

# Submission

to

Senate Employment, Workplace Relations and Education  
References Committee

## **Inquiry into Commonwealth Funding for Schools**

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**The Secretary  
Senate Employment, Workplace Relations and  
Education References Committee  
Suite SG 52, Parliament House  
CANBERRA ACT 2600**

**Dear Secretary**

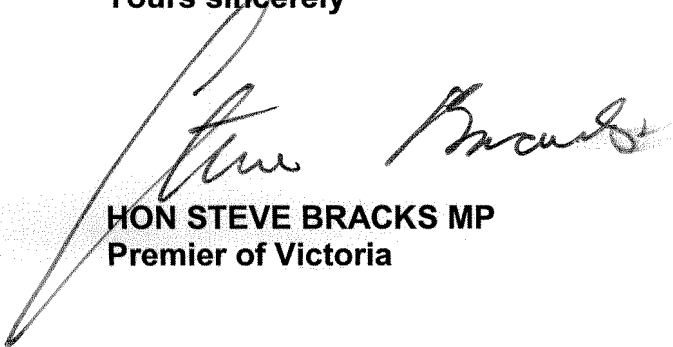
**VICTORIAN GOVERNMENT SUBMISSION**

Please find attached the Victorian Government Submission responding to the Senate Employment, Workplace Relations and Education References Committee Inquiry into Commonwealth funding for schools.

The Victorian Government welcomes the opportunity to provide input into the proposed Commonwealth Government's funding package for schools.

I look forward to hearing of the outcomes of the Senate Inquiry.

**Yours sincerely**



**HON STEVE BRACKS MP  
Premier of Victoria**



## Executive summary

The Victorian Government welcomes the opportunity to contribute to the Inquiry into Commonwealth funding for schools. A strong public commitment to schools underpinned by adequate funding is critical to the future economic, social, cultural and intellectual development of Australia and all of its citizens. The fundamental premise of this submission is that the Australian Government's proposed funding arrangements for 2005-2008 will not deliver quality, efficiency, effectiveness and equity in public funding for Australian schools. Moreover, it will not provide schools with the capacity to meet current and future needs or to achieve the National Goals for Schooling in the Twenty-First Century. In particular, many schools will be unable to achieve the fundamental objective of developing 'fully the talents and capacities of all students' (Goal No. 1)

Indeed, the Australian Government's funding package will have an adverse impact on student learning outcomes in many Australian schools. In government schools, where the diversity of learning needs is greater, the effects of the package will be particularly harmful. The Victorian Government believes that the assumptions on which the package are based are problematic and contestable. The assumptions include:

- that Australian Government funding to government schools in the form of general recurrent grant assistance is *supplementary* to funding by States and Territories
- that the Australian Government has a *greater responsibility* for non-government schools than government schools
- that the Australian Government's funding arrangements for schools *increase educational choices* for families

As a result of these flawed assumptions, the Australian Government's proposed funding arrangements for 2005-2008 fail the tests of quality, equity, efficiency and effectiveness. In contrast, the Victorian Government believes schools should be funded to meet the diverse learning needs of students rather than on the basis of sector, as is currently the case. There is considerable reason to substantially increase funding for schools, government and non-government, with a large proportion of 'high cost' students.

The Victorian Government also notes with disappointment the absence of a genuine consultation and negotiation process around the development of the funding package. In contrast, Victoria proposes that the Commonwealth and States and Territories develop a national agreement. This would require a commitment to identify responsibilities across all sectors of school education including funding and accountability requirements.

## The importance of public education

It is imperative that Australia establishes a strong public education system, one in which **all** students have the opportunity to attain high quality learning outcomes and reach their full potential. This is particularly important at a time when globalization and the diffusion of information and communications technology are changing the way Australia interacts with the international economy. In the global knowledge economy a nation's prosperity will depend largely on the educational achievement of its citizens, and the extent to which

nations equip workers with the ability to communicate effectively, solve problems, be creative, adaptable and flexible. A strong public education system is also a prerequisite for the promotion and maintenance of a robust democracy (ACDE 2001; Reid 2001).

Individuals will also reap the benefits afforded by the new knowledge economy and society. However, for nations and individuals with low levels of education the future indeed looks bleak. To achieve and maintain a competitive advantage in the global market-place, strengthen democracy and build a socially just and culturally cohesive society, an education system that delivers good outcomes for all should be a priority for all Australian governments.

Despite recognition of future educational requirements, there is substantial evidence that Australian school education systems are not working in the interests of all students. There is a significant minority of students who fail to reach even minimum benchmarks. Moreover, there are significant differences in achievement based on socio-economic status, Indigenous and non-Indigenous background and gender (OECD 2001; Caldwell and Roskam 2002). While these students are located in schools across all sectors (government and non-government), the vast majority are found in government schools – the government sector contains the highest proportion of under-performing students. While the causes of these outcomes are complex and varied, inequitable funding mechanisms and the lack of a genuine national collaborative approach to policy and planning are critical factors.

### **Schools funding is a shared responsibility**

To ensure that all students have an opportunity to achieve the highest possible learning outcomes, school education must be a shared responsibility between the Australian Government and the States and Territories. The assumptions underpinning the package do not recognize this shared responsibility.

The Australian Government shares responsibility to provide sufficient resources for schools to deliver quality education for all students. Although States and Territories acknowledge major financial responsibility for government school education, this does not diminish the Australian Government's responsibility to allocate its resources in an equitable and balanced manner.

The Australian Government's failure to provide adequate funding contradicts and undermines the rhetoric of numerous Australian Government policy statements that rate school education as a high policy priority and crucial to Australia's economic and social future.

### **Funding Australian schools**

The Victorian Government is implementing an ambitious agenda for school reform as outlined in its *Blueprint For Government Schools* (DE&T 2003; see Appendix 1). A central objective of this agenda is to recognize and respond to the diverse needs of students. A number of 'flagship strategies' targeting diverse needs are being implemented by the Victorian Department of Education and Training (DE&T). One of these aims to

significantly alter the means by which schools are funded. Under this strategy, Victorian Government schools will be funded according to the diverse needs of students rather than in terms of a standard, one size fits all approach. The Victorian Government believes that Commonwealth funding for government schools should be calculated and distributed according to a similar needs-based approach.

The Victorian Government is also intending to introduce a new funding model for the distribution of State grants to non-government schools, which will be underpinned by principles consistent with the proposed new government school model. In particular, non-government schools will also receive a proportion of their funding calculated on the basis of the diverse needs of students.

The Australian Government's proposed 2005-2008 funding package fails to reflect the unique characteristics of government schools outlined above, and short-changes the approximately 70 per cent of Australian students educated in government schools. Significantly, it also overlooks the fact that government schools are the only option available for families in some communities across Australia.

A major flaw in the funding package, and a primary reason why it fails in terms of equity, quality and effectiveness, is that it fails to account for differences between cohorts of students or the resources available in schools. In addition, the package is not based on a solid understanding of the relative learning needs among students in either government or non-government schools. 'High need' students require a higher level of resources to gain the same educational outcomes as 'low need' students. The majority of high need students are enrolled in government schools, are from low socioeconomic backgrounds and, as a result, are more likely to under-achieve. There is a great deal of evidence to support these claims.

An analysis of the composition of student cohorts across the school sectors shows that a high proportion of students from low SES backgrounds are enrolled in government schools. Indeed, in 2001, 40 per cent of students in government secondary schools in Victoria were from families with incomes less than \$800 per week, compared with 26 per cent of students in Catholic schools and 18 per cent of students in independent schools.

The PISA 2000 study conducted by the Organization for Economic Cooperation and Development (OECD) (OECD 2001) reinforces and augments these findings. The study shows that the most important school factor related to achievement in Australia, as in most other countries, was the overall socioeconomic background of the student body. It found that students from disadvantaged backgrounds were far more likely to under-achieve in literacy, numeracy and science. In addition, the research demonstrates that Australia fares considerably worse than many other countries in terms of the gap between high and low performing students.

Significantly, research published by the Australian Government itself confirms the findings above. The report titled *The Sufficiency of Resources for Australian Primary Schools* (DEST 2004) looks in detail at the adequacy of funding for primary schools to achieve the National Goals for Schooling. In particular, the report found that high need students come predominantly from low SES backgrounds. These comprise students who

lack the capacity to engage effectively in learning and who display disruptive and anti-social behaviour (DEST 2004, 43-59). To this list can be added Indigenous students and students who speak English as a second language.

The researchers concluded that:

Resource allocations should be better matched to student needs. This should be done by the application of funding formulae that are sensitive to the home backgrounds of students and variations in school intakes. More work should be undertaken to link recurrent funding to socioeconomic disadvantage and the results made publicly transparent. The outcome should lead to larger allocations of resources to schools with lower SES intakes (DEST 2004, vii)

The inadequacies of Commonwealth general recurrent funding for government schools are compounded by its differential per capita funding for some targeted programs. The Australian Government has not provided a clear rationale for paying a higher per capita amount to non-government students.

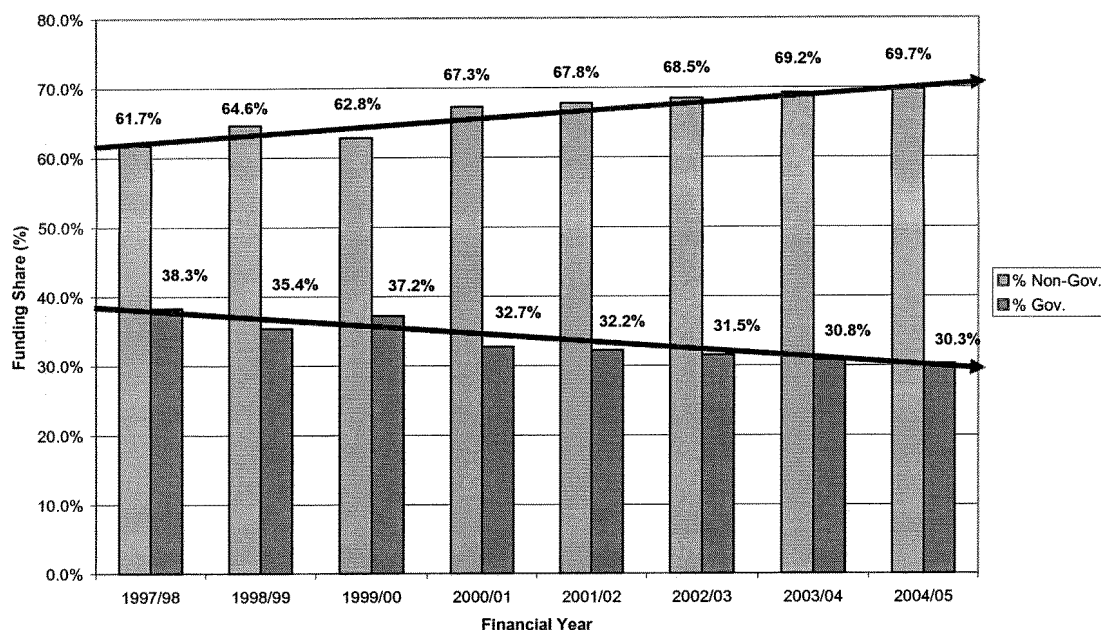
As the table below shows, high need students are disproportionately represented in the government sector.

	<b>Proportion of government school students</b>	<b>Proportion of non-government school students</b>
Students with a disability	4.2%	2.0%
Indigenous students	4.7%	1.5%
Attending remote schools	3.1%	1.2%

Despite this, Australian Government funding for government schools as a proportion of funding to non-government schools has been decreasing exponentially. If the proposed funding arrangements for the next quadrennium are implemented it will decline even further. There is no new funding in the package to arrest this decline, and help improve outcomes for government school students in Victoria, particularly high cost students. This is in contrast to the real funding increases provided to both Catholic and independent sectors, especially schools in the latter group which also have access to external revenue sources (this is discussed in more detail below). This threatens to entrench the resourcing gap between government and non-government schools, and jeopardize efforts to lift achievement and improve student learning outcomes across Australia generally, and Victoria in particular.

The chart below clearly demonstrates the reduction in the proportional share of Australian Government funding to government schools in Victoria.

Commonwealth Funding to Government vs Non-Government Schools in Victoria (General Recurrent, Targeted & Capital Funding)



While targeted funding addresses some of the issues associated with the high proportion of high cost students in government schools, the new funding package fails to consider the actual cost of educating different cohorts of students and makes no assessment of the relative needs of schools and students. As a result, the package threatens to broaden and further entrench the funding divide between government and non-government schools. Existing trends are illustrated below.

- Australian Government Budget Papers<sup>1</sup> show that funding for non-government schools in Victoria in 2003-04 will be 64.0% higher than in 1998-99 – an increase of \$449.0 million. Over the same period, Australian Government funding to government schools in Victoria has increased by only 33.4%, or \$128.2 million.
- In terms of the Australian Government funding share to Victorian schools, non-government schools received 69.2% in 2003-04 compared with 64.6% in 1998-99. Conversely, government schools received a 30.8% share in 2003-04, down from 35.4% in 1998-99. It is very important to note that *this 4.6% shift in distribution cannot be explained by changes in enrolment share* as the enrolment shift from government to non-government schools in Victoria is only 0.7% over that period. Non-government schools increased their enrolment share from 33.78% to 34.48% while the government school share decreased from 66.22% to 65.52%.

<sup>1</sup> It should be noted that cash accounting practices are used in Australian Government Budget Papers in 1998-99 whereas accrual accounting practices are used for 2003-04. It should also be noted that, since being introduced at the beginning of the 2000/01 financial year, the GST applies to non-government schools funding.

- Based on data collected for national reporting to MCEETYA using the conventions set down for the National Schools Statistical Collection, *total Victorian Government funding for government schools has increased by 37.8%, or \$1,108.7 million, from 1998/99 to 2003/04.*
- While the Victorian Government has met its primary funding commitment to government schools, it has also contributed generously to non-government schools. In the period 1998/99 to 2003/04, *Victorian Government grants to non-government schools increased by 27.1%, or \$62.8 million, from \$231.7 million to \$294.5 million.*

### **The SES funding model**

A key assumption of the funding package is parental choice in schooling. This is manifested most clearly in the Socio-Economic Status (SES) funding model. The policy intention of the SES is to increase parental choice in schooling by allowing more non-government schools to keep fees low and expand the socio-economic range of students able to access non-government schooling.

The Victorian Government is concerned about the absence of evidence demonstrating that the SES funding model is meeting its policy objectives. Moreover, the SES model does not ensure equity in the distribution of public funds and fails the tests of both effectiveness (it helps to deliver high level outcomes for some students but not others) and efficiency (some schools are over-resourced while others are under-resourced) in terms of producing the best possible educational outcomes for the highest number of students:

- While there are now a number of relatively low fee non-government schools, there is no evidence that the wealthiest non-government schools have kept fees low or have attempted to attract students from low SES backgrounds
- The SES model has resulted in large funding increases for some resource-rich schools. It provides funding increases to some schools on the basis of SES scores even when a school's total resources are well above the levels needed to achieve satisfactory learning outcomes. This is at the same time as other schools, government and non-government, need increased funds to achieve satisfactory learning outcomes.
- The weight of distribution of funding for each SES unit score is equal resulting in a linear relationship between funding and SES score. A more realistic model would give greater weighting to funding to support school communities with a higher level of need.
- The continuation of the no-losers policy and the inclusion of Catholic systemic schools into the SES model from 2005 means that approximately 52% (48% by 2008) of non-government schools nationally will be funded at a level in excess of that dictated by their SES score.

Australian Government funding currently takes inadequate, if any, account of a school's access to external funds such as fee income. As a result, the total resources available to schools varies enormously. Funding arrangements must ensure an equitable distribution



of public funds, taking into account a school's access to external income, with more going to those schools with little capacity to raise external funds.

### **Students with disabilities**

The development of the Disability Standards for Education 2004 extend the requirements of the Commonwealth *Disability Discrimination Act 1992* to provide education and training services to students with a disability. The Victorian Government welcomes the new Standards. They represent a significant step towards improving access to education and training for all Australian school students. However, education and training providers will incur increased costs as a consequence of implementing the new Standards including, curriculum development, accreditation and delivery, and student support services. Since the Standards are the direct result of a Commonwealth policy decision, it should provide funding to ensure effective implementation. Regrettably, the proposed Australian Government funding package for 2005-2008 makes no provision for these extra costs.

### **Indigenous education**

Under proposed amendments to the *Indigenous Education (Targeted Assistance) Act 2000* for the 2005-2008 period, the Australian Government will 'freeze' Supplementary Recurrent Assistance funding for Indigenous students and VET providers in metropolitan areas at 2004 levels. In essence this means an increase in funding for Indigenous students in remote areas and a decrease in funding for Indigenous students in metropolitan and regional locations. Services for students in remote areas will be enhanced.

The Victorian Government is concerned that the large numbers of Indigenous people living in metropolitan and regional centres under very challenging and low socio-economic conditions will be disadvantaged by the redirection of resources to remote populations. Furthermore, the redefinition of remote is based on census data. This is not a reliable data set in relation to Indigenous people. Rather than redistributing funding from one group of Indigenous people to another, both of whom are severely disadvantaged, funding for all Indigenous students should be increased.

### **The Commonwealth migration program**

A proportion of migrants to Australia require intensive English language assistance. Under current funding arrangements new arrivals enrolled in schools on permanent entry and humanitarian temporary visas are entitled to funding as part of the Australian Government's English as a Second Language – New Arrivals program.

Proposed changes to the Australian Government's migration program, whereby the intake of new arrivals on humanitarian grounds will increase, means that States and Territories will incur additional costs to enroll these students in government schools. While the Victorian Government supports the changes to the migration program, it is concerned that the extra costs will not be met by the Australian Government, despite them occurring as a consequence of decision-making at the federal level.

The need for additional ESL funding is particularly important since a high proportion of the new arrivals will be refugees from Africa. These migrants usually have high levels of poverty, present with complex health conditions, and experiences of trauma and torture. Refugee families from Africa are also often large, with a high proportion of single-parent families with low English language competency.

In Victoria in 2003, there were 968 new arrivals who required intensive English language support, but were ineligible for New Arrivals funding due to restrictive conditions on Australian Government funding of students on temporary visas. Victoria contributes approximately \$4.25 million annually to cover this funding shortfall.

### **Accountability and reporting requirements**

In 2002 the Victorian Minister for Education and Training announced new and improved reporting and accountability measures to ensure parents and students are better informed of learning progress and to provide the public with more information about school performance (Appendix 2, DE&T 2003). These new measures are being implemented as part of the *Blueprint for Government Schools*. The Victorian Government recognizes that incentives and accountability mechanisms can be used to drive system change and school level reform that contributes to improved learning outcomes. It believes that accountability requirements to drive school and outcome improvement should apply equally to both government and non-government schools.

However, 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 recognize 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.

### **A way forward**

The current arrangements for specific purpose funding, and the manner in which the two levels of government work together, is incoherent and fragmented – it is a far from ideal model of effective and efficient public administration. Indeed, it undermines efficiency and effectiveness, equity and the quality of educational outcomes. The Victorian Government would support a new national agreement to develop a consistent framework within which all schools could operate. The Victorian Minister for Education and Training has publicly stated that such an agreement would “enable all governments across Australia to focus on the needs of students, the improvements required by both sectors and the accountability frameworks, including identification of the level of government responsible for each part” (Kosky 2003).

A new agreement would address the deficiencies of the current funding arrangements and encourage all levels of government to work collaboratively on the key barriers to improving student outcomes.

The Victorian Government believes a collaborative national approach to schools funding should be based on the following understandings:

- shared responsibility for the effectiveness of national initiatives to achieve nationally agreed goals for all students.
- coordinated application of funding and resources by all levels of government.

Australian governments have little choice but to work cooperatively to ensure funding is distributed efficiently, effectively and equally. Australia cannot afford to fail in this endeavor.

A key aim of any national agreement would be to produce fair and equitable funding between government and non-government schools, and a framework for improving outcomes for all students. In the discussion paper *Learning Together: Achievement through Choice and Opportunity*, the Australian Government emphasizes the retention of the Average Government School Recurrent Cost (AGSRC) indexation of Australian Government funding to government schools. The Victorian Government agrees that the AGSRC approach continues to be an effective mechanism for ensuring that annual Australian Government funding for schooling is proportionately linked to the total State government expenditure for schools.

However, the Australian Government's funding arrangements for government school students are grossly inadequate compared to their counterparts in non-government schools. Currently, Victorian government primary school students receive 8.9% of primary AGSRC while secondary school students receive 10% of secondary AGSRC. In contrast, students in the wealthiest non-government schools in Victoria receive a minimum of 17.5% of AGSRC. The national minimum is 13.7%.

The table below illustrates the general recurrent per capita funding differentials between government and non-government schools.

**Australian Government Funding to Government and Non-Government Primary Schools in Victoria for 2004**

	AGSRC* Rate	Funding
<b>Primary Schools - Non-Government</b>		
Catholic Primary Schools	56.2%	\$3,403
Minimum for Independent Primary Schools	17.5%	\$1,060
Maximum for Independent Primary Schools	70.0%	\$4,239
Minimum for Non-government Primary schools (nationally)	13.7%	\$830
Mean for Non-Government Primary Schools	46.5%	\$2,816
<b>Primary Schools - Government</b>	8.9%	\$539
<b>Secondary Schools - Non-Government</b>		

Catholic Secondary Schools	56.2%	\$4,508
Minimum for Independent Secondary Schools	18.7%	\$1,500
Maximum for Independent Secondary Schools	70.0%	\$5,615
Minimum for Non-government Secondary Schools (nationally)	13.7%	\$1,099
Mean for Non-Government Secondary Schools	47.3%	\$3,794
<b>Secondary Schools - Government</b>	10.0%	\$802

\* The AGSRC is currently \$6,056 for primary schools and \$8,021 for secondary schools

In the context of a national agreement, a positive step to redress this funding imbalance would be to equalize and then increase the level of funding for primary and secondary government school students to the minimum level of funding provided under the SES model to non-government schools (13.7% of AGSRC).

### Summary

The Australian Government's proposed funding arrangements for 2005-2008 will not allocate public funding equitably, efficiently or effectively. Consequently, it will not serve to maximize educational outcomes for students in many Australian schools. Some schools are over-resourced (mainly elite non-government schools) to the detriment of others (government and non-government) that are clearly more needy. Moreover, as a result of the principles on which it is based, the Commonwealth funding package 2005-2008 will fail to achieve the National Goals for Schooling in the Twenty-First Century and does not recognize that the resourcing of government schools is a shared responsibility between the Australian Government and the States and Territories.

The central argument of this submission is that the allocation of public funds for schooling should be based on the learning needs of students (regardless of sector) rather than a set of *perceived* roles, responsibilities and obligations assigned to the Australian Government under the Constitution. In the interests of the nation's economic prosperity and social justice for all Australians, the two levels of government must work collaboratively to ensure equity and equality of opportunity and to deliver high quality educational services. To this end, the Victorian Government would value a *genuine negotiation* of a national agreement which identifies the respective responsibilities, resourcing and accountability of each level of government to both government and non-government schools. Such an agreement would demonstrate an unprecedented level of maturity in the way that the Australian Government and states and territories work together to achieve mutually agreed outcomes.

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