

**REPORT OF LABOR AND
AUSTRALIAN DEMOCRAT SENATORS**

PREAMBLE

Education, particularly the education of our children, is the keystone of the structure that makes up Australian society. How schools are funded, and the values that are reflected in the policies and rhetoric surrounding schooling, provide the background against which school education takes place. The young people of Australia grow into adulthood in a world crucially shaped not only by their parents, but by the education they receive at school and the social and ideological context in which this is embedded.

Therefore government policies on school education shape in a fundamental way the perceptions of young people, and their families, about their future and their place in Australian society. Through the way we value principles of excellence, equality and fairness in the provision of education we create the basis for young people's understanding of their society and their nation. From the point of view of Opposition and Australian Democrat senators, it is the centrality of education in the acculturation of young people that underlies this Inquiry and informs this minority report.

Labor, supported by the Australian Democrats, is committed to providing additional funding to needy non-government schools. However, this should be balanced by commensurate increases for government schools. The Government's new SES model, moreover, provides the most substantial increases to the wealthiest non-government schools.

The central place of education in society should be reflected in a policy approach that is inclusive, even-handed and, most importantly, equitable. In a multicultural society, there must be acknowledgement of the desires of many families to educate their children in schools sensitive to their religious and cultural needs. Government schooling aims to be universal in terms of values. However, Catholic, other Christian denominational, Jewish, Islamic and other schools are now part of the fabric of our education system, and in some cases have long been so. For many years in the latter half of the twentieth century the destructive 'State Aid' debate divided the Australian community. Based on religious intolerance and sectarianism, this controversy dominated many aspects of discussion and thinking about school education, crowding out other, more constructive and creative contributions.

The settlement reached following the Karmel Report in the mid-seventies constituted a major step forward. It showed the growing maturity of Australian society and our increased willingness to treat equitably Australians of all backgrounds and creeds. It was a crucial post on the road to multiculturalism. That settlement, that consensus, is now at risk.

The Government's proposed new funding system for non-government schools has divided the community in a way unseen since those pre-Karmel days. It is more than a major change to a funding formula: the planned system transforms the very basis on which funding is made available to the non-government sector, and is directly relevant to the quantum of funds to be available to government schools. This Senate inquiry provides the opportunity to review the Government's plan as set out in this bill.

Labor recognises that the bill must pass through Parliament. The form in which it is passed, however, is a matter for the Senate to decide.

The Government's majority report

In introducing fundamental changes of this moment, it might be expected that the Government would provide cogent argument, well supported by accurate information. In fact, the majority report of the Committee is characterised by factual errors and logical *non sequitur*.

The first is the matter of consultation with the states. As the state officials appearing before the Committee have made clear, consultation on the detail of the Government's proposals was effectively limited to a single briefing session, lasting no more than two hours, with each state government. Prior to these meetings, the Government's discussions were principally with representatives of non-government systems. The Government's claim that extensive consultation took place with the states is denied by at least four state governments.

The Government has claimed repeatedly that it has substantially increased funding for government schools. This is untrue. In quoting figures on its funding increases for the government sector, the Government invariably omits to mention that the amounts provided are not adjusted for inflation: they represent raw figures only and should be deflated in order to be meaningful. In fact, when adjusted for indexation and for enrolment growth, even the current bill does not provide more than an average \$4,000 per school. Conversely, the Government argues that the high-fee elite schools currently located in Categories 1-3 have not had any Commonwealth funding increases for the last fifteen years. However, these schools have received grants adjusted for enrolments and indexed by means of the generous AGSRC (Average Government School Recurrent Costs) index. The 'increases', when afforded to government schools, count for the Government as 'increases'. while similar adjustments made to non-government school funds are 'no increases'. This is at best disingenuous.

The Government also claims that there is 'little evidence of disagreement' about the proposed SES model. This is entirely false. The Committee heard evidence, and received submissions, from several major stakeholders in school education, and from the majority of state governments, expressing serious misgivings and concerns about the model. The comments of the representative of the National Catholic Education Commission are noted later in this Report.

Other claims on the part of the Government on the impact and effect of the SES model are similarly inaccurate and misleading. For example, the Government [Government report 2.10] claims that the SES model was first developed in 1973. The model as contained in the bill varies in statistically significant ways from its predecessors used to identify educational disadvantage. Indeed, the Government rejected the suggestion that the model used in connection with the Commonwealth's former Disadvantaged Schools Program be used for the new system, on the basis that it was unsuitable.

The Government misleads once again when it says [Report 2.14] that the elite schools will receive only 13.7 per cent of AGSRC. Currently, 61 schools receive this minimum amount: under the planned SES system, only seven will have their grants limited to this extent. In all, the wealthiest 61 private schools will enjoy a windfall gain of over \$56 million per annum.+

Most striking, however, is the Government statement that the Committee ‘received no evidence that the SES model gives disproportionate benefit to so-called “wealthy” schools’. The Committee, on the contrary, received much evidence along these lines. This evidence is summarised in Chapter 1 of this minority report.

Outcomes for individual schools and the Government's intentions

Debate over this bill has been hindered by the Government's refusal to provide detailed information about the effects of the new SES system on funding levels for individual schools. The Opposition has repeatedly requested that this information - initially the results of the 1998 simulation study and later the actual allocations for 2001 - be provided to inform Parliament in its consideration of the bill. This reluctance on the part of the Government has delayed the finalisation of this report: it has also suggested that the Government expected the results to be controversial.

In fact, in the view of the Opposition and the Australian Democrats, the Government's objective in imposing this particular funding model is to ‘redress’ what it regards as a funding imbalance between the low-fee, resource-poor non-government schools, on the one hand, and elite, high-fee schools on the other. This model was created deliberately to change the balance of funding between these two kinds of schools, and thus in general terms to reverse the policy priorities of the previous Government with regard to non-government school funding. A further aim is to alter the relativities in the funding quantum applying to each sector - in favour of non-government schools. Thus the bill provides for substantial increases in funds flowing to the non-government sector, but it also shifts the balance of funding within that sector.

The result is not simply a reclassification of the wealthiest schools, rendering them eligible to substantial additional funding, but also a comparative redistribution in levels of Commonwealth support among non-government schools. It is this shift that has had the regrettable effect of reigniting resentments within the private-school sector. At the same time, the Government's plan has inflamed the dormant State Aid debate, on the funding by government of non-government schools. The consensus that has existed for over 25 years has evaporated. This bill is unfair, unjust and divisive. Of all that will flow from the Government's 2000 Schools Funding Bill, this is possibly the most damaging outcome of all.

CHAPTER 1

THE SES MODEL

1.1 The Government claims that the SES funding index provides ‘ a more equitable way of distributing recurrent funding’ [MINCO, quoted p.5 of Govt Report], and that the SES system meets the criteria it has determined as essential to any future funding system: equity, transparency, simplicity, flexibility and cost. The new model fails on all of these counts. It is clearly inequitable in that it leads to disproportionate and overly-generous increases in funding to elite schools; it is unpredictable because it increases, or fails to increase, a school's funding without apparent regard to the actual needs and circumstances of the school. The SES model is exceedingly complex, rather than simple, and establishes 65 separate funding levels and three bases on which funding will be allocated. It excludes 65 per cent of non-government schools in Catholic systemic schools. Finally, the model fails on the criterion of cost due to the absence of an approach based on proper planning of provision and due also to the fact that very substantial increases are handed to the wealthiest schools. Thus the model fails on the Government's own stated criteria.

1.2 The SES funding model purports to assess the needs of a school according to a measure of the socio-economic status of parents rather than of the school's income from private sources, as currently measured by the ERI (Education Resource Index) method. What is purportedly assessed, therefore, is the relative capacity of non-government school communities to support their schools financially, without any account taken of the accumulated value of the school's resources, including its financial reserves and endowments. Opposition senators accept, in some measure, the view expressed in the majority report that changes and accretions to the ERI model over a number of years have blunted the original intention of the ERI as a school resource measure. What they do not accept is the view that the ERI model is fundamentally unsound or incapable of reform. Nor do they accept that the Government's SES model, as presented, is a perfect measure of need; or that schools' income, particularly when that income is very high, should be totally excluded from judgments about appropriate levels of Commonwealth funding. Furthermore, the SES model proposed by the Government is based on a Simulation Study and a validation study (carried out in 1998) that are problematic in a methodological sense; and it leads to outcomes for individual schools that are deeply inequitable.

1.3 Over 90 per cent of non-government schools participated in the 1998 simulation project on an SES model. As noted below, the ambiguous attitude of the Catholic systemic schools to the SES model casts doubt upon its validity. Technical issues have been raised by the Committee in a number of submissions. It is clear that the SES model has been adopted mainly for the purpose of validating a policy of ensuring increased levels of funding to former Category 1 schools, whose previous funding levels were set at modest levels, and maintained in real terms, over a number of years.

Reservations of state governments

1.4 Doubts about the fairness and validity of the SES funding system comes from state education departments.

1.5 In its submission, the New South Wales Department of Education and Training listed a number of technical problems inherent in the funding model chosen by the Government. The claim was made that the bill's proposal to fund non-government schools on an SES index alone, without regard to a school's resource capacity, was itself flawed. In summary, the key problems identified were:

- The Commonwealth's SES index does not measure the actual relative SES of each student in a school. Instead it ascribes an SES standing to each student on the basis of the average SES score of the Census Collector District (CCD) of the student's address. It is likely that families in low SES areas able to select non-government schools (particularly those with high fees) are more advantaged than others in their immediate community; therefore the SES scores will be a distortion of the real relativities.
- While Census Collection Districts cover a relatively small number of households, they may still cut across a range of comparative SES levels. This is particularly the case in sparsely populated rural areas where Collection Districts are relatively large. In such districts it is not unlikely that a relatively affluent individual will draw a substantially higher level of government funding to a well resourced school on the basis of the low socio-economic status of other people in their district who could not themselves afford the fees at such a school.
- The Commonwealth's SES index does not allocate money based on actual need, but merely distributes a large proportion of all available Commonwealth government funds among non-government schools. Need is not measured against the whole community, but only relative to other students in non-government schools. Thus the model does not provide an adequate measure of community needs.
- The SES approach provides a range of incentives for non-government schools to pursue practices designed to maximise a school's funding, but which are not in the interests of achieving a balance of quality school provision across the community.

1.6 The Queensland Education Department saw a problem arising from the fact that ABS Collection Districts which have large proportions of households with similar measured characteristics will tend to have the lowest or highest scores. By contrast, areas with mid-range index values tend to contain a broader mix of individuals and households. A false assumption was perhaps being made that non-government schools attract students from all SES groups within a collector district, and therefore distortion is likely through high SES families sending their children to non-government schools and lower SES families sending their children to government schools or some categories of non-government schools.¹

1.7 A detailed technical analysis of the SES funding model was included in the submission from the Victorian Department of Education. In the view of the Victorian Minister for Education, there is not yet sufficient evidence to demonstrate that the SES model is, as is claimed of it, a fair and equitable needs-based system for determining recurrent funding. The new model does not take into account any measure of absolute SES and takes no account of school community assets. It assesses only relative SES. The result of this is that the SES scores obtained for non-government schools may or may not be representative of an

1 Submission No. 26, Queensland Government, p.294

overall perspective on the SES of school communities; and the use of an Index has intentionally produced fine distinctions between schools where these may not reflect reality. As the submission explains:

In real terms, and because of the relative nature of the scale (it orders schools from lowest to highest), it is impossible to determine whether such fine distinctions are warranted or to quantify what a single point change in score means. For example, a school with an SES score of 130 does not have twice the SES status of a school with an SES status of 65. Similarly, the socio-economic difference between two schools with SES scores of 90 and 100 is not necessarily the same as the differences between two schools with SES scores of 120 and 130. The use of the generous single point funding continuum (linear) is therefore quite arbitrary and questionable as are the actual cut-off scores for funding eligibility (85 and 130). In this respect it is particularly difficult to determine whether or not it can reasonably be established that an SES Index of 96 is broadly equivalent to ERI category 11 (as has been proposed for Catholic systemic schools). A broader category approach, as employed by the ERI may be more appropriate...²

1.8 The view is expressed that the application of the SES model may result in substantial anomalies in funding within the non-government sector. Documents produced to the Senate by the Minister confirm the advice in the Victorian government submission.

1.9 The Northern Territory Department of Education, having stated its view that the SES model is an improvement on the ERI, then expresses in its submission some concerns about SES methods. One concern is that the cut-off at 70 per cent of AGSRC and at the score of 85 will result in some schools in particular ABS collector districts being under resourced. More than 27 per cent of Northern Territory collector district schools have a score of less than 85, compared with less than 12 per cent nationally. The submission argues that if the SES is an appropriate measure of disadvantage then the full range of scores should be used to compensate disadvantaged students. As it stands, it is not clear why there is a cut-off point at 70 per cent, unless it is an arbitrary spending limit.³ Opposition and Australian Democrat senators note the similarities in concerns expressed by such different jurisdictions as Victoria and the Northern Territory, and express the view that similar concerns exist across the country.

1.10 The view of the Northern Territory Education Department is also close to that of the National Catholic Education Commission (outlined in next section) in regard to the desirability of using more than one measure (that is, SES) to assess the needs of schools. The Department was not convinced by DETYA's assertion that the Index of Relative Socioeconomic Disadvantage (IRSED), used for the Literacy and Numeracy program, was an inappropriate measure of relativities because it did not effectively measure relativities at the upper end of the SES spectrum. The attitude of the NTDE is probably understandable in view of its distance from cities where high-fee schools flourish. The NTDE submission also recommended that the Index of Educational Resources (IER) should be used for the purpose of measuring the relative economic resources amongst areas, an appropriate measure for funding schools according to need.

2 Submission No. 28, op.cit., p.310

3 Submission No.35, Northern Territory Department of Education, vol.3, p.352

There have been several trial indexes made in the SES simulation project and all the dimensions of education, occupation and income in the indexes were treated as having equal weighting. ...Whether this arrangement is statistically sound should be tested. The Committee may wish to consider whether the Index of Relative Socio-economic Disadvantage (IRSED) is a better measure for this purpose.⁴

Catholic systems

1.11 A number of serious issues arise in connection with Catholic schools and systems. The first set of concerns goes to the role of the substantial national Catholic system in the simulation study that preceded the final formulation of the SES model, and the subsequent decision to effectively exclude Catholic systemic schools from the SES system

1.12 Since Catholic schools make up 65 per cent of all non-government schools, their participation in the simulation exercise, coupled with their withdrawal from the funding system on which the simulation was based, casts a shadow over the reliability of the simulation as an accurate predictor of the SES model that eventuated. Doubts about the accuracy of the simulation study in predicting final outcomes for individual schools have been vindicated by the actual results, which in some crucial groupings of schools vary in the amounts to be allocated: see Section XX below.

1.13 The position of the National Catholic Education Commission (NCEC) in relation to the SES model of funding is especially interesting. Aware of the likelihood of the introduction of SES for the 2001-04 quadrennium, the NCEC negotiated with the Government an arrangement which would maintain current funding levels. Although Catholic schools participated in the pilot study referred to, aimed at laying the basis for SES funding, they later opted not to participate in the scheme.

1.14 As the submission from the Victorian Department of Education, Employment and Training pointed out, the allocation of Catholic systemic schools to a single SES score of 96 (broadly equivalent to ERI 11) has important and serious implications for the validity and relevance of the SES model. Its development was based on 2 262 participating non-government schools, over two thirds of whom were Catholic systemic schools.⁵

1.15 While the NCEC submission made clear its support for the passage of the bill, its own position in relation to SES was made equally clear.

In extensive consultation with the Commonwealth on the mechanism for determining funding arrangements for Catholic school systems, prior to the finalisation of this legislation, The NCEC argued consistently that a combination of measures of need should be used. These include recurrent and capital resources, geographic spread, the necessity to provide a wide range of central services, the socio-economic status of the populations served by the schools, and the need to

4 Submission No.35, Northern Territory Department of Education, vol.3, p.353

5 Submission No.28, Victorian Department of Education, Employment and Training, vol.3, p.306

make reasonable provision for the establishment of new schools in areas of need and demand.⁶

1.16 A representative of the NCEC reiterated this position to the Committee on the first day of its public hearings, stating that the SES model is not itself sufficient to assess the relative needs of schools, and that it needed modification.⁷ This position had the support of the Independent Education Union of Australia, representing teachers in Catholic schools.

Our position is, rather, as Father Doyle put it this morning: that there be some mixed index which relies on some of the improvements that I think an SES model brings, but with some incorporation of other indices for a more composite model. I would point to the fact that our union supports the mechanism used by the Victorian Catholic Education Commission to distribute both state and federal grants across its schools. That was an SES measure largely, I believe, used by DETYA in its modelling. It was the one place where there had been some evidence of its operation. But, as I understand it, it does not operate as a pure SES model. As was explained this morning, matters of rurality, Aboriginality and the rest of it are added into it, as well as size, disabilities and the like. We support that approach. Our position is not that the Commonwealth should not have engaged in the inquiry that it did or should not have brought SES measures to bear; we are saying that they are insufficient.⁸

1.17 On the other hand, the NCEC has always placed a high value on its operational independence and on its ability to make its own systemic financial adjustments based on the relative needs of Catholic schools. Thus it sought, successfully, an effective exemption from the SES system, preferring the negotiating of a block grant that would provide it with additional funds but retain its administrative autonomy from the Commonwealth.

1.18 In fact, the NCEC considers that it would most likely have been better served by the retention of the current ERI system (with indexation), or, better still, the application of the SES index to each of its schools individually:

I think the maintenance of the ERI system, plus the continuing betterment factor, would have been...somewhat to our advantage. In terms of the pure SES aggregation, that would have been to our greater advantage⁹

1.19 However, by the end of the next funding period (2004), the ERI model would again have proved most advantageous:

If the new funding quadrennium period had been on the ERI plus betterment, we would have been advantaged at the end of the quadrennium funding compared to a pure SES model aggregated for Catholic schools¹⁰...

1.20 However, it seems that a large number of schools currently outside the Catholic systems have sought to join them in the light of the funding these systems are to receive

6 Submission No.9, National Catholic Education Commission, vol.1, p.102-3

7 Rev Tom Doyle, *Hansard*, Canberra, 22 August 2000, p.13

8 Mr Patrick Lee, *Hansard*, Canberra, 22 August 2000, p.47

9 Rev Tom Doyle, *Hansard*, 22 September 2000, p.

10 Ms Therese Temby, *Hansard*, op.cit.p.11

under the new arrangements. These schools would presumably benefit financially from the classification of the Catholic systems - except for that of the ACT - at the relatively generous level equivalent to the 'old' Category 10:

Senator Allison - There has been a suggestion made that the SES legislation will, in fact, bring a number of independent Catholic schools into the system. Is that your expectation? How many of them are out there to be brought into the fold, as it were?

Rev Doyle - I think there are...about 70.¹¹

1.21 Finally there is the question of the quantum of funding itself that the NCEC will receive under its revised funding arrangements. It appears that the Catholic systems collectively will receive in round figures \$100 million per annum in extra funds. This was confirmed by Rev. Doyle in the Committee hearing of 22 August 2000:

Senator Carr - My advice was that it was \$100 million. Is the broad figure that you have been given consistent with that figure?

Rev Doyle - Yes.¹²

1.22 This increase in funding, unlike the increases applying to schools subject to the SES system, will not be phased in over four years: instead it will be provided in full from 2001. However, the extra funds available per capita to Catholic systemic schools will be on average \$157 per student. This compares very unfavourably with the growth in per capita funds for most elite non-government schools, which will reach almost \$1000. This raises the issue of equity and fairness: this is discussed in the next section.

The SES model and elite, high-fee schools

1.23 On three occasions the Senate ordered the return of documents detailing the effects of the proposed SES system on individual schools. The Government refused to provide this data from the 1998 simulation study, and finally complied with the third Return to Order motion on Tuesday, 3 October 2000. This belated response has hindered the Committee in finalising its Report.

1.24 The Committee learned from these documents that the earlier estimates of grant increases to high-fee schools, made by Opposition senators and members on the basis of averaged data supplied in the simulation study report, often fell short of the real amounts that will be paid to these schools. Representatives of independent schools associations appearing before the Committee had suggested that the early estimates were overstated. However, the final outcomes for elite Category 1 schools of applying the SES formula to their enrolments produced resulting funding increases that were unexpectedly high. It appeared that a large number of wealthy non-government schools - those normally regarded as socially and academically elite schools - were to receive funding increases of up to \$2,000 per secondary student, and a little under that amount per primary student. Since many of these schools have high enrolments, particularly at secondary level, this led to substantial dollar increases for many of these schools in a year of full funding (2004).

11 *Hansard*, op.cit.,p.12

12 *Hansard*, op.cit., p.13

1.25 For example, the following twelve high fee non-government schools would share an additional \$27 million between them:

Trinity Grammar School, Sydney	\$3.1 million
Newington College, Sydney	\$1.8 million
The King's School, Parramatta	\$1.5 million
Wesley College, Melbourne	\$3.9 million
Caulfield Grammar School, Melbourne	\$3.6 million
Haileybury College, Melbourne	\$2.9 million
Ivanhoe Grammar, Melbourne	\$2.4 million
Geelong College	\$2.3 million
Geelong Grammar School	\$1.7 million
Mentone Grammar School, Melbourne	\$1.6 million
Scotch College, Melbourne	\$1.0 million
St Peter's College, Adelaide	\$1.5million

1.26 In the case of Geelong College, for instance, its \$2.3 million results from its additional \$2 039 per student (average). This is in dramatic contrast to most low-fee non-government schools where increases amount to as little as \$7 per student. Altogether, the 61 most highly-endowed, high-fee Category 1 schools in the country will receive an extra \$56 million.

1.27 Some results of the new allocative mechanism are particularly unexpected. An example is the positioning of the elite and exclusive Geelong Grammar School: this school charges annual tuition fees of \$11,360 and boarders' fees of \$20,000. It boasts facilities including an equestrian centre, a country campus at Mt Timbertop, a newly-opened Arts and Ceramics Centre and a completely refurbished and recently expanded Technology Centre. The school is completely computer networked. Yet, according to the SES index, Geelong Grammar School is nowhere near the top of the list in terms of assessed advantage: 217 schools are placed higher. Despite its expectation of a substantial increase in Commonwealth support under SES funding, the school raised its fees in 2000.

1.28 In view of the public uproar which has resulted from the release of this information about elite schools' funding, it is perhaps not remarkable that details of school grants should have been provided so begrudgingly by the Government. Nonetheless, while it may be accepted that the scores that were requested in two separate Returns to Order may have been delayed due to the onerousness of the task necessary to prepare them, it must surely have occurred to the Minister to anticipate that this data would be requested. Furthermore it should have been anticipated that the information asked for would include the SES scores for each school. The processes of a Senate inquiry into legislation is always likely to reveal more about government agendas than ministers might consider reasonable.

1.29 The attitude of Opposition and Australian Democrat senators is that any additional Commonwealth school funding should go to those schools most in need. There has never been any suggestion that the schools listed above have been schools in need of assistance. Their ability to attract high fees, the generally superb facilities they provide and the well-resourced curriculum they offer are evidence of this. The new funding arrangements do not address the real concerns of the vast majority of schools across the country, which in many cases is how to compensate for the lack of an educationally encouraging environment in many low-income households. Thus there is a crucial need, in schools serving comparatively poor communities, for easy access to school computers. This challenge is more important than support for schools which are able to boast of 'a laptop for every student'. In a budgetary climate when every dollar counts, the effective targeting of school funding should be an obvious goal. Such is not evident in this bill.

1.30 The striking fact about the SES system outlined in the Bill is that it provides funding increases to wealthy schools at a rate overwhelmingly disproportionate to the apparent needs of these schools, or of the families that they serve. The stark truth is that the largest increases will go to the wealthiest schools, while the schools currently listed in Categories 11 and 12 under the ERI system - classed as the most disadvantaged - will in many cases receive no increase at all. Their current funding levels will be maintained in real terms, thanks to a "no disadvantage" clause contained in the bill.

1.31 The technical problems associated with the SES model, and outlined above, provide the explanation for this anomalous result. The *indirect* nature of the SES measure applied to students' families is a major cause of the problem. Since the enrolments of the elite schools represent a very small minority of total non-government enrolments - let alone of total government and non-government school enrolments - then it follows that these families, patronising elite schools, are *atypical* rather than typical. They are very often atypical not only of the population at large, but also of the neighbourhoods in which they live. While some live in wealthy suburbs, many others live in mixed or middle-income neighbourhoods whose average SES score is lower than that of the student and family in question. Parents' decisions to send their children to an elite private schools are often the result of a perception that the government schools in their own local area are inadequate in terms of resources, subject offerings and so on. Some make the decision for social reasons, including a desire for their children to mix with those of similar socioeconomic backgrounds as themselves. Thus these families single themselves out.

1.32 A further anomaly exists where schools have unusually high boarding student populations. An example here is The King's School, Parramatta, which will receive \$1.4 million in extra funds from this bill. About 400 of this school's 1100 students are boarders, whose homes are mainly in rural areas. The application of the SES model to these schools nets a result that is lower in SES score than might be expected, because the students are very likely to be from wealthy families living in areas where unemployment and disadvantage are otherwise high.

1.33 By definition, those choosing expensive private schools can afford to pay high tuition fees. The extra funding of \$1,000 to \$2,000 per student provided under the SES arrangements will do little, if anything, to reduce high fees, since most elite schools charge fees many times higher than these amounts. A family unable to pay \$10,000 per year is just as unlikely to be able to pay \$8,000. What these increases to elite schools do, in policy terms, however, is to signal that the Government supports and encourages the idea of elitism in education, and to implement a perverse 'equity' principle which undermines the needs basis

of funding private schools. Government resources, under this bill, would go more uniformly to privileged as well as needy schools. The Government's message is clearly political.

Transparency and simplicity of the model

1.34 Evidence put before the Committee points to serious concern about the transparency of the SES system. In its submission the Australian Education Union points to the complexity of the planned system, pointing to the fact that there will henceforth be three funding regimes for non-government schools - those funded accorded to the SES system; schools that are 'funding maintained' at 2000 (ERI) levels, indexed annually; and finally those schools within Catholic systems. As the submission states:

There will some 65 different levels of funding! (46 SES, 18 ERI, including previous guarantees, and Catholic systemic), with a separate rate in Primary and Secondary, plus a special rate for special education (70% of AGSRC [average government school resource cost]) and Distance Education (13.7% of AGSRC). That is 170 different pay rates. So much for simplicity!¹³

1.35 The model also lacks transparency. The mere fact that the 'SES index' will apply to only a minority of non-government schools - because a majority are either in the Catholic system or will be funding maintained - gives lie to the assertion that the new system is fairer. The fact that it will not be applied to all, but to a minority, when it purports to be a comparative measure, begs the question of what is being compared, and whether the comparison is valid. Given the outcome of the application of the model, skewed as it is in favour of the wealthiest high-fee schools, there is clear *prima facie* reason to doubt its accuracy and fairness.

1.36 In summary, Dr Kemp's SES model fails to deliver either a rational or an equitable system of funding non-government schools. In particular, it fails to acknowledge and account for the differences in school populations between those elite schools catering to wealthier groups in Australian society, on the one hand, and those attracting more representative social groups on the other. In applying an undiscerning model in an undifferentiated manner to all non-government schools, the Government's SES system cannot and does not deliver a fair deal in the non-government sector. The increased funding allocated by the Government is not apportioned according to the actual needs of schools. It is also provided against a background of funding starvation for government schools. Thus this SES system is profoundly unfair, unjust and divisive. It does not address the real need of Australia's schools.

CHAPTER 2

MINISTERIAL POWERS

2.1 The Committee was struck by the conflicting evidence given by Commonwealth and State officials over the extent of consultation over the development of the SES funding model. This highlighted the extent to which relations between the two tiers of government have broken down in recent years over issues which cannot be properly resolved due to the absence of agreements made in good faith.

2.2 The Commonwealth may have discretionary funds at its disposal owing to vertical fiscal imbalance, and the States and Territories may be, as Deakin once predicted, 'chained to the chariot wheels of the federal government', but the Commonwealth controls no schools and is a step removed from the realities of school administration. Opposition senators note with alarm the tendency of the current Minister to adopt a rigid and doctrinaire approach to schools policy in the circumstances where State and Territory goodwill and cooperation are required for the success of any educational advance.

2.3 Evidence was forthcoming from the NSW Department of Education and Training to the effect that no consultations had taken place about the terms of the bill, but a briefing lasting about an hour and a half was given. Victorian officials reported a two-hour discussion with DETYA officers. Queensland officials advised that:

The first indication we had of the existence of the bill was some time after it was published on the Net. I could not be sure of the exact date, but we—as previous people I have heard have indicated—accessed it through the Net. As for the consultations that were held by DETYA, we were alerted that they were in progress by being advised by Victoria that they had in fact already met with DETYA officials. We then had a meeting approximately two weeks ago. We think it was on 11 August. It was not so much consultations as an explanation of the provisions of the bill. ... There has been a little bit of difficulty on our part in preparing a view on those things, but I would have to say that the submission probably fairly accurately reflects our point of view. Our concern was that we were advised verbally by DETYA officials at that meeting that, whereas consultations were guaranteed through their briefing material with non-state systems, and we would be included in terms of administrative consultations over administrative guidelines, there really was not any sort of iterative process over the substantive provisions of the bill that were being considered. So clearly it was not a consultation meeting. It was a meeting to provide us with information on the intent of various aspects of the bill.¹

2.4 DETYA responded with an account of several rounds of consultations on the ERI review and meetings on the SES. Opposition senators do not dispute the facts provided by any of the witnesses, noting only that the differing accounts might be explained by

1 Mr Kim Bannikoff, *Hansard*, 22 August 2000, p.21

conflicting state and Commonwealth perceptions of their role and, in particular, the attitude of state officials in dealing with 'Commonwealth incursions' into state areas of responsibility.

2.5 Two main issues of contention are discussed here: the accountability provisions contained in the bill and the enrolment benchmark adjustment (EBA). All states expressed reservations about at least one of these issues, and for some states they were all matters of dispute with the Commonwealth.

Accountability

2.6 Opposition and Australian Democrat senators do not deny the importance of ensuring accountability for Commonwealth funds expended. Ensuring accountability for the proper expenditure of funds appropriated by Parliament and passed on to agencies outside the Commonwealth's administrative ambit has always been a matter of concern. Commonwealth funds appropriated under State Grants Acts have traditionally presented fewer problems because in most instances the responsibility for ensuring accountability is passed to state and territory governments and legislatures. Any other course of action would be ruled out on administrative and constitutional grounds. The Commonwealth cannot, in any practical way, monitor state expenditure and insofar as Commonwealth funding is subsumed into state funding, there are constitutional impediments in attempting to do this.

2.7 That has been the view until now. Clause 16 of the bill, in conjunction with clause 12(3), provides for the state to report to the Commonwealth Minister any information that the minister considers appropriate. This information includes details of all state program expenditure, even when this expenditure derives from state sources. For all practical purposes, funds directed to schools are not identified by their source. A school principal in receipt of literacy program funds will not know what proportion of it originates from a States Grants payment, as distinct from an appropriation of a state parliament. Yet the Minister has power, under the proposed legislation, to reduce or delay funding if a state does not fulfil the financial accountability provisions. The Committee heard evidence from NSW officials on the impracticality of this approach, evidence which also indicates the extent of state concerns about the direction of administrative policy in Commonwealth-state matters.

We note in this bill that there are some significant increases in the Commonwealth minister's powers and discretions for accountability and reporting. We would want to continue to work constructively with the Commonwealth and other states in developing appropriate and targeted reporting in national forums such as the Ministerial Council on Education, Employment, Training and Youth Affairs. From the Commonwealth's point of order, it depends how these provisions are implemented, but it could distort the Commonwealth's responsibility for schooling.

From the Commonwealth's point of view, it depends on how these provisions are implemented, but it could distort the Commonwealth's responsibility for schooling. The Commonwealth is unable to deliver on accountability in relation to individual schools. It does not have the power or the infrastructure to do that. It has a danger of being superficial and potentially damaging. The Commonwealth cannot directly support schools, which ought to be the main thrust of accountability frameworks—to support schools and improve their teaching and learning. We fear that the Commonwealth will be unable to be rigorous if these accountability provisions are provided directly, and they will be unable to do it in a rigorous way in their measures of school performance. This is a state responsibility. So we ask for a

better understanding of schools and systems and the foundations for a true partnership between us in the interests of all schools.²

2.8 Opposition and Australian Democrat senators take careful note of these views because they reflect a breakdown of trust between the states and the Commonwealth that has occurred only recently. The Opposition cannot be accused of failing, when in government, to vigorously pursue a Commonwealth policy agenda in school education matters, and to work with state governments to promote these policies. What it did not fail to do was to consult states and territories on all matters of mutual concern, and work through MCEETYA to ensure a properly agreed and understood policy agenda. While Opposition and Australian Democrat senators accept the assurances of DETYA officials in their defence of their processes, it is perhaps more telling that state perceptions of this process should be at such variance with those of the Commonwealth.

2.9 The submission from the South Australian Minister for Education and Children's Services has expressed disagreement with the proposal that state authorities will be required to provide the Commonwealth with disaggregated data to identify schools having problems in meeting performance targets. The minister informed the Committee that a regulation having this effect would be considered unreasonable and contrary to the policy of the South Australian government on the publication of 'league tables'. The Minister indicated that the scope of regulations to be made under the act was causing some disquiet in his department, but he had been reassured by DETYA promises of consultation.³ In view of other consultation experiences associated with this bill, the Committee will be taking a close interest in the degree of consultation over the regulations, and in the regulations themselves, which are subject to disallowance by the Senate.

2.10 The Minister for Education in Western Australia was slightly more forthright on this issue. Expressing his concern about the accountability mechanisms contained in the bill, the Minister stated that no decision had yet been made by MCEETYA on whether to introduce performance targets or measures. He advised that MCEETYA had previously decided that the *National Report on Schooling in Australia* was to be the primary educational accountability mechanism for government and non-government systems to the Commonwealth, although this was currently under review. The submission concluded:

The Bill, therefore, pre-empts the outcome of inquiries and considerations that are currently under way under the auspices of MCEETYA. In other areas, it moves away from previous decisions of MCEETYA. Western Australia believes it to be inappropriate to proceed with these proposals while national processes remain incomplete.⁴

2.11 Opposition and Australian Democrat senators concur with this view. MCEETYA agreement is necessary at the very least in circumstances where accountability processes are imposed by the Commonwealth to educational services which are only part-funded by the Commonwealth. In answers to questions on notice, DETYA officials have gone to some lengths to stress that the regulatory regime to be established by this legislation will be the

2 Dr Jim McMorrow, *Hansard*, 23 September 2000, p.84

3 Submission No.27, Hon Malcolm Buckby MP, SA Minister for Education, Children's Services and Training, vol.3, p.298

4 Submission No.30, Hon Colin Barnett, Minister for Education (WA), vol.3, p.322

subject of consultations within MCEETYA. Opposition and Australian Democrat senators consider that these assurances need to be placed in the context of ‘consultations’ taken in regard to the provisions of this bill.

2.12 The Minister for Education in Tasmania expressed her concern that the use of the Commonwealth’s unilateral power was inconsistent with the national collaborative framework underpinning the National Goals for Schooling.⁵ The Minister was disturbed by the provision in the bill which gives powers to the Commonwealth minister to determine the performance measures or targets through regulations where ‘reasonable progress’ has not been achieved in meeting goals. The Minister pointed out in her submission that the performance measurement proposed was resource intensive and therefore reduced the allocation of resources for delivering the very services that are subject to measurement. Opposition members of the Committee express their doubts about the capacity of DETYA to handle the workload of compliance monitoring that is proposed in this bill, given the reduced levels of staffing that department has been subjected to in recent years.

The Enrolment Benchmark Adjustment (EBA)

2.13 While the exercise of the Minister's unilateral power through regulations still remains within the Senate's power to withhold, the exercise of the Minister's *disclosure* in the Enrolment Benchmark Adjustment has been acted upon with vigour. It provides some indication of what may be in store in the form of Commonwealth regulations.

2.14 The Enrolment Benchmark Adjustment followed the 1996 budget, providing for a reduction in Commonwealth recurrent funding when the proportion of students enrolled in non-government schools increases, compared with a 1996 benchmark. This 'adjustment' takes place even when actual enrolments in government schools rise: despite national enrolment growth in government schools of almost 27,000 since 1996, the Government has withdrawn almost \$28 million in funds under the EBA. The New South Wales Department of Education and Training estimates that the EBA will result in a cumulative loss of about \$100 million in funding to NSW government schools in 1998-2002, with an estimated loss of \$50 million per annum by 2003.

2.15 In presenting their cases to the Committee, officers of the NSW Department of Education *argued* that EBA was implicitly provided for in S.53 of this bill, which states:

The Minister may make a determination authorising payment of financial assistance to a state for recurrent expenditure for a program year of an amount which is **not more than** the amount worked out using the formula.

2.16 NSW officials had some strong words to say about the EBA:

We know that there is very little support in the education community for the use of the EBA to enable the under payment of grants struck by parliament to particular states and territories on the basis of enrolment proportions rather than numbers of students in schools. The New South Wales government believes that this policy is, at best, inept and, at worst, unprincipled, ungenerous and unworthy. The responsibility for providing a compulsory period of schooling for all rests with the states and territories. It is through their systems of public schools which are open to

5 Submission No.29, Hon Paula Wreidt MHA, vol.3, p.319

all children and young people regardless of their family background or circumstances that Australian governments guarantee universal education. Being open to all children and young people places on public schools a complex web of challenges, pressures and obligations. States and territories have looked to the Commonwealth to complement and generally support their own efforts in meeting these challenges, pressures and obligations. They have done that ever since the Commonwealth assumed a significant role in schools funding in the 1970s.

2.17 Opposition and Australian Democrat members of the Committee regard the application of EBA as a stick with which the Minister punishes the government schools for their failure to maintain their enrolment share in the face of competition with non-government schools. The Minister would have it that the funding reduction is intended as an encouragement for them to do better.

2.18 Labor is committed to the abolition of the Enrolment Benchmark Adjustment. A policy device such as the EBA has no place in an equitable education system.

CHAPTER 3

THE PLIGHT OF GOVERNMENT SCHOOLS

3.1 Commentators on this bill, and witnesses before the inquiry, have noted the propensity of the Minister to strike out in directions which have re-opened debates (and often old wounds) closed long ago and to make assumptions that solutions evolved over time can be dispensed with at no cost to either social harmony or the common good.

3.2 The Minister has created unnecessary disturbance with his declaration that the Commonwealth has a particular responsibility for non-government schools, while government schools are primarily the responsibility of the states. As a narrow statement of constitutional fact, this may have some academic validity. As a statement from a Commonwealth Minister in the process of making policy on school funding it is dangerous nonsense. The Commonwealth holds the financial levers of the nation in a way unimagined in 1901 and the states have been reduced to mendicant status. The ability of the states to fund government schools entirely from their own resources was severely strained as long ago as the 1960s. Beginning in 1964, Commonwealth grants have supplemented the states' own appropriations to the point where, by 2000, the Commonwealth provides 35 per cent of the total cost of running government schools.

Marginalising government schools

3.3 The current bill calls into serious question the commitment of the Commonwealth to the National Goals for Schooling developed in 1989 and reaffirmed in 1999. There was an agreement that these goals would be pursued through government, Catholic and independent schools. It was believed that an acceptable accommodation had been reached with regard to funding needs of schools with the passing of sectarianism and recognition of the Commonwealth's role to financially support all sectors, systems and schools on the basis of need.

3.4 There is now an unavoidable public perception that the Commonwealth has pursued a policy which favours the non-government sector, particularly the elite schools. Opposition senators identify three main elements in this policy:

- A new policy which provides an establishment grant of \$500 per student in the first year, also available in the second year, with additional support funding available in the event of severe financial hardship through the Schools Transitional Emergency Assistance program. This policy provides the competition considered desirable by the government to encourage a drift away from government schools. This grant is not subject to a means test.
- Greatly increased support for high fee schools, as described in Chapter 1 whose newly established campuses are finding a resurgent market in today's smaller families with sufficient disposable income.
- Declining support for the government school sector, and the application of the EBA as further discouragement in the expectation that a gradual shift in enrolments to non-government schools will further reduce the need for government expenditure on education. As the Minister has stated on several

occasions, the bill will have the effect of reducing educational costs overall. This is because parents of students in the non-government sector would contribute substantially to the cost of educational provision.

New schools

3.5 It is generally recognised that the growth in new non-government schools can only be achieved at the cost of declining government school enrolment share. Thus the government schools provide the recruitment pool for these new schools. The Catholic system has a generally stable enrolment base and, as was made clear in the submission from the National Catholic Education Commission, does not see itself as being in competition with government systems. The development of a limited number of Anglican community schools will see students withdrawn from government schools, or at least a shift in enrolments away from government schools. At its public hearing the Committee heard evidence from the executive officer of the Australian Association of Christian Schools who anticipated an annual growth rate in the establishment of new Association schools of between 5 per cent and 10 per cent. As he explained to the Committee:

The schools that I represent are two per cent of the school sector in Australia. When you put two percent against the 20 per cent of the school sector that is represented by the Catholic schools in Australia, we have a long way to go in the Protestant area to achieve the same level of offering that is available to Catholic parents. While it is an objective of mine to achieve that level, I do not think it will be achieved in my lifetime.¹

3.6 The problem of dealing with new schools was raised in evidence by a representative of the Independent Education Union of Australia who expressed concern about the disorderly way the Commonwealth was treating this matter. Not to address the issue of new schools in some kind of strategic way was to assume that the public purse was unlimited. The representative stated:

We end up then with unholy competition between state and federal levels of funding, and the EBA is a crude mechanism to try and do something about that. It should be removed. What it does is to bring the state and federal levels of government into a quite public and unpleasant kind of relationship with each other as proportions of enrolments shift around. None of this is the right way to go forward.²

3.7 The most serious threat to the government school system as a result of Commonwealth policies that fail to support it is the eventual likelihood that it will become marginalised. They would, as Dr Ken Boston has speculated, 'cease to become inclusive. They would no longer embrace a cross-section of society. They would decline into a safety-net provision – a lesser network of residual schooling for children of the disadvantaged and unambitious'.³

1 Mr Peter Crimmins, *Hansard*, 23 August 2000, p.80

2 Mr Patrick Lee, *Hansard*, 22 August 2000, p.50

3 Dr Ken Boston, *Sydney Morning Herald*, 10 October 2000, p.14

Declining financial position of government schools

3.8 The Minister's claims of increased financial assistance to government schools avoids the issue of relativities in expenditure increases. Commonwealth Budget papers show that, when this Government came to office in 1996, 43% of Commonwealth outlays on schools and Specific Purpose Payments to the States for schools was allocated to government schools. By 2004, this will have fallen to 34%.

3.9 The decline in the Commonwealth commitment to government schools is shown in the table below, derived from Table 2 in DETYA's submission.

Estimated allocations under the States Grants Programmes (\$'000) (outturn prices)

	2000	2001	2002	2003	2004
Total Government Schools	1,708,150	1,785,064	1,874,621	1,934,592	2,025,914
Total Non-government Schools	2,889,940	3,123,073	3,376,171	3,636,218	3,918,699
Grand Total	4,598,090	4,908,137	5,250,792	5,570,810	5,944,613
Percent Total Government of Grand Total	37.1	36.4	35.7	34.7	34.1

3.10 Ministerial media releases issued at the time of the 1999 Federal Budget referred a billion dollars extra in funding for government schools. This amount referred to the compounded total increase in funding for government schools in the 2001-2004 quadrennium, in comparison with the previous quadrennium. However, after discounting these amounts for price adjustments of 24.8%, and enrolment growth of 0.05%, the real increase in monies to government schools is negligible. On the same basis of a 24.8% price adjustment of 5.9%, the non-government sector will see a real increase of 7.9%.

3.11 There are other indications of further anomalies unfavourable to government schools. Indigenous program funds for government and non-government schools have been omitted from Table 22 in the DETYA submission. What is proposed is a projected increase of 87.2 per cent in Indigenous program funds for non-government schools and an increase of 6.2 per cent in government school funds. Yet, 88.1 per cent of Indigenous students are enrolled in government schools.

3.12 Opposition senators see less significance in manipulation of funding figures by the Minister that they do of his rhetoric on matters like 'freedom of choice'. Where the rhetoric flows the money follows the same direction. The Government appears to believe that investment in government schools will not bring the returns that increased funding of non-government schools will provide, either in educational terms or political terms. Opposition senators believe this to be a serious error of judgement.

Broadbanding of targeted programs and disability issues

3.13 Government schools will be most affected by changes introduced in the bill to targeted programs. A new program, Strategic Assistance for Improving Student Outcomes is mainly concerned with literacy and numeracy outcomes. Currently, primary schools receive \$89 for each special education student, while secondary schools receive \$126. Under new arrangements all schools will receive a single grant of \$102 per student. According to the Australian Education Union (AEU) this may leave government secondary schools worse off because, unlike non-government schools, they have not been given an assurance, that they will not be worse off. The AEU also notes that because this money is now to be pooled with the literacy and numeracy funding, the make-up to non-government schools may come from the pool, leaving less for government schools.⁴

3.14 Similar concerns were expressed by Dr Jim McMorrow from the New South Wales Department of Education and Training who, while stating that there was no general objection to broadbanding, said that stability and security of funding were the main issues. He expressed a personal view that the banding of literacy and numeracy funding with disability funding was a potential problem. A reading of the bill suggested that these students were in competition for funding. Much depended on the administrative arrangements that would be worked out⁵

3.15 Opposition and Australian Democrat senators anticipate that MCEETYA will take a careful watching brief over the administration of special purpose grants.

4 Submission No. 8, Australian Education Union, vol.1, p.70

5 Dr Jim McMorrow, *Hansard*, 23 August 2000, p.92

CONCLUSION

This bill is an appropriation bill that expends \$22 billion of public money on Australian schools. The Parliament must pass a schools bill by the end of 2000 to ensure that Australian schools have funds to call upon in 2001. The form of any such bill, however, is a matter for the Senate to consider very carefully. Labor senators are of the view that the Government's funding model is unfair, unjust and divisive. In the Committee stages of this bill, senators should give serious consideration to the following issues:

- the equity of outcomes for individual schools under this Bill;
- the methodological soundness and adequacy of Dr Kemp's SES model;
- the balance of funding between government and non-government school sectors, including the Government's shift of funds away from government schools through the Enrolment Benchmark Adjustment;
- the adequacy of funding for Catholic systemic schools;
- funding for the two sectors in Literacy and Numeracy, and in Special Education; and
- the administrative arrangements associated with Commonwealth distribution of funds to the states.

Senator Kim Carr (Deputy Chair)

Senator Trish Crossin

Senator Lyn Allison

