

## Chapter 2

### History of Australian Government funding of schools

2.1 The 2014-15 Budget was widely regarded as marking the end of the school funding reforms introduced by the Rudd/Gillard Governments in response to the Gonski Review recommendations. With the announcement of the funding arrangements in the 2014-15 Budget, Abbott Government funding arrangements for schools changed for the third time since 2009.<sup>1</sup>

2.2 In December 2011, the Gonski Review Report commented that:

When considered holistically, the current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian Government and state and territory governments across the schooling sectors.<sup>2</sup>

2.3 The Gonski Review was initiated in April 2010 and the funding for schools prior to 2009 was a chief focus of the review's scrutiny. The review provided 'one of the most exhaustive reviews of schooling that we [Australia] have had for decades, going back to the mid-1970s'<sup>3</sup>; a means of assessing the effectiveness of the approach to Australian Government school funding which had been in place since the 1970s.

2.4 Outlining the history of school funding arrangements is essential as a guide through the complexity of the funding paid by states, territories and the Commonwealth. The difficulties of tracking the actual funding, especially under the recent changes to school funding policy, are examined in the following chapter.

#### *Funding prior to 2009*

2.5 Prior to the *States Grants (Science Laboratories and Technical Training) Act 1964* (States Grants Act), there was no direct Australian Government funding for schools in the states. Government assistance under the States Grants Act was gradually extended to include financial assistance for library facilities and then capital expenditure, at the same time extending the assistance to non-government schools.<sup>4</sup>

2.6 Commonwealth recurrent funding for schools began in 1970 with the *States Grants (Independent Schools) Act 1969*. In 1973 the Interim Committee for the Australian Schools Commission, chaired by Professor Peter Karmel, advocated a

1 Ms Marilyn Harrington, Parliamentary Library, *Budget Review 2014-15*, May 2014, p. [1], [www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/BudgetReview201415/School](http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201415/School), (accessed on 9 June 2014).

2 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiv.

3 Mr Chris Bonnor, private capacity, *Committee Hansard*, 1 May 2014, p. 35.

4 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, pp 2–3, [http://parlinfo.aph.gov.au/parlInfo/download/library/prspub/366868/upload\\_binary/366868.pdf;fileType=application/pdf#search=%222010s%22](http://parlinfo.aph.gov.au/parlInfo/download/library/prspub/366868/upload_binary/366868.pdf;fileType=application/pdf#search=%222010s%22), (accessed on 9 June 2014).

needs-based funding model to ensure that all schools could achieve similar standards. The implementation of the recommendations were a major turning point in school funding:

As a result of the Karmel Committee's recommendations, Australian Government recurrent funding was extended to government schools in 1974. In the same year, special funding programs (targeted programs) were introduced, which provided additional funding for disadvantaged schools, special education, teacher professional development and innovation.<sup>5</sup>

2.7 The Schools Commission was established in 1974 to administer school funding and payments to states, including recurrent funding. Grants for targeted programs for government and non-government schools, were made triennially under the States Grants (Schools Assistance) Acts.<sup>6</sup>

2.8 Until 2008, this basic legislative and funding structure remained, notwithstanding changes in funding formulae and the abolition of the Schools Commission in 1988:

From 1985 to 2008, most Australian Government funding for government and non-government schools was provided on a four-yearly basis under the one Commonwealth Act. Specific purpose payments (SPPs) continued with general recurrent grants (GRGs), which were allocated differently for government and non-government schools, capital grants for targeted programs. Over that period there were different resource standards that determined the amount of per student recurrent funding. From 1995, GRGs, (which constituted the majority of ongoing Australian Government funding for schools), were provided on a per student basis as a percentage of the resource standard known as Average Government School Recurrent Costs (AGSRC).<sup>7</sup>

### ***Funding from 2009 to 2013***

2.9 From 2009 until the commencement of the *Australian Education Act 2013*, most Commonwealth funding for school education was provided under the National Schools Specific Purpose Payment, which had two components—one for government schools and one for non-government schools. Other funding for school education was provided through National Partnerships and the Australian Government's own school education programmes (known as Commonwealth Own-Purpose Expenses).<sup>8</sup>

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5 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, p. 3.

6 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, pp 3–4.

7 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, p. 4.

8 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update* March 2013, p. 4.

2.10 Figure 5 below provides an overview of Australian Government school funding arrangements utilised between 2009 and 2013.

### ***National Schools Specific Purpose Payment—government schools component***

2.11 The National Schools Specific Purpose Payment (SPP) for government schools was provided through the Intergovernmental Agreement on Federal Financial Relations. The National Schools SPP was indexed each year, according to a formula based on increases in the Average Government School Recurrent Costs (AGSRC) primary and secondary amounts (converted to a weighted average) and growth in full-time equivalent enrolments.<sup>9</sup> Table 5 below shows that the average growth rate of the AGSRC over 1999–2012 was 5.8 per cent. Over that period, combined primary and secondary school enrolments increased by 340 415 full time students, equivalent to a 0.8 per cent annual increase.<sup>10</sup>

### **National Education Agreement**

2.12 The National Education Agreement between the Australian Government and State and Territory governments was formulated under the Intergovernmental Agreement on Federal Financial Relations. This Agreement sets out the agreed objectives and outcomes for schooling, the roles and responsibilities of each level of government, performance indicators and benchmarks, reporting mechanisms and 'policy and reform directions'. State and Territory government education authorities had discretion as to how to spend the National Schools SPP funding to achieve the agreed outcomes.<sup>11</sup>

### ***National Schools Specific Purpose Payment—non-government schools component***

2.13 Funding for the non-government schools component of the National Schools SPP was provided under the *Schools Assistance Act 2008*.

2.14 The National Schools SPP for non-government schools included targeted programmes such as the Literacy, Numeracy and Special Learning Needs Programme, the English as a Second Language—New Arrivals Programme, the Schools Languages Programme, and the Country Areas Programme. The *Schools Assistance Act 2008* also provided for additional recurrent funding for indigenous students in non-government schools, non-government schools in remote areas and distance education students.

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9 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 4–5.

10 Enrolment data taken from Australian Bureau of Statistics, *Publication 4221.0 – Schools Australia 2013*, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4221.0Main%20Features42013?opendocument&tabname=Summary&prodno=4221.0&issue=2013&num=&view>, (accessed on 20 June 2014).

11 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 5.

**Figure 1—Australian Government school funding arrangements, 2009–2013<sup>12</sup>**

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12 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 6.

2.15 Payments to non-government school education authorities could not be made until an authority had signed an agreement with the Australian Government. The agreements prescribed the conditions with which an education authority must comply in order to receive funding. The conditions included educational and financial performance and accountability requirements.<sup>13</sup>

*General recurrent funding for non-government schools—the Socioeconomic Status (SES) system*

2.16 Australian Government general recurrent per student funding for non-government schools was based on a measure of need. Since 2001, the rate at which non-government schools receive general recurrent funding was determined by the estimated capacity of a school's community to support its school—that is, its SES. The SES Index included three dimensions—income, education and occupation.

2.17 A non-government school's SES score determines its per student general recurrent funding rate, as a percentage of AGSRC. In total, there were 46 SES funding scores, with funding rates ranging from 13.7 per cent to 70.0 per cent of AGSRC:

- those non-government schools with the lowest SES scores (85 or less) were funded at 70.0 per cent of AGSRC;
- those non-government schools with the highest SES scores (130 or greater) were funded at 13.7 per cent of AGSRC; and
- those non-government schools with an SES score between 85 and 100 were funded along a continuum, with each single point change in the SES score resulting in a change in funding.<sup>14</sup>

2.18 Some non-government schools automatically received the maximum rate of funding, regardless of their SES score. These schools were:

- non-government special schools—schools that cater for students with disabilities;
- Special Assistance Schools—schools that mainly cater for students with social, emotional or behavioural difficulties; and
- Majority Indigenous Student Schools—schools with 80 per cent or more indigenous enrolments or, for very remote schools, 50 per cent or more indigenous enrolments.<sup>15</sup>

2.19 When the SES system was introduced in 2001, the then Australian Government made a commitment that no school would be financially worse off under

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13 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 7–8.

14 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 10.

15 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 10.

the new system. As a result not all non-government schools were funded according to their SES score. Under the SES system, non-government schools either:

- were funded according to the rate for their SES score with indexation;
- had funding maintained at their year 2000 rate with indexation;
- had funding maintained at their year 2004 rate with indexation; or
- had funding guaranteed at their year 2008 without indexation.<sup>16</sup>

2.20 As at 1 January 2012, of the 2722 non-government schools funded by the Australian Government:

- 60.3 per cent (1642 schools) were funded according to their SES score;
- 39.5 per cent (1075 schools) had their funding maintained at either their year 2000 or year 2004 rate with indexation; and
- 0.2 per cent (5 schools) had their funded guaranteed without indexation at their year 2008 per student amount.<sup>17</sup>



Senator Penny Wright (Deputy Chair) and Senator the Hon Jacinta Collins (Chair) with Ms Emily Sayer (Deputy Principal) during the committee's site visit at the Immaculate Heart of Mary School, Adelaide, 30 April 2014.

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16 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 11.

17 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 8–12.

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### ***National Partnerships***

2.21 Additional funding for government and non-government schools was provided through a number of special purpose National Partnerships. Most National Partnerships were formulated through COAG and had as their basis an agreed national goal. The structure and conditions of the National Partnerships varied, and included, in some cases, co-payments with State and Territory government and non-government education authorities, performance rewards and the creation of pilot programmes.<sup>18</sup>

2.22 Examples of National Partnerships are provided in Figure 5 above.

### ***Other funding***

2.23 There are other Commonwealth school education programmes which are referred to as 'Commonwealth Own-Purpose Expenses'. Examples include:

- Grants and awards;
- National School Chaplaincy and Student Welfare Programme;
- National Trade Cadetships; and
- the Quality Outcomes Programme (elements of which include Schools National Projects, Community Festivals, Parliament and Civics Education Rebate, the Australian Government Quality Teacher Program, civics and citizenship education, the Australian Institute for Teaching and School Leadership and the Australian Curriculum Assessment and Reporting Authority).<sup>19</sup>

### ***Average Government School Recurrent Costs***

2.24 Average Government School Recurrent Costs (AGSRC) were the basis for calculating Australian Government recurrent funding for government and non-government school students. There was a different primary and secondary AGSRC amount because of the differences in the costs associated with educating primary school students and secondary school students.

2.25 The Australian Government's per student (government and non-government) recurrent funding was provided at a percentage of the AGSRC. In the case of the National Schools SPP for government schools, the base amount was calculated on the basis of 10 per cent of the AGSRC for per student recurrent funding. Per student recurrent funding for non-government school students ranged along a continuum from 13.7 to 70.0 per cent of the AGSRC.

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18 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 15–16.

19 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 17.

2.26 In 2013 the AGSRC amounts were \$10 411 (primary) and \$13 032 (secondary).<sup>20</sup>

#### *Calculation of the AGSRC amounts*

2.27 The AGSRC amounts were based on State and Territory government recurrent expense data, which included both Australian Government and State and Territory government funds, maintained by the Standing Council on School Education and Early Childhood. The recurrent expense data included:

- employee-related expenses;
- out-of-school expenses (such as teachers based in a regional office and the costs of regional and central administration);
- redundancies (including payments of accrued leave, other entitlements, superannuation and special incentives);
- other operating expenses (such as student transport, cleaning, utilities, repairs and maintenance, minor stores, plant and equipment, rentals and leases, etc.); and
- grants and subsidies paid directly to schools for any school education purpose.<sup>21</sup>

2.28 The final primary and secondary AGSRC amounts for any one year were calculated by dividing the total of these expenses for each level of education in the previous financial year by the average of government school primary and secondary enrolments for the previous two years.<sup>22</sup>

#### *Variability of the AGSRC*

2.29 Table 1 below shows that the annual rate of increase in the AGSRC was quite variable, and not necessarily uniform between the primary and secondary amounts. However, the average annual rate of growth was 5.8 per cent in nominal terms.

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20 *Schools Assistance Regulations 2009*, p. 15.

21 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 17–18.

22 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, pp 18–19.

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## Reviews of School Funding

### *The Gonski Review*

2.30 In April 2010 the then Commonwealth Minister for Education, the Hon Julia Gillard MP, announced a review, chaired by Mr David Gonski AC, to examine government funding for schools and the role of private funding in school education.<sup>23</sup>

2.31 The Gonski Panel conducted a comprehensive consultation process:

- meeting with 71 education groups across Australia;
- considering 1290 submissions in response to its discussion paper 'Review of Funding for Schooling: Emerging Issues Paper';
- visiting 39 schools and campuses across all states and territories;
- considering 118 submissions received in response to its second paper 'Review of Funding for Schooling: Paper on Commissioned Research'; and
- commissioning four pieces of research:
  - 'Assessment of current process for targeting of schools funding to disadvantaged students' by the Australian Council for Educational Research;
  - 'Assessing existing funding models for schooling in Australia' by Deloitte Access Economics;
  - 'Feasibility of a national schooling recurrent resource standard' by the Allen Consulting Group; and
  - 'Schooling challenges and opportunities' by a consortium led by the Nous Group which included the Melbourne Graduate School of Education at the University of Melbourne and the National Institute of Labour Studies at Flinders University.<sup>24</sup>

2.32 In conducting its review the Panel considered the funding requirements of:

...students from all schools across the government, Catholic and independent school sectors. It considered the current arrangements for providing Australian Government and state and territory funding to schools, as well as other sources of school income.

2.33 The Panel noted:

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23 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 35.

24 *Review of Funding for Schooling Final Report* (Gonski Review Report), Appendix B – Review process and consultation, December 2011, pp 228–229.

The task of understanding and responding to the challenges of the current funding arrangements for schooling is complex. There are significant differences in the way Australian schools are organised across sectors, as well as differences in the demographics of the student bodies and the challenges faced by sectors and states.<sup>25</sup>

2.34 The Panel found a range of deficiencies of the school funding arrangements that existed at that time:

When considered holistically, the current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian Government and state and territory governments across the schooling sectors.

There is a distinct lack of coordination in the way governments fund schooling, particularly in relation to directing funding to schools based on student need across jurisdictions and sectors...

It is not always clear which level of government is providing funding, nor what role the Australian Government and state and territory governments should play in funding particular educational priorities.<sup>26</sup>

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25 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiii.

26 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, pp xiv–xv.

**Table 1—AGSRC 1999–2012, dollars per student and per cent increase<sup>27</sup>**

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27 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 20.

2.35 The Gonski Review highlighted the declining standards of achievement over the past decade:

...the performance of Australian students has declined at all levels of achievement, notably at the top end...

In addition to declining performance across the board, Australia has a significant gap between its highest and lowest performing students. This performance gap is far greater in Australia than in many Organisation for Economic Co-operation and Development countries... A concerning proportion of Australia's lowest performing students are not meeting minimum standards of achievement. There is also an unacceptable link between low levels of achievement and educational disadvantage, particularly among students from low socioeconomic and Indigenous backgrounds.<sup>28</sup>

2.36 Based on these findings, the Gonski Review made 41 recommendations, geared towards creating and implementing a needs-based and sector-blind school funding model.

2.37 The Gonski Review's core recommendation was that the level of recurrent funding for all school students should be determined by a Schooling Resource Standard (SRS). The SRS would include a benchmark per student amount (with different amounts for primary and secondary school students).

2.38 The Review also recognised that increased concentration of disadvantaged students in certain schools has a significant impact on educational outcomes. Accordingly it recommended the introduction of loadings for various student-based and school-based sources of disadvantage (socio-economic status (SES) background, disability, English language proficiency, indigenous status, and school size and location).

2.39 The per student SRS would be based on the resources used by high-achieving schools, as identified by their performance in the National Assessment Program – Literacy and Numeracy (NAPLAN), and indexed annually. Government schools would receive the full amount of the per student SRS, while the SRS amount for non-government schools would be adjusted according to the community's capacity to contribute to supporting the school. Some non-government schools, such as special schools and those that do not have the capacity to charge fees, would receive the full SRS per student amount. The Review recommended that a minimum public contribution per student for every non-government school be applied, set at between 20 and 25 per cent of the SRS, excluding loadings. The loadings for disadvantage would apply to all eligible students regardless of the school they attended.

2.40 The Gonski Review estimated that its proposals would require an additional \$5 billion<sup>29</sup> in annual recurrent funding spread across both tiers of government. This

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28 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. xiii.

29 At 2009 prices.

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estimate did not include the Gonski Review's recommendations for expanded capital funding.<sup>30</sup>

### ***Rudd/Gillard Governments response to the Gonski Review***

2.41 The previous government responded to the final report of the Gonski Review in September 2012. Through its 'National Plan for School Improvement' (NPSI) the Rudd/Gillard Governments accepted the core recurrent funding recommendations of the Gonski Review; that is, an SRS for all school students supported by various loadings for disadvantage. The proposed new funding model was accompanied by an improvement framework for schools and teaching, with five areas of reform identified for implementation.<sup>31</sup> In total, the Rudd/Gillard Governments expected that the NPSI, when fully implemented by 2020, would see an additional \$6.5 billion spent on schools each year by the Commonwealth and State and Territory Governments, in line with the estimates in the final report of the Gonski Review.<sup>32</sup>

2.42 Implementation of the previous government's response to the Gonski Review findings is described in detail in Chapter 5.

### ***National Commission of Audit findings on school funding***

2.43 In the context of advising the Abbott Government on its long-term fiscal strategy, the National Commission of Audit (NCOA) argued that school funding has increased under the AGSRC model, and would increase further with the implementation of the NPSI, by 'over 9.2 per cent per year over the next 10 years'.<sup>33</sup> Figure 2 below is taken from the NCOA report and shows the projected increase of funding under the NPSI.

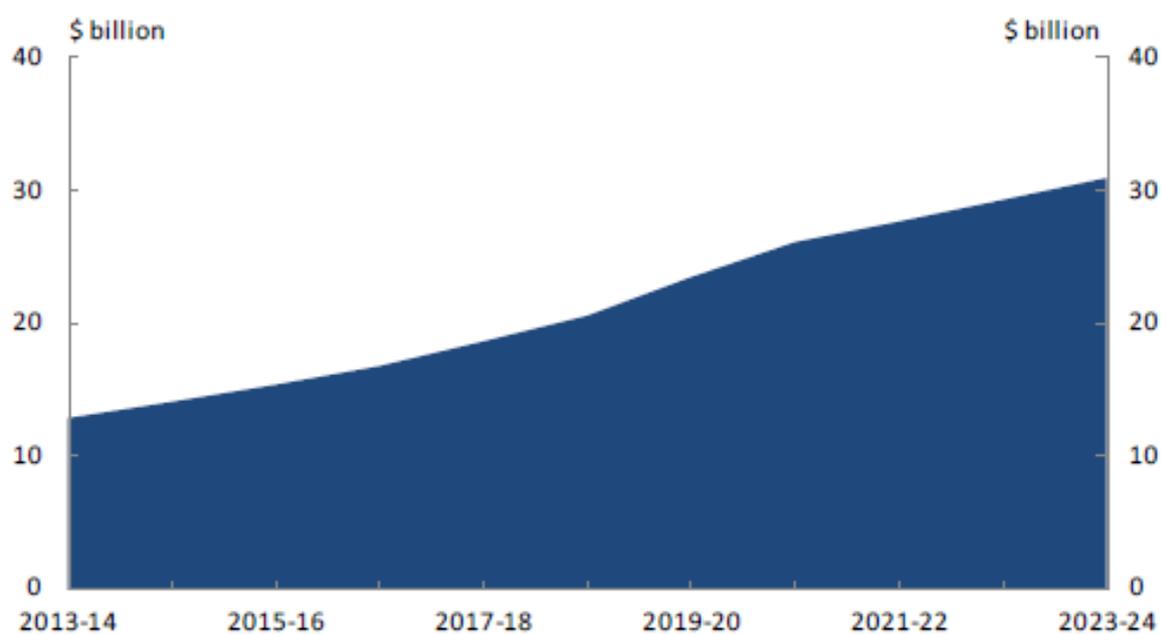
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30 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 36.

31 The five areas of reform are: Quality Teaching; Quality Learning; Empowered School Leadership; Meeting Student Need; Transparency and Accountability. For further information see: Australian Government, *National Plan for School Improvement*, May 2013, p. 8, [www.budget.gov.au/2013-14/content/glossy/gonski\\_policy/download/NPSI.pdf](http://www.budget.gov.au/2013-14/content/glossy/gonski_policy/download/NPSI.pdf), (accessed on 9 June 2014).

32 Ms Marilyn Harrington, Parliamentary Library, *Australian Government Funding for Schools Explained: 2013 Update*, March 2013, p. 37.

33 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 262, [www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html](http://www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html), (accessed 9 June 2014).

**Figure 2—Growth of Commonwealth expenditure on school funding<sup>34</sup>**

Source: National Commission of Audit.

*Issues relating to school funding as identified by the National Commission of Audit*

2.44 The NCOA identified the following issues with education funding:<sup>35</sup>

- Duplication and complexity of the roles of the Commonwealth and the States in schools funding; and
- That the assertion that increased funding would lead to improved student outcomes is incorrect.<sup>36</sup>

2.45 On this latter point the NCOA stated:

...increasing funding does not necessarily equate to better student outcomes. There is no clear, consistent correlation in the academic literature between increased funding (including through reducing class sizes) and school outcomes (Hanushek and Woessmann, 2010; Hanushek, 2006;

34 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 262, [www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html](http://www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html), (accessed 9 June 2014).

35 For further discussion of the findings of the NCOA, including the link between improved educational outcomes and funding and indexation of school funding see Chapters 4 and 7 respectively.

36 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 265, [www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html](http://www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html), (accessed 9 June 2014).

Hoxby, 2000; Krueger, 1999 is an example which does show a small positive effect).<sup>37</sup>

*Areas identified for reform by the National Commission of Audit*

2.46 The NCOA report recommends that policy and funding responsibility for education funding be transferred from the Commonwealth to the states, returning to the model in place before the 1970s'.<sup>38</sup>

Commonwealth funding would have far fewer conditions attached, and those conditions would be focused on monitoring and transparency, including requiring the States to identify and publish their own needs-based formula for allocating funding between schools in all sectors, publish data on school outcomes on a consistent basis and continue to participate in national and international testing and the national curriculum.<sup>39</sup>

2.47 The NCOA report also suggests that Commonwealth funding could be simplified and potential growth in funding capped:

Growth in Commonwealth funding could be reduced and streamlined by setting funding for the government and non-government sectors in each State and Territory at 2017 per student levels for each sector in that State or Territory, indexed annually by an appropriate measure to reflect reasonable inflation in school costs. Indexation could be simply done using a weighted average of the Consumer Price Index and the relevant Wage Price Index for the schools sector.<sup>40</sup>

*Abbott Government response to the findings of the National Commission of Audit*

2.48 On 13 May the Treasurer, the Hon Joe Hockey MP, and the Minister for Finance, Senator the Hon Mathias Cormann, outlined the Abbott Government's response to the findings of the NCOA in a joint press release. The ministers stated that the 'National Commission of Audit was an important input to the Abbott Government's considerations and many of the policy issues raised in the National Commission Audit have been considered by the Abbott Government when preparing the 2014-15 Budget'.<sup>41</sup>

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37 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 265, [www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html](http://www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html), (accessed 9 June 2014).

38 National Commission of Audit, *Phase One Report*, February 2014, p. 127, [www.ncoa.gov.au/report/phase-one/](http://www.ncoa.gov.au/report/phase-one/), (accessed 9 June 2014).

39 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 267, [www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html](http://www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html), (accessed 9 June 2014).

40 National Commission of Audit, *Appendix to the National Commission of Audit Report, Volume 1*, February 2014, p. 268, [www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html](http://www.ncoa.gov.au/report/appendix-vol-1/9-7-schools-funding.html), (accessed 9 June 2014).

41 'Our response to the National Commission of Audit report', Joint Media Release the Hon J.B. Hockey, Treasurer, and Senator the Hon Mathias Cormann, Minister for Finance, 13 May 2014, [www.financeminister.gov.au/media/2014/mr\\_2014-46.html](http://www.financeminister.gov.au/media/2014/mr_2014-46.html), (accessed 9 June 2014).

2.49 The 2014-15 Budget contains some measures, such as indexation of school funding from 2018, which appear to flow from the findings of the National Commission of Audit.<sup>42</sup> However, with regards to the introduction of indexation of school funding post-2017, the Budget measure differs greatly from the NCOA recommendation.

2.50 Recommendation 23 of the NCOA regarding schools funding recommends, amongst other things, that Commonwealth funding from 2018 onwards should be consistent with 2017 funding levels with:

...annual funding for each sector in each jurisdiction calculated as the per student amount, adjusted for the number of students enrolled in that year and indexed by a weighted average of the CPI and the relevant Wage Price Index.<sup>43</sup>

2.51 As discussed further in Chapters 6 and 7, the 2014-15 Budget introduces indexation for school funding post-2017, however this indexation is based on 'CPI enrolment growth'.<sup>44</sup> Mr Cook from the Department of Education explained that that, on average, CPI would be 2.5 per cent and enrolment around two per cent, making a rate of 4.5 per cent.<sup>45</sup>

2.52 Neither the Abbott Government nor the Commonwealth Department of Education provided an explanation as to why the Abbott Government has chosen CPI indexation rather than using the recommendation of the NCOA.

2.53 The ministers' media release explained that the Abbott Government would 'continue to methodically consider and review the issues raised in the National Commission of Audit report that are not addressed in the 2014-15 Budget'.<sup>46</sup> The ministers' media release also provided a table of NCOA recommendations and the vehicle for their future consideration. In this table, school funding is to be considered further in the Federation White Paper.<sup>47</sup>

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42 The measures in the 2014-15 Budget and the initiatives in the Abbott Government's Students First policy are discussed in detail in Chapter 6.

43 National Commission of Audit Recommendations, Recommendation 23, [www.ncoa.gov.au/report/phase-one/recommendations.html](http://www.ncoa.gov.au/report/phase-one/recommendations.html), (accessed 20 June 2014).

44 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 37.

45 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 37.

46 'Our response to the National Commission of Audit report', Joint Media Release the Hon J.B. Hockey, Treasurer, and Senator the Hon Mathias Cormann, Minister for Finance, 13 May 2014 [www.financeminister.gov.au/media/2014/mr\\_2014-46.html](http://www.financeminister.gov.au/media/2014/mr_2014-46.html), (accessed 9 June 2014).

47 'Our response to the National Commission of Audit report', Joint Media Release the Hon J.B. Hockey, Treasurer, and Senator the Hon Mathias Cormann, Minister for Finance, 13 May 2014 [www.financeminister.gov.au/media/2014/mr\\_2014-46.html](http://www.financeminister.gov.au/media/2014/mr_2014-46.html), (accessed 9 June 2014).

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2.54 On 28 June 2014, the Prime Minister released the Terms of Reference for the White Paper on the Reform of the Federation. The objectives of the White Paper will be:

- reduce and end, as far as possible, the waste, duplication and second guessing between different levels of government;
- achieve a more efficient and effective federation, and in so doing, improve national productivity;
- make interacting with government simpler for citizens;
- ensure our federal system:
  - is better understood and valued by Australians (and the case for reform supported);
  - has clearer allocation of roles and responsibilities;
  - enhances governments' autonomy, flexibility and political accountability; and
  - supports Australia's economic growth and international competitiveness.<sup>48</sup>

2.55 The areas to be considered in relation to the allocation of roles and responsibilities of the different levels of government are health, education, housing and homelessness, and other areas within scope.

2.56 The White Paper process will be a standing item on the COAG agenda. Work on the White Paper will be overseen by a Steering Committee comprising: 'the Secretaries and Chief Executives of the Commonwealth Department of Prime Minister and Cabinet, State/Territory First Ministers' departments and the Australian Local Government Association.'<sup>49</sup>

2.57 Issues papers on health, education, and housing and homelessness are due to be released in the second half of 2014, followed by a Green Paper in the first half of 2015 and the White Paper by the end of 2015.<sup>50</sup>

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48 Prime Minister, the Hon Tony Abbott MP, 'White Paper on Reform of the Federation', media release, 28 June 2014, [www.pm.gov.au/media/2014-06-28/white-paper-reform-federation](http://www.pm.gov.au/media/2014-06-28/white-paper-reform-federation).

49 Prime Minister, the Hon Tony Abbott MP, 'White Paper on Reform of the Federation', media release, 28 June 2014.

50 Prime Minister, the Hon Tony Abbott MP, 'White Paper on Reform of the Federation', media release, 28 June 2014.