

The Senate

Employment, Workplace Relations
and Education References Committee

Commonwealth funding for schools

August 2004

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Terms of Reference

The principles of the Government's schools funding package and the effect of these principles on:

- (a) the capacity of all schools to meet current and future school needs and to achieve the Adelaide Declaration (1999) on National Goals for Schooling in the Twenty-First Century;
- (b) the role and responsibility of the Australian Government, in partnership with state and territory governments, for quality and equity in public funding for government and non-government schools across Australia and for promoting efficiency and effectiveness in the allocation of public funds for schooling, including effects on enrolment trends in the government and non-government sectors;
- (c) the effectiveness of accountability arrangements for state, territory and Federal governments' funding of government and non-government schools; and
- (d) the application of the framework of principles for the funding of schools that has been endorsed by state and territory governments through the Ministerial Council on Education, Employment, Training and Youth Affairs.



AUSTRALIAN SENATE

**EMPLOYMENT, WORKPLACE RELATIONS
AND EDUCATION**

REFERENCES COMMITTEE

11 August 2004

Senator George Campbell
Chair
Employment, Workplace Relations and Education References Committee
Parliament House
CANBERRA ACT 2600

Dear Senator Campbell

The subcommittee formed to deal with the inquiry into Commonwealth funding for schools has completed its majority report.

We commend this report to the full committee.

Yours sincerely

Senator Kim Carr
Subcommittee Chair

Report formally adopted by the
committee on 11 August 2004
for tabling on this day.

Senator George Campbell
Chair

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Recommendations

Recommendation 1 page 17

The committee recommends that the Howard Government should accept responsibility for resolving the divisiveness its school funding decisions have generated, and that the Commonwealth should demonstrate leadership in developing a new national consensus on school funding, with a renewed focus on equity and a determination to raise the quality of education in schools that are poorly resourced to deal with under-achieving students.

Recommendation 2 page 17

The committee recommends that the Australian Government accepts its responsibility for the support of high quality public school systems as a national priority, including the endorsement of the MCEETYA principles for schools resourcing.

Recommendation 3 page 38

The committee recommends that the Commonwealth note the overwhelming evidence put before the inquiry on the flawed nature of its funding arrangements for non-government schools, including:

- failure to take into account the total resources available to a non-government school in assessing relative need for funding;
- adoption of a funding scale that has provided the largest increases in funding to non-government schools that were already operating well above the resource standards in government schools; and
- creation of instability and insecurity in the post 2008 funding for the 50 per cent of non-government schools that are in one of the two ‘funding maintained’ categories for the 2005-2008 quadrennium, including 60 per cent of schools in Catholic systems.

Recommendation 4 page 39

The committee recommends that the SES non-government school funding model should be linked to the economic capacity of school communities, modified to include sources of private income including fees and linked to the educational needs of each school and its students.

Recommendation 5 page 50

The committee recommends that the Commonwealth, through MCEETYA, should exercise its responsibility to ensure that financial data regarding school income and expenditure, whether on an aggregated or disaggregated basis, is provided and publicly presented and reported in a standard format, using a single accounting basis and reporting period. In the case of non-government schools, this data, both

aggregated and disaggregated to the school level, should be provided to the Commonwealth in a standard format on an annual basis, and tabled in the Parliament. Provision of full financial information in this manner should be a condition for receipt of recurrent funding.

Recommendation 6 page 50

The committee recommends that accountability provisions regarding non-government schools should be strengthened to require reporting by schools on a range of matters including:

- enrolment of students with disabilities;
- enrolment of Indigenous students;
- admission and exclusion policies;
- teaching staff;
- curriculum; and
- discipline policies.

Recommendation 7 page 60

The committee recommends that, pending discussions with state and territory governments through normal MCEETYA processes, the Government should be mindful of the rights of states and territories to legislative and administrative autonomy with regard to the operation of schools. The Government should not use school funding legislation as a vehicle to impose on the states and territories policies and practices that would normally be the subject of agreement through MCEETYA.

Preface

In 2001 a highly contentious new system for Commonwealth funding for Australian schools was introduced. Debate over the new policy reopened schisms in the Australian community not seen since the ground-breaking political consensus reached in the Karmel settlement¹ of 1973. Whereas the Karmel Report's needs-based approach adopted forty years ago was broadly accepted, in principle and in practice, by virtually all major stakeholders and the community at large, the current Government's new funding model (the 'SES model') has been widely criticised. The failure of the Howard Government's funding policy is evidenced by the breakdown in a national consensus which began with Karmel in 1973 and continued until 1996.

The 2001-04 Commonwealth schools funding quadrennium expires at the end of this year and the Government has introduced into Parliament new legislation proposing school funding for 2005-08. In view of the controversy surrounding aspects of the current funding model, introduced with the States Grants (Primary and Secondary Education Assistance) Bill 2000, and in the light of foreshadowed legislation for the 2005-2008 quadrennium, (the Schools Assistance Bill 2004), the committee has taken the opportunity presented by this inquiry to comment broadly on what it regards as a funding policy unsustainable in its present form, a policy poorly targeted to meet the needs of schools, and one which creates divisiveness and discontent across the school sector.

The terms of reference for this inquiry go to the capacity of all Australian schools to achieve the objectives set out in the Adelaide Declaration of 1999 on National Goals for Schooling in the Twenty-first Century. This Declaration represents an agreement signed by all state and territory governments as well as the Commonwealth. As a signatory to the agreement, the Commonwealth must be regarded as committed to the principles which it contains. A key principle expressed as part of the National Goals is that of social justice as a prime objective of schooling, 'so that students' outcomes from schooling are free from the effects of negative discrimination.... and of differences arising from students' socioeconomic background or geographic location'.²

Overwhelming acceptance of, and strong support for, the National Goals for Schooling was apparent in evidence put to the committee during the inquiry. Many witnesses and submissions, however, expressed the view that current Commonwealth Government policies ran counter to the achievement of the goal of social justice in particular. There was a widespread view that these policies, especially the effects of the application of the SES funding model for private schools and the Commonwealth's approach to the funding of public schools, acted to increase inequality of outcomes.

1 This refers to the implementation of recommendations on the funding of non-government schools of the 1973 *Report of the Interim Committee for the Australian Schools Commission*.

2 *Adelaide Declaration on National Goals for Schooling in the Twenty-First Century* par 3.1 www.mceetya.edu.au/nationalgoals

Several witnesses drew attention to comments by Dr Barry McGaw, director of education for the OECD, who has noted that the Australian schools system as a whole is one of the most inequitable in the developed world in terms of the distance between the schooling outcomes for students from high socioeconomic background, on the one hand, and those from the lowest, on the other.

Underlying the inquiry is a fundamental question: what, precisely, is the appropriate role for the Commonwealth in schools funding? The current Government would have it that its own role somehow accords priority to non-government schools, while the states have primary responsibility for government schools. The sub-committee heard from several witnesses that this view has no basis in the Australian Constitution, although it is an accurate reflection of the current situation as crafted by the Commonwealth itself. Using this as its premise, the Commonwealth argues that the balance of its own funding – tipped in favour of private schools with their 30 percent of total school students receiving 70 percent of Commonwealth total funds – is appropriate.

Other commentators point to the history of the Commonwealth's intervention in schools funding: in the 1970s the Commonwealth assumed a role in the context of an emergency that saw the approaching financial collapse of Catholic parish schools nationwide, and acted to shore up these schools with subsidies that brought them to a more acceptable standard of resourcing and educational provision. The basis of Commonwealth intervention in schools funding, it is argued, is the principle of need and the principle of a community standard for education for all children, wherever they go to school. Policies such as the former Disadvantaged Schools Program crossed sectoral boundaries to provide additional support to any school where students had acute and special needs. Under this view of the Commonwealth role, it is the responsibility of the national government to oversee schooling from the national perspective, and to step in to rectify inequities and provide assistance so that all Australian children, no matter where they live and what kind of schools they attend, can receive an education of a quality and standard broadly accepted by the community at large.

The committee notes that disagreement and, on occasion, deliberate obfuscation on this fundamental issue have clouded public debate on schools funding. The sub-committee agrees with the view that the historical basis for Commonwealth subsidisation of school education is as described in the previous paragraph. It believes, further, that such an approach is the only appropriate one for a national government in a federal system.

Within the constraints of time and resources the committee has attempted to place the issue of schools funding in the context of a policy which has tacked and veered over the past forty years. While some broad bipartisan agreement has stood the test of the years, there has been tension centred on the fundamentally conflicting policy priorities of 'need' and 'entitlement'. The former approach would allocate funding on the basis of an agreed benchmark for standards, facilities and quality: the latter takes as its starting-point the idea that all students, no matter what their circumstances, are

'entitled' to a specified level of educational subsidy. As will be noted in chapter 1, the evidence presented to the committee from various interest groups echoes many of the arguments that had their origins in the 'state aid' debate four decades ago, and some of those divisions remain unresolved today.

It will be argued that over the past eight years, and certainly the past five years, the consensus view on school funding, embodied in the Karmel Report, has begun to erode. Partly as an outcome of social change, there is now a growing polarisation of views on the desirable mix of schools in the community. This dichotomy of opinion would not have been significant without its exploitation by political interests. The erosion of the middle class base in many public school enrolments is often noted by conservative commentators. Public education has suffered from diminishing political support at both Commonwealth and state levels. Whereas Karmel premised his funding reforms, and his vision of the revitalisation of school education in all its aspects, on the presumption of an overwhelmingly dominant public school system, the ground has now shifted.

The committee sees this as an unfortunate trend. While it supports the principle of parental choice in education, it takes the view that perceptions (and in some instances the reality) of an impoverished and apparently underperforming public school system have influenced choice. The Government's emphasis on 'choice' carries an implication that, given a choice, parents would prefer a non-government school, and so these must be provided. The committee believes that 'choice' in education comes not only at a high price for middle income families, but at a very high price for taxpayers through the establishment of new schools which duplicate, and then even make redundant, the public investment that has been put into public schools over past decades. Much has been made of the altruistic relief given to state treasuries as a result of private investment in education. This takes no account of opportunity costs of privately funded schools and investment foregone in wealth generating sectors of the wider economy.

Chapter 2, in dealing with the relative merits of the ERI and SES funding entitlement models, explains how the transition from one model to the other represents a move away from needs-based funding to one which reflects the current Government's desire to acquiesce to demands from parents based on the concept of the universal 'entitlement' to government subsidies for schooling. The argument goes that since all parents are taxpayers they are entitled to some kind of education rebate which may come in the form of a grant to the school of their choice. This is an entitlement that may bear no relation to need. A further argument often advanced is that, by preserving the idea of an entitlement for all students, regardless of the resources of their school, incentive is provided for families to invest in schooling. Finally, it is said by proponents of this view that families who opt out of the public system save the taxpayer substantial amounts of money. The idea of an entitlement reflects, and compensates for, these savings.

The committee notes that there is growing concern about the reinforcement of privilege which is the outcome of the current SES funding model. But the committee

is also aware that, while debate over the relative merits of the SES and the former needs-based ERI funding models continues, the models themselves are less contentious than the use to which they are put by the Government. The SES model may well be methodologically sound: the same cannot be said for the way it is manipulated and modified to suit political ends.

The new legislation to appropriate funds for the 2005-08 quadrennium contains noteworthy provisions indicating the Government's increasing imposition on states and school systems of intrusive micro-management requirements. The stipulations laid down by the Government extend to occupational health and safety and to employee relations. The committee cannot fault the Government's thoroughness in attempting to replicate in this bill so many policy features taken from its many unsuccessful industrial relations bills. Another borrowed feature is the propagandist slogan which features in the short title of the bill, which is Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Bill 2004. The committee has made similar criticism of titles to bills seeking to amend the Workplace Relations Act. The committee regards it as inappropriate to assign titles to pieces of legislation that might more appropriately appear in the Minister's second reading speech. It calls on the government to revert to the accepted convention where the short title of a bill is intended to reflect in a factual manner the bill's contents and purpose.

In summary, the committee reports that the Schools Assistance Bill maintains a policy which misdirects Commonwealth resources to the detriment of students in schools which serve disadvantaged communities, as well as students who have a disability or some kind of learning impairment. That is, the needs basis for funding is receiving a much lower priority than it requires. The obvious beneficiaries of the current funding policy are socioeconomically privileged communities and the resource-rich non-government schools which serve them. The policy outcome is to reward families who are best able to afford the 'choices' which they claim as their right. The distribution of Commonwealth funding at current rates to the best resourced schools in the country gives them a disproportionate advantage measured against the measure provided by the Average Government Schools Recurrent Cost (AGSRC) index. The committee believes that principles of 'choice' and 'entitlement' which together are claimed to justify the disbursement of private school funding need to be re-examined in the light of higher principles of Commonwealth responsibility to address real needs and direct resources accordingly. The current SES funding model needs to be amended and extended to encompass a needs-based component.

The committee takes the view that an effectively targeted funding model needs to take into account the extent to which schools are able to raise their own income from fees and endowments. This would impose a much more demanding accountability process, and would require from non-government schools financial information that they have hitherto been unwilling to submit to parliamentary scrutiny. The record so far has shown that increased Commonwealth assistance to high-fee schools has not resulted in a reduction of fees, but has simply increased their capacity to compete with similar schools in the range of superlative facilities they offer and in the salaries they are able to afford for their principals and their business management teams.

The committee notes the call from some witnesses for a national public inquiry into school funding. The committee does not recommend such a course of action. It takes note in this report, however, of several key issues and problems with the current funding system which were presented to it in the course of its own inquiry. These matters might well form the basis for serial review, over time, of the components and effects of the SES funding model and attendant policies. The committee recommends the development of a national strategy for school funding, eliminating inter-governmental bickering which has led in the past to embarrassing funding anomalies and inequities across the country. A national strategy should involve a consistent, agreed, cross-sectoral approach to the development and registration of new schools, many of which under current policies have been founded on principles at odds with national and local planning priorities and sometimes with broader community social standards.

Finally, the committee notes that a large number of witnesses and submissions drew attention to perceived deficiencies of the AGSRC index as a basis for funding private schools. It should be noted that the AGSRC is actually used in three separate ways: first, to set in place a standard against which to assess need (a role ignored by the current Government); second, as a basis for determining the level of funding (expressed as a percentage of the AGSRC) for each step of the SES scale; and third as an index for the annual supplementation of grants. The reservations expressed by witnesses go variously to each of these functions, and do not concentrate on one in particular. The reservations are noted. The committee agrees that the use of the AGSRC to serve all of these separate purposes could be questioned. The committee does not make any specific recommendations regarding the use of the AGSRC.

The committee commends this report to the Senate and urges the adoption of its recommendations.

Chapter 1

Schools funding: a historical and political context

1.1 Fundamental to the issue of schools funding policy is the question of the obligation of the government in the provision of schools, and the social purposes of the school system. The Schools Assistance Bill 2004, and the principles that apparently underlie it, reflect a specific ideological approach to this question – one that has typified the stance of the Government over the past seven years. In that time there has been a departure from the long-accepted role of the Commonwealth in supporting states and territories to provide both public and private schooling of the highest quality.¹ The departure of the Commonwealth from its proper role is manifested in the move from a needs based funding model which ensured an agreed acceptable funding standard for schools to one which appears aimed at encouraging even more segmentation in the school sector: the very antithesis of what a national school program should be aiming at.

1.2 The principles which underlie current policy are based on the idea that schooling (and education more broadly) is essentially a commodity that is purchased by individual families, whose 'choice' of schooling government should encourage and facilitate. Such a view is, naturally, hotly contested in the community at large as well as within academic and policy debate. The outcome of the imposition of these individualistic, market-oriented policies has been a rapid increase in inequality in the outcomes of schooling. An OECD study² in 2000 identified Australia as having an excessively segmented school system, reflecting high levels of social inequality. In contrast, countries to which Australia is usually compared achieved equal or better educational outcomes at the top, and showed a much more narrow gap between the highest and lowest levels of achievement. This is relevant to funding, and to the structure of the Australian school system: other comparable countries, generally speaking, can claim to have systems that are more 'national' and more comprehensive, with less marked division between the top and the bottom of the socio-economic scale in terms of schooling outcomes.

1.3 It is inevitable that the committee's consideration of its terms of reference has led it along well-worn paths in the schools funding debate. An examination of key issues raised at hearings and in submissions has raised familiar arguments and uncovered the fossilized remains of the old 'state aid' controversy. The inquiry of necessity covered much of the ground examined only four years ago, in 2000, in consideration of the legislation that introduced the new funding model for non-

1 Submission No.73, Government of South Australia, p.3

2 OECD Program for International Student Assessment which measured the performance of 15 year-olds in reading, mathematics and scientific literacy – referred to in Submission No. 34, Barbara Preston, p.8.

government school funding – the States Grants (Primary and Secondary Education Assistance) Bill 2000. It is fair to observe that little of the evidence has explicitly placed arguments in an historical context. This may reflect a reluctance to confront the reality that a political compact which many claim to have been made over 30 years ago is increasingly in tatters and that the policy expedients of successive governments over that period of time for the purposes of funding schools are no longer capable of holding a coherent policy structure together. While a pragmatic political settlement, based on genuine community consensus, was achieved many years ago, like many such policy solutions the continuing soundness of the Karmel settlement was completely dependent on political will to maintain that consensus within the community by ensuring a fair, even-handed approach that transparently responded to the proven needs of schools and school systems. The current Government's abandonment of such a commitment has allowed political schisms to open up. Some of the elements which dominated the debate in the 1960s and 1970s, such as sectarianism, have disappeared through effluxion of time, but new developments such as the decline in levels of political and public support for public education, have proven to be just as divisive. Now, as then, the key conflicting issues of equity and entitlement have yet to be reconciled. That remains the main policy challenge in schools funding.

Observations from history

1.4 It is forty years since the first tentative legislative step was made to provide Commonwealth financial assistance to schools.³ The landmark *States Grants (Science Laboratories and Technical Training) Act 1964* appropriated just under 5 million pounds in capital grants to schools. In 1964 the proportion of school students attending non-government schools was under 24 per cent. The non-government school sector mostly comprised Catholic schools (83 per cent), and most of these were run autonomously by religious orders or were parish schools staffed for the most part by religious congregations, the largest of which ran scores of schools in dioceses across the country.

1.5 Operating as fairly exclusive and sometimes elite institutions were a relatively small handful of well established independent schools, mostly affiliated with the various Protestant denominations, some with distinguished academic reputations and in possession of a certain social cachet. These were generally schools for the wealthy, and for families which had a tradition of attending particular schools through successive generations. Even so, they provided a service for many rural families, as did Catholic boarding schools. Apart from state government bursaries paid to a small percentage of students, no government funding found its way into any non-government school.

3 Leaving aside Commonwealth interest loan payments for non-government schools in the ACT which commenced in 1956. This provision was associated with the development of Canberra and the transfer of public servants from Melbourne.

1.6 One result of the absence of government funding of schools which had for the previous 80 or more years educated the broad spectrum of the Catholic community was that by the mid 1960s, with the demands of the post war baby boom having their effects, Catholic schools were facing collapse. A steep decline in numbers joining religious orders was creating a staffing crisis in Catholic schools, which educated a significant proportion of the lower middle and working class. This crisis effectively precipitated the 'state aid' debate.

School Enrolments by Type of School, 1953-2003⁴

Year	Govt		Catholic		Other Non-Govt		Total Non-Govt		All Students
	('000)	%	('000)	%	('000)	%	('000)	%	
1953	1,206	76.7	286	18.2	80	5.1	366	23.3	1,572
1963	1,752	76.1	451	19.6	98	4.3	549	23.9	2,301
1964	1,797	76.1	463	19.6	102	4.3	565	23.9	2,362
1969	2,111	77.8	490	18.1	112	4.1	602	22.2	2,712
1974	2,253	78.4	494	17.2	124	4.3	618	21.5	2,872
1979	2,332	78.2	513	17.2	138	4.6	651	21.8	2,983
1984	2,261	74.9	567	18.8	190	6.3	757	25.1	3,018
1989	2,194	72.4	594	19.6	243	8.0	837	27.6	3,031
1994	2,215	71.5	602	19.4	282	9.1	884	28.5	3,099
1999	2,248	69.7	636	19.7	343	10.6	979	30.3	3,227
2003	2,255	67.9	661	19.9	403	12.1	1,064	32.1	3,319

1.7 The political debate of the 1960s about school funding needs no recounting in this report. The needs of Catholic schools were addressed at that time in a piecemeal fashion, but it was not possible to do even this without consideration of the needs of all schools. The States Grants (Technical Colleges and Science Laboratories) Bill 1964 appropriated for the non-government sector only about 12 per cent of the total funds, probably as an acknowledgement of some residual sectarianism in the

4 Year Book of the Commonwealth of Australia 1956
G.Burke and A.Spaul, 'Australian Schools: participation/funding 1901-2000', *Year Book Australia 2001*; Australian Bureau of Statistics, *Schools Australia 2003*, *ABS Cat. No. 4221.0*

community. Commonwealth assistance to schools expended rapidly in the late 1960s. In 1968 grants for school libraries commenced in parallel with continuing science laboratory grants, and per capita grants were introduced in 1969, at first for non-government schools, and from 1972 to public schools as well.⁵

1.8 The Whitlam government, which had debated school funding with some intensity before 1972, took a more systematic approach. Its policy was to submerge the issue of grants to non-government schools within the broader policy of addressing the needs of all schools, regardless of their governance, provided that they were in genuine need of assistance. This would address the emerging problem of asset-rich high-fee schools taking a share of government largess which they had not claimed prior to the Gorton initiatives of the sixties. The Whitlam government's acceptance of the recommendations of the Karmel report in 1973 resulted in legislation to establish the Schools Commission. This agency, at arms length from direct ministerial direction, would run a systematic program of Commonwealth grants to both government and non-government schools. The expenditure program recommended by the interim Schools Commission, and contained in the States Grants (Schools) Bill 1973, was debated in the parliament at the same time. It provided for expenditure of \$694 million in 1974 and 1975. The needs and equity criterion applied by the interim Schools Commission failed in its first test, as the Senate forced amendments to the bill which provided continued funding for category A schools, originally classified by the bill as asset rich and therefore ineligible for funding.

1.9 The Karmel report is regarded as the most influential of all Australian reports on school education. Even its critics commended the Karmel committee for its view that issues of educational quality and standards should shape the financial arrangements designed to implement the transformation of the school sector.⁶ As noted above, however, the Schools Commission, as designed by Karmel, was thwarted in its preferred funding mechanism by a Senate hostile to its 'needs first' funding philosophy. Marginson points out that, even with the graduated scales of financial assistance calculated on the basis of need, the funding that was available had different outcomes in different schools. The additional money assisted government schools, but it ensured the survival of the Catholic schools, and helped the elite private schools to flourish. This was a powerful counter-model to the strategy of equality of opportunity. Karmel 'normalised' the socially selective schools, strengthened their competitive position, and confirmed their elite status.⁷

1.10 The 'Karmel compact' served to take the heat out of the school funding issue. Over the years 1967-1983, however, the Fraser Government oversaw an incremental change in policy, implemented through guidelines issued to the Schools Commission,

5 Marginson, Simon, *Educating Australia: government, economy and citizen since 1960*, CUP 1997, p.51

6 Crittenden, Brian, 'Arguments and Assumptions of the Karmel report: A Critique', in *The Renewal of Australian Schools*, J V D'Cruz and P J Sheehan (eds), 1975, p.3

7 Marginson, op.cit, p.56

which provided a considerable increase in the proportion of Commonwealth funds directed to non-government schools, albeit confined to some extent within a 'needs-based' rhetoric. This trend in fact reversed the intention of the original Karmel recommendations which had anticipated a cessation of grants to the most asset rich schools. Between 1976 and 1983 the maximum per capita grant to non-government schools increased by 66.3 per cent for primary schools and by 65.9 per cent for secondary schools. Minimum grants, received by a few affluent schools increased by just over 160 per cent for secondary schools. Marginson makes the point that over this time a layer of poor Catholic schools remained 'whose continuing poverty was used to underwrite the political position of the whole private sector'⁸. The sub-committee notes that this political strategy is one which, in modified form, continues today.

1.11 Marginson also identifies a significant policy change over that period in regard to the opening of new non-government schools. In 1981-82, for the first time, grants to non-government schools exceeded grants to public schools, at a time when general purpose grants to the states had fallen nearly 2 per cent in real terms. The committee makes the point that the policies of the current government are following in grooves which were well carved out nearly twenty years previously. In 1976-82 recurrent grants to private schools increased by 87 per cent in real terms while grants to public schools fell by 24 per cent in real terms⁹. It is noteworthy that this trend has been followed by the current government, which has also seen grants to non-government schools in 1996-2004 increase at twice the rate of public schools. In the 2005-08 quadrennium this funding trend will be confirmed.

1.12 It should also be noted that, during the tenure of the current Commonwealth Government, the majority of the increase in funding to private schools, above and beyond normal inflation measures, is due to the application of the AGSRC as an indexation mechanism. As many witnesses observed, this index is running at the moment at six to seven per cent. It reflects the increases in overall expenditure on government school systems provided by state governments and, as such, is pitched well above ordinary cost increase measures such as the consumer price index. When introduced by the Keating Government, this index stood at little over two per cent. The change in the value of the AGSRC is due in large part to the more generous school funding decisions on the part of state governments in the last several years.

Effects of social change on school funding

1.13 In the past thirty years, important social and economic changes affecting school education have ensured that the issue of Commonwealth assistance to schools has remained a matter of controversy. The Karmel committee was alive to the demographic movement which was putting pressure on school infrastructure at the time, but it could not anticipate that within a short period there would be a decline in the birth rate, together with rising levels of disposable income, along with the advent

8 Marginson, Simon, *Education and Public Policy in Australia*, CUP 1993, p.209

9 *ibid*, p.211

of the two income family; and, an expanding middle class with changing views about the role of education and the kinds of schools families believed would best suit the needs of their children.

1.14 Such trends may not necessarily have encouraged the considerable expansion in enrolments in non-government schools, but the conjunction of conditions and circumstances brought this about. The decline in the birth rate has made private schooling more affordable for families with only or two children. By the 1980s, social factors and perceived deficiencies in public schools led to a noticeable enrolment drift away from them by the so-called 'aspirational class'. It is difficult to obtain reliable information about this trend beyond raw enrolment figures. It has been speculated that in choosing to pay fees for schooling many parents believe they can buy a more favourable educational outcome. They may also believe that, in exercising this 'choice', parents will be better able to influence the kind of schooling their children receive. These assumptions are widely encouraged by non-government schools, and are more influential for being incapable of objective assessment. It is also speculated that many parents believe they are purchasing both a peer group for their children, and fruitful long-term friendships, as well as more committed teachers and better emotional support and pastoral care. Staffing inflexibilities and other bureaucratic characteristics of state education departments are claimed to impede public schools in developing a learning culture which is attractive to the 'aspirational' class. Again, this is speculative territory, where perceptions carry more influence than more reflective judgements about the comparative quality of educational programs or hard facts about local public schools.

1.15 The committee recognises that perceptions about the state of the school system gathered through hearsay comment over talk-back broadcasting and back fence gossip is more politically powerful and influential over time than research undertaken by reputable authorities whom few people have heard of and whose studies may fall on the deaf ears even of public officials. Evidence of some witnesses pointed to an apparently profound social change that has diminished confidence in public education on the part of the middle class. The committee put this observation to the NSW Public Education Council, which verified this perception. As the committee was told:

I do recall a study a few years ago...showing that the parents who educated themselves in the government system and who then got degrees put their own children in the independent system at a disproportionate rate. So I think there is truth in what you are saying. I think that Tony Vinson has expressed the view that for some parents there is a concern that with its necessary emphasis on fairness and equity there may be less academic rigour in the public system. I do not think there is actually any evidence of that but I think that is a perception. I participated in discussions on behalf of a forum run by one of the big television stations and almost every person who spoke there—and it was only a small group of about 50 people—about

their decision to send their children to non-government schools mentioned the lack of resources in government schools.¹⁰

1.16 The committee notes the provocative comments of the Prime Minister earlier this year making the sweeping statement that public schools were deficient in the values they presented, or failed to present, to students in their care. While this carefully calculated comment was met with a broad rebuff from educators and parents from public and private schools alike, it was a comment intended to feed the vaguely held suspicions of an electorate susceptible to negative propaganda about public schooling. There was no specific detail given; simply an added weight to opinion in the land of talkback broadcasting. It is remarkable that such comments received such credibility in an overwhelmingly secular society, and where secular values, as distinct from religious values, are rarely discussed in any abstract way.

Choice, need and entitlement

1.17 The debate over school funding turns on arguments about the validity of claims made by supporters of uncapped overall levels of Commonwealth funding of non-government schools. The policy-making difficulty presented in this debate is that the principles underlying fair, equitable and effective allocation of limited public funding are juxtaposed against funding demands which have little to do with principles of government responsibility to act in the interests of the community as a whole. Instead these claims are based on the absolute rights of individuals, irrespective of their circumstances, to attract government subsidies for schooling. The notion of education as a common good, essential for the prosperity and well-being of the country, and as a process which creates and promotes social cohesion and shared values, is increasingly blurred in the rush toward social fragmentation and the move to push individual advantage at the expense of society overall. Ambition and self-interest have always been motivating instincts in the educational process, but having successfully harnessed or incorporated these instincts, together with other aspirations in a comprehensive school system for a brief period in the 20th century, the committee believes we are in danger of returning to a highly stratified and inequitable system of schools to which there is contested entitlement and in which choice is a matter to be exercised by schools as much as by parents.

The matter of choice

1.18 The current Coalition government has based its school education expenditure on principles of choice and entitlement. There has never been any doubt about the right of parents to choose the education of their children. The issue remains whether the state has a role in supporting this right to choice by funding any and all schools to which parents might wish to send their children. The political consensus, following the debates of the sixties and seventies, was that there is a qualified obligation on governments to facilitate this choice through funding grants. The committee observes

10 Ms Lyndsay Connors, *Hansard*, Sydney, 26 July 2004, p.39

that there remains a question about the limits of choice given that governments have obligations that compete for funding; and that long existing public infrastructure and institutions must be preserved and continually invigorated. It is clear that a policy based on 'choice' alone is unlikely to be sustainable. 'Choice' does not lead to an equitable distribution of preferences or benefits. Taken to its logical conclusion, choice may not even be an option for those who wish to exercise it, because of scarcity of supply or opportunity. Where the exercise of choice is backed by state funding it is by no means assured that the community as a whole will benefit. That is why, in nearly all circumstances of life, those who choose to exercise choice are generally expected to set their own expenditure priorities. There are necessarily limits, therefore, on the exercise of taxpayer funded options. Thus, other factors determining the decisions of governments must come into play.

1.19 The committee heard from a parent organisation that the expansion of the non-government school sector did not necessarily lead to increased choice and diversity so much as more conformity.¹¹ It pointed to the assumption underlying Government school funding policy that 'choice' is good because it equates to a free market philosophy which must lead to diversity, yet there is no evidence that non-government schools wish to attract non-conforming individuals into their communities. Students do not necessarily encounter much social diversity in schools which enrol only able and healthy students from middle class families or those who aspire to this status¹².

1.20 A preoccupation with choice plays havoc with educational planning and cost projections. There is already evidence of over-supply in some educational 'markets'. This forces up the cost per student. Since education is compulsory, public schools have a responsibility to maintain places in principle accessible to any student. But, as the NSW Public Education Council has asked, how many places must be publicly funded above the minimum necessary, in order to provide individual parental choice of school? Is every family entitled to a choice of at least two schools?¹³ The committee agrees with the view expressed in this submission that the notion of unlimited choice of schools is impractical and unaffordable. It is also an option unavailable to the large number of families in rural and remote areas where a local government school is the only practicable 'choice'.

1.21 Finally, choice does not necessarily deliver improved learning outcomes. As one academic commentator pointed out to the committee, Government policy has so far promoted the multiplication of schools and an expansion of places in the expectation of better learning quality outcomes for disadvantaged students, but there is

11 *ibid.*

12 Submission No.59, Federation of Parents and Citizens' Association of NSW, p.8

13 Submission No.52, NSW Public Education Council, p.8

no evidence that this has occurred. Nor has the growth of 'markets' in school education appeared to have led to better targeting of resources to children most in need.¹⁴

Entitlement

1.22 The same applies to consideration of the concept 'entitlement'. It is commonly argued that it is because parents are paying such high fees for education in particular schools that they are entitled to a reward for their sacrifices. This argument is not new: in the debates on the States Grants (Schools) Bill 1973 the House of Representatives was told:

We reject the emotional talk about wealthy schools. If schools are well off as far as facilities are concerned, it is because the parents have provided those facilities. We know that many parents who send their children to private schools are by no means wealthy. But they are prepared to make sacrifices so that they can send their children to schools which they believe offer extra opportunities for their children.¹⁵

1.23 This sentiment is echoed in a number of submissions to this inquiry. The argument that because individuals pay taxes they are entitled to a specific benefit has no more plausibility in this instance than the demand made by an individual for relief from taxation because of a disagreement over the way the government intends to appropriate revenue. Nonetheless, it is a view put forward with conviction.

1.24 The consistent policy of Labor in government and in opposition since 1996 has been that education funding should be allocated on the basis of need and in pursuit of equity. This was a relatively straightforward policy when it found expression in the recommendations of the Karmel report. The policy to modernise the existing school systems through funding of infrastructure, teacher training and curriculum transformation ran up against a Coalition policy to expand alternative school options. This was done for the purpose of creating a new constituency for the Coalition, sensitive to arguments which play on the notions of choice and entitlement, and assisted by social developments which have been described in the previous section

Need

1.25 The state is bound to regard the satisfying of need as its first priority and, as needs vary in the degree of urgency they present, governments must direct their energies and resources accordingly.

1.26 All representatives of independent schools were careful to stress the importance of the need factor, and supported the payment of additional funds to meet the needs of all schools. Their only stipulation was that extra funding to address needs should not come from the entitlements that are due to all students.

14 Submission No.8, Professor Richard Teese, p.2

15 Hon J D Anthony, *Hansard* (Hof R), 12 December 1973, p.4654

Competing under different rules

1.27 The committee takes the view that a perceived relative impoverishment of public schools, compared to private schools, has been the main reason for a drift of support from middle class families towards private schooling. It fears that there is a tendency for the Commonwealth Government to view public schools as institutions for those families unwilling or unable to make the 'sacrifice' necessary to educate their children in non-government schools. The clientele of public schools are regarded rather like families unwilling to pay for private health insurance: 'freeloaders' on the system, although fortunately freeloaders on state governments rather than on the Commonwealth. The Government believes it can afford to wear political opprobrium for its neglect of public schools because they are not used by its core constituency.

1.28 The Government is unlikely to deny the importance of public service obligations of public schools because it would be predisposed to see this as the main reason for maintaining them. They provide the 'safety net' of schooling. What may not be so obvious to the Government is that marginalised schools and school systems have a greatly reduced capacity to achieve the agreed national goals of schooling for the 21st century.

1.29 The objection of the committee to this view of the role of public schools is that it locks them into expectations of mediocrity. It belies the diversity of public schools and their record of academic achievement in all states and territories. It also points to the discriminatory consequences for public schools when they attempt to compete against non-government schools for middle class enrolments. Public school principals have alerted the committee to the fact that non-government schools play under far more favourable rules, as far as admission policies are concerned, and are not bound by any obligations apart from those established in common law. It is argued that is this difference in the operational rules which influences parental choice as much as funding inequities. As one submission states:

Publicly-funded private schools, by default or by design, can avoid catering for students from low income families, indigenous Australians, students with disabilities, students from one-parent families and students whose families may not profess a religious faith.

The consequence has been to create a public school system which disproportionately caters for these groups and, in the process, caters for young people and communities which are marginalized. This situation will be accentuated if funds to existing 'wealthy' private schools are simply redistributed to 'low fee' private schools, without any change in the way these schools operate. It will simply create and advantage more private schools at the higher end of what is an already uneven playing field.¹⁶

1.30 The committee received consistent evidence of public school systems bearing the larger part of the burden of catering for the needs of disadvantaged students. They

16 Submission No.23, NSW Secondary Principals Association, p.2

are under-resourced for this social obligation purpose. Over 40 per cent of students in public schools are from low-income families compared with 27 per cent of Catholic school students and 27 per cent from other non-government schools. Public schools enrolments of students with disabilities comprise 4.2 per cent, compared with 2.2 per cent in Catholic schools and 1.8 per cent in other non-government schools. Other indicators of a social divide between public schools and other schools relate to indigenous enrolments: 4.5 per cent in public schools compared with 2.6 per cent in other schools; with year 12 retention rates being much higher, at 85 per cent in non-government schools, compared to about 70 per cent in public high schools.¹⁷

1.31 Barbara Preston has undertaken a great deal of research on student characteristics and the type of schools they attend. She has found that students attending public schools are much more likely to have low family incomes than students attending either Catholic or other non-government schools. Indigenous students, whatever their family income level are much more likely to attend public schools. Preston's research findings are represented in the table below, under which she identifies the points arising from it.

Proportion of students in Government, Catholic, other nongovernment and all primary and secondary schools with very low family incomes, high family incomes, and who are Indigenous, Australia, 2001

	Government	Catholic	Other non-govt	All schools
<i>Very low family income (less than \$400/week)</i>				
Primary	13%	7%	7%	12%
Secondary	11%	6%	6%	9%
<i>High family income (more than \$1,500/week)</i>				
Primary	20%	31%	41%	24%
Secondary	23%	39%	52%	31%
<i>Indigenous students</i>				
Primary	4.6%	1.7%	1.5%	3.8%
Secondary	3.8%	1.1%	0.9%	2.5%

Source: ABS 2001 Census custom tables

This table provides key data relevant to this inquiry, and indicates that

17 Submission No.45A, ACT Council of Parents and Citizens Association, pp.3-4

- compared with both Catholic and other nongovernment schools, government schools have almost twice the proportion of students with very low family incomes (below the level of income of two parent families on benefits)
- the proportion of students with high family incomes in Catholic primary and secondary schools is more than 50 per cent higher than the proportion in government schools
- the proportion of students with high family incomes in other nongovernment primary and secondary schools is more than twice as high as the proportion in government schools
- compared with both Catholic and other nongovernment schools, government schools have around three times the proportion of Indigenous students¹⁸.

1.32 It is interesting to consider these findings in the light of evidence given by the Tasmanian Minister for Education that current funding arrangements to be continued in the new quadrennium provide public schools with far less Commonwealth funding for indigenous students and students with disabilities than is provided for non-government schools. In the case of students with disabilities the funding is about one fifth of that provided for students in non-government schools.¹⁹

Walled and unwalled school communities

1.33 The Secondary Principals' Association of NSW argues that the manner in which non-government schools are permitted to operate in Australia has resulted in substantial advantages accruing to them, with the effect of seriously disadvantaging public schools. This situation has occurred because neither the Commonwealth nor state governments have properly considered the conditions under which publicly-funded non-government schools should receive public funds; and the long term effects on public schools of a non-government school sector operating under what is effectively self-regulation.

1.34 The committee received tabulated evidence of differences in operational practice, requirements and obligations applying to public and non-government schools. The Secondary Principals' Association of NSW provided the table below with advice that the information presented for non-government schools in NSW is incomplete because of difficulty in obtaining the information. Characteristics of the integrated school system of New Zealand are added for comparison.

18 Submission No. 74, Ms Barbara Preston, p.11

19 Submission No.17, Hon Paula Wreidt MHA, p.2

Regulatory provisions applying to schools: a comparative table

Feature of school operation	NSW public secondary schools	Systemic schools and 'independent' schools in NSW	New Zealand state schools, which include govt & integrated schools
Enrolling students	Must enrol any student, without a history of violence, living in drawing area	Usually no obligation to enrol.	Government schools are zoned. Integrated Catholic schools cannot enrol more than 5% non-Catholics
Suspension of students	Must adhere to a strict policy which includes detailed provisions for procedural fairness	Practice varies – no publicly available policies and procedures	As for NSW. Both government and integrated schools follow the same rules.
Expulsion of students	Only after exhaustive procedures (above) are followed.		Decided by the school board
Discrimination on basis of sexuality, age or disability	NSW Anti-Discrimination Act 1977 applies to public schools.	Appropriate sections of the Act do not apply 'to, or in respect of, a private educational authority'	Not permitted by legislation.
Appointment of staff	By DET according to state-wide procedures. Limited local selection of executive staff. Schools can appoint temporary teachers	Usually school-based decision	By schools/boards following interview. Both government and integrated schools follow the same rules.
Dismissal of staff	Done by the DET after a lengthy school-based process of review of 'efficiency'		By schools/boards following program. Both government and integrated schools follow the same rules.
School uniforms	New draft policy in NSW makes uniforms 'compulsory'except for anyone who doesn't want to comply.	School-based decisions.	Both government and integrated schools follow the same rules. Enforcement has a legal basis.
Fees and contributions	DET will only support fees only for elective subjects as long as there are no-cost alternatives.	School or system decisions	Government and integrated schools follow the same rules but integrated schools collect additional 'attendance dues'.
Properties and maintenance	Some global budget provision but mainly centrally controlled and organised.	Varies, usually school-organised.	Grant for schools includes maintenance, but the property in integrated schools is owned by the school authority.

Note: All but 5% of 'private' schools in New Zealand are fully integrated into the state system and are regarded as state schools. Under the Private Schools Conditional Integration Act 1975 any school can apply to become an integrated school and the state then funds the operation of the school, with the land and buildings owned by the school authority.

1.35 As the table shows, the operation of non-government schools is bound by far fewer rules and constraints in comparison with public schools. The NSW Principals' Association believes that it is this difference in operational rules and requirements, as much as funding inequities, which affects the competitive ability of public schools and influences public perceptions about their relative attractiveness. Publicly-funded non-government schools, by default or by design, can avoid catering for students from low income families, indigenous Australians, students with disabilities, students from one-parent families and students whose families may not profess a religious faith.

1.36 The Association argues that the consequence has been the creation of a public school system that disproportionately caters for marginalised and disadvantaged groups. The committee agrees with the view expressed that this trend will be accentuated if funds to existing wealthy schools are simply redistributed to 'low fee' non-government schools, unless there is a change in the way these schools are required to operate. The playing field will remain uneven until such time as the non-government sector is obliged to accept some form of 'community service charter', and to accept in particular their share of responsibility for dealing constructively with disadvantaged and difficult-to-teach children.

1.37 Public school principals must deal with consequences of this state of affairs every day. They work within substantial restrictions on the way they operate, in contrast to the relatively few restrictions placed on principals of neighbouring publicly-funded non-government schools. One illustration of this problem is the frequent ill-disguised 'dumping' of unwanted students from non-government schools into public schools, often without any evidence of the students having been accorded procedural fairness and regardless of how many years the parents of the students paid high fees to those schools. This practice, and its differential consequences for public schools on the one hand and private schools on the other, illustrates the lack of fairness in existing frameworks.

1.38 In illustration of the points made in the Principals' Association's submission and evidence, the committee obtained a small sample of data collected by the NSW Teachers Federation which provides a sample of the reasons for movement of students from non-government schools to public schools. This data is in the table on the next page. It shows the reasons why these movements took place in the case a several public and private schools. We can infer from this example that this traffic is considerable.

1.39 Only infrequently is movement the other way, with non-government schools taking in nonconforming or difficult 'black sheep' from public schools. The committee emphasises its support for the legal obligations that currently apply in all states to public schools and school systems. Its concern is that these same laws and regulations should apply to all schools, and that the burden of holding up the enrolment safety net should be shared by all schools.²⁰ The committee notes in passing evidence of co-

20 Mr Ron Dullard, *Hansard*, Perth, 12 July 2004, p.7

operation between public and Catholic schools in rural Western Australia in taking in disruptive students and giving them 'another chance' in a different school environment. This policy should be more widely practiced.

1.40 The committee notes that this issue has been current for several years, and while it has resulted in some reconsideration of policy at the state level, it also requires the attention of the Commonwealth and MCEETYA. In 2000, former director of the Australian Council for Educational Research (ACER) and now director of education at the OECD, Dr Barry McGaw, urged that non-government schools should be made to provide the same social cohesion that Australia values and expects from its public schools. McGaw described most non-government schools as 'monochrome', established to create a limited social environment that is at odds with the more inclusive social value system of public schools. It was too late to roll back the enrolment tide toward non-government schools and for this reason it was important for the Government to impose conditions on non-government schools to ensure diversity in their enrolment and an obligation to serve the wider public good.²¹

21 Ebru Yaman, 'Private system divides society', *The Australian*, 10 July 2000

ENROLMENTS INTO PUBLIC SCHOOLS FROM PRIVATE SCHOOLS

PUBLIC SCHOOL	PRIVATE SCHOOL	YEAR	GRADE	REASON GIVEN BY PARENTS
Oxley High, Tamworth	Carinya Christian School, Tamworth	2004	7	Unhappy at Carinya
Oxley High, Tamworth	Carinya Christian School, Tamworth	2004	8	Not stated
Oxley High, Tamworth	Carinya Christian School, Tamworth	2004	11	Couldn't get subjects wished to study
Oxley High, Tamworth	McCarthy Catholic College, Tamworth	2004	8	Expelled
Oxley High, Tamworth	McCarthy Catholic College, Tamworth	2004	8	Expelled
Oxley High, Tamworth	McCarthy Catholic College, Tamworth	2004	9	Asked to leave
Oxley High, Tamworth	McCarthy Catholic College, Tamworth	2004	9	Asked to leave
Oxley High, Tamworth	Toowoomba Grammar, Queensland	2004	10	Being bullied and school did not act.
Robert Townson Public School	St Peters Anglican School, Campbelltown	2001	1	Child has autism. Parents were 'encouraged' to transfer to public system - told by St Peters that public system has the necessary resources
Cronulla High	Trinity Grammar School	2003	10	Expelled from Trinity after 3 warnings for misbehaviour
Cronulla High	Scots College	2004	12	Expelled from Scots after 3 incidents of misbehaviour
Riverside Girls High	Ascham	2004	9	Expulsion for bullying and harassment
Riverside Girls High	Loreto Normanhurst	2004	9	Couldn't afford fees any longer
Riverside Girls High	MLC Burwood	2003	8	MLC refused to accelerate her academically, which Riverside would do
Riverside Girls High	Marist Brothers Dundas	2004	9	Harassed at previous school
Riverside Girls High	St Scholastica's, Glebe	2002	7	Enrolled with sister in Year 11 when St Scholastica's threw out 4 girls at end of Year 10
Riverside Girls High	St Scholastica's, Glebe	2002	11	Told to leave
Riverside Girls High	St Scholastica's, Glebe	2002	11	Told to leave
Riverside Girls High	St Scholastica's, Glebe	2002	11	Asked to leave
Riverside Girls High	St Scholastica's, Glebe	2002	11	Subject choice
Riverside Girls High	Marist Sisters, Woolwich	2002	11	Could no longer afford fees
Riverside Girls High	Marist Sisters, Woolwich	2004	11	Riverside HSC results better
Riverside Girls High	Rudolf Steiner, Dural	2002	10	School didn't offer accredited HSC
Riverside Girls High	New England Girls Grammar, Armidale	2002	10	Expelled for stealing

Conclusion

1.41 The committee believes that targeted and judicious reform is necessary in the school sector in order to permanently put to rest the running controversy over schools funding that has continued with varying degrees of intensity over the past forty years. The dispute has always been over the allocation of funding, but the underlying problem is a failure to address the basic issue of the twin obligations of the state to educate its citizens and to maximise the efficiency of public investment to suit the needs of the whole community. Acceptance of Commonwealth funding requires the acceptance in turn of multiple responsibilities which go toward the building of a cohesive society rather than one which is characterised by exclusiveness and fragmentation. A reorientation of the policies affecting the school system is necessary to address this challenge. A much higher priority must be accorded to requirements for accountability and transparency in return for public investment. The attainment of the national goals for schooling, in particular the central goal of equity of outcomes, is not possible until the inequities inherent in the current Commonwealth funding regime are reversed.

Recommendation 1

The committee recommends that the Howard Government should accept responsibility for resolving the divisiveness its school funding decisions have generated, and that the Commonwealth should demonstrate leadership in developing a new national consensus on school funding, with a renewed focus on equity and a determination to raise the quality of education in schools that are poorly resourced to deal with under-achieving students.

Recommendation 2

The committee recommends that the Australian Government accepts its responsibility for the support of high quality public school systems as a national priority, including the endorsement of the MCEETYA principles for schools resourcing.

Chapter 2

Need versus entitlement – the ERI and SES funding models debate revisited

2.1 In its legislation capacity, the committee has been over the SES and ERI ground when it dealt with the States Grants (Primary and Secondary Education Assistance) Bill 2000. It considered the Commonwealth's role in school funding and the proposed new socioeconomic status (SES) funding arrangements for non-government schools.

2.2 In its 2000 inquiry the committee heard arguments designed to justify the introduction of the SES funding model. This evidence was based on a DEETYA report of 1999 which concluded that an SES system provided a fairer and more equitable way of distributing recurrent funding to schools than the ERI-based arrangements. The report also found the model to be consistent with Government criteria deemed essential to any system of funding: equity, transparency, simplicity, flexibility and cost. The report concluded that the SES model, like its predecessor, was predicated on an assessment of 'needs', the main difference being that 'needs' related to the resources of the 'school community' (defined as the neighbourhoods in which students lived) rather than an assessment of the assets and financial capability of schools. The Opposition minority report indicated much scepticism about the claims of the Government of the virtues of the SES model, regarding it as a device to promote the rapid increase in non-government school enrolments and to justify increased assistance to asset-rich private schools.

2.3 The current inquiry has heard a range of evidence that casts serious doubt on the legislation committee majority report's positive spin on the SES model. Many of the criticisms of the SES model highlighted by Labor and the Australian Democrats in their minority report have been revisited during this inquiry. The committee examined new evidence from the government, non-government and Catholic school sectors and from leading education experts about the SES model since its implementation in 2001. The evidence before this inquiry casts a long shadow over previous claims made by supporters of the SES model.

2.4 The committee heard damaging evidence that the Government's claims of the SES system's effectiveness for allocating government funds based on the actual needs of schools (as measured by the needs of their 'school communities') have been fundamentally undermined by the detail of its implementation. Evidence was also brought forward in support of the view that the model in itself may not provide an effective basis for funding allocation in the first instance. After the SES system was introduced, the rate of funding increases to wealthy private schools has been disproportionate to the apparent needs of these schools and of the families which they serve. There has been a significant funding increase to a small percentage of well-resourced 'elite' and 'wealthy' private schools – schools which were previously

categorised as the least 'needy' under the old ERI model. Representatives of low-fee Christian schools, and other low-fee schools, told the inquiry that funding available to these schools under the SES funding system was inadequate, especially but for newly-established schools and those outside metropolitan areas. They argued that, unless the 'funding maintained' policy was to be permanently retained in some modified form for a significant number of schools, they would not survive. These policy distortions raise serious questions about the Government's treatment and implementation of the SES model and its continuation as the basis of Commonwealth Government funding to the schools sector.

2.5 Not only have the concerns raised in 2000 about the SES model been shown to be well founded, the alleged benefits of the new model have been demonstrated to be overstated. The current proposed funding package for the 2005-08 quadrennium is based on some of the fundamental principles underpinning funding arrangements for the 2001-04 quadrennium. DEST told the committee that the Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Bill 2004 includes a commitment to a strong schools sector offering high-quality outcomes for all students and choice to parents. Furthermore, it is based on a commitment both to the national goals for schooling and to ensuring that there is national consistency in education standards.¹

2.6 The DEST submission states that the Government's aim is to distribute funds in an equitable manner based on the needs of schools. It claims that the SES model provides an open and simple measure of need based on independent information which is consistent for all schools.²

2.7 This chapter examines the evidence before the committee relating to the current SES funding arrangements, and how Government policies have distorted the core funding principle of 'need' into principles of 'choice' and 'entitlement'. Chapter 3 examines concerns about the lack of transparency and accountability inherent in the SES system.

Education Resource Index (ERI)

2.8 The Education Resources Index (ERI) was a model introduced in 1985 to determine the level of Commonwealth funding for schools. Schools were allocated a score based on their total private income divided by their number of students. The score enabled each school to be ranked against other private schools. Based on their ERI score, all private schools were ranked from Category 1 to 12. The ranking determined the size of the Commonwealth general recurrent grant per student that the school would receive.

1 Ms Lisa Paul, Deputy Secretary, DEST, *Hansard*, Canberra, 27 July 2004, p.65

2 DEST, Submission No.48, p.8

2.9 Both prior to and since the introduction of the ERI funding system, problems emerged in assessing the level of a school's private income for the purpose of determining funding levels. It became increasingly difficult to obtain data from private schools about their private income. Schools discovered loopholes in the Government's annual financial questionnaire, enabling them to qualify for a higher funding category. This prompted attempts by Government to close off loopholes in the questionnaire by collecting yet more information on schools' private income. But, as University of Canberra academic Dr Louise Watson points out, as a result of successive amendments to the financial questionnaire: '...the basis for calculating the ERI became so complex that it was difficult to understand exactly how assessments were obtained'.³

2.10 Dr Watson concludes that the ERI model proved inadequate to measure the relative need of private schools for government subsidies. It failed to capture the capacity of schools to raise private income because:

- Schools providing financial information about their current projected income were able to obtain a high funding category by setting their fees low;
- Schools were able to disguise or minimise their level of private income in a way that did not reveal their full capacity to raise private resources; and
- Government attempts to stop abuses of the scheme resulted in a highly complex and inflexible system that could not respond to genuine changes in schools' financial circumstances.⁴

Socio Economic Status (SES)

2.11 The replacement of the ERI with an SES funding model changed the basis on which the funding needs for schools was determined. Rather than measuring the financial resources of each school directly, the new model was designed to measure the socioeconomic status of a school's student population. Under the new model, all schools were given an SES assessment or score. An SES core is calculated by linking student addresses to Australian Bureau of Statistics (ABS) Census Collections Districts of some 250 households in order to rank schools relative to each other, based on the SES of each school's community.

2.12 When the scheme was introduced, a minimum entitlement for schools funded on their SES score was set at 13.7 per cent of Average Government School Recurrent Cost (AGSRC), payable to schools with SES scores of 130 and above. The maximum entitlement for schools funded on their SES score was set at 87 per cent of AGSRC, payable to schools with a SES score of 85 and below. Between these SES scores,

3 Dr Louise Watson, *A Critique of the Federal Government's Recent Changes to Private Schools Funding*, Discussion Paper No. 3, University of Canberra, November 2003, p.9

4 *ibid.*, p.10

funding was payable on a 46-point scale, the steps set at about \$55 for primary students and \$75 for secondary students.⁵

Criticisms of the SES model

2.13 The Australian Education Union (AEU), state education unions, the Independent Education Union of Australia (IEUA) and a number of other witnesses drew the committee's attention to a range of problems with the current SES model. Put simply, the concerns include that the SES model is neither fair nor transparent in its operation, and produces significant discrepancies in funding outcomes.⁶ These discrepancies undermine principles of equity and need and have fuelled a sectarian tone to the schools funding debate across the community. The main criticisms can be summarised thus:

- More than half of all non-government schools are not funded (from 2005) according to their SES score;
- A large number of resource and asset-rich, high fee private schools have received the largest increases in funding as a result of the transition to the new funding model;
- The Catholic systems, comprising two thirds of all non-government schools, were outside the system, subject to specially negotiated arrangements, from 2001 until 2004;
- Many independent schools have been 'funding maintained' at higher levels than their SES score would indicate was appropriate, to prevent any loss of funding which would have occurred had their SES scores actually been applied; and
- The anomalies and special arrangements mean that, for any SES score, four different schools with that score could attract different levels of funding.⁷

2.14 To begin with, the AEU submission argued that the inequitable nature of funding to private schools has been exacerbated by the introduction of the SES model. Not only has there been a large increase in funding to private schools, the greatest increases have been to the wealthiest schools.⁸ This appears to be the main criticism raised by the education unions. The submission by the Queensland Teachers' Union, for example, states:

5 Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, *Consideration of the Provisions of the States Grants (Primary and Secondary Education Assistance) Bill 2000*, October 2002, p.5

6 Submission No.49, Independent Education Union of Australia, p.3

7 *ibid.*

8 Submission No.33, AEU, p.39

Since its inception, the SES model has delivered the biggest Commonwealth funding increases to the nation's most wealthy non-government schools. The average funding increase of these wealthy schools...has been more than 160%, with a number of them receiving boosts of over 250%. Less wealthy non-government schools have received much smaller funding increases. Furthermore, recurrent government school funding increases from the Commonwealth have simply been based on indexation, meaning virtually no rise has been registered in real terms for the public education sector.⁹

2.15 A number of submissions highlighted other flaws with the SES system. The AEU pointed out that the SES model is based on the average income of the Census Collection District in which students reside, rather than the actual incomes or occupations of their parents. In practice, this creates a major distortion because the SES of a school is based on the income level of neighbours of the students rather than the families of the students themselves.¹⁰ This means that the SES system is not an accurate gauge of the wealth of a school and its capacity to attract private income.

2.16 This distortion of the SES system was highlighted in evidence by Blue Gum Community School, a low-fee independent school in Canberra. Blue Gum argued in its submission that it has a deliberate policy of keeping school fees as low as possible (approximately \$2600 a year) because most of its students are from low- to middle-income families. However, a serious discrepancy exists between Blue Gum's level of funding and the funding levels of other schools with the same SES rating. Under the SES scheme, Blue Gum is classified as a high SES score and as a result receives the second lowest per pupil Commonwealth funding in the ACT.¹¹ An implication of this anomaly is that low-fee schools in the ACT are struggling to survive financially under the current SES funding arrangements. The committee notes that Blue Gum's circumstances demonstrate that the SES system is not achieving its stated objective of allocating funding according to need.

2.17 The AEU also argued that under the SES model many private schools are funded at a rate above their SES ranking. This is because the model is not actually applied to the majority of private schools, an issue which the committee considers in more detail in the following section. The SES model also ignores a school's private income from fees, bequests, investments and other private income. Without taking into account this independent income, it is not possible to distribute resources equitably. An additional problem is that the calibration of the SES funding 'steps' is based on an artificial linearity rather than a consideration of real need. The AEU argued that this implies that each SES grade carries the same weight, regardless of where on the scale the grade occurs: 'Thus the difference in need between schools with the lowest possible scores of 85 and 86 is the same as that between those with the

9 Submission No.21, Queensland Teachers' Union, p.1

10 *ibid.*

11 Submission No.35, Blue Gum Community School

highest scores of 129 and 130. The SES funding scale also implies that those with high SES scores still have a level of need'.¹²

2.18 Finally, the NSW Public Education Council stressed that under the current arrangements, public resources are being allocated to non-government schools at rates where the benefits are likely to be non-existent or small. The comparatively high levels of expenditure in parts of the independent sector are likely to produce small returns on public investment. Yet returns are likely to be much higher in comparatively disadvantaged school communities.¹³

2.19 In the light of the weaknesses, the AEU concluded that:

...the SES model is fundamentally flawed. No amount of tinkering around the edges will turn it into an equitable and needs based system. The essential flaw lies in seeking to find a model which funds schools by assessing the economic circumstances of the students' parents.¹⁴

2.20 The only solution to the problem, according the AEU, is to return to a system which bases funding to private schools on measures of the financial capacity and the resource levels of those schools, assessed against a community standard. This is a view shared by the IEUA which argued that: '...any funding model needs to properly measure the actual resources of a school including fees, other sources of income...and also take account of the income and social circumstances of families attending schools. On the basis of this information, funding should be directed accordingly'.¹⁵

2.21 The committee notes that while the SES model is lauded by the Government and private school representative bodies, it has only been partially implemented across all parts of the private schools sector and has been subject to Government manipulation for political purposes. The committee is particularly concerned with the Government's decision to maintain the level of funding for schools which would have been disadvantaged by the transfer to the SES system, and to guarantee the level of funding for schools which entered the SES scheme in 2004. As the submission by the Queensland Department of Education and the Arts points out, Catholic and other school systems in the non-government sector do not themselves use the SES model to allocate funding – provided to them by the Commonwealth as an aggregate amount – internally within their own systems.

2.22 The committee notes that by 2005 the Commonwealth will be spending \$2 billion on 'funding maintained' non-government schools above the amount the SES index would determine their entitlements to be.¹⁶ As it stands, approximately 50 per

12 *ibid.*, pp.40-41

13 Submission No.52, NSW Public Education Council, p.10

14 Submission No.33, AEU, p.43

15 Submission No.49, Independent Education Union of Australia, p.3

16 Submission No. 50, Queensland Department of Education and the Arts, pp.5-6

cent of schools remain outside the current SES funding arrangements. As previously noted, the committee believes that the different funding levels which currently apply to non-government schools – funding maintained independent schools from 2001; funding maintained Catholic systemic schools from 2004; funding guaranteed schools; and those actually on the SES – demonstrates that the SES system is not meeting its stated intention of underpinning a nation-wide, needs-based funding system.

2.23 The Acting Chief Executive Officer of the WA Department of Education Services told the committee at a public hearing that all state and territory ministers had expressed concern about the inequity of the SES model at a recent MCEETYA meeting: 'There was a very strong view that the SES model was not dealing with need – that there was a large flow-on to schools that already had significant funds and the capacity to raise those funds'.¹⁷

2.24 The committee notes that the independent schools sector on the whole supports the SES system because, without a doubt, it has been the main beneficiary of the new funding arrangements. The Independent Schools Council of Australia (ISCA), the peak national body representing independent schools, believes that the SES model satisfies the essential criteria for a sound funding scheme: equity, incentive, flexibility, transparency, simplicity and predictability. On balance, it finds that the SES funding arrangements have worked satisfactorily over the 2001-04 quadrennium and are superior to the ERI model.¹⁸

2.25 The Australian Associations of Christian Schools told the committee of its support for the SES system: 'the reason that we were outspoken...was that it is far more transparent in its operation than the ERI, although that does not mean it is without problems. The ERI was a camouflage system and, in order to maintain its operation capacity, over time modifications, changes and amendments had to be made to it to the point that it became impossible to operate'.¹⁹ As noted earlier, however, representatives of Christian schools and also Lutheran schools expressed anxiety about the future of schools within their systems that were 'funding maintained'. They implied strongly that funding according to their actual SES score would render a significant number of schools financially unviable.²⁰

Government policy corruption of the SES system

2.26 Two important studies by Dr Louise Watson shed much light on the SES model. The first study provides a critique of Government changes to private schools funding and, in doing so, argues that a revised SES funding model, contrary to the assertions of some stakeholder groups, has the potential to become an efficient,

17 Mrs Norma Jeffery, Department of Education Services, *Hansard*, Perth, 12 July 2004, p.49

18 Submission No.43, Independent Schools Council of Australia, p.18

19 Mr Peter Crimmins, Australian Associations of Christian Schools, *Hansard*, Canberra, 27 July 2004, p.9

20 Submission No.28, Lutheran Education Australia, pp.5-6

incorruptible and transparent system of ranking private schools on the basis of need.²¹ Watson argues that this is so if the SES scheme is simply regarded as a ranking mechanism, and conceived separately to the dollar values assigned by the Government to the scores on the scale. This latter process is a matter of Government policy.²²

2.27 The study demonstrates how Government policy has resulted in significant funding increases to 'wealthy' private schools, rather than any methodological weaknesses with the SES index itself. At least four flaws in the implementation of the SES system, unrelated to the model itself, are the products of policy decisions made by the Commonwealth Government. These decisions have not only marred its implementation, they have also corrupted the system:

- The introduction of the SES system was accompanied by a Government decision to substantially increase the total level of private school funding, and change the relative funding levels between categories of private schools: 'This meant that the largest proportional funding increases were awarded to "wealthy" private schools'. Watson told the committee that as a result of this decision, the funding levels for schools that are ranked above SES 110 are 'excessive and unnecessarily extravagant'.²³
- The Government decided to guarantee that no school would be financially disadvantaged by the shift to the new funding scheme. This meant that the Government undermined its own policy objective of improving the ranking system by allowing schools disadvantaged by the transfer to have their funding maintained at previous (ERI) levels.
- The Government linked its private school funding to the average government school recurrent costs (AGSRC). By using the AGSRC to adjust its grants to schools, the Government has increased its schools funding by an average of 6.3 per cent per year at a time when the average weekly earnings have increased by an average of only 3.3 per cent per year.
- A final flaw was the decision to allow the Catholic education sector to be exempt from the new scheme for at least four years.

2.28 Dr Watson maintained that while the SES system has limitations – for example, it does not take into account sources of private school income other than those sourced from students' families, and it appears to result in a bias towards

21 Dr Louise Watson, *A Critique of the Federal Government's Recent Changes to Private Schools Funding*, Discussion Paper No. 3, University of Canberra, November 2003

22 The distinction between SES ranking and the allocation of dollars to different points on the SES scale was also conveyed to the Committee at a public hearing by the Association of Independent Schools of New South Wales, *Hansard*, Canberra, 27 July 2004, p.55

23 Dr Louise Watson, *Hansard*, Canberra, 27 July 2004, p.17

regional schools – it is a conceptually superior model to the ERI. At a public hearing, Dr Watson described the argument in the following terms:

The paper argues that the SES system is a superior system for ranking schools on the basis of their relative need, primarily because it is an incorruptible index and it is based on students' home addresses and sociodemographic data collected by the ABS. In contrast, the previous ERI funding scheme was based on financial questionnaires provided by individual schools which provided scope for schools to manipulate their income data to obtain more favourable funding categories.²⁴

2.29 The second study by Dr Watson analyses the impact of the SES model on the total resource levels of private schools. The study, based on a survey of 1000 private schools' tuition fees and funding data from Commonwealth, state and territory governments, found that 27 per cent of private school students attend schools where the income from tuition fees alone exceeds the average resources per student in government schools. These schools receive \$368 million each year in government grants that assist in raising their total average resources per student to more than 62 per cent above average state school resources.²⁵

2.30 The study concludes by noting that the findings of the survey are completely at odds with a core policy justification for Commonwealth funding of private schools – that schools should be ranked and funded according to their relative need for resources:

The original and abiding policy justification for funding private schools in Australia is to bring private schools to a standard of resources that is comparable to State schools...Overall, more than half...of students in independent schools enjoy resource levels higher than the average in government schools. These findings suggest that Australian governments – State/Territory and the Commonwealth – should review the current levels of public funding to independent schools.²⁶

2.31 At a public hearing, Dr Watson speculated on what the consequences would be of changing the amount of money that was attached to SES rankings. If funding levels at the top end of the SES scaled down above SES 110:

...you would have ample resources for bringing schools up to the government school benchmark. Based on the data I already have, it would cost about \$266 million to bring all the schools that are currently under the benchmark up to it. At the moment, the 27 per cent of students in independent schools which are in the 'well above' category – that is, schools that receive sufficient income from tuition fees to bring them above the

24 *ibid.*, p.16

25 Dr Louise Watson, *The Total Operating Resources of Australian Private Schools in 2004*, Discussion Paper No. 4, University of Canberra, 30 June 2004

26 *ibid.*, p.12

benchmark – receive \$366 million in government funding. So you could easily rejig the scheme in a cost-neutral way to make it work better.²⁷

2.32 Dr Watson's conclusions are broadly supported by another study of trends in government funding to government and non-government schools, published by the Institute for Social Research at Swinburne University.²⁸ The study found that while real Commonwealth funding of education has increased considerably over the last decade, the biggest beneficiaries have been non-government schools and, within this group, it is the wealthiest schools that have received the most funding. The study concludes by noting that: 'the percentage increases in Federal grants to the wealthiest one-third of non-government schools dwarfs the increases paid to government schools'.²⁹

2.33 The committee accepts the arguments presented by Dr Watson. However, it is not fully convinced that the problems with the SES model would be overcome by a revision of Government policy regarding its implementation. Evidence of methodological flaws in the SES scheme need further close study. A submission from the Archdiocese of Canberra and Goulburn Catholic Education Commission, for example, presents data showing that Catholic systemic schools in the ACT have been allotted SES scores comparable with those of some of the wealthiest schools in the country, including Geelong Grammar School and The King's School, Parramatta. Even bearing in mind that Canberra suburbs are unusually heterogeneous in their socioeconomic makeup, this data possibly points to an underlying problem with the mechanism itself. Dr Watson herself expresses misgivings about the accuracy of the SES index when it comes to determining the true SES score of schools in regional areas. The committee agrees, and points in addition to all schools with a substantial component of boarding students (which are likely to come from rural and regional areas) and also to the apparently glaring anomalies in the unexpectedly low SES scores for a significant number of high-fee metropolitan independent schools. These indicate that the SES model might not pick up the crucial differences between the comparatively wealthy clientele of some high-fee city schools that draw students from a diverse range of suburbs: these families are likely to be atypical – rather than typical – of their neighbourhoods. This view is supported by findings of an independent study of data from the 2001 census for every ABS Census Collection District in the Penrith Statistical Local Area in outer Sydney.³⁰

Catholic education sector

2.34 The position of the Catholic sector with respect to the SES system is also worth noting. Mr Ronald Dullard, Catholic Education Office of WA, told the

27 Dr Louise Watson, *Hansard*, Canberra, 27 July 2004, p.22

28 Submission No.71, Mr David Hayward

29 *ibid.*, p.29

30 Submission No.74, Ms Barbara Preston, pp.16-17

committee that although the Catholic system has moved within the current SES funding arrangements, the Catholic Education Commission does not actually support the SES model: 'We believe that there should be another layer on it and that it should have some form of resourcing. As to what form it takes...the national commission has said that it wants time to put a submission to government on what that other layer would be'.³¹

2.35 The committee also heard evidence from the Queensland Catholic Education Commission that indicated a lack of confidence in the SES index as a measure of actual need. It told the committee that it received funding at 56.2 per cent of AGSRC, and that schools that have an SES score below 96 in 2005-08 will attract funding at that SES score. In practice, the Commission is operating at best under a 'partial SES system'. Only one of nine distribution pools used by the Commission is based on the SES formula or the SES score of each school.³²

2.36 The committee heard similar evidence from the NSW Catholic Education Commission. It told the committee that while it supports the SES methodology, it does not support a 'pure' SES system. If the Catholic system moved to a pure SES system in 2009, parts of the system would collapse.³³

2.37 The National Catholic Education Commission (NCEC) submission stated that funding for the Catholic sector for the next quadrennium is based on the aggregation of schools' SES scores. Catholic systems will receive, on average, 58 percent of AGSRC from 2005. The NCEC has set 60 per cent of AGSRC as its target for Commonwealth General Recurrent Grants to state and territory Catholic systems, with the expectation that state and territory governments will provide 25 per cent and the remaining 15 per cent being met by fees and other sources of funding within the Catholic community.³⁴

2.38 Both the Queensland Catholic Education Commission and the Catholic Education Office of WA informed the Committee that a feature of their operations is that funding provided by the Commonwealth is redistributed on a needs basis as determined by the state Catholic authorities. The result is that the SES system, although now applied to Catholic systems in an aggregate sense, is not implemented at school level because some schools receive money above their SES entitlement to ensure that they remain financially viable. Apparently, each state has devised its own formula to determine how funds are redistributed.³⁵ This is often the only way

31 Mr Ronald Dullard, Catholic Education Office of WA, *Hansard*, Perth, 12 July 2004, p.8

32 Mr Joseph McCorley, Executive Director, Queensland Catholic Education Commission, *Hansard*, Brisbane, 21 July 2004, pp.32-33

33 Dr Brian Croke, Executive Director, NSW Catholic Education Commission, *Hansard*, Sydney, 26 July 2004, p.12

34 Submission No.55, National Catholic Education Commission, p.3

35 Mr Paul Dickie, Federation of Parents and Friends Associations of Catholic Schools in Queensland, *Hansard*, Brisbane, 21 July 2004, p.18

resources can be provided to schools which educate students with special needs and schools in remote and isolated communities.³⁶

2.39 The NSW Catholic Education Office casts some light on how these internal redistribution arrangements operate:

In the Sydney archdiocese system there are 148 schools. We run with a single account. All the Commonwealth funds, the state funds and the parent contributions – the tuition fees from parents – go into that single account. At the beginning of the year we are able to establish how much we have available and then it is redistributed to each school according to need. Before allocating the resources we look at enrolment, the special education needs, kids at risk and students with language backgrounds other than English. After looking at those we then distribute the funds to each school.³⁷

Towards a modified SES model: the inclusion of a needs-based component

2.40 The committee finds that the debate over the relative merits of the ERI and SES funding models has not taken place on a level policy playing field. As noted above, the introduction of the SES model coincided with a separate shift in Government policy resulting in outcomes which are antithetical to the principles upon which the model is allegedly based. It was not a case of Government simply shifting the methodological goal posts while adhering to the same policy agenda. Rather, the policy agenda of the Coalition Government shifted with the introduction of the SES funding model, carrying major implications for the way the model was subsequently implemented. This policy, while pointing to the existence of a group of very needy, resource-poor private schools, as is the usual practice in defending the generosity of private school funding, in fact skewed funding increases so that the most significant of these went to the wealthiest private schools.

2.41 The evidence shows that the principle of needs-based funding underpinning the ERI model, as it was understood in terms of a community standard, was essentially ignored by the Coalition Government when the SES model was introduced in 2001. The Government's use of the SES model for political purposes has distorted the schools funding debate and fuelled divisions among the different school sectors. It has also resulted in significant distortions in funding which have resulted in a small number of already wealthy private schools receiving a disproportionately high level of public resources. Under the guise of 'needs', the Government has pursued a policy of 'choice' and 'entitlement' bearing no relation to the actual needs of schools.

2.42 The committee is concerned that implementation of the SES model is being used to reinforce reported perceptions of an underperforming and impoverished public

36 Submission No.63, Queensland Catholic Education Commission, p.2; Submission no.57, Catholic Education Office of WA, p.1

37 Brother Kelvin Canavan, Catholic Education Office, *Hansard*, Sydney, July 26 2004, p. 5

schools system, on the one hand, and the privilege which attaches to a privately schooled education, on the other. This has created a stratified education system which reinforces disadvantage rather than providing equality of opportunity. However, the perception of an underperforming public sector does not match the reality. As a representative from the Queensland Council of Parents and Citizens Associations put it to the committee: 'There is a perception that public education is no longer delivering the outcomes. I think that is a perception, because the reality is that public schools are generally performing quite well academically against their non-government counterparts'.³⁸

2.43 The NSW Public Education Council expressed its concern about the steady drift in student enrolments from public schools to non-public schools, and some of the perceptions that appear to be contributing to the underlying issue of parental 'choice':

There is no doubt that some parents perceive that the level of resources available to their children in public schools is not adequate for their aspirations and that some of those who can afford it feel they would like to buy a higher standard of resources by sending their children to high fee or moderately high fee private schools. I think it is untenable that, if parents' real preference were for public education, they should be in a sense forced out, or feel forced out, by a relative lack of resources in public schools.³⁹

2.44 Dr Watson told the committee that over the last 30 years, Government funding to private schools has subsidised the drift from public to private schools and has made private schools more attractive and affordable to parents seeking alternatives to the government system: '...the decision to resource private schools was made in the full knowledge that it would subsidise the movement of students from government schools to private schools, and it still does that'.⁴⁰

2.45 The committee is concerned that the current approach to funding will further marginalise the public education system and needlessly encourage parents to opt out of the public education system. The WA branch of the AEU told the Committee:

If what you are doing is aggressively funding private schools in order to relieve the pressure on government of funding public schools, you are creating a society or you are moving towards a society in which every individual child is entitled to the education that their parents can buy; they are not entitled to a high level of education that is guaranteed by the state. Our deeper concern...is that by marginalising the public education system you are creating an Australian society that is quite clearly more and more divided in terms of religion, socioeconomic status and those sorts of key

38 Mr Garry Cislowski, Queensland Council of Parents and Citizens Associations Inc, *Hansard*, Brisbane, 21 July 2004, p.29

39 Ms Lyndsay Connors, Chair, NSW Public Education Council, *Hansard*, Sydney, 26 July 2004, p.34

40 Dr Louise Watson, *Hansard*, Canberra, 27 July 2004, p.22

qualities...The SES model, whether it is intentional or not, is as it were a strategy that will promote that rather than limit it.⁴¹

2.46 Other organisations were equally concerned about the effect of Government policy on the future of Australia's public school system. Former senator and state education minister, Mr Terrence Aulich, told the committee, in his capacity as Executive Officer, Australian Council of State School Organisations, that the current binary system of public and private school sectors '...is not good for the Australian education system. We believe it also has a detrimental effect on the type of society that we should be trying to maintain or develop'.⁴²

2.47 The committee accepts the argument that the Commonwealth Government's school funding priorities, which are underpinned by the SES funding model as applied, further exacerbate the social stratification of schooling in Australia and erode fair educational opportunity.⁴³

2.48 A number of witnesses expressed concern about how concepts such as 'need' and 'choice' have been manipulated by governments to justify the continued withdrawal of support from the public school sector, and the reduction of the share of Commonwealth funds going to government schools. The NSW Teachers Federation, for example, argued that when governments use the term 'need', it refers not to the needs of schools and their students but to the needs of parents to receive help to meet private school fees. Similarly, government rhetoric about 'choice' is couched in the language of the marketplace where education is viewed as a solitary act of consumerism.⁴⁴

2.49 Submissions by the NSW Public Education Council and the Federation of Parents and Citizens' Associations of NSW are highly critical of advocates of unfettered 'choice' policies in education. The NSW Public Education Council pointed to research in Australia and abroad which shows that the aggressive pursuit of greater choice and market-determined outcomes in education results in greater segmentation and sorting of students by socioeconomic status and educational achievement. Yet there is no evidence to show that such policies improve the efficiency or quality of education.⁴⁵ This view is supported by Professor Richard Teese who argued in his submission that while the growth of markets in school education may have altered the

41 Mr Mike Keely, President, Australian Education Union (WA Branch), *Hansard*, Perth, 12 July 2004, p.38

42 Mr Terry Aulich, Australian Council of State School Organisations, *Hansard*, Canberra, 27 July 2004, p.38

43 Submission No.52, NSW Public Education Council, p.1

44 Submission No.4, NSW Teachers Federation, p.7

45 Submission No.52, NSW Public Education Council, p.5

behaviour of individual consumers, there is no evidence to show that improvements in student learning outcomes or school performance has been the result.⁴⁶

2.50 This view is more or less shared by the NSW Public Education Council which told the committee that policies which endlessly segment the population into a stratified school system tend to force to the bottom those schools and students which are weakest in the marketplace. Similarly, schools which are 'fortified' are the strongest in the market place. While the existence of market forces in education might be seen by some as a bad thing, the role of government should be to mediate competing market forces and intervene in ways that encourage real equality of opportunity.⁴⁷

2.51 Evidence before the committee shows that it was the ERI model's implementation rather than its methodological foundations which caused most of the reported problems, resulting in moves for its replacement with an SES system. The committee notes the AEU's observation that the reasons for the alleged failure of the ERI model have never been adequately examined nor remedies sought:

The major argument put against the continuation of the ERI system appeared to be that the growing expertise of parts of the private sector to maximise their advantage and effectively to 'rort' the system was making it unworkable. If this is the case, proper accountability, including a proper system of auditing by Government appointed inspectors, should be contemplated.⁴⁸

2.52 The committee suspects that the principles underpinning the ERI system are sound but that problems with its implementation have never been properly addressed. The NSW Teachers Federation told the committee that while there is a widely held view that the ERI model had been discredited, there was only one inquiry into the ERI before the 1996 federal election, and that inquiry (the McKinnon review) was never completed.⁴⁹ While a number of unions expressed support for the principles underpinning the ERI system, they were reluctant to embrace the old ERI model. They told the committee they had not arrived at a final position with regard to funding models. The important issue, according to the NSW Teachers Federation, is not to discount a model because there is a potential for it to be rorted; rather, the public policy challenge is to ensure that there are proper reporting, accountability and regulatory mechanisms in place.⁵⁰ The committee agrees in principle with this view.

46 Submission No.8, Professor Richard Teese, p.2

47 Ms Lyndsay Connors, NSW Public Education Council, *Hansard*, Sydney, 26 July 2004, p.35

48 Submission No.33, AEU, p.43

49 Ms Sally Edsall, Research Officer, NSW Teachers Federation, *Hansard*, Sydney, 26 July 2004, p.20

50 Ms Jennifer Leete, Deputy President, NSW Teachers Federation, *Hansard*, Sydney, 26 July 2004, p.21

2.53 The committee accepts that any move towards greater reliance on a needs-based model would require changes to the current reporting and accountability regime. It is convinced that disclosure of private school incomes and more rigorous accounting and reporting standards and procedures should underpin any modified funding model. It is clear that the SES model was introduced without any attempt to take into account for funding purposes the extent to which schools are able to raise their own income from fees and endowments. Access to such information, and the inclusion of this data in a modified funding index, would go a long way to restoring a system of needs-based funding that takes account of schools' resources as well as the family circumstances of students. These issues are examined more fully in the next chapter.

Can the principles of 'need' and 'entitlement' coexist?

2.54 The committee is not surprised by the views of the independent schools sector on the legitimate role of non-government schools as publicly-subsidised education providers, and the importance of the current funding partnership comprising the Commonwealth and state and territory governments. Submissions by the Independent Schools Council of Australia (ISCA) and the Association of Heads of Independent Schools (AHISA) provided a defence of the current and planned funding arrangements for the 2005-08 quadrennium, and are broadly representative of evidence in submissions by other state-based independent schools associations. At least two core principles underpin the issues by raised by the ISCA and AHISA submissions:

- Every child has a right to have their school education supported by a basic entitlement to Australian Government and state and territory funding. Additional funding beyond this basic entitlement should be allocated on a needs basis. This is sometimes referred to as 'entitlement plus need'; and
- Funding arrangements should recognise the substantial contributions of families to the cost of educating their children in private schools. This reflects the right of all taxpayers in Australia to spend their after-tax dollars according to their own priorities. It therefore would not be just if government funding were to act as a disincentive to private contributions and investment in school education.⁵¹

2.55 The Association of Independent Schools of South Australian (AISSA) presented in its submission the clearest justification for public funding of non-government schools:

All Australian students are entitled to a level of government funding to support their education needs regardless of their background or the schools sector they attend. Parents of non-government and government students contribute to government funds for education through the taxation system. Parents of non-government school students also contribute a significant

51 Submission No.43, Independent Schools Council of Australian, p.7

amount of their after-tax income to the education of their children. In many cases non-government school parents are making considerable sacrifices to make this contribution. AISSA recognises that parents who choose non-government schools for their children also contribute financially to the costs of educating their children.⁵²

2.56 In addition to entitlement and need, AHISA identified stability and predictability of funding as an equally important principle for the funding of Australian schools. The submission argued that the ability of schools to deliver high quality education outcomes is largely dependent on stability in education funding. This is supported by AISSA which recommended that there be no changes in funding arrangements before the end of the 2005-08 quadrennium.

2.57 What is the appropriate level of entitlement to public funding for those schools and families in the most privileged of circumstances? What should the minimum entitlement be? These questions were raised in evidence by the NSW Secondary Principals Council. When asked by the committee whether it was a public entitlement that a child receives taxpayers' money for their education, Mr Chris Bonner, President, responded with a question of his own: '...how far does this entitlement go and how far do we continue to subsidise this entitlement at the expense of and risk to a public provision?'⁵³ This answer possibly indicates that this issue is one that has long been ignored, possibly because of the delicacy of the considerations involved.

2.58 The committee notes the observation of Dr Watson that the principle that all students are entitled to a set level of funding does not apply in many other education systems abroad, with one notable exception being New Zealand:

In places like the US, the Netherlands and France, if students opt out of a public education system, then they pay the full cost of private tuition. The only schools which have an entitlement to public funding are schools which perform a public role and carry out public responsibilities, and those are defined by government.⁵⁴

2.59 Submissions from the independent schools sector did not provide an estimate of a minimum entitlement, but suggested that an entitlement to an unspecified proportion of public money was nevertheless a right of parents who pay taxes. Mr Chapman, Executive Director, Association of Independent Schools of NSW, told the committee that parents who choose to send their children to private schools are entitled to 'a minimum basic grant. Thereafter it is quite appropriate for those schools to be subjected to whatever assessments of needs is determined by political judgment

52 Submission No.31, Association of Independent Schools of South Australia, p.1

53 Mr Chris Bonner, NSW Secondary Principals Council, *Hansard*, Sydney, 26 July 2004, p.56

54 Dr Louise Watson, *Hansard*, Canberra, 27 July 2004, p.20

of the day'.⁵⁵ There appears to be some consensus within the independent schools sector that there should be an entitlement for non-government students of approximately 25 per cent of the cost of educating a child in a government school.⁵⁶

2.60 The issue of a basic entitlement was not actually canvassed by the committee and accordingly no figure is struck for such a basic subsidy in this report. It does, however, reject the argument of the NSW Teachers Federation and the New South Wales Federation of Parents and Citizens Association that there should be no Commonwealth funding of any description for non-government schools. It also accepts that revisiting a needs-based component for a funding model should not automatically position 'need' and 'entitlement' as antagonistic concepts. To do so plays into the hands of those who seek to prise open the wedge between the government and non-government school sectors which characterises the current funding debate.

2.61 The core issue before the committee is that any Commonwealth funding of non-government schools should be based principally on the educational needs of students rather than the financial needs of parents in terms of their capacity to pay fees. However, under the current SES funding arrangements, it appears that many private schools whose need for government assistance appears minimal are receiving a disproportionate amount of Commonwealth funding. The committee does not accept that the current funding priorities of the Commonwealth are underpinned by the principle of student need when a number of 'wealthy' private schools have received, and continue to receive, substantial increases in funding.

Concluding observations

2.62 The distortions created by the application of the SES system are a serious concern to the committee. It has difficulty with the position of the independent schools sector which on the one hand espouses worthy principles of equity and need, yet on the other hand supports a funding model which continues an upward trend in Commonwealth funding to a small number of high fee paying schools. The committee heard some alarming evidence relating to government expenditure to the private school sector. Figures from the AEU, for example, show that expenditure for private schools by all levels of government has increased by approximately 90 per cent in the ten years to 2002 and, for public schools, by only 28 per cent.⁵⁷ The NSW Public Education Council in its submission states:

Between 1995 and 2005 the Commonwealth will have raised real outlays per student on non-government schooling in Australia by some 50 percent. Over the same period the non-government schools' share of total enrolments are estimated to have increased by some 4 percentage points.

55 Mr Terrence Chapman, Association of Independent Schools of New South Wales, *Hansard*, Canberra, 27 July 2004, p.59

56 Submission No.31, Association of Independent Schools of South Australia, p.24; Submission no.36, Association of Independent Schools of the ACT, p.4

57 Submission No.33, AEU, p.20

Clearly the price has been high with most of the increased real funding to non-government schooling going to people already committed to their choice of non-government school. It is hard to rationalise any economic or educational justification for this approach to public funding by the Federal Government.⁵⁸

2.63 The committee notes further that approximately two-thirds of the Commonwealth's proposed funding package contained in the Schools Assistance Bill currently before the Parliament will be directed to the non-government school sector. According to one witness, over the next twelve months non-government schools will be the beneficiaries of a 10 per cent, or \$426 million, increase in Commonwealth funding. This is \$138 million, or almost 50 per cent, more than the increases awarded to universities. Yet non-government schools account for only 32 per cent of school students, and less than one quarter of all students combined.⁵⁹

2.64 The committee therefore has difficulty accepting the argument that the SES model is delivering scarce public resources to where they are needed most, and on an equitable basis. The claim made by the Association of Independent Schools of Victoria that the SES funding formula, and the principles behind it, represent 'a significant step in advancing towards fairer, student based funding for all schools', is simply not supported by the data.⁶⁰ The committee finds it difficult to reconcile this assertion with a situation where a school such as Geelong Grammar, which charges fees of \$18,900 per annum for year 12 students, has received a 251 per cent increase in funding under the SES arrangements. There is no question that the SES system as it is currently constructed is inherently inequitable and flawed and does not equate with notions of social justice, equity or equality of opportunity.

2.65 The committee notes that the distortions created by the SES system reflect a broader shift in the Commonwealth's role in funding schools. As noted in chapter 1, the Commonwealth originally interpreted its role in schooling as ensuring that a community standard was reached by all public and private schools. This has gradually been replaced by an approach to 'fairness' which is based on a model of entitlement for all students to receive government support, irrespective of which schools they attend. Student 'need' has also been redefined by the Commonwealth to mean the financial needs of parents with regard to paying fees, rather than the needs of all students for an education of an agreed and appropriate level of quality and standards. The Committee broadly accepts the view of the Queensland Teachers Union that the Commonwealth Government's current funding priorities reflect poor social and education policy. Increasing the level of funds to the best resourced private schools in the long term

58 Submission No.52, NSW Public Education Council, p.6

59 Mr David Hayward, Submission No.71, p.1

60 Submission No.42, Association of Independent Schools

represents a threat to the viability of government schooling as a universal system that meets the needs of all Australian children.⁶¹

2.66 In the light of the Government's current priorities, the committee believes that needs-based funding can only be achieved if future funding arrangements are tied more closely to a revised accountability framework that takes into account a school's total economic resources. While the committee is not arguing here against the principles of a basic grant for all students, it concurs with the IEUA submission that both the point where the base grant should be pitched and the precise mechanism for distributing the 'needs' component are open questions requiring further consultation and debate.

2.67 The committee supports the proposition that the level of Commonwealth funding should be linked to the economic capacity of a school's community, which includes sources of private income from fees, endowments and sponsorships. It believes the total economic resources of a school, including fees, should be an integral part of determining the financial needs of its students. This is a major deficiency of the current SES system. The committee believes that non-government schools should be required to divulge financial information of the kind that they hitherto have been unwilling to submit to parliamentary scrutiny. The entitlement of non-government schools to Commonwealth financial assistance should be based on a principle of 'mutual obligation', to use an expression straight from the Government's policy lexicon. Assistance from the Commonwealth should be reciprocated by non-government schools adhering to a stricter reporting and accountability framework in which non-government schools disclose their privately-sourced income. The committee takes up the important issues of transparency, accountability and reporting in the following chapter.

Recommendation 3

The committee recommends that the Commonwealth note the overwhelming evidence put before the inquiry on the flawed nature of its funding arrangements for non-government schools, including:

- failure to take into account the total resources available to a non-government school in assessing relative need for funding;
- adoption of a funding scale that has provided the largest increases in funding to non-government schools that were already operating well above the resource standards in government schools; and
- creation of instability and insecurity in the post 2008 funding for the 50 per cent of non-government schools that are in one of the two 'funding maintained' categories for the 2005-2008 quadrennium, including 60 per cent of schools in Catholic systems.

61 Dr John McCollow, Assistant Secretary, Queensland Teachers Union, *Hansard*, Brisbane, 21 July 2004, p.2

Recommendation 4

The committee recommends that the SES non-government school funding model should be linked to the economic capacity of school communities, modified to include sources of private income including fees and linked to the educational needs of each school and its students.

Chapter 3

Accountability and needs-based funding

3.1 The committee believes, in the light of evidence presented in the last chapter, that the existing SES funding model needs augmentation by a needs-based component. It accepts that, over time, problems arose with the previous ERI model, reducing confidence in its ability to measure the relative needs of private schools for government funding. This happened mainly because schools developed means to disguise or minimise their level of private income and thus to conceal their capacity to raise private resources.

3.2 This raises the important issue of how to implement a model that includes a needs-based component, while avoiding the problems that have caused concern in the past. The committee believes that in determining the level of need, the extent to which schools are able to raise their own income from private sources such as fees and endowments becomes a critical issue. The absence of published data on private schools' income from tuition fees and other sources presents a significant barrier to determining the true resource base of schools. This problem must be overcome: private schools should be required to report publicly on their fee levels and to make this information formally available to the Commonwealth.

3.3 The committee recognises the importance of ensuring accountability for all Commonwealth funds expended. The Parliament must ensure accountability for the proper expenditure of funds it appropriates and passes on to agencies outside the Commonwealth's administrative ambit. Any move to increase the formal accountability requirements placed on non-government schools with respect to Commonwealth funds also has implications for the broader accountability framework under which schools operate.

3.4 This chapter assesses the claims made by the government, independent and Catholic schools sectors about the adequacy of the accountability framework under which they operate for the expenditure of Commonwealth funds. It identifies areas where reform is needed if the Commonwealth is to remain faithful to the principle of needs-based funding.

Commonwealth accountability framework

3.5 The committee believes that the Commonwealth and the states should approach the issue of funding of non-government schools as a shared responsibility and in a spirit of cooperation. However, as a major provider of funding support to schools, the Commonwealth does have both financial and educational accountability arrangements that apply, as conditions of funding, to its funding contributions to states and territories, and to non-government schools.

3.6 The financial accountability requirements for government schools include provision by each school of a certificate to the effect that funds have been spent, or committed, for the purposes for which they were provided. Non-government schools are required to submit to DEST a financial questionnaire which specifies all gross income received in operating the school and for providing activities for the students enrolled at the school. The Association of Independent Schools of WA told the committee that data provided on the questionnaire is published through the Annual National Report on Schooling (ANR).¹ However, this data is aggregated and provides no detail about individual schools.

3.7 According to DEST: 'The accountability provisions applicable to Australian Government funding for schools and Indigenous education are built on the premise that all schools are equally accountable for the public funds they receive for the education of the children in their care'.²

3.8 In addition to the financial accountability arrangements, the Commonwealth has in place a range of educational accountability requirements which focus mainly on reporting designed to reinforce the link between the funding provided under Australian Government programs and improved outcomes for students.³ For example, the DEST submission states that the educational accountability for Australian Government funding is provided for in the following ways:

- Participation in the ANR;
- Commitment to the National Goals for Schooling in the 21st Century and to achieve any performance and performance targets, and to report against any performance measures, incorporated in legislation;
- Regular assessment of student outcomes through MCEETYA's framework for national key performance measures; and
- Measuring literacy and numeracy at years 3, 5 and 7 through annual, full-cohort skills testing undertaken by each state and territory.⁴

Views of the independent and Catholic school sectors

3.9 The independent schools sector in its evidence to the committee expressed satisfaction with the accountability arrangements in place for both government and non-government schools. The Independent Schools Council of Australia argued in its submission that:

1 Mrs Audrey Jackson, The Association of Independent Schools of WA, *Hansard*, Perth, 12 July 2004, p.19

2 Submission No.48, DEST, p.9

3 *ibid.*, pp.9-10

4 *ibid.*

Independent schools are highly accountable to stakeholders, governments and regulatory bodies. While the accountability environment of independent schools differs from that of schools in other sectors, it is no less stringent and in significant ways is far more extensive.⁵

3.10 With regard to financial accountability of Commonwealth funding, the Council stressed that the accountability and reporting requirements in legislation for the 2005-08 quadrennium are expected to be similar, and possibly more extensive, than for previous legislation.

3.11 It is claimed by the independent schools sector that private schools receiving Commonwealth funds are both financially and educationally accountable and must:

- Provide extensive financial data to the Australian Government each year;
- Demonstrate that the funds received under each funding program have been expended appropriately;
- Participate in the Annual National Report on Schooling in Australia by providing extensive data;
- Participate in evaluations of the outcomes of programs of financial assistance;
- Commit to the National Goals for Schooling for the Twenty-first Century; and
- Commit to the achievement of performance measures, including testing for and reporting against literacy and numeracy benchmarks.⁶

3.12 The Independent Schools Council of Australia cautioned against any proposals to introduce further accountability requirements for Commonwealth funding that would:

- Increase the administrative burden and costs related to such requirements;
- Compromise the ability of schools to respond to the communities they serve;
- Discourage innovation and excellence in educational programs and their delivery; and
- Inhibit the ability of schools to be competitive both between and within sectors.⁷

5 Submission No.43, Independent Schools Council of Australia, p.18

6 *ibid.*, p.19

7 *ibid.*, pp.19-20

3.13 Three themes emerge from evidence provided by the independent schools. First, the current financial and educational accountability arrangements are adequate, therefore any further changes are not necessary. Second, in some respects, non-government schools are more accountable than their counterparts in the public system. It was pointed out to the committee that non-government schools are required to undergo a rigorous registration procedure every five years, a requirement which does not apply to government schools.⁸ Third, there is a view that any new measures for achieving greater accountability for the funding that the Commonwealth provides should take into consideration whether they will result in improved educational outcomes. Each of these themes is captured in evidence by the Association of Independent Schools of New South Wales:

Accountability that simply adds to the administrative workload and does not lead to an improvement in educational outcomes seems to us to be a waste of good, useful time....Independent schools have been providing...information for many years through financial questionnaires and so on. There is no objection to increased accountability, but we will run every proposal for extra accountability past the test of its validity for helping us to improve the quality of education.⁹

3.14 The committee raised the issue of accountability with the independent schools sector at public hearings. It believes the evidence highlights serious deficiencies with the current accountability and reporting arrangements which apply to the non-government sector. Mr David Robertson, Assistant Director, Association of Independent Schools of Queensland, told the Committee that specific information on how Commonwealth funds are spent is not collected by his association. Although information on Commonwealth grants to non-government schools is tabled in Parliament every year, the committee notes that this information, as with virtually all comprehensive data about private schools' finances, is only an aggregate figure which does not reveal how individual schools spend public money.¹⁰

3.15 Similarly, Mr Daniels, Executive Director, Independent Schools Council of Australia, told the committee that the only data collected by his organisation relating to how schools spend Commonwealth money is that which is publicly available and collected either by the Australian Bureau of Statistics or other Commonwealth agencies.

3.16 The various state Catholic education commissions are of the view that Catholic schools already adhere to strict accountability and reporting processes. The Catholic Education Office of WA, for example, told the committee that it adheres to

8 Submission No.26, Australian Parents Council Inc, p.4

9 Mr Terrence Chapman, Executive Director, Association of Independent Schools of New South Wales, *Hansard*, 27 July 2004, p.52

10 Mr David Robertson, Association of Independent Schools of Queensland, *Hansard*, Brisbane, 21 July 2004, pp.49-50

'very strict accountability requirements' and that there is 'very strong financial accountability back to the community and back to government'.¹¹

Criticisms of the accountability and reporting framework

3.17 The issue of accountability has been a constant topic of debate among the different school sectors. The committee accepts that non-government schools adhere to various accountability requirements that relate to implementation curriculum frameworks, teaching and learning programs, reading and reporting of student achievement and other educational outcomes. It also notes the concern of the Australian Council of State School Organisations that the imposition of intrusive and uniform accountability regimes might stifle creativity and innovation in education, and become bureaucratic ends in themselves.¹²

3.18 However, the main issue before the committee is that of the level of accountability for the finances that private schools receive from the Commonwealth. In this regard, the Committee notes that the issue of accountability of Government funding to private schools has recently been the subject of close scrutiny. Independent research has called into question many of the assertions made by those representing the independent school sector.

3.19 The committee takes particular note of a major study by Dr Chris Aulich and the Mr Terry Aulich which concludes that while Australian Government per capita funding of private education is high in comparison with other countries' funding, Australia has one of the lowest levels of accountability and regulatory control: '...the way in which government funding is spent by private schools is not subject to the same rigorous analysis and reporting common not only to most other OECD countries but to comparable areas of public expenditure in this country'.¹³

3.20 A number of submissions to this inquiry expressed major concerns with the current accountability arrangements surrounding the public subsidy of private schools, and highlighted a number of areas in which accountability needs to be improved. The AEU identified at least eight areas which require significant improvements. These include: public transparency and parliamentary reporting of accounts; admission and exclusion criteria; salaries; curriculum and professional accountability; expenditure on promotion, marketing and advertising; fee regulation; auditing of rolls; and capital funding.¹⁴

11 Mr Ronald Dullard, Catholic Education Office of WA, *Hansard*, Perth, 12 July, p.7

12 Submission No.62, Australian Council of State School Organisations, p.5

13 Dr Chris Aulich and the Hon. Terry Aulich, *Proposals for Improved Accountability for Government Funding to Private Schools*, Australian School of Government Studies, November 2003, p.4

14 Submission No.33, AEU, pp.46-53

3.21 For the purpose of this inquiry, the committee is mainly concerned about issues relating to the transparency and reporting of Commonwealth expenditure on non-government schools. According to the AEU submission, the current reporting requirements are inadequate for two reasons. First, DEST's financial questionnaire is applied and treated on a commercial-in-confidence basis. Second, the auditing procedures do not account for schools which have a capacity to 'two pocket account', which means substituting government money for private expenditure and spending private money in areas not allowed within the Commonwealth funding arrangements.¹⁵

3.22 The committee notes the view of the Queensland Teachers Union that an important obstacle to achieving adequate levels of accountability is the absence of an independent mechanism to establish a consistent and comparable base for analysing and comparing the income and expenditure of government and non-government schools. The implication is that much of the current debate over the accountability of Commonwealth schools funding is unproductive because there are no agreed data in relation to school income and expenditure.¹⁶

3.23 Union concerns are summarised by the AEU (WA Branch) submission: 'Funds provided by the Federal Government are given to no-government schools and they are allowed to spend that money as they see fit, but they do not tell the public how their taxpayer dollars are being spent'.¹⁷

3.24 The Independent Education Union of Australian (IEUA) expressed similar concerns to the AEU. It argued that any funding model needs to measure the actual resources of a school, including fees and other sources of income. It argued further that government schools should also be required to provide information about the level of resources available from sources such as fees and fund raising.¹⁸

3.25 The committee finds it unsatisfactory that there is no complete and comparable data set relating to the income and expenditure of government and non-government schools. Research published by the Institute for Social Research, Swinburne University of Technology, shows how difficult it is to make sense of recent developments in Commonwealth funding of schools. To begin with, states and territories do not report their data in the same format as the Commonwealth Government does. There are differences in the terminology and accounting concepts which underpin states' published financial data. There is the additional problem of non-government schools using accounting concepts which are not used in the public sector.

15 *ibid.*, p.46

16 Dr John McCollow, Assistant Secretary, Queensland Teachers Union, *Hansard*, Brisbane, 21 July 2004, p.4

17 Submission No.54, Australian Education Union (WA Branch), p.2

18 Submission No.49, Independent Education Union of Australia, p.3

3.26 The cash-based system of reporting used by the state, territories and the Commonwealth Government was replaced in 2001 with a system of accrual accounting. The move was premised on the claim that accrual accounting would make public finances more transparent, drawing on accounting systems used widely in the private sector. However, the move to accrual accounting has actually produced the opposite result. Not only is it impossible to reconcile the new data with the old, thereby abruptly ending the very useful cash-based time series, each of the jurisdictions employs slightly different methods of reporting. The committee finds that there is less transparency in the financing of Australia's education system than there was five years ago. According to Hayward and Esposito, this is '...a remarkable development given that several hundred millions of dollars were spent on consultants to help move to this new system'.¹⁹

3.27 The committee believes that in the light of these deficiencies, more needs to be done to strengthen the processes of data collection and dissemination of information about the public funding of schools. In particular, it agrees with the view of David Hayward and Alexis Esposito that there is an urgent need for additional resources to be allocated to rectify this situation, preferably through MCEETYA. The committee believes that a dedicated secretariat with expertise in financial reporting should be established within MCEETYA to collect timely and accurate data on education funding for government and non-government schools. The data should include:

- Operating expenses, including superannuation and interest;
- Operating income, including income from private sources such as fees, donations and bequests, and money raised from fund-raising, sponsorships and the like;
- Capital expenditures; and
- Borrowings.²⁰

3.28 The committee considers the different accountability and reporting standards which apply to the government, non-government and Catholic school sectors to be a major stumbling block to achieving adequate accountability. The committee suspects that these different arrangements may be the result of the political negotiations between the Australian Government and each of the school sectors on their level of Commonwealth funding. The NSW Teachers Federation highlighted in its submission that public schools in NSW are subject to minute scrutiny with respect to their financial arrangements, including all forms of income (government grants, fund raising, donations and fees). With respect to private schools in NSW:

There is no such requirement...They are not required to account publicly for monies received from government...Private schools hide behind 'commercial-in-confidence' excuses at the same time as they are treated as

19 Submission No.71, Mr David Hayward, pp.4-6

20 *ibid.*, p.31

not-for-profit charities under the Taxation Act. No scrutiny is applied to the accumulation of assets, much of which is subsidised by the public.²¹

3.29 The committee notes that the Government's new legislation for implementing its funding policy does not appear to incorporate broader accountability principles across all school sectors. According to Mr Terry Aulich:

In regard to any systemic funding from the Commonwealth, why is there no formula which is transparent to everyone as to how, for example, the bishops or the systems distribute Commonwealth funding within their systems? What is the basis on which that money is delivered to the schools? Where does it go? Does it go to their secondary schools and not to primary schools?²²

3.30 The committee is particularly concerned, in the context of calls for accountability, about claims repeated by different independent school associations of the adequacy in this regard of the DEST financial questionnaire which non-government schools are required to complete each year. To begin with, because the questionnaire instrument itself is treated by DEST as a confidential document, the committee is unable to form an assessment of its effectiveness as an accountability tool.

3.31 Following from this, it appears that the questionnaire does not include information that relates to the amount of money independent schools spend on teachers' and principals' salaries, on remuneration packages, capital works or money spent on reducing debt. It does not gather information about movement in fee levels. None of this financial data can be found on the public record. The committee also questions whether the annual National Report on Schooling, referred to earlier, is an adequate form of accountability when these reports contain aggregated information only and are usually, at best, three years out of date. It is noted, however, that the Government has sought to expedite the publication of the National Report on Schooling in a provision contained in the Schools Assistance Bill 2004.

3.32 The AEU strongly recommends that accountability requirements applying to private schools be considerably strengthened. Funding, it says, should be made conditional on financial reporting to Parliament of all aspects of the operations of private schools, conducted on the same basis as those in public schools. The AEU submission states:

Given the levels of funding that private schools receive and the relevance of knowing and being able to compare the overall levels of resources of both public and private schools, there seems to be no good reason why these reports should not be tabled in Parliament.²³

21 Submission No.4, NSW Teachers Federation, p.14

22 Mr Terry Aulich, Australian Council of State School Organisations, *Hansard*, Canberra, 27 July 2004, p.39

23 Submission No.4, NSW Teachers Federation, p.14

3.33 The committee agrees with this assessment, and adds that parliamentary scrutiny of all financial matters related to non-government schools is not an unreasonable condition to be placed on their Commonwealth funding.

3.34 Fairness and equity in the allocation of scarce public resources can only be achieved with the full disclosure of schools' financial capacity. Such disclosure would both facilitate a transparent process for determining equitable funding for schools, and would ensure that money provided by the Australian Government is properly accounted for. This is a view endorsed by the NSW Secondary Principals Council:

If an institution receives public money, we should look at ensuring that it is publicly accountable. At the moment we do not know what fees [these institutions] receive, how many properties they own, what sort of money is left to them in bequests or what sort of investments they have in the offshore money market. If we are talking about the elite, very wealthy schools, none of that is on the public record...Surely, if you are entitled to vast amounts of public money then the income that you already hold, which would somehow relate to the income that you get, should at least be publicly on the table.²⁴

New schools

3.35 An issue raised on several occasions in evidence to the committee relates to the funding of new schools. The WA Branch of the AEU expressed its concern at the provision of resources for new schools and whether any new inquiry into Commonwealth funding of schools should include a reassessment of the levels of funding that are currently provided to new schools. Ms Anne Gisborne, Deputy President, told the committee that during the last decade there has been an increase in the number of new independent schools that have not been able to support themselves financially '...because they are not linked into a system and they therefore require further resourcing to support them'.²⁵ Concern over resourcing of new schools was also expressed by the Queensland Teachers Union, especially ensuring that new schools are economically viable and that their impact on existing government and non-government schools is assessed.²⁶ The committee notes that this problem is exacerbated in jurisdictions where there is no minimum enrolment requirement on non-government schools, leading to problems with viability for some newly-registered, extremely small schools. The committee would welcome moves by states and territories to establish, where they do not already exist, minimum enrolment requirements for the registration of new non-government schools.

24 Ms Judy King, Deputy president, NSW Secondary Principals Council, *Hansard*, Sydney, 26 July 2004, p.56

25 Ms Anne Gisborne, Australian Education Union (WA Branch), *Hansard*, Perth, 12 July 2004, p.36

26 Dr John McCollow, Assistant Secretary, Queensland Teachers Union, *Hansard*, Brisbane, 21 July 2004, p.4

Conclusion

3.36 As the evidence before the committee clearly demonstrates, a major obstacle to any modification to the allocative mechanism for Commonwealth subsidies to private schools is the absence of published data on private schools' income, especially from tuition fees. According to Dr Louise Watson, while a limited amount of information on the fees charged by some independent schools in some states is published in the *Good Schools Guide*, there is no complete national data set on the fees charged by independent schools. In addition, while the Commonwealth Government collects data annually on all private schools' income from tuition fees, this information is not made publicly available.

3.37 The Parliament has before it legislation that would see the reach of the Commonwealth, in terms of explicit conditions to be placed on funding, extend further into the non-government schools sector than previously. However, the committee does not believe this increasing level of Commonwealth intervention to be accompanied by adequate reporting and accountability measures. While the Government and the independent schools sector remind the community of the stringent educational accountability regime which has been put into place by the Government, the committee takes the view that the accountability of the expenditure of Commonwealth funds is an area that has not been adequately addressed.

3.38 The committee calls for a revised and strengthened accountability framework which would require non-government schools to fully disclose their financial position to the Parliament at least once each year. Any new accountability framework should make full disclosure a condition of Commonwealth funding.

Recommendation 5

The committee recommends that the Commonwealth, through MCEETYA, should exercise its responsibility to ensure that financial data regarding school income and expenditure, whether on an aggregated or disaggregated basis, is provided and publicly presented and reported in a standard format, using a single accounting basis and reporting period. In the case of non-government schools, this data, both aggregated and disaggregated to the school level, should be provided to the Commonwealth in a standard format on an annual basis, and tabled in the Parliament. Provision of full financial information in this manner should be a condition for receipt of recurrent funding.

Recommendation 6

The committee recommends that accountability provisions regarding non-government schools should be strengthened to require reporting by schools on a range of matters including:

- enrolment of students with disabilities;
- enrolment of Indigenous students;

- admission and exclusion policies;
- teaching staff;
- curriculum; and
- discipline policies.

Chapter 4

The Schools Assistance Bill 2004: areas of contention

4.1 This chapter deals with details of the legislation implementing the Government's funding policy for 2005-08 and the conditions laid down for receipt of Commonwealth funding.

4.2 The committee comments on two aspects of the bill. The first relates to changes in the structure of Commonwealth funding. The second is the matter of the increasingly intrusive micro-management aspects of the legislation, particularly in its effects on state and territory schools administration.

Funding details and issues

4.3 Under the provisions announced in the budget, the Government will provide \$31.3 billion in funding for schools for the quadrennium 2005-08. This is an \$8 billion increase over the current quadrennium. Of this, over two thirds will be allocated to private schools. This continues a trend which sees the private school share of Commonwealth funds increase from 55.6 per cent in 1995-96 to 68.9 per cent by 2007-08.

4.4 Of the \$8 billion increase only about \$404 million will be 'new money', the remainder being for indexation and supplementation. Of the 'new money', \$362 million will go to Catholic systemic schools as a result of their adoption of the SES funding model, \$17 million will go to capital programs for private schools in the Northern Territory, and over \$26 million will go to students with disabilities. Only \$4 million of additional funds allocated in the bill will go to government schools. This is a share of the extra disability funding.

4.5 The Government does its best to ensure that those schools losing funding under the SES formula at some time in the quadrennium will have a transition period in which to accustom themselves to their loss. Those private schools moving into a higher SES score in 2005 will have their funding held at their 2004 level without indexation until the value of the school's SES score (which will be indexed) is eventually equal to, or greater than, their 2004 level.¹

4.6 Another major change is that to the structure of Commonwealth targeted schools programs. A new program for literacy, numeracy and special learning needs is to replace a previous and more vaguely titled program on 'student outcomes'. This program will cost \$2 billion over four years, a 25 per cent increase in the current quadrennium. The committee notes in passing that included in this is additional

1 Parliamentary Library, Bills Digest No.14, 2004-05, p.3

funding for students with disabilities, which is likely to be in part a response to this committee's recommendations made in its report on student disabilities.²

4.7 Schedules to the bill set out details of program appropriations. For non-government schools these are calculated on the basis of what DEST itself terms the 'generous' Average Government School Recurrent Costs index (AGSRC). The committee heard evidence that there are problems in the use of this index for determining the funding of individual non-government schools. The cost structures of public schools take into account the need to deal with students across the whole spectrum of ability and socio-economic status, and to accept students with disabilities of all kinds. Non-government schools do not generally have the same cost structures because they have control over their enrolments. The effect of public schools having to deal with the greater proportion of students with disabilities, or who come from poorer families with social problems, is to drive up the average cost in public schools, and to inflate the AGSRC to further advantage non-government schools.³

4.8 The anomalies in the funding of students with disabilities compound the unfair use of the AGSRC. The submission from the Director-General of Education in Queensland pointed out that the Commonwealth continues to provide a differential funding rate for students with disabilities, depending on whether they are enrolled in public or private schools. A student in a public school receives \$129 compared with \$654 for a student with a disability in a private school.⁴

4.9 A similar differential remains in the funding rate for indigenous students. Private schools will continue to receive up to 4.13 times more per capita funding through the indigenous program than public schools. The reason for concern about indigenous funding arises from the reduction of grants to urban indigenous programs so as to increase those to rural indigenous programs. The Victorian Government has pointed out that the large numbers of indigenous students living in metropolitan and regional centres under very challenging and low socio-economic conditions will be disadvantaged.⁵ The sub-committee agrees that the only fair way to treat this problem is to increase funding for indigenous programs overall, rather than to discriminate between people on the basis of where they live.

4.10 A second issue arising from the use of the AGSRC as a basis for private school funding is the inclusion in the AGSRC of system-wide costs borne by state and territory education departments. These include curriculum development, a range of centralised services such as psychological counselling, general administration and even the costs associated with the registration of private schools themselves. These costs are not, it has been argued, applicable to individual private schools.

2 EWRE Committee, *Students with Disabilities*, 2002.

3 Submission No.33, Australian Education Union, p.29

4 Submission No.50, Queensland Department of Education and the Arts, p.6

5 Submission No.76, Victorian Government, p.8

4.11 Despite the difficulties and anomalies discussed here, however, the committee does not recommend as a priority the replacement of the AGSRC as a basis for determining funding for non-government schools.

Entry of Catholic systemic schools under the SES funding model

4.12 This legislation reflects the agreement reached with the National Catholic Education Commission to join the SES funding model from 2005. The committee recalls the tactfully concealed irritation of other players in the funding stakes at the public hearings held in 2000, when for the current quadrennium there was veiled irritation cause by the deal apparently done between the Government and the National Catholic Education Commission to remain aloof from the SES funding model in return for classification under the highest (then) current ERI funding category.

4.13 In introducing the bill, the Ministers announced that this agreement would 'deeply imbed' this model as the basis of funding. As part of the agreement the Catholic system received \$362 million in additional grants. The National Catholic Education Commission clearly regards this outcome as advantageous for Catholic systems. From the Government's perspective, the agreement of Catholic authorities puts an *imprimatur* on the funding formula which was introduced in the previous quadrennium. Thus the Minister was able to claim that all denominations had now fully integrated their schools under the one system.⁶

4.14 For the Commission, the additional funding has been a useful dividend. It has not been obliged to concede its own internal funding distribution practices, and thus Catholic systems are able, as before, to distribute Commonwealth funds to individual schools according to their own allocative policies. As the committee heard, the state Catholic systems intend to retain the distribution formulae they have used for years; modifications in each case of the ERI model which takes into account individual school revenue, and distributes Commonwealth funding according to need through a cross-subsidisation process. From a Catholic schools' perspective, this was a useful arrangement, especially as it apparently came with an acknowledgement from the Government that the SES funding model had a limited life, being unlikely to last beyond 2008, and that a more secure long-term solution was needed for the funding of Catholic systemic schools.⁷

4.15 The committee notes, however, that the goal of the National Catholic Education Commission – 60 per cent of AGSRC in Commonwealth funding – has not been reached in the agreement forged with the Government. Average Commonwealth funding for Catholic systems will reach only 58 per cent. The NCEC also made clear its general concerns about the undermining of the integrity of the operation of the funding system overall that has crept into current arrangements.⁸

6 *ibid.*

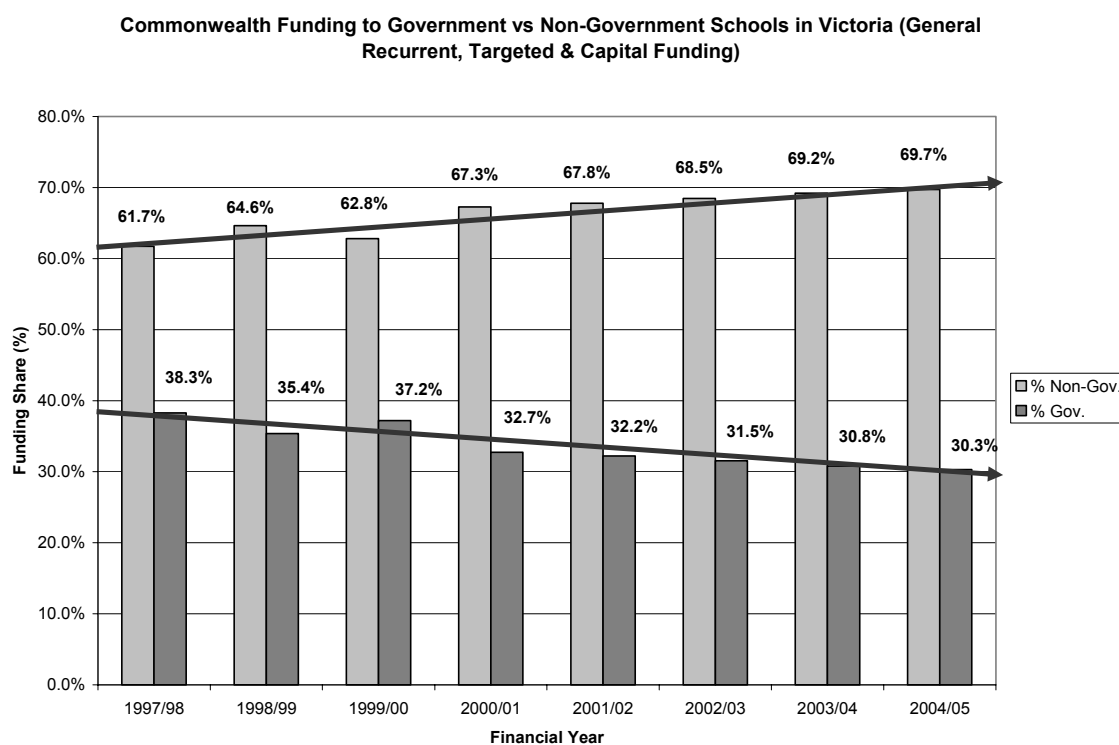
7 Dr Brian Croke, *Hansard*, Sydney, 26 July 2004, p.12

8 Submission No.55, National Catholic Education Commission, p.3

Declining financial support for the states and territories

4.16 The committee makes its point yet again that the proper and generally accepted role of the Commonwealth in schools funding is to ensure the provision of equity across the country in the provision of school programs and infrastructure. In this way the Commonwealth can ensure that particular states are not renegeing on their own obligations, and that assistance can be given when a safety net is required. For instance, such assistance could be provided where a particular state may be required by a MCEETYA decision to restructure its primary to secondary transition, as referred to in the next section.

4.17 Yet, the public schools which educate most students, have suffered from diminishing shares of Commonwealth outlays over time. The following table indicates this effect in Victoria. The detail can be considered representative of all states.



4.18 The Government has been critical of the efforts of states in maintaining their education funding, but such comment appears to be misguided as to the facts, as well as ignorant of the demands on state budgets for a range of public services which the Commonwealth would prefer to know little about. In fact, as the Queensland Government submission explains:

Between 2000-01, the first year of the previous four-year schools quadrennial round, and 2004-05, Queensland Government budgeted expenditure on school education increased by \$913.7 million over the period. This includes an increase in funding of \$813.5 million for government schools and \$100.2 million for non-government schools. By comparison, the Australian government budgeted expenditure on schools

within Queensland increased by \$506 million over the period, with increases to government schools in the State amounting to less than a fifth of this increase. Overall, Australian Government funding for government schools represents only 12 per cent of Queensland Government's investment in the sector.⁹

4.19 The committee notes this advice as generally representative of positions in all states and territories. The Commonwealth, which expresses its views about educational 'choice and efficiency', a safe distance away from the realities of running schools, fails to follow up its rhetoric in regard to public schools. As well as neglecting to provide the funding needed to maintain equity in the school system, Government policy has seen the continued regulation of state departments of education in ways which are discussed below.

Intrusion in state affairs

4.20 The committee is hampered by the absence of comment from most states on implementation of Commonwealth-initiated programs at state level. Nonetheless, the set of conditions on funding contained in the Schools Assistance Bill 2004 appear to the committee to be overly intrusive on state and territory legislative and administrative responsibilities. There appears to be ready agreement within MCEETYA about the need for incentives and accountability measures to ensure that parents are better informed about learning progress, and that particular procedures are necessary to drive school improvements. Nonetheless, the committee is aware of tensions which arise from the implementation processes laid down by DEST in the new funding legislation. The committee has little direct insight into the nature of the clash of bureaucratic cultures that must inevitably arise. Several question marks hang over performance measures laid down by the Commonwealth, particularly in regard to their likely validity and usefulness.

4.21 A notable characteristic of recent Commonwealth legislation is the detailed prescription of micro-management tasks imposed on agencies dealing with the Commonwealth. The committee has noted this tendency in the Backing Australia's Future legislation on universities: a feature which was attacked by several of the vice-chancellors, and which the Government was forced to modify. The committee also commented on the same characteristic feature of the Building and Construction Industry Improvement Bill 2003. The sub-committee does not regard this practice as being in keeping with the spirit of MCEETYA.

4.22 This bill follows the newly-established trend. There is an extraordinary number of clauses in the bill stipulating conditions for receipt of commonwealth payments. They cover public information on school performance, reporting on student attendance, occupational health and safety, physical education requirements, school administration and other matters which should be left to the discretion of schools or systems. Officials from the Western Australian Government who appeared before the

9 Submission No.50, Queensland Government, p.2

committee agreed that this level of intrusion by the Commonwealth in the administration of states schools was out of all proportion to the 12 per cent contribution made by the Commonwealth to the running costs of public schools in the states.¹⁰

4.23 The Victorian Government has questioned the value of the information it gathers under Commonwealth direction. Its submission stated:

... the performance measures outlined in the Australian Government's proposed funding package are used as blunt administrative instruments – they are not designed to leverage or drive either systemic or school level change and, in fact, do not aid efficient administration and delivery of services. The proposed accountability and reporting measures will reduce flexibility because centralized reporting methods do not recognise the need for variation in approaches according to local needs and circumstances. The prescription of intrusive reporting requirements simply conflict with, and counter the effectiveness of, the Victorian approaches outlined above. Furthermore, the proposed accountability and reporting arrangements do not clearly link performance data with improvements in student learning outcomes nor do they link the proposed requirements within a suite of other strategies.¹¹

4.24 Most objectionable is the long list of ministerial discretions that are provided for in the bill. They cover an extraordinary ambit of powers, far beyond what DEST could reasonably expect to administer, monitor or enforce. This casts doubt upon how seriously the provisions are to be taken.

4.25 The committee also notes a provision listed in subclause 7(1) in Part 1 of the bill, which gives the Minister power to determine whether a student is in primary school or secondary school. This is inappropriate. MCEETYA has agreed in principle to work toward uniformity of commencing ages for primary and secondary school in the states and territories. This process will require a long lead time for states which need to adjust their structures, for instance to provide more classrooms and facilities in Queensland secondary schools should the decision be made that students commence in Year 7. Considerable costs are involved, and it is likely that a significant Commonwealth funding contribution will be required. The inappropriateness of this provision has been commented on by the Tasmanian Minister for Education, who expressed the view that recommendations from work in progress should be dealt with by MCEETYA in an orderly and considered manner, rather than being presented as a condition for funding. On the specific issue of the uniform school starting age, the Minister submitted:

Tasmania's present starting age is currently 6 months later than the suggested starting age. Accordingly, the financial effect on Tasmania to

10 Mr Peter McCaffrey, *Hansard*, Perth, 12 July 2004, p.47

11 Submission No.76, Victorian Government, p.9

meet this requirement would be substantial, at an estimated total cost of an additional \$223 million as this new cohort of students moves through the education system. This represents a significant additional funding requirement for the state of Tasmania and is obviously much more significant than any increases in Commonwealth government funding being offered.¹²

4.26 Another prescription that the committee considers inappropriate for inclusion in the bill is provided in subclause 21(k) in relation to school autonomy. This also is an unwarranted intrusion in the affairs of state education departments. The committee does not express a view on whether schools in general should be given more autonomy. It recognises that in Victoria this has been a controversial issue in the past, but is now less so. It recognises that, historically, Queensland, and to a lesser extent New South Wales, have had more strongly centralised administrations than some other states. The evolution of an administrative culture in a particular state should arise from local needs and initiatives, and while national programs and policies which result from Commonwealth decisions may influence this evolution, it is not appropriate for the Commonwealth to legislate specifically for this purpose.

Disdain for drafting conventions

4.27 Finally, the committee raises the matter of the short title of the bill, Schools Assistance (Learning Together- Achievement Through Choice and Opportunity) Bill 2004. This it regards as a propagandist slogan. The first two words in parenthesis have no meaning in this context. The committee presumes that 'choice' refers to the basis on which funds are allocated (to facilitate choice of a non-government school), and to this extent concedes its accuracy. The reference to 'opportunity' can really only refer to the increased opportunities offered to students who attend the schools which are favoured by the policy of choice. It might be implied that students in public schools have made the wrong choice, and are thereby denied the opportunities which the bill provides for others.

4.28 It is objectionable enough that new policy programs should be given advertising style slogans as titles which do not accurately describe what they intend to do. To extend this practice to the short title of bills is a practice which deserves censure. There is much precedent in the Parliament for insistence that bills are titled so that short titles constitute a guide to the content of legislation. There is nothing to indicate from this title that it is a lineal successor to states grants bills on schools funding extending back to 1964. The committee calls on the Government to amend the short title of the bill better to reflect, in a straightforward manner, its actual purpose and content

12 Submission No.17, op cit, p.3

Recommendation 7

The committee recommends that, pending discussions with state and territory governments through normal MCEETYA processes, the Government should be mindful of the rights of states and territories to legislative and administrative autonomy with regard to the operation of schools. The Government should not use school funding legislation as a vehicle to impose on the states and territories policies and practices that would normally be the subject of agreement through MCEETYA.

Conclusion

In this all too brief inquiry, the committee has grappled with issues that warrant far more comprehensive examination and reflection. The introduction of a new quadrennial schools funding bill is one opportunity open to the Parliament to look at the appropriations in a wider context of schools policy. The Government's policy since 1996 has been to encourage the establishment and expansion of private schools through mechanisms that also reduce the share of Commonwealth funding going to public schools. Whether intentional or not, the effect has been to destabilise public schools by eroding public confidence in them and diminishing the expectation that they can provide a good education.

The SES model is the chosen instrument for the maximising of benefits for students in private schools. The continuation of the SES funding model means that encouragement of private school development will continue, regardless of its effects on the operations of the public schools and the continued and harmful segmentation of the school sector. This will continue to widen the gap between the opportunities available to the economically advantaged, and those in disadvantaged circumstances. Social mobility is affected by a class-based school system. The failure to fully harness the potential of youthful human resources that are diminishing as a proportion of an aging population, will contribute further to a decline in standards of living and productivity of the national workforce.

The committee emphasises that, in the course of the inquiry, it heard comprehensive evidence that the Commonwealth's school funding arrangements and policies were flawed. Witnesses and submissions also expressed the view that public schools were urgently in need of renewed support, including financial support. While there was no unanimity as to what the problems and shortcomings were, there was near universal dissatisfaction with the current situation. This emanated from representatives both of private and public schools as well as from academic experts. In the light of such overwhelming expressions of concern, the committee believes that there are grounds for major revision of the current funding regime.

Opposition members of the committee have particularly strong views on Commonwealth assistance to schools because they have seen the Commonwealth misuse its powers to provide national leadership. Both sides of politics have recognised the need to use the fiscal power of the Commonwealth to direct schools policy. Coalition governments at the Commonwealth level have shown little interest in promoting the interests of state public education systems, even though states are at times unable to fund their schools at a satisfactory level. The failure of the Coalition's school funding policy is evidenced by the collapse of a national consensus which began with Karmel in 1973 and survived until the first term of the Howard Government.

While MCEETYA in theory accords a prominent voice and considerable influence to the states, in formulating national policy on schooling, this Government has acted to

override its role and ignore its processes. The Australian Constitution places responsibility for education unequivocally in the hands of the states. The constitutional reality of Commonwealth fiscal ascendancy, however, means that the states have been unable to resist the imposition of the Commonwealth's bad policy despite their operational control over their own school systems and their powers to register private schools. The committee notes the impatience expressed in submissions from state Catholic education commissions about the confusing nature of Commonwealth-state funding arrangements under the current Government. The committee believes that this matter should be properly addressed through a process of consensus between the Commonwealth and the states.

A new consensus, in the spirit of the Karmel settlement, is sorely and urgently needed. The committee hopes to see open community discussion about the shape of such a new compact. All parties to a renewed national consensus should be invited to sit down and exchange views in an honest attempt to achieve once again what has been lost as a result of the division created by the Commonwealth over the last eight years. The fact that, after a lengthy period of intense antagonism about the issues, such a consensus prevailed for over twenty years indicates that it is possible to retrieve community harmony. It is not fitting that the Australian community should be bitterly divided over a matter of such concern to all – the education of the young.

As the evidence to the inquiry indicates, the issue of freedom of choice leads the arguments proffered in favour of the entitlement of the most richly endowed schools to generous financial assistance. The committee majority makes the point again that choice is the luxury of those who can afford to pay. Even then a choice may be limited by the prerogative of a school to choose its students, as may be the case in the selection of students with high academic ability or sporting prowess. Freedom of choice in schooling must be limited by the obligation that falls on governments to ensure that resources are directed to raising the quality of the most disadvantaged schools. In doing so, and in the event that there is an improvement of educational quality in those schools, the choice of school options is greatly increased. As noted previously, the Australian school system is highly stratified by first world standards, a factor which increases the enrolment pressure on non-government schools. The committee reiterates its confidence in Australia's public schools systems as providers of high-quality education and of equality of opportunity for all. Taking current Commonwealth Government policy to its logical conclusion, however, would allow public schools to decline to the point of marginalisation. Although there are notable exceptions, non-government schools have already shown themselves unwilling to enrol students from among more marginalised and disadvantaged families. Public schools could be reduced to the role of public welfare agencies.

The committee majority argues, therefore, that because underperforming schools reinforce underachievement and social dysfunction, the optimum social and economic benefit comes from maximising expenditure on these schools. Schools which derive most of their income from fees and endowments will continue to thrive, just as they did when, without complaint, they were without any Commonwealth assistance. The

most significant result will be that increased opportunities will be extended among those of average income and below.

As choice is increasingly seen as the prerogative of schools as much as of parents, the committee majority believes that action is long overdue to oblige non-government schools to recognise their community service obligations. Public schools should not carry alone the burden of being schools of last resort: the place of refuge or incarceration for the non-conforming and the rejected students from non-government schools. The enforcement of this regulation may well be a state responsibility, but it is one where the Commonwealth should be taking a policy lead.

Private schools should also, as a condition of receipt of Commonwealth funding, be prepared to report fully and publicly not only on their use of government funds but on their financial situation and income, including income from fees. This will ensure the transparency and accountability now lacking in the Commonwealth's approach to funding non-government schools. Only in this knowledge can a Commonwealth Government ensure that its own funding allocations to schools reflect the actual needs of schools and their students.

Senator Kim Carr

Senator Trish Crossin

Government Senators' Report

Government senators on this committee are bemused by the frequent claims made by their Opposition and Democrat colleagues of the dire consequences to the nation of policy decisions made by the Government. When they refer to dire consequences, or in using language to that effect, it means that particular interest groups associated with the Opposition are unhappy about developments which may harm their interests. The Opposition is apt to confuse these interests with the promotion of the common good. This is at least contestable.

In dealing with the Schools Assistance (Learning Together-Achievement Through Choice and Opportunity) Bill 2004, the committee has looked hurriedly and superficially at some detailed legislation which extends and refines a policy which was commenced in its current form in the States Grants legislation in 2000. As was the case then, the Opposition is expected to approve this legislation and it will be implemented in time for the commencement of the 2005 school year. The main thrust of the Opposition's line of inquiry concerned the use of the SES model of funding, and the allegation that this gave unfair advantage to independent schools; and the increased growth of new independent schools. In the meantime, the Opposition made a vain attempt to drive a wedge between parties which have consistently supported Government funding policies over the past three Parliaments.

It is important to emphasise, at an early stage of this report, that much of the public debate about school funding has suffered from a widespread misapprehension about the source of that funding. The Commonwealth is not the main source of funding for all schools. The main source of funding for public schools will always be the states, because they control and resource them. The Commonwealth currently provides about 12 per cent of public school funding. Total funding for public schools can be expanded by the states, increasing their proportion of the total expenditure. The revenue pie can be increased if the states believe their systems are in need of additional funds.

The states have made the decision to hold back expenditure on schools. This is despite the fact that with additional (and expanding) revenue available to them through the GST, they have diverted money into other projects. As a recent *Canberra Times* editorial pointed out:

There is hardly a more pointless debate than the tired old one about relative Commonwealth and state contributions to various sectors of the primary and secondary school system. All the interest involved in the debate habitually use statistics to their own ends, never more misleading than when those who want more resources for government schools act as though state-government funding were not the basic source of government-school funds or that the Commonwealth is systematically starving their sector. The suitability of the Commonwealth as whipping boy is also assisted, as it is in the public-hospital debate, by the fact that the growth of state-government funding for schools has not matched the growth of Commonwealth

assistance, although the states have been enjoying a revenue bonanza in recent times. The states, in short, are diverting money which ought to go into health and education into other projects, hopeful that the public will blame the Commonwealth for lower standards or outcomes if they perceive it.¹

There is widespread awareness of this in educational circles, but as was indicated in the reactions of some teacher union officials who appeared before the committee, there is a reluctance to acknowledge it. Union officials are also reluctant to consider ways in which their actions and the attitudes they publicly espouse may not help the cause of the sector which employs their members. Teacher unions have never been at the forefront of educational reform, and have not been known to view education developments over the long-term in situations where the more immediate interests of their members may be threatened.

Raising national educational standards

The Government is committed to raising the national standard of school education through incremental steps to ensure quality learning outcomes. Opposition senators, aware of accusations from the states and territories of Commonwealth high-handedness in chairmanship of MCEETYA, do not believe that this can be taken seriously considering the Commonwealth is now expected to take a national policy lead in schooling. Current initiatives follow a progression of ideas that began in earnest during the tenure as minister of Hon David Kemp MP, and have been continued since. The emphasis has always been on rigorous standards and the accurate assessment and evaluation of results which test the attainment of these standards.

The achievement of higher standards requires a significant investment. The bill proposes the expenditure of a record \$31.3 billion over the four years, 2005-2008. To ensure that this outlay is expended with quad effect the Commonwealth has required that states and territories and non-government education authorities implement the main elements of the Australian Schools Agenda in order to receive funding. There is nothing heavy-handed in the way this requirement is made. MCEETYA has worked constructively to ensure that the program evaluations and accountability processes reflect the intentions and aspirations of all state authorities. Non-government school authorities appearing before the committee raised no difficulties about any of these matters.

Choice and entitlement

The majority report is basically correct in identifying a core of consistent policy in relation to schools funding which has continued from Gorton right through to Howard. It is correct in stating that ideals of choice in education, and the acknowledgment of an entitlement as taxpayers and parents to assistance to a particular school of choice,

1 Editorial, *Canberra Times*, 3 March 2004, p.14

were matters which had to await the decline into oblivion of the spectre of sectarianism which infected society for the previous century or longer.

The Opposition report attempts to establish a dichotomy between needs and choice: the implication being that a schools policy may not serve both. Opposition senators disagree and point out that in forty years that Commonwealth schools assistance has been available, both have been key policy considerations. Need is felt by all students, regardless of the financial circumstances of their families, and all are equally entitled to at least minimum Commonwealth assistance. The practical demands of good policy requires governments to give special consideration to students, families and communities whose financial circumstances make them unable to pay high fees. Since the 1960's, governments have acknowledged responsibility to address this need. Forty years on, this obligation has been recognised to an unprecedented degree. The needs basis for schools assistance is evidenced by the SES model of funding indexation. This indexation system will be discussed later in this report.

The issue of choice features prominently in submissions received by the committee, particularly parent groups who may be assumed to be concerned that this principle is honoured by all elected parliamentarians. The submission from the Association of Independent Schools of NSW makes a particular point about choice, and mentions the source of its concern:

....that more than 12 percent (and increasing) of all Australian students are being educated in independent schools, and more than 30 percent in non-government schools, shows that Australian parents value the diversity and choice available when it comes to educating their children. The Government's treatment of the parents who choose non-government schools should not only recognise their rights but be appreciative and respectful of their decision to give a high priority to their children's education.

There has again been some focus on the proposals to reduce the funding in respect of some students (those at certain schools) and that the funds saved should be re-distributed in support of students in other schools. The AIS has always supported the practical logic of funding of student education being based on the principle of entitlement plus need.²

Government senators observe that the concerns expressed in this submission refer to the frequent reference made by the Opposition to 'wealthy schools' being in receipt of what they see is excessive amounts of Commonwealth assistance. Particular schools are singled out for mention, and the implication is that the Opposition would deprive them of all funding if they were ever to attain government. This would result in considerable outrage, if it ever eventuated, for the principle of entitlement is as strongly held as the principle of choice. To deprive particular schools of any entitlement to base funding would force many families to withdraw their children from their schools because fees would need to rise considerably. The schools would then become exclusive institutions for the very wealthy, and this alone would result in

2 Submission No.47, Association of Independent Schools of NSW, p.1

considerable diminution of the social diversity of these schools, and probably effect the quality of their educational programs. The waging of a class war by a Labor government would have serious implications for whole education systems.

In the submission of the Independent Schools Council of Australia information is given about the effect of a reduction in government funding on a high-fee metropolitan day school. The school was asked to estimate fee increases for 2005-08 on the basis that Commonwealth funding was frozen at the 2004 level; with state funding at 5 per cent of AGSRC; no change to current enrolments; no staffing increases; general expenses rising at 3 per cent per annum and teachers salaries increased in accordance with recent decisions of the IRC. The school advised school fee increases in the order of 20 per cent, per year, would be required. The Council submission continued:

The school advised that in calculating these increases no allowance was made for costs due to teacher incremental steps, any new award conditions, adjustments to accrued sick leave and Long Service Leave Entitlements, additional superannuation and workers compensation payments based on increased salaries paid.

The school contends that fee increases would have a significant impact on its total enrolment. It estimates that over 40% of families have both parents working with one parent devoting their income solely to education expenses. Students leaving the school would transfer either to a lower fee independent school or a government school.

As the school in question is one of the lowest funding in the state the transfer of students to lower fee (and higher funded) independent schools would significantly increase the cost of educating the students to both the Australian Government and State Government.

Transfers to the government system, would obviously add a significant increase in case of education at the State Government level.³

Government senators make the point that grants to particular schools which have been quoted extensively in Parliament are not significant in overall terms. Even if the funds were redistributed, they would not add greatly to grants made to other schools. Yet they allow schools in receipt of these grants some scope for containing fee rises and other costs. The loss of funding would have an effect on these schools out of proportion to the actual amounts concerned.

Continuation of the SES funding model

The committee has been through the issue of the SES model before its inquiry into the States Grants (Primary and Secondary Schools Assistance) Bill 2000. Government senators assumed that there was little more to say on this matter, as according to those whose funding is determined by the system, the SES method works well. The Government, furthermore, has taken pains to ensure that no school has been

3 Submission No.43, Independent Schools Council of Australia, pp.12-13

disadvantaged by the introduction of the SES funding model. No school which has seen its SES score rise since the last quadrennium will have its funding reduced. In addition, the Catholic systemic system since its entry into the SES indexation model, has gained an additional \$362 million in funding over the quadrennium.

It has been noted that Opposition senators have attempted to show that the SES model has failed to attract support from school systems. The Independent Schools Council of Australia submitted that the SES funding scheme satisfies the criteria for a sound funding scheme for non-government schools, and that SES arrangements have worked satisfactorily over the 2001-04 quadrennium⁴. The Association of Australian Christian Schools was a strong advocate of the SES system from the beginning, and after nearly 4 years of its operation regards it as the most accurate way of measuring the capacity of school communities to pay fees.⁵

Shaking up the teaching and learning culture

For most of the period of Commonwealth involvement in schools funding, the Commonwealth has failed to exercise the full extent of its powers to effect changes to the way schools perform. It is true that Professor Peter Karmel intended that this be a role of the Schools Commission, and since then ministers have pursued reform agendas with varying degrees of energy. Nonetheless, there was a line drawn in the sand over which the Commonwealth did not tread, out of deference to the role of the states in running the schools as they thought best. It was also evident that independent schools through the 1970s to the 1990s were benefiting considerably from the extension of Commonwealth grants and showing signs of being leading innovators in some aspects of teaching and learning. The increasing size and wider diversity of the non-government school sector was bound to attract the interest of parents who were becoming more discriminating in the selection of a school for their children. The increased assurance of independent and non-government schools in actively seeking enrolments was a complementary factor resulting in increased enrolments.

The Opposition majority report has made much of the alleged impoverishment of public schools, and their lack of ability to be selective in their enrolment policies, as a cause of the drift of the middle class from public schools. These are arguable matters, but even if there is a modicum of truth in these assertions there is much that is missing from this argument. Government senators take the view that public schools have been burdened by a tradition of acceptance that 'the state will provide'. It is notable that a number of submissions and witnesses before the inquiry made the point that parents should feel an obligation to make some financial contribution to the education of their children. As the Director of the Catholic Education in Western Australia told the committee:

4 Submission No.43, Independent Schools Council of Australia, p.9

5 Submission No.15, The Association of Australian Christian Schools, p.7

My belief is that we do not want to be fully funded by the Government. We should have a contribution from parents. It makes a difference to their ownership of the school and their involvement in their child's education, all of which is positive.⁶

Other submissions, notably from the Australian Parents Council, have pointed to the fact that a closer participation and engagement of parents and families with their schools has shown to contribute to school effectiveness and improve learning outcome, with families able to do so making a contribution to schools fees.⁷ If the drift from public schools by the middle classes, and in many cases from families on low incomes, continues despite the obligation to pay fees (instead of the non-compulsory levies payable in public schools) it must indicate something about public perceptions of an under-performing public sector. Yet there does not appear to be a policy in action in any state to arrest this trend. It is likely that large bureaucratic systems are not ideally placed to deal with this phenomenon. Anecdotal evidence suggests that individual public schools under energetic and inspiring principals have resisted this trend and even reverse it, but such instances are exceptional.

Government senators point to the success of the Kennett government in Victoria in shaking up the public school system. Whatever the opinion may be on school closures (and criticism of this spread far beyond the ranks of Labor sympathisers), the decision of that government to introduce self management to schools was notably successful. The Government's proposal in the Schools Assistance Bill to require all states to give public school principals autonomy in the running of their schools has been criticised in the Opposition majority report. It is regarded as a step beyond the 'line in the sand' referred to earlier. It is inconceivable that there should be serious objection to this except within some sections of some state education departments. A high degree of centralised control has long been a tradition in New South Wales and Queensland. Senior departmental officials, whose own performance also requires evaluation, will need to encourage more trust and responsibility down the line. If principals are able to rely more on their communities, and become more accountable to them, rather than as acolytes from Bridge Street or Anne Street, as the case may be, then administration will be seen to support the learning and teaching focus of the school and school culture will more readily embrace locally initiated change.

Reporting requirements

The Schools Assistance Bill gives legislative force to agreements made by MCEETYA to improve the accountability and reporting responsibilities of all schools. For the first time this has a national focus as schools must report against the performance targets which relate to MCEETYA's National Goals for Schooling. There will be standardised tests and improved systems for transferring student records across state boundaries.

6 Mr Ron Dullard, *Hansard*, 12 July 2004, p.4

7 Submission No.26, Australian Parents Council p.3

Government senators also note that education authorities will be required to participate in preparation of a national report on the outcome of schooling, provide reports on student progress and ensure that school performance information is publicly available. There has been some comment that the Government is seeking to create a 'league table' of schools, as has been undertaken by the Labour Government in Britain. The Government has indicated that this is not its intention. There is good reason, however, for parents to be aware of the relative progress of their children and whether performance targets are being met across the country. This is one of the most important provisions of the bill, and a reform which is worthy of the name.

Finally, a concluding perception might be that those responsible for the higher governance of state schools, and the Australian Education Union, have shown little understanding of the need to win back popular support for the public schools through attractive innovation or support for reforms which would reinvigorate schools. Until recently, state education departments were exhausting themselves through years of debilitating 'restructuring' which left them little time to think creatively about the erosion of their middle class enrolment base. Nor has the instinctive conservatism of the teachers unions in regard to professional educational matters done much to improve the public image of teachers in the public schools.

Conclusion

Government senators note with approval that the Schools Assistance Bill builds on the success of the Government's school funding policy achieved so far and extends initiatives into new areas. As important as funding is, and as effective as its targeting is, it is likely that the long-term benefits of the legislation will be in encouraging all schools to be more resourceful, more innovative and more community based. Despite the criticisms from Opposition senators that this bill fails to meet the needs of public schools, it will have more long-term benefits to offer them through enforced autonomy than it will have on the non-government schools. This bill will give them something impressive to report on in the future.

Government senators commend the Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Bill 2004 to the Senate and urge that it be passed. Government senators believe that the provisions of the bill will meet the needs of all schools and that its passage is essential in allowing them to meet the national goals of schooling.

Senator John Tierney
Deputy Chair

Senator David Johnston

Australian Democrats' Report

The Democrats are in agreement with the majority of recommendations and observations of the Chair's report. Accordingly, our supplementary comments and recommendations will be confined to additional issues or areas where we have different views from those covered in the report.

The Democrats acknowledge the useful information produced during this brief inquiry and its relevance to the current debate on the issues surrounding future school funding.

Needs based funding for government schools

The Democrats consider that 'need' as a criteria for differential Commonwealth funding is too narrowly defined as the capacity of parents to pay fees and that educational need should be included in funding models for both government and non-government schools.

Non-government schools can determine how many and which under-achieving students they accept, as can selective-intake government schools. It is also the case that government schools in better-off metropolitan areas will have fewer students with educational disadvantage and who under-achieve at school. Evidence before the committee draws attention to the need to deal with the gap in achievement.

The NSW Public Education Council in their submission to the inquiry state:

'It is imperative that in conjunction with each other, Commonwealth, State and Territory funding models are configured not only to raise the bar of overall student achievement (which international studies indicate Australia does well) but to close the gap between high and low achievers (where the same studies suggest we do poorly).

To achieve this, funding models will need to take account of the fact that the workload of schools and teachers vary markedly among schools and between schooling sectors, reflecting the differences in needs of their student communities. For example, public schools enrol disproportionately high levels of educationally disadvantaged students, including students from low-SES backgrounds, Aboriginal students and students with disabilities'.¹

The Commonwealth Literacy, Numeracy and special Learning Needs program (replacing SAISO) provides \$338 million a year for early intervention programs, literacy and numeracy, student assessment and achievement reports, students with disabilities; teacher professional development and resource materials across both government and non-government sectors. Only 66 percent of this fund is for socio-economic disadvantage and students with language backgrounds other than English.

1 Submission No.52, NSW Public Education Council, p.9

This represents a fraction of what it costs schools to provide under-achieving students with the help they need to reach the National Goals of Schooling.

A 'needs' loading ought to deliver funds for early intervention, special needs assistance, teacher training in overcoming barriers to learning, more flexibility in class sizes, and implementation of what have been shown to be effective in pilot programs.

Recommendations

Recommendation 1

That, in the short term, the SES funding levels are adjusted such that where fees and charges are levied by non-government schools in excess of the AGSRC for the appropriate level of education, Commonwealth government funding is not provided to those schools.

Recommendation 2

That, the Federal government devise, in conjunction with state and territory governments, funding formulae that provide adequate resources for all schools to deliver the National Goals of Schooling, based on need that includes educational need.

Recommendation 3

That the stated objective of government policy be to at least maintain the current proportion of the student population attending government schools, so as to avoid marginalisation of the public education system.

Recommendation 4

That MCEETYA conduct a national audit of all school buildings and facilities by 31 December 2005 and report its findings to the Parliament as soon as practicable after that date.

Recommendation 5

That MCEETYA develop national standards for school facilities and a future plan to fund schools to meet those standards.

Senator Lyn Allison

Appendix 1

List of submissions

Sub No:	From:
1	Mr Stephen Brown, ACT
2	Mr David Dyer, Vic
3	Dr William Riedel, SA
4	NSW Teachers Federation
5	Cranbourne Christian College, Vic
6	The Association of Heads of Independent Schools, Vic
7	Mr Mark Drummond, ACT
7A	Mr Mark Drummond, ACT
7B	Mr Mark Drummond, ACT
7C	Mr Mark Drummond, ACT
8	Professor Richard Teese, Vic
9	Circular Head Christian School, Tas
10	Bethel Christian School Limited, NSW
11	The Geelong College
12	Ms Kieran Vaughn, ACT
13	Scotch Oakburn College, Tas
14	New Town Primary School, Tas
15	Australian Associations of Christian Schools, ACT
16	Ms Jo Coaldrake, ACT
17	The Hon Paula Wriedt, MHA – Tasmanian Government
18	Christian Schools Tasmania
19	Redfield College, NSW

- 20 Annesley College, SA
- 21 Queensland Teachers' Union
- 22 Gippsland Grammar School, Vic
- 23 NSW Secondary Principals' Council
- 24 Mr Simon and Mrs Cathy Marsh, ACT
- 25 Australian Council for the Defence of Government Schools, Vic
- 26 Australian Parents Council Inc, NSW
- 27 Progressive Labour Party, Vic
- 28 Lutheran Education Australia, SA
- 29 Mr Artur Zawadski & Ms Michelle Slezak, ACT
- 30 Blue Gum Community Group, ACT
- 31 Association of Independent Schools of South Australia
- 32 Dr Michael Furtado, Qld
- 33 Australian Education Union
- 34 Naracoorte Christian School, SA
- 35 Blue Gum Community School, ACT
- 36 Association of Independent Schools of the ACT
- 37 Association of Parents and Friends of ACT Schools Inc
- 38 Arden Anglican School, NSW
- 39 Association of Independent Schools of Tasmania
- 40 Victorian Parents' Council
- 41 Currumbena Primary School and Preschool, NSW
- 42 Association of Independent Schools of Victoria
- 43 Independent Schools Council of Australia
- 44 Ms Paulina Ollman, ACT

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- 45 ACT Council of Parents' and Citizens' Associations
- 45A ACT Council of Parents' and Citizens' Associations
- 46 Mr Alan Carpenter MLA, WA Department of Education Services
- 46A Ms Norma Jeffery, Department of Education Services
- 47 Association of Independent Schools of New South Wales
- 48 Department of Education, Science and Training
- 49 Independent Education Union of Australia, Vic
- 50 Queensland Government
- 51 Queensland Council of Parents and Citizens Associations Inc.
- 52 NSW Public Education Council
- 53 Association of Independent Schools of Western Australia
- 54 Australian Education Union of Western Australia
- 55 National Catholic Education Commission, ACT
- 56 Casuarina School for Rudolf Steiner Education, NSW
- 57 Catholic Education Office of WA
- 58 Bold Park Community School, WA
- 59 The Federation of Parents and Citizens' Associations, NSW
- 60 Queensland Parents and Friends
- 60A Queensland Parents and Friends
- 61 Mr Garry Everett, , Qld
- 62 Australian Council of State School Organisations
- 63 Queensland Catholic Education Commission
- 64 Australian Government Primary Principals' Association, NSW
- 65 Catholic Education Commission of Victoria
- 66 The Australia Institute, ACT

- 67 Tarremah Steiner School, Tas
- 68 The Launceston Preparatory School, Tas
- 69 Mr AT Kenos, Vic
- 70 The Association of Independent Schools of Queensland
- 71 Institute for Social Research; Swinburne University of Technology
- 72 Dr Louise Watson, ACT
- 73 Government of South Australia
- 74 Ms Barbara Preston, ACT
- 75 NSW Primary Principals' Association Inc
- 76 Victorian Government
- 77 Catholic Education Commission - Archdiocese of Canberra and Goulburn

Appendix 2

Hearings and Witnesses

Perth, Monday, 12 July 2004

Catholic Education Office of Western Australia

Mr Ronald Dullard, *Director*

Mr Tony Giglia, *Assistant Director*

Association of Independent Schools of Western Australia

Mrs Audrey Jackson, *Executive Director*

Bold Park Community School

Mrs Gillian McAuliffe, *Principal*

Australian Education Union of WA

Mr Mike Keely, *President*

Ms Anne Gisborne, *Deputy President*

Department of Education Services

Mrs Norma Jeffery, *Acting Chief Executive Officer*

Department of Education and Training

Mr Peter McCaffrey, *Chief Finance Officer*

Office of the Minister for Education and Training

Mr Ryan Batchelor, *Policy Adviser*

Brisbane, Wednesday, 21 July 2004

Queensland Council of Parents and Citizens Associations Inc.

Mr Garry Cislowski, *Treasurer, Metropolitan West Regional Council*

Federation of Parents and Friends Associations of Catholic Schools in Queensland

Mr Paul Dickie, *Executive Officer*

Mr Russ Nelson, *Member of State Committee*

Queensland Teachers Union

Mr Bruce Litte, *Research Officer*

Queensland Catholic Education Commission

Mr Victor Lorenz, *Assistant Director Finance and Resourcing*

Mr Joseph McCorley, *Executive Director*

Association of Independent Schools of Queensland

Mr David Robertson, *Assistant Director (Operations)*

Sydney, Monday, 26 July 2004

NSW Catholic Education Office

Brother Kelvin Canavan

Dr Brian Croke, *Executive Director*

Mr Bill Walsh, *Director, School Resources New South Wales*

New South Wales Teachers Federation

Ms Jennifer Leete, *Deputy President*

Ms Sally Edsall, *Research Officer*

New South Wales Public Education Council

Ms Lyndsay Connors, *Chair*

Australian Government Primary Principals Association

Mr John McMillan, *President*

New South Wales Primary Principals Association Inc.

Mr Geoff Scott, *President*

New South Wales Secondary Principals Council

Mr Chris Bonner, *President*

Ms Judy King, *Deputy President*

New South Wales Federation of Parents and Citizens Associations

Ms Deborah Lloyd Anne, *Life Member*

Canberra, Tuesday 27 July 2004

Australian Associations of Christian Schools

Mr Peter Crimmins, *Executive Officer*

Private capacity

Dr Louise Watson

Australian Capital Territory Council of Parents and Citizens Associations

Mr Trevor Cobbold, *Vice President*

Australian Council of State School Organisations

Mr Terrence Aulich, *Executive Officer*

Association of Independent Schools of New South Wales

Mr Terrence Chapman, *Executive Director*

Dr Geoffrey Newcombe, *Director of School Governance*

Department of Education, Science and Training

Ms Lisa Paul, *Deputy Secretary*

Mr Chris Evans, *Group Manager, Schools Group*

Dr Trish Mercer, *Branch Manager, Quality Schooling Branch*

Ms Catherine Wall, *Branch Manager, Funding and Coordination Branch, Schools Group*

Canberra, Wednesday, 28 July 2004

Independent Schools Council of Australia

Mr Bill Daniels, *Executive Director*

Association of Independent Schools of the Australian Capital Territory

Mr Allan Hird, *Executive Director*

Association of Independent Schools of South Australia

Mr Garry Le Duff, *Executive Director*

Australian Parents Council Inc.

Mr Leo Dunne, *President*

Mrs Josephine Lonergan, *Executive Director*

Lutheran Education Australia

Mr Adrienne Jericho, *Executive Director*

Australian Education Union

Mr Clive Haggard, *ACT Branch Secretary and Federal Executive Member*

Mr Roy Martin, *Federal Research Officer*

National Catholic Education Commission

Monsignor Tom Doyle, *Chair*

Mr Allan Dooley, *Deputy Chair*

Ms Joan Warhurst, *Chief Executive Officer*

Independent Education Union of Australia

Mr Patrick Lee, *Federal Policy Strategy Officer*

New South Wales/Australian Capital Territory Independent Education Union

Mr Christopher Watt, *Industrial Research Officer*

Appendix 3

Tabled documents and answers to questions on notice

Hearing: Perth, Monday, 12 July 2004

Australian Education Union of WA – The wrong recipe: critique of the Government's SES school funding model

Hearing: Sydney, Monday, 26 July 2004

NSW Catholic Education Commission – Statistics 2003 Extracts, NSW Catholic Schools

Australian Government Primary Principals Association – Our Future, Report of a survey of Australian Government Primary Schools Principals.

Answers to questions on notice

Sydney, Monday, 26 July 2004

New South Wales Teachers Federation
received: 5 August 2004

Answer to question from Senator Carr re: enrolment registers

Canberra, Tuesday, 27 July 2004

Department of Education, Science and Training
received: 9 August 2004

Answers to questions from Senators Tierney and Allison including additional information.

Appendix 4

Additional information

Additional information received from public hearings

Hearing: Perth, Monday, 12 July 2004

Department of Education Services – dollar values of state and Commonwealth per capita grants in 2002 and 2003

Australian Education Union of WA – Commonwealth subsidisation

Association of Independent Schools of Western Australia – Fee increases in schools

Department of Education and Training – revised per capita figures

Hearing: Brisbane, Wednesday, 21 July 2004

Queensland Catholic Education Commission – Report: Group Funding; Report of the review working party, dated April 2004

Queensland Catholic Education Commission Annual Report 2003

Hearing: Sydney, Monday, 26 July 2004

NSW Catholic Education Office – Annual report 2003

Schedule of Tuition Fees, building levies and other fees and charges

Resourcing Australian Primary Schools: A Historical Perspective

The Sufficiency of Resources for Australian Primary Schools dated 28 June 2004

Hearing: Canberra, Wednesday, 28 July 2004

Australian Education Union – ACT branch – Myths and Facts about Non-Government School Funding in the ACT

The facts on Non-Government School Funding in the ACT

An analysis of claims on school funding by APFACTS, dated October 2003