

Chapter 8

The effect of changes to school funding arrangements

8.1 Evidence provided to the committee during its public hearings, and through over 3 400 submissions received in the course of the inquiry, demonstrated a number of issues around which concerns about the changes to school funding coalesce:

- Uncertainty about future funding, particularly beyond the four years of funding provided in the 2013-14 Budget;
- Lack of clarity regarding the process for amendments to the *Australia Education Act 2013* and the possible effect of removing the 'command and control' mechanism from the Act;
- The need for accountability and transparency measures to ensure that funding is going to those schools which require it most; and
- Transparency around the future levels of funding, particularly indexation decisions, by states and territories.

8.2 The committee considers that without certainty, accountability and transparency in school funding, achieving high quality educational outcomes for Australian students will not be possible. The remainder of this chapter examines these important issues raised during the committee's inquiry.

The effects of funding uncertainty

8.3 The committee heard that uncertainty around future funding, funding arrangements and transition was a critical issue for State and Territory Governments, schools, principals, teachers and parents.

8.4 Mr Tony Harrison, Chief Executive of the Department for Education and Child Development South Australia, noted that South Australia had been enthusiastic about signing the agreement under the NPSI primarily due to the consistency and certainty of the funding which would have been provided. He noted that 'working in short-term frames of three and four years does provide significant challenges, particularly for programming at the school level but also from a more universal education system level as well.'¹ Mr Harrison cited Singapore as an example of a successful long-term reform program in his remarks on the benefits of certainty of funding for long-term planning:

It has certainly provided us with the ability to have the longer term planning, which I know has been often mentioned to this committee in relation to the development of reform programs for a longer continuous process. In my more recent reading, there are examples in east Asian countries. You only have to cite Singapore as a country. They engaged a

¹ Mr Tony Harrison, Chief Executive, Department for Education and Child Development South Australia, *Committee Hansard*, 30 April 2014, p. 7.

13-year reform program which was largely founded on the learning journey of a child from commencing school to finishing school. I think the academic research would very much support that it is difficult to make short, quick gains in education in relation to improved learning and teaching outcomes; they have to be programmed on a more extended period of time.²

8.5 Mr Rob Nairn, Executive Director of Australian Secondary Principals' Association stressed that principals need certainty of funding to be able to plan for programs and target resources to areas of need in their schools:

The problem we have had with previous funding arrangements—things like national partnership dollars that have gone into schools—is that it is an injection or a silver bullet type thing that was there for one to three years. Principals got the dollars and made some sort of an intervention that made a difference, and then the funding disappeared and there was nothing sustainable. Targeting the money directly to schools where it is needed, to the students who need it, ensures some sustainability around programs so that you are not wondering whether you are going to get a silver bullet bucket of money. You know that there is some sustainability, because you have the same cohort of students. As you build their capacity you can build into the various programs. We need a funding model that will enable some sustainability. The current funding model does not allow that.³

8.6 Ms Meredith Peace, President of the Australian Education Union, Victoria Branch explained that uncertainty around future funding could mean that schools had to cancel programs or could not plan for program implementation:

Certainly one of the things our principals and our schools said to us throughout the Gonski review, and about the importance of what was actually delivered through the funding arrangements, was the certainty of funding beyond a set period of time—that they would be able to plan and put in place programs of support for students in the long-term, knowing full well that they could keep that support in place. Even in the last six to 12 months, we have had principals say to us, in terms of the lack of transparency around funding for this year, 'We are going to have to let staff go.' Schools found out on the second last day of the school year what their revised budgets were. They were not told how much additional money they were getting; they were just given a revised budget and they had to try and work it out themselves. We had many schools who were saying, 'We will simply have to end those programs, end the employment of staff who are providing literacy support to kids in classrooms, because we have got no certainty of funding now for the sorts of programs we are running to

2 Mr Tony Harrison, Chief Executive, Department for Education and Child Development South Australia, *Committee Hansard*, 30 April 2014, p. 6.

3 Mr Rob Nairn, Executive Director, Australian Secondary Principals Association, Western Australia, *Committee Hansard*, 29 April 2014, p. 17.

support kids.' So it has made a very real difference to kids in classrooms and to our public schools.⁴

Committee comment

8.7 The committee believes that the uncertainty around school funding, a product of the Abbott Government's undertaking to fund only the first four years of the NPSI, has the potential to derail implementation of its Students First reforms. Without consistent and certain funding, schools cannot plan expenditure on programs which will improve teacher quality and educational outcomes for students. As discussed in Chapter 4, the committee considers that there is a link between funding and educational outcomes, and the committee is persuaded that unless funding is consistent and provided over a longer period than an electoral cycle, educational outcomes will suffer.

It is also clear to the committee that without certainty of funding it will not be possible to address the funding inequity that exists in the school system, as identified by the Gonski Review. The committee notes that Minister Pyne has finally acknowledged the fundamental inequity present in the Australian schools system. As recently as 2 July 2014 he is quoted as saying:

"The Australian education system routinely fails children from low socio-economic backgrounds, indigenous children and those in remote communities. As a developed country, we should not willingly accept that a child's background determines their education success."⁵

8.8 The committee is mindful that the recommendations of the Gonski Review were designed to address and reduce disadvantage in precisely the areas Minister Pyne identified.

8.9 Unless governments and schools can make long-term decisions and target those groups of students most in need, the gap between the disadvantaged and the advantaged in the Australian school system will increase. If the Abbott Government does not reverse this situation it will have effectively unpicked the overwhelming consensus built during the Gonski Review and NPSI negotiations. This will risk further exacerbating the underperformance of schools and students within the long-tail of disadvantage across the Australian schooling sector.

8.10 Without certainty of funding, schools cannot make the best decisions for students, teachers and the broader school community and act to reduce inequity. The concerns over the future of school funding post-2017 need to be urgently allayed. In light of Minister Pyne's recent and overdue acknowledgement of the existing inequity in the Australian schooling system, the committee emphasises the importance of the following recommendation.

⁴ Ms Meredith Peace, President, Australian Education Union Victoria Branch, *Committee Hansard*, 3 April Melbourne, p. 22.

⁵ Jamie Walker, 'Pyne eyes national Direct Instruction rollout', *The Australian*, 2 July 2014, www.theaustralian.com.au/national-affairs/pyne-eyes-national-direct-instruction-rollout/story-fn59niix-1226974451763#mm-premium

Recommendation 1 (*commit to implementation of the NPSI*)

The committee believes that the significant consensus achieved from the Gonski Review and the agreements negotiated under the National Plan for School Improvement (NPSI) must not be lost with the current government's harmful and confusing changes. The committee recommends the Australian Government honour its pre-election commitments to fully implement the national needs-based, sector-blind funding model incorporated in the NPSI to improve equity across Australian schools. In particular, the Australian Government should commit to the following elements of the NPSI:

- **the six year transition to a nationally consistent Schooling Resource Standard;**
- **maintain the commitments made under the National Education Reform Agreement (NERA) and bilateral agreements with participating states and territories, in particular the five areas of the NPSI:**
 - **quality teaching**
 - **quality learning**
 - **empowered school leadership**
 - **meeting student need**
 - **greater transparency and accountability; and**
- **conduct reviews prescribed under the NERA and strive for equitable funding for schools most in need.**

8.11 Uncertainty of funding has a negative effect on all schools and students, but particularly those from specific groups which rely on additional funding to decrease inequity: Indigenous students, students with disability, small schools, remote schools, students with limited English, and students from a socio-economically disadvantaged background. In this regard, Dr Ken Boston, former head of the NSW Education Department and former Gonski panellist, explained that funding targeted to areas of need, such as towards students from disadvantaged groups, can have a significant effect on education outcomes for those students:

Where it has been possible for schools and systems to target funding against areas of need, there has been real improvement. The strategic targeting of available resources on reading in the early and primary years has clearly resulted in improved achievement: as a result, over the period 2008 to 2013 there has been an improvement in reading in Year 3 and Year 5 (ACARA, 2013: 300), including notable improvement amongst Indigenous students.⁶

6 Dr Ken Boston, answers to questions on notice, 16 May 2014, p. 6.

Disability loadings

8.12 A clear example of the negative effect of uncertainty of funding on students with additional needs can be found in the consideration of disability funding. The *Australian Education Act 2013* includes an interim loading for disability, which is intended to cover 2014 until a loading can be determined. Dr Ken Boston, in a speech to the Students With Disability Forum in Canberra, explained that in recommending the development of a loading for disability, the Gonski Panel found that there was no common approach across states with regards to students with disability:

We found there was a problem in striking a loading, because of the lack of a common approach across states to identifying students with disability and the extent of educational adjustment required to support them; and because of the high variability of the cost of support for students with very different needs.

We noted that COAG had work in progress to overcome this problem by achieving a nationally consistent approach, which is now close to completion.⁷

8.13 The Gonski Panel, Dr Boston explained, recommended that a loading for disability could only be developed once the lack of a consistent approach had been overcome:

So, we recommended that, once this nationally consistent collection of data had been completed, a national schools resourcing body, in consultation with all governments and accountable to all ministers, should establish the loadings to attach to the categories of extensive, substantial or supplementary adjustments required to support the learning of children with disability.⁸

8.14 The Department of Education is undertaking work to develop a disability loading, and advised the committee that a report would be presented at First Ministers in January 2015.⁹ Meanwhile, the effect of this uncertainty on students with disability was outlined by Ms Stephanie Gotlib, Executive Officer of Children with Disability Australia:

There is a great deal yet to be finalised and negotiated before the planned introduction of a disability loading, but what is of central concern to CDA [Children with Disability Australia] is the lack of clarity about the process that will be undertaken to deliver a coherent and effective load funding model by 2015. CDA has asked, since the initial commitment was made to develop a disability loading, for the articulation of a clear program of work occurring to develop this loading and how this will be in place for the 2015

7 Dr Ken Boston, Students with Disability Canberra Forum, 12 May 2014, p. 7, www.aeufederal.org.au/Media/President/KBoston120514.pdf.

8 Dr Ken Boston, Students with Disability Canberra Forum, 12 May 2014, p. 7, www.aeufederal.org.au/Media/President/KBoston120514.pdf.

9 Mr Martin Hehir, Deputy Secretary Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 43.

school year as promised. This is still not clear for CDA. Additionally, it is of concern that there have only been minimal meaningful consultations and involvements of groups outside of government in this work to date despite there being a great deal more expertise in this area outside government than in the jurisdictions.¹⁰

8.15 Compounding the uncertainty around future disability funding is advice from the Department of Education regarding projections of annual Commonwealth funding growth for the Student with Disability loading.¹¹ The figures show the rate of growth increasing in only two jurisdictions—Western Australia and the ACT—from 2016-17 to 2017-18. In all other jurisdictions the rate of growth decreases and for the case of the Northern Territory, funding for 2017-18 goes backwards.

Disability loading and the NDIS

8.16 At its public hearings the committee heard evidence which raised concerns about the interaction between the NDIS and the disability loading. Mr Rappensberg from Novita Childrens' Services described the situation in South Australia:

South Australia is a special circumstance because it is the trial site for children for the NDIS, which is not replicated in other states in Australia. The interface issues between the NDIS and education funding will expose themselves first in this particular state.

The other issue is in relation to the loadings and how they are applied—whether they are applied generically to the school or individually to the child to fund specific supports. An organisation like Novita provides a specific support to an individual child, yet the loading may be applied to the school generically in relation to the cohort of children with special needs that they have. So that potentially is an issue as well because, as service providers move into a fee-for-service arrangement under the NDIS and the security of their previous block grant funding is removed, a service provider needs to charge a fee to be able to provide a service. So, come 1 July, in South Australia service providers entering schools will need to charge a fee for the service that they are providing, which will not be funded by the NDIS, because of that clarity around the NDIS not funding supports that access the curriculum.¹²

8.17 Further, Ms Julie Astley, Director Operations (Client Services) from Novita Childrens' Services noted that communications about the interaction between the NDIS and the disability loading were not clear, a fact which made the realities of supporting children with a disability difficult for parents and schools:

Certainly, the communication that we receive lacks sufficient detail to be able to get an informed feel on a day-to-day level for how schools will be

10 Ms Stephanie Gotlib, Executive Officer, Children with Disability Australia, *Committee Hansard*, 1 May 2014, p. 42.

11 A copy of the table is at Appendix 6.

12 Mr Glenn Rappensberg, Chief Executive, Novita Children's Services, *Committee Hansard*, 30 April 2014, p. 2.

uplifted to better support children with disabilities in the school environment and then the flow-on effect to service providers to support the schools in their endeavours. The lack of clarity, the uncertainty, is a prevalent comment that we hear in our ongoing, day-to-day communication with schools, as we provide services for and with them for kids with special needs.¹³

8.18 Mr Harrison advised of the South Australian Government's support for the need to clarify the interaction between the disability loading and the NDIS funding:

With some 13½ thousand, we, like all jurisdictions, have finite resources and go through rigorous processes of assessment to try to determine where the greatest needs are to ensure that we best utilise available funds as effectively and efficiently as we can. The strongest comment I can make is the need for absolute alignment between the two approaches from NDIS and also from improved funding which goes into the education area as well.¹⁴

Committee comment

8.19 The committee is concerned that the uncertainty around continuing funding for students with a disability is a particularly urgent example of the negative effect of the change in funding arrangements. Likewise, the committee notes that other disadvantaged groups could also be acutely affected. The confusion around the interaction between the disability loading and the NDIS is also of concern to the committee. The committee believes that the above evidence from South Australia highlights that partnerships between the State and Territory Governments and the Australian Government are critical in the ongoing development of school education policy.

8.20 The committee considers that the collection of data and decisions about the loading for students with a disability is of urgent priority. It is essential that this work is completed to provide certainty for schools, students and families.

8.21 The committee believes that eroding the agreements established with participating states will impact severely on vulnerable groups in the education system, such as students with disabilities. If a comprehensive loading for students with a disability is not established by 2015, this group of students will become an example of the tragic consequences of the Abbott Government's failure to work collaborative within the consensus built by the agreement with participating states.

Recommendation 3 (*disability loading*)

The committee recommends that the government moves, as a matter of urgency, to a disability loading based on actual student need. To this end, the committee

13 Ms Julie Astley, Director Operations (Client Services), Novita Children's Services, *Committee Hansard*, 30 April 2014, p. 2.

14 Mr Tony Harrison, Chief Executive, Department for Education and Child Development South Australia, *Committee Hansard*, 30 April 2014, p. 8.

recommends that data collection and decisions about the loading for students with a disability should be expedited so as to provide certainty around a needs-based disability loading to replace the temporary arrangements in 2015. This must happen in close consultation with advocacy groups, the various school sectors and states and territories.

Recommendation 4 (*disability loading*)

The committee recommends the Federal Government honours its election commitment for increased funding to cover unmet need for students with a disability.

Further, the committee recommends that the government works with all states, territories and advocacy groups to clarify the interaction between the disability loading and the National Disability Insurance Scheme.

Recommendation 5 (*disability loading*)

The committee recommends that information assisting parents and carers of students with a disability be produced and distributed as soon as possible.

Proposed amendments to the Australian Education Act

8.22 The proposed amendments to the *Australian Education Act 2013* centre on the removal of the so called "command and control" mechanisms. Mr Cook provided the committee with advice as to the proposed amendments:

I think the command-and-control aspect certainly talked about what requirements there would be for states and territories and approved authorities to document in great detail the things they were doing. I do not think anyone has the view—and certainly the minister does not—that transparency and accountability is not a good thing, as I said in my opening statement. The My School website information around some of those things—providing information in relation to what states and territories are required to do around COAG education targets—is all part of the work that is required to be done around accountability and transparency. But the question the minister has put to schools, states and territories is whether it is undue reach by the Commonwealth to tell schools how they should be running their business—telling every school that they must have a school improvement plan and that this is how it needs to be made up, this is what it needs to look like and this is what needs to be in the plan.¹⁵

8.23 Mr Cook provided a subsequent update in which he noted that the deadline for submissions regarding proposed amendments was the first week of May 2014. The department had collected a number of submissions as part of consultation on the proposed amendments, and some states and territories had asked for extensions until

15 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 13 March 2014, p. 18.

the end of May 2014. Mr Cook then outlined the next steps in the consultation process:

Our proposal then would be to look at all of those written submissions to summarise areas where states and territories and other stakeholders have a view that they would like to see some amendments to the current act. Our process then would be that we would actually go out and consult face to face around that just to make sure we are covering the sort of things they are suggesting. We would then provide that advice for government and then it is a matter for government as to when the amendments would be proposed to come before parliament.¹⁶

8.24 The department elaborated on Mr Cook's information in an answer to a question on notice from Budget Estimates:

Following the receipt of all submissions, the department will prepare issues papers to inform more detailed discussions at consultation sessions with peak stakeholders in August 2014. Initial drafting of possible legislative amendments will occur later in 2014 for discussion with peak stakeholders as part of a third and final phase of consultations. This timeframe enables considered consultation by stakeholders and sufficient time to draft amendments with a view to tabling legislation in 2015.¹⁷

8.25 In its answer, the department advised that as at 20 June 2014, 17 submissions had been received from stakeholders. Submissions received included: the National Catholic Education Commission, Independent Schools Council of Australia, Victoria, Queensland and the Northern Territory. The department expected to receive submissions from New South Wales, Western Australia, South Australia and the Australian Capital Territory.¹⁸ As far as the committee is aware the submissions received by the department have not been made public.

8.26 Mr Cook also advised the committee on issues that states and territories had identified as problematic with the *Australian Education Act 2013*:

Mr Cook: The states and territories have indicated a number of areas, including things like a view that there is too much power, I guess, delegated in the federal minister in their ability in the current act to require states and territories to take particular courses of action, such as policy actions, for example. There is concern about some of the specific goals that are outlined in the act in relation to PISA growth and things like that. It is probably fair to say generally that states and territories would have a preference that certain aspects of the act be less specific and provide less power to a federal minister, with the view that they are the ones who are actually responsible for school education and for seeking improvements in schools.

16 Mr Tony Cook, Associate Secretary, Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 33.

17 Department of Education, answer to question on notice (no. 6), Senate Education and Employment Legislation Committee, Budget Estimates, 4 June 2014.

18 Department of Education, answer to question on notice (no. 6), Senate Education and Employment Legislation Committee, Budget Estimates, 4 June 2014.

Mr Hehir: The main sections tend to be the section 77, section 105 and section 22 sort of areas. But they are the areas where the Australian government minister has the power. So they are the broad areas they are looking at.¹⁹

8.27 The Australian Secondary Principals' Association summed up community concerns regarding proposed changes to the *Australian Education Act 2013*, and in particular noted the need for mechanisms to ensure that governments committed to a needs-based funding model:

Without knowing the proposed changes it would appear that any changes to reduce command and control will increase the disconnect between the commonwealth and the states. Whilst the current Act provides for transparency, we are concerned that this will be lost and result in deregulation / decoupling. ASPA does not support anything that reduces transparency and removes the obligations of governments to the provision of a high quality equitable education for all students.

We support broad accountability measures within a system in which funding and support is transparent and where governments properly assume their obligations to ensure long-term provisions for all students. We do not support OFSTED type accountability.²⁰

Committee comment

8.28 Given the timing of consultations on the proposed amendments to the *Australian Education Act 2013*, and the fact that many states and territories refused to participate in the committee's inquiry, there is limited information available around the proposed amendments. However, it is clear to the committee that removal of the 'command and control' aspects of the legislation would be highly detrimental to the implementation of the national needs-based funding arrangement under the Act. As discussed below, there are already problems emerging regarding states' and territories' compliance with the aim of implementing a national needs-based funding model.

8.29 It has been clear to the committee throughout its inquiry that the lack of certainty and the confusion around funding has caused great anxiety in the broader school community; particularly among groups who depend on additional funding to address inequity, such as students with a disability.

8.30 The committee believes that any consultations on proposed amendments need to be transparent and to form part of a community discussion. The Gonski Review was the catalyst for broad community debate about school funding policy and the committee considers that there is scope to build on that community discussion.

19 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education and Mr Martin Hehir, Deputy Secretary Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 33.

20 Australian Secondary Principals' Association, *Submission 35*, p. 5.

Accountability and transparency around provision of funding

8.31 The first payments to states and territories under the *Australian Education Act 2013* were made on 7 January 2014:

...representing approximately \$4.7 billion to 837 approved authorities representing 9,435 schools:

- \$398 million for the first of 12 monthly payments for 6,708 government schools
- \$2.6 billion for 50 per cent upfront payments to 1,655 Catholic schools
- \$1.7 billion for 50 per cent upfront payments to 1072 independent schools.

Further payments to non-government schools are generally made in July (25 per cent) and October (25 per cent plus any enrolment adjustments). Funding for government schools will be provided to states and territories monthly.²¹

8.32 However, in regards to funding in the years after the forward estimates, the Department has provided very little information:

For arrangements beyond the forward estimates, the Government has committed to working cooperatively with states and territories and the non-government sector to deliver sensible and stable funding and will draw on the planned review processes for the loadings and indexation, scheduled to start during 2014.

States, territories and non-government authorities have been advised, in January 2014, of the intention to begin these planned review processes for the loadings and indexation.²²

8.33 The difficulty of ensuring that the implementation of the Students First model actually provides funding to schools which need it is further compounded by the need for further negotiation with State and Territory Governments regarding post 2017 funding. Further, that the Abbott Government has only committed to four years of funding rather than six, despite some states having signed the NERA which extends to six years of funding, means confusion about how funding arrangements will apply, for example the Victorian Minister for Education has said:

The national funding agreement was signed in, I think, early August last year, and that committed the Victorian and the Australian governments to \$12.2 billion of new funding over six years. The Victorian government's share of that is \$5.4 billion over those six years, and we are beginning to deliver that money into our schools this year. This is the first budget since that agreement was signed. There is \$1.2 billion already out there, and there is [\$1.6 billion] of initiatives in this year's budget towards that six-year goal. We know that that is backloaded. Most of the funding comes on stream in the second half, in fact in the last two years, of that six-year agreement. We will certainly do our bit, with guarantees that we will

21 Department of Education, *Submission 43*, p. 7

22 Department of Education, *Submission 43*, p. 7.

provide the \$5.4 billion over six years that we said we would put on the table, and obviously we will hold the federal government accountable to do its bit in terms of the balance of the money.²³

Minister Pyne's "expectation" for states to maintain funding

8.34 The Minister for Education, the Hon Christopher Pyne MP, wrote to the non-participating jurisdictions of Queensland, Western Australia and the Northern Territory regarding the allocation of funding and outlining the Abbott Government's belief in states' autonomy:

The Government recognises that states and territories remain responsible for their schools and that all non-government schools should maintain their independence and autonomy. In 2014 it is the Government's intention, following consultation, to amend the command and control aspects of the *Australian Education Act 2013* to ensure jurisdictions maintain authority for their schools.

Given our joint commitment to addressing student need and improving educational outcomes for all students, it is my *expectation* that your Government would continue its funding effort across schools [in the relevant state or territory] through the forward estimates period.²⁴

8.35 As noted in Chapter 6, the Northern Territory advised the committee of its intention to use the additional Commonwealth funding for capital projects. At Budget Estimates, senators put to the Australian Department of Education the Northern Territory's intention. It appears from the response that department officials were unaware of the possibility that the territory would use the funding for capital projects:

Senator WRIGHT: He [Mr Ken Davies, Chief Executive, Department of Education Northern Territory] said it was [the Northern Territory Government's] intent to spend the money on schools but they could not guarantee every dollar would go to education costs.

Ms Paul: I think it has to. I think it has to under the act. We will have to go and look at the—

Senator WRIGHT: Well, it has to. But if it does not, it is not quite clear. How do you monitor? You monitor by results?

Ms Paul: I think we might be asking them tomorrow.

Senator WRIGHT: That is what I am asking you now. You obviously were not aware of it. That was my first question. Did you follow that up with the Northern Territory government? Clearly not, if you did not know about it.

23 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, p. 5.

24 Document tabled by Mr Tony Cook, Associate Secretary, Department of Education at the public hearing in Canberra on 16 May 2014: Minister Pyne's letters to states and the Northern Territory in regards to school funding allocation. Emphasis added.

Ms Paul: We will now.²⁵

8.36 Western Australia, several witnesses noted, appears to have taken the Abbott Government funding and cut State Government spending on schools. Mr Rose, Senior Vice President of the State School Teachers' Union of Western Australia explained:

The decision by the state government to agree to an arrangement with the federal government post the federal election has allowed them to drastically cut the budgets of schools in WA. A total of \$180 million has been cut from WA schools this year. More than 500 full-time-equivalent teachers have been cut from the public system. More than 500 non-teaching positions, such as educational assistants and Aboriginal and Islander education officers, have been cut. Funding specific to the most disadvantaged students, the School Support Program Resource Allocation or SSPRA funding, has been cut by 30 per cent. Schools have also lost money designed for the performance management of teachers, level III teacher programs and a long service leave levy of \$600 per teacher and \$400 per support staff.²⁶

8.37 While its status as a non-participating state is not clear,²⁷ the Victorian State Government, in its recent Budget Estimates in May, demonstrated the difficulty of accounting for Australian Government school funding down to a school-by-school level when the Minister for Education refused to provide a breakdown of school funding:

In Victoria there is no such thing as Gonski money. It is the money that the state government puts into education, it is the money that the federal government puts into education and that is the school funding. We do not treat them as two separate buckets of money. It is school funding, and we do not divide them up like that, especially in Victoria where we have a very devolved education system, where we do not have line item budgets, where we allow schools to spend the funding that they receive on the programs and services that are going to best meet the needs of their community.²⁸

8.38 Mr Nairn, Australian Secondary Principals Association, summed up the contrast between the state agreements under NPSI and the situation under Students First:

...Under Gonski, if we took the pure Gonski model, we had some consistency and we had transparency across all the states and territories. What we have now, through political processes, different negotiations were done with different states and territories. We now have the situation where

25 Ms Lisa Paul AO PSM, Secretary, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 93.

26 Mr Lincoln Rose, Senior Vice President, State School Teachers' Union of Western Australia, *Committee Hansard*, 29 April 2014, p. 10.

27 See Chapter 6 for further discussion.

28 The Hon Mr Martin Dixon MP, Minister for Education, *Parliament of Victoria Public Accounts and Estimates Committee Hansard*, 13 May 2014, p. 6.

even states that did not sign up for it have got dollars without any necessity to increase or put in their contribution as well. That is a concern, because there is no transparency. That is one of our biggest issues at the moment. The old funding model was very hard to fathom and there was not a lot of transparency around that. We believe that Gonski was going to provide the new funding model and would provide some transparency across each of the states and territories. That, through political processes, has gone, because not all the states and territories signed up and we do not have pure Gonski going through each of the states and territories. We believe a lot of that transparency is gone.²⁹

8.39 At the June 2014 Budget Estimates, senators sought to clarify with the Australian Department of Education whether there were any guarantees that States were bound to use Australian Government school funding for needs-based educational outcomes, as opposed to capital projects. The department's reply was surprisingly clear:

Senator WRIGHT: If a state wanted to spend all of the additional Commonwealth money that they received on capital infrastructure, would there be anything to stop them from doing that?

Ms Paul: It is given to the states. The states are, of course, their own entities. They can spend the money as they wish. But, as the minister said, they have to be accountable to their electorate and to who they represent, their citizens, if you like. They are also accountable quite clearly through mechanisms like My School and so on on how their schools perform. And they need to pay their teachers et cetera. I would be astonished if they would spend—

Senator WRIGHT: We have been hearing today that this is the first national needs based funding system, thanks to the Commonwealth government, that has been delivered, but in fact there is no guarantee at all that states and territories like Western Australia, Queensland or the Northern Territory actually have to use the needs based funding formula, is there? There is no requirement. There is no legal sanction if they do not.

Mr Cook: There never has been.³⁰

Committee comment

8.40 The committee agrees with Mr Nairn and other submitters that the lack of transparency around states' allocation of school funding, particularly that funding provided by the Abbott Government for the purpose of implementing quality educational outcomes, is a major concern. The following recommendations would, the committee believes, help to ameliorate the lack of transparency and increase

29 Mr Rob Nairn, Executive Director, Australian Secondary Principals Association, Western Australia, *Committee Hansard*, 29 April 2014, p. 18.

30 Ms Lisa Paul AO PSM, Secretary, Department of Education and Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 91.

accountability around school funding so all governments can work together to ensure that funding goes to schools which need it most.

8.41 In particular, the committee is concerned that the lack of transparency in co-contribution arrangements will result in an inability to ensure that funding is going to schools which need it most. The committee finds it entirely unacceptable for the Education Minister, at a time of significant fiscal constraint, to rely solely on his "expectation" that State and Territory Governments would continue its school funding efforts. At a time when the Abbott Government is cutting approximately \$30 billion in school funding over the medium-term, it is entirely unsatisfactory for it essentially to be handing blank cheques to the three jurisdictions that refused to sign up to the NPSI.

8.42 Under the Abbott Government's changes to school funding arrangements, there are no binding mechanisms by which non-participating states and territories can be held to maintaining their current expenditure and working towards achievement of the Schooling Resource Standard. As an example, the committee notes that the Northern Territory Government, as outlined above, indicated its intention to put the additional funding towards capital expenditure. More concerning still is that the Department of Education was unaware of the situation; indeed had not maintained some review of the Territory's funding allocation.

8.43 Without accountability mechanisms, there is no way to ensure that school funding arrangements are geared towards addressing the inequities in school funding, particular for those student groups most in need.

Recommendation 2 (*non-participating states*)

The committee recommends that the government work with non-participating states and territories to:

- **maintain the existing education spending of all non-participating states and territories;**
- **ensure appropriate indexation of education spending for all non-participating states and territories;**
- **ensure that adequate co-contribution arrangements are agreed by all non-participating states and territories to establish a national School Resource Standard; and**
- **achieve agreement with non-participating states and territories to the national funding model and NPSI established under the *Australian Education Act 2013*.**

8.44 The committee has found throughout its inquiry that much information on school funding arrangements is vague, obscured by the various reporting methods of government jurisdictions in Australia. The committee believes that without clear information which is consistent across jurisdictions there cannot be an appropriate level of accountability. Meanwhile, the Abbott Government is working to reduce the

accountability measures in the *Australian Education Act 2013*. In his letter to stakeholders inviting submissions on the removal of "command and control" features of the legislation, Minister Pyne sought comments on:

...where stakeholders perceive the Act or Regulation afford an overreach of Commonwealth powers and involve unnecessary reporting to the Commonwealth in this regard and ways to streamline the administration of financial and general accountability processes.³¹

8.45 The committee is deeply concerned that the Abbott Government is working towards removing accountability and transparency from funding arrangements. Throughout its report, the committee has highlighted the importance of accountability to implementing a national needs-based funding model. The committee believes the Abbott Government should act immediately to increase accountability and dispel the confusion and uncertainty which has developed through lack of public information and transparency.

Recommendation 6 (*federal-state relations and accountability*)

The committee recommends that the Department of Education produce an annual 'report card' detailing the breakdown of school funding including:

- **funding provided to states and territories (participating and non-participating) and non-government schools by sector;**
- **comparable information contributed by state and territory governments about their school funding;**
- **the extent to which these arrangements are achieving equitable funding to schools and students in most need; and**
- **funding broken down to a school level.**

Transparency around future funding levels

Achieving the SRS

8.46 The Gonski Review described the SRS as being a basis on which the Australian Government could determine the total funding to government and non-government systems and schools and its allocation of that contribution across school systems.³² Further, the SRS could act as a constant monitor of funding for schools:

...the resource standard could also be used by state and territory governments to set the desired level of aggregate funding from state and

31 Department of Education, answer to question on notice (no. 6), Senate Education and Employment Legislation Committee, Budget Estimates, 4 June 2014, p. 1.

32 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 164.

territory governments for both government and non-government sectors in each jurisdiction. This would signal a greater commitment by state and territory governments to the funding of non-government schools as part of the new funding arrangements, as well as to the adequate funding of government schools. The same would be the case for Australian Government funding of government schools.³³

8.47 Progress towards achieving the SRS, particularly post 2017 when the Abbott Government has deemed that arrangements will be subject to negotiations between the Australian Government and the States, is in doubt. In answer to a question taken on notice, the Australian Department of Education was unable to outline progress towards the SRS post 2017:

Question No. 3 (16 May):

Senator Jacinta Collins (Chair) asked on 16 May, Proof Hansard pp 39-40:

What will changes from 2017 mean to any progression towards reaching any commonality in an SRS?

Answer

The Department is unable to determine the progression.

The Schooling Resource Standard (SRS) is a common standard including a base amount and loadings for disadvantage. Because the SRS is a measure of total funding for education, of which Commonwealth funding is only a proportion, a number of significant assumptions would need to be made, requiring extensive modelling, for example:

- the Commonwealth share of funding and additionality;
- the position of each school's funding relative to the SRS;
- the distribution of funding by systems; and
- the consistency of indexation rates over time.

8.48 Somewhat ironically, the figures which the Department would require to calculate the progression towards commonality in the SRS formed part of the agreements with participating states under the NPSI. Participating states such as South Australia are able to show progression over six years (that is past 2017) due to the projections based on their NPSI agreements.

8.49 However it is clear that the change from six years of funding to four years will have a negative effect on schools' ability to achieve the SRS. The Department for Education and Child Development South Australia advised that:

The State Government does not have projections of the number of schools that will be operating below the SRS by 2017. However, the transition arrangements for South Australian schools to reach the SRS in 2019 are not

33 *Review of Funding for Schooling Final Report (Gonski Review Report)*, December 2011, p. 164.

linear, with the majority of additional funding to be provided in 2018 and 2019.³⁴

8.50 Given that the South Australian Government had matched their funding commitments under the NERA to the 6 years of funding in that agreement, the change to 4 years of funding creates the potential for a significant shortfall and consequently means that the SRS is unlikely to be achieved.

8.51 At the committee's public hearing on 16 May 2014, senators asked the Australian Department of Education about an assertion in *The Australian* that the Abbott Government is proposing to contribute 19.1 per cent of each state's notional allocation to the SRS in government sector schools. Mr Cook explained:

For the presentation of the numbers in the budget—and it is important that I make this point because the government has been very clear that there will be formal negotiations around the distribution of funding from 2018 on—basically what has happened is, looking at the total bucket, how much does the Commonwealth spend in 2018 in the government sector?

To do that, you look at what the Commonwealth spent in 2017, apply consumer price index growth, apply enrolment growth to get a figure, and then look at the total public funding to the SRS in 2018. You divide that and you get a figure of 19.1 per cent. So the Commonwealth contribution to the SRS in terms of public funding in 2018 is 19.1 per cent [for government schools].³⁵

8.52 Mr Cook noted that although there may be a difference in SRS in different states and territories, the 19.1 per cent applied equally across all:

For the Northern Territory, for example, their schooling resource standard is the highest in the country, because they have the greatest amount of loadings and need. So their 19.1 per cent has a higher dollar value but in proportion it is the same as the 19.1 per cent that Victoria receives. But Victoria's schooling resource standard is not as high as the Northern Territory's because they do not have the significant levels of Indigenous population and distance and those sorts of things. So it is a needs-based model still in that sense for the purposes of the budget presentation. Everyone in the government sector is getting 19.1 per cent of Commonwealth funding of their schooling resource standard. That is how it is applied and that is how it appears in the budget papers.³⁶

8.53 Mr Cook did not believe that any school would get less in 2018 than they would in 2017, the difference in the SRS across states notwithstanding:

34 Department for Education and Child Development, South Australian Government, answers to questions on notice, 30 April 2014, p. 5.

35 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 38.

36 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 38.

The question was: will any school get less in 2018 than they get in 2017? On the basis that schools will actually be getting whatever they got in 2017 plus 2½ per cent plus enrolment growth, the answer to that would be no. Everyone will get at least 2½ per cent plus enrolment growth.³⁷

8.54 Mr Cook provided an expanded explanation at Budget Estimates hearings on 4 June:

To be fair, I guess we now have a methodology, for the budget paper presentation, where everyone is getting 19.1 per cent Commonwealth contribution to their state schooling resource standard. What that means for the Northern Territory, which is about \$24,000 per child, is that that they will get 19.1 per cent of \$24,000 because they have a greater need than most other states on a needs based funding model. Victoria, which probably has less need around things like Indigenous students and location and things like, will have an amount, I think, of around \$12,000. They will get 19.1 per cent of that. Everyone gets an equal proportion of what the actual schooling resource standard is for their state. So that is the government sector.³⁸

8.55 Asked the slightly different question (to that of the above question on notice), what the position of having all schools reaching a national SRS in 2018 would be, Mr Cook again was unable to provide a firm answer. Instead he argued that there were too many variables post 2017:

We have given you some data, which is question three, which is what your question was: what proportion of the SRS will be reached by the end of 2017? I do not have 2018 data, I am sorry. You will see that it is incredibly variable, depending on the agreements of the previous government. Some sectors are well above 100 per cent. Some sectors are below 100 per cent. In some states the government sector will be ahead of the non-government sector. In other states the non-government sector will be ahead of the government sector. Unfortunately, I cannot answer the question that you are asking about individual schools because states and territories then distribute their funding to individual schools. It would be misleading for me to say. I just could not answer it because a state may change how they apply some of their funding to schools over the next four years as well. The best I can give you is the information that is there at the moment around what it looks like by 2017.³⁹

8.56 The Gonski Review envisaged the SRS as a marker of school funding and consequently a measure of accountability of governments and transparency around the funding going to each school:

37 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 39.

38 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 114.

39 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 39.

A resource standard could assist in identifying total investment requirements over time for school education in Australia and provide a more reliable and relevant benchmark against which costs and outcomes for school systems and schools can be assessed. A resource standard, particularly if applied by all schooling systems, would also provide assurance to parents, taxpayers and communities that all Australian schools have the financial resources required to deliver defined and appropriate educational outcomes for all Australian children.⁴⁰

8.57 Under the new arrangements proposed by the Abbott Government, there is real danger that the SRS will not achieve the potential foreseen for it by the Gonski Review.

Committee comment

8.58 The committee disputes the Australian Department of Education's claim that the arbitrary 19.1 per cent figure will deliver each state an 'equal proportion' of funding towards the SRS. It is the committee's opinion that the arbitrary 19.1 per cent Australian Government contribution to government sector schools will result in a significant shortfall in school funding for many states. As a consequence, the burden will either fall on the State Governments to make up the difference in funding or many government schools will not reach their SRS.

8.59 Non-participating states are being effectively handed a blank cheque by the Abbott Government. There is no way of ensuring that the funding will be used to improve educational outcomes. Consequently there can be little confidence that non-participating states would make up any shortfall resulting from the 19.1 per cent allocation.

8.60 Further, due to the cavalier way the Abbott Government has treated the participating states' agreements, reducing the funding horizon from six to four years, there is little incentive or motivation for participating states to co-contribute to make up any shortfall.

8.61 As a result of the Abbott Government's decisions, it is highly likely that a proportion of government schools from around Australia will never achieve their SRS. This will jeopardise the wide-spread improvements in student outcomes that will flow from a properly and strategically funded needs-based model.

8.62 The SRS, if implemented properly, could be a benchmark for school funding by State Governments and the Australian Government. However there is a very real possibility that not only will many schools not achieve the SRS, the transparency and accountability that an SRS represents will be lost.

Indexation

8.63 As discussed in Chapter 2, the National Commission of Audit's recommendation was that school funding be indexed for inflation. At Budget

40 *Review of Funding for Schooling Final Report* (Gonski Review Report), December 2011, p. 164.

Estimates in June 2014, the Department of Education advised that it had not provided input to the considerations of the NCOA regarding indexation.⁴¹

8.64 The beginning of Chapter 7 examined the difference that indexation from 2017-18 makes to the overall funding for schools; representing a substantial decrease given that the indexation begins as the funding for years five and six under NPSI would have commenced. Department of Education representatives advised that the indexation review, flagged in the NERA, would be proceeding, although they were not in a position to comment on any specific issues arising at the present regarding the indexation post 2017:

Senator JACINTA COLLINS: So whilst you say the education price index has some issues, you are not in a position to say what would be an appropriate school indexation price index?

Ms Paul: No. We are not in a position to say what it would be.

Senator JACINTA COLLINS: That was going to be the subject of the review of indexation, was it not? I can only assume—I think we had this discussion in the select committee—that it will now not proceed.

Mr Cook: The minister has written to education ministers about discussions around indexation as part of the formal negotiations. The budget papers are very clear that there will be formal negotiations on funding distribution in 2017-18. The minister has indicated that he will discuss indexation as part of that. Just to your earlier point about an education index, I might have indicated some of this in the select committee as well—⁴²

8.65 The Productivity Commission's 2014 Report on Government Services data shows that over the period from 1999 to 2012 actual recurrent expenses for school funding increased at an annual rate of 5.8 per cent.⁴³ Similarly, the Australian Bureau of Statistics education price index shows that education expenses rose 5.1 per cent in March Quarter 2013 to March Quarter 2014. By comparison, the annual CPI inflation rate to March 2014 is 2.9 per cent.⁴⁴ Given the historic and current rates of the education sector price indexation track near double the CPI rate, it is clear the Abbott Government's decision to index school funding to CPI from 2017-18 will put at risk the funding required to sustain the long-term implementation of a needs-based funding model.

41 Ms Lisa Paul AO PSM, Secretary, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 82.

42 Ms Lisa Paul AO PSM, Secretary, Department of Education and Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, Senate Education and Employment Legislation Committee, *Budget Estimates Hansard*, 4 June 2014, p. 85.

43 Productivity Commission, *Report on Government Services 2014*, Volume B: Child care, education and training, Chapter 4 School education, Table A4.18, available at www.pc.gov.au/gsp/rogs/childcare-education-training

44 Australian Bureau of Statistics, *Publication 6401.0 – Consumer Price Index, Australia, Mar 2014*, 'March Key Figures', www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6401.0Main+Features1Mar%202014?OpenDocument

8.66 Meanwhile, the effect on school funding levels of CPI indexation from 2017-18 is already clear to State Governments and advocacy groups. Mr Martin Hanscamp, Executive Officer of the Australian Association of Christian Schools told the committee on 16 May that the indexation of funding would pose considerable challenges for long-term financial planning for schools.⁴⁵

8.67 Mr Colin Pettit, Secretary, Department of Education Tasmania advised the committee that the decline in indexation from 4.7 per cent to 2.5 per cent would mean cuts of 'approximately \$9 million per annum' for the state.⁴⁶

8.68 The decrease in funding caused by indexation from 2017-18 means that if states and territories are to maintain schools funding and implement a needs-based model, they will have to make up the shortfall in funding. Chapter 3 discussed the example of South Australian Education Department, which explained how the state's school funding had been planned against the original six years of funding under the NERA.

8.69 The decision to index funding from 2017-18, two years before the end of the NERA signed by participating states leaves open the possibility that states may decrease their school funding in the medium term as they cannot rely on funding past four years. Mr Cook, Associate Secretary, Department of Education has advised that there is nothing to prevent participating states from reducing their own agreed indexation rates:

Those states and territories that have signed the National Education Reform Agreement. I guess they have agreed indexation rates and it is a matter for them as to whether they continue those indexation rates...There is a signed agreement between the Commonwealth and the states. No state has said to me that they are not implementing that agreement as it currently sits.⁴⁷

Committee comment

8.70 The committee believes that the Abbott Government's decision to implement CPI indexation from 2017-18 will result in a significant cut to school funding. The actual figures, both historical and current, show that education costs have risen at around 5–6 per cent per annum in nominal terms. By comparison, this is double the Abbott Government's long-term assumed rate of CPI inflation of 2.5 per cent per annum.⁴⁸ Even when an adjustment is made for enrolment growth, which historically has risen by 0.8 per cent per annum,⁴⁹ from 2017-18 the Abbott Government's

45 Mr Martin Hanscamp, Executive Officer, Australian Association of Christian Schools, *Committee Hansard*, 16 May 2014, p. 10.

46 Mr Colin Pettit, Secretary, Department of Education Tasmania, *Committee Hansard*, 16 May 2014, p. 32.

47 Mr Tony Cook, Associate Secretary Early Childhood, Schools and Youth, Department of Education, *Committee Hansard*, 16 May 2014, p. 34.

48 Budget 2014-15, *Budget Strategy and Outlook, Budget Paper No. 1*, May 2014, pp. 7-23.

49 See paragraph 2.7.

spending on education will fall by approximately 1.5–2.5 percentage points per annum compared to long-term trends. This annual reduction in Commonwealth education sector investment, from what was agreed under the NPSI, will contribute to the Abbott Government's projected \$30 billion cut to school funding over the medium term.

8.71 As discussed above, the cut in funding has led to uncertainty in state and territory forward planning on school funding. The committee is concerned that the decision to make such a decrease in school funding going forward sends a message to States and Territories that the Abbott Government is not focused on improving educational outcomes.

8.72 The committee notes that the indexation rates for schools funding in the 2014-15 Budget impose an even more severe indexation rate than that recommended by the National Commission of Audit. This report demonstrates the committee's view that indexation to the CPI and "enrolment growth" is not adequate to maintain appropriate levels of funding for schools.

Recommendation 7 (indexation rate post 2017)

The committee recommends that the Australian Government should reinstate an appropriate indexation rate for school funding. The government should ensure that Commonwealth school funding is not cut in real terms by adopting a more realistic indexation rate that ensures annual indexation is not below actual cost pressures. The committee notes that the previously agreed rates increased Commonwealth funding at 4.7 per cent per annum and states' contributions at 3 per cent per annum.

Need for ongoing scrutiny of the effect of changes to school funding arrangements

8.73 As outlined throughout this report, there has been a lack of clear, consistent articulation of intention from the Abbott Government with regards to its changes to school funding arrangements. For example, at the time of writing and as described above, the committee has very little information about the proposed amendments to the *Australian Education Act 2013*. The consultation process on proposed amendments is being conducted behind closed doors and no submissions have been published by the Department of Education.

8.74 Non-participating states are under no obligation to make a commensurate contribution to school funding. The only leverage the Commonwealth has retained is the Education Minister's "expectation" that non-participating state will continue to adequately fund schools. At a time when the Abbott Government is forcing \$30 billion of cuts onto the states over the medium term, it is highly likely that non-participating states will further reduce their education budgets. Indeed, as discussed above, non-participating states do not appear to be obligated to put Australia Government funding into schools. There is no way the Abbott Government can guarantee that school funding provided to non-participating states is being used to address inequity and provide funding to those groups of students most in need.

8.75 Participating states, which should be able to rely on the commitments they made under the *Australian Education Act 2013*, now face uncertain funding as the Abbott Government has committed only to the first four years of funding, with modest indexation from 2018. As states now hand down their 2014-15 budgets, participating states are facing the difficult question of how to address the funding shortfall which will result from CPI indexation in years five, six and beyond.

Committee comment

8.76 The committee is deeply concerned by the ongoing uncertainty around school funding, and the Abbott Government's cuts to school funding with indexation post 2017. The committee has heard evidence that these cuts are having a detrimental impact on school programs and that funding uncertainty is jeopardising planning. The committee agrees with the comment from Mr Gonski on indexation:

So the concept of aspiration (or indeed their [the National Commission of Audit] concept of efficiency) ends in 2017 and from then on funding increases by indexes not specifically related to changes in costs in education. If the funding be wrong in 2017 it will be perpetuated and if circumstances and aspirations change after that date they will be presumably irrelevant. No doubt this is simple but like a lot that is simple it is not adequate.⁵⁰

8.77 Without clarity from the Abbott Government about its intentions past the first four years of funding and the proposed amendments to the *Australian Education Act 2013*, State and Territory Governments cannot work towards addressing inequity in the school funding system. The committee believes that, prior to the introduction of the Students First funding arrangements; there was widespread consensus and purpose amongst stakeholders, underpinned by the agreements under the NPSI. The committee considers that this consensus is now at risk of disintegrating, along with the ability of all governments to work together to implement a needs-based funding model for schools.

8.78 As the Abbott Government has provided few accountability and transparency mechanisms around its changes to school funding arrangements, the committee believes that the Parliament must undertake increased scrutiny, to ensure that schools and students most in need do not suffer as a result of the changes to funding.

Recommendation 8 (*ongoing scrutiny*)

The committee recommends the Senate pay particular regard to:

- **any further cuts to Commonwealth or state education funding;**
- **the effect on Commonwealth-state relations with any further cuts or changes, particularly the effect on states' ability to adequately fund schools; and**

50 David Gonski AC, Jean Blackburn Oration, University of Melbourne, 21 May 2014, p. 23.

- any reviews conducted or amendments proposed to the *Australian Education Act 2013*.

The committee also recommends that the Senate refer any amendments proposed to the *Australian Education Act 2013* to the Senate Education and Employment Legislation Committee for inquiry and report.



From the left, Mr Stephen Palethorpe (Committee Secretary), Principal Ms Kathryn Entwistle, Senator Deborah O'Neill, Senator Penny Wright (Deputy Chair). The committee conducted a public hearing and site visit at the Darlington Primary School, Adelaide on 30 April 2014.