

# Senate Select Committee on School Funding

**Submission from the Department of Education**

**March 2014**

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## List of Acronyms

ELP	English Language Proficiency
OECD	Organisation for Economic Cooperation and Development
SES	Socio economic status
SRS	Schooling Resource Standard
TEMAG	Teacher Education Ministerial Advisory Group

## Executive Summary

Following the commitment of four-year funding certainty for all jurisdictions, the Australian Government is taking a strategic role in education policy and reform to build an education system in Australia based on four key areas: teacher quality, principal autonomy, engaging parents in education, and strengthening the curriculum. Underpinning these key reform areas is a needs-based funding model which will apply to all schools and systems across Australia. From 1 January 2014, Commonwealth funding is determined by the provisions of the *Australian Education Act 2013* which reflects a Schooling Resource Standard that combines a per student price of educating a student coupled with six loadings to target disadvantage for:

- students from low socio economic status backgrounds
- Aboriginal and Torres Strait Islander students
- students with a disability
- students with limited English language proficiency
- students in small schools
- students in regional and remote schools.

State and territory governments, and the national non-government school peak bodies, have been advised of these funding arrangements which cover the period of the current budget and forward estimates. This includes the provision of \$1.2 billion at the Mid-Year Economic and Fiscal Outlook which allowed for payment for the six loadings and base funding for government schools in Queensland, the Northern Territory and Western Australia for the next four years.

Commonwealth recurrent funding has been assured for four years. For arrangements beyond 2017, the Government will work with states and territories and the non-government sector to deliver sensible and stable funding and will draw on the planned review processes for the loadings and indexation, scheduled to start during 2014.

While funding is important, national and international research indicates that, by itself, it isn't a sufficiently effective driver of improved outcomes and that countries that spend a high proportion of Gross Domestic Product on education do not automatically produce high performing education systems. As such, the Government is focusing its reform efforts on:

- teacher quality: the first step to achieving a quality education is to lift the quality, professionalism and status of the teaching profession
- principal autonomy: both internationally and in Australia, evidence emphasises the advantages of school autonomy as part of a comprehensive strategy for school improvement. Great schools have leaders and teachers who have the independence to make the decisions and develop the courses that best meets the needs of their students
- engaging parents in education: parents are one of the most important influences on a child's education. When parents are engaged in their children's education, they are more likely to attend school and to achieve better outcomes
- strengthening the curriculum: a robust, relevant and up-to-date Australian Curriculum is essential to improve the quality of education for all school students. In particular, high quality school science and mathematics education is critically important for Australia's current and future productivity.

In each of the four areas outlined above, policy solutions will be pursued by consulting with state and territory education departments and the non-government schooling sector. Consultation will be held with states, territories and the non-government schooling sector to enable them to have greater capacity to determine how national policy reforms are translated into action at the local level. These amendments will reflect that, in Australia, constitutional responsibility for schooling remains with the states and territories.

These four pillars of reform will be supported by a strengthened national evidence base to help governments, policy makers and the community to monitor and evaluate outcomes in schools across Australia. International evidence shows that clear accountability for school results helps create a learning environment that encourages innovation and excellence from school leaders, teachers and students. Greater access to information has been shown to inform better decision making at both the policy making and school levels, enabling teachers, parents and students to make better informed choices for their child and within their schools.

## Introduction

The Department of Education (the Department) welcomes the inquiry into school funding. This submission provides an overview of the legislative and administrative mechanisms by which Commonwealth schools recurrent funding is determined and provided to schools and systems in Australia. The submission also outlines elements of the Australian Government's reform agenda for school funding and education in the context of the inquiry's Terms of Reference, specifically (a) to (c):

(a) the implementation of needs-based funding arrangements, from 1 January 2014, for all schools and school systems, including:

- (i) Commonwealth funding, methods for the distribution of funds, funding arrangements and agreements with states and territories, as well as related accountability and transparency measures
- (ii) funding arrangements for individual schools
- (iii) the extent to which schools can anticipate their total future funding and links to educational programs in future years
- (iv) the consequential equity of educational opportunity between states and territories, schools and students
- (v) progress towards the Schooling Resource Standard
- (vi) the implementation of schools reforms

(b) how funding arrangements will meet the needs of all schools and individual students, including Indigenous students, students with disability, small schools, remote schools, students with limited English, and students from socially and economically disadvantaged backgrounds

(c) the Government's proposed changes to the *Australian Education Act 2013*, related legislative instruments and their consequences.

A stable and sustainable needs-based funding model for school education is important, however, as McKinsey observed in its 2007 report 'How the world's best-performing school systems come out on top', between 1985 and 2000: "almost every country in the OECD substantially increased its spending on education. Yet very few of the school systems in the OECD achieved significant improvements in performance."<sup>1</sup> Similarly, the Grattan Institute has noted that many countries (including Australia) have increased expenditure on education with little impact on outcomes.<sup>2</sup> As a result, the Government is focused not just on issues of funding, but also on playing a leadership role in driving reforms in the four pillars of:

- supporting the improved quality, professionalism and status of the teaching profession
- helping principals and schools operate more autonomously
- engaging parents in education
- strengthening the curriculum, with a particular focus on science, mathematics and languages.

In providing this leadership, it is recognised that school education in Australia is principally the constitutional responsibility of the states and territories. States and territories develop policy and provide a regulatory framework for the operation of all schools, and are directly responsible for the administration of government schools. States and territories are also the majority funder of government schools, and a significant part funder of non-government schools.

<sup>1</sup> McKinsey and Co, How the world's best-performing school systems come out on top (2007), <http://mckinseysociety.com/how-the-worlds-best-performing-schools-come-out-on-top/>

<sup>2</sup> Grattan Institute, Catching Up: learning from the best school systems in East Asia (2012), [http://grattan.edu.au/static/files/assets/eeb4c8d0/130\\_report\\_learning\\_from\\_the\\_best\\_detail.pdf](http://grattan.edu.au/static/files/assets/eeb4c8d0/130_report_learning_from_the_best_detail.pdf)

## Implementation of needs-based funding arrangements including funding arrangements for individual schools

From 1 January 2014, Commonwealth recurrent funding to all schools and systems in Australia is based on needs based funding arrangements contained within the *Australian Education Act 2013* (the Act).

Major stakeholders have been provided with detailed information about expected funding entitlements for 2014 and beyond.

Under the Act, Commonwealth recurrent funding for all schools and systems reflects a Schooling Resource Standard (SRS) that combines a per student price of educating a student coupled with six loadings to target disadvantage for:

- students from low socio economic status (SES) backgrounds
- Aboriginal and Torres Strait Islander students
- students with a disability
- students with limited English language proficiency (ELP)
- students in small schools
- students in regional and remote schools.

The SRS is based on a per student price of \$9,271 per primary school student and \$12,193 per secondary student in 2014.

The model uses a range of student characteristic and school data to calculate a school's funding entitlement. This data includes enrolment numbers, school location, the number of students from low SES backgrounds, the number of Aboriginal and Torres Strait Islander students, the number of students who have limited ELP and the number of students with disability. It also involves consideration of each school's capacity to contribute. The capacity to contribute percentage for government, special, special assistance, majority Aboriginal and Torres Strait Islander and sole provider schools is set at zero, which means that those schools are fully funded by government. Non-government schools attract a capacity to contribute percentage reflecting their school community's capacity to support the operation of their school measured by SES score, which determines the ratio of public to private funding.

Further detail on the calculations for disadvantage is set out in sections 36 to 51 of the Act.

The 2013 assumed financial position of a school is the reference point used to ensure that no school or system would be worse off per student in 2014. In general, that financial position was determined from 2011 data to which an indexation was applied.

The development of the model parameters are subject to a number of agreed reviews to begin in May 2014.

## Funding status for 2014

State and territory governments, and the national non-government school peak bodies, have been advised of funding arrangements which cover the period of the current Budget and forward estimates. This includes the provision of \$1.2 billion at the Mid-Year Economic and Fiscal Outlook which allowed for payment of Commonwealth recurrent funding for the six loadings and base funding for government schools in Queensland, the Northern Territory and Western Australia.

Commonwealth funding is provided directly to states and territories for government schools. Each jurisdiction has budget flexibility to allocate funds within their schooling sector. This is consistent with arrangements of previous governments. Commonwealth funding for schools within Approved System Authorities (independent systems and state Catholic systems), is paid through the states with the

Approved System Authority having the flexibility to allocate funds within their system according to their own needs-based model.

For non-systemic independent and Catholic schools, Commonwealth funding also flows through the state or territory but is directly attributed to the individual school according to the Commonwealth's needs-based funding model.

Under the Act, the first payment to states and territories for all schools in their jurisdictions was made on 7 January 2014 representing approximately \$4.7 billion to 837 approved authorities representing 9,435 schools:

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

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

Prior to the first payment in January, approved authorities received a provisional advice notification in November 2013 that provided details of the annual entitlement for Commonwealth funding under the Act for each school they operate. This advice allowed schools and systems to have sufficient certainty of their funding to plan for the 2014 school year.

The January 2014 payment was accompanied by a payment advice, available to the school on the Schools Entry Point website, which detailed specifically the various components of each school or system's payment and the data that made up that calculation.

The Department consulted closely with stakeholders including the Independent Schools Council of Australia, the National Catholic Education Commission, and the states and territories including providing data, modelling and other information relating to funding calculations before finalising entitlements and making payments. The Department continues to work with individual schools as well as the various approved authorities to clarify the entitlements and payments and welcomes the opportunity to improve any data leading to those calculations.

The final determination of funding entitlements will be made after the 2014 schools census data is available later in the year. At this point if any issue cannot be resolved through the normal process, a formal review process can be initiated.

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

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

The Australian Government will continue the Commonwealth's national role in transparency and accountability in school education and will negotiate that role with states, territories and non-government schooling sector. This will include restoring the balance between Commonwealth and state responsibility regarding school education to respect the state's role as the owner of their school system, with the authority to run their schools according to the particular needs of their state or territory. It is intended to restore this balance by cooperation, not command and control legislation or agreements.



## Requirements for participating and non-participating states under the Act

New South Wales, South Australia and the Australian Capital Territory, along with all non-government schools, are considered to be participating jurisdictions under the Act. While Victoria and Tasmania are signatories to the National Education Reform Agreement, they have not signed a bilateral agreement and therefore, along with Queensland, Western Australia and the Northern Territory, are considered to be non-participating under the Act.

Funding for participating states/systems is determined under section 25(1) of the Act and calculated in accordance with Part 3 of the Act. Funding for non-participating states was determined in accordance with section 25(3) of the Act and will be calculated under section 65 of the Act.

Under the Act, both participating and non-participating authorities are subject to certain requirements:

- section 22 of the Act sets out Conditions of financial assistance - implementing national policy initiatives relating to school education. These conditions require action from states and territories to implement standards and achieve reforms in their capacity under the Constitution as the governments responsible for education (for example, that states work with the Commonwealth to design and implement the National Assessment Program – Literacy and Numeracy)
- section 77 of the Act sets out the ongoing policy requirements for all (both government and non-government) approved authorities as the operators of schools. These include participation in national assessments and provision of data to the minister.

Under the Act, participating authorities are required to distribute Commonwealth recurrent funding on a needs-basis, and for those authorities responsible for more than one school, there is also the requirement to have an implementation plan and this plan must be published.

Each relevant non-government authority who has signed an approved system arrangement has confirmed they have an implementation plan addressing the objects of the Act.

## Implementation of schools reforms

As outlined in the introduction to this submission, while funding is important, national and international research indicates that, by itself, it isn't a sufficiently effective driver of improved outcomes – countries that spend a high proportion of Gross Domestic Product on education do not automatically produce high performing education systems. As such, the Government will take a strategic role in education policy and reform to build an education system in Australia based on four key areas.

### (i) Teacher quality

The Government believes that the first step to achieving a quality education is to promote the quality, professionalism and status of the teaching profession.

Evidence shows that in schools, a student's teacher has the greatest influence on that student's performance.<sup>3</sup> It is therefore concerning that the Productivity Commission has found that not all initial teacher education programmes in Australia offer effective preparation for teaching.<sup>4</sup>

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<sup>3</sup> J Hattie, 'Teachers make a difference: What is the research evidence?', presentation to the annual conference of the Australian Council for Education Research.

<sup>4</sup> Productivity Commission, *Schools Workforce: Productivity Commission research report*, Australian Government, Melbourne, 2012.

Admission standards for initial teacher education programmes will be improved by establishing best-practice guidelines to encourage universities to base admission not just on academic achievement, but on the personal qualities that make good teachers.

The Teacher Education Ministerial Advisory Group (TEMAG) will provide advice on how teacher education programmes could better prepare new teachers with the practical skills needed for the classroom. The TEMAG was announced by the Government on 19 February 2014 and will be chaired by Professor Greg Craven, Vice-Chancellor of the Australian Catholic University.

TEMAG will work to identify world's best practice in teacher education programmes, focussing on :

- pedagogical approaches: the ways teachers teach their students, and the different ways teaching and learning can occur
- subject content: how well teachers understand the content of subjects they are teaching
- professional experience: opportunities for pre-service teachers to put theory into practice through quality in-school learning experiences.

TEMAG's work on subject content will include a focus on foreign languages, and science, technology, engineering and mathematics. It is due to report to Government later in 2014. Work will also continue to ensure that entry standards to teacher education courses are rigorous and that graduates from teacher education courses have the skills they need to be effective classroom practitioners.

The Australian Institute for Teaching and School Leadership will work to develop guidelines for enhanced admissions processes for teaching programmes working with key stakeholders for completion by the end of 2014.

## **(ii) Principal autonomy**

International and Australian evidence indicates that high performing school systems consistently focus on the importance of giving schools the flexibility to make their own decisions about school management and that the decentralisation of school systems and the promotion of increased school autonomy are features of high performing school systems. For example, research such as Caldwell and Spinks<sup>5</sup> has found there is no doubt some schools will excel with increased autonomy. They will innovate and reform schooling in numerous ways<sup>6</sup> and school autonomy can also lead to reforms that improve practices in classrooms.

State and territory school systems have been moving towards a more autonomous and independent model of management to varying degrees. The Government will support a transition to more autonomous and independent models of schooling, to ensure schools are supported to work with parents and their communities to respond to local issues at the local level.

The Government will work with education authorities as they continue on this path of reform primarily through the Independent Public Schools initiative. In recognition of the important role of the school principal in providing educational leadership and driving continuous improvement at his or her school, work will also be undertaken to support principals to build their capabilities and skills.

Under the Independent Public Schools initiative, selected government schools in participating states and territories will move towards greater autonomy and increased parent and community involvement. Schools that take part in the initiative will be able to use funding for a range of activities that will help them become more independent. This could include:

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<sup>6</sup> Caldwell and Spinks referenced in *The myth of markets in school education*, Ben Jensen, The Grattan Institute, 2013.

- professional development and training for principals
- training for school leadership teams and school council members
- programmes to improve parents' understanding and involvement in school decision making processes
- education programmes for the school community.

Schools participating in the Independent Public Schools initiative will remain part of their government school system and will continue to receive support from state governments.

### **(iii) Engaging parents in education**

Learning starts at home, with parents being the first and most important influence on a child's learning.<sup>7</sup> There is strong consensus that positive parent engagement influences student academic attainment, school attendance, wellbeing and productivity.

The Australian Government is committed to advocating for strengthened parent engagement in education to improve student learning outcomes, moving beyond the traditional practices of parent involvement, such as participation in school meetings, to encompass the attitudes and behaviours that have been shown to help students succeed.

The *Guide for Parents on School Boards and School Councils* encourages stronger links between schools, parents and the local community by bringing together information from each state and territory on school board participation.

### **(iv) Strengthening the curriculum**

The Australian Curriculum describes what young Australians should learn as they progress through schooling. It sets out essential knowledge, understanding, skills and capabilities and provides a national standard for student achievement in core learning areas. As such, the value of a national curriculum is considerable.<sup>8</sup> The Australian Government considers it is now timely to review the content of the curriculum to ensure it is robust, relevant and up to date and review the process of curriculum shaping, development, monitoring, evaluation and review.

Getting curriculum settings right is essential to improving the quality of education for all school students. Given Australia's declining performance in scientific and mathematical literacy, this means working with education authorities to ensure a greater focus on science, technology, engineering and mathematics in both primary and secondary schools.

The Government has instituted a review into the Australian Curriculum, with a report due in mid-2014. The review will examine the robustness, independence and balance of the Australian Curriculum, and evaluate both the process of its development and the content.

At the same time, the Government will continue to prioritise the development of the Australian Curriculum: Languages. Reviving the study of foreign languages, especially at senior secondary level, particularly those of our key regional partners, is vital to Australia's future.

The importance of quality teaching, school leadership and autonomy and parental engagement was recently validated with the release of the Grattan Institute's Report 'Turning around schools: it can be done'.<sup>9</sup> The report suggests some of Australia's most troubled schools are turning around their

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<sup>7</sup> J Goodall & J Vorhaus, *Review of best practice in parental engagement*, Research Report DFE-RR156, UK Department for Education, London, 2011.

<sup>8</sup> A Reid, *Rethinking National Curriculum Collaboration: Towards an Australian Curriculum*, DEST Research Fellowship report, Department of Education, Science and Training, Canberra, 2005.

<sup>9</sup> Grattan Institute, *Turning around schools: it can be done* (2014) <http://grattan.edu.au/static/files/assets/518f9688/805-turning-around-schools.pdf>

performance by following a number of steps that closely align with the Government's *Students First* policy. The report concludes improved outcomes requires a strong focus on the key steps of effective teaching, strong leadership, development of student learning, a positive school culture and parental/community engagement, and reinforced with comprehensive evaluation and accountability mechanisms.

## National outcomes and evidence base

A strengthened national evidence base will help to monitor and evaluate outcomes in schools across Australia. International evidence shows clear accountability for school results helps create a learning environment that encourages innovation and excellence from school leaders, teachers and students. Greater access to information has been shown to inform better decision-making at both the policy making and school levels, enabling teachers, parents and students to make better informed choices for their child and within their schools.

States and territories, education authorities and schools are currently required to report achievement in line with the Council of Australian Governments targets, including through national reporting of performance data. While this will be retained, the Government will work with states and territories, education authorities and schools to streamline current data collections and reporting and identify opportunities to build a better evidence base that focuses on accessible information, high quality research and improved national reporting.

## Proposed changes to the *Australian Education Act 2013*

The Act is currently operating in its existing form, that is, as passed by Parliament in 2013. In its *Students First* policy, the Government committed to amend the Act to remove provisions that allowed the Commonwealth to dictate what states and territories must do in their schools. The Government will look closely at the level of prescription attached to obligations in the Act and will work to ensure the Act reflects that states and territories have primary responsibility for schools, and that it allows non-government schools to maintain their independence and autonomy.