

# Chapter 1

## Introduction

1.1 The government has stated its commitment to implementing a needs-based approach to school funding which is fairly allocated between states, sectors and schools.<sup>1</sup>

### Reference

1.2 On 11 May 2017 the Senate referred the Australian Education Amendment Bill 2017 (the bill) to the Senate Education and Employment Committee for inquiry and report by 14 June 2017.

### Background

1.3 To achieve this policy goal, the government announced its Quality Schools Package on 2 May 2017, in the process outlining a record \$242.3 billion investment in school recurrent funding from 2018–2027. This increase builds on previous school funding increases over the past decade but importantly adds:

From 2005-06 to 2014-15 Commonwealth funding per student grew in real terms by 43.7 per cent.<sup>2</sup>

1.4 In total the Government will commit an additional \$18.6 billion for Australia's schools over the next decade, starting from 2018. It will be distributed according to a model of fair, needs-based and transparent funding. This investment will be tied to school reforms which are proven to boost student results.<sup>3</sup>

1.5 However, funding is just one component of the governments Quality Schools Package, and is not in itself sufficient to address the shortcomings in Australia's education system. This is borne out by research from the Organisation for Economic Co-Operation and Development (OECD), which reports that funding alone does not improve student outcomes.<sup>4</sup> Despite solid financial investment over more than a decade, Australia's performance in international testing 'has declined both relative to other countries and in real terms over the same period that funding has increased', as illustrated below:

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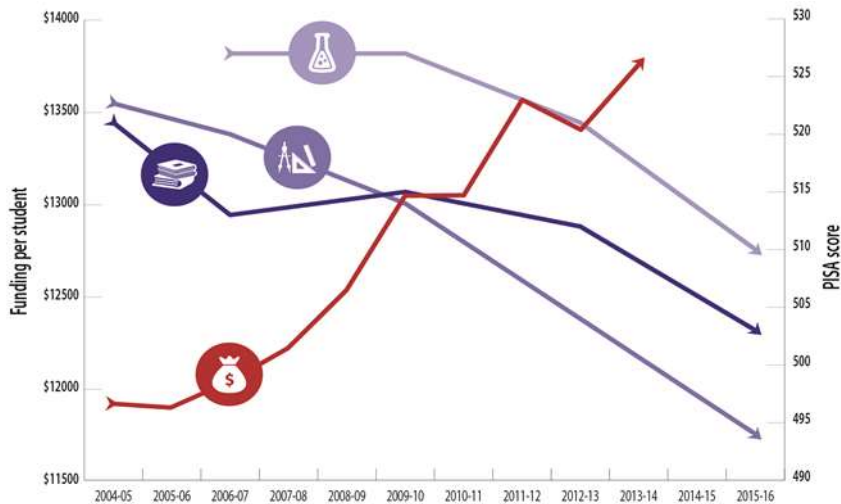
1 The Hon Karen Andrews MP, Assistant Minister for Vocational Education and Skills, *second reading speech*, 11 May 2017.

2 Department of Education and Training, *Submission 23*, p. 4.

3 Senator the Hon Simon Birmingham, Minister for Education and Training, media release, *True needs-based funding for Australia's schools*, 2 May 2017.

4 OECD 'Does Money Buy Strong Performance in PISA?', cited in Department of Education and Training, *Submission 23*, p. 6.

**Figure 1.1—Total public funding for schools and PISA results since 2004-05<sup>5</sup>**



1.6 There are multiple contributors to this trend, one of which is how funding is distributed under the *Australian Education Act 2013* (the Act), the principal legislation providing for recurrent Commonwealth funding for schooling. Under the Act, funding is provided to state and territory governments for distribution to approved authorities including:

- government schools;
- non-government schools;
- block grant authorities;
- capital grants authorities; and
- non-government representative bodies.<sup>6</sup>

1.7 Entities in receipt of funding from the federal government must meet conditions of financial assistance outlined in the Act.<sup>7</sup> As the Act stands, recurrent funding varies depending on negotiated arrangements with state and territory governments:

Under current arrangements, all non-government schools and systems, together with states and territories that entered into bilateral agreements under the National Education Reform Agreement [NERA], are classified as 'participating'. Only New South Wales, South Australia and the Australian Capital Territory meet the legal requirements to be 'participating', with other states and territories 'non participating' under the Act.

<sup>5</sup> Department of Education and Training, *Submission 23*, p. 5.

<sup>6</sup> Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 1.

<sup>7</sup> Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 1.

The Government has provided funding to all states and territories as if they were participating under the Act, in line with the final offers made to states during negotiations in 2013.<sup>8</sup>

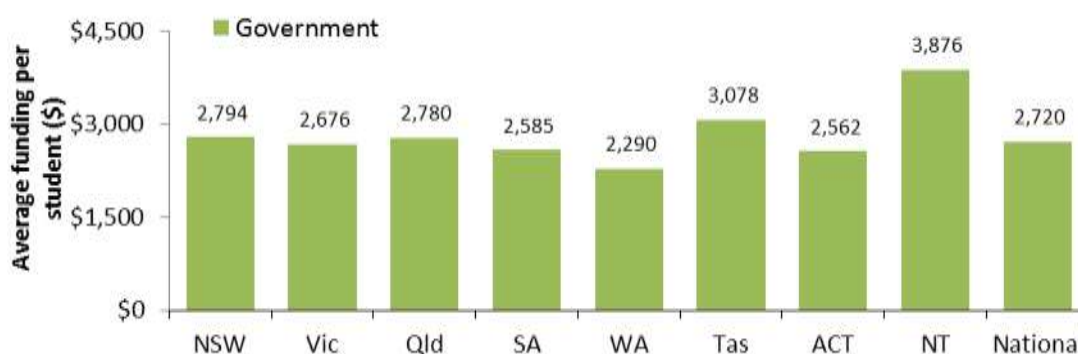
1.8 Due to the former government's decision to enter into 27 different funding arrangements, how funding is presently allocated is fundamentally flawed and inequitable. These special funding arrangements do not direct resources to areas of greatest need and also entrench historical disparities between different sectors and states. Surprisingly, despite the known biases contained in the current arrangements, the Australian Education Union which purports to represent teachers in the state school sector, argued for the current arrangements to be continued.<sup>9</sup>

1.9 The current complex arrangements have resulted in a discriminatory distribution in funding across states, meaning that:

- students with the same need, in the same sector, receive different levels of funding dependent on the state in which they reside; and
- non-government systemic schools and individual independent schools are treated differently.

1.10 The figures below illustrate this disparity of Commonwealth funding within the government sector and then the non-government sector.

**Figure 1.2—2017 Commonwealth funding for a student with national average need in the government sector and using the average Commonwealth share of the SRS by state.**<sup>10</sup>

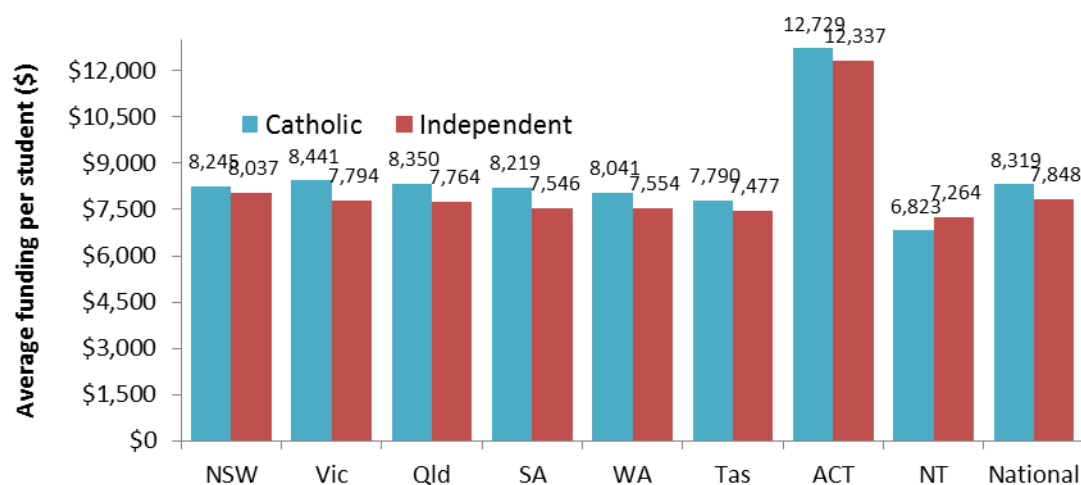


8 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 1.

9 Ms Correna Haythorpe, Federal President, Australian Education Union, *Committee Hansard*, 2 June 2017, p. 47.

10 Department of Education and Training, *Submission 23*, p. 6.

**Figure 1.3—2017 Commonwealth funding for a student with national average need in the non-government sector and using the average Commonwealth share of the SRS by state and sector.<sup>11</sup>**



1.11 The government is committed to addressing these inequities, and ensuring that funding is based on need and allocated fairly between states, schools and sectors.<sup>12</sup> The proposed reforms would remove existing inconsistent arrangements and deliver greater fairness in funding across Australia. Ultimately, 'the same student with the same need in the same sector will attract the same amount of Commonwealth funding regardless of the state in which they live.'<sup>13</sup>

1.12 The next chapter of this report sets out changes proposed by the bill and aimed at ensuring a fair, needs-based approach to funding, while the final chapter looks at the issues raised by stakeholder.

1.13 Recently the government appointed Mr David Gonski AC to chair a further review into education in Australian schools, and will report by December 2017.<sup>14</sup> The Review to Achieve Educational Excellence in Australian Schools will provide advice on how the extra Commonwealth funding provided in the 2017 Budget should be used by Australian schools to improve student achievement and school performance.<sup>15</sup>

1.14 The committee invited a number of organisations, including state and territory governments, representatives of the government, Catholic and independent school

<sup>11</sup> Department of Education and Training, *Submission 23*, p. 6.

<sup>12</sup> The Hon Karen Andrews MP, Assistant Minister for Vocational Education and Skills, *second reading speech*, 11 May 2017.

<sup>13</sup> Department of Education and Training, *Submission 23*, p. 4.

<sup>14</sup> Prime Minister the Hon Malcolm Turnbull MP, *Press conference with the Minister for Education and Training, the Hon Simon Birmingham and Mr David Gonski*, 2 May 2017.

<sup>15</sup> Senator the Hon Simon Birmingham, Minister for Education and Training, media release, *True needs-based funding for Australia's schools*, 2 May 2017.

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sectors, principals associations and parents groups, to make submissions to the inquiry. Details of the inquiry were also made available on the committee's website. The committee received 49 submissions from the organisations and individuals listed in Appendix 1.

1.15 Public hearings were held in Melbourne on 2 June 2017 and Canberra on 5 June 2017. The representatives from 32 organisations who appeared at those hearings are listed in Appendix 2. The committee notes that on 2 June state and territory government ministers or their government department representatives were invited to appear at the 5 June public hearing but they either declined or did not respond.

1.16 The committee thanks the witnesses and submitters who assisted in this inquiry.

### **Financial Impact Statement**

1.17 The Explanatory Memorandum states that proposed changes to how school recurrent funding is calculated would lead to a \$1.5 billion increase in additional recurrent funding over Budget and forward estimates in the period from 2017-18 to 2020-21, broken down as follows:

- An increase of \$1.1 billion for government schools; and
- An increase of \$366 million for non-government schools.<sup>16</sup>

1.18 The changes would also see a \$16.4 billion increase in recurrent funding over 10 years from 2017-18 to 2026-27, with \$10.6 billion of this being for government schools and \$5.8 billion for non-government ones.<sup>17</sup>

1.19 Total recurrent funding for government schools would increase from \$6.8 billion in 2017 to \$9 billion in 2021, representing a 33 per cent increase. For non-government schools funding would increase by 22 per cent, from \$10.7 billion in 2017 to \$13.1 billion in 2021.<sup>18</sup>

1.20 The transition adjustment measure, which is also part of the bill, carries a financial impact of \$13.4 million over the Budget and forward estimates.<sup>19</sup> An additional amount of \$26.3 million is available beyond the forward estimates to 2026-27.

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16 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 4.

17 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 4.

18 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 4.

19 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 4.

## **Compatibility with human rights**

1.21 The bill engages the following human rights:

- the right to education—Article 13 of the International Covenant on Economic, Social and Cultural Rights, and Articles 28 and 29 of the Convention on the Rights of the Child
- the rights of persons with disabilities—Articles 9 and 24 of the Convention on the Rights of Persons with Disabilities
- the right to privacy—Article 17 of the International Covenant on Civil and Political Rights, and Article 16 of the Convention on the Rights of the Child.<sup>20</sup>

### ***Right to education***

1.22 One of the primary aims of the bill is to link school funding to evidence-based reforms which are proven to improve student outcomes. If enacted, the bill would help federal, state and territory governments work collaboratively to develop and implement a new, national agreement on school reform. In this, the Explanatory Memorandum finds that the bill promotes the right to education.<sup>21</sup>

1.23 The bill would also remove historically-based inequities which undermine federal government school funding, ensuring that schools are funded according to same needs-based provisions of the Act. The Explanatory Memorandum states that this also promotes the right to education.<sup>22</sup>

### ***Rights of persons with disabilities***

1.24 The bill seeks to modify the 'student with disability' loading to allow funding to be provided at different rates based on students' required level of adjustment. The Explanatory Memorandum explains that, if the bill is enacted, this would help ensure that schools are resourced in order to provide education to students with disabilities.<sup>23</sup>

### ***Right to privacy***

1.25 As it stands, the Act permits the use and disclosure of 'protected information', defined in section 6 of the Act, in accordance with regulations. The bill's Explanatory Memorandum states that the term 'protected information' has led to confusion in the administration of the Act. To address this, the bill seeks to amend this definition to 'school education information'.<sup>24</sup>

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20 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 8.

21 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 8.

22 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 8.

23 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 9.

24 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 9.

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1.26 The Explanatory Memorandum states that the bill advances the protection of human rights and as such is compatible with human rights.<sup>25</sup>

### **Scrutiny of Bills Committee**

1.27 Senate Standing Order 25(2A) requires legislation committees when examining bills to take into account any comments on the bills published by the Standing Committee for the Scrutiny of Bills. At the time of writing the Scrutiny of Bills Committee had not reported on the Australian Education Amendment Bill 2017.

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25 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 10.

