 per cent of the per student amount for schools with an SES score of greater than or equal to 125.
 - b. Differential capacity to contribute curves apply between SES scores of 93 and 125 for primary and secondary schools, reflecting the differences in private fee structures.
 - c. Combined schools' capacity to contribute adjustments are based on the relative proportion of primary and secondary enrolments.

8. The following categories of schools will be exempt from the capacity to contribute adjustment:
 - a. special schools serving children with disability and special assistance schools catering for students with social, emotional or behavioural difficulties;
 - b. majority Indigenous student schools comprised of those with 80 per cent or more Indigenous enrolments, or very remote schools with 50 per cent or more Indigenous enrolments; and
 - c. sole provider schools (more than 25km from the nearest equivalent school) in remote locations from that are effectively offering a universally accessible service equivalent to a government school.
9. For non-government systems and independent schools, the Commonwealth will provide its current funding contribution, calculated as per 63-65 of this Agreement, and the agreed shares of additional funding requirements for non-government schools, taking account of the 'capacity to contribute' adjustment, and with indexation as set out in provisions 68-69 of this Agreement and provisions 10-14 of this Schedule.

Indexation

10. Indexation arrangements will be reviewed as per provision 105 of this Agreement.

Indexation of the SRS

11. The SRS will be indexed at 3.6 per cent per annum.
12. The proposed value of the indexed SRS in each of the transition years, as well as the Commonwealth and participating States and Territories contribution is set out in Schedule A.

Indexation for systems and schools currently 'above' their SRS funding level

13. The Commonwealth will provide participating States and Territories, non-government school systems and independent schools that would, under current arrangements, receive funding above the Commonwealth's SRS in any year (schools 'above' the SRS) an increase in funding of 3 per cent over their current level of funding each year.
14. Systems' and schools' current level of funding will be calculated as per provision 64 of this Agreement.
15. Participating States and Territories will provide a share of funding to non-government school systems and independent schools in their jurisdiction to allow this to occur, in accordance with details specified in Schedule A.

SCHEDULE C – TECHNICAL DEFINITIONS FOR PERFORMANCE INDICATORS

Performance Indicator	Technical definitions
1. The proportion of students in the bottom and top levels of performance in international testing (e.g., PISA, Trends in International Mathematics and Science Study (TIMMS) and other appropriate measures that may be developed).	1(a) The proportion of students who achieved at level 5 or above on each of reading literacy, mathematical literacy and scientific literacy in PISA testing. 1(b) The proportion of students achieving at or above the nationally agreed proficiency level ('Intermediate international benchmark') on each of mathematics and science in TIMMS testing. 1(c) The proportion of students who achieved at level 'Advanced international benchmark' on each of mathematics and science in TIMMS testing. 1(d) The proportion of students who achieved at 'Low international benchmark' or below on each of mathematics, and science in TIMMS testing.
2. The proportion of young people who have attained at least a Year 12 or equivalent or Australian Qualifications Framework (AQF) Certificate II/III or above.	2(a) The proportion of 20-24 year olds in the population who have completed Year 12 or equivalent or gained a Qualification at AQF Certificate Level II or above. 2(b) The proportion of 20-24 year olds in the population who have completed Year 12 or equivalent or gained a Qualification at AQF Certificate Level III or above. This measure will use the Survey of Education and Work (SEW) as a data source, supplemented by the ABS Census data when available and administrative data to consolidate Year 12 data, once definitions have been settled.
3. The proportion of young people participating in post school education, training or employment.	3(a) The proportion of young people aged 17-24 years participating in post school education, training or employment. This measure will use the Survey of Education and Work (SEW) as a data source, supplemented by the ABS Census data when available and administrative data to consolidate Year 12 data, once definitions have been settled.
4. Literacy and numeracy achievement of Year 3, 5, 7 and 9 in national testing.	4(a) The proportion of students who achieved at or above the national minimum, proficient and advanced (once developed) standard (for reading, writing and numeracy in Years 3, 5, 7 and 9) 4(b) National Assessment Program – Language and Numeracy (NAPLAN) mean scale scores for students (for reading, writing and numeracy in Years 3, 5, 7 and 9).
5. The rate of student attendance at school.	Attendance rates for students enrolled in Years 1 to 10.
6. All performance indicators	6(a) All performance measures are disaggregated by:

<p>are to be disaggregated, where possible, by equity groups</p>	<ul style="list-style-type: none"> i. Aboriginal and Torres Strait Islander background; ii. students with disability; iii. non-English speaking backgrounds; iv. geo-location; and v. socio-economic status.
<p>7. Australia's mean scores for PISA testing in reading, mathematics and science.</p>	<p>7(a) Australia's mean score across all three assessment domains (reading, mathematical and scientific literacy) significantly improving since the previous PISA cycle in which that domain was a major domain.</p>
<p>8. Australia's achievement in PISA relative to the OECD average.</p>	<p>8(a) Australia's mean score across all three assessment domains (reading, mathematical, and scientific literacy) above the OECD average.</p>
<p>9. Relationship between the socio-economic background and PISA educational performance of Australian students compared to other countries and the OECD average.</p>	<p>9(a) Australia's equity as measured by strength and slope improving since the previous PISA cycle.</p>
<p>10. The proportion of young people who have completed Year 12 or equivalent or gained a qualification at AQF Certificate II or above.</p>	<p>10(a) The proportion of 18 to 24 year olds in the population who have:</p> <ul style="list-style-type: none"> • Been awarded a statement or certificate on completion of Year 12 by an Australian Government studies authority/department; or • Attained a Qualification at AQF Certificate Level II or above.
<p>11. The proportion of young people who have completed Year 12 or equivalent or gained a qualification at AQF Certificate III or above.</p>	<p>11(a) The proportion of 18 to 24 year olds in the population who have:</p> <ul style="list-style-type: none"> • Been awarded a statement or certificate on completion of Year 12 by an Australian Government studies authority/department; • Attained a Qualification at AQF Certificate Level III or above.
<p>12. The proportion of Aboriginal and Torres Strait</p>	<p>12a) The proportion of Aboriginal and Torres Strait Islander 18 to 24 year olds in the population who have:</p> <ul style="list-style-type: none"> • Been awarded a statement or certificate on completion of Year 12 by an Australian Government studies

<p>Islander young people aged 20-24 years who have completed Year 12 or equivalent or gained a qualification at Framework (AQF) Certificate II or above compared to all students compared with non-Indigenous students.</p>	<p>authority/Department;</p> <ul style="list-style-type: none"> • Attained a Qualification at Framework (AQF) Certificate Level II or above; compared to all students compared with non-Indigenous students.
<p>13. The proportion of Aboriginal and Torres Strait Islander students who achieved at or above the national minimum standard (for reading, writing and numeracy in Years 3, 5, 7 and 9) compared with non-Indigenous students.</p>	<p>13(a) The proportion of Aboriginal and Torres Strait Islander students in Years 3, 5, 7, and 9 who achieved at or above the national minimum standard (for reading, writing and numeracy in Years 3, 5, 7 and 9) compared with non-Indigenous students.</p>
<p>14. NAPLAN mean scale scores of Aboriginal and Torres Strait Islander students (for reading, writing and numeracy in Years 3, 5, 7 and 9) compared with non-Indigenous students.</p>	<p>14(a) The NAPLAN mean scale scores of Aboriginal and Torres Strait Islander students (for reading, writing and numeracy in Years 3, 5, 7 and 9) compared with non-Indigenous students</p>

SCHEDULE D – SCSEEC NATIONAL PLAN FOR SCHOOL IMPROVEMENT – FORWARD WORKPLAN

Parties note that under provision 13 of this Agreement, schedules to the Agreement may be amended or revoked at any time with the written agreement of the relevant portfolio Commonwealth Minister and all State and Territory Ministers for school education.

Quality teaching			
Reform	Reform elements	Action	Timing
Improve the quality of initial teacher education	Accelerate the schedule of the Accreditation of Initial Teacher Education Programs: Standards and Procedures in Australia.	All initial teacher education courses be accredited against the new standards by the end of 2015. AITSL will ensure the elaborations that support the Initial Teacher Education Standards have clear direction with regard to the expectations of initial teacher education providers. AITSL will undertake a formal review of the standards in 2016.	All courses to be accredited by December 2015 AITSL review in 2016
	Review initial teacher education programs, to be undertaken by the Tertiary Education Quality Standards Agency (TEQSA).	Review of initial teacher education courses in 2014 by TEQSA to assess and benchmark the quality of curriculum, pedagogy and delivery of initial teacher education. The review will be undertaken in consultation with universities, teacher employers, state regulatory authorities and AITSL.	TEQSA review in 2014
	Greater use of enhanced admissions processes to initial teacher education courses.	AITSL to research and assess the potential of enhanced selection processes for admission to teacher education courses. Based on available evidence, national guidelines will be developed for enhanced admissions processes to be implemented by universities, initially on a voluntary basis. The guidelines will be considered for inclusion in the accreditation standards as a requirement for universities as part of the 2016 AITSL review of the standards.	Guidelines to inform adoption of selection processes from 2014
	Develop and implement a literacy and numeracy assessment for student	Development of a national literacy and numeracy assessment for student teachers to be commissioned by AITSL and administered by universities. The assessment should assess whether students have the	To be ready for implementation from 2015

	teachers before graduation from their initial teacher training.	literacy and numeracy skills required for teaching and be a requirement for graduation from all initial teacher education courses.	
	Develop and implement an agreed approach to delivering higher quality practicum, to improve the quality of preparation and readiness of graduate teachers.	<p>Australian Government funding agreements will require universities to ensure they have sufficient practicum places before making offers to initial teacher education courses.</p> <p>AITSL to develop, implement and evaluate a national approach to quality practicum placements for initial teacher education courses, including requirements for supervising teachers and a rigorous common assessment of classroom readiness. This work will be undertaken in consultation with higher education providers, education authorities, teacher employers, regulatory authorities and union stakeholders.</p> <p>Higher education providers, systems and schools adopt the approach once agreed by SCSEEC.</p>	National approach to be in place from 2015
Improve the quality of induction into the profession	Develop and implement national guidelines for support of beginning teachers that set out the essential elements for quality support, allowing flexibility for local implementation.	<p>A national framework for quality support for beginning teachers will be developed by AITSL for consideration by SCSEEC to assist graduates move from the Graduate to Proficient teacher standard.</p> <p>Bilateral agreements will outline strategies to ensure that beginning teachers receive high quality support on entry into the profession.</p>	National approach to be agreed by December 2014
Enhance teacher performance and professional development	Implement the Australian Professional Standards for Teachers to ensure the development of teachers' expertise and effectiveness in improving student outcomes is recognised.	<p>Systems and schools will work towards incorporating the Australian Professional Standards for Teachers as a part of the measures that support teacher career progression.</p> <p>State governments will implement the national certification process for Highly Accomplished and Lead Teachers in Australia for all sectors.</p>	From 2014

Quality learning			
Reform	Reform elements	Action	Timing
Strengthen the early years of education and improve student outcomes through higher quality instruction and parental engagement	Provide comprehensive literacy and numeracy support from Foundation to Year 3 with an intensive intervention on reading.	Systems and schools will implement strategies to ensure that students in the first four years of education are supported, regularly assessed against a literacy and numeracy continuum and provided with intervention support when gaps are diagnosed. Strategies could include professional development for teachers, intensive monitoring and support for children in the first four years of school, parent learning programs and community campaigns to reinforce the importance of reading levels for all Australian children.	From 2014
	Provide school readiness assessments for students on entry to school to assist teachers to understand and meet the needs of individual students in their first few years at school.	Systems and schools will undertake a school readiness assessment for all students on entry to school.	From 2014
Extend Australian Curriculum reform	Implement the Australian Curriculum from Foundation to Year 12 as agreed through existing processes.	Systems and schools will re-commit to the full implementation of the Foundation to Year 12 Australian Curriculum, including the teaching of the Australian Curriculum in identified key learning areas and reporting against the Australian Curriculum achievement standards.	F-10 by 2016 11-12 by 2018
		Systems and schools will commit to the implementation of the National Trade Cadetship curriculum as agreed by SCSEEC.	
	Provide significant exposure to the studies of Asia and work towards provision of continuous access to a priority Asian language.	Systems and schools will work towards providing students with the opportunity for continuous access to the study of a priority Asian language and ensure that all students have significant exposure to studies of Asia consistent with the cross curriculum priority in the Australian Curriculum. This will include strategies for greater school to	From 2014

		<p>school links.</p> <p>ACARA to develop senior secondary curriculum for Chinese (Mandarin), Japanese, Korean, Indonesian and Hindi, as well as a Foundation to Year 10 curriculum for Hindi.</p> <p>Education Services Australia (ESA) to identify gaps in resources to support teaching of Asian languages and the cross-curriculum priority of Asia and Australia’s engagement with Asia and procure resources to fill these gaps.</p> <p>AITSL to establish a flagship program on Asia literacy that will identify the professional learning requirements to improve teaching and leadership in this field; produce training modules and resources to build new skills in current and pre-service Asian language teachers; and produce training modules on Asia literacy for in-service and pre-service teacher training.</p>	
	Review and modernise the current national framework for vocational education in schools to better align with student, school, VET and employer requirements.	In consultation with systems and schools, the Australian Government will commission a review of existing policy and quality assurance settings for vocational learning in schools and develop a national framework for consideration by SCSEEC.	2014
	Ensure comprehensive, high quality online resources are readily available and aligned to the Australian Curriculum.	<p>ESA will work with ACARA to ensure that high quality online resources for curriculum and assessment are available to support classroom delivery of the Australian Curriculum, in particular Phase 3 learning areas which are currently under development.</p> <p>Education authorities will ensure online resources they develop are made available nationally.</p>	Continuing
Align national assessment with the Australian Curriculum	Deliver national online assessments that align with the Australian Curriculum and benchmark results against	<p>Transition to online delivery of national assessments and benchmark against international standards.</p> <p>Systems and schools will ensure system readiness for online delivery.</p>	National assessments to be delivered online from 2016

<p>through existing processes</p>	<p>international testing.</p>		
	<p>Enhance and expand the National Assessment Program, including the addition of annual full cohort testing of science.</p>	<p>Enhance and expand the National Assessment Program to maximize the benefits of online delivery, and include annual full cohort science literacy assessments, with cohorts to be agreed by SCSEEC.</p>	<p>National science assessments from 2016</p>
	<p>Report national assessments against minimum, proficient and advanced standards once developed and endorsed by SCSEEC.</p>	<p>ACARA will commence work on the capacity to report national assessment achievement at proficient and advanced levels in addition to the current minimum standard. Once considered and endorsed by SCSEEC, ACARA will report against the three standards.</p>	<p>Reporting against three standards from 2016</p>

Empowered school leadership			
Reform	Reform elements	Action	Timing
Strengthen school leadership	Develop a plan for year by year school improvement, including annual reporting of progress.	Systems and schools will implement school improvement frameworks, to support schools, that include annual school improvement plans and reporting on progress to the community. The framework should include self and independent assessment of each school against the National School Improvement Tool, or its equivalent, by someone external to the school on a cyclical basis to allow schools to identify and benchmark their performance.	Framework in place from 2015
	Develop and implement a new Principal Performance and Development Framework, supporting principals to increase their focus on leadership of effective teaching and learning in their schools.	A new Principal Performance and Development Framework to be developed by AITSL for consideration by SCSEEC in 2014. Once agreed by SCSEEC, systems and schools will use the Principal Performance and Development Framework to support and guide principal selection and development.	From 2014
	Give all school principals greater authority to make decisions affecting their schools and build stronger partnerships into the community including with non-government organisations.	Systems will continue to work with schools to support greater local empowerment in decision making and engage with the community, including with non-government organisations.	From 2014
Prepare future school leaders	Develop a framework and associated modules to support aspiring principals to develop the skills required for school leadership.	A learning framework and associated modules to be developed by AITSL to support aspiring leaders to develop the skills and knowledge required by principals. These modules could lead to a national qualification for school leaders. Systems and schools to identify, support and encourage aspiring leaders to develop the skills and knowledge to prepare for principalship.	From 2014

Meeting student need			
Reform	Reform elements	Action	Timing
Continue effort in existing reform areas	Implementation of the <i>Aboriginal and Torres Strait Islander Education Action Plan 2010-2014</i> .	Parties will accelerate the implementation of the <i>Aboriginal and Torres Strait Islander Education Action Plan</i> .	2014
Implement an equitable funding model for all students	Implement the needs-based funding model as set out in the National Education Reform Agreement.	Implement needs-based funding as set out in the National Education Reform Agreement.	From 2014
Strengthen parent and community engagement	Provide better support for, and engagement with, parents and families, including advice on how best to contribute to their child's learning at home.	Systems and schools will work to strengthen the relationship between school, parents and families. These strategies will be included in school improvement plans.	From 2014
	Establish effective partnership between schools and other organisations in the community.	Systems and schools will work to strengthen the relationship between school and the community. These strategies will be included in school improvement plans.	From 2014
Provide inclusive education to meet the needs of individual students and identify those at risk	Accelerate actions to close the gaps in outcomes for Aboriginal and Torres Strait Islander students and increase their opportunities to excel in education.	Systems and schools will ensure that they put in place evidence-based actions to improve outcomes for every Aboriginal and Torres Strait Islander student including a personalised learning plan, attention to early learning, attendance, literacy and numeracy, family and community engagement and supporting transitions beyond school.	From 2014
	Commit to develop a new Aboriginal and Torres Strait Islander Education Action Plan for 2015-2020.	Parties will develop and implement a new Aboriginal and Torres Strait Islander Education Action Plan beyond 2014.	New plan developed in 2014
	Provide reasonable adjustments for students with disability to reflect the	Systems and schools will ensure that funding to support students with disability is used to meet the needs of individual students.	From 2014

national definitions agreed by SCSEEC.		
Encourage excellence and meet the needs of high-performing students.	Systems and schools will increase the proportion of students performing at the highest levels of achievement. This may include access to online materials that support the challenge and interests of students.	From 2014

Transparency and accountability			
Reform	Reform elements	Action	Timing
Establish an Australian School Performance entity	Establish an Australian School Performance entity.	<p>Establish an Australian School Performance entity, following an independent process to:</p> <ol style="list-style-type: none"> Identify the roles, functions and governance to enable the entity to support school improvement and enhance national data, accountability, analysis and research capability; Consider the appropriate institutional arrangements, including consideration of the capacity of existing education agencies to deliver the recommended functions; and Consider the most cost-efficient and effective delivery of the recommended functions in a way which avoids duplication of existing agencies. 	SCSEEC consideration by 31 May 2013
Build the evidence base through a national research plan	Develop a national research plan to ensure performance data is analysed and policy evaluated.	SCSEEC will develop a national research plan and commission research that examines issues of national importance and draws on the national education data program.	2014
	Improve the dissemination of research and data analysis to inform policy development.	An Australian School Performance entity will disseminate the results of the national research plan and analysis of the data provided under the national education data program. The entity will establish a national clearing house and data network and ensure information is available to schools through an online portal. Systems and schools will encourage widespread use of the online materials.	From 2014

<p>Improve national data quality, consistency and collection and capture information about educational outcomes and policy interventions to inform the ongoing work of the Standing Council</p>	<p>Develop a comprehensive national education data program to become a schedule to the National Education Reform Agreement once agreed by SCSEEC.</p>	<p>SCSEEC will develop a national education data program.</p> <p>Parties agree to work together to improve the quality, scope and collection of data to support the National Plan for School Improvement. This will include the addition of student level, teacher workforce and policy intervention data relevant to reforms and the improvement of data collection (including efforts to streamline collection processes and ensure information is available to schools through an online portal. Systems and schools will provide agreed data items.</p>	<p>From 2014</p>
	<p>Develop arrangements for transparency and accountability for all jurisdictions that quantify targets and chart growth against these targets, subject to regular review, to achieve the 2025 COAG targets and agreed reforms.</p>	<p>SCSEEC will develop arrangements for transparency and accountability for all jurisdictions that quantify targets and chart growth against these targets, subject to regular review, to achieve the 2025 COAG targets and agreed reforms.</p>	<p>2014</p>
<p>Reporting</p>	<p>Provide an annual State of our Schools report to COAG and the public that reports progress against COAG targets and the actions outlined in the National Plan for School Improvement and the effectiveness of improvement strategies</p>	<p>SCSEEC will monitor progress, regularly review performance and publish a comprehensive annual progress report to COAG and the public. The report will report on:</p> <ul style="list-style-type: none"> • progress against COAG targets and a range of performance measures agreed in the national education data program; • progress against the actions outlined in the National Plan for School Improvement; and • the effectiveness of improvement strategies. 	<p>Annual</p>

Further enhancement of <i>My School</i> as agreed by SCSEEC.	ACARA will continue to collect, publish and develop <i>My School</i> information based on SCSEEC agreement to additional performance indicators.	Ongoing
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SCHEDULE E – NATIONAL EDUCATION DATA PROGRAM

[The national education data program, outlined in 56.c.i, will be set out in this Schedule once finalised.]

SCHEDULE F - NATIONAL RESEARCH PLAN

[The national research plan, outlined in 56.b.i., will be set out in this Schedule once finalised.]

SCHEDULE G - REVIEW TERMS OF REFERENCE

1. Terms of Reference for reviews listed below will be further considered and finalised by First Ministers of participating jurisdictions prior to commissioning each review.

Comprehensive Review

Preamble

2. Parties have agreed to conduct two comprehensive reviews of this Agreement. The first review will be conducted by 30 June 2016, and the second will be conducted by 30 June 2019, to inform progress of this Agreement beyond the six year transition period.
3. The reviews will be commissioned by First Ministers of participating jurisdictions and undertaken by a panel of independent reviewers agreed by First Ministers of participating jurisdictions.

Role and Purpose

4. For the first review, the independent panel of reviewers will investigate and provide advice, to COAG, on:
 - a. progress made by the Parties in implementing the NPSI and the funding arrangements set out in this Agreement over the first two years of operation;
 - b. whether jurisdictions are on-track to give effect to complete transition of funding arrangements set out in Part 5 and Schedule A by 31 December 2019;
 - c. the appropriateness of the methodology and data inputs of the Commonwealth and State and Territory funding models;
 - d. whether the education reforms under the NPSI are appropriate to achieve agreed outcomes; and
 - e. any other agreed matters agreed between First Ministers of participating jurisdictions.
5. For the second review, the relevant Standing Council will provide COAG with advice, for agreement, on the scope and focus of the review before 30 June 2018. At a minimum, the scope of the second review will examine:
 - a. progress made by the Parties towards successful implementation of the NPSI and trajectory towards achievement of the 2025 targets, having regard to progress against targets, the national evidence base, emerging priorities and the link to funding;
 - b. whether the education reforms under the NPSI are appropriate, effective and efficient;
 - c. the SRS and State and Territory funding models' accuracy and the appropriateness of their respective data inputs and methodology; and
 - d. the conceptual adequacy and appropriateness of data sets and performance indicators.
6. The reviews will give consideration to both government and non-government sectors within participating jurisdictions.
7. For each review, within one month of the completion of the review period, the independent review panel will provide a full report to COAG. Reports will be published on the COAG website following COAG consideration.
8. In its reporting, the independent panel of reviewers will consider where recommendations might affect existing arrangements under this Agreement and *Australian Education Act 2013*.

Funding

9. Funding for each review will be shared between the Commonwealth and States and Territories on a 50:50 basis.

Timetable

First comprehensive review

10. The panel of independent reviewers will be selected and their first meeting convened before 31 December 2015 and will be disbanded by 30 June 2016.

Second comprehensive review

11. The panel of independent reviewers will be selected and their first meeting convened before 31 December 2018 and will be disbanded by 30 June 2019.

Consultation

12. The independent panel of reviewers will be required to consult with:
 - a. the relevant COAG Council;
 - b. Senior Officers from First Ministers, Treasuries and education portfolio agencies;
 - c. The CRC;
 - d. non-government education authorities;
 - e. the Australian School Performance entity; and
 - f. other parties as appropriate.

Review Outcomes

13. First Ministers of participating jurisdictions will be required to consider actions to be taken in response to the recommendations made in the review reports.

Indexation Review

Preamble

14. Parties have agreed to conduct an independent review to set the approach to indexation for the SRS (which will include baseline and additional funding). The revised approach to indexation will be required to be implemented from 1 January 2016 and apply to the needs-based funding arrangements specified in Part 5 and Schedules A and B of this Agreement. This will ensure the SRS continues to be based on evidence of what it costs to educate a student.
15. First Ministers from participating jurisdictions, in consultation with Treasurers, will commission an independent expert body to conduct the Indexation Review and will ensure that body has the expertise to consider the historical approach to indexation of schools funding, the drivers of cost in education and appropriate methodologies for maintaining the ability to deliver outcomes.

Role and Purpose

16. The review will identify an approach to the indexation for the SRS that considers:
 - a. the objective of indexation as set out in this Agreement ;
 - b. how funding can be maintained to ensure schooling systems have the capacity to respond to the changes in the nature of schooling and the demand for schooling systems to keep pace with those changes;
 - c. the interplay, and availability, of using cost data versus expenditure data and how to best utilise existing data sources across sectors;
 - d. economic indicators that are more broadly based and nationally consistent;

- e. the technical aspects of calculation (e.g., rigour, volatility, transparency, timeliness, data availability, data consistency and data comparability);
 - f. whether the approach to indexation should be calculated separately for primary and secondary levels of schooling or as an average across all levels of schooling;
 - g. whether the approach to indexation should be applied as supplementation (that is, applied to the SRS per student amounts during the funding period) or indexation (that is, applied to the SRS per student amounts prior to the beginning of the funding period);
 - h. the sustainability of indexation approaches; and
 - i. how indexation can be calculated in isolation from the changes flowing from the SRS.
17. The scope of school costs considered as part of the review must:
- a. include all recurrent costs borne by schools. This includes teaching and non-teaching staff salaries and other operating costs such as teaching materials. All recurrent costs should be considered including those that are partially excluded from the current indexation mechanism (Average Government School Recurrent Costs (AGSRC)), in particular how to account for expenses/provisions for superannuation and long service leave;
 - b. exclude payroll tax, as it is not incurred by all schools (non-government schools and government schools in some States and Territories are exempt); and
 - c. exclude capital costs, given the funding in question relates to recurrent resources only. Therefore, repairs and maintenance should be included but capital-related concepts such as depreciation, user cost of capital and capital expenses should be excluded.
18. In reporting, the independent panel of reviewers will consider where recommendations might affect existing arrangements under this Agreement and the *Australian Education Act 2013*.
19. The review will be dependent on data being made available by schools and system authorities. Parties to the Agreement, as well as non-government schools and systems, will be required to provide all data required to carry out the review.

Funding

20. Funding for the review will be shared between the Commonwealth and States and Territories on a 50:50 basis.

Timetable

21. The independent panel of reviewers will be required to provide a final report by 1 March 2015 for consideration by First Ministers from participating jurisdictions by 1 July 2015 and implementation in school funding arrangements on 1 January 2016.

Consultation

22. The independent panel of reviewers will be required to call for submissions and include specific consultation with:
- a. SCSEEC;
 - b. Senior officers from First Ministers, Treasuries and education portfolio agencies;
 - c. non-government education authorities; and
 - d. other parties as appropriate.

Review Outcomes

23. Parties will be required to consider recommended changes to indexation stemming from this review for implementation by 1 January 2016.

SCHEDULE H - DEFINITIONS

approved authority	An approved authority is a body approved to receive funding on behalf of a school. It includes both school systems (groups of schools) and individual schools.
Australian Curriculum, Assessment and Reporting Authority (ACARA)	ACARA is the independent authority responsible for the development of a national curriculum (Kindergarten to Year 12), and a national assessment program, including managing the National Assessment Program Literacy and Numeracy (NAPLAN) (see below). ACARA also manages the <i>My School</i> website (www.myschool.edu.au).
capacity to contribute	The anticipated level of private contribution will be based on a school's SES score until a new, individual measure of parental capacity to contribute is developed.
Council of Australian Governments (COAG)	The Council of Australian Governments, being the peak intergovernmental forum in Australia, comprising the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association (ALGA).
COAG Reform Council (CRC)	The COAG Reform Council has been established by the Council of Australian Governments (COAG) as part of the arrangements for federal financial relations. The Council is independent of individual governments and reports directly to COAG.
English language proficiency (ELP)	<p>A loading of 10 per cent per disadvantaged language background other than English (LBOTE) student is used, noting further work is being progressed through officials to develop a more reliable measure for students with limited English language proficiency (ELP).</p> <p>Disadvantaged LBOTE is a component of the 2010 Index of Community Socio-Education Advantage (ICSEA) calculation, which is LBOTE combined with the percentage of parents with an education of Year 9 equivalent or below.</p> <p>Low ELP is an area of student disadvantage targeted by loadings in the new funding model. The ELP loading will be calculated on the basis of new national consistent data inputs from 2014.</p>
Foundation students	School students in the year before Year 1.
Intergovernmental Agreement on Federal Financial Relations (IGA FFR)	The Intergovernmental Agreement on Federal Financial Relations establishes the overarching framework for the Commonwealth's financial relations with the States and Territories (www.federalfinancialrelations.gov.au).

material funding implications	An amendment has material funding implications where the spending that would be required as a consequence of that amendment would be subject to Cabinet approval in the affected jurisdictions.
needs-based funding	The new basis on which Parties will fund schools, as determined by the SRS (see below).
Schooling Resource Standard (SRS)	<p>A new standard for Australian Government recurrent funding to support schools to deliver a high quality education for every child.</p> <p>The SRS has two elements: the amount of investment per student in every system required to provide a high quality education; and loadings that target disadvantage and need at student and school level in specific areas which are known to impact on student performance, such as low socio-economic background, disability, indigeneity, English language proficiency and school size and location.</p> <p>The SRS per student amount is based on the costs of educating a child at a set of high performing schools, known as 'reference schools'. A school is considered a 'reference school' if at least 80 per cent of its students meet the national minimum standard in reading and numeracy under NAPLAN over three years, as well as other measures of school performance.</p>
socio-education advantage (SEA)	<p>A scale based on a range of variables including parental education and occupation—and/or socio-economic characteristics of the areas where students live, a school's location and student characteristics.</p> <p>The SEA is the basis on which the low socio-economic status student loading is calculated.</p>
Standing Council on Federal Financial Relations (SCFFR)	The Standing Council on Federal Financial Relations (SCFFR) is the COAG Council responsible for oversight of the Federal Financial Framework. The SCFFR publishes all COAG National Agreements and National Partnership Agreements on its website.
Standing Council on Schools, Education and Early Childhood (SCSEEC)	The Standing Council on Schools, Education and Early Childhood (SCSEEC) was established under Council of Australian Governments (COAG) arrangements. It provides a forum through which strategic policy on school education and early childhood development can be coordinated at the national level, and through which information can be shared and resources used collaboratively towards the achievement of agreed objectives and priorities.
top 5 countries	Any reference to 'top 5 countries' should be read consistently with the definition used by the Organisation for Economic Co-operation and Development's Programme for International Student Assessment.

Appendix 6

Extract from answer to question on notice no. 7, Budget Estimates, 4 June 2014 – Department of Education

The year-on-year growth for the Commonwealth funding of the Student with Disability loading by sector by financial year without enrolment adjustments are as follows:

		2015-16	2016-17	2017-18	Total
State	Sector	%	%	%	%
NSW	G	10.1%	13.8%	6.5%	33.4%
NSW	C	5.4%	5.8%	4.4%	16.4%
NSW	I	4.7%	5.5%	4.3%	15.2%
VIC	G	9.6%	6.7%	1.7%	18.9%
VIC	C	5.6%	5.3%	4.0%	15.7%
VIC	I	6.1%	6.2%	4.6%	17.8%
QLD	G	15.3%	14.8%	9.0%	44.1%
QLD	C	5.5%	4.9%	3.7%	14.8%
QLD	I	6.1%	5.8%	4.2%	17.0%
SA	G	5.7%	5.6%	7.7%	20.2%
SA	C	4.9%	4.9%	2.9%	13.3%
SA	I	4.9%	5.0%	3.8%	14.4%
WA	G	13.2%	11.2%	24.1%	56.2%
WA	C	5.8%	5.4%	4.1%	16.1%
WA	I	6.7%	6.1%	4.6%	18.5%
TAS	G	8.1%	8.0%	4.2%	21.6%
TAS	C	7.8%	7.4%	4.9%	21.4%
TAS	I	8.0%	7.6%	5.2%	22.3%
ACT	G	3.7%	4.4%	20.5%	30.5%
ACT	C	6.8%	6.5%	4.5%	18.9%
ACT	I	3.4%	3.7%	3.2%	10.6%
NT	G	9.7%	10.0%	-1.9%	18.4%
NT	C	7.9%	7.6%	5.1%	22.0%
NT	I	7.5%	7.3%	5.0%	21.2%
Australia	G	10.6%	10.9%	7.3%	31.5%
Australia	C	5.6%	5.5%	4.1%	15.9%
Australia	I	5.4%	5.7%	4.3%	16.2%
Australia	All	7.7%	7.9%	5.5%	22.6%

Source: Department of Education combined projections as at 2014-15 Budget

