



Submission to the Senate Select Committee on School Funding 21st March, 2014

INTRODUCING AACS

The Australian Association of Christian Schools (AACS) represents over 130 schools/ 50,000 students across Australia. Our schools are located in every state and territory and range from very small to large; from urban to regional, rural and remote. They also include several indigenous schools in remote Australia. Our schools are almost all low-fee or no-fee (indigenous) schools, with our highest fee schools (very few) only in the mid-range of independent non-government schools. Our lowest SES = 72; highest = 118; average = 97.40 and median and most common figure = 98.

SUMMARY POINTS

- School funding for AACS Schools - predominantly low fee and low SES (96% of AACS schools are BELOW SRS) - comes from both parents and the public purse, with an average ratio of 40% parents: 60% governments. In this light, public funding is of critical importance to AACS member schools. Significant change to funding models, major adjustments in government policy and the general transitional environment obviously create a measure of anxiety because school stability and financial survival are dependent on an efficient and effective workable funding model.
- AACS has previously expressed significant support for the Gonski model. However, what has emerged after political tweaking, negotiations with the States and the *Transitional Path* is not the Gonski model. A complex, confusing and therefore less credible model is being rolled out.
- AACS is still hoping that a fair and consistent national model will come to fruition out of the current discussion and that the divisiveness and inequities across jurisdictions and sectors will be a thing of the past. AACS has made a number of suggestions for consideration.
- AACS strongly encourages the government to embrace the vision and structure of the Gonski model and then to find a workable pathway forward with the States/ Territories within the realities of affordability. AACS is hopeful that this will lead to the full realisation of a national funding model over the longer term. The frame and theory of the Gonski model are sound. The subsequent implementation process has caused distortion and confusion and has led to significant concern about its viability.
- **In a nutshell, do not disregard Gonski just because it all appears too hard. The vision and framework are sound even if they have been distorted by poor implementation. If there is a need to reduce the financial provision or if it takes 10 years, so be it. Just don't throw out this 'baby'. The principles are too worthy.**

IMPLEMENTATION OF A NEW SCHOOL FUNDING MODEL

The Vision that was Gonski

AACS has been supportive of the Gonski model because it was a vast improvement on the inconsistencies and inequities of the SES model it replaced. The government of the day was well justified to review that model and seek advice for a fair and transparent long term model. The Gonski model largely addressed most of the past problems, established a framework built on fair and transparent guidelines and forthrightly addressed disadvantage and need. The goal of providing clear nationally consistent formulas (applicable across all sectors) for assessing and addressing need and inequity was an outstanding feature.

What has emerged is struggling to meet the big goals

Regretfully, the implemented outcome is no longer the fair and transparent model that was hoped for and promised. Whatever model is to emerge in the longer term, AACS will continue to advocate for a funding system that is transparent and fair and inclusive of the characteristics listed below. Any system based on these characteristics would assist all Australian students to gain fairer access to the same educational opportunities. The desired characteristics are:

- (for the independent sector) Shared Responsibility between private and public purse. Choice will result in significant parental contributions. The determination of the public contribution should be shaped by a reasonable and fair test. The Gonski model achieved this to a significant degree
- Fair and Consistent – an equitable and common formula application across sectors and systems
- Needs based – clear means to address disadvantage and need
- Transparent – so that the determination information and funding formulas are available and workable for school leadership
- Simple – manageable and understandable complexity
- Flexible – maximises local autonomy and allows for exceptional circumstances
- Dependable – providing for long term funding planning
- Sustainable – governments committed for the longer term; parents certainly are
- Robust – based on reliable hard data

Reactions

Many within the Independent School movement had high hopes about the original Gonski model. Reactions to the significant variations from that model that have emerged, however, are mixed. In AACS we are still hopeful that the new arrangements will be a significant improvement on the old system. Because of the complexity that has emerged in the political arena surrounding Gonski, some now claim that Gonski is ‘a commendable but unachievable vision’ and want the status quo to remain indefinitely. AACS acknowledges that complexity and confusion have caused significant angst amongst our members, but we do not conclude, as a consequence that Gonski is ‘unworkable’. There is too much of value in Gonski and too much at stake for schooling in Australia for such a defeatist and, to some extent, partisan position to prevail.

Recommendations

1. Stay the Course

AACS is hopeful that administrative difficulties can be worked through; that greater transparency can emerge; that negotiations with non-signatory States can be concluded in a manner that is in keeping with a nationally consistent system; and that the government will commit to the model for the longer term. **Should both tiers of government find a full roll out of Gonski to be too expensive, then we would encourage governments to retain the essential structure and format of the model but reduce the measure of full entitlement and extend the time period for roll out.**

Please do not throw out this good policy 'baby'! The loss of baby and bathwater would take us back to the turmoil and acrimonious public verses private debate of the last three decades. Like many others, we are tired of the way this issue has been a political football and of the self-centred nature of the debate. Whilst most have a query here or there about particulars within the Gonski model, in the main, it has set out a fair, reasonable and consistent model for Australian education funding.

AACS would urge the Minister to reconsider the Gonski model before it was completely emasculated and find ways to establish its long term implementation. To quote from the Minister, "*and of course we are improving the model too, because it's now a national model*" (Prime Minister and Minister for Education Press Conference - 2 December 2013).

2. Consider adjusting the Model

It would appear that what has happened to Gonski is a 'death by 1000 cuts' – which is what occurs when every self-interested entity has to be satisfied. AACS recommends that decision makers consider ways in which the fundamental Gonski goals can be realised, whilst still understanding the hard reality of the Constitutional framework for multiple tiers of decision making, as well as the important questions of affordability and sustainability.

The following two suggestions are offered for your consideration:

1. Adjusted Model:

State agreement and a consistent set of arrangements from transition to full realisation

Retain SRS (adjusted by Capacity to Contribute - CTC) plus loadings:

- i. Quickly complete the definition and formula work for a nationally consistent formula for all loadings
- ii. Maximise transparency and allocate resources for educating school leaders. Get them 'on side'.
- iii. Iron out the 'bugs' within the initial quadrennium (2014-17) and adjust accordingly. Seek the best consistent approach possible within current circumstances for the current quadrennium, i.e. work with States/ Territories to deliver on the model's intentions.
- iv. Plan for full realisation of SRS within, or by the end of, the next quadrennium (2018-21)

Commit to the model for the longer term, by:

- i. Doing away with much of the cumbersome *Transitional Path* formula negotiated with jurisdictions by bringing them together and outlining a better way (i.e. Gonski got mangled by every jurisdiction/ interest group arguing self-interest ...).
- ii. Drawing a Commonwealth/ State ratio line in the sand (e.g. 65:35). Choose the best and most realistic affordable financial target and commit to funding that target on a steady/ consistent growth path until the SRS is reached **even if that takes more than 6 years**. Do away with the unrealistic 5th and 6th year 'pots of gold' and reset the percentage measure of total funding that can be responsibly found. If this needs to come down from 95%, so be it – it is worth the short term pain if we can establish an agreed [possibly even bi-partisan], fair and consistent system.
- iii. Apply this one consistent national ratio formula. i.e. no individual State formulas that create havoc to the funding system. If States/ Territories choose to fund above that, that is a matter for their own budgets.
- iv. Compensate States for any (implementation years) lost income through other Federal – State financial negotiations so as to gain full cooperation and establish a workable and consistent national system.

- v. Review and shorten the timeline for bringing in ABOVE schools back to the SRS funded line. Do not provide long term reassurances of 'funding maintenance' to States, Sectors or schools. The distortion of 'funding maintenance' made the old SES model inconsistent and unfair. Reassure those who would experience an unfair adverse consequence during the transition that exceptional circumstances and unfair adjustment (would need definition) would be addressed through a workable appeals process. This would require political backbone.

2. Revisit Gonski's establishment of, and role for, the National Schools Resourcing Body

Gonski recommended, "... the establishment of an independent National Schools Resourcing Body that will form the core of the governance necessary to ensure that funding for schooling is provided in a way that maximises its educational impact. The National Schools Resourcing Body will be responsible for the ongoing development and maintenance of the schooling resource standard and loadings ..." (Gonski Report, p. xviii)

In the light of the fact that the funding of individual Independent schools, groups and systems continues to be a political 'hot potato', the Federal Government might consider taking an 'arms-length' approach and hand the responsibility for funding of the Independent Sector to an 'independent NSRB'.

MORE SPECIFICALLY ADDRESSING THE COMMITTEE'S TERMS OF REFERENCE

(a) Needs-based funding and (b) How funding arrangements will meet the needs of all schools and all individual students

- Loadings Address Disadvantage: The six loading areas target the main areas of disadvantage. The formulas applied to each and the measures of funding are always contentious. The designers of Gonski have sought to find fair and affordable ways forward. Over time, the inequities and inconsistencies that are found can be addressed by government policy.
- Disappointment about Information, Transparency and Understanding: The level of detail/information provided to schools regarding loadings was disappointingly inadequate despite commitments in late 2013 that it would be forthcoming. AACS understands how difficult it is to bring about common national definitions in categories like SWD and ELP or even low SES. However, the issue here is the wisdom of implementing such significant change without adequate transparency and explanation. AACS has communicated its disappointment to the Department stating that promises should not be made unless they can be fulfilled.
- Students with Disabilities: It is a pity that the definitional and formula work on SWD and ELP has not been completed. The interim measure for SWD is likely to present the Department and Minister with a considerable headache later in 2014. Expressed need and funding for this area can be a 'bottomless bucket' and AACS commends a nationally consistent data collection system for SWDs and a generous and compassionate provision from government. It is at the 'low need end' that definitional work will be tricky. Guidelines need to be carefully constructed because any perceived connection between SWD need and funding is fraught with difficulty and motivational ambiguity, even when clear definitions and strong quality assurance processes are in place. The team developing the parameters will need great wisdom. We appreciate the challenge they have.
- Correlation between Low SES and Disadvantage: It is a general observation that says disadvantage relates directly to low SES. Whilst there might be a very broad correlation, numerous other counter examples of low SES schools/ students achieving high results exist. The causal factors are more complex than the measure of a low SES. Inclusion of the lowest two quartiles was possibly more generous than

what was necessary, subsequently contributing to the affordability dilemma. Gonski's recommendation was for only the lowest quartile.

- The Expense of VET: One area that is not addressed in the model is that of Vocational Education and Training. Member schools running Trade Training Centres (and specialist VET programs) are finding that the per capita recurrent annual cost is around 30-50% higher than that of equivalent secondary students. Establishing hard cost data and developing appropriate loading formulas could readily be adopted within the framework of the model. AACS requests that government considers options for fairer and more adequate support of high cost secondary vocational education. State governments would readily seek assistance here and the Commonwealth could use this as one of its negotiating terms.

(i) Commonwealth Funding - methods of funds distribution; funding arrangement with states; accountability and transparency

- 'Well Done'! to the Funding Team: AACS commends the Department for meeting January payment deadlines during a time of huge system change. Getting the basic data on school entitlement and loadings out to Approved Authorities was no doubt a considerable challenge.
- A Good Tool: The SRS measure appears to be a fair and reasonable measurement tool. The amounts determined for 2014 appear to be a realistic and fair calculation of the actual cost of educating Australian Primary and Secondary students. The three year establishment phase and SRS review mechanisms are fair and reasonable. It will take a few years of the model working to see if these early viewpoints are justified.
- 'Sweetheart' and Backrooms Agreements: Individual arrangements between the Commonwealth and States/ Territories have led to distrust and possible inequity. We would suggest that this form of uncooperative, 'arm twisting', 'deal-cutting' divisive federalism does not work. The more that an 'even' playing field is achieved, the better. Specific cost idiosyncrasies and differences between States should not 'muddy' the system. Other compensation means should be found to address these matters.
- Tampered: The result of State/Territory and federal tinkering has left the model far from one that is transparent and nationally consistent. It does not look like Gonski anymore.
- Soft and unreliable data: Federal funding has been somewhat determined on the basis of assumptions about state/territory funding and each jurisdiction has its own calculation system which frequently gets adjusted. Many schools are unsure of what their State contribution will be. Within signatory States, the AACS expectation is that the State government will provide their *Share* plus the intended State 3% indexation, but details and guarantees are scarce. This fosters uncertainty and a lack of confidence in the model.

- Accountability and Transparency: There have been many promises of accountability and transparency regarding the determination of funding. Funding data covering SRS (adjusted by CTC) plus loadings for 2014 was received in January by all AACS schools/ Approved Authorities with no explanation or guide as to how this was determined. It has been a case of 'accept this'. Some information could be distilled from the Australian Education Act 2013. More recently a *Guide to the Act* and an explanatory paper titled '*Transition arrangements in 2014 under the Australian Education Act 2013 to calculate schools' 2014 Commonwealth funding entitlement*' have been released. Even with this, the model is so complex, opaque and disjointed that it cannot be understood by those who need to understand - School Business Managers and Administrators - in order for them to be the prudent financial managers we expect them to be.
- Accountability Measures for Principals: The greater local level decision-making autonomy provisions for Principals are a welcome change. Principals will need to carefully weigh up how to fairly distribute funding after receiving it in a lump sum. Suggestions that Principals should seek to broadly disburse funds in a manner that is consistent with the needs-based model that addresses disadvantage, are reasonable expectations.

(ii) Funding arrangement for Individual schools

- An Astute Guarantee: The 2013 funding + 3% guarantee was a smart move to reassure pundits and provide budget planning certainty. AACS recommends that such mechanisms are only used for short term transitional periods so as not to be confused with the policy weakness of 'funding maintained'.
- Built-in Reconciliation: The collection of hard data via the 2014 Financial Questionnaire with balance adjustments being made in the October payment is fair and reasonable. Schools with exceptional circumstances can approach the Department.
- So Far, So Good: Reports from AACS Business Managers have expressed general satisfaction with the January amounts received and no school has reported any disadvantage to our knowledge. There remains a key issue in relation to how numbers of SWDs will be assessed and whether some arbitrary limitation will be applied to schools that experience a significant increase in SWD numbers in 2014 compared to 2013.
- Keeping up: Significant concern exists that 3.6% indexation rates for 2015 and 2016 might be inadequate.
- A Most Insecure View of the Future: The short term (2014) feedback is satisfactory, if tentative, although there is limited understanding of how the funding model works and a lack of confidence regarding its future.

(iii) Extent to which schools can anticipate their total future funding and links to educational programs

- Longer Term Instability: Significant anxiety exists about the longer term model because of (1) a lack of transparency and information explaining the determination process; (2) the view that such a complex and inconsistent model might be unsustainable; (3) the lack of a longer term government commitment to the model.

- What's 'Good for the Goose': Governments and the general community have high expectations of stable governance and the fiduciary responsibility of school leaders. How can schools adequately carry out those responsibilities when the very data they depend upon for long term stable planning is not predictable, dependable or understandable? Funding needs to be stable and reliable so that schools can anticipate their total future funding.
- Concern about Indigenous Attendance: Links to the delivery of educational programs is a completely different issue in terms of accountability. In this space, however, AACS would simply express its concern about the possible link between the data being collected on indigenous attendance and funding. AACS has a number of indigenous member schools in the NT. Whilst agreeing that every day missed is a lost educational opportunity, there are many complex issues at stake with indigenous student attendance. AACS would advise against any simplistic moves that seek to directly tie together student attendance and funding.

(iv) Consequential equity of educational opportunity between states, schools and students

- Fairness: AACS applauds the funding model's approach that is sector blind in terms of loadings' calculations. Every disadvantaged student should receive support no matter which school they attend.
- Finding the right means testing (SRS and CTC) measures: Viewpoints about the measure for means-testing base funding (SRS adjusted by CTC) are mixed within the Independent Sector. Where the appropriate percentage measure is best established (the CTC percentages) is a very difficult determination.

AACS members are predominately low cost and low fee schools (Average AACS SES of 97.40). AACS would simply point out that many member schools have significant numbers of parents who struggle to pay even the low fees that are set. Considering the cost saving to government that these parents provide, it is advantageous to government that these parents continue contributing these fees that accompany educational choice. The higher schools have to set their fees to remain economically viable, the greater the number of parents who will either move back to State schools or not enrol in a low fee independent school in the first place. It is a peculiar inverse relationship for government to ponder: the greater the public contribution to low fee schools (and the more attractive they are, the less funding goes to the public system) the greater the public purse saving.

AACS has appreciated the greater maturity in the debate that has been a part of developing the Gonski model. Shallow, simplistic and unfair arguments that public funds are propping up wealthy families, who can afford an independent education, are simply divisive and unhelpful. AACS would continue to encourage all commentators and administrators to see that every Australian tax paying family is entitled to some measure of government support and that the present model has made a reasonable (CTC) determination.

(v) Progress towards the SRS

- The premise needs to be fulfilled or it falls over: The success of the whole funding model is built around the premise that the model would be fully rolled out. Until a plan for the full realisation of the model is set in train, the model is flawed and consequently insecurity abounds.
- Keep the goal; adjust the way to get there: In the earlier section on possible adjustments to the model, suggestions were made of how to remain committed to the goal of full realisation even if adjustments have to be made in terms of implementation and timeline.

(vi) Implementation of School Reforms

- Finding the balance of reasonable accountability: Even though AACS would fully support a general reduction in 'heavy-handed' legislative and bureaucratic compliance mechanisms, we are of the view that the decision not to require schools to implement the *School Improvement Plan* (SIP) is a retrograde step. The required SIP was a reasonable and qualitative measure. Serious engagement with the exercise would not be just another compliance inconvenience. Whilst duplication of reporting, unnecessary compliance and burdensome red tape are costly and frustrating, AACS does not object to reasonable accountability and the setting of strong national educational goals. Because schools would benefit from the process, AACS would recommend that a School Improvement Plan requirement be retained providing the style of the SIP is not prescribed by a narrow or 'agenda driven' template but, shaped by guidelines designed to improve quality education.

(c) Government's proposed changes to the Australian Education Act

- Helpful De-regulation: The Government has released very little regarding foreshadowed amendments to the *Australian Education Act 2013*. If the messages coming out of the Press Conference with the Prime Minister and the Minister for Education held on 2 December 2013 stating, *"We also said that we would dismantle the regulations and red tape that made the model virtually incapable of being implemented and next year we will amend the Australian Education Act to do just that"*, address the previously expressed concerns around the complexity and confusion of the model, then AACS would agree.
- Commitment to the National Model: We are pleased to hear of the Minister's commitment to the model when he states, *"... but there is no plan to alter the way that the model will be delivered in the signatory states into the future" ... "...we're improving the model in exactly the way that we promised we would before the election... and we'll do all of those things and of course we are improving the model too, because it's now a national model."* (Prime Minister and Minister for Education Press Conference - 2 December 2013)
- Embrace the Model: AACS would strongly encourage the Government to embrace the full realisation of the model and establish the longer term mechanisms needed to firmly embed such a quality national school funding plan.
- Affordability Adjustment not Model Adjustment: AACS also understands that governments cannot provide an endless supply of income for those wanting more. As previously outlined, AACS recommends that government finds consistent model agreement across all jurisdictions and then adjusts the final amount (like the 95% mechanism that previously emerged) to satisfy budget affordability parameters. At the same time, governments should not tinker with the basic structure of the model. As it was originally envisaged, the basic model is workable and understandable. It is the emasculation of the model and the inequities that have come out of political deals that have placed the model under a cloud. We would warmly urge the Federal government to implement the model, albeit with some of the types of variations mentioned above. It is a model worth saving.

IN CONCLUSION

Thank you for the opportunity to respond to the Select Committee's review process.

AACS encourages the Senate Select Committee to avoid the partisan divisions of the past that have marred this debate and to provide advice that will lead to the further development of a quality national school funding plan.

AACS is available for further consultation and willing to respond in more detail to the comments made in this submission.

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