

CHAPTER 2

CONSIDERATION OF THE ISSUES

2.1 The Committee received evidence both in support of the bill and critical of some aspects of the policy to be implemented. Some submissions supported the proposed legislation in principle, but indicated reservations about some clauses. This spread of opinion was reflected in evidence taken by the Committee during nearly two days of public hearings.

2.2 The principal issues raised in submissions and in evidence were as follows:

- the school funding roles of the Commonwealth and the states and whether the funding formula has seen a reduction in the proportion of Commonwealth funds going to government schools;
- whether the SES model of funding was fair and equitable, given its focus on the financial resources of the student community better than the financial capacity of the school, or whether it was intentionally skewed to give disproportionate benefit to schools hitherto in the lower funding categories; and
- whether the reporting and accountability processes are in keeping with the spirit of MCEETYA decisions and represent appropriate Commonwealth leadership in schools policy, or whether these measures fail to acknowledge state responsibilities.

2.3 A general issue, raised in consideration of a number of issues listed above, was the extent of consultation between the Commonwealth on the one hand, and state and non-government agencies on the other. The Committee heard evidence from state education authorities that their consultations with DETYA officials were more in the nature of one or two hour briefings, and that their first indications of what was proposed in the bill came only after its introduction. The Committee, on hearing later evidence, believes that there is much less substance in this claim than it was led to believe by state officials.

2.4 As noted in the previous chapter, the adoption of the SES funding mechanism has been under active consideration for at least ten years. Other elements of the bill were also well signposted. The agreement of the Catholic systems to stay out of the SES model was decided in 1998. It could not be expected that the actual appropriations proposed in the bill would be revealed before its introduction. MCEETYA is not the body which determined appropriations: this is a Commonwealth responsibility. The record was set straight in evidence given by DETYA officials to the Committee:

There is one further observation that I would like to take up at this point to address an issue that I understand has had some prominence over the last day or so – that is, the issue of consultation in respect of the development of the SES model, and particularly consultation with state and territory colleagues and governments. I must say that any reasonable and objective assessment of this will see that there has, in fact, been quite considerable consultation with both sectors in the schooling area. Terms of reference for the review of the ERI were circulated and, indeed submissions received from most jurisdictions, if not all, over the period February through to April, including from Victoria. Following that, there was a round of consultations with state and territory authorities. Responses to the consultation

report were received from Victoria, Queensland, the ACT and South Australia over the period December 1997 through to January 1998. There was a funding forum involving the New South Wales, Victoria, Queensland, Western Australia, South Australia, Tasmania and Northern Territory education departments in December 1997.

With the announcement of the SES model in the 1999 budget context, there were briefings of state and territory education authorities on 13 May, at which multiple representatives of most, if not all, education authorities attended, and these were followed up by further detailed briefings during May and June. That, again, included a number of the jurisdictions that have given evidence to the committee. Likewise, further SES briefings were undertaken earlier this year on data issues and they touched on the registered schools board in the Victorian, Tasmanian and Queensland jurisdictions. Since the introduction of the bill, we also undertook a national process of consultations – a process that has now been completed – with all jurisdictions across all states, territories and national peak bodies between the period 20 July and 17 August.¹

2.5 The Committee is satisfied that appropriate levels of consultation were conducted with interested parties, including state governments. It notes that non-government parties were well satisfied with the same levels of consultations as were described above by DETYA officials in relation to state governments.

The Commonwealth's role in school funding

2.6 Central to the debate on this bill is the issue of the particular responsibilities of the Commonwealth to fund non-government schools. The Minister has been unequivocal: it is the primary funding responsibility of the Commonwealth. The reasons are historical and, in following precedent over most of the thirty years since the first Commonwealth assistance was given to schools, the current legislation follows an evolutionary pattern. A Commonwealth initiative in 1963 opened the way to provide a measure of justice to non-government schools struggling to maintain their existence. The science teaching grants promised by Sir Robert Menzies in the election campaign of that year set a precedent for future governments at the Commonwealth level. The *ad hoc* nature of such grants ended with the establishment in 1973 of the Australian Schools Commission and the beginning of routine special purpose grants. That financial assistance to non-government schools has originated mainly from Commonwealth grants is an obvious consequence of the overwhelming demands of government schools on state finances. This has left only a very small proportion of recurrent funding available to non-government schools from state budgets, in addition to indirect assistance.

2.7 Funds allocated under this bill are therefore predicated on the fact that government schools take most of the state funding for schools. States Grants Acts as a consequence have always provided a disproportionate share of school funding to non-government schools. Even so, government schools have always benefited considerably from Commonwealth supplementary funding from the States Grants Acts. The \$9.3 billion of Commonwealth funding for government schools which is provided for in this bill is a record amount. Commonwealth funding for government schools is now increasing at a greater rate than is state funding. Included in that \$9.3 billion is \$800 million in capital grants to government

1 Mr Tony Greer, *Hansard*, Canberra, 23 August 2000, pp.94-95

schools. This compares to the capital grants allocation of \$334 million over the same period to non-government schools. If government schools receive recurrent funding at the lowest rate it is because the bulk of recurrent funding comes from state appropriations. State appropriations themselves rely heavily on general purpose revenue grants, sometimes known as ‘block grants’, from the Commonwealth in order to fund the ordinary services of government, including government schools.

2.8 In summary, this bill provides for continued levels of support for government schools in a way that reflects current responsibilities. States provide base funding for government schools, and Commonwealth recurrent funding provides a supplement. This is consistent with the constitutional responsibilities of states and with the strategic policy role of the Commonwealth.

SES funding model

2.9 The Committee found very little evidence of disagreement over the use of socio-economic status (SES) based funding arrangements for non-government schools. As described in Chapter 1, the model has been tested and found to be satisfactory. SES has been overwhelmingly supported by schools whose level of funding it will determine. It is considered to be a fairer and more equitable means of allocating Commonwealth funding than the current Education Resources Index (ERI)-based arrangements. Like ERI, the SES contains a basic entitlement, complemented by a needs-based component. Unlike the ERI, however, the SES model uses an assessment of needs which is related to the resources of the school community rather than an assessment of the assets and so-called ‘financial capability’ of schools.

2.10 The SES model was first developed in 1973 for the purpose of identifying areas of educational disadvantage, and has been used by various government departments, Catholic Education Commissions and Independent Schools Block Grant Authorities to target needs-based recurrent and capital funding. For instance, in 1986 the Schools Commission assisted a study by Deakin University on indicators of socio-economic disadvantage for Australian schools. In 1995 DETYA, on behalf of MCEETYA examined the use of SES indicators in the allocation of funding for disadvantaged students in all school sectors.

2.11 The SES model also fits the philosophy of the current government in giving greater emphasis to supporting the needs of individual families and students. There has, hitherto, been a preoccupation with shaping educational funding policies to institutions rather than to the users of educational services. Services provided by schools and other educational institutions have been ‘supply driven’. The Committee notes with approval the policy of the government to reverse this trend: allowing the recipients of education to determine the demand, and have schools and other educational institutions respond to this demand. SES model funding assists in facilitating this change, as noted in one submission:

Given that an increasing number of parents are making decisions about their children’s schooling based on the particular needs of an individual child, it becomes increasingly necessary to question the rationale for a system of funding based on schools rather than family and student need. The SES funding model is a stepping stone towards a system of funding that places the interests of families and students at its heart ...

The needs of families and students, not institutions, should be the focus of the method of funding Australia’s education provision, particularly given the diverse

geographic, cultural and religious diversity that is fostered within our democracy. The establishment of a growing number of non-government schools designed to maintain the variety of cultural and religious traditions of ethnic groups in Australia has generated significant educational, social and economic benefits.²

2.12 The Committee accepts claims by some independent schools that the previous funding allocation method, ERI, had been altered and added to over the years for the purpose of constraining the growth of the independent sector.³ This had the effect of limiting private investment in education.

2.13 Another problem which arose from the ERI model was the inflexibility of its application to sudden changes in economic conditions faced by many parents. No where is this more obvious than in rural Australia. As one witness told the Committee:

The problems...were exacerbated for rural schools, particularly in the mid-eighties when the rural recession really began to bite in states like Western Australia, and country communities changed significantly. The schools there found that they had declining enrolments but, because of the funding formula, they were trapped into a category and, because of the add-ons they could not get out of that category. That is one of the advantages, I believe of the SES. If you look at the SESs of rural schools in comparison with city schools they are generally lower and they generally reflect more fairly the composition of the school community.⁴

2.14 At the time of the public hearings on this inquiry, the amounts payable to schools when the SES model was a matter of some speculation. Subsequently, the Minister released the details of the SES scores for each school and statistics showing the proportion of funding that would go to schools at particular SES levels. Grants to a number of independent schools servicing higher SES communities will rise under the new formula, due largely to previous underfunding over many years. Such schools will continue to receive, as they have done in the past, funding per student which is only 13.7 per cent of the average cost of a government schools student. The poorest non-government schools will receive up to 70 per cent.

2.15 The Committee received no evidence that the SES model gives disproportionate benefit to so-called 'wealthy' schools. As DETYA advised:

Any new funding system is going to introduce changes in the relative positions of schools. So it is not specifically the change to the SES model that is causing those changes; the SES model will simply identify what changes will occur. In a policy decision that says there is going to be funding maintenance, that is where the increase will occur, because the SES model will identify schools that have been under funded in the past, they will receive more funding and those that were perhaps over funded are going to be maintained. So it is an issue of the changing relativities being funded out of an increased budget for those relativities being changed.⁵

2 Submission No 18, Association of Independent Schools of Victoria, vol. 2 p. 187.

3 Submission No 15, Australian Parents Council, vol. 1, p. 140.

4 Mrs Audrey Jackson, *Hansard*, Canberra, 23 August 2000, p.71

5 Assoc. Professor Stephen Farrish, *Hansard*, Canberra, 23 August 2000, p. 99

2.16 The arrangement whereby Catholic systems are funded at Level 11 under the ERI has resulted in comment to the effect that the National Catholic Education Commission is opposed to the SES model. As the submission from the NCEC states:

The bill has the support of the NCEC. The NCEC recognises that the bill provides security of funding to Catholic schools and systems over the next quadrennium. The bill seeks to link grants for Catholic schools to the average costs of schooling in the government sector. The NCEC strongly endorses this. For Catholic schools and school systems the bill will enhance equity and accessibility for families who wish to exercise their right to choose the school for their children which meets their needs.⁶

2.17 The reservations that appear to have been expressed about the SES mechanism by the NCEC representatives appearing before the Committee need to be seen in the context of the statement above. The NCEC did not support the retention of ERI as a funding mechanism. It makes the point that a combination of funding entitlement measures should be used. While the Committee strongly supports the SES model as the most appropriate measure available, but does not deny that the test of experience may require some modifications in due course. This is a normal process in the administration of funding policy.

Reporting and accountability processes

2.18 The Committee recognises two fundamental principles underlying current government policy in education. The first is the right of every young Australian to have access to schools and post-school institutions which best meet their needs. The second is the obligation placed upon schools and other learning institutions to deliver the outcomes which students require. The current government has announced its commitment to improved reporting and accountability as a means to improving outcomes through national goals for schooling and national performance targets.

2.19 This bill provides for payments to states to be made conditional upon that stage being committed to MCEETYA's National Goals for Schooling and to achieving performance measures as set out in regulations made under the act. These regulations are likely to be agreed to by MCEETYA before being gazetted. The Committee believes this needs to be considered in relation to evidence presented to it by state governments concerned about sovereignty issues.

2.20 The submission from the New South Wales Government claims that the financial accountability requirements included in the bill 'go far beyond the reasonable expectations of accountability and are likely to be counterproductive'.⁷ A representative of the Victorian Department of Education, Employment and Training gave evidence to the Committee, speaking in the same vein about Commonwealth-state accountability and reporting relationships: 'This unilateral and heavy-handed approach by the Commonwealth ... has the very clear and real potential to bring ... cooperative endeavour to a standstill'.⁸

6 Submission No. 9, National Catholic Education Commission, vol.1, p.102

7 Submission No 25, NSW Government, vol. 2, p. 279.

8 Mr Maurice Wenn, *Hansard*, Canberra, 22 August 2000, p. 52.

2.21 The Committee acknowledges that submissions from governments in South Australia and Western Australia about the issue of reporting and accountability also inject a cautionary note into debate on this issue. The South Australian submission says that the bill provides for the publication of disaggregated data to identify schools having problems. This would be contrary to the policy of the South Australian Government which is opposed to publishing comparative information about schools.⁹ The Committee notes the understanding of the South Australian Government that the substance of the regulations to be made by the Minister for Education, Training and Youth Affairs will, based on DETYA advice, reflect the ‘agreed view of MCEETYA.’¹⁰ The submission from the Minister for Education in Western Australia notes that as yet no decision has been made by MCEETYA on whether to introduce performance targets because the National Education Performance Monitoring Taskforce is currently investigating the issue.¹¹

2.22 The Committee is equally confident that a ‘federal’ understanding of the importance of this issue will emerge in future MCEETYA discussions, as will a resolution of technical issues relating to reporting. The disaggregation of jointly funded projects does present technical problems in regard to reporting outcomes and the Committee urges the Minister, as chair of MCEETYA, to resolve these difficulties. The good intentions of the Government are apparent in its agreement to set out requirements in the form of regulations which are disallowable by either House: an incentive to ministers and officials to avoid the risk of their disallowance.

2.23 It is noteworthy that Opposition senators have not shown any interest in drawing state departmental officials who appeared as witnesses on the question of reporting, although this issue featured prominently in the evidence those officials presented to the Committee. Senators on all sides share high expectations of the Commonwealth’s role in providing direction to national educational objectives.

2.24 The Committee is generally in agreement on the issue of reporting requirements to the extent of supporting a Commonwealth initiative to have outcomes information available to legislators, students and others with interests in the school systems, including the taxpaying community. While the Committee agrees with state views that a ‘MCEETYA solution’ to the issue of reporting and accountability is desirable, it agrees with the Minister that, in the last report, the Commonwealth should show leadership in this area of policy. This legislation gives substance to the Commonwealth’s material interest in this issue. The states should not be surprised at the measures that are provided for.

Allegations of community divisions

2.25 The Committee noted with interest comment in several submissions, including those from the Australian Independent Teachers’ Union and the New South Wales Government that the thrust of this legislation was contributing to antagonistic feelings between school sectors over the issues of Commonwealth assistance to non-government schools. Apart from the fact that the sectarian basis for much of the opposition to ‘state aid’ has been swept aside by social change, evidence of any alleged ‘backlash’ is not apparent to those who form the

9 Submission No 27, Minister for Education, Children’s Services and Training, SA, vol. 3, p. 14.

10 Ibid.

11 Submission No 30, Minister for Education, WA, vol. 3 and p.

Committee majority, and has not been raised in any parliamentary forum, to the knowledge of the Committee, for many years. Even the most assiduous reading of press reports and commentary have failed to reveal accounts of this.

2.26 Support for the principle of basic Commonwealth assistance to all Australian schools is overwhelming. Public support for this policy is so pervasive that no mainstream political group is opposed to it. The Committee notes with some surprise that the Australian Education Union maintains an ancient and outmoded policy in regard to financial assistance to non-government schools, no doubt unrepresentative of its membership. The Committee views such attitudes as unhelpful in allowing government schools to compete effectively for their enrolment base. While it sees evidence of innovation and 'best practice' in government schools, it is critical of the defensive attitude of many of its so-called supporters.

CONCLUSION

The States Grants (Primary and Secondary Education Assistance) Bill 2000 represents a forward step in providing financial security for Australian schools. On this secure basis schools can plan confidently to meet the needs of their supporting families and communities. The bill provides a \$22 billion package aimed at raising standards across all schools and, for the first time, providing some assurance that the education dollar is expended in a way that delivers the desired outputs.

Taken overall, therefore, the bill represents more than an appropriation. It represents a commitment by the government to achieving the national goals agreed to by MCEETYA. To a much greater extent than previous States Grants Bills, this bill includes a blueprint for continued reform of the national school system.

For these reasons the Committee majority supports this bill. It **recommends** that it be passed without amendment.

Senator J Tierney

Chair