

The Senate

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Education and Employment  
Legislation Committee

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Australian Education Amendment Bill 2017  
[Provisions]

June 2017

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ISBN: 978-1-76010-578-5

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# **Recommendation**

## **Recommendation 1**

**3.119** The committee recommends that the Senate pass the bill in its current form.





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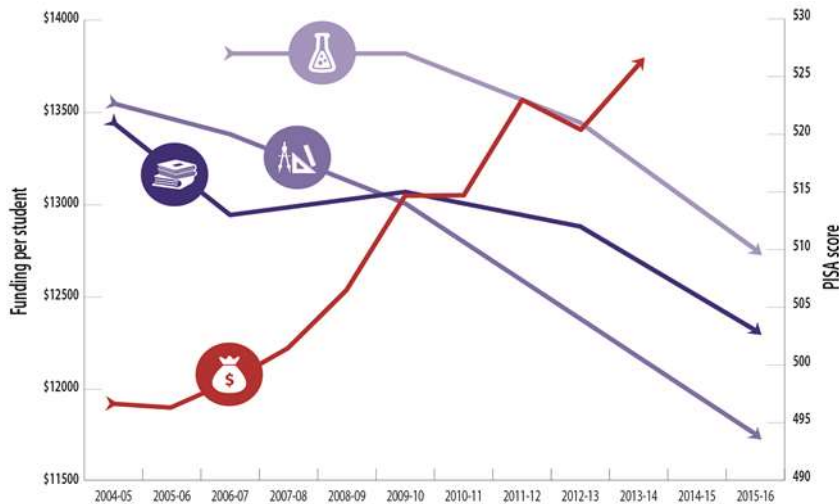
1 The Hon Karen Andrews MP, Assistant Minister for Vocational Education and Skills, *second reading speech*, 11 May 2017.

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>

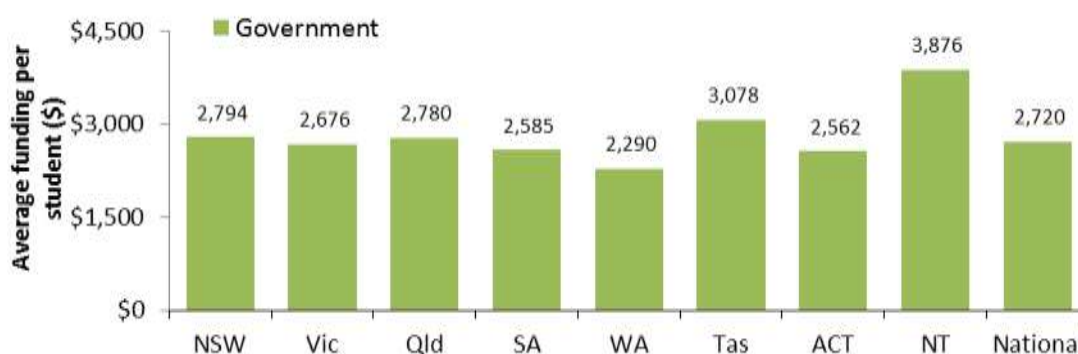
1.8 Due to the former government's decision to enter into 27 different funding arrangements, how funding is presently allocated is fundamentally flawed and inequitable. These special funding arrangements do not direct resources to areas of greatest need and also entrench historical disparities between 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>

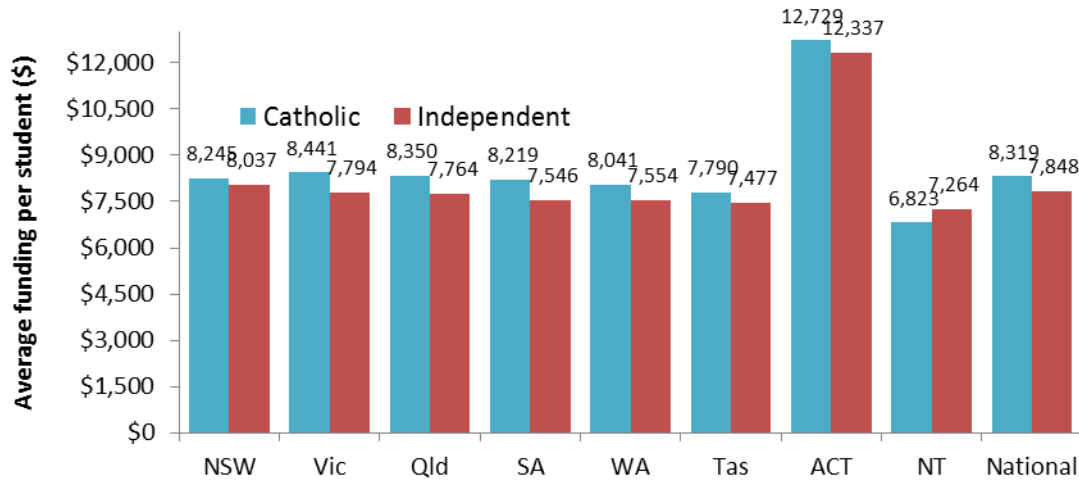


8 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 1.

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.

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.





# 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.<sup>1</sup>

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).<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> The SRS funding amount for a secondary student was set at \$12 193 in 2014, to be indexed in the same manner.<sup>5</sup> The 2018 base

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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.<sup>6</sup> 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.<sup>7</sup>

### **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.<sup>8</sup>

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.<sup>9</sup>

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.<sup>10</sup>

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.<sup>11</sup>

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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.

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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.<sup>12</sup>

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.<sup>13</sup>

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.<sup>14</sup>

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.'<sup>15</sup>

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

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

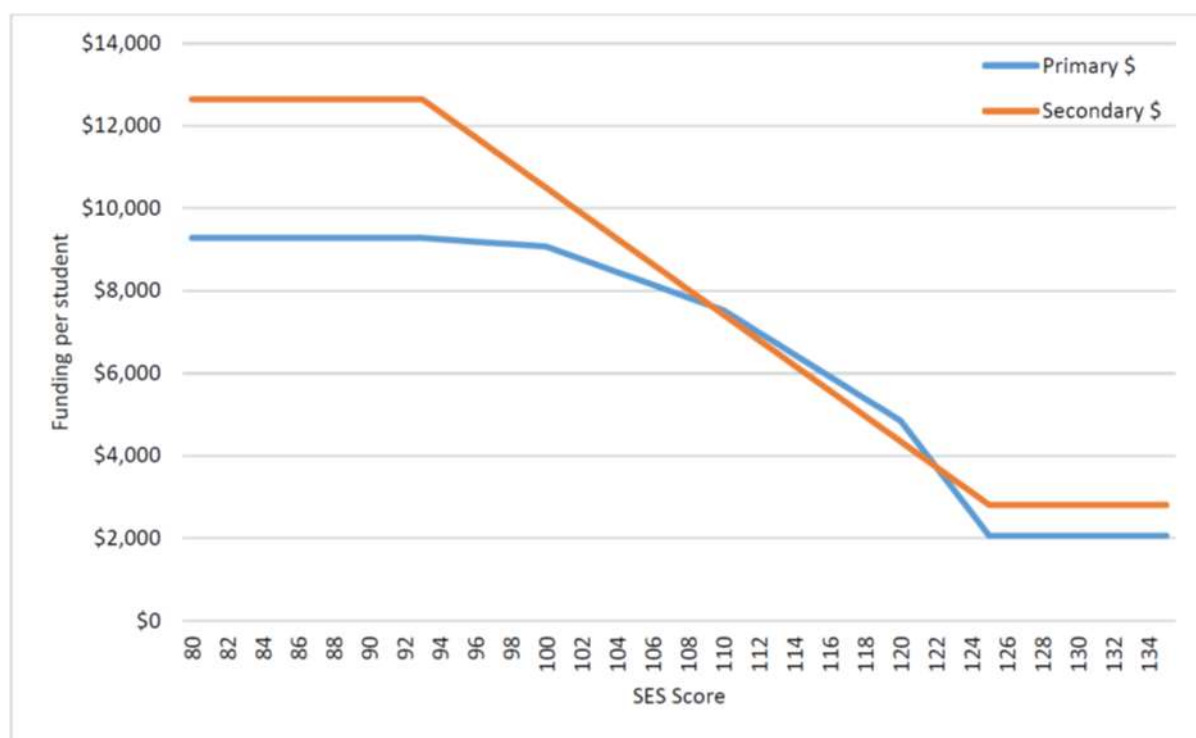
12 Department of Education and Training, *Submission 23*, p. 14.

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).<sup>16</sup>**



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

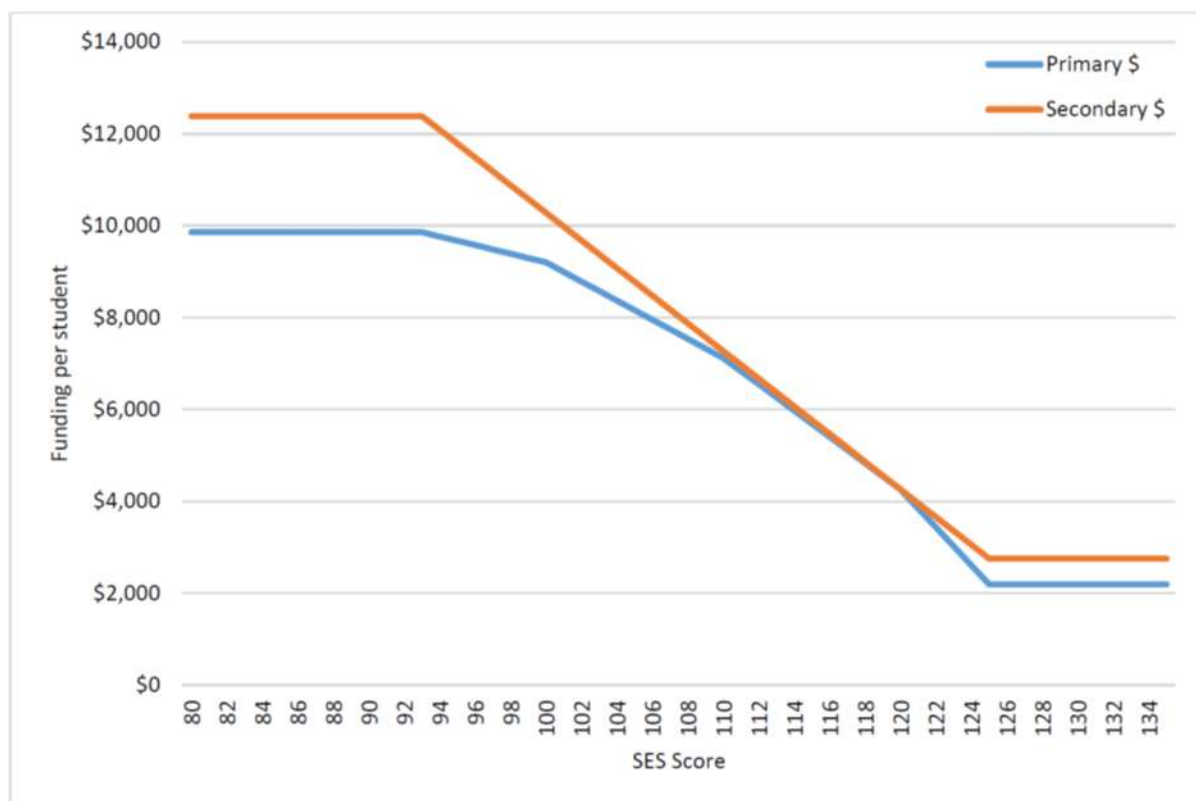
2.17 Figure 2.2 below illustrates the revised capacity to contribute curves. Under the new arrangements non-government primary schools in the 108–122 SES band would no longer receive more government funding than their secondary counterparts. These arrangements were supported by representatives of the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

<sup>16</sup> Independent Schools Council of Australia, *Submission 8*, p. 18.

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

<sup>18</sup> 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)<sup>19</sup>**



## 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.<sup>20</sup>

<sup>19</sup> Independent Schools Council of Australia, *Submission 8*, p. 19.

<sup>20</sup> 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.<sup>21</sup>

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.<sup>22</sup>

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.<sup>23</sup>

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.<sup>24</sup>

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

### **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.<sup>26</sup>

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

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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.<sup>27</sup>

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.

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





# Chapter 3

## Key issues

3.1 Six years after the review panel chaired by David Gonski handed down its findings,<sup>1</sup> school funding is still, in the words of the Grattan Institute, 'a mess'.<sup>2</sup>

3.2 It is fair to say that the major parties have both proposed increasing school funding. Funding alone is, unfortunately, not enough, and despite investing record money into education, policies put in place by the previous Labor Government in fact engineered a system of entrenched unfairness by striking 27 separate arrangements which have resulted in gross funding disparities between similar schools and students with similar needs across the country.

3.3 The government has expressed its commitment to treating all students, irrespective of which state they reside in or which school they attend, fairly, and providing support to ensure that every Australian child receives a quality education regardless of their family's means. The Australian Education Amendment Bill 2017 (the bill) is the legislative form of the Turnbull Government's 'Gonski 2.0' policy, which delivers needs-based funding to each and is to date the best, most tangible proposal for achieving this end.

3.4 The importance of education to the Australian community means that reforms always attract lively debate. There was strong support for moving towards a genuinely needs-based school funding system that more accurately reflected the principles of the Gonski review. The committee notes that despite divergence in opinion on how our education system can be improved, there is a broad recognition of the need to act in the interests of students across every school system and ensure that, no matter which schools parents choose to send their children to, the education provided is of the highest possible quality.

3.5 Evidence presented to the committee, outlined below, strongly supports the case for urgent action on the widening distortions in how schools across this country are funded. As put by the Executive Director of the Australian Secondary Principals Association (ASPA):

[T]he status quo is not good enough. There are too many who are not getting enough and a lot that are getting too much. Every student in Australia is entitled to an education, a quality education—the same quality of education, the same opportunities—and the current system does not do that.<sup>3</sup>

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1 Mr David Gonski AC, Mr Ken Boston AO, Ms Kathryn Greiner AO, Ms Carmen Lawrence, Mr Bill Scales AO, and Mr Peter Tannock AM, *Review of Funding for Schooling*, Final Report, December 2011.

2 Grattan Institute, *Submission 33*, p. 2.

3 Mr Robert Nairn, Executive Director, Australian Secondary Principals Association (ASPA), *Proof Committee Hansard*, 5 June 2017, p. 46.

3.6 The case for reform is, in the committee's view, clear, and articulated perfectly in evidence before the committee by Mr Phillip Spratt, President of the Australian Council of State School Organisations (ACSSO), which represents the interests of parents of the 2.5 million children in the state school system (representing 65 per cent of enrolments). Mr Spratt emphasised the opportunity for improvement provided by the bill:

This bill perhaps offers the opportunity to focus on significant improvement and make things better. Now then we come to the fine-tuning of it, and we have all looked at the bill that has been presented as it is. We have analysed it and the inquiry is giving us here and now the opportunity to do that. I actually found the department's submission quite useful in clarifying a few of the little concerns that we had. We have gone, 'Yes.'<sup>4</sup>

3.7 ACSSO's submission also highlighted the broad support for the bill:

For the last eighteen months ACSSO has been resolute in calling for Fair, Simple, and Transparent, and truly needs based funding for education, with an end to the special deals and legislated adjustments that create peculiar sectorial advantages for private schooling providers. It is deeply gratifying to see progress towards this objective and the potential of a new model in education legislation.<sup>5</sup>

3.8 The need to progress reform was also supported by representatives of the independent schooling sector. For instance Dr Geoff Newcombe, Chief Executive of the Association of Independent Schools of New South Wales (AISNSW) stated:

So, if we stay with this unfair funding model, then we are going to suffer long-term...We want a level playing field so additional moneys can be spread appropriately through targeted programs or whatever so children in all sectors can benefit...<sup>6</sup>

3.9 Although representatives of the Catholic Education Councils raised concerns about the proposed reforms, other representatives of Catholic schools, for example Mr Angus Tulley of Catholic Secondary Principals Australia (CSPA) and principal of St Francis Xavier College in the ACT, acknowledged that the status quo is not a genuine needs-based funding model.<sup>7</sup>

3.10 This chapter outlines the flaws contained in the current *Australian Education Act 2013* (the Act) and examines ways in which the bill seeks to address these issues.

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4 Mr Phillip Spratt, President, Australian Council of State School Organisations (ACSSO), *Proof Committee Hansard*, 2 June 2017, p. 32.

5 ACSSO, *Submission 13*, p. 1.

6 Dr Geoff Newcombe, Chief Executive, Association of Independent Schools of New South Wales (AISNSW), *Proof Committee Hansard*, 5 June 2017, p. 5.

7 Mr Angus Tulley, Principal, St Francis Xavier College, Catholic Secondary Principals Australia (CSPA), *Proof Committee Hansard*, 5 June 2017, p. 49.

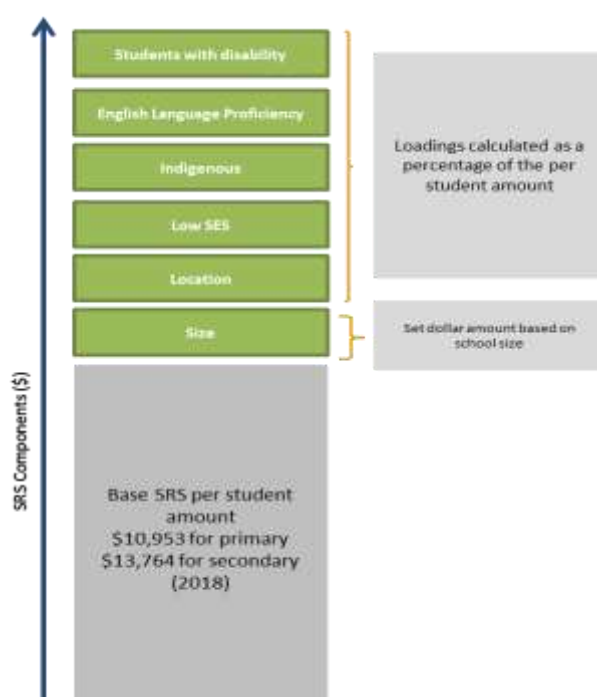
## Current funding distortions and inequities

3.11 The Act sets out the Schooling Resource Standard (SRS) intended to provide a base rate of funding, per student, for primary and secondary students. The base funding is discounted 'by the capacity of the school community to contribute income for non-government schools.'<sup>8</sup> The capacity to contribute is measured by non-government schools' socio-economic status (SES) score. The SRS base rate for both state and non-government schools are also supplemented with the following loadings for disadvantage, which are not dependent on, or distorted by schools' capacity to contribute:

- Indigenous students;
- students with disability;
- English language proficiency;
- socio-educational disadvantage; and
- school size and location.<sup>9</sup>

3.12 The figure below illustrates the base rate and disadvantage loading components of the SRS:

**Figure 3.1—Outline of the different components of the School Resource Standard<sup>10</sup>**



8 Department of Education and Training, *Submission 23*, p. 7.

9 Department of Education and Training, *Submission 23*, p. 7.

10 Department of Education and Training, *Submission 23*, p. 7.

3.13 Unfortunately, implementation of the Gonski review was flawed and has caused distortions in how funding is distributed, making it difficult to analyse and compare actual need between different schools. Furthermore, although the 2011 *Review of Funding for Schooling* envisaged that the SRS would be met through combined funding from federal and state governments in what is referred to as 'total public funding', there is currently no effective mechanism for tracking state funding. This means that Commonwealth entitlements cannot be adjusted according to state funding levels.<sup>11</sup> What has occurred is that state governments have reduced their funding levels, by cost-shifting to the Commonwealth. This issue is considered later in this chapter.

3.14 Furthermore, a mere handful of schools—96 out of 9390 Commonwealth-funded schools as at May 2017—are at present funded on the basis of the SRS as a result of the transition arrangements outlined by the Act. It is estimated that it would take another 150 years for all schools to transition to the SRS.<sup>12</sup> Under the Act, schools that are not on the standard, that is, the vast majority of schools, receive the same level of funding as the previous year. This level is:

...indexed by 4.7 per cent for schools that are estimated to receive total public funding below the SRS, and by 3.0 per cent for schools that are estimated to be above the SRS (262 in 2017).<sup>13</sup>

3.15 A key concern is that the current arrangements apply only to non-government schools and state schools in the three participating states (New South Wales, South Australia and the Australian Capital Territory).

3.16 In effect, the implementation of Gonski model as set out by the current Act means that funding is not genuinely needs-based. This is evidenced by the following:

- funding provided to the vast majority of schools primarily depends on historic levels of funding;
- historic differences in the contribution of Commonwealth funding are effectively locked in to future arrangements;
- the schools furthest below the standard receive the same indexation under the Act as those closest to the standard;
- during transition, the legislation does not allow funding to adjust to reflect changes in need at a school; and
- the most overfunded schools still receive a guaranteed 3.0 per cent annual increase in funding.<sup>14</sup>

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11 Department of Education and Training, *Submission 23*, pp. 7–8.

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

13 Department of Education and Training, *Submission 23*, p. 8. Indexation arrangements are discussed later in this chapter.

14 Department of Education and Training, *Submission 23*, p. 8. In these examples 'CW funding' refers to Commonwealth Funding.

3.17 Below are a series of examples for a defined period, provided by the department, of what this means for schools in practice.

**Figure 3.2—Examples of current funding arrangements in practice<sup>15</sup>**

**Example 1:**

In this example, an independent school in Queensland is compared to an independent school in South Australia, both with an SES of 117. The school currently below the SRS, however, receives \$3,817 less funding per student than the similar school above the SRS.

School currently above the SRS	Similar school below the SRS
Independent school in Qld SES – 117 2017 new SRS per student – \$5,164 2017 actual CW funding per student – \$8,030	Independent school in SA SES – 117 2017 new SRS per student – \$5,478 2017 actual CW funding per student – \$4,213 \$3,817 less per student than school above the SRS

**Example 2:**

In this example, an independent school in the ACT is compared to an independent school in Queensland, with similar SES scores of 119 and 118. The school currently below the SRS, however, receives \$4,098 less funding per student than the similar school above the SRS.

School currently above the SRS	Similar school below the SRS
Independent school in ACT SES – 119 2017 new SRS per student – \$5,126 2017 CW actual funding per student – \$7,998	Independent school in Qld SES – 118 2017 new SRS per student – \$5,168 2017 CW actual funding student – \$3,900 \$4,098 less per student than school above the SRS

**Example 3:**

The Australian Government funds each state government system as a block for all schools in the system. Students in NT government schools have higher need on average than students in WA government schools. In this example, a student with national average need in the government sector will attract more in an NT government school in 2017 than in a WA government school.

NT government schools	WA government schools
2017 new SRS per student on average – \$26,598 2017 CW funding for a student with national average need for sector – \$3,876	2017 new SRS per student on average – \$15,654 2017 CW funding for a student with average need (nationally) – \$2,290

**Example 4:**

The Australian Government funds each state Catholic system as a block for all schools in the system. Students in NT Catholic schools have higher need on average than students in ACT Catholic schools. In this example, a student with national average need in the non-government sector will attract more in an ACT Catholic school in 2017 than in an NT Catholic school.

ACT Catholic schools	NT Catholic schools
2017 new SRS per student on average – \$6,546 2017 CW funding for a student with national average need for sector – \$12,729	2017 new SRS per student on average – \$22,599 2017 CW funding for a student with average need (nationally) – \$6,823

3.18 These tables clearly demonstrate the effect of the special deals and inequity between students of the same need under the current model. They demonstrate that there is a funding gap between students within the same schooling system and of similar need of up to \$4000 per student depending on which of the 27 special arrangements apply. This is the same inequitable model that the Australian Education Union and the Federal Opposition continue to support despite the clear disparities in funding levels.

### **The consequences of failing to act**

3.19 As a consequence of the different levels of funding being provided in each state and territory, the share of current SRS funding provided by the federal government varies from 13 per cent for state schools in Western Australia to 18.3 per cent in Tasmania, with an average of 17 per cent for state schools. Under these current settings, only the Northern Territory receives more than 20 per cent.<sup>16</sup>

3.20 In addition, for non-government schools, the Commonwealth provides on average 72.7 per cent of the current SRS for Catholic schools and 71.9 per cent for independent schools. The department reports that there is significant variation across different state Catholic systems and between individual independent schools.<sup>17</sup>

3.21 Were these arrangements and transition to continue, the department estimates that around 5524 schools would still be left below the 95 per cent of the SRS by 2019. This figure includes 5050 state schools and translates to almost \$458 000 for every school.<sup>18</sup> The department estimates that, if current funding arrangements were to continue:

- only 116 schools that had managed to reach 100 per cent of the SRS, with 9018 schools still being funded below;
- 5,524 schools still left below the funding target of 95 per cent of the SRS by 2019, underfunded by an average of almost \$458 000 for every school; and
- around 256 schools receiving more than the full SRS by an average of \$1.2 million.<sup>19</sup>

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

17 Department of Education and Training, *Submission 23*, p. 10. Note that these proportions of Commonwealth funding to non-government schools differ from the overall transition figure which would result from the bill of 77 per cent in 2017. The former is calculated as total Commonwealth funding in 2017 as a percentage of the current SRS in 2017 base on settings in the current Act. The latter figure (77 per cent) differs because it involves a re-calculation of the base per student amounts, based on the original methodology but using the latest available data; uses new percentages for the Students with Disability loading based on the Nationally Consistent Collection of Data; has a modified capacity to contribute settings for non-government primary students; and removes the system-weighted SES scores.

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

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

3.22 Furthermore, these estimates are based on the existing SRS and funding arrangements and assume that all states would maintain funding growth. To date, only three states have signed agreements to do so. By failing to require states to maintain their share of funding, the Act also leaves open the possibility of state governments adjusting their funding level contributions for schools near the SRS so that schools could attract the maximum indexation rate for federal government funding.<sup>20</sup> This provides an incentive for state governments to game their funding arrangements under the current arrangements.

3.23 If arrangements under the Act are not changed, it is estimated that 6966 schools would still find themselves below the full SRS by 2027, by an average of around \$690 000 per school per annum. Further to this, the government estimates that if the Act continues to operate unamended, a transition to more consistent, needs-based funding is far from guaranteed—not within decades, or even within 150 years in some cases.<sup>21</sup>

### **SES scores and system weighted averages for non-government schools**

3.24 As outlined above, non-government schools' capacities to contribute are calculated by using SES scores. This model has been in place since the SES's inception, and was maintained following a review in 2006.<sup>22</sup>

3.25 At present, SES scores are calculated based on student residential addresses collected by the department, and a socio-economic index. The latter is based on the most recent available Census data provided by the Australian Bureau of Statistics (ABS) and includes factors such as actual parent's occupation and education.<sup>23</sup>

3.26 Using residential and socio-economic data, for some non-government schools the capacity to contribute is currently calculated using average SES scores applied to each school within a particular system. These 'system-weighted', average SES scores may mask individual school need:

- Schools with most need will have a higher SES applied than their individual school SES and will therefore attract a notional allocation of less funding.
- More affluent schools will have a lower SES applied than their individual school SES and will therefore attract higher notional levels of funding.<sup>24</sup>

3.27 In practice this means that schools that are part of a system funded under the current arrangements receive higher levels of funding than other, similar schools:

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

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

22 A further review into the low-socioeconomic loading within the SES was conducted in 2014. See Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Proof Committee Hansard*, 5 June 2017, p. 65.

23 Dr Stephen Farish, private capacity, *Proof Committee Hansard*, 2 June 2017, p. 2.

24 Department of Education and Training, *Submission 23*, p. 11.

Schools in the ACT Catholic system have the national weighted average SES of 101 applied rather than the state weighted average of 116. This means that instead of a capacity to contribute discount of 42.6 per cent for primary schools and 60.3 for secondary schools applied to its SRS base amount, the discount applied to ACT schools is only 13.5 per cent for primary schools and 27.5 per cent for secondary schools.

These arrangements have collectively resulted in poor targeting of available funding to need and significant distortions between systemic and non-systemic non-government schools with the same need.<sup>25</sup>

3.28 The department provided the following examples, illustrating the difference between schools with similar SES scores and SRS calculations:

**Figure 3.3—Examples of non-government schools with similar SES schools and SRS calculations**<sup>26</sup>

**Example 1:**

In this example, two non-government schools in NSW are compared. The first is a systemic school and the second is non-systemic. Both have an assessed SES of 121. The systemic school, however, has a system-weighted SES score of 101 applied in determining its notional funding entitlement. The systemic school receives a notional allocation of \$3,854 more per student than the non-systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in NSW SES – 121 (but given system average of 101)	Non-government non-systemic school in NSW SES – 121
2017 new SRS per student – \$5,728	2017 new SRS per student – \$5,636
2017 CW actual funding per student – \$7,262	2017 CW actual funding per student – \$3,408
	\$3,854 less per student than the systemic school

**Example 2:**

In this example, two non-government schools in Queensland are compared. The first is a systemic school and the second is non-systemic. Both have an assessed SES of 103. The systemic school, however, has a system-weighted SES score of 101 applied in determining its notional funding entitlement. The systemic school receives a notional allocation of \$3,593 more per student than the non-systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in Qld SES – 103 (but given system average of 101)	Non-government non-systemic school in Qld SES – 103
2017 new SRS per student – \$11,319	2017 new SRS per student – \$11,442
2017 CW actual funding per student – \$11,518	2017 CW actual funding per student – \$7,925
	\$3,593 less per student than the systemic school

25 Department of Education and Training, *Submission 23*, p. 11.

26 Department of Education and Training, *Submission 23*, pp. 11–12.



**Example 3:**

In this example, two non-government schools in the ACT are compared. The first is a systemic school and the second is non-systemic. The schools have similar SES scores of 118 and 119. The systemic school, however, has a notional average system-weighted SES score of 101 applied in determining its funding entitlement. The systemic school receives a notional allocation of \$3,559 more per student than the non-systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in ACT SES – 118 (but given national average of 101)	Non-government non-systemic school in ACT SES – 119
2017 new SRS per student – \$6,933	2017 new SRS per student – \$7,137
2017 CW actual funding per student – \$9,048	2017 CW actual funding per student – \$5,489
	\$3,559 less per student than the systemic school

**Example 4:**

In this example, two low SES non-government schools in NSW are compared. The first is a systemic school and the second is non-systemic. Both have an assessed SES of 94. The systemic school, however, has a system-weighted SES score of 101 applied in determining its notional funding entitlement. The non-systemic school receives a notional allocation of \$1,067 more per student than the systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in NSW SES – 94 (but given system average of 101)	Non-government non-systemic school in NSW SES – 94
2017 new SRS per student – \$12,281	2017 new SRS per student – \$12,407
2017 CW actual funding per student – \$7,566	2017 CW actual funding per student – \$8,645
	\$1,067 more per student than the systemic school

3.29 Given that approximately two-thirds of Commonwealth funds go to the non-government sector, all students who do not attend a state school should be treated the same by the Commonwealth with respect to their funding. However, the examples above illustrate the current funding distortions between non-government schools with the same level of need, reaching nearly \$4000 per student in some circumstances.

3.30 To address this inequality, the arrangements proposed by the bill mean that scores would be calculated using individual school circumstances, and would remove the system-weighted SES scores which contribute to funding inequities between similar schools across states and territories. Under the proposed reforms:

Systems, including state governments and Catholic systems and other non-government systems, will be provided with total funding for all member schools and will still be able to redistribute funding provided by the Commonwealth in the same way they are currently able to, according to their own needs based funding models that meet the requirements set out in legislation.<sup>27</sup>

3.31 Support for this measure came from a variety of stakeholders. The Mitchell Institute, a university education policy think tank in Victoria, stated:

This change enhances the transparency of Commonwealth funding allocations for nongovernment schools and the accountability of

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

nongovernment school systems, and has potential to improve needs-based funding allocations made by system authorities.<sup>28</sup>

3.32 Christian Schools Australia and Adventist Schools Australia also expressed support for this proposed change, arguing that it would provide 'a sustainable, transparent basis for the calculation of the [SRS] determined for an individual school'.<sup>29</sup> They also highlighted that the changes proposed merely refine the existing formula for determining need, they do not completely reshape the assessment.<sup>30</sup> The Independent Schools Council of Australia (ISCA), while noting that the new funding model may still result in 'winners' and 'losers' among individual schools, highlighted the overarching principle of consistency and the goal of establishing a 'level playing field' in outlining its support for the amendments.<sup>31</sup>

### **Should SES be calculated differently**

3.33 Despite questions around how SES is calculated the CIS concluded that a better alternative is presently not available:

However, it is not clear if there are in fact any viable alternative measures available to assess school parents' SES and calculate SES scores for the purposes of allocating school funding. It is preferable to have government funding allocated to non-government schools based at least in part on some measure of the school's capacity to charge fees.<sup>32</sup>

3.34 Dr Stephen Farish, appearing in a private capacity as the architect of the socio-economic model in place for non-government schools funding from 2000, agreed that a better model continues to elude policymakers, suggesting that an absolute measure of school communities' capacity to contribute may be impossible:

If you measure something at a point in time, it can change over time. If you measure something as simple as a household income, it can change next week because there is a separation of parents. Schools funding is prospective. Even if we measure a school in July, we are probably going to fund on that basis the next year, so it is already a year out of date. There is no way to do it absolutely perfectly.<sup>33</sup>

3.35 The ABS likewise highlighted difficulties which can arise when attempting to use tax information to assess capacity to contribute:

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28 Mitchell Institute, Submission 45, p. 2. See also AISNSW, *Submission 21*, p. 7.

29 Adventist Schools Australia and Christian Schools Australia, *Submission 6*, p. 2.

30 Adventist Schools Australia and Christian Schools Australia, *Submission 6*, p. 2.

31 Independent Schools Council of Australia (ISCA), *Submission 8*, p. 24.

32 CIS, *Submission 10*, p. 16.

33 Dr Stephen Farish, private capacity, *Proof Committee Hansard*, 2 June 2017, p. 7.

...people structure their incomes in different ways; they might use businesses or they may not declare income. So the tax data, while it has some strengths, also has some significant weaknesses...<sup>34</sup>

3.36 The committee notes, however, robust evidence supporting the use of the SES model as the backbone of any future arrangement. Given that income levels can be hidden and reported figures may not always be an accurate portrayal, using data on parents' education levels and occupation continues to be the best available method of ascertaining a family's socio-economic status.<sup>35</sup>

3.37 The committee also notes that SES determinations are able to be appealed if necessary however. This means that, where anomalies in SES calculations occur and schools do not meet general SES district profile outcomes, they may appeal the SES initially assigned. This appeal mechanism would carry forward under the proposed legislation.<sup>36</sup>

3.38 The Gonski review recommended a review of the SES methodology.<sup>37</sup> Given the current Act uses this methodology the evidence does not support a change as yet.

### **Indexation of the SRS base amount**

3.39 The bill proposes new indexation arrangements for SRS base funding amounts, driven by the need to better reflect changing costs. The department set out details of the new arrangements:

For 2018, 2019 and 2020 it is intended that the SRS indexation factor will be set through regulation at 3.56 per cent to give effect to the Government's 2016-17 Budget commitment to index funding at 3.56 per cent from 2018 to 2020.

From 2021, indexation will be calculated under the Act. Indexation of the SRS base amount will be whichever is the higher of three per cent or a floating indexation rate based on economy wide measures.<sup>38</sup>

3.40 The floating indexation rate cited above would be based on:

...75 per cent Wage Price Index (WPI) and 25 per cent Consumer Price Index (CPI), as historical school education expenditure shows that wages comprise approximately 80 per cent of government schools operating costs and 70-74 per cent of non-government schools operating costs.<sup>39</sup>

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34 Dr Paul Jelfs, General Manager, Population and Social Statistics Division, Australian Bureau of Statistics (ABS), *Proof Committee Hansard*, 5 June 2017, p. 56.

35 Dr Stephen Farish, private capacity, *Proof Committee Hansard*, 2 June 2017, p. 7.

36 Mr Leonard Hain, Executive Director, Australian Council of Jewish Schools, *Proof Committee Hansard*, 2 June 2017, p. 17.

37 Mr David Gonski AC, Mr Ken Boston AO, Ms Kathryn Greiner AO, Ms Carmen Lawrence, Mr Bill Scales AO, and Mr Peter Tannock AM, *Review of Funding for Schooling*, Final Report, December 2011, p. xxi.

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

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

3.41 The indexation rate would be updated annually from 2021, based on latest indicators.<sup>40</sup>

3.42 Changes to indexation were broadly welcomed by submitters. For example Mr Mark Spencer, the Executive Director of National Policy at Christian Schools Australia told the committee:

We are welcoming the return, in time, to a floating indexation rate, which we think is a more appropriate and sustainable approach to indexing school funding going forward.<sup>41</sup>

3.43 Witnesses representing the Grattan Institute suggested that schools should be moved to the floating indexation rate sooner than 2021:

The next three years are the time when wages growth is particularly historically low. I would accept an argument that says: 'Next year, give certainty—say, 3.56 per cent—but the following two years, schools should be on the floating indexation rate.' Given all of the forecasts that wages growth will still be low in that time, that tends to reduce the overall target and frees up money, and that money, we argue, should go to get underfunded schools there much more quickly.<sup>42</sup>

3.44 CIS called the proposed changes to the indexation method 'a practical improvement', agreeing with the Grattan Institute's suggestion that the floating rate could be applied from 2019.<sup>43</sup> CIS did, at the same time, question the need for a minimum 3 per cent indexation rate:

This could see government spending on schools rise inconsistently with the economy, and defeats the purpose of having the SRS indexed based on actual costs to better reflect the needs of schools.<sup>44</sup>

### **Impact on schools and particular cohorts**

3.45 If enacted, the bill would commit the Commonwealth to increasing its share of the SRS from 17 to 20 per cent for government, and from 77 to 80 per cent for non-government, schools by 2027. The committee received evidence from a broad range of witnesses discussing the implications of the bill on particular school sectors and student cohorts, including:

- state schools;
- Non-government school;
  - independent schools;

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

41 See for example Mr Mark Spencer, Executive Director, National Policy, Christian Schools Australia Limited, *Proof Committee Hansard*, 2 June 2017, p. 19. See also page 23.

42 Dr Peter Goss, School Education Program Director, Grattan Institute, *Proof Committee Hansard*, 2 June 2017, p. 16.

43 CIS, *Submission 10*, p. 4.

44 CIS, *Submission 10*, p. 4.

- Catholic schools;
  - rural and regional schools;
  - Indigenous students; and
  - students with disability.
- 3.46 These are set out in turn below.

### State schools

3.47 The state schools sector has approximately 2.5 million students, representing 65.4 per cent of current enrolment in education, and operates approximately 70 per cent of schools in Australia.<sup>45</sup>

3.48 Despite significant government contributions in recent years, a considerable proportion of schools received funding below their specified SRS levels in the years to 2017. CIS provided the following table:

**Figure 3.4—State schools systems per-student funding and percentage of SRS reached in 2017 by state/territory system<sup>46</sup>**

State/territory	Federal government funding per student (\$)	State/territory government funding per student (\$)	Total government funding per student (\$)	% of SRS reached in total government funding
NSW	2,747	11,134	13,881	89.07%
VIC	2,571	9,999	12,570	83.16%
QLD	2,857	11,696	14,554	91.21%
SA	2,597	11,853	14,450	87.80%
WA	2,242	14,827	17,069	98.70%
TAS	3,271	13,533	16,804	94.19%
ACT	2,208	13,364	15,572	113.00%
NT	5,899	17,224	23,124	90.10%

3.49 Views on the bill from the state school perspective were mixed, with some concerns being raised about the proposed share of Commonwealth funding.

3.50 Submissions from the South Australian, Western Australian and Victorian governments did not support the bill, suggesting that the proposed reforms would not benefit students in those states.<sup>47</sup>

3.51 A submission from the Australian Education Union News South Wales Teachers Federation states that the proposed bill would 'cut \$846 million (based on NSW Department of Education data) from NSW state schools in 2018 and 2019.'<sup>48</sup> This is echoed in a submission from the national office of the Australian Education

45 Mr Phillip Spratt, President, ACSSO, *Proof Committee Hansard*, 2 June 2017, p. 27.

46 CIS, *Submission 10*, p. 10.

47 See South Australian Government, *Submission 26*; West Australian Government, *Submission 48*; Victorian Government, *Submission 47*.

48 Australian Education Union (AEU) NSW Teachers Federation, *Submission 4*, p. 2.

Union (AEU), which argues that the bill would result in state schools being under-resourced while private schools are over-resourced.<sup>49</sup>

3.52 However, claims that school funding is being cut are erroneous. ABC Fact Check examined these claims and concluded they were 'misleading':

Commonwealth budgets set out spending over a four year period.

According to the 2017-18 budget handed down on May 9, Commonwealth schools funding will continue to rise every year.

And a recent projection released by the Government predicts that funding will continue to increase over the next ten years.

Based on Labor's stated commitments and the Government's own document, Labor intends to spend more on schools in the future than the current Government.

But this does not change the fact that school funding continues to rise year on year.<sup>50</sup>

3.53 In fact, under the government's proposal funding is due to increase by 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>51</sup>

3.54 Estimates from the department demonstrate for the state sector alone, school funding is projected to grow by 5.1 per cent per annum to 2027.<sup>52</sup>

3.55 Under the proposed funding model, the department explained, funding per student would grow in real terms:

The schools that are furthest behind will receive the fastest increase in funding and funding for government schools will grow more quickly than for non-government schools.<sup>53</sup>

3.56 The department added that increases in funding for the state school sector are projected to be 'well above inflation, wages growth and the maximum annual increase for participating jurisdictions legislated' under the existing Act.<sup>54</sup>

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49 AEU, *Submission 36*, p. 4.

50 ABC Fact Check, *Fact check: Has the Government cut \$22 billion from schools?*, 5 June 2017, [www.abc.net.au/news/factcheck/2017-06-05/fact-check-has-the-government-cut-22bn-from-schools/8526768](http://www.abc.net.au/news/factcheck/2017-06-05/fact-check-has-the-government-cut-22bn-from-schools/8526768), (accessed 13 June 2017).

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

52 Department of Education and Training, *Submission 23*, p. 17.

53 Department of Education and Training, *Submission 23*, p. 18.

54 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, Proof Committee Hansard, 5 June 2017, p. 55.

3.57 The committee also discussed state school funding with Mr Phillip Spratt, President of ACSSO. ACSSO, representing the interests of parents with children in the state school system, offered in-principle support for the intentions of the bill, seeing the bill as an opportunity to improve educational outcomes:

In all of this, we recognise that education funding is highly complex. There are no absolute right or wrong answers in this. It is a truly wicked problem. As a wicked problem, there are only really better or worse outcomes. If we are looking at the bill having the potential to produce a better outcome than what currently exists, it is our considered view that it does have that opportunity.<sup>55</sup>

3.58 ACSSO explained that Commonwealth contributions into the SRS for state schools currently average at about 16 or 17 per cent. If the bill is enacted, this would rise to 20 per cent. ACSSO supported this rise as an improvement on the status quo, and advocated for all sides of politics to work together to ensure the nation's state schools are well funded.<sup>56</sup>

### **Non-government schools**

3.59 If enacted, the proposed legislation would see annual funding for independent schools increase by 4.1 per cent per student over the next decade according to their student need.<sup>57</sup> This was welcomed by the sector,<sup>58</sup> and offers independent schools a considerable degree of funding certainty and predictability, levelling the playing field between similar schools:

Making at least some recurrent funding provision for all school students, irrespective of the school they attend, acknowledges that school education delivers a public benefit. It is also a token acknowledgement that an equity issue exists when children of wealthy families attending government-owned schools are fully supported by the public purse while parents of lesser means are financially penalised because they choose to enrol their children in non-government schools.<sup>59</sup>

3.60 Speaking on behalf of the ISCA—the national peak body representing the independent school sector—Ms Colette Colman, Executive Director, welcomed efforts to ensure that similar non-government schools have access to similar levels of funding:

[I]t is ISCA's view that setting the Commonwealth share at 80 per cent for all non-government schools will mean that schools serving similar

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55 Mr Phillip Spratt, President, ACSSO, *Proof Committee Hansard*, 2 June 2017, p. 27.

56 See discussion with Mr Phillip Spratt, President, ACSSO, *Proof Committee Hansard*, 2 June 2017, pp. 27–40.

57 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Proof Committee Hansard*, 5 June 2017, p. 55.

58 See for example Mrs Karen Spiller, National Chair, Association of Heads of Independent Schools of Australia (AHISA), *Proof Committee Hansard*, 5 June 2017, p. 40.

59 AHISA, *Submission 12*, p. 3.

communities will be entitled to similar funding, creating a level playing field for all non-government schools, including within the independent sector itself.<sup>60</sup>

3.61 Ms Colman explained that current arrangements under the Act have resulted in funding inconsistencies across non-government schools. According to student need the proposed reforms would benefit the majority of independent schools, Ms Colman noted, some would not be better off:

In addition to a small number of schools that will experience negative growth at some point during the 10-year transition, ISCA estimates that 423 independent schools, or 38 per cent of the sector, will receive lower funding growth under the proposed changes as compared to the current act, and some additional schools may also fall into this category over the projected 10-year transition.<sup>61</sup>

3.62 Overall, however, ISCA recognised that the proposed legislation represents an improvement for most independent schools and on that basis expressed support:

ISCA believes that the provision of a level playing field for funding for non-government schools will enable consistent funding to address educational disadvantage. Therefore, despite adverse impacts of the proposed changes on individual independent schools, ISCA supports the proposed funding arrangements, which will ultimately see all non-government schools funded on a consistent basis.

...I guess it is not realistic for the independent sector to call for a level playing field and then not accept the impact on individual independent schools of the changes necessary to create that outcome.<sup>62</sup>

3.63 The AISNSW addressed public perceptions that certain schools within the sector are receiving considerable public funding to maintain parental choice, rejecting this view and explaining that a 4.1 per cent increase in funding is in fact a modest increase:

I think a 4.1 per cent annual increase is not a windfall gain in the context of schools funding. I think it is really disappointing that so much attention is given to those schools.<sup>63</sup>

3.64 The committee notes evidence given by the Executive Director of Independent Schools Queensland, who advocated strongly for equity and fairness in school funding, and a sector-blind funding model which would see all children supported irrespective of which school they attend according to their need:

I think a true equitable funding system is that where a child moves from one school to another, they will be treated the same way for funding purposes.<sup>64</sup>

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60 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 1.

61 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 1.

62 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 2.

63 Dr Geoff Newcombe, Chief Executive, AISNSW, *Proof Committee Hansard*, 5 June 2017, p. 13.



3.65 Overall, Catholic schools across Australia will receive a funding boost as a result of the bill according to need. If enacted, the proposed legislation would see annual funding for the Catholic school system increase by 3.5 per cent per student over the next decade. As a result, depending on distributional arrangements across the Catholic sector, it would be possible for every Catholic school to have reached the 80 per cent SRS funding benchmark by 2027.<sup>65</sup>

3.66 The NCEC advocated for system-based funding and did not support the transition arrangements set out by the bill, submitting that its internal analysis suggested a resultant reduction in funding for 617 systemic Catholic schools in 2018, or 37 per cent of systemic Catholic schools nationwide. Almost 200 of these schools, the NCEC added, would receive less funding in 2027 than they do in 2017.

3.67 The committee examined the evidence available on funding for the Catholic school sector, noting that the average per student funding level is projected to grow from \$8839 to \$12 493 over ten years from 2017.<sup>66</sup> This is a significant funding increase. Departmental figures show that Commonwealth funding per student will remain higher for Catholic schools in 2027 than for schools in any other sectors.<sup>67</sup>

3.68 The committee notes that, even by the NCEC's calculations, the majority of Catholic schools would receive a funding increase under the proposed arrangements. Overall, less than one per cent of non-government schools, a sector which includes Catholic schools, will experience negative growth over the next four years.<sup>68</sup>

3.69 Between 2018 and 2021 the overwhelming majority of Catholic schools across the country will experience average annual increases in funding per student of between 2.5 to 5 per cent.<sup>69</sup>

3.70 The committee also notes that a \$39.8 million adjustment assistance fund has been established to support any disadvantaged and vulnerable schools. Furthermore, the ACT Catholic system would have its 2017 funding entitlement maintained for a full four years until 2021, and consultations are currently underway around eligibility criteria.<sup>70</sup>

### **Rural and regional students**

3.71 Rural and regional students will benefit significantly from the government's Gonski 2.0 school funding package:

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64 Mr David Robertson, Executive Director, Independent Schools Queensland, *Proof Committee Hansard*, 5 June 2017, p. 14.

65 Department of Education and Training, *Submission 23*, p. 17.

66 Department of Education and Training, *Submission 23*, p. 18.

67 Department of Education and Training, *Submission 23*, p. 18.

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

69 Department of Education and Training, *Submission 23*, p. 19, see Figure 12.

70 Department of Education and Training, *Submission 23*, p. 19.

Rural and regional schools have particular needs, which are reflected in the needs based model that is being applied. Of the \$18.6 billion of additional funding, a sizeable amount of the growth will be experienced outside of metropolitan areas in those schools of high need. I have spoken before today about the 4,000-plus government schools that will experience growth in excess of five per cent per student per annum under the reforms. The school location loading, which tries to pick up for schools in particular regional areas, has strong growth over the next few years in terms of funding flowing there—around six per cent per annum growth driven by the regionality of schools. With all the other particular loading factors—Indigenous students we have just discussed—strong representation in rural and regional areas will bring additional funding into those schools.<sup>71</sup>

3.72 Overall, rural and regional will receive a funding boost of 84 per cent from 2017 to 2027, from \$3.9 billion in 2017 to \$7.2 billion in 2027.<sup>72</sup>

3.73 Departmental representatives explained the evidence that supports the size and location loading under the proposed funding model:

There is a range of evidence—and there is substantial evidence in NAPLAN data—indicating that the outcomes, unfortunately, are not as high as they are in metropolitan areas. There are a range of reasons for that—everything from accessing services and being in a rural and remote location. This loading recognises that the costs of schooling in those locations can be, and often are, higher than in metropolitan locations because of getting services out to the school and also the size. Having worked in small schools of one or two teachers myself, I know that economies of scale make a huge difference to what happens in schools. A small school of one or two teachers still has to pay the same sort of cost for cleaning and things like that; they just cannot benefit from the economies of scale of a large school of 2,000 or 3,000 students. So the size loading recognises that, and the importance of that, in providing additional funding to schools in rural and remote locations.<sup>73</sup>

3.74 The Northern Territory Department of Education explained that students living in remote areas face a number of disadvantages, and the cost of providing educational services in these areas is significant:

Very remote students live in relatively small, highly disbursed communities and homelands where families choose to remain living close to country and culture. In these areas, there is limited infrastructure, little or no economy, and populations that do not use English as a first language. The cost of providing education services to these communities are increased by the need for specialised services such as those that support English as an Additional Language learning, modifications to account for student health

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71 Senator the Hon Simon Birmingham, Minister for Education and Training, *Estimates Committee Hansard*, 1 June 2017, p. 121.

72 Mr Tony Cook, Department of Education, *Estimates Committee Hansard*, 1 June 2017, p. 121.

73 Mr Tony Cook, Department of Education, *Estimates Committee Hansard*, 1 June 2017, p. 121.

issues such as conductive hearing and poor nutrition, and intensive early learning development programs such as Families as First Teachers. Non-local teachers substantially make up the workforce in these communities which further compounds the cost of services to cover relocation and remote living provisions, including those associated with housing infrastructure.<sup>74</sup>

3.75 The department also explained that many students in the Northern Territory—particularly in remote communities—face additional disadvantages by virtue of social and economic disadvantage, parents with low levels of education and low workforce participation, poor health, inadequate housing, and family violence.<sup>75</sup>

### **Aboriginal and Torres Strait Islander students**

3.76 Departmental representatives explained that while the Indigeneity loading remains as it is in the current act, there is significant additional funding. Over the next four years there is an increase of 46 per cent for Indigenous students compared to the last four years. Over the next ten years the loading will grow from \$319 million in 2018 to \$539 million in 2027.<sup>76</sup>

3.77 Ms Colette Colman, Executive Director of ISCA, explained that some independent schools have an Indigenous enrolment of over 50 per cent, and that the proposed amendments will support those schools.<sup>77</sup> ISCA highlighted the complex educational needs of indigenous students, as well as the barriers to education:

The needs of all Indigenous students, particularly those from remote communities, have similarities in that their educational levels are often behind those of their non-Indigenous peers, many students have significant social and health issues and many have disruptive home lives and disrupted educational journeys. The context and educational environment means that the needs of Indigenous students, and thus of the schools, teachers and support staff, vary by the educational environment.<sup>78</sup>

### **Students with a disability**

3.78 The Department of Education and Training outlined the challenges associated with commenting on the level of funding provided to individual schools in relation to students with disability:

For the majority of schools by far, disability funding will be allocated through their own system's disability mechanisms, as they have been in the past. It is a little hard for me to comment on a school level, because the Queensland government, for example, would distribute their disability

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74 Northern Territory Department of Education, *Submission 44*, p. 2.

75 Northern Territory Department of Education, *Submission 44*, pp. 2–3.

76 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Committee Hansard*, 5 June 2017, p. 120.

77 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 15.

78 ISCA, *Submission 8*, p. 13.

funding as they have always distributed their disability funding through the Queensland government disability mechanism that they actually have in that state.<sup>79</sup>

3.79 Under the current funding arrangements inherited from the previous government, the Commonwealth's contribution to the states, territories and non-government school sectors for students with disability was provided on the basis of how that state or territory defined a disability—and this definition varied by state and territory. This meant a student with a behavioural disorder at state schools in the Northern Territory and Victoria would attract an Australian Government disability loading, whereas students with a behavioural disorder in other jurisdictions do not.

3.80 The Gonski Review recommended that the disability loading should be based on a more national definition of disability.

3.81 The bill proposes to transition Commonwealth funding from the current different state by state arrangements, to the Nationally Consistent Collection of Data (NCCD) on School Students with Disability that has been developed with the states and territories since 2008. The NCCD provides national definition of a student with disability and groups students by the level of support they actually need to access and participate in learning in the classroom, based on teacher assessments. The bill from 2018 provides increasing levels of funding for the three levels of additional support needed by a student with disability—supplementary, substantive and extensive—to reflect the level of support they need to participate in and succeed at school.

3.82 This will mean fairer and better targeted funding for students with disability—regardless of their state or the school they attend. And the ten year transition will allow the NCCD data to be further refined.

3.83 Mr Matthew Johnson, Vice President of the Australian Special Education Principals Association (ASEPA) commended the proposed introduction of an inclusive school funding model for students with disability, positing that the current model treats such students merely as a 'bolt-on'.<sup>80</sup> He submitted that while the proposed new model would see an increase in recurrent federal funding for students with disability, the transition period of 10 years is far too long for vulnerable students to wait.<sup>81</sup>

3.84 Ms Colette Colman of ISCA commented that the proposed inclusion of a differential loading for students with a disability was positive, noting that the available modelling indicates that this would have a significant impact on the funding entitlements of different independent schools.<sup>82</sup> Dr Geoff Newcombe of AISNSW similarly submitted that the proposed amendments appeared to much fairer to students

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79 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Committee Hansard*, 5 June 2017, p. 72.

80 Mr Matthew Johnson, Vice President, Australian Special Education Principals Association (ASEPA), *Proof Committee Hansard*, 5 June 2017, p. 42.

81 Mr Matthew Johnson, Vice President, ASEPA, *Proof Committee Hansard*, 5 June 2017, p. 42.

82 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 2.

with disability, because even higher SES schools would receive increased funding for those children.<sup>83</sup> Dr Newcombe argued that under the current legislation, in some instances it is the parents of private school students who are subsidising the cost of education for students with disability:

If you have a parent at a school such as King's, or Shore, or Knox, or whatever—any of those—they are paying with their after-tax dollars and they are contributing towards running costs. They are actually contributing, in many cases, towards children with disability that are children of other parents at the school, because where else does the money come from? It does not come from the government... If that parent moves their child to a government school, and let's say the parents are of similar wealth, then automatically that funding rises to \$16,000, and the parents are not asked to contribute. If a child with a disability comes into the school, that parent does not have to contribute, whereas in an independent school they probably do. I am not saying they object to that; I am talking about an equity situation.<sup>84</sup>

3.85 The Association of Independent Schools of the ACT Incorporated likewise expressed its support for the proposed new loadings, arguing that they recognise the 'increased complexity of support and adjustment required in school settings to meet the needs of individual students'.<sup>85</sup>

### **The need for states to maintain contribution levels**

3.86 Commonwealth funding for government schools rose by 72.4 per cent from 2005-06 to 2014-15, and by 25.7 per cent for non-government schools over the same period. In stark contrast, state and territory funding over the same period increased by 9.4 per cent for government schools and 10.6 per cent for non-government schools. These figures are noteworthy because:

[I]t is important to recognise that states and territories are the majority funders of schooling in Australia and have constitutional responsibility for the delivery of school education and that government and non-government education authorities distribute Commonwealth funding within their systems according to their own needs based funding formulas.<sup>86</sup>

3.87 The bill would introduce a requirement for states to ensure that the level of real, per student funding they provide is at least maintained as a condition of Commonwealth funding. Specifically, where total public funding is below the SRS,

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83 Dr Geoff Newcombe, Chief Executive, AISNSW, *Proof Committee Hansard*, 5 June 2017, p. 10.

84 Dr Geoff Newcombe, Chief Executive, AISNSW, *Proof Committee Hansard*, 5 June 2017, p. 14.

85 Association of Independent Schools of the ACT (AISACT), *Submission 38*, p. 4.

86 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Proof Committee Hansard*, 5 June 2017, p. 55.

states would need to at least maintain their funding at the percentage of the SRS in place in 2017.<sup>87</sup>

3.88 Should states fail to meet these new requirements, the Minister may:

- determine (in writing) that the amount of financial assistance payable to the state or territory is reduced by a specified amount
- delay making a payment (or part of one) to a state or territory until the non-compliance, breach or failure is rectified.<sup>88</sup>

3.89 Some submitters did not support placing this requirement on the states and territories. The CIS, for example, was of the view that state and territory governments should retain discretion over how they adjust their school funding budgets:

It is important that states and territories have the option of spending money on schools more effectively, rather than be forced to simply spend the same amount or more.<sup>89</sup>

3.90 Others opposed the measure for different reasons, with the AEU suggesting that requiring funding levels to be maintained was insufficient:

Just yesterday, in Senate estimates the Minister for Education Simon Birmingham admitted that if states just maintain their 2017 share of funding—which is the only condition required to receive funding under this legislation—then public schools in five states and territories will still be under-resourced in 10 years.<sup>90</sup>

3.91 The above assertion is unfounded, however, as maintenance of funding at 2017 levels is not the only requirement the bill seeks to place to states and territories. If passed, the bill would also require the following from states and territories as conditions for Commonwealth funding:

- implementing national policy initiatives as agreed by the Council of Australian Governments (COAG) Education Council;
- signing up to a national agreement on school education and fulfilling obligations under the agreement; and
- entering bilateral agreements with the federal government in relation to the implementation of school education reform for both government and non-government schools, and meeting obligations under these agreements.<sup>91</sup>

3.92 The committee is satisfied that the above requirements are strong enough to ensure that maintenance of funding at certain levels is accompanied by meaningful policy initiatives.

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87 Explanatory Memorandum, p. 7.

88 Department of Education and Training, *Submission 23*, p. 20.

89 CIS, *Submission 10*, p. 18.

90 Ms Correna Haythorpe, Federal President, AEU, *Proof Committee Hansard*, 2 June 2017, p. 42.

91 See proposed section 59, Australian Education Amendment Bill 2017.

## National Schools Resourcing Body

3.93 The original Gonski report recommended that an independent body (the National Schools Resourcing Body) be established, and that it should be responsible for the ongoing indexation and review of the SRS.<sup>92</sup>

3.94 Several submitters raised this recommendation during the course of this inquiry. The Grattan Institute recommended that the Commonwealth establish this body in order to strengthen funding governance arrangements, to ensure that neither tier of government unfairly favour a specific schooling sector,<sup>93</sup> and to ensure that school funding is kept at 'arms length' from politics.<sup>94</sup> Save our Schools agreed with this suggestion, advocating for its establishment to 'ensure that funding for schools is based on the principles of equity, efficiency and effectiveness'.<sup>95</sup> ACSSO echoed these calls to establish this independent body.<sup>96</sup>

## Improved transparency mechanisms

3.95 The proposed amendments will improve the transparency of Commonwealth funding by including additional annual reporting requirements on the Minister, through the publication of Commonwealth funding for all schools:

The complexity, and inconsistency, that is inherent in calculating and providing recurrent funding for schools under the Act using six differing methodologies, gives rise to potential uncertainty for the schooling sector, creates potential inequity and confusion in relation to Commonwealth schools funding, and limits opportunities for consistency and transparency in relation to the distribution of such funding.

Amendments provided in Parts 1 and 2 of Schedule 1 to the Bill will ensure that recurrent funding for all schools is calculated from 1 January 2018 under Divisions 2 and 3 of the Act, no matter whether such schools are government or non-government, and in which state or territory they are located. These amendments will ensure that, from 1 January 2018, there is a consistent and transparent basis for the calculation of recurrent funding for schools under the Act. This will include the direct calculation and attribution of needs-based funding loadings and a single methodology for such calculation.<sup>97</sup>

3.96 There was broad spread support for the proposed transparency measures from across the various schooling sectors.

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92 Mr David Gonski AC, Mr Ken Boston AO, Ms Kathryn Greiner AO, Ms Carmen Lawrence, Mr Bill Scales AO, and Mr Peter Tannock AM, *Review of Funding for Schooling*, Final Report, December 2011, p. xviii.

93 Grattan Institute, *Submission 33*, p. 3.

94 Grattan Institute, *Submission 33*, p. 16.

95 Save our Schools, *Submission 40*, p. 3.

96 ACSSO, *Submission 13*, p. 3.

97 Explanatory Memorandum, pp. 7 and 16.

3.97 For example ACSSO welcomed these enhanced transparency mechanisms, and suggested that they could be further enhanced by 'including all sources of school income such as property, investments, donations and legacy disbursements'.<sup>98</sup>

3.98 The Australian Association of Christian Schools likewise applauded the measures of transparency contained within the bill, describing them as 'a refreshing feature of this policy initiative'.<sup>99</sup>

3.99 AISNSW agreed that the proposed amendments will enhance the level of transparency in school funding, benefiting independent schools and their communities.<sup>100</sup>

### **Committee view**

3.100 It is the view of the committee that the Australian Education Amendment Bill 2017 will, if fully enacted:

- create a system for publicly funding schools that is fair, transparent,
- ensure the highest levels of funding growth will occur where need is greatest, and
- put an end to students with the same needs being treated differently depending on where they live.

3.101 The committee acknowledges that whilst some concerns have been raised about the clarity of some details, the overwhelming nature of the submissions received in relation to the bill has been favourable, and that the proposed changes are on balance far superior to the system of school funding that presently exists.

3.102 The committee notes that with funding to state schools set to increase by 5.1 per cent per student per annum over 2017–2027 if the bill is enacted—a rate of growth faster than both the Catholic and Independent sectors—government state schools are the big winners from the government's school funding reforms, which under existing current arrangements would see a maximum annual growth of 4.7 per cent.

3.103 The changes set out in the bill will, if enacted, sweep away the complex, opaque and unfair school funding system entrenched by the previous government, which struck no fewer than 27 separate funding arrangements with the states and other stakeholders in education delivery.

3.104 The committee welcomes the fact that the current differential funding treatment of students in the same sector with the same needs, based on which state they live in, will come to an end.

3.105 With two-thirds of primary and secondary students in Australia attending a state-run school, it logically follows that the greatest number of students with high

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98 ACSSO, *Submission 13*, p. 2.

99 Australian Association of Christian Schools, *Submission 18*, p. 4.

100 AISNSW, *Submission 21*, pp. 6, 10.



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levels of need (e.g. rural and regional-based students, those from economically disadvantaged backgrounds, etc) are educated in government schools. The package delivers an average increase of 94 per cent in Commonwealth recurrent funding to state schools from 2018 to 2027, with total recurrent funding to state schools of \$100.8 billion over the same period.<sup>101</sup>

3.106 If a truly national, consistently-applied school funding system is adopted, then by definition those students with the greatest needs will receive the most funding. To this end, the committee is satisfied that the changes in the bill will finally target the most money to students most in need of it: this was the objective of the original review of school funding in Australia conducted by David Gonski AC in 2011.

3.107 In fact, the committee recognises the government's commitment to students in regional and remote schools, with some \$57.5 billion allocated to schools in these areas from 2018 to 2027.

3.108 The bill provides for a loading of \$4.2 billion over ten years to ensure the needs of indigenous students are met.

3.109 Further, it is also the view of the committee that the changes contained in the bill will help ensure that schools are adequately resourced to provide education to students with disabilities.

3.110 The replacement of the current catch-all 'student with disability' loading with a three-tiered disability loading will better enable proper targeting of resources to cater for the needs of these students, and in turn enhances the targeting of the most money to students who need it most even further.

3.111 The committee also welcomes the government's continued recognition in this bill of the special circumstances that apply to the Northern Territory, where 48 per cent of children aged 0–12 live in locations classified as 'remote' (as opposed to 3 per cent nationally) and 42 per cent are indigenous—the greatest proportion of any state or territory—as opposed to 6 per cent nationally. Additionally, more than 37 per cent of students in state schools in the Northern Territory have a first language other than English. The committee is therefore pleased to see \$35.6 million, over and above the Northern Territory's direct funding allocation, is earmarked in the bill to accelerate and improve outcomes for these otherwise severely disadvantaged students.

3.112 By increasing Commonwealth funding for all state schools to 20 per cent of the SRS over 10 years (including loadings for need) and requiring those states and territories currently below 100 per cent of the SRS to at least maintain their share of the SRS as it was in 2017, the changes prevent cost shifting from the states to the Commonwealth and leaves states responsible to their own constituencies for their funding arrangements.

3.113 This also means that state and territory governments will be accountable for meeting their obligations under the 80:20 state-Commonwealth funding split: should

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101 Department of Education and Training, *New fairer school funding from 2018*, [https://docs.education.gov.au/system/files/doc/other/new\\_fairer\\_school\\_funding\\_2018.pdf](https://docs.education.gov.au/system/files/doc/other/new_fairer_school_funding_2018.pdf).

the bill be enacted, the committee observes that the Commonwealth's component of funding to schools will be fixed, save for indexation changes from year-to-year that can easily be calculated. The committee accepts that the bill, if passed into law, is unable to compel states to meet their 80 per cent funding obligations. But as noted, it will prevent them from shifting costs to the Commonwealth in the form of claims for higher indexation, meaning any state or territory government that chooses not to fully fund its obligations will be responsible for its decision not to do so, and the committee regards this as a welcome (and overdue) development.

3.114 Similarly, increases in Commonwealth funding for non-government schools to 80 per cent of the SRS (plus loadings), as the primary public funder of this sector, will deliver additional funding based on need for all students enrolled in Independent and Catholic schools.

3.115 In the case of school systems in the non-government sector, the committee acknowledges that those which have hitherto redistributed Commonwealth funding monies will be free to continue to do so.

3.116 The committee notes that in such cases (as applies in the Catholic education sector, for instance) the Commonwealth's contribution of school funding is made as a lump sum and paid directly to the central administration of the system, which at its absolute discretion and without input or direction from the Commonwealth redistributes monies to individual schools. This has historically been standard practice, and the bill contains nothing that will alter these arrangements if enacted.

3.117 Another aspect of the bill the committee welcomes is the transparency it brings to future funding arrangements for indexation of the Commonwealth's contribution from year-to-year, which from 2021 is to be whichever is higher of a minimum 3 per cent increase per annum and a weighted 'floating indexation rate' based on the Wage Price Index (75 per cent) and the Consumer Price Index (25 per cent) to ensure long-term certainty for schools and parents, enabling them to plan ahead, whilst making sure that schools funding reflects real economic conditions and remains ahead of inflation and other cost pressures.

3.118 The aim of the bill is to ensure that school funding across Australia is based on need, and is allocated fairly between states, schools, and sectors. The committee is satisfied that the bill will achieve these goals.

3.119 And where the relatively small number of schools that are already over-resourced in terms of the SRS are concerned, individual schools which are particularly disadvantaged or vulnerable will be able to apply for allocations from a transitional adjustment fund totalling \$39.7 million over 10 years to help make up any shortfall that may occur in the short to medium term whilst funding to under-resourced schools is increased during this period.

3.120 The committee observes that in overall terms, the bill will increase Commonwealth schools funding in Australia to a record \$242.3 billion over the decade to 2027, including \$81.1 billion from 2018 to 2021, representing a 75 per cent increase over ten years and an annual increase of 4.1 per cent per student over the same period.

**Recommendation 1**

**3.121 The committee recommends that the Senate pass the bill in its current form.**

**Senator Bridget McKenzie  
Chair**



# Labor Senators' Dissenting Report

## 1.1 Labor Senators note the Australian Education Amendment Bill 2017:

- Will leave schools \$22.3 billion worse off than they would have been under the original, bipartisan plan to improve school funding. This will mean fewer resources for Australian schools students risking our ability to give each child at school a high quality education.
- Sees the Commonwealth government abandon all responsibility for ensuring that Australian students reach, at a minimum, 95 per cent of the Schooling Resource Standard (SRS).
- Does not meet the objectives of the original Review of Funding for Schooling, by moving away from 'total public funding' (Commonwealth and State school funding), to a Commonwealth-only funding model.
- Entrenches a discriminatory distribution of funding by prescribing sector specific targets of 80 percent SRS for non-government schools and 20 percent of SRS for public schools, fundamentally opposite to the Review of Funding for Schooling objective of a 'sector-blind model.'
- Will result in 85 percent of public schools being funded below their SRS target in 2027, some 15 years after the original Review of Funding for Schooling.
- Provides the majority of extra funding for the non-government sector, despite the public sector educating the majority of educationally disadvantaged children.
- Provides only 10 percent of funding announced over the forward estimates period. The majority of schools will have to wait a decade to reach even the lower targets set under this legislation. Most children at school today will graduate before funding reaches the SRS.

## 1.2 The current *Australian Education Act 2013* outlines the key objective of schools funding:

...All students in all schools are entitled to an excellent education, allowing each student to reach his or her full potential so that he or she can succeed, achieve his or her aspirations, and contribute fully to his or her community, now and in the future.

The quality of a student's education should not be limited by where the student lives, the income of his or her family, the school he or she attends, or his or her personal circumstances.

The quality of education should not be limited by a school's location, particularly those schools in regional Australia.<sup>1</sup>

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1 *Australian Education Act 2013*, preamble.

1.3 Labor Senators believe these principles are fundamental to fair school funding arrangements and note the Government's Australian Education Amendment Bill 2017 removes these core objectives, both in words and in fundamental practice.

1.4 Labor Senators believe the National Education Reform Agreement (NERA) should be honoured. This was a landmark agreement which set out new funding, reporting and reform arrangements to ensure schools deliver a high quality education for all students.

1.5 Under the NERA and the existing Act, underfunded schools would have reached their fair funding level (95 percent of the SRS) in 2019 for participating states and 2022 for Victoria. Under the proposed arrangements only 1 in 7 public schools will be at this level by 2027.

### **\$22 billion cut in funding**

1.6 Labor Senators note, according to the Government's own figures, proposed changes represent a \$22.3 billion cut to school funding, compared to the existing legislation and agreements put in place by the former Labor government in 2013.

1.7 This difference is clearly detailed in the Government's briefing document, circulated to journalists on 2 May 2017. The document states that the legislation will see 'savings of \$6.3 billion over 4 years (2018–2021) and \$22.3 billion over 10 years (2018–2027)' to be achieved under the Government's plan.<sup>2</sup>

1.8 The Bill entrenches in legislation the Government's broken promises on education funding. At the 2013 Federal election then Opposition Leader Tony Abbott stated that the Coalition were on a "unity ticket" with the Labor government over the 2013 education funding arrangements. In the 2013 election the Coalition put up corflutes around polling stations stating: "Liberals will match Labor's school funding dollar for dollar."

1.9 This election promise was broken in the disastrous 2014 Budget when the Liberal government cut school funding by \$30 billion.

1.10 The alleged commitment to increased funding in this Bill is only an increase in funding when compared to the \$30 billion cut to school funding contained in the 2014 Budget. This policy represents a \$22.3 billion cut compared to the existing legislation and the arrangements put in place by the former Labor government.

1.11 In order to implement their cut to school funding the government will have to tear up the NERA, breaking the promise made in that Agreement to honour funding arrangements with the States and Territories. State and Territory Governments have made it very clear that they oppose the Government tearing up that Agreement.

1.12 The NSW government has been particularly clear that the Bill represents a funding cut and a broken promise. The Liberal Minister the Hon Robert Stokes MP stated:

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2 *Key funding figures and qualifiers – 30 April agreed costs*, Tabled Document, 11 May 2017.

We've got a legitimate expectation to receive for the schools in NSW the money that parents, that teachers, that students were promised. We can see the impact it's having in terms of teaching results and learning results in the classroom. And that's why we are all passionately committed to call on the Federal government to honour the deal that still today remains on foot. We're not asking for special treatment. We're not asking for a special deal. We're just asking for the deal that we currently have to be honoured.<sup>3</sup>

1.13 The Government of South Australia submitted that:

South Australia is delivering its share of increased funding under the six year bilateral agreement; over the final two years of our bilateral agreement (2018 and 2019), the South Australian Government will invest an additional \$175 million in South Australian education. The Australian Government has withdrawn its share of funding, putting at risk \$335 million in funding to South Australian schools in the final two years of the bilateral agreement. Even under its recent funding offer, indicative projections suggest that South Australian students will lose almost \$265 million in funding compared to the existing agreement.<sup>4</sup>

1.14 Likewise, the Victorian Government observed that:

In 2013, following the final report of the Review of Funding for Schooling (the Gonski Review), the Victorian Government became a signatory to the National Education Reform Agreement (NERA). The NERA was intended to deliver an additional \$12.2 billion to Victorian schools between 2014 and 2019, with sixty per cent of this funding to be delivered in 2018 and 2019. The NERA was a landmark reform that enabled all schools across Victoria to access needs-based, equitable funding. It provided a solid foundation for both levels of government to work cooperatively to support growth and improvement across all school sectors over a six-year trajectory. The Commonwealth Government introduced the current *Australian Education Act 2013* (the Act) to support this distribution of needs-based funding to all sectors.

The Australian Education Amendment Bill 2017 (the Bill) proposes to dismantle key elements of the NERA. The Victorian Government does not support this. The NERA is still in existence and should be honoured by the Commonwealth Government. Victoria has funded its full commitment of Gonski funding until the end of 2018. The Commonwealth Government's new funding proposal leaves a massive shortfall for Victorian government schools of around \$630 million in 2019 against the NERA, which will disproportionately impact on the most vulnerable schools and students. For some schools, this shortfall could equate to \$1 million next year alone.<sup>5</sup>

1.15 As the Australian Education Union noted "this funding so far has helped schools provide life-changing support and interventions for our students. To cut this

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3 Press Conference on 31 May 2017.

4 South Australian Government, *Submission 26*, p. 2.

5 Victorian Government, *Submission 47*, p. 1.

funding and to end the cooperative arrangements designed to ensure that no child misses out is something that no political party should support.”<sup>6</sup>

1.16 Labor Senators note that this concern is shared by parents. This is set out in a letter from Ms Susie Boyd, President of the Federation of Parents and Citizens of New South Wales to the Hon Tanya Plibersek MP, Shadow Minister for Education:

We write to express our astonishment that the Senate Inquiry into the Australian Education Amendment Bill 2017 has convened without any representation of New South Wales government schools or parent communities.

This proposed legislation will have profound implications for the over 2200 government schools in New South Wales and thousands more across Australia. To invite a handful of state/territory education bodies, with no representation from the state government school sectors at this public inquiry is a dereliction of the Government’s responsibility to consult as widely and transparently as possible.

This is all the more imperative considering the range of views that exist between the various national and state organisations.

The Federal Government’s position is entirely contrary to that of NSW P&C Federation, which firmly believes that our current established funding agreement (NERA) should be fulfilled prior to any new funding arrangements are implemented.

The fact that representation of government school communities in New South Wales, and other states/territories, was deliberately absent from this inquiry amounts to virtual censorship of government school voices.

We cannot emphasise strongly enough that the Federal Government must consult with all stakeholders in education before embarking on major reforms which undercut the ability to complete and quantify the success of current funding models. This consultation must involve providing adequate timeframes for inquiry submissions, clear terms of reference, detailed data and modelling assumptions for all stakeholders to assess.

As long as elected officials feel they can shift goalposts and interfere with funding arrangements before they are fully implemented, there is little prospect for equitable and sustainable education funding. This will continue inequities in education outcomes, which will inevitably entrench the inequities in society as a whole.<sup>7</sup>

1.17 Labor Senators call on the Government to honour existing school funding agreements for 2018 and 2019 and the current Act, and work with all states and territories to bring underfunded schools to 95 percent of their Schooling Resource Standard (SRS) by the end of 2019, with Victorian schools to reach that level by 2022.

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6 Ms Haythorpe, Australian Education Union President, testimony to the committee 2 June 2017.

7 Letter received 9 June 2017.



## Rejection of Commonwealth-states partnership to reach SRS target

1.18 Labor Senators do not support the move to a Commonwealth-only approach to school funding. It is fundamentally against the core principle of the *Review of Funding for Schooling*, which found that:

Australia needs effective arrangements for funding schools across all levels of government – arrangements that ensure resources are being provided where they are needed...and where the Australian Government and state and territory governments work in partnership to meet the schooling needs of all Australian children...<sup>8</sup>

1.19 Labor Senators do not support the Commonwealth government abandoning all responsibility for ensuring that Australian students reach, at a minimum, 95 per cent of the Schooling Resource Standard (SRS).

1.20 Labor Senators do not support the Government's approach which removes the requirement on states to contribute their fair share to getting all schools to the SRS. Labor's plan clearly required states to increase their funding for schools to bring them to their SRS level.

1.21 Labor Senators do not support a flat Commonwealth-only funding share of 80 per cent SRS for non-government schools and 20 per cent for government schools. This arbitrary funding share is not a recommendation of the Gonski Report and is not sector-blind nor needs-based. The result is that the majority of schools will not have reached their fair SRS level by 2027.

1.22 This was noted by the Independent Education Union who submitted:

The funding model proposed in this legislation is not a 'needs-based' model and is not a further iteration of the model proposed by the Gonski Review panel. The model fails to measure and fund actual need, but simply to distribute the arbitrary 'bucket' on a relative needs basis. It abandons the calculation of the necessary resources to meet the attainment of measured learning needs of all students.<sup>9</sup>

1.23 Labor Senators believe it is essential to take into consideration the ability of jurisdictions to fund their school system, so that schools receive total public funding on the basis of need, regardless of where students live. As the original *Review of Funding for Schooling* notes:

[N]ot all states and systems have the same capacity to fund their school systems adequately. It would appear that some, due to current economic realities or the need to support a larger share of educationally disadvantaged students, struggle to provide the resources needed in schools.<sup>10</sup>

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8 *Review of Funding for Schooling*, Gonski, D. et al, p. xiv.

9 Independent Education Union, *Submission 2*, p. 2.

10 *Review of Funding for Schooling*, Gonski, D. et al, p. xv.

1.24 Labor Senators note the government school system with the highest level of disadvantage, the Northern Territory, will receive real funding cuts over the course of the ten year funding offer.<sup>11</sup>

In the Northern Territory, where kids need our help the most, public schools will be going backwards in real terms every year for 10 years. Schools that have already been devastated by the previous Territory government funding cuts will have fewer teachers and fewer educational support staff, and that means less support for students.<sup>12</sup>

### **Public schools will remain underfunded**

1.25 The Commonwealth-only approach to school funding means that the majority of extra Commonwealth funding will go to the non-government school sector,<sup>13</sup> despite the fact that the government schooling sector educates the majority of students (70 per cent) and the majority of students with higher needs. Under Labor's plan, 80 per cent of extra funding went to public schools.

1.26 As a result of the Government's arbitrary decision to fund only 20 per cent of the SRS for government schools and by not considering all sources of funding, some 85 per cent of government schools will not reach their SRS by 2027. By contrast, nearly all non-government schools will be at or above their SRS by that time.<sup>14</sup> This is not a fair, sector-blind nor a needs-based model.

1.27 This was demonstrated in a written answer to a Question on Notice provided by the Department of Education and Training. That document included a table which showed the proportion of the SRS that will be publicly funded for government schools in 2027, assuming each state and territory government maintains the estimated 2017 share of the SRS in 2027. The table is reproduced below:<sup>15</sup>

**Table 1: Estimated proportion of the SRS that will be publicly funded in 2027 (%)**

	NSW	VIC	QLD	SA	WA	TAS	ACT	NT	AUS
Commonwealth	20	20	20	20	20	20	20	20	20
State*	70.1	65.3	70.9	73.6	94.7	80	96.8	65.8	72.6
Total public funding	90.1	85.3	90.9	93.6	114.7	100	116.8	85.8	92.6

1.28 This table demonstrates that under the Bill government school students will reach only 92.6 per cent of their Schooling Resource Standard by 2027. The Northern Territory, which educates the most disadvantaged students, and will receive real

11 Australian Education Union, *Submission 36*, p. 7.

12 Correna Haythorpe, President AEU, testimony to the Committee, 2 June 2017.

13 Prime Minister and Minister for Education and Training Press Release, 2 May 2017.

14 Australian Education Union, *Submission 36*, p. 5. Analysis drawn from Employment, Education and Workplace Relations Legislation Committee, answer to question on notice SQ16-000852, 2016.

15 Department of Education and Training Question No. SQ17-SY066

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funding cuts over the ten year period, will remain underfunded at only 85.8 per cent of SRS.

1.29 The underfunding of public schools was also noted by the NSW Teachers' Federation, who stated:

The Turnbull Government plan will reduce the funding necessary to meet students' educational needs, ensure that the great majority of public schools will not reach the Schooling Resource Standard of the Gonski model, and widen the gap between advantaged and disadvantaged schools.<sup>16</sup>

1.30 The Australian Education Union highlighted the underfunding of public schools during its appearance at the committee's Melbourne hearing:

In fact, [the bill] guarantees the underfunding of public schools and the overfunding of private schools. Just yesterday, in Senate estimates the Minister for Education Simon Birmingham admitted that if states just maintain their 2017 share of funding—which is the only condition required to receive funding under this legislation—then public schools in five states and territories will still be under-resourced in 10 years.<sup>17</sup>

1.31 Labor Senators believe a key principle of any Commonwealth funding model should be that the majority of extra funding goes to the sector with the greatest need.

1.32 Labor Senators do not support a proposal that means disadvantaged schools, particularly in the Government sector, will remain underfunded in 2027, some 15 years after the original *Review of Funding for Schooling*, and will not be able to give each child a high quality education.

### **Unfair transition times**

1.33 Labor Senators believe funding should be provided in a shorter timeframe to get all schools to their SRS.

1.34 Under the existing arrangements, established by Labor, underfunded schools in participating states would have reached their total public funding SRS target by 2019 or 2022. Under the Government's proposal, schools will not reach their lower, Commonwealth-only SRS share until 2027 – ten years from now, and 15 years since the Review of School Funding. Labor shares the Australian Education Union's statement at the Melbourne hearings that:

Ten years is a very long time. Tell that to a family whose child urgently needs one-on-one support with their reading or maths, speech therapy or just extra time with their teacher. Tell that to a year 7 student who urgently needs help to cope with high school.<sup>18</sup>

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16 NSW Teachers' Federation, p. 2.

17 Ms Correna Haythorpe, Federal President, Australian Education Union, *Proof Committee Hansard*, 2 June 2017, p. 42.

18 Ms Correna Haythorpe, Federal President, Australian Education Union, *Proof Committee Hansard*, 2 June 2017, p. 42.

1.35 Submitters were rightly worried that this government's plan would force many children to wait so long before their education was properly funded. The Grattan Institute was clear in expressing the view that the proposed timeline is inadequate:

...all schools should get the Commonwealth share of their target funding by 2023 – that is, four years quicker than proposed. Under the 2017 Amendment, most of the spending is promised beyond the budget forward estimates, creating a risk that much of it won't eventuate. And very underfunded schools will need to wait too long to get the extra money they need.<sup>19</sup>

1.36 Labor Senators note that other submitters such as the Australian Government Primary Principals Association (AGGPA) and the Australian Primary Principals Association (APPA) also consider that the ten year timeframe to the lower target levels is too long and should be shortened.<sup>20</sup> The Australian Secondary Principals Association (ASPA) agreed, and submitted that:

Schools need the additional funding 'sooner rather than later' and the transition timeframe of 10 years is too long for our most disadvantaged schools. A child starting Kindergarten in 2018 in an underfunded disadvantaged school deserves a greater level of resourcing for their education before they complete Primary school. The same can be said for many Year 6 students today as they prepare for six years of schooling in disadvantaged and underfunded secondary education settings. We would like to see the timeframe halved for those schools that are significantly 'underfunded' whilst maintaining the longer timeframe for 'overfunded' schools that can demonstrate severe hardship from shortened timelines.<sup>21</sup>

### **National Education Reform Agreement**

1.37 Labor Senators note that the NERA, which remains in place between the Commonwealth, NSW, SA, Victoria, Tasmania and the ACT, had agreed a substantial reform agenda to deliver improved schooling. The failure to progress these reforms has been to the detriment of Australia's children.

1.38 Labor Senators note that the NERA and individual bilateral agreements locked states into increasing their funding so that all schools would reach 95 percent of the SRS in total public funding by 2019, except Victorian schools which would reach that mark by 2022. Failure to monitor and enforce these bilateral agreements, and the provision by the then Minister for Education, the Hon. Christopher Pyne MP, of funding to WA, QLD and NT without any maintenance of effort clauses, represents four years of lost progress.

1.39 Further, the NERA committed the Government to a number of reviews of the underlying SRS model which have not taken place. These reviews include a comprehensive review of the Agreement, together with reviews of indexation

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19 Grattan Institute, *Submission 33*, p. 2.

20 AGGPA, *Submission 35*, p. 6; APPA, *Submission 32*, p. 4.

21 ASPA, *Submission 16*, p. 4.

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arrangements, bilateral agreements, the SES measure, low-SES loadings and score methodology.<sup>22</sup>

1.40 Had these reviews taken place, as intended, the SRS model and settings would have been reviewed to ensure they were meeting underlying objectives of the model. Failure to conduct these reviews demonstrates that the Government is not committed to ensuring the underlying model remains relevant and that schools get the resourcing they need.

1.41 Labor Senators believe the SES measure underlying the capacity to contribute measure should be reviewed to ensure this score remains the most appropriate means of assessing the relative educational advantage of non-government schools, as per the original NERA.<sup>23</sup> As the National Catholic Education Commission note:

The Bill continues to use the existing SES methodology in the Commonwealth's school funding model, despite the fact that the 2011 Gonski Review of Funding for Schooling and 2013 National Education Reform Agreement recommended that a more precise measure of capacity to contribute should replace the existing SES methodology. The NCEC argues that the SES should be reviewed as a matter of urgency.<sup>24</sup>

1.42 Labor Senators note that the NERA also had a comprehensive reform agreement to lift standards across the country. Labor Senators note this Bill removes reform objectives and does not replace them with a comprehensive reform plan. Labor Senators note the Government does not intend to reach agreement on reforms through COAG until June 2018, which will be almost five years since their election. This will represent five years of lost reform time.

### **Non-government school funding**

1.43 Labor Senators call on the Government to continue funding systemic schools as a system, until such time as an SES review is undertaken.

1.44 Labor Senators are concerned about the proposed impact of the change to the primary capacity to contribute curve. Labor Senators note that evidence from the ABS demonstrates that primary school parents have lower labour force participation, and lower incomes, on average, than secondary school parents. This demonstrates that primary school parents, on average have a lower ability to pay school fees, than secondary parents.

1.45 Labor Senators note the Government's online calculator is deliberately misleading, by reporting 2017 figures according to their proposed legislation from 2018, not the actual 2017 allocation schools will receive according to the *Australian Education Act 2013*, which remains in force. By doing this the Government has deliberately hidden the extent of their cuts, particularly on Catholic systemic schools.

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22 National Education Reform Agreement 2013, p. 23.

23 National Education Reform Agreement 2013, paragraph 109, p. 23.

24 National Catholic Education Commission Submission, p.2.

## Overfunded schools

1.46 Labor Senators support moves to reduce the funding of elite overfunded schools and will support the Government in that endeavour if it brings forward separate legislation to that effect.

1.47 Labor Senators note that under the Government's proposal some schools currently receiving more than 100 percent of their SRS (total public funding) will actually receive Commonwealth funding increases, as they receive less than 80 percent of their SRS from the Commonwealth. This is a waste of resources which could be better directed to underfunded schools.

1.48 Indeed, it has been suggested that state governments could withdraw some funding to ensure non-government schools are not overfunded by 2027, representing cost shifting to the Commonwealth. The Grattan Institute, in its submission, points to a perversity where some non-government schools could be funded above their funding targets, if state governments do not adjust their own contributions. This is because the Commonwealth Government will fund non-government schools to 80 per cent of their target, and many non-government schools and systems are already funded at more than 20 per cent of their target by state governments:

To avoid this happening, state governments should adjust spending in future so that schools are funded in line with need and equitably across sectors.<sup>25</sup>

## Stakeholder consultation

1.49 Labor Senators note that there has been virtually no consultation with the sector prior to the announcement of the Government's new funding models. Labor Senators believe it is essential to consult and discuss proposed changes in an open and collaborative manner with all stakeholders, not to present them with a *fait accompli*.

1.50 While the Chair claimed that primary school principals were united in supporting the Government's changes, this is incorrect. The Australian Primary Principals Association, expressed concerns about embedding the 80-20 funding arrangement in the legislation and moving away from a truly national funding model. APPA President Mr Dennis Yarrington said:

We feel that (a national model) would be a better arrangement to have in place than having separate funding coming from the Commonwealth and coming from the state or territory. If we go back to the type of division of area, we would be concerned about the continuity of funding being assured to different sectors ... We would see that the best way forward is for collaboration.<sup>26</sup>

1.51 APPA also revealed concerns about the capacity to contribute arrangements and expressed the view that the transition should occur more quickly – that schools below the SRS level transition over four years instead of 10.

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25 Submission from The Grattan Institute, p.19.

26 Committee Hearings, 5 June 2017, p.43.

## Regulations

1.52 Labor Senators are concerned that a large amount of detail about the proposed funding model is due to be included in the regulations, and a draft has not yet been provided. Labor Senators call upon the Government to release an exposure draft of the regulations before the Bill is brought to the Senate for consideration, so there is time for proper scrutiny from stakeholders.

## Students with disabilities loading

1.53 Labor Senators support the principle of a Students with Disability (SWD) loading that is differentiated by reference to the needs of the student. However, Labor Senators are concerned that the small increase in SWD funding, from just \$1.5 billion to \$1.6 billion is not sufficient to support the increased number of students being supported from 200 000 currently, to 468 000.<sup>27</sup>

1.54 After standard indexation, the SWD loading is increasing by around 3 per cent a year, while the number of students that to be supported by that loading is more than doubling. Testimony from Children and Young People with Disability Australia (CYDA) noted this:

...will in reality mean that the dollars are spread even thinner. This is of grave concern to CYDA.<sup>28</sup>

1.55 Labor Senators note some concern from stakeholders that the Nationally Consistent Collection of Data on students with disabilities is not yet reliable enough to be used for the purpose of funding.

1.56 Labor Senators believe it is critical to provide appropriate support for students with disabilities, so they can access a high quality education. Labor Senators note that for too long students with disabilities have not been properly supported in Australian schools. As CYDA also noted:

It is unclear from the Australian Education Amendment Bill 2017 what the educational future is for students with disability. Children and young people with disability have a right to a quality education and without appropriate and targeted reform students with disability will continue to slip through the cracks.<sup>29</sup>

## Conclusion

1.57 School funding should enable a high quality and equitable education to be provided for all students.<sup>30</sup> Labor Senators agree with the conclusions reached in the *Review of Funding for Schooling*, in particular that:

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27 Australian Education Union, *Submission 36*, p. 9.

28 Children and Young people with Disabilities Australia – testimony

29 CYDA Submission, p. 7.

30 National Education Reform Agreement, p. 6.

...Australia must aspire to have a schooling system that is among the best in the world for its quality and equity, and must prioritise support for its lowest performing students. Every child should have access to the best possible education, regardless of where they live, the income of their family or the school they attend. Further, no student in Australia should leave school without the basic skills and competencies needed to participate in the workforce and lead successful and productive lives. The system as a whole must work to meet the needs of all Australian children, now and in the future... The panel believes that the key to achieving this vision is to strengthen the current national schooling reforms through funding reform.

1.58 This Bill does not fulfil this vision. It leaves our schools underfunded, fails to work with states to achieve the Schooling Resource Standard for all schools, and introduces a sector specific model which leaves disadvantaged schools, particularly in the public sector, underfunded even after ten years. This Bill represents a lost opportunity for a generation of Australian children, who will be educated without the funding and reform partnership envisaged by the Review in 2012.

### **Recommendation 1**

**1.59 That the Bill should not be supported in its current form.**

**Senator Gavin Marshall**  
**Deputy Chair**

**Senator Jacinta Collins**

**Senator Chris Ketter**



## Dissenting Report from the Australian Greens

1.1 All children deserve the best education possible to set them up for a bright future. No child's education outcomes should depend on their family's wealth, income or which state they live in. Parents should never have to shop around because they worry that their local public school does not have the resources it needs to educate their kids—because public education should be the gold standard, not a safety net.

1.2 That's why instituting a Genuine Gonski model of funding is critical for our children. As identified by David Gonski in his original report handed down in 2011, we need a genuine, sector-blind, needs-based model that prioritises funding to look after needy schools and kids. We need a greater investment sooner, so we can give every child the chance to finally reach their potential. This is what a Genuine Gonski funding model would do, and what the both Liberal and Labor parties have failed to deliver over the past six years.

1.3 We have never had a Genuine Gonski model. The current 'Gillard Gonski' isn't needs-based. It has locked in funding to wealthy private schools at the expense of public schools.

1.4 The Turnbull government's 'Gonski 2.0' does not address the historical imbalance between Commonwealth and State contributions to different sectors. The government's proposal offers certainty to private schools but the Commonwealth does not offer certainty that the neediest public schools will catch up after years of neglect.

1.5 The Australian Greens position for school funding aligns with a Genuine Gonski model, which is based on the following four principles:

- Genuine needs-based funding. Public funding should be delivered to schools on the basis of need. Students who face disadvantage should have an education that is equal to that received by students right across the country. Extra funding should be distributed on the basis of low socio-economic status, disability, aboriginality, low English proficiency, school location/remoteness and school size.
- More money to the right schools, faster. There are some schools across our communities that are currently chronically underfunded and some schools that are chronically overfunded. The current reality is that more money is needed for public schools and less money should be put into overfunded private schools—and it needs to happen quickly, not over ten years as proposed.
- Ensuring States doing their fair share. All levels of Government across Australia need to commit to the principles of the Genuine Gonski model to ensure that all of our students are properly resourced. The government's model leaves the States and Territories responsible for 80 per cent of funding to public schools. States do not have the revenue raising capacity of the Commonwealth and as a result, public schools—the sector containing the

overwhelming majority of disadvantaged schools—do not have any certainty that they will receive adequate funding.

- Transparency and Accountability. The Gonski report recommended an Independent Schools Resourcing Body. An institution with powers similar to an ombudsman to have access to documents and make public statements and reports would deliver real accountability against all levels of government and school systems. Needs-based schools funding requires the ability to track and review the funding of schools across all sectors and from all sources. An independent body would not only improve the delivery of funding but it would help end the partisan bickering, misinformation and the politicisation of our education system.

1.6 The original Gonski did not require the Minister to set funding conditions on teachers, principals, curricula and national testing through regulation-making power, yet this provision is included within the Australian Education Amendment Bill 2017.

1.7 While the government has commissioned David Gonski to review improving teaching and education quality, it would be an irresponsible use of the Parliament's power to allow the government to pre-emptively regulate without knowing the results of the review or the government's future intentions. This issue needs to be resolved independently of any reforms associated with this legislation.

1.8 The Australian Greens are acutely aware that many submitters criticised both Labor's departure from the Gonski principles and shortcomings of the Turnbull government's proposal.

1.9 This inquiry received submissions from a number of education and schools funding experts as well as interested parents, principals, stakeholders, union bodies and State Governments. These submissions and the evidence given at public hearings have been considered in the development of the Australian Greens report.

1.10 The Australian Greens recognise the Australian Education Union's concern about the government's decision to not honour the National Education Reform Agreement and subsequent Commonwealth/State/Territory 'Gonski' agreements beyond the end of 2017.

1.11 The Australian Greens note the evidence received that since the Gillard Gonski Agreements were not legislated, the funding amounts promised to the States cannot be legally enforced. The Australian Greens note evidence to the Committee from Minister Birmingham:

The government's policy has been quite clear since the 2014 budget, if not earlier, that this would be the last year in which those agreements would be

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applicable, in terms of future funding, and that they would come to an end by the end of this calendar year.<sup>1</sup>

1.12 We further note in 2013, the Australian Greens sought to secure these funding amounts in law, so that it could not be undone by a future government. Our approaches to the Gillard minority government were rejected.

1.13 The Australian Greens also note the concerns of the AEU, as well as others, in relation to the role of the State and Territory governments in this funding model. The Australian Greens believe that the Commonwealth must include State and Territory governments in any legislated model to make sure that all public schools are brought up to the Schooling Resource Standard (SRS).

1.14 The Australian Greens recognise the submissions from peak bodies representing public schools including the Australian Council of State Schools Organisations, the Australian Secondary Principals Association, the Australian Primary Principals Association and the Australian Government Primary Principals Association to end the complexity of special deals, deliver schools to their SRS quicker and create an independent resourcing body.

1.15 The Australian Secondary Principals Association's evidence to this inquiry highlighted the importance of a non-political approach to education funding, noted their concerns relating to the length of a ten year transition and the need for states and territories to do their fair share and recognised the importance of a genuine needs based funding model.

1.16 Both the Australian Primary Principals Association and the Australian Government Primary Principals Association's submissions to this inquiry noted that a single, simple, needs-based, transparent and predictable funding arrangement will achieve the best educational opportunities for all Australian students, but warned that a delivery timeframe of ten years is too long.

1.17 Establishing an independent resourcing body to act as a watchdog and deliver openness and transparency into funding allocation and delivery was supported by the Australian Primary Principals Association, Australian Catholic Primary Principals Association, Australian Government Primary Principals Association, Grattan Institute, Australian Secondary Principals Association, Catholic Secondary Principals Association, Catholic Secondary Principals Association, Association of Heads of Independent Schools of Australia and Australian Special Education Principals Association.

1.18 The Australian Greens note statements of multiple witnesses who claimed that the government's Schools Funding Estimator led to significant confusion and concern

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1 Senator the Hon Simon Birmingham, Minister for Education and Training, *Estimates Committee Hansard*, 1 June 2017, p. 71.

in the education community. Management of public displays of school funding should fall squarely within the jurisdiction of the Independent Body.

1.19 The Australian Greens are deeply concerned by the admission of the Catholic Education Commission that they actively distribute funding to schools in a way that is inconsistent with the needs-based funding model, expressed via the Schooling Resource Standard and needs-based loadings.

1.20 The Australian Greens note evidence from the Grattan Institute that stated that under the current *Australian Education Act 2013*, Australia is still a long way from aligning school funding to student need. It went on to state that years five and six of the Gillard Gonski Agreement would have resulted in a situation where comparable students in comparable schools receive vastly different funding amounts.

1.21 They recommended hitting the government's proposed funding target in six years, not ten, ensuring the states did their fair share and establishing a National Schools Resourcing Body which would, among other responsibilities, review the SES formula.

1.22 Based on the evidence received during this Committee, the Australian Greens cannot support the legislation in its current form and are determined to ensure fair, needs-based schools funding.

### **Recommendation 1**

**1.23 The Australian Greens recommend schools that are underfunded, including public schools across the country, receive an increase in funding over a shorter time frame.**

### **Recommendation 2**

**1.24 The Australian Greens recommend a model be implemented that would tie State and Territory Governments into these reforms and require them to collectively bring public schools to their resourcing standard.**

### **Recommendation 3**

**1.25 The Australian Greens recommend an independent National Schools Resourcing Body be established to act as a watchdog over all levels of government and school systems, oversee and review all aspects of schools funding to inject both transparency and accountability into education funding across the country.**

### **Recommendation 4**

**1.26 The Australian Greens recommend the National Schools Resourcing Body should also have responsibility to review the SES and the capacity to contribute mechanisms.**

**Recommendation 5**

**1.27 The Australian Greens recommend conditions relating to teachers, principals, curricula and school testing currently being undertaken by David Gonski must be kept independent of any changes to needs-based funding legislation.**

**Senator Sarah Hanson-Young  
Australian Greens Education Spokesperson**



# Appendix 1

## *Submissions*

<b>Number</b>	<b>Submitter</b>
1	Independent Schools Tasmania
2	Independent Education Union of Australia
3	National Disability Services
4	Australian Education Union NSW Teachers Federation
5	Mr Michael Cuddihy
6	Adventist Schools Australia and Christian Schools Australia
7	Autism Spectrum Australia (Aspect)
8	Independent Schools Council of Australia
9	Mr Michael Shoebridge
10	The Centre for Independent Studies
11	Victorian Representative Council
12	Association of Heads of Independent Schools of Australia
13	Australian Council of State School Organisations
14	Independent Schools Queensland
15	Dr Gary Marks
16	Australian Secondary Principals Association
17	The Smith Family
18	Australian Association of Christian Schools
19	The Anglican Schools Commission (Inc.)
20	Mr Andrew Sykes
21	Association of Independent Schools of New South Wales
22	Catholic School Parents Australia
23	Department of Education and Training
24	Social Ventures Australia
25	Dr Patrick McArdle
26	South Australian Government
27	Australian Parents Council

28	Australian Council of Jewish Schools
29	Queensland Department of Education and Training
30	Tasmanian Government
31	Dr Terry Harding
32	Australian Primary Principals Association
33	Grattan Institute
34	Association of Independent Schools of South Australia
35	Australian Government Primary Principals' Association (AGPPA)
36	Australian Education Union
37	National Catholic Education Commission
38	Association of Independent Schools of the ACT Inc.
39	Children and Young People with Disability Australia
40	Save Our Schools
41	Blue Gum Community School
42	NSW Primary Principals' Association (NSWPPA)
43	Mr Chris Curtis
44	Northern Territory Department of Education
45	Mitchell Institute
46	Victorian Ecumenical System of Schools
47	Victorian Government
48	The Hon Sue Ellery MLC, WA Minister for Education and Training
49	Ms Danielle Lawless

### ***Additional information***

- 1 Correspondence received from Ms Karen Spiller, National Chair of the Association of Heads of Independent Schools of Australia, clarifying evidence given at a public hearing in Canberra on Monday 5 June 2017; received 7 June 2017.



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***Answers to questions on notice***

- 1 Answers to questions taken on notice by the Australian Council of State School Organisations, public hearing in Melbourne on 2 June 2017; received 5 June 2017.
- 2 Answers to questions taken on notice by Independent Schools Tasmania, public hearing in Canberra on 5 June 2017; received 8 June 2017.
- 3 Answers to questions taken on notice by the Independent Schools Council of Australia, public hearing in Canberra on 5 June 2017; received 8 June 2017.
- 4 Answers to questions taken on notice by the National Catholic Education Commission, public hearing in Canberra on 5 June 2017; received 8 June 2017.
- 5 Answers to questions taken on notice by Dr Stephen Farish, public hearing in Melbourne on 2 June 2017; received 8 June 2017.
- 6 Answers to questions taken on notice by the Grattan Institute, public hearing in Melbourne on 2 June 2017; received 8 June 2017.
- 7 Answers to questions taken on notice by the Department of Education and Training, public hearing in Canberra on 5 June 2017; received 8 June 2017.
- 8 Answers to questions taken on notice by the Department of Education and Training, public hearing in Canberra on 5 June 2017; received 9 June 2017.

***Tabled documents***

- 1 Tabled document 1; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 2 Tabled document 2; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 3 Tabled document 3; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 4 Tabled document 4; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 5 Tabled document 5; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.

- 6 Tabled document 6; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 7 Tabled document 7; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 8 Tabled document 8; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 9 Tabled document 9; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 10 Tabled document 10; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 11 Tabled document 11; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.
- 12 Tabled document 12; tabled by the Australian Bureau of Statistics at a public hearing in Canberra on 5 June 2017.

# **Appendix 2**

## **Public hearings**

*Melbourne, Victoria, 2 June 2017*

**Committee members in attendance:** Senators Collins, Hanson-Young, Marshall and McKenzie.

### **Witnesses**

**Professor Stephen Farish, private capacity**

#### **Grattan Institute**

Mr Peter Goss, School Education Program Director

Ms Julie Sonnemann, School Education Fellow

#### **Australian Council of Jewish Schools**

Mr Len Hain, Executive Director

#### **Lutheran Education Australia**

Mr Stephen Rudolph, Executive Director

Mr Stephen Kroker, Business Manager

#### **Adventist Schools Australia**

Dr Daryl Murdoch, National Director

#### **Christian Schools Australia**

Mr Mark Spencer, Executive Officer, National Policy

#### **Australian Council of State School Organisations**

Mr Phillip Spratt, President

#### **Australian Parents Council**

Mrs Shelley Hill, President

#### **Catholic School Parents Association**

Mr Tony O'Byrne, Chair

Mrs Carmel Nash, Deputy Chair

#### **Children and Young People with Disability Australia**

Ms Stephanie Gotlib, Chief Executive Officer

#### **Australian Education Union**

Ms Corenna Haythorpe, Federal President

Mr Maurie Mulheron, Deputy Federal President

#### **Independent Education Union of Australia**

Mr Anthony Odgers, Assistant Federal Secretary

*Parliament House, Canberra, 5 June 2017*

**Committee members in attendance:** Senators Collins, Hanson-Young, Marshall and McKenzie.

**Witnesses**

**Independent Schools Council of Australia**

Ms Colette Colman, Executive Director

Mr Barry Wallett, Deputy Executive Director

**Independent Schools Queensland**

Mr David Robertson, Executive Director

**Association of Independent Schools of New South Wales**

Dr Geoff Newcombe, Chief Executive

**Association of Independent Schools of Western Australia**

Ms Valerie Gould, Executive Director (*via teleconference*)

**Association of Independent Schools of the ACT**

Mr Andrew Wrigley, Executive Director

**National Catholic Education Commission**

Ms Danielle Cronin, Acting Executive Director

**Queensland Catholic Education Commission**

Dr Lee-Anne Perry AM, Executive Director

**NSW Catholic Education Commission**

Mr Ian Baker, Director, Policy and Programs

**Catholic Education Commission Victoria**

Mr Stephen Elder OAM, Executive Director

Mr Bruce Phillips, Policy Advisor

**Archdiocese of Canberra Goulburn**

Mr Ross Fox, Director of Catholic Education

**Australian Primary Principals Association (APPA) and Australian Catholic Primary Principals Association (ACPPA) and Australian Government Primary Principals Association (AGPPA)**

Mr Dennis Yarrington, President of APPA

Mr Michael Fay, APPA Board Member and President of AGPPA

Mr Brad Gaynor, APPA Board Member and Vice President of ACPPA

**Australian Secondary Principals Association**

Mr Rob Nairn, Executive Director

**Catholic Secondary Principals Australia**

Ms Loretta Wholley

Mr Angus Tulley

**Association of Heads of Independent Schools of Australia**

Mrs Karen Spiller, National Chair

Mr Sholto Bowen OAM , Board Member

**Department of Education and Training**

Mr Tony Cook PSM, Associate Secretary, Schools and Youth

Mr John Baker, Branch Manager, Schooling Group

Ms Dannie Edmonds, Acting Branch Manager, Schooling Group

Ms Alex Gordon, Group Manager, Schooling Group

**Australian Bureau of Statistics**

Ms Michelle Marquardt, Program Manager, Education, Crime & Culture Branch

Mr Paul Jelfs, General Manager, Population & Social Statistics Division

**Australian Special Education Principals Association**

Mr Matt Johnson, Vice-President

