

Chapter 2

Background

2.1 Amendments proposed by the bill which will commence on 1 January 2018, and deliver a robust, needs-based school funding system. In doing so they will remove a patchwork of 27 unfair 'special' arrangements made by the former Labor government. These deals, which see similar students in similar schools treated differently simply because of the state in which they live, have resulted in a shambolic, inconsistent system in dire need of reform.

2.2 Dr Ken Boston, who was a panellist on the Review of Funding for Schooling, outlined the 'corruption' of the original Gonski report:

In the run-up to the 2013 election, prime minister Kevin Rudd and education minister Bill Shorten hawked this corruption of the Gonski report around the country, doing deals with premiers, bishops and the various education lobbies. These bilateral negotiations were not a public and open process, as would have been achieved by the National Schools Resourcing Body; they dragged on for twenty-one months up to the September 2013 election; and they led to a thoroughly unsatisfactory situation: agreements with some states and not with others, and – among participating states – different agreements and indexation arrangements.¹

2.3 The government is determined to address this unfairness and these distortions, and enshrine a fair, needs-based and transparent system of funding for all Australian school students.

Changes proposed by the bill

2.4 Funding entitlements are currently calculated on the basis of previous funding levels, rather than on the basis of need as measured by the Schooling Resource Standard (SRS).² The SRS refers to a base per-student amount as well as loadings for school location, size, low socio-economic status (SES) students, and other factors.³ The SRS funding amount for a primary student in 2014 was set at \$9271, to be indexed at a rate of 3.6 per cent annually.⁴ The SRS funding amount for a secondary student was set at \$12 193 in 2014, to be indexed in the same manner.⁵ The 2018 base

1 Dr Ken Boston, *What Gonski really meant, and how that's been forgotten almost everywhere*, Inside Story, 6 September 2016, <http://insidestory.org.au/what-gonski-really-meant-and-how-thats-been-forgotten-almost-everywhere> (accessed 13 June 2017).

2 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 5.

3 Council of Australia Governments (COAG), *National Education Reform Agreement*, 2013, p. 18.

4 *Australian Education Act 2013*, s. 34.

5 *Australian Education Act 2013*, s. 34.

SRS amounts will be amended by the bill to: \$10 953 for primary students; and \$13 764 for secondary students.⁶ Future indexing arrangements are described in Chapter 3.

2.5 Under these arrangements, it is estimated that it would take another 150 years for all schools to transition to the SRS. To ensure that students with the same need in the same sector receive the same level of government support, the bill proposes a number of changes to how financial assistance is calculated under the Act.⁷

Part 1—new funding arrangements

2.6 The bill is divided into three parts. If enacted, the first part would introduce a number of changes relating to the new funding mechanisms, including:

- Incorporating the SRS into the funding model, as recommended by the 2011 *Review of Funding for Schooling*. The SRS would still comprise a base, per student amount, and in the case of non-government schools, would be discounted by any given school's capacity to contribute. The base amount would also be supplemented by loadings for disadvantage such as indigeneity, remoteness and disability.
- Transitioning to a funding approach which would see the Commonwealth providing a consistent share of the SRS, this share being:
 - 20 per cent for state schools; and
 - 80 per cent for non-government schools.⁸

2.7 Provisions within Part 1 of the bill would also establish a starting Commonwealth share percentage for all schools, with the aim that all schools transition to their relevant share of the SRS by 2027. The starting Commonwealth share percentage would be adjusted each year from 2018 to ensure full transition by 2027. Where necessary, schools would be provided with transition adjustment funding during the 10-year transition period.⁹

2.8 Part 1 of the bill would see indexation of base funding rates tied to an indexation rate which would ensure that growth in funding keeps up with wages and cost growth in the wider economy, but would not drop below three per cent.¹⁰

2.9 How the 'student with disability' loading is calculated would be changed to include differentiated loadings which better reflect student needs in the classroom.¹¹

6 Department of Education and Training, *Submission 23*, p. 13.

7 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 5.

8 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, pp. 1–2.

9 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 2.

10 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 6.

2.10 The Nationally Consistent Collection of Data on School Students with Disability (NCCD) now provides numbers of students that require different levels of assistance to support their access and participation in learning.

2.11 From 2018, there will be a differentiated loading for the top three NCCD levels (supplementary, substantial and extensive) with loadings ranging from 33 to 312 per cent depending on need.¹²

2.12 Part 1 of the bill would also require the Minister to determine, in writing, non-government schools' individual socio-economic status (SES) score, reflecting the particular circumstances of each school in terms of its capacity to contribute. The bill would remove the existing power of the Minister to determine a single SES score for a group of schools by legislative instrument, which produced 'system weighted' SES scores for certain non-government schools.¹³

2.13 In effect, Part 1 of the bill would reduce the benefit afforded to non-government primary schools by more fairly calculating schools' capacity to contribute.¹⁴

2.14 This change comes about due to revisions to the capacity to contribute proportions contained in subsection 54(3) of the Act. The current inequitable arrangements mean that non-government primary schools within the 108 to 122 SES band receive more funding than their counterparts in the secondary sector. This is despite the fact that 'the cost of delivering education in is much higher in secondary.'¹⁵

2.15 Figure 2.1 demonstrates the bulge in the non-government primary school capacity to contribute curve, where primary students attract more government funding than secondary students. This is another example of the special deals made by the former government

11 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 6

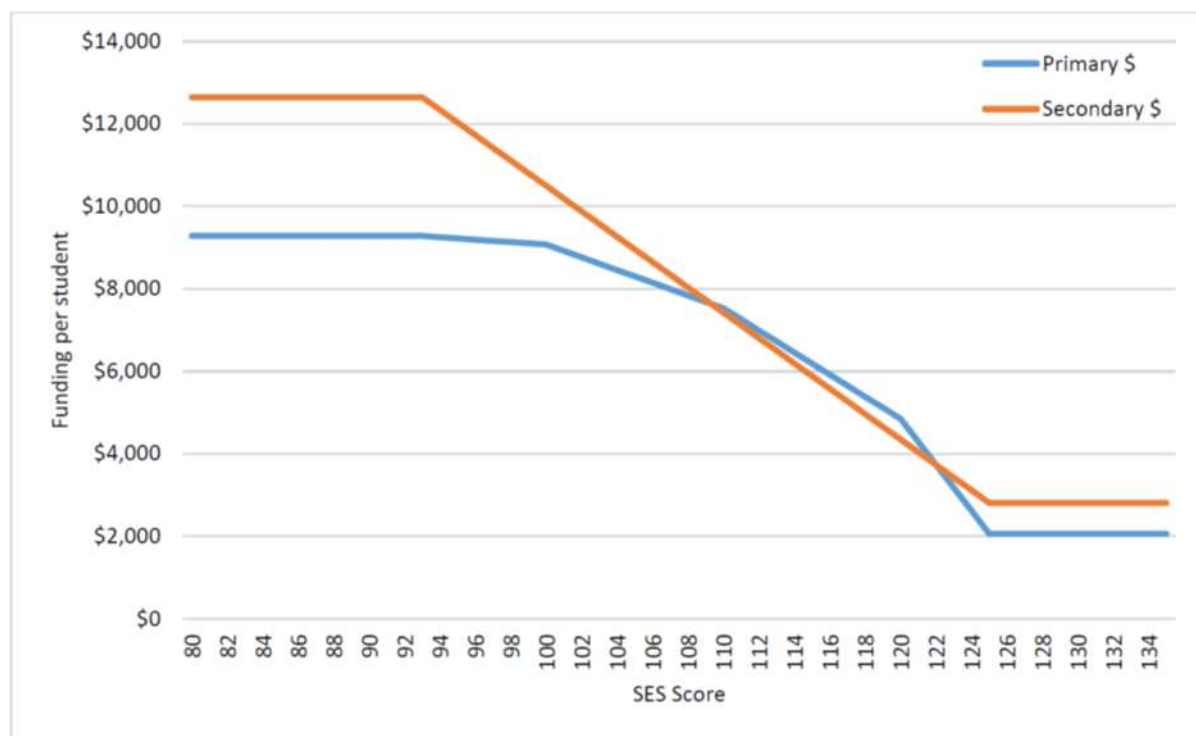
12 Department of Education and Training, *Submission 23*, p. 14.

13 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 6.

14 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 2.

15 Ms Colette Colman, Executive Director, Independent Schools Council of Australia, *Committee Hansard*, 5 June 2017, p. 7.

Figure 2.1—Non-government schools capacity to contribute settings (based on 2018 SRS).¹⁶



2.16 The committee heard that the former government did not consult with the independent sector before this anomaly was introduced.¹⁷

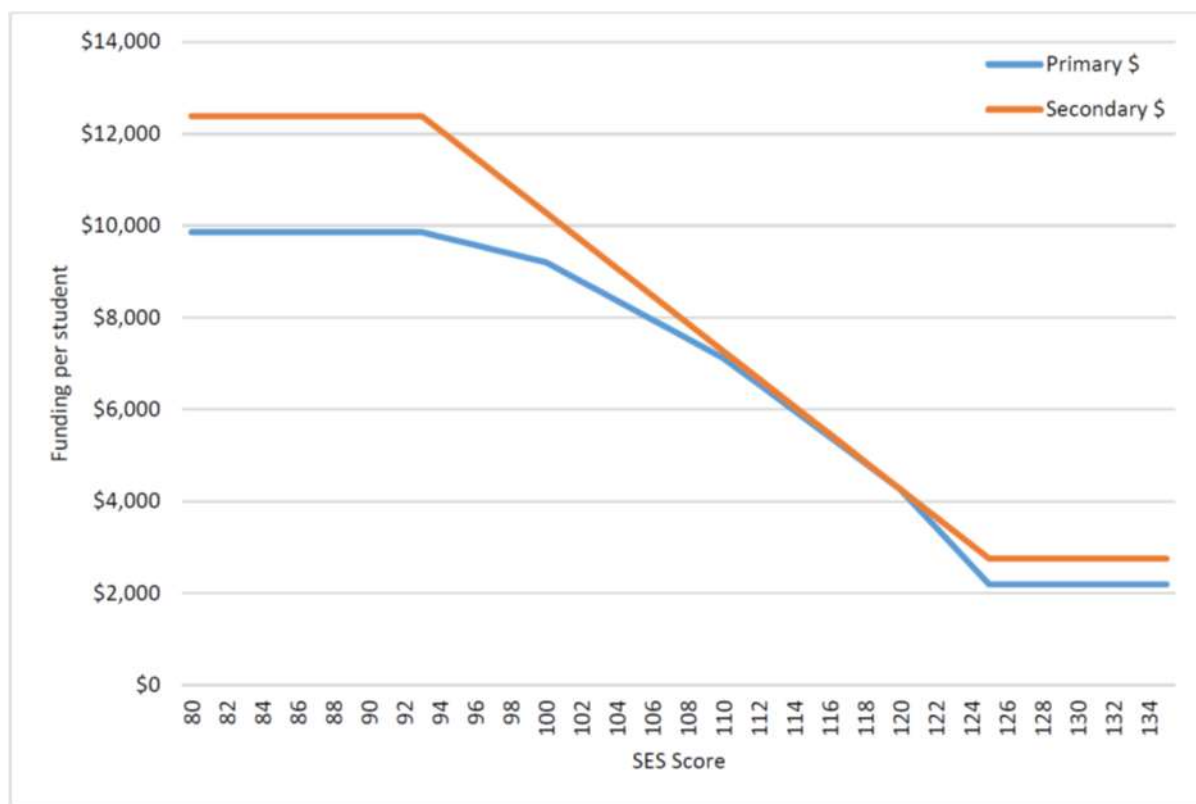
2.17 Figure 2.2 below illustrates the revised capacity to contribute curves. Under the new arrangements non-government primary schools in the 108–122 SES band would no longer receive more government funding than their secondary counterparts. These arrangements were supported by representatives of the non-government sector.¹⁸

¹⁶ Independent Schools Council of Australia, *Submission 8*, p. 18.

¹⁷ Dr Geoff Newcombe, Chief Executive, Association of Independent Schools of New South Wales, *Committee Hansard*, 5 June 2017, p. 7.

¹⁸ See for example Ms Colette Colman, Executive Director, Independent Schools Council of Australia, *Committee Hansard*, 5 June 2017, p. 7.

Figure 2.2—Proposed capacity to contribute settings (based on re-based 2018 SRS)¹⁹



Part 2—conditions of financial assistance

2.18 Part 2 of the bill would see the Preamble and Objects of the Act updated and aligned with the principles of needs-based, transparent, sustainable funding, nationally-agreed evidence-based reforms and goals. Part 2 would also stipulate the following conditions of financial assistance to states and territories:

- that they implement national policy initiatives for school education as agreed by the Education Council of the Council of Australian Governments (Ministerial Council) or otherwise prescribed by the regulations;
- that they are party to a national agreement on school education (to be developed collaboratively through the Council of Australian Governments);
- that they are party to a bilateral agreement with the Commonwealth relating to implementation of school education reform for both state and non-government schools within their jurisdiction; and
- that they fulfil their obligations under the national and bilateral agreements.²⁰

¹⁹ Independent Schools Council of Australia, *Submission 8*, p. 19.

²⁰ Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 7.

2.19 The setting of state and territory own funding contributions would be left to the states and territories. However, to prevent cost-shifting to the Commonwealth, states and territories would be required to, at the very least, maintain their share of 2017 per-student funding levels as a condition of Commonwealth funding.²¹

2.20 Part 2 of the bill would see the following new ongoing policy requirements for approved authorities stipulated for non-government schools:

- that they co-operate with their respective states and territories in implementing national policy reforms and agreements discussed above; and
- that they implement policy initiatives in accordance with the regulations.²²

2.21 Part 2 would also see the outdated distinction between participating and non-participating schools removed, helping to align the system with the government's policy of funding states under consistent, needs-based arrangements.²³

2.22 In addition, the requirement for approved authorities which are responsible for more than one school to have implementation plans would be removed, enabling the government and state and territory jurisdictions to work cooperatively in implementing and monitoring national policy agreements. Approved authorities would also have the requirement to have school improvement frameworks in place removed, allowing them to manage improvement processes at the local level, thereby reducing red tape.²⁴

2.23 Finally, transparency in funding for Commonwealth schools would be increased through inclusion of additional annual reporting requirements.²⁵

Part 3—simplify the calculating funding entitlements

2.24 Part 3 of the bill seeks to refocus the consultation process for significant regulations which impact state and territory governments. If enacted, the changes would require the Minister to consult with the Ministerial Council in making regulations which affect ongoing policy, funding requirements of approved authorities for state schools, or conditions imposed on states and territories for funding received under the Act.²⁶

2.25 The changes proposed would also simplify the Act for the purposes of calculating funding entitlements. Other changes would include:

21 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 7.

22 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 7.

23 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 7.

24 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 7.

25 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 2.

26 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, pp. 7–8.

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- enabling some obligations of approved authorities, block grant authorities and non-government representative bodies to acquit Commonwealth schools funding;
 - amending provisions regarding decisions to vary and revoke funding approvals in order to a) enable the imposition of conditions intended to bring approval holders into compliance with the Act, and b) streamline the process for review of decisions by removing the internal review step.²⁷

2.26 The third part of the bill would also amend provisions relating to reducing funding to, or recovering funding from, approval holders for non-compliance or overpayment, in order for the Minister to be satisfied of the circumstances giving rise to non-compliance or overpayment.

2.27 Finally, Part 3 would enable broader delegation of administrative functions by the Secretary of the Department of Education and Training.

2.28 The next chapter looks at key aspects of the bill.

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

