



Australian Government

Australian Government response to the Senate Select Committee on School Funding Report

Equity and excellence in Australian schools

October 2014

Introduction

The Australian Government notes the report by the Senate Select Committee on School Funding, *Equity and excellence in Australian schools*.

To ensure Australia's future prosperity and to remain competitive internationally, the Government is committed to ensuring that all Australian students have access to a high-quality education.

The Government is investing a record \$64.5 billion in recurrent schools funding over the financial years to 2017-18 and includes the reinstatement of \$1.2 billion removed by the previous government. This investment provides funding certainty for all schools.

The Senate Select Committee on School Funding has presented a majority report that is flawed, biased and developed with an overriding political agenda. The Government Senators' Dissenting Report provides a much clearer perspective on this important public policy matter, one that is informed by the best available evidence and that reflects the realities of how school funding fits in the context of the Commonwealth's role in school education.

The Government does not agree with the majority report's interpretation of the evidence presented during the course of the inquiry. The majority report implies that the amount of funding and how it is allocated is the answer to improved student learning outcomes. The Government agrees that Australia's education system requires adequate funding to ensure a quality education system. Adequate funding, however, must be about more than expenditure levels; it must include the concept of effective and efficient use of funding.

The Government does not want to continue the pointless and politicised funding debates. It is time for rational and robust discussion of the principles that should drive Commonwealth school education policy for the future. The focus needs to be on the issues that matter most, namely the policies needed to improve education outcomes for students. The dissenting report to the Senate Select Committee on School Funding sets out the core principles that should guide education policy:

- quality should be the ultimate driver and goal of all education policy
- discussion of school funding should be re-anchored in the realities of the Commonwealth Government's constitutional responsibilities and the nation's current financial constraints. This means:
 - recognising the dominant role of states and territories in their funding and management of schools
 - acknowledging the problems caused by excessive regulation on schools and school systems
 - noting the waste that has characterised some previous Commonwealth programmes in school education, which have cost a lot but achieved little
- parental contributions and a vibrant non-government sector add to the nation's education capacities and should not be seen as undermining the foundations of our democracy
- needs-based funding, including additional and targeted assistance to the disadvantaged is highly important.

Unfortunately, the release of the *Gonski Review of Funding for Schooling* (the Gonski Review) in 2011 initiated a period of political rather than rational debate. The Senate Select Committee on School Funding's majority report focuses on whether the Gonski Review's recommendations were being implemented rather than exploring its Terms of Reference.

The Government agrees that there were legitimate reasons for conducting the Gonski Review and it was an appropriate and well accepted approach to collect information, establish the facts, dispel the myths and provide an evidence base to make recommendations to government on school funding.

Unfortunately, the opportunity provided by the Gonski Review was not realised. By focusing solely on government funding, the Gonski Review reignited old debates, created fissures rather than consent and agreement. Since its completion in December 2011, the findings of the Gonski Review have been used by some to further their own political and ideological purpose.

Far from there being a consensus, the findings and recommendations for school funding arrangements proposed by the Gonski Review were not unilaterally agreed to. For example, Professor Henry Ergas' submission to the Senate Select Committee on School Funding refutes assumptions made in the Gonski Review that an increase in per student funding is required to improve school performance and that additional expenditure is needed to offset characteristics of educational disadvantage. Professor Ergas' position is based on the evidence presented in the literature regarding the relationship between school funding and student outcomes.

In addition, the Independent Schools Council of Australia's (ISCA) submission to the Senate Select Committee on School Funding and the evidence provided at public hearings indicate the Council's criticism of the application of the Gonski Review's recommendations by the previous government. ISCA reiterated the fact that complex arrangements for school funding exist in Australia which means that the notion of a "national" funding model is a misleading and inaccurate term. ISCA recommended that the Commonwealth Government moves quickly to amend the funding arrangements in a way that meets good public policy criteria. The criteria which should form part of an effective and efficient funding models includes: equity, incentive, flexibility, transparency, simplicity, predictability, consistency and be based on reliable, robust data which is fit for purpose.

In fact, Queensland's submission to the Senate Select Committee on School Funding stated "The current funding arrangements do not provide a transparent and equitable distribution of funds to jurisdictions."

The previous government's response to the Gonski Review was deeply flawed in both policy and administrative terms. Its negotiations with state and territory governments and non-government school authorities were inconsistent and lacked transparency. Similarly, the way in which the Act was rushed through parliament lacked the appropriate recognition of who in Australia is responsible for running schools. There was inadequate consultation on an Act that significantly increased the command and control by the Commonwealth.

Funding Context of the Australian Education System

School funding issues need be considered and discussed within the Australian context, in which states and territories are primarily responsible for school education, not the Commonwealth. States and territories are directly responsible for the administration of government schools; they develop policy and provide a regulatory framework for the operation of all schools.

States and territories are the major funder of government schools and also provide funding to non-government schools. In 2011-12, state and territory governments provided 84 per cent of total government recurrent expenditure on government schools, with the Australian Government providing 16 per cent. For non-government schools, the Australian Government provided 73 per cent of total government funding and states and territories provided 27 per cent. In dollar terms, states and territories provided a total of \$27.7 billion to Australian schools in 2011-12 and the Commonwealth provided \$12.3 billion.

There is no single national funding model for schools. For the majority of schools which are government schools the calculated school entitlement has no bearing on what the school actually receives. Commonwealth funding is made through lump sum payments to the states, territories and to the Catholic and other independent systemic education authorities. The distribution of the funding from that point is decided by each state, territory and system based on their own models. In effect, this means there is a Commonwealth model, eight different state models, a further eight models in the Catholic sector, as well as different models for other non-government school systems.

Education reform, not just funding

While funding is important, national and international research indicates that, by itself, it isn't a sufficiently effective driver of improved outcomes – countries that spend a high proportion of their GDP on education do not automatically produce high performing education systems. Despite total government (Commonwealth and state) spending on schools doubling in real terms from 1987 to 2012, student outcomes have not improved, with results from the 2012 Programme for International Student Assessment indicating that outcomes for Australian students are slipping relative to other countries.

The Australian Government's approach recognises that states, territories and the non-government school sector are best placed to determine how policies should be implemented in their schools. The Government's *Students First* policy is focused on the following four areas:

- **teacher quality:** the first step to achieving a quality education is to support the quality, professionalism and status of the teaching profession
- **school autonomy:** both internationally and in Australia, evidence emphasises the advantages of school autonomy as part of a comprehensive strategy for school improvement. Great schools have leaders and teachers who have the independence to make the decisions and develop the programs that best meet the needs of their students

- **engaging parents in education:** parents are one of the most important influences on a child's education. When parents are engaged in their children's education, they are more likely to attend school and to achieve better outcomes
- **strengthening the curriculum:** a robust, relevant and up-to-date Australian Curriculum is essential to improve the quality of education for all school students. In particular, high quality school science and mathematics education are critically important for Australia's current and future productivity.

The Government's Students First policy is based on the best evidence available. The Government is working closely with education authorities to deliver policy settings that will help improve outcomes rather than just focussing on funding.

Background

On 12 December 2013, the Senate formed the Senate Select Committee on School Funding to inquire into and report on the development and implementation of national school funding arrangements and school reform.

The Senate Select Committee on School Funding held public hearings in all states (with the exception of the Northern Territory) between 13 March and 16 May and over 445 submissions were received.

The Senate Select Committee on School Funding report, *Equity and excellence in Australian schools*, was tabled and released on 9 July 2014. The majority report included eight recommendations and one additional recommendation was made by the Australian Greens. Government Senators issued a dissenting report.

Response to individual recommendations

Recommendation 1 (commit to implementation of the NPSI)

The Senate Select Committee on School Funding 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.

The Australian Government does not support this recommendation.

The majority report suggests, there was overwhelming consensus for all the changes proposed by the previous government as a result of the Gonski Review. This is an incorrect representation of the facts. Three states and territories did not sign up to the plan: Queensland, Western Australia and the Northern Territory. Two other states, Victoria and Tasmania had only signed the heads of agreement and had not reached bilateral agreement with the Commonwealth.

There has been criticism from the states and territories of the National Education Reform Agreement (NERA), including the National Plan for School Improvement (NPSI) and how it has been embedded within the *Australian Education Act 2013*, as representing a significant overreach of Commonwealth powers and, effectively, a Commonwealth takeover of schools. This has been demonstrated by the refusal of some jurisdictions to sign up to the NERA, as well through criticisms of the *Australian Education Act 2013* (the Act).

The Government is committed to recognising the responsibilities of the states and territories and school systems for the operation and management of their schools and will consult with school authorities on the appropriateness of requirements of the Act. The Government has already started consulting with key stakeholders on how to address the unnecessary command and control aspects of the Act, reduce the regulatory burden, and return power to where it should be: school principals, school communities, parents and the education authorities.

Under its *Students First* policy, the Government is pursuing improved education outcomes for all students through the implementation of important reforms in four areas: improving the

quality of teaching; ensuring a robust national curriculum; expanding school autonomy; and engaging parents in education. In contrast to the previous government's approach via the NPSI, the Government is working with jurisdictions to deliver effective, evidenced-based policies that do not constrain or bind the states and territories or create unnecessary red tape.

The Government has honoured its election commitment and has delivered funding for all states and sectors for 2014 to 2017 by investing \$64.5 billion in schools over the financial years to 2017-18. This is more funding than ever before and takes Commonwealth investment in schooling over the forward estimates to a record high. Under these arrangements, all schools are treated the same way by the Commonwealth across the forward estimates; this ensures that no state and territory will miss out on Commonwealth funding.

The previous government proposed an increase in Commonwealth funding from 2018 but they did not budget for it. This proposed increase was clearly unsustainable and the Government's approach to school funding growth from 2018 will build on the already substantial growth to 2017 and remain fiscally responsible.

In line with the standard for Commonwealth funding arrangements, Australian taxpayers have always funded schools on four year rolling agreements aligned with the budget planning cycle of the forward estimates period.

The Government will work cooperatively with states and territories to deliver sensible and stable funding arrangements beyond 2017, and has already commenced the planned review processes for the loadings that were scheduled to occur during 2014.

The Government remains committed to needs-based funding. Loadings target disadvantage such as students from low socio-economic backgrounds, students with disability, Aboriginal and Torres Strait Islander students, and students in regional and remote areas. As noted in the Government Senators' dissenting report, all states and territories have already established needs-based funding arrangements. States and territories are best placed to manage their own schools and they have budget flexibility to allocate funds within their schooling sector as they see fit.

Recommendation 2 (non-participating states)

The Senate Select Committee on School Funding 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*.

The Australian Government does not support this recommendation.

State and territory governments are accountable to their own electorates for how they manage their own budgets and this Government will not dictate how schools are run or tell education authorities how national policy settings should be translated into action at the local level.

This recommendation is using outdated concepts of participating and non-participating in regards to schools funding arrangements. The Government has honoured its election commitments to schools and the current school funding arrangements do not continue the previous government's illogical differentiation between states and territories but ensures all schools are treated the same way by the Commonwealth across the forward estimates.

In addition to honouring funding agreements for all states and sectors for 2014 to 2017, the Government has invested an additional \$1.2 billion to ensure that schools in Queensland, Western Australia and the Northern Territory don't miss out on the new funding arrangements as they would have under the previous government.

The Government will work cooperatively with states and territories to deliver sensible and stable funding arrangements beyond 2017, and has already commenced the planned review processes for the loadings that were scheduled to occur during 2014. The Government's reforms for school education will be implemented in a way that reflects the realities of our federation in which states have primary responsibility for delivering school education.

Recommendation 3 (disability loading)

The Senate Select Committee on School Funding 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.

The Australian Government notes this recommendation.

The Government is already working closely with state, territory and non-government education authorities to finalise a loading for students with disability as part of the planned loading review process. The Government has also consulted with broader stakeholder groups to provide an opportunity for all interested parties to be involved.

The Nationally Consistent Collection of Data on School Students with Disability (NCCD) is being phased in over 2013 to 2015. It is expected that all schools will be participating in the NCCD in 2015. Once fully implemented and well established in everyday school practice, the NCCD should provide the evidence base to inform the distribution of the funding loading for students with disability based on student need.

The move from existing state and territory criteria to the NCCD is a significant undertaking. As agreed by all states and territories and stakeholders, it will take time for the data collection to produce sufficiently robust and reliable data upon which to support a funding loading for students with disability.

Recommendation 4 (disability loading)

The Senate Select Committee on School Funding recommends the Federal Government honours its election commitment for increased funding to cover unmet need for students with a disability.

Further, the Senate Select Committee on School Funding 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.

The Australian Government notes this recommendation.

The Government has met its election commitment and is clear in its support for students with disability and their families and carers. A funding loading to support students with disability has already been introduced in 2014. This loading is providing over \$1 billion of Australian Government funding in 2014 alone. This is more Australian Government funding for students with disability than ever before.

The implementation of the loading is being transitioned, consistent with all aspects of the needs-based funding model. The loading is provided for students with disability no matter where they live or where they go to school.

The Government cannot implement a students with disability loading in isolation. The Government must work with the states the territories. Through nationally-agreed collaborative processes, work is currently underway to inform potential refinements to the funding loading for students with disability and to identify the necessary quantum of resourcing for students with a disability, including the Nationally Consistent Collection of Data on School Students with Disability (NCCD). It would be pre-empting the outcomes of these processes to suggest that there is a resourcing gap and, if so, to quantify it.

In addition to supporting the important work on funding loadings for students with disability, the Government provided an extra \$100 million to extend the More Support for Students with Disability initiative in the 2014 school year, which will help improve teacher skills and increase the inclusiveness of schools. The previous government only provided this funding until the end of 2013.

The Government recognises the importance of understanding the interface between the funding loading for students with disability and the National Disability Insurance Scheme (NDIS). The Australian Government Department of Education continues to work with all state and territory government and non-government education authorities, the Department of Social Services and the National Disability Insurance Agency (NDIA) to clarify the roles and responsibilities of each measure and to ensure both measures are complementary.

Recommendation 5 (disability loading)

The Senate Select Committee on School Funding recommends that information assisting parents and carers of students with a disability be produced and distributed as soon as possible.

The Australian Government notes this recommendation.

The Government already makes publically available information on funding arrangements for students with as disability. The Government also provides information to government and non-government education authorities to support them in answering questions from parents on students with disability funding.

Comprehensive fact sheets on the Nationally Consistent Collection of Data on School Students with Disability (NCCD) are available on the Australian Government Department of Education website.

Also available through the Department's website are a range of fact sheets about the Disability Standards for Education 2005.

The Government further notes that the responsibility for supporting students with disability rests with state and territory governments and non-government school authorities. Given this responsibility, state and territory education authorities have a critical role in providing information and support for parents and carers of students with disability.

Recommendation 6 (federal-state relations and accountability)

The Senate Select Committee on School Funding 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.

The Australian Government does not accept this recommendation.

The information proposed to be in the "report card" is already available.

The Report on Government Service (RoGS) provides information on funding at national and state and territory levels. The RoGS is produced under the direction of the Steering Committee for the Review of Government Service Provision (the Steering Committee) at the request of the Council of Australian Governments. It has been released annually since 1995 and its purpose is to inform Australians about services provided by governments and enable performance comparisons and benchmarking between jurisdictions and within a jurisdiction over time. The RoGS covers twelve service areas including school education.

The RoGS reports recurrent expenditure on government and non-government schools by the Australian Government and State and Territory governments. The financial data are disaggregated by state and territory. Expenditure relating to funding sources other than government (such as parent contributions and fees) is excluded.

A detailed breakdown of funding for all schools is also provided on the *My School* website (www.MySchool.edu.au).

The *My School* website is a collaborative, national initiative and is operated by the Australian Curriculum, Assessment and Reporting Authority on behalf of all education ministers. The website provides basic school profiles and National Assessment Program – Literacy and Numeracy (NAPLAN) performance data for virtually every Australian School. Individual schools also provide a range of detailed information to their communities. From the 2011

My School release, financial information for each Australian school has been included. The data comprises a breakdown of capital expenditure and recurrent funding from the Australian Government and state/territory governments for each calendar year.

The *National Report on Schooling in Australia* is an annual national report on school education of the COAG Ministerial Council. The report was first produced in 1989 and provides a range of information on schooling in Australia, with a current focus on progress towards the Educational Goals for Young Australians and the Commitment to Action for achieving them announced by Australian Education Ministers in the Melbourne Declaration of December 2008.

The report addresses the eight areas of commitment specified in the Melbourne Declaration. It describes the national policy and reporting context for school education in Australia, outlines nationally agreed policy initiatives and reports against nationally agreed key performance measures for schooling in Australia.

Recommendation 7 (indexation rate post 2017)

The Senate Select Committee on School Funding 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.

The Australian Government does not support this recommendation.

The Government has honoured the funding agreements for all states and sectors for 2014-2017 and has actually exceeded the investment by \$1.2 billion over that committed for this period by the previous Government.

The claim that there was a previously agreed rate of 4.7 per cent for Commonwealth indexation is not correct. The Commonwealth indexation arrangements represented in the *Australian Education Act 2013* are as follows. Approved Authorities above the Schooling Resource Standard (SRS) are to be indexed at 3 per cent and Approved Authorities on the SRS are to be indexed at 3.6 per cent. Only those Approved Authorities below the SRS have their Commonwealth funding indexed at 4.7 per cent.

These indexation arrangements reflect the outcome of negotiations between the former government and each jurisdiction and were intended to bring all approved authorities towards the SRS over time. However, the impact of these arrangements on the Federal Budget is clearly unsustainable – so much so that the previous government did not budget for it.

There is no evidence that the previously applied indexation rate for school funding was appropriate and states and territories requested it be reviewed.

On this basis, from 2018 onwards, school education funding from 2018 will increase based on student enrolment growth and the government-wide indexation rate of the Consumer Price Index. This will consolidate the substantial increases in Government funding made from 2014 to 2017 and allow sustainable growth into the future for Australian schools. CPI is the

indexation rate being applied to all demand driven Commonwealth funding programs. Choosing indexation consistent with the rest of government is fiscally responsible.

The distribution of the funding envelope from 2018 will be subject to formal negotiations with all states and territories and non-government education providers to develop funding arrangements which are equitable, address student need, and which help governments to deliver quality education outcomes in a sustainable and affordable manner. These negotiations will provide the opportunity to consider the issue of indexation.

Recommendation 8 (ongoing scrutiny)

The Senate Select Committee on School Funding 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.

The Australian Government notes this recommendation.

Australian Greens Additional Comments

Australian Greens 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.

The Australian Government does not support this recommendation.

Australian and State and Territory Governments are accountable to the public for their share of public funding allocated to schools. It is unnecessary to create another body and another level of administration and bureaucracy to manage school funding.

Existing forums, such as the COAG Education Council are in place to make national level decisions on school education policies.