



Senate Select Committee on School Funding

***Inquiry into
'the development and implementation of national
school funding arrangements and school reform'***

**Submission by
Christian Schools Australia Ltd**

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Inquiry into the development and implementation of national school funding

1. Introduction

Christian Schools Australia (CSA) is a peak group representing over 130 member schools nationally with approximately 55,000 students and more than 5,000 staff. CSA provides leadership in policy, services and resources for its members, and generally works to advance the cause of Christian schooling.

CSA member schools are geographically, culturally and educationally diverse, while serving predominantly middle to lower socio-economic communities. They operate as locally governed, not for profit, faith-based organisations.

As a direct expression of the Christian faith, our member schools have a strong culture of mission and service both at home and overseas. They educate students to be locally and globally active citizens, concerned about the welfare of others and about using their gifts to serve.

The schools see their role as serving the diverse needs of their communities, and through an affordable fee structure, seek to be accessible to all students including those from disadvantaged backgrounds. This is reflected in the average socio-economic status (SES) profile of our members which, at 96.7, is lower than other non-government school groups such as Catholic systemic schools and well below the average for independent schools nationally. A similar picture is painted by the average Index of Community Socio-Educational Advantage (ICSEA) score which, when initially calculated in 2009 using a constant data set and methodology, showed CSA members with an average score well below Catholic schools and approaching that of Government schools. Thirdly, resource levels within CSA member schools reflect the nature of the school communities as shown in the table of average Net Recurrent Income Per Student (NRIPS) below taken from data available on the *MySchool* website:

Sector	National Average NRIPS 2011 data
CSA member schools	\$11,656
Catholic	\$11,079
Independent (<i>which includes CSA members</i>)	\$15,182
Government	\$12,034

Subject to the limitations outlined on the *MySchool* website the average NRIPS figure provides a broadly indicative comparison of relative resources levels across sectors. As can be seen from the most recently published (2011) data, CSA member schools have national average resources levels between those of Catholic

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and government schools and considerably lower than the independent school average (which includes CSA schools).

We have set out below our submission to the Senate Select Committee on School Funding's Inquiry into '*the development and implementation of national school funding arrangements and school reform*'. In doing so we reserve the right to provide further analysis and comment either in response to other submissions or more generally.

2. Background and context

CSA supported the recommendations of the *Review of Funding of Schooling* (the Gonski review), based on our long standing advocacy for funding that is directed towards achieving equitable outcomes, meets the needs of students based on their level of socio-educational need, and ends divisive arguments over ideology.

With some caveats based on transition and implementation issues, we therefore supported the outworking of the Gonski reforms through the *Australian Education Act 2013 (the Act)*.

The principles embedded in the approach taken by the Act to funding are consistent with principles of funding that we have steadfastly advanced: fairness, equity, support based on need and a sector-blind approach.

Needs-based funding was a key component of the movement's support for the original SES system. Christian Schools were key proponents of the policy change that brought about the SES under the Howard Government. This reform overturned a legacy funding system that tended to advantage existing systems and schools at the expense of new schools seeking to serve lower and middle income communities. It was inherently fairer than the legacy approach, and opened the door for real choice for families who had not traditionally had access to it.

The SES system however had its shortcomings, none the least of which included that its needs-based approach was not universally applied. For example, while distribution of funding based on certain needs-based indices separately existed within government and other systems, these principles did not apply across the board and could not be compared. Differences existed between states, within states, and even with the independent sector, with transitional arrangements (Funding Maintenance and Funding Guarantee). These transitional arrangements should have phased down over time, but for various reasons, including the expansion of SES to include the Catholic systems, they did not.

School funding reform is difficult, and scheduled reviews and reforms were not undertaken, with the effect that the SES system itself became a legacy approach that no longer served its original intentions – of enhancing equity and fairness. Prior to the Gonski Review more non-government schools were funded by exception to the SES system than were on it, and government schools were still funded on a completely different basis.

Gonski was a timely, appropriate and welcome change – a generational change, which achieved a remarkable level of support across disparate stakeholder groups. Importantly, it reinstated a needs based approach that should, if it is allowed to

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continue, see resources directed more closely to the point of need than before. In addition, crucially, with goodwill, this approach can be made to work nationally, so that the same principles apply to funding the education of all students.

In supporting the Gonski approach as contained in the Act, we do not underestimate the difficulty in achieving its aims. Funding reform needs to be incremental rather than revolutionary, as the ongoing education of students requires the ability to plan ahead with a reasonable degree of certainty as to resources. For this reason we, and many others, have supported at least a quadrennial approach to funding.

Notwithstanding the very real difficulties with the implementation of the new funding regime, or even perhaps *because* of it, it is far too easy and far too early to simply abandon the aspirations and intentions of the current reforms.

Too much is at stake for the future of our nation and the educational outcomes of future generations of students. There should no longer be any debate that a funding model for schools must be based on principles of fairness and equity with funding support based on student need, delivered through a sector-blind approach. These must remain the cornerstone of the funding model.

CSA does not support a reversal of the Gonski approach.

2. *A national funding model*

As alluded to above, research conducted in support of the Gonski Review process recognised the complexity of the funding mechanisms for schools across Australia.

The research identified 18 different models but the reality is that this reflects considerably more underlying mechanisms. Commonwealth funding to non-government schools, for example, is identified as one model but encompasses:

- Schools funded based on their SES score;
- Schools subject to a funding guarantee as they transition to SES score based funding;
- Independent schools subject to funding maintenance based on 2001 funding levels;
- Catholic systemic schools subject to funding maintenance based on 2004 funding levels;
- National Partnership funding provided as distinct pools to the Catholic and Independent 'sectors'; and
- Targeted programmes funding provided as distinct pools to the Catholic and Independent 'sectors'.

The recommendations of the Gonski Review envisaged a national funding model encompassing Commonwealth and State/Territory funding to all schools. This is obviously predicated upon agreement being reached between the governments of each jurisdiction. While the consequential Act and National Education Reform Agreement provided a framework for this to occur the previous Commonwealth government was not able to secure agreement from all State/Territory governments. The timing of the reform process meant, to state the obvious, that it was highly

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unlikely a consensus would emerge. The question is, with goodwill and in a new political ecosystem, can a consensus now be reached?

As a result of what was an increasingly rushed and difficult process the reduction in complexity, once the reform arrangements are fully implemented, is marginal. Detailed transitional arrangements, discussed further below, may have actually resulted in more complexity in the short term, as did the need for minimum funding guarantees.

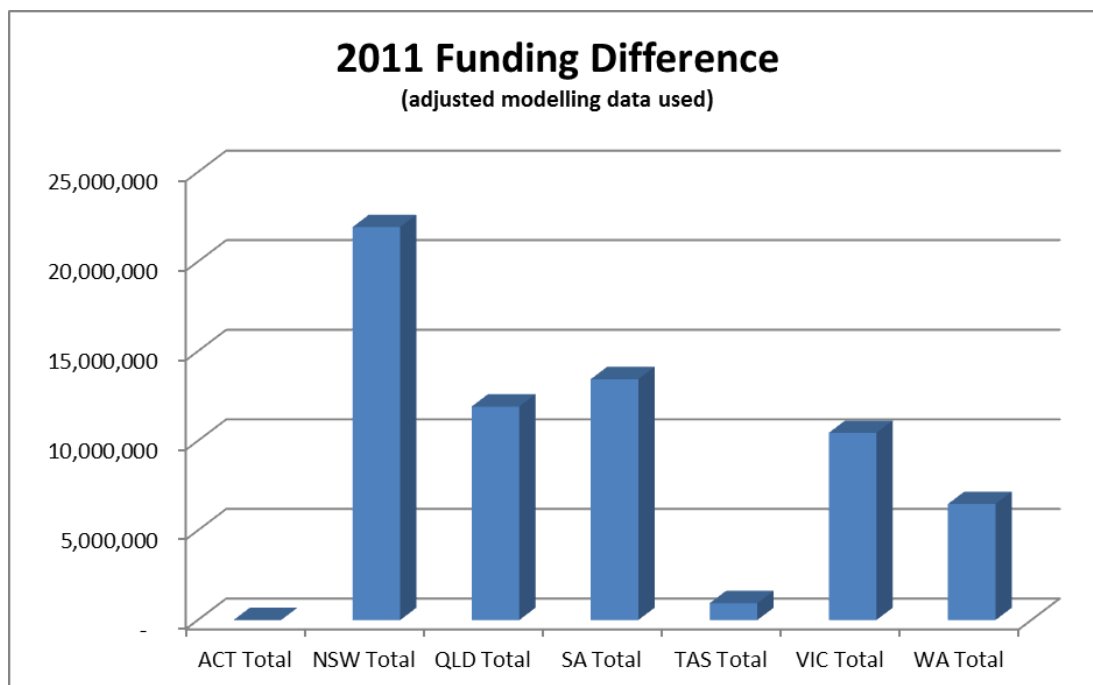
Learning the lessons from this process, however, the current Government has an opportunity, outside the special considerations of an election cycle, to continue meaningful and strategic negotiations with all stakeholders in order to reach a consensus on a nationally consistent model.

The discussions should be open and transparent and involve wide stakeholder input. Differences between schools and school systems and the effect on them of any agreement, particularly any transitional arrangements, need to be recognised and addressed.

3. *Example: the benefit to communities served by CSA members*

As indicated previously, CSA member schools generally serve middle and lower income communities, providing an affordable fee choice at resourcing levels comparable to those of government and catholic schools.

The benefits for these communities of the needs-based Gonski Review Panel's Recommendations are undeniable, as show in the following table:



Had the Gonski Review recommendations been fully implemented in 2011, the communities served by CSA member schools would have benefitted from significantly enhanced funding based on need, totalling and estimated \$65m nationally. This demonstrates the continuing failure of previous funding approaches

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to provide adequate resources, based on an objective measurement of student need. In specific CSA school communities this would have meant, for example:

- A large regional school receiving an additional \$2m annually to meet the learning needs of an economically depressed community;
- A small remote school with a significant indigenous student population receiving over \$500,000 each year to provide additional support for their learning needs; and
- A metropolitan school with a largely migrant community receiving an additional \$300,000 per annum to provide support to their students.

While the specific details may have changed as the model has developed the broad impact remains the same: the model identifies student need, it provides resources to address those needs and it does so *regardless of the ownership or governance of the school or system*. Government and non-government schools with similar profiles would benefit *in the same way* as the CSA schools mentioned above – fairly and equitably.

We call upon the Committee to affirm the importance of a consistent national approach to fair and equitable funding based on student needs and provided through a ‘sector-blind’ approach.

4. Commitment to full implementation

CSA warmly welcomed the Coalition’s election commitments in relation to school funding reform. We warmly welcomed the restatement of those commitments, particularly the Minister’s statement on 3 December that the Coalition will deliver ‘*a national agreement on school funding that ensures parents, principals and students, regardless of where they live, have funding certainty*’.

As indicated above funding reform is a long term process. It deserves bi-partisan support and a commitment to implementation over the long term. Unless the funding reforms contained in the Act are fully implemented schools will almost certainly be left in a worse position than would have been the case had the reform process not been instigated. The current reforms can only be seen as a unified whole arising from a rigorous review process. Piecemeal change would only serve to reintroduce yet more variations on what should be a consistent national approach.

We ask that the Committee encourage all jurisdictions and all parties to support the current funding reform process and commit to full implementation of the current model.

5. Concerns relating to the current transitional arrangements

As outlined in CSA’s earlier submissions, funding reform in the Act must be considered in the light of the National Education Reform Agreement and related bi-lateral agreements. These agreements between the Commonwealth and State/Territory governments outline critical State/Territory funding arrangements and transitional agreements. *There remains a lack of transparency and specificity*

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around these arrangements that prevents a clear understanding of the full impact of the reforms on individual non-government schools.

Individual non-systemic schools, especially lower fee schools such as those members of CSA, are heavily reliant upon government funding. Details contained in agreements between the various Governments directly impact the funding that will flow through to these schools over the next six years, yet these details are not transparent. Governance and accountability requirements place a heavy burden on independent schools, their boards and communities during the implementation and transition phases of a new funding model, particularly when they are, as it were, “flying blind” with regard to data about their funding arrangements going forward. In some States and Territories the slow transition process adopted in the bilateral agreement with the Commonwealth means that, over the short term, the enrolment of additional students with identified learning needs may in fact result in financial disadvantage to the school. This is a perverse outcome.

In other cases demographic changes in a school community leading to a drop in the school’s SES score for 2014 and beyond would have resulted in a substantial and immediate increase in funding for 2014 under the former funding model. While this affects the *capacity to contribute* calculation for the SRS under the new arrangements, the slow transition means that only a fraction of the increase is received in the short term.

These brief examples illustrate the problems faced by individual non-systemic schools during the extended transition period to the new funding model, flowing directly to the school’s ability to address student need.

These effects will not be felt at the level of the individual schools in a government or non government system, because of the system’s capacity to reallocate broadband resources based on need (and the averaging-out effect due to the size of the datasets involved).

For this reason the Government must consider *individual school impacts* in the case of non-systemic schools when making decisions impacting the transitional or other arrangements. ‘Sector’ or system based modelling, such as that which seemed to underpin much of the reform process decisions, must be rejected as inadequate.

Presuming to measure the impact of a proposal on the ‘independent sector’ is simply nonsensical – these are individually funded schools and it is the impact on each school that must be analysed.

We suggest that the Committee recommend that the impacts on individual schools be assessed in any changes or refinement of transitional or other funding arrangements.

Consultation with a wide spread of stakeholder groups, such as CSA, is essential to ensure that the needs of all schools are reflected in the ongoing implementation of the funding model.

As indicated in previous submissions, CSA member schools educate more students than either Territory yet do not receive a direct input into the consultative processes.

We ask the Committee to support the inclusion of all key stakeholders in future review and consultative mechanisms.

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6. *Lack of access to data: an implementation issue*

Fundamental requirements for any funding model are stability and predictability of funding. Boards of governance of individual non-systemic schools have onerous responsibilities in the area of financial management. They must be in a position to provide assurance of ongoing financial viability, and stability in government funding is the key factor towards this aim. Banks and other finance providers commonly require financial projections of at least five years, both prior to approval of new loans and over the course of a loan. Schools are now preparing budgets for both 2014 and 2015 in order to meet their statutory obligations, including the declarations that form part of annual financial statement approval processes.

Many schools are currently not in a position to prepare these documents due to the lack of certainty in relation to Commonwealth and possibly also State/Territory funding. While some information was provided by the Commonwealth Department of Education in January, critical information essential to preparing forward projections has simply not been made available to schools. The Department must provide schools with the detailed assumptions that underpin funding calculations to allow them to validate information and to make informed decisions on likely future funding.

Additionally, many schools have grave concerns about some of the assumptions on which funding calculations have been made. We understand that there is widespread overstatement of estimates of State/Territory funding for 2013 which impacts upon the calculations of the 'Commonwealth share' and thus the Commonwealth funding for 2014. The result will generally mean an overpayment of funding in the initial January and July advances. As schools are largely not in a position of being aware of these assumptions, in many cases it may not be until the final 2014 payment in October that this over payment is realised and payments adjusted. Some schools that calculate expected funding on the information provided by the Department will almost certainly end up in significant financial distress, and for no other reason than the lack of transparent data.

We ask that the Committee recommend that the Government release to individual schools all the data and assumptions that underpin their funding calculations.

Questions and concerns also exist in relation to the data quality of inputs into the model and the applicability of some of the proxies put in place as an interim measure for some of the loadings until a more direct measure of the respective need can be determined. Certainly at the time of collection much of the data used in some aspects of the calculation was not anticipated to be used for funding purposes and may not have been subject to a sufficiently rigorous quality assurance process.

We are confident that the concerns above largely can be resolved. We note the Government's commitment to undertake reviews that will address many of these areas of concern. With the exception of Students with Disability loadings, discussed below, there is time to refine and fine-tune these measures and proxies as part of the broader funding reform process.

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7. *Additional funding for Students with Disabilities*

There was no greater benefit from the Gonski reforms than providing a mechanism to address the serious and urgent need for equitable funding for Students with Disabilities.

Under the arrangements negotiated with States/Territories the additional funding to Students with Disabilities is largely weighted towards the end of the transition period. Consequently in some situations as noted above there are minimal real increases in funding across the early years of the implementation.

As a result, those amongst the most marginalised and disadvantaged students will receive little real benefit in the early years of the new model. This is not an acceptable outcome.

In the case of individual non-systemic schools, simply tipping these amounts into a centrally managed pool (as occurs in systems) will not serve their needs and obligations, as they stand alone in the need to provide comprehensively for their communities. This approach is also in stark contrast to the focus on local school autonomy that is part of the reform package and an objective of Government policy. Student based loadings provide a simple, transparent and equitable approach to delivering this support. Such loadings are part of the reform package, however the proposed transitional arrangements do not adequately deal with this matter.

The implementation of consistent national definitions of disadvantage, scheduled for 2015, provides a natural and logical timeframe to fully fund this aspect of the funding reforms. This most fundamental equity issue has faced students with disabilities, their families and schools for more than a decade. Each year we have advocated for this reform, and we are delighted to note that it is indeed the policy of the Government to deliver it, albeit in the medium term. In CSA's pre-budget submission we have highlighted the urgent need for this reform.

We similarly seek the support of the Committee to recommend that fair funding for students with disability be addressed as a matter of the highest priority.

8. *Addressing the need for Capital support*

As outlined in prior submissions, of great concern in both the Gonski review and the former Government's subsequent responses is the absence of any substantive reference to capital funding.

Enrolment projections prepared by the Commonwealth Department of Education suggest the need for around 1,500 new schools by 2020; that is, schools of all kinds suitable to provide for the needs of a diverse population. A significant proportion will need to be non-government schools. Whichever sector, these schools cannot be provided without capital funding support from government. Current approaches to capital support are not capable of meeting this need without significant, possibly unsustainable, ongoing increases in funding.

CSA has called for a wider range of innovative funding approaches to be considered in order to meet this need for essential community infrastructure. Solutions such as

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means-tested or capped interest subsidy schemes, tax incentivised bonds or community finance initiatives must be explored.

As we have noted in previous submissions, there is considerable interest within the Australian superannuation industry for alternative investment opportunities, particularly those that support ethical, socially beneficial outcomes.

We urge the development of policy to create opportunities that will attract private and funds investment to the nationally significant task of providing for the significant need to build new schools. By underwriting, through tax incentives or similar policy initiatives a relatively small government outlay could leverage significant investment by superannuation funds and the like, towards the task of building the nation's schools into the future. We argue that it would be a very efficient use of taxpayer dollars, resulting in overall savings, and very good public policy, for Government to incentivise long term stable investment in quality facilities for all Australian school students.

We encourage the Committee to recommend that the Government consider these options as a way to meet the growing need for capital funding over the next decade.