

Chapter 2

Maintenance of state spending efforts

Background

2.1 The National Partnership Agreement on the Nation Building and Jobs Plan, under which the Primary Schools for the 21st Century (P21) program funding is available, provides that the stimulus money is to be *additional* to planned state and territory capital expenditure on primary schools and that maintenance of state and territory spending efforts will be monitored through reporting to Heads of Treasuries and the Ministerial Council for Federal Financial Relations.¹

2.2 On 30 November 2009, the committee received evidence from the Department of Education, Employment and Workplace Relations (DEEWR) that the states and territory spending effort is being monitored by the Treasury on a quarterly basis, through the provision of quarterly reports from each of the states and territories.² Since that time, the committee has been seeking access to these quarterly reports in order to assure itself that the states and territories are maintaining capital expenditure on primary school infrastructure as agreed.

2.3 Following a 12 May 2010 order of the Senate that the quarterly reports be laid on the table, the Minister representing the Treasurer responded on 13 May 2010 with a statement that to provide the reports, either in public or in camera, could reasonably be expected to cause damage to relations with the states and territories and would therefore not be in the public interest.³ As previously explained in the committee's Interim Report⁴, the committee is not persuaded by the reasons given for not producing the reports because:

- if all states and territories have complied with the requirement to maintain their spending efforts, it is difficult to see how any damage could be caused by providing confirmation of this fact; and
- if any state or territory has not complied with the requirement to maintain its funding effort, it is an explicit feature of the National Partnership Agreement that such a failure to comply may be made public.

1 See clauses 3 and 10 of the National Partnership Agreement, available at http://www.coag.gov.au/coag_meeting_outcomes/2009-2015/docs/20090205_nation_building_jobs.pdf (accessed on 8 December 2010) and also Schedule B, National Partnership Agreement on the Nation Building and Jobs Plan, pp 12–13.

2 *Committee Hansard*, Monday 30 November 2009, p. 36.

3 *Journals of the Senate*, No. 122, 13 May 2010, p. 3511.

4 Senate Education, Employment and Workplace Relations References Committee, *Primary Schools for the Twenty First Century Program – Interim Report*, June 2010, pp 17–21.

2.4 The committee noted in its Interim Report that, in the absence of access to the quarterly reports and the information contained in them, it was unable to satisfy itself that the states and territories have met their obligations to maintain planned school infrastructure spending efforts. This continues to be the case, despite ongoing attempts by the committee to access the relevant information.

2.5 The committee also noted in its Interim Report the broader implications of its inability to properly scrutinise the spending of Commonwealth money under the federal financial relations framework. The committee is concerned that a similar lack of transparency is likely to apply to other Commonwealth-funded programs governed by partnership agreements.

Direct appeal to the Ministerial Council

2.6 Correspondence from the Minister for Tertiary Education, Skills, Jobs and Workplace Relations, Senator the Hon. Chris Evans, clarified for the committee the central role played by the Ministerial Council for Federal Financial Relations (the Ministerial Council) in assessing whether states and territories are meeting their capital expenditure obligations. The Minister explained the process in the following terms:

...the National Partnership Agreement required the Heads of Treasuries (HoTs) to establish benchmarks for sectors that are receiving additional funding and for these benchmarks to be agreed by the Ministerial Council for Federal Financial Relations. These benchmarks have been established.

The National Partnership Agreement also requires the States to report every three months to HoTs on activity undertaken in the previous three months against the benchmarks and for HoTs to provide these reports to the Ministerial Council. The Ministerial Council is then to make an assessment against the benchmarks, having regard to any explanation from states on why they may not have been achieved. The States are reporting this information to HoTs and HoTs have reported to the Ministerial Council.⁵

2.7 Given the government's stance in response to the Senate order for the production of the quarterly reports, in December 2010 the committee resolved to write directly to the Ministerial Council, seeking:

- confirmation that the Ministerial Council's role is as described above;
- provision of detailed information on the benchmarks relating to primary school infrastructure spending to which the Ministerial Council has agreed;
- confirmation that the Ministerial Council has received all quarterly reports due from all states and territories in a timely fashion and that the reports have contained the required information;

5 Letter from Senator the Hon. Chris Evans, Minister for Tertiary Education, Skills, Jobs and Workplace Relations, to Senator Chris Back, Chair, Senate Education, Employment and Workplace Relations References Committee, dated 23 November 2010.

- confirmation of whether the Ministerial Council is satisfied, after reviewing the quarterly reports, that all relevant benchmarks are being met; and
- provision of copies of the quarterly reports used by the Ministerial Council to make assessments against these benchmarks, or, in the event that any individual state or territory objects to the provision of these reports, a statement of why the reports from that state or territory cannot be made available to the committee.

2.8 At the time of writing this Report, the committee has not received any response from the Ministerial Council.

Other potential sources of information

2.9 The committee has also made efforts to obtain information on state and territory capital expenditure on primary schools from sources other than the quarterly reports described above.

National Report on Schooling in Australia

2.10 The committee is aware that the *National Report on Schooling in Australia* has in the past included information on capital expenditure in Australian schools at both the federal and the state and territory government levels. The most recent report available, the report for 2008, includes capital expenditure data for the year 2007-08.⁶

2.11 With a view to making comparisons between capital expenditure in 2007-08 (prior to the stimulus measures) and 2008-09 (with the stimulus in place) and identifying any relevant trends, the committee sought information on publication plans for the 2009 *National Report on Schooling in Australia*. Although the report was previously produced by the Ministerial Council on Education, Employment, Training and Youth Affairs, from 2009 it is the responsibility of the Australian Curriculum, Assessment and Reporting Authority (ACARA) to compile and publish this report. The committee therefore wrote to ACARA seeking information on the timing, format and content of the forthcoming 2009 report.

2.12 ACARA has indicated to the committee that the 2009 report may not be available until mid-2011 and that negotiations are currently underway with representatives from all jurisdictions to gain agreement on the format of the report. Although there is an expectation that the report will be published in broadly the same format and contain broadly the same information as in previous years, this cannot be confirmed at this time.⁷

6 Available at <http://cms.curriculum.edu.au/anr2008/index.htm> (accessed on 8 December 2010).

7 Letter from Dr Peter Hill, CEO, ACARA to Dr Shona Batge, Committee Secretary, dated 29 November 2010.

2.13 This means that it is not possible for the committee to use the 2009 report as a data source within the timeframe of its P21 inquiry.

State and territory budget papers

2.14 The committee also considered whether state and territory budget papers would contain useful information for its purpose. However, inconsistencies in reporting formats and timeframes mean that it is not possible to make valid comparisons between the states and territories.

2.15 For example, it is difficult to report on capital expenditure because of the nature of capital budgets. Grants for projects may be allocated in one financial year and then expended over a number of years as the project develops and is completed.⁸ Further, the information in state and territory budget papers is not comparable.⁹ Most state budget papers do not disaggregate or provide expenditure data by funding source or by level of education. Some state and territory annual reports do break down expenditure by school, but not all.¹⁰

2.16 For these reasons state and territory budget papers cannot be used to specifically identify state capital expenditure on primary schools. The committee concludes that the state budget papers are not useful to it as a source of confirmation that states and territories have met their spending obligations.

Committee view

2.17 For more than a year the committee has been seeking to confirm that a basic condition of receipt of P21 program funding has been met. It is of significant concern to the committee that, contrary to an order of the Senate, the government has not provided the committee with the necessary information. As a result the committee has not been able to assure itself that the states and territories have maintained the level of

8 See for example, Department of Education and Training, *Annual Report 2009*, pp 186–188 (New South Wales).

9 Australian Capital Territory Government Budget Papers, *Budget Estimates: Budget Paper No. 4*, 2008-09, 2009-2010 and 2010-2011; New South Wales Government Budget Papers, *Budget Estimates: Budget Paper No. 3*, Vol 1, 2009-2010 and 2010-2011; Northern Territory Government Budget Papers, *Budget Estimates: Budget Paper No.3*, Vol. 1, 2009-10 and 2010-2011; Queensland Government Budget Papers, *Capital Statement: Budget Paper No. 3*, 2008-09, 2009-10, 2010-11; South Australian Government Budget Papers, *2010-11 Portfolio Statements: Budget Paper No. 4*, Volume 4, p. 9.9; Tasmanian Government Budget Papers, 'Infrastructure investment', *The Budget: Budget Paper No.1*, 2008-09, 2009-10 and 2010-11; Western Australian Government Budget Papers, *Budget Statements: Budget Paper No. 2*, Vol. 2, 2009-10 and 2010-11. Victoria has no disaggregated capital funding information located in state budget papers. Some information about capital expenditure is available in the annual report: Department of Education and Early Childhood Development, *Annual Report 2009-10*, pp 28, 92.

10 See for example: Department of Education and Early Childhood Development, *Annual Report 2009-10*, p. 92 (Victoria).

capital expenditure on school infrastructure. Without this information, the committee is unable to allay anecdotal concerns about P21 funding being used inappropriately for projects that should have been state and territory government responsibilities.

2.18 The committee remains unpersuaded by the government's argument that to release the requested data might in some way damage relations between the Commonwealth and the states. The committee considers that, if the states and territories accept public money from the Commonwealth for a particular purpose, they should have an obligation to confirm publicly that the money has been spent for that purpose and no other. The committee therefore has no option but to reiterate a key recommendation from its Interim Report, namely that the quarterly reports be made publicly available immediately.

Recommendation 1

2.19 The committee recommends that all quarterly reports on state and territory spending on primary school infrastructure be released for public scrutiny immediately.

2.20 The committee's frustrating experience in relation to the P21 expenditure has clearly demonstrated that the current system of accountability through the Ministerial Council does not allow sufficient transparency for the Parliament or the Australian people to be confident that expenditure is in line with the underlying agreement. The committee's view is that public reporting should be a mandatory requirement under all future funding granted under National Partnership Agreements.

Recommendation 2

2.21 The committee recommends that all future National Partnership Agreements explicitly require states and territories to report publicly on the expenditure of funding received and to demonstrate in those public reports that funds have been used in accordance with the agreement under which they have been received.

2.22 The committee is firmly of the view that its inability to access sufficient information to properly scrutinise the P21 program is indicative of broader accountability gaps associated with the granting of Commonwealth funding under partnership agreements. With this in mind, the committee also reiterates a recommendation from its Interim Report that the Auditor-General be given enhanced powers to scrutinise state and territory expenditure of Commonwealth monies.

Recommendation 3

2.23 The committee recommends strengthening accountability mechanisms for oversight of state expenditure of Commonwealth funding. This should include enhancing the powers of the Auditor General to 'follow the money trail' to ensure value for money is achieved by the Commonwealth for state expenditure of Commonwealth monies.

2.24 The committee's frustrations have been exacerbated by the changed arrangements for the *National Report on Schooling in Australia*, with the delay in the availability of 2008-09 capital expenditure data preventing the committee from drawing its own conclusions about state and territory commitment in this area. The committee encourages ACARA to complete and publish this report as soon as possible and to put in place measures which ensure more timely completion in future years.

Recommendation 4

2.25 The committee recommends that the Australian Curriculum, Assessment and Reporting Authority complete and publish the 2009 *National Report on Schooling in Australia* no later than 30 April 2011.

2.26 In the next chapter the committee summarises the limited evidence received by the committee since June 2010 from managing contractors and builders involved in delivering P21 projects.