AUSTRALIAN EDUCATION UNION SUBMISSION TO THE SENATE INQUIRY INTO COMMONWEALTH FUNDING FOR SCHOOLS

Australian Education Union

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Federal Secretary: *Robert Durbridge* ***Federal President:*** *Patricia Byrne*

Ref: 0011/PB:VZ

19 July 2004

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

Dear Secretary

Re: Inquiry into Commonwealth Funding for Schools

Attached is the electronic format of the Australian Education Union (AEU) Submission to the Senate Employment, Workplace Relations and Education Legislation Committee Inquiry into Commonwealth Funding for Schools in full as requested.

We would welcome the opportunity of furthering our response in person.

Background papers referred to in the submission.have already been sent to you but are also available from the AEU Website at www.aeufederal.org.au .as stated.

Should you have any inquiries regarding this submission, please contact Roy Martin AEU Federal Research Officer in the first instance.

Yours sincerely

Pat Byrne
Federal President

Rob Durbridge
Federal Secretary

The AEU Supplied a number of Background Papers to the Inquiry. Not included here.

These are listed below and can be accessed by clicking on the underlined link:

1. Aulich, Chris and Terry , 2003, Proposals for Improved Accountability for Government Funding to Private Schools AEU, Melbourne CEP, 1999,

2. Cobbald, Trevor, 2003, Estimates of Future Funding of Non-Government and Government Schools AEU, Melbourne.

3. Martin, Roy, 2003, Update on New Private Schools Receiving Establishment Grants, AEU, Melbourne

4. Nicholls, Jane, 2004, Commonwealth Funding Programs for Private Schools AEU, Melbourne

5. Preston, Barbara, 2003, The social make up of schools Family income, religion, Indigenous status, and family type in government, Catholic, and other nongovernment schools. AEU, Melbourne

6. Watson, Louise, 2004, The total operating resources of private schools in 2004 – a Preliminary Investigation, Lifelong Learning Network, University of Canberra -

7. Hayward and Esposto (forthcoming, will be available from http://www.aeufederal.org.au/Debates/schoolscampaign.html

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Tables:

Graphs:

Note that the Terms of Reference are dealt with in sequence. Each Part refers to the relevant part of the Terms of Reference, which is shown at the beginning in italics.

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Executive Summary

This Senate Inquiry addresses one of the most fundamental questions in regard to the delivery of schooling in Australia – the role of the Australian Government.

In 1970 the role of the Australian Government in schooling was virtually non existent. Schools were run primarily by state or territory authorities, with over three quarters of Australian children attending these public schools. The remaining students attended private schools. Some of these, those serving wealthy and "establishment" families, were well provided for from their own finances. Others, notably the Catholic systemic schools, were struggling and unable to provide an adequate education. Rather than allow them to collapse and transfer the students into the public systems, as many advocated, a decision was taken by the Australian Government to mount a rescue package.

This initial rescue package has now grown in such a way that it is distorting the delivery of schooling, and threatens the very viability of free, secular, and universal public schooling in Australia. It is has gone far beyond its original intentions. More recently, its major beneficiaries are those schools least in need. The effect of Australian Government funding is increasingly to undermine the provision of public education through subsidising the private sector in such a way that it can attract sufficient students to residualise the public systems run by state or territory governments. What began as a mechanism to ensure all Australian children had a fair start in life is becoming a mechanism to entrench privilege and ensure the intergenerational transfer of advantage.

Politicians are subject to immense pressure to favour private school interests against the interests of the nation as a whole. In the hands of the existing government which is more than willing to see Australia become more and more riven by inequity, Australian Government funding to schools has become a tool of deliberate social and economic division.

Those who wish the public system harm claim that the so-called drift of enrolments is driven by dissatisfaction with the public system and that parent are "voting with their feet". There is little evidence that this is the case, and considerable evidence that support for both the concept and reality of public schools remains strong. Satisfaction levels appear to be high. The "drift" to private schools has remained at a similar rate over a long period of time. Indeed, the facts seem to suggest that it is only through ever greater funding and lesser regulation that the drift is maintained.

The current government is attempting to stimulate this drift through a series of policies which favour private schools and seek to persuade parents that they must strive to afford a private education. Nearly 70% of parents continue to send their children to public schools. It is unjust that the Australian Government should be prepared to see these students receive a less well resourced schooling in order to promote private schools. Given fair and equitable resourcing, there can be little doubt that the vast majority of Australian parents would choose public schools

It is imperative that the situation be urgently reviewed. It is time for a full and detailed consideration of where we are headed and where we would prefer to go. The interests of

Australian children, the future nature of Australian society and the economic well being of the nation are all at stake.

The AEU congratulates the Senate in initiating this Inquiry, and urges that it be the start of process which can change the future for all our children.

The submission is organised as follows:

Part A - welcomes the **Senate Inquiry**, considers its importance and recommends the Senate call for **a major Commission of Inquiry** to establish base line comparable data and establish desirable long term directions, principles and needs.

Part B - considers the implied **principles** of the current funding regime, noting they are **choice, separation of responsibility for different sectors between levels of government, and an "entitlement" to which parental contribution can be added**. It examines how these principles and the mechanisms arising from them work against public education.

It is noted that the Government is distorting the meaning of terms such as **"equity"** and **"needs based"** from the meanings they have traditionally held in the debate.

Part C - argues that the principles as described above work directly against the **National Goals of Schooling** by under-funding public education and working against social justice.

Part D - considers the ways funding works in practice. It considers **difficulties with the data**, **comparative funding to the sectors, trends in school funding, and the differing levels of student need between the sectors.**

The ways in which the mechanisms used to implement the principles, and distribute Australian Government funding through the use of the **Average Government School Recurrent Cost (AGSRC) index and the Socio-economic Status funding model**, accompanied by **lax new school regulation**, are analysed. This shows that many aspects of the current Australian Government arrangements work against quality, equity, efficiency and effectiveness in the allocation of public funds for schooling.

In particular this occurs in the processes of funding public and private schools. Public schools are disadvantaged by many factors in the process, and the incremental increases in this are such that there is a need for major changes to the way that funding occurs.

It is also noted that even within the private system the current arrangements work against equity. The introduction of the new SES funding model has been biased to the more wealthy exclusive schools. It is shown that the SES model is fundamentally flawed and should be abandoned.

Part E- looks at the inadequacies of current **accountability arrangements for private schools.** This is followed by analysis of the growing problem of the **blurring of the line between "for profit" and "not for profit"**.

Suggestions to improve accountability are made.

Part F - considers **alternative principles** to those espoused by the Australian Government, and the extent to which **the MCEETYA principles** meet these.

Part G - makes additional comments in regard to **pre-school education**. It calls for a **National Plan,** and for the Australian Government to work in partnership with the state or territories to achieve this.

Part H - (forthcoming) makes additional comments in regard to **Aboriginal and Torres Strait Islander funding.**

RECOMMENDATIONS

Recommendation 1: That the Senate recommend a major Commission of Inquiry. The terms of reference of such an inquiry should include to:

- **establish base line consistent and comparable data on school funding;**
- **analyse where Australian schooling is heading under present arrangements;**
- **establish desirable long term directions, principles and needs;**
- **discuss the principles which should underlie Australian Government funding of schools, including its relationship to state or territory funding;**
- **develop the processes necessary to achieve this, including recommendations on the establishment of an appropriate facilitative oversight body.**

Recommendation 2: That the Australian Government give greater priority to the funding of public schools.

Recommendation 3 : That the AGSRC be abolished as a mechanism for indexing funding to private schools and that a community or resource standard which takes account of socio-demographic and geographic differences be developed as a target benchmark for all schools.

Recommendation 4: Decision to give funding by the Australian Government to newly opening private schools must take place within a process which ensures:

- **planned provision to ensure that any growth in private schools is demand driven and that new schools do not deleteriously affect existing schools;**
- **that proposed schools are financially and educationally viable, including that they are of sufficient size to deliver a reasonable range of curriculum offerings.**

Recommendation 5: Establishment grants should be abolished.

Recommendation 6: The SES model of funding private schools should be replaced with one based an assessment of school resources (modified ERI), and appropriate processes of auditing to ensure compliance and consistency be introduced

Recommendation 7: That accountability of private schools be considerably enhanced and funding be made conditional on:

- **Detailed financial reporting on all aspects of the operations of private schools to Parliament through auditing processes conducted on the same basis as those in public schools;**
- **agreements on specific resource targets;**
- **agreement with state or territory Departments on entry and expulsion criteria including processes of appeal;**
- **agreements specifying compliance with curriculum and professional practices as practiced in that state or territory, including teacher registration, exit testing and both national and state or territory discrimination law;**
- **regulation of promotion, advertising and marketing;**
- **fees regulation.**

Recommendations 8: There should be a full and open inquiry to establish guidelines about the interaction of "for profit" and "not for profit" activities of non government schools.

Emergency Assistance must be tied to the "not for profit" operations of non-government schools, and not be available for contingencies arising in their for profit operations

Recommendation 9 Funding should be based on the MCEETYA principles with an emphasis on:

- **the priority of public education;**
- **governments working together to ensure funding ameliorates inequities, rather than exacerbates them;**
- **ensuring that if private schools are to be publicly funded, they are created by a genuine parental demand which does not lead to a supply driven expansion.**

Recommendation 10 : The Australian Government should work in partnership with the states and territories to develop a national plan for preschool education and to fully fund access to high quality free preschool education for all children.

Recommendation 11 That the Australian Government recognise that, since 88% of Aboriginal and Torres Strait Islander students are in public schools, raising the resource levels of public schools is vital to improving the educational outcomes for Aboriginal and Torres Strait Islander students.

Part A

That the following matter be referred to the Employment, Workplace Relations and Education References Committee for inquiry and report by 11 August 2004:

In this Part the AEU welcomes the Senate Inquiry, considers its importance and Recommends the Senate call for a major Commission of Inquiry.

1. Introduction

1.2 The Australian Education Union represents 155,000 teachers and other education workers working in public education and therefore has a vital interest in the funding of schools.

1.3 The AEU has long opposed any funding to private schools. Any views about the models of allocation and the operation of private schools are made in the context of the Terms of Reference set by the Senate for Inquiry. Criticisms in this submission reflect the practical effects of the current processes around the funding of private schools in Australia, which are a particularly unfair and undesirable model of funding.

Public education is dedicated to giving all Australians the foundations upon which to build a future for themselves and their families. It strives to ensure that regardless of personal circumstances all Australians receive a fair start in life and have access to continuing education throughout life. However, the capacity to provide high quality education for millions of young Australians is being undermined. It is being replaced with private systems where the capacity to pay and parental wealth determine the resources available.

The principal difference between public and private schools is that the former are based on the principles of free, secular, and universal education. Public schools cater to all comers and encourage social cohesion. Private schools, on the other hand, are all in some way selective of which students they teach and are generally based on principles of segregation on the basis of religion, wealth, ethnicity or social circumstances. They reserve the right to reject a student at any time, based on the interests of the school. Contrary to the general community standards, private schools are specifically exempted from legislation covering discrimination in educational provision and employment.

By favouring the private sector the Australian Government is deliberately replacing a system dedicated to greater equity with one based on privilege and division.

Many of the measures in the current States Grants Act are designed to encourage and stimulate yet further growth of private schools and the private sector at the expense of public schools. Massively increased funding and the introduction of establishment grants are aimed at creating supply-driven growth in private schools and thus undermining public education. The AEU believes the government is determined to take whatever steps are necessary to stimulate growth in the private sector.

1.4 The AEU is therefore extremely concerned at what is occurring under the current States Grants Act and believes it is timely to review the principles of Australian Government funding before, in effect renewing the current processes for a further quadrennium.

1.5 The AEU therefore thanks the Senate for this opportunity to set on record the concerns it has and some of the data, events, and facts that substantiate these concerns.

1.6 Notwithstanding this, the AEU believes that the principal recommendation from the Inquiry should be the need for a more general, full and open public Inquiry conducted with participation from all stakeholders.

1.7 Over the past several years the debate on Australian Government funding of schools has taken place in an atmosphere where;

- There is no consistent and mutually accepted base line comparable data ;
- there are no clear and widely agreed principles which the funding is seeking to achieve;
- there is no body aside from the political process, such as the previous Schools Commission and School Council, with oversight of what is happening and how it takes place, and which seeks to establish some broad consensus as to what should be happening;
- there is a considerable lack of transparency as to how the current funding is used by private schools.

1.8 For these reasons the AEU believes it is time for a new and full Inquiry on the scale of the Karmel report (1973), conducted in the early 1970s, to re-establish some base of data and principle from which a productive discussion might take place.

1.9 The terms of reference of such an inquiry should include to:

- establish base line consistent and comparable data on all sources of school funding;
- analyse where Australian schooling is heading under present arrangements;
- establish desirable long term directions, principles and needs;
- discuss the principles which should underlie Australian Government funding of schools, including its relationship to state or territory funding;
- develop the processes necessary to achieve this, including recommendations on the establishment of an appropriate facilitative oversight body.

Recommendation 1: That the Senate recommend a major Commission of Inquiry. The terms of reference of such an inquiry should include to:

- **establish base line consistent and comparable data on school funding;**
- **analyse where Australian schooling is heading under present arrangements;**
- **establish desirable long term directions, principles and needs;**
- **discuss the principles which should underlie Australian Government funding of schools, including its relationship to state or territory funding;**
- **develop the processes necessary to achieve this, including recommendations on the establishment of an appropriate facilitative oversight body.**

PART B

The principles of the Government's schools package.

In this Part the AEU will consider what are the implied principles of the current funding regime, based on Government statements. It will examine how these principles work against public education and list the mechanisms which arise from the principles which are also working against public education. It will also point out the way in which the Government is distorting the meaning of terms such as "equity" and "needs based" from the meanings they have traditionally held.

2. Current Flawed Rationale for Australian Government School Funding

2.1 Principles, processes and context of the current Act

2.1.1 The current States Grants Act lacks a stated set of principles for Australian Government school funding. Instead, the rationale for the current process has to be unearthed in government rhetoric. On this basis, the current major principles seem to be:

- "Choice" as the predominant principle.
- Separation of responsibility, with the states and territories said to have responsibility for public schools and the Australian Government for private schools.
- A suggested "entitlement" to some proportion of the public money for students in private schools to which can be added whatever their parents can afford, which operates regardless of the private capacity of private schools.

This is not a desirable set of principles.

2.1.2 Furthermore, seeking to implement them has resulted in a number of flawed processes such as :

- The share of Australian Government funds going to public schools;
- the use of the Average Government School Recurrent Costs Index (AGSRC);
- the Socio Economic Status (SES) Model for determining funding to private schools;
- weak and inappropriate new school regulation.

2.1.3 This takes place in a context where there is:

- a lack of proper accountability by private schools
- a blurring of the lines between "for profit" and "not for profit" schools.

This submission will address these points in turn before considering alternative principles, including those proposed by MCEETYA.

2.2 Choice as the prime principle

The main rationale for the current funding policy is that of choice:

> "Committed to choice, the Howard Government is determined that all parents, having paid their taxes, will receive support in the choice they believe best suits the interests of their child." (Nelson, 2004a).

However, there has been little elaboration by the government of alternative models of choice and diversity, virtually no discussion of the nature of the choice they wish to implement, or of the possible advantages and disadvantages of various models. Nor has the relationship between choice and social fragmentation been discussed.

As a result, the models of choice which are being encouraged through the current funding system are closely linked to capacity and willingness to pay. Not everyone has the same level of choice.

This definition and application of choice undermines the public system. In effect, the choice being offered is a choice to opt out of the public system into a school which has one or more of the following characteristics:

- It is academically selective;
- it is socially selective through its fee structure and other selection policies;
- it deliberately seeks to create a community which is narrower than that of the broader Australian community through religious or other limitations;
- it has a higher level of resources.

In reality, much of what is promoted as parental choice involves schools choosing which students they teach.

Scotch College Melbourne

Scotch College is a Melbourne boys' school charging fees of over $16 000 for Year 12 students. Its admission and exclusion policies are typical of elite schools – stated here unequivocally to be "at the discretion of the Principal".

Admissions

"At the discretion of the School", applications may be given preferential treatment for reasons including:

- "Having a brother currently or having had a brother previously at Scotch;
- "Transfers from interstate or overseas schools similar to Scotch;
- "Sons or grandsons of former students of Scotch College Melbourne;
- "Potential to perform at an exceptional standard academically or in other areas of the school program."

Scotch is looking for students who resemble socially those already attending the school. It is also looking for students who will become assets to the school in terms of performance, and unashamedly accords preference to such students.

Exclusion policy

Before a boy is admitted to Scotch, his parents are required to sign a form agreeing to a set of conditions including the following:

"If in the opinion of the Principal it is desirable, in the interest of the College, that a boy should not continue any longer as a pupil he may notify the parents or either of them or guardian to that effect and remove the boy's name from the School Roll and debar him from further attendance. The parents or guardian shall be liable for all school fees, etc., up to the day of notification."

There is no mention of an appeals process or any form of redress open to parents in such an event. Nor does the notice specify the criteria or grounds upon which a student might be excluded. In other words, the parents must sign away all rights regarding their son's attendance at the school.

(Source: http://www.scotch.vic.edu.au/)

Real choice can only exist where public schools are as well resourced as those in the private sector.

Within this context, the Government and some private school organisations are seeking to re-define equity as meaning enabling more lower income parents to send their children to private schools. For instance a recent report for the Victorian Catholic Education Commission (Long, 2004) argues that Catholic schools need more funding to enable them to attract more students from lower income families.

Work by Preston (2003) will be considered later. It demonstrates that for any sub-group of the population, those with the higher incomes are more likely to attend private schools. Tackling equity by increasing private school grants only exacerbates inequity.

2.3 Separation of responsibility, with the states and territories having responsibility for public schools and the Australian Government for private.

2.3.1 In seeking to find a rationale to explain its largesse to private schools, the Howard Government has persistently tried to imply that it has a responsibility to look after private schools whilst state or territory governments look after public schools.

> Under the Australian Constitution, state schools are the responsibility of state and territory Governments. They own the schools, manage them and have the major financial responsibility for them. Since 1985, Australian Governments – Labor and Coalition, have been the primary source of funds for Catholic and Independent schools. (Nelson, Media Release, 11/03/2004).

There is no enumerated head of power in the Australian constitution giving the Australian Government any powers in regard to schools, and particularly not to discriminate between public and private education. The fact is education is not mentioned in the constitution and school policy (not just funding) is therefore primarily a state and territory responsibility, regardless of whether they are public or private. From the early 1970s the Australian Government began to provide recurrent expenditure to both private and public schools and has played an important role in resourcing both sectors, in partnership with the states and territories. This funding was based on three key principles:

- A primary obligation to public schools.

Until 1999 the relevant Act included words such as

> **"**The primary obligation, in relation to education, for governments to provide and maintain government school systems that are of the highest standard and are open, without fees or religious tests, to all children".(Schools Commission Act 1973, Section 13 (4).)

which placed a primary responsibility on the Australian Government to maintain public school systems of the highest standard.

- It was needs based and designed to bring all schools to a community or average standard.

From the 1970s, until 1993, most Australian Government funding was based on a principle of seeking to achieve a common resource standard for all schools in Australia, both public and private. In essence, this meant a system of Australian Government support based on need. This target later became expressed as a Community Standard,

and funding was directed to bring the least well resourced schools in both sectors up to this standard.

In 1993 it was argued that all public schools had achieved this standard and so the community standard was replaced by the Average Government School Recurrent Costs (AGSRC). Though the Australian Government role in funding schools remained primarily based on the principle of need and achieving a common standard across all schools, this was a significant detrimental change for public schools since they in effect became the benchmark, rather than having a target benchmark to which to aspire.

This situation has further deteriorated with the Howard Government's stated view that it has a greater obligation to private schools. It means that public schools have little to gain from Australian Government funding. Indeed, in comparative terms, they are losing, as will be shown below.

In other words, in espousing a greater responsibility to private schools, the Australian Government is denying not only an equal responsibility for the vast majority of Australian students in public education, but any obligation to ensure the provision of schooling in Australia is fair and equitable.

Both the current Minister Nelson and his predecessor Minister Kemp have issued numerous media releases such as "South Australia Fails to Match Howard Government's Increases to South Australian State Schools" (Nelson, 2004b), claiming time and time again that state or territory governments are not increasing spending on public schools at the same rate as the Australian Government is. To the extent this is true (and there is cause for considerable scepticism about their accuracy), it is an admission that the separation of obligations they have created and are seeking to justify, is working to the disadvantage of public schools. Rather than seeking to make political capital from it, a government genuinely concerned with the welfare of all students would change the principle from which the inequity results.

- It sought greater equity with programs for the most disadvantaged schools and students.

In addition to the general recurrent funding provided on a needs basis, the Australian Government has also traditionally funded a number of programs, called targeted programs, designed to stimulate greater equity in schooling outcomes for Australian children.

These have included the Disadvantaged Schools Program, the National Equity Program, Indigenous education support programs, Students At Risk Program, and other programs aimed at those with special needs or who are educationally disadvantaged.

The proportion of total schools funding going to targeted programs is declining, in favour of recurrent funding, as shown in Table 1. This trend is becoming far more noticeable under the Howard Government. This has a further deleterious impact on funding for public schools, since they receive nearly 70% of targeted funding as opposed to less than a third for recurrent funding.

Table 1 – Recurrent funding as a % of total funding by sector

	Government schools	Non government schools
1993	66%	66%
1997	69%	69%
2002	71%	71%
2003	72%	93%
2004	72%	94%
2005	72%	94%
2006	73%	94%
2007	73%	94%

Source: Hayward and Esposto, 2004,

2.3.2 Despite these attempts to suggest a division of responsibility, the Australian Government has indicated that it intends to impose a number of "New performance measures tied to funding" for the new quadrennium (Nelson, 2004a). These measures will apply to both public and private schools. Many of these matters are already the subject of discussion through the MCEETYA processes. It appears both that Minister Nelson is trying to gain the credit for mutual initiatives and to ensure that it is his interpretation of the best way to implement them that prevails without the bother of discussing it openly and constructively with other stakeholders.

This is regrettable, and reflects the Minister's unwillingness to enter into a positive and constructive partnership through the MCEETYA process. It is inappropriate for the Australian Government to pre-empt these processes. Australian schooling would be better served by an Australian Government more willing to work in partnership with the states and territories. In doing this, it is to be hoped they would seek to improve quality in schooling by taking their share of responsibility for the fair distribution of funding and participating constructively in discussions on appropriate performance measures. As it is, state and territory governments are left in the invidious position whereby they must accept inadequate and discriminatory funding tied to poorly thought through performance mechanisms. The only alternative would be to refuse Australian Government funding, further disadvantaging public schools.

2.4 A suggested "entitlement" to some proportion of the public money for students in private schools to which can be added whatever their parents can afford, which operates regardless of the private capacity of private schools.

The government bases its funding of private students in an implied argument that all students are entitled to a share of public expenditure on schools.

> Every child in a Catholic or independent school receives less public finding than they would in a state government school for which their parents' State and Commonwealth taxes have already paid. (Nelson, Media Release, 11/03/2004).

Whilst the exact amount of this entitlement is left open, the argument implies the "fair" situation is one where the amount allocated for each student could equal the per student cost of students in public schools.

To ignore the impact on the comparative resource levels of schools results in a situation where the resource levels available to students are determined by the capacity and willingness of their parents to pay.

Focussing on an "entitlement" to students automatically by-passes arguments about equity and school resources.

As the Government states:

> The Australian Government's funding formula for Catholic and Independent schools does not take account of the size of a school's fees or a school's existing asset base because such an approach would penalise parents for spending their own money on their child's education. (School Funding – The Facts, Australian Government).

It is impossible to operate such a principle and seek to achieve a distribution such that those with the greatest need are the ones that receive the greatest resourcing, especially since the link between lower socio-economic status and need for greater resourcing in education is well established.

The current Government model ensures the opposite.

To the extent that the current model is "needs based" it can only be so within the private sector, not between the sectors. As will be seen later, even this is doubtful.

The Government has quite deliberately and deceptively redefined the meaning of needs based to mean the need for help in meeting private school fees rather than its original meaning of educational need.

The issue which the government should focus on is not how much government money each sector gets, but that Australian Government funding increases inequity by giving large sums of money to private schools which already operate at two and three times the resource levels of public schools**.**

PART C

a. *the capacity of all schools to meet current and future school needs and achieve the Adelaide declaration on the National Goals of Schooling for the 21st Century*

In this Part, the submission will argue that the principles as described in Part B work directly against the National Goals of Schooling by under-funding public education and working against social justice.

3. Working against the National Goals

3.1 The National Goals

3.1.1 The *Adelaide Declaration on the National Goals of Schooling for the 21st Century* is based on a view of schooling which believes that all children have potential, a right to have that potential developed, and that this is both an individual right and in the national interest. This is both implicit and explicit in much of the document.

3.1.2 The National Goals are also explicitly supportive of social justice and equitable outcomes for all social groups:

> **Schooling should be socially just, so that:**
>
> students' outcomes from schooling are free from the effects of negative forms of discrimination based on sex, language, culture and ethnicity, religion or disability; and of differences arising from students' socio-economic background or geographic location
>
> the learning outcomes of educationally disadvantaged students improve and, over time, match those of other students. (MCEETYA, 1999)

3.2 The Australian Government and the National Goals

3.2.1 The current principles of the Australian Government funding model work directly against this. Whilst there are elements of it, such as the targeted programs and the general support for schools, the underlying principles ensure the effect of the funding not only does not support the National Goals, it works in opposition to them.

3.2.2 In summary, as shown above, the principles which the Australian Government currently espouses work against:

- a fair and equitable distribution of the resources available to each student;
- the allocation of unequal resourcing to achieve equitable outcomes;
- the provision of public education to those who want it.

3.2.3 Because the funding from the Australian Government gives more to those already advantaged and is biased against public schools, it puts public schools at a disadvantage, both absolutely and relatively.

- They are being disadvantaged absolutely by a failure to recognise the needs which exist in the public system and thus by having to accept less than adequate resourcing.

- They are disadvantaged relatively because the effect of Australian Government funding to schools is to increase the inequitable provision of resources. Even those private schools with high levels of resources are supported in preference to public schools, further widening the resource gap between them.

PART D

b. *the role and responsibility of the Australian Government , in partnership with state and territory governments, for quality and equity in public funding for government and non-government schools across Australia and for promoting efficiency and effectiveness in the allocation of public funds for schooling, including effects on enrolment trends in the government and non-government sectors.*

As noted above, it is important funding in schooling be distributed in a way which supports the achievement of equitable outcomes for all social groups as supported in the National Goals. In general this means the distribution of resources based on educational need. Those with the most need should receive the highest levels of resourcing.

It has been shown above that the current principles of Australian Government funding work against this.

The effect of this in practice will now be considered. It will be shown that many aspects of the current Australian Government arrangements work against quality, equity, efficiency and effectiveness in the allocation of public funds for schooling. In particular this occurs in the processes of funding public and private schools. Public schools are disadvantaged by many factors in the process, and the incremental increases in this are such that there is a need for major changes to the way that funding occurs.

It is also noticeable, however, that even within the private system the current arrangements work against equity. The introduction of the new SES funding model has been biased towards the more wealthy exclusive schools. This was noted above in terms of the principles and will be further elaborated below.

4. Comparison of Funding Levels

4.1 The data base

4.1.1 Before moving to discuss funding trends it is important to re-emphasise that there are currently no widely accepted figures which allow simple comparisons between the sectors.

The ABS Education and Training Indicators (ABS, 4230.0, 2002, p.24) notes:

> The expenditure data (Expenditure per student – Government Schools) … should not be compared to the expenditure of non-government schools per student due to differences in the scope of the data, the reporting period, and in the accounting basis used.

In the absence of such data the debate is as much about the validity of the data as the data itself.

Recently the Government has taken to using comparisons which are clearly invalid. They generally compare the accrual accounting expenditure of public schools with the cash income of private schools, a method that considerably inflates expenditure on public schools.

On this basis, they have made claims which distort public perceptions about the relative funding of the two sectors.

4.1.2 The AEU has sought to base its arguments on the best data available. In particular it has commissioned two pieces of work by respected experts in the field (Hayward and Esposto 2004, Cobbald 2003). These discuss the problems with the data and then seek to use the most appropriate data available.

4.1.3 It is also the case that the private sector is extremely diverse in terms of funding levels. There are huge variations around any averages, and there will be many exceptions to any generalisations.

Comparisons of funding levels are therefore problematic. Nevertheless, a basic understanding of the relative resource levels in schools is fundamental to a discussion within the current context of funding.

4.2 Other private school funding

The grants given by the Australian Government contribute on average about 40% of private school income, with about 43% coming from private sources and 17% from state or territory sources. There is wide variation around these averages.

In addition, there are a number of other ways in which private schools benefit from public money. Many of these are substantial but uncosted and include such areas as:

- Interest subsidy schemes

- Curriculum support
- Professional development
- Transport assistance
- Textbook and /or other resource allowances
- Student support
- Living away from home allowances
- Examination and testing provision
- Participation in programs such as Sunsmart and learn to swim

There is concern that the private school component of these costs is actually included in the expenditure for government schools and reflected in the AGSRC, rather than attributed to private schools.

4.3 Capital assets

4.3.1 A number of private schools also have extremely substantial capital assets with investments in major real estate, large trust funds and the like. These funds are no longer taken into consideration in their funding. The need of these schools for government funding at all can only be described at best as minimal.

4.3.2 Of equal concern is that some schools appear to have operating surpluses and are actually building up capital assets whilst receiving government recurrent funding. Public schools have severe limitations placed on their capacity to do this. It is not desirable that public money given for recurrent purposes leads to operating surpluses which can be banked. This is clearly the antithesis of need.

4.4 The current comparison

4.4.1 Cobbald (2003, p.4) considered the relative funding levels of the sector in considerable detail and concluded:

> Alternative estimates of the future funding of government and non-government schools indicate that by 2003-04:
>
> - non-government schools will increase their funding advantage over government schools from about 7 – 8 per cent in 2000-01 to 12 – 17 per cent;
> - Catholic school funding will improve from 8 – 9 per cent below government school expenditure in 2000-01 to being on a par with government schools;
> - Independent schools will increase their funding advantage over government schools from 31 – 36 per cent in 2000-01 to 40 – 44 per cent.
>
> The measure of non-government school expenditure tends to under-estimate non-government school funding in comparison with government school expenditure because:
>
> - many non-government schools, particularly in the Catholic sector, still use cash accounting and their expenditure is underestimated relative to the government school accruals measure;

- private in-kind contributions to non-government school facilities and resources are omitted and these are likely to be higher than fees and donations to government schools, which are also omitted;
- several forms of government assistance to non-government schools are omitted and some are included in government school expenditure. These include taxation concessions, access to services provided by state and territory Departments of Education and the administration of government funding and public accountability arrangements.

If adjustments were made to take account of these factors, the non-government school funding advantage over government schools would be higher than the above estimates.

Comparisons between government and non-government school expenditure should be adjusted for the different social obligations of the sectors. Government schools enrol higher proportions of students with complex learning needs that incur higher costs and government schools must meet other public obligations such as maintaining a system of local schools. Adjustment for these differences in costs would extend the funding advantage of non-government schools over government schools.

4.4.2 It is clear that within these general figures a large number of private schools operate above the normal resource levels of public schools on the basis of their fees alone. About 25% of schools would operate above even the most conservative AGSRC measure on the basis of their fees alone. (Watson, 2004)

4.4.3 In addition there are around another 25% of schools which operate at superior levels on the basis of their fees and government grants.

4.4.4 There may be a number of schools which operate below public school resource levels. However, if the socio-demographics of the student body are taken into account this would appear to be a small minority, and their existence raises questions about the lack of new schools regulation, which will be addressed below.

4.4.5 It is worth noting that comparisons are based on the AGSRC. The AGSRC is an average of public schools and by definition, not all public schools operate at this level.

4.5 Catholic schools

4.5.1 The situation in regard to Catholic schools requires particular attention. Data, such as ABS data on student teacher ratios, (ABS, 2004) is used to support the assertion of the existence of the "poor Catholic school".

Hayward and Esposto considered the increases in Catholic school funding since 1991 (Tables 5 and 6) and conclude that, "Catholic school funding has been increasing by a rate well above the AGSRC Index".

Table 2 – Federal government per capita grants to primary Catholic schools, Australia, 1991-2003 current prices ($)

	Catholic Primary schools ($)	Catholic Annual Increase	AGSRC Index	Real Increase above AGSRC
1991	1,277			
1992	1,313	2.8		
1993	1,514	15.3	3.6	11.7
1994	1,620	7.0	5.1	1.9
1995	1,683	3.9	2.0	1.9
1996	1,756	4.3	2.5	1.8
1997	1,921	9.4	7.4	2.0
1998	2,045	6.5	4.6	1.9
1999	2,380	16.4	5.5	10.9
2000	2,608	9.6	7.4	2.2
2001	3,023	15.9	6.4	9.5
2002(a)	*3,216*	*6.4*	*5.2*	*1.2*
2003(a)	*3,422*	*6.4*	*na*	*na*

Source: MCEETYA, National Report on Schooling, (1991-2001). (a) From Senate Estimates Question E617_03, 2002-03 Additional Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation committee. List of schools information (government and non-government) provided to the Parliamentary Library by the Schools Statistics Section, Research and Evaluation Branch, DEST. - Source Hayward and Esposto, 2004)

Table 3 – Federal government per capita grants to secondary Catholic schools, Australia, 1991-2003 current prices ($)

	Catholic Secondary Schools ($)	Annual Increase	AGSRC Index Secondary	Real Increase above AGSRC
1991	1,892			
1992	1,938	2.4		
1993	2,212	14.1	3.6	10.5
1994	2,367	7.0	5.1	1.9
1995	2,458	3.8	2.0	1.8
1996	2,567	4.4	2.5	1.9
1997	2,805	9.3	7.4	1.9
1998	2,986	6.5	4.6	1.9
1999	3,469	16.2	5.5	10.7
2000	3,807	9.7	7.4	2.3
2001	3,991	4.8	7.2	- 2.4
2002(a)	*4,246*	*6.4*	*5.2*	*1.2*
2003(a)	*4,518*	*6.4*	*na*	*na*

Source: MCEETYA, National Report on Schooling, (1991-2001). (a) From Senate Estimates Question E617_03, 2002-03 Additional Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation committee. List of schools information (government and non-government) provided to the Parliamentary Library by the Schools Statistics Section, Research and Evaluation Branch, DEST. - Source Hayward and Esposto, 2004)

It should be noted that the Karmel report in 1973 reported that Catholic schools were operating at 80% of government resource standards. In 1990 (Dawkins, 1990) they were said to be operating at 87% of AGSRC. Recent data produced by DEST and published by the NCEC (1992) (disputed by Cobbald , 2003) claims they are now operating at 80% of AGSRC again!

This is a clear example of how funding to private schools needs to be more regulated. The most likely explanation for this apparent discrepancy is that the funding given to Catholic schools has not led to an increase in the areas covered by the AGSRC, but has enabled substitution of their private funding into other areas, such as capital funding.

The AEU believes that funding agreements must be more specific about the resource outcomes that will result from the funding. This issue will be returned to in the section dealing with accountability.

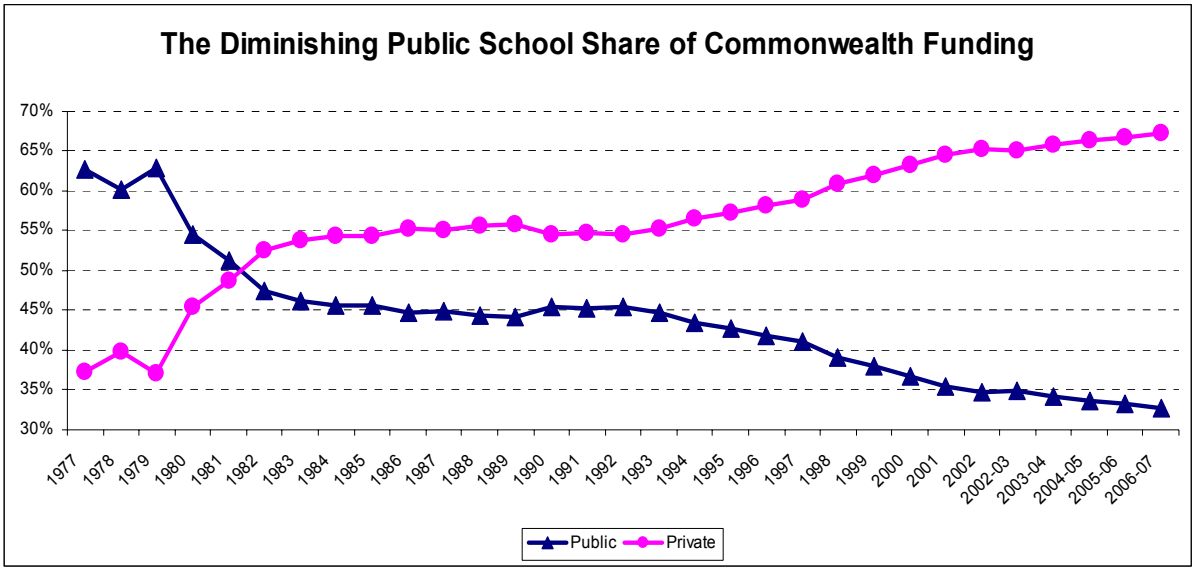
It also highlights the need for a full Inquiry into funding, including the funding of Catholic schools. (as in Recommendation 1)

5. Trends in School Funding

5.1 Australian Government

5.1.1 The proportion of Australian Government schools funding going to public schools has declined over time (See Graph 1) from around two thirds in the 1970s to one third now. Under the funding proposals for the next quadrennium issued by the Government on March 11th public schools will receive only about 31%.

Graph 1



Source: States Grants Report and Budget Papers

Table 4 shows the pattern in regard to recurrent and total expenditure over the period from 1993, using Budget Estimates to project through to 2006/7. It further illustrates the steady decline in the share of Australian Government funding going to public schools. Expenditure on private schools has increased at more than twice the rate of that on public schools, and this difference is accelerating.

Table 4 – Real recurrent, targeted and capital federal school expenditure, Australia, 1993-2006-07

	Recurrent Expenditure ($ m)		Total Expenditure (R+T+C) ($ m)		Recurrent Expenditure Share (%)		Total Expenditure Share (%)	
Year	**Govt**	**Non-Govt**	**Govt**	**Non-Govt**	**Govt**	**Non-Govt**	**Govt**	**Non-Govt**
1993	1,009	1,652	1,532	1,892	29.5	48.3	44.7	55.3
1997	1,129	2,137	1,633	2,336	28.4	53.8	41.1	58.9
2002	1,361	3,364	1,913	3,598	24.7	61.0	34.7	65.3
Federal Budget Estimates								
2002-03	*1,432*	*3,645*	*1,998*	*3,909*	*24.2*	*61.7*	*33.8*	*66.2*
2003-04	*1,536*	*4,035*	*2,132*	*4,307*	*23.9*	*62.7*	*33.1*	*66.9*
2004-05	*1,632*	*4,360*	*2,255*	*4,645*	*23.6*	*63.2*	*32.7*	*67.3*
2005-06	*1,734*	*4,698*	*2,378*	*4,994*	*23.5*	*63.7*	*32.3*	*67.7*
2006-07	*1,840*	*5,049*	*2,510*	*5,358*	*23.4*	*64.2*	*31.9*	*68.1*
Change								
1997-2002	20.6	57.4	17.1	54.0	-3.7	7.2	-6.4	6.4
2002-03 / 2006-07	28.5	38.5	25.6	37.1	-0.9	2.5	-1.9	1.9
1997-2006/07	63.0	136.3	53.7	129.4	-5.1	10.3	-9.2	9.2
Average annual growth	6.3	13.6	5.4	12.9				

Source Hayward and Esposto, 2004

5.1.2 It is sometimes suggested that this increase is driven by enrolment growth in the private sector. Given that the increases in funding are far greater than the increases in enrolments this is self evidently untrue.

However, this is confirmed by considering the increase on a per student basis. Table 5 does this in regard to recurrent grants, which make up around 87% of all school funding. For private schools, these have increased at three times the rate of public schools.

Table 5 – Real Australian Government recurrent grants for schools, Australia,1993-2002 (2002 = 100)

Year	Government	Catholic	Independent	Non-Government	Total
	$m	$m	$m	$m	$m
1993	1,009	1,030	623	1,652	2,661
1994	1,047	1,116	662	1,777	2,824
1995	1,055	1,172	693	1,865	2,919
1996	1,062	1,247	691	1,939	3,000
1997	1,129	1,357	779	2,137	3,265
1998	1,169	1,542	850	2,391	3,561
1999	1,199	1,676	952	2,628	3,827
2000	1,264	1,850	1,057	2,907	4,171
2001	1,323	2,079	1,076	3,155	4,479
2002	1,361	2,162	1,201	3,364	4,725
Change					
1993-1996	5.3	21.1	11.0	17.3	12.8
1997-2002	20.6	59.3	54.1	57.4	44.7
1993-2002	34.9	110.0	92.9	103.5	77.5

Source Hayward and Esposto, 2004

5.2 All government funding

5.2.1 Obtaining comparable up to date data on state or territory expenditure is not possible. (See Hayward and Esposto, 2004, p. REF). Table 4 therefore uses Commonwealth Grants Commission data to compare expenditure by all levels of government. It shows that expenditure on private schools by all levels of government has increased far more rapidly than that on public schools over a ten year period to 2001/02. In real terms, private school expenditure has increased by 91% whilst that to public schools has increased by only 28%.

Table 6 – Nominal and real government expenditure on government and non government schools, Australia, 1992-93 to 2001-02

Year	Current prices ($ m)			NFGDP Indexed (a) ($ m)		
	Govt	Non-Govt	Total	Govt	Non-Govt	Total
1992-93	9,619	2,170	11,789	11,353	2,562	13,915
1993-94	9,794	2,308	12,102	11,475	2,704	14,179
1994-95	9,795	2,486	12,281	11,379	2,888	14,267
1995-96	10,014	2,656	12,670	11,341	3,008	14,349
1996-97	10,276	2,980	13,256	11,402	3,307	14,709
1997-98	11,024	3,365	14,389	12,059	3,681	15,740
1998-99	12,185	3,684	15,869	13,234	4,001	17,235
1999-00	12,912	4,040	16,952	13,769	4,308	18,077
2000-01	13,726	4,519	18,245	13,988	4,605	18,593
2001-02	14,585	4,900	19,485	14,585	4,900	19,485
Change $m						
1991/2-95/6	395	486	881	-12	446	434
1996/7--01/2	4,309	1,920	6,229	3,183	1,593	4,776
1992/93-01/02	4,966	2,730	7,696	3,232	2,338	5,570
Change%						
1992/3-1995-96	4.1%	22.4%	7.5%	-0.1%	17.4%	3.1%
1996/97-2001/02	41.9%	64.4%	47.0%	27.9%	48.2%	32.5%
1992/93-2001/02	52%	126%	65%	28%	91%	40%

Source Hayward and Esposto, 2004

5.2.2 The AEU does not exonerate the state or territory governments of responsibility for contributing to this situation. It does not argue that it is entirely the fault of the Australian Government. It does argue, as noted above, that given this situation, the Australian Government is deliberately exacerbating the situation by adopting a policy of divided responsibility and implementing policies which are so evidently increasing the gap between public and private school funding.

The Australian Government has a moral responsibility to all children in Australia and its policies, which are the subject of this Inquiry, must be judged by the extent to which they contribute to the growing inequity.

5.2.3 The AEU does not dispute that public schools have received an increase in Australian Government funding. This is almost solely due to the indexation mechanism which operates through the use of the AGSRC. However, private schools have received much larger increases and consequently the share of funding going to that sector has increased considerably.

This does have a deleterious impact on public schools. The benefits of education are both absolute and relative. Therefore it is entirely disingenuous of the Government to suggest that the share of funding is not important. This is elaborated by Connors:

> Through subsidising high fee, high resource schools, governments are, in effect, endorsing their atypically high resource standards as both appropriate and necessary. The issue for governments is that either these superior resource standards are justifiable on educational grounds, or they are not. If they are justifiable on the grounds that these schools require these resources to enable their students to learn successfully, then these are surely the resource standards that governments should adopt and apply to schools generally as the acceptable norm.
>
> Since these high resources are the result of high admission fees, the student intake of such schools is drawn disproportionately from a socio-economically and educationally privileged section of the community. It could be argued that an even higher resource would therefore be appropriate for schools drawing their students from families living in hardship.
>
> Alternatively, the resource standards in these atypical schools are not justifiable on educational grounds. This view could be justified by available evidence of achievement levels in public and other schools that serve roughly comparable communities but that operate at lower resource levels. In this case, there would be no justification for public funding of these schools as parts of a needs-based scheme. It is worth noting that the concern for equity from within the non-government sector in the ACT appeared to focus more on comparing the resources available between the government and non-government school sectors than on the resource disparities among schools within the non-government sector itself. It was not clear whether this implied a view that governments should treat some children and young people as deserving of lower resource standards than others on grounds other than educational need; or that the resource standards in the high-fee, high resource schools within in the non-government sector are seen by others within the non-government sector as unrealistically and unnecessarily high.
>
> It is not in the public interest for government to foster, through schools funding arrangements, community aspirations that are neither realistic or justifiable on educational grounds. Nor is it is consistent with principles of equality and equity that public money be used to widen the already significant gap between the resources available in the highest-resourced non-government schools and all other schools. (Connors, 2003).

5.3 Capital funding

5.3.1 Capital funding makes up only about 5% of total Australian Government funding. As noted by Hayward and Esposto (2004)

> … total capital expenditure declined substantially over the 1993-2002 period. While all sectors were affected by this decline, the bulk was shouldered by the non-government schools sector.

5.3.2 A recent DEST publication (DEST, 2003) looking at the infrastructure needs of private schools noted:

> Of all characteristics, enrolment size was the one that was most likely to be associated with higher than average rectification costs per metre….
>
> A possible contributing factor to the higher than average costs recorded for a number of very small schools may relate to the practice of establishing operations in ‘second hand’ or adapted

> buildings which tend to be older and may, as a consequence, have high associated maintenance costs. (p.38)

It also ominously points out:

> Because the costs of providing even a basic set of school facilities is so high, very few communities are able to meet the entire cost of constructing a new school from private resources. The level of capital assistance provided by the Commonwealth and State governments is therefore likely to have significant influence on the number of new non-government schools that are able to commence in any given year. (p.71).

However, as is considered below, there are now very few limitations on new schools opening, and since the deregulation of private schooling, a high proportion of new schools are small. They therefore fall within that category most likely to have infrastructure needs. It would seem that failure to properly regulate new private schools is building up infrastructure needs.

5.3.3 There are also a number of other trends in regard to capital funding which lead to concerns that the grants to private schools are not necessarily directed where they can most meet real need.

5.3.4 Nicholls (2004, p.29-29) expresses considerable concern about the nature of some of the schools receiving capital funding in the case, particularly, of independent schools. She notes the number of wealthy private schools who receive this funding, and goes on to observe:

> Perusal of the details of Commonwealth capital grants to government and private schools for 2002 reveals a disturbing trend. While, typically, public schools are funded for the most basic of purposes – "redevelopment of classrooms", "construction of general purpose classrooms", "upgrade of administration area", "new toilet block" – the same is not generally true for private schools. Far more common, especially in independent, as opposed to Catholic systemic, schools are grants for specialist, high-tech and even lavish facilities of the kind often not available in public schools. These include, for instance:
>
> - "a design and technology… facility"
> - "food technology, textile and design areas"
> - "multi-purpose tiered hall… specialist classroom, physical education facility, music practice building"
> - "technology block including art, music, science, LOTE… computer lab… student amenities… landscaping and improvements"
> - "creative arts block comprising art room, senior arts store room, photography room, kiln, drama and music room, music practice room and store room, design and technology rooms….".

The King's School
The King's School plans a $16 million upgrade to its facilities (King's Gazette, November 2000), including, believe it or not, $140,000 for a new gate. According to King's Council Chair Rev Martin Robinson, this is needed because ``first impressions are important'', and ``to announce The King's School as a quality place of learning'' (Parramatta Advertiser, November 1 2000).

5.3.5 Nicholls also highlights concerns over the administration of these grants, particularly where the school is sold or when the school ceases to operate, believing only a small proportion of the funds may be recouped. (Nicholls, 2004, pp.30-31).

5.3.6 It should also be noted that private schools have a capacity to borrow against infrastructure which compounds the benefit of any capital grant.

5.3.7 Private schools are also able to make extensive use of tax deductibility for donations to building funds. The value of this is difficult to obtain and does not appear to be reported anywhere. However, Wilkinson and Dennis (2004) express considerable reservations about the practices of some independent schools in regard to the extent to which they imply a degree of compulsion on parents to contribute when the regulations clearly specify they must be voluntary.

SYDNEY CHURCH OF ENGLAND COEDUCATIONAL GRAMMAR SCHOOL (SCECGS)

This school has come to media attention on more than one occasion in the last few years. Events include:

- 1997: the purchase, for $6.35 million, of the collapsed Australian College of Physical Education in Homebush – a private tertiary education institution offering Bachelor's degrees. Central to the sale was then SCECGS headmaster, Peter Cornish, and the deal was largely financed by a parent of a student at the school and a director of the school – believed to be Robert Dunnet.
- 2000: SCECGS rented out its Homebush facilities to Blazer Hospitality International for the duration of the Olympics. The school was also apparently more deeply involved in financial dealings with Blazer, which immediately after the Games went into receivership, following a ruling by the ACCC that blocked an anti-competitive exclusive Olympic ticketing deal with SOCOG. It is rumoured that the school lost about $2 million in the company collapse.
- 2001: creditors of the collapsed Blazer International threatened to take SCECGS to court for the $2 million owed. The school denied that it had represented itself as involved in the Blazer International catering venture.
- 2001: Brad Keeling, whose name is known for involvement in the fate of One-Tel, was said (in the *Australian Financial Review*) to be considering legal action against SCECGS over the $1 million donation and $5 million in loans he had made to the school for specific building projects. None of the buildings had been commenced, although the school had apparently spent his money. Keeling was of the view that his funds had gone to the creditors of the collapsed SCECGS and Blazer International Olympic catering venture.
- 2002: Peter Cornish, SCECGS headmaster, went on "sabbatical leave" at the commencement of the year and was replaced as head in August. He then took up a position as General Manager at the Japanese School of Sydney, which in 2004 experienced a financial crisis and considerable disruption and parental discontent, reported in the media.
- 2004: SCECGS sold the Homebush Australian College of Physical Education to a group including Peter Cornish and Robert Dunnet, a former school director. These persons were centrally involved in the purchase, seven years previously, of the College by

SCECGS. The $7 million sale was said by the school to represent a gain of $3 million, although this is hard to compute when the school's original purchase price on the College was $6.35m.

What does all this tell us? First, that extremely reputable "establishment" private schools appear to get themselves involved in complex and questionable dealings. Second, that private schools can take advantage of their status as tax-exempt "charities" to net themselves substantial profits from real estate speculation. Third, that some schools are in receipt of large donations and loans from wealthy individuals – and donations to these schools counts as a tax deduction. Brad Keeling's $1m donation to SCECGS cost the Australian taxpayer about $500 000. Meanwhile, if the newspaper reports are correct, this $1m has gone to pay off the debts incurred by SCECGS in an escapade that was purely a business venture and nothing to do with its educational role.

The story also raises some questions about the capacities of those responsible for the financial management of the school. SCECGS is a multimillion dollar enterprise. It receives over $1.5m in Commonwealth recurrent grants annually, in addition to its fee income which would approach $20 million p.a., and other income from investments and donations. It is not known how the parents of SCECGS students view the events described above. Australian taxpayers, however, might have reason to question the appropriateness of the subsidies – direct and indirect – that their taxes fund.

6. The Needs Factors

The composition of the student body in public and private schools is not the same. Public schools have greater numbers of students with more complex learning needs which require higher levels of expenditure. As described below, there are higher concentrations of students with disabilities, Indigenous students, students from rural and remote geographic areas and those from lower socio-economic backgrounds. This has a considerable effect on the cost structures of public schools.

6.1 Students with disabilities

Of those students classed as having a disability, 82% attend public schools. 4.2% of students in public schools have a disability, compared to 2% of those in private schools. (Report on Government Services, 2004, Table 3A.16).

However, Australian Government funding to private schools of $654 per student is far more generous than that to public schools ($129)

6.2 Indigenous students

4.7% of students in public schools are Indigenous; the comparative figure for private schools is 1.5%. 87.5% of Indigenous students attend public schools. (Report on Government Services, 2004, Table 3A.14,).

Despite this over 30% of Indigenous Strategic Initiatives funding goes to private schools.

6.3 Geographic distribution

The public school systems have an obligation to provide schools where there is a need. As a result, they have a higher proportion of the students from low population areas and a lower proportion of students from the metropolitan zone. Table 7 summarises the information for Australia.

Table 7 – Percent of students attending schools 2002 in metropolitan, Provincial and Remote Zones

Metropolitan zone	
Government Schools	67.8%
Non-governments schools	78.1%
All Schools	71.0%
Provincial zone	
Government Schools	29.1%
Non-governments schools	20.7%
All Schools	26.4%
Remote zone	
Government Schools	3.1%
Non-Government Schools	1.2%
All Schools	2.5%

Source: Report on Government Services, 2004, Table 3A – 17

6.4 Socio-economic make-up of public and private schools

6.4.1 Analysis of the data from the 2001 Census shows a very clear connection between the income of the families from which students come and whether they attend public or private schools.

In her paper "The Social Make-up of Schools" Barbara Preston (2003) considered the issue in a number of different ways. Her findings consistently showed that for any group of students, the higher the income of the family, the more likely they are to attend private schools. Whilst this is most true in regard to independent schools, Catholic schools also have higher proportions of students from medium and high income families. Even amongst Catholic families, attendance at Catholic schools is more likely if the family has medium or high income.

6.4.2 Students from low income families

- At both primary and secondary levels, public schools have a large proportion of students in low income families, while both Catholic and other private schools have a small proportion of their students in low income families.

- In public schools 42 per cent of students are in low income families, while in Catholic schools, only 27 per cent of students are in low income families and in other private schools only 23 per cent of students are in low income families.

6.4.3 Students from high income families

- Public schools have a small proportion, non Catholic private schools a large proportion and Catholic schools are between them. In public schools only 21 per cent of students are in high income families.

- In contrast, in Catholic schools, 34 per cent of students are in high income families, and in other private schools 47 per cent of students are in high income families.

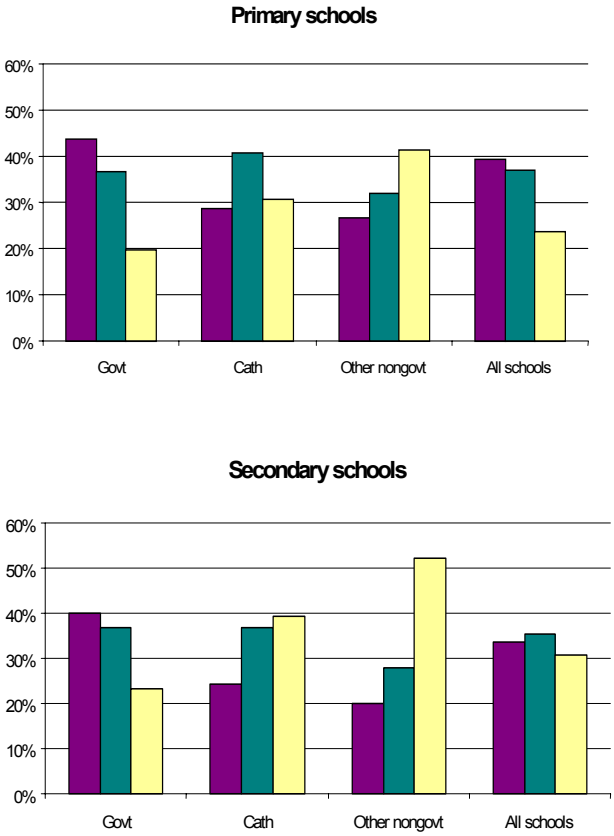
- The pattern is most pronounced at the secondary level. More than half the students in independent secondary schools are in high income families, while in public schools less than one quarter are in high income families.

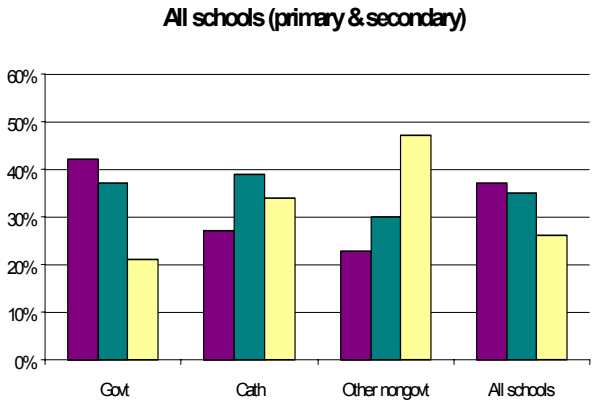
Graph 2 summarises these figures.

Graph 2 Percentage of students in each of Australian public, Catholic and other private primary and secondary schools with low, medium or high family incomes, 2001

Family income level:

Low (< $800/wk) Medium (($800-$1499/wk) High (>$1500/wk)





Source: Preston , 2003

6.4.4 Indigenous Students

Examination of the income and school attended amongst Indigenous students shows that income is also an important influence on choice of school.

Table 8 Australian Indigenous students in each family income range as a percentage of all Indigenous students attending government, Catholic or other nongovernment primary and secondary schools, 2001

	Low family income			Medium family income $800-$1499	High family income >$1500	All family income ranges
	<$400	$400-$599	$600-$799			
Primary schools						
Government	27%	25%	17%	24%	6%	100%
Catholic	19%	21%	15%	32%	13%	100%
Other nongovt	20%	23%	17%	27%	13%	100%
All primary schools	26%	25%	17%	25%	7%	100%
Secondary schools						
Government	22%	24%	18%	28%	9%	100%
Catholic	13%	16%	15%	36%	20%	100%
Other nongovt	17%	20%	15%	32%	17%	100%
All secondary schools	21%	23%	17%	29%	10%	100%

6.4.5 Students in one parent families

- Students in one parent families are much more likely to attend public schools if the family income is low, especially if it is in the very low ranges of families solely reliant on public benefits.

- Catholic school attendance is most likely for students in single parent families in the medium family income range.

- Attendance at other private schools is most likely for students in single parent families in the high income range.

6.4.6 It is clear that there is a relationship between parental income and whether a student attends a public, Catholic or independent school. This relationship holds true for the subgroups of students of Indigenous and one parent families.

The government has sought to obfuscate this fact by claiming that 20% of students in private schools are from low income families. Aside from the fact that the ABS accepts that this is the most unreliable category of income (because it includes those who have a high real income but can arrange their affairs to minimise taxable income), even if it is true, it simply substantiates the fact that those with low income are statistically underrepresented in private schools, since 32% of all students go to them.

6.4.7 What should be of even greater concern is that things are actually getting worse. In a later paper, Preston (2004) compares the data from the 1991, 1996 and 2001 Censuses and finds:

- There was little variation between 1991 and 1996.
- Since 1996 private schools have substantially increased their share of enrolments of students with high family incomes, and decreased their share of enrolments of students with low income families.
- This has been most pronounced at the secondary level.

In other words, the Howard Government justification of its bias to private schools – that it is extending choice to less well off families – is totally contradicted by the evidence. Private schools are becoming more, not less, segregated on income grounds.

Reco

7. The Use of the Average Government School Recurrent Costs Index (AGSRC)

7.1 The AGSRC index

7.1.1 Australian Government per capita funding to both the public and private sectors is indexed to the AGSRC (there are separate AGSRC indexes for Primary and Secondary). Prior to 2001 this was done by Ministerial discretion. It was incorporated into the 2001 States Grants Act both as an index for funding and as a basis from which to calculate funding to private schools.

7.1.2 The AGSRC index reflects movements in state or territory expenditure on public schools. This index is extremely generous by comparison to other indexes used by government, and is averaging more than 6% in recent years.

7.1.3 In the case of funding to public schools it ensures that the Australian Government raises its expenditure in line with that of the states and territories, and as such is welcome.

7.1.4 However the AGSRC also creates a nexus between expenditure on public and private schools. That is to say private schools receive a per centage of the AGSRC calculated

from their SES (see below), so as the AGSRC increases, so does funding to private schools.

7.2 Problems with the AGSRC

7.2.1 As a national average of school costs the AGSRC is quite inappropriate as a basis for determining the funding for individual schools. The AGSRC reflects the costs of the public systems' obligation to run a system of schools for all Australian children in all parts of Australia. As shown in Section 5 above the socio-demographics of public and private schools are entirely different, even for Catholic schools.

7.2.2 The AGSRC also appears to include costs which are actually costs of running schooling in general, such as curriculum development and similar matters.

7.2.3 Private schools do not have the same cost structures. They do not have to open schools which do not meet their own operating requirements. They can actually control student intake to ensure that they operate at optimum operating levels.

By way of example, a public school would have to operate an extra class even if it was only half full, a private school can determine for itself the point at which it considers itself "full".

7.2.4 It also ensures that any increased social justice expenditure in the public system results in automatic increases in the grants to all private school students. For example, as states and territories introduce programs to improve the educational outcomes for Indigenous students, in line with the National Goals of Schooling statement that "Aboriginal and Torres Strait Islander students have equitable access to, and opportunities in, schooling so that their learning outcomes improve and, over time, match those of other students" (Goal 3.3) and as agreed at MCEETYA, this then results in an automatic increase in private school grants not only for the 12.5% of Indigenous students that are in private schools, but for every student whether Indigenous or not!

7.2.5 There is growing concern, supported by research such as that of Preston noted above, that as enrolments in private schools increase, the socio-economic differences between the sectors is becoming more pronounced.

7.2.6 Thus as the more expensive to teach students become more and more distilled into the public system, the AGSRC nexus is becoming a way of ensuring that the "haves" in the private schools are funded at the average of the cost of educating the "have nots" in the public system. The AGSRC nexus is an anti-social justice measure.

Reco

8. New Schools, Planned Provision and Establishment Grants

8.1 Deregulation of the new school planning process.

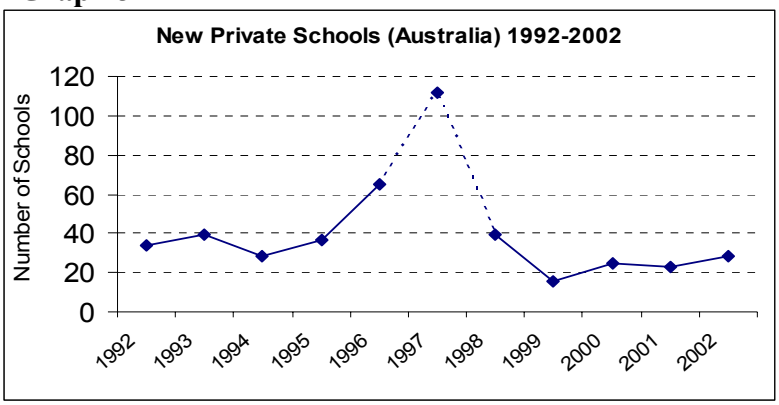
8.1.1 In 1996 the Howard Government abolished the New Schools Policy. Under this policy, proposed schools had to submit plans to state/territory New Schools or Joint Planning Committees. This:

- ensured that schools were economically viable
- assessed the effect on other schools in the area;
- included a process of notification to other interested parties:
- allowed for objections.

It was intended to ensure that there was **planned educational provision.**

8.1.2 The abolition of this planning process has not led to a rapid expansion in the number of new schools, as shown in Graph 3, which demonstrates that the New Schools Policy was not the major barrier to new schools opening that was claimed.

Graph 3



(Source: Martin , 2003, p. 1)

8.1.3 However, the nature of the new schools has changed dramatically. Previously new schools generally opened in response to an identifiable parent demand and were frequently opened by those already operating private schools as part of a planned and considered process. The process itself ensured that those wishing to open schools made plans to do so and that the body wishing to open a school was capable of operating coherently and constructively. It also ensured a degree of both financial and educational accountability. There was also some public scrutiny in the process which provided some check on the nature of proposals and those wishing to be involved.

8.1.4 The abolition of this policy has made it easier for people to open private schools. This is leading to a situation in which the expansion of private schools is more supply driven. There are situations in which new schools are opening where there is a clear over supply of schools. With a lack of any planning process, there is no attempt to prevent schools opening in areas where there are already adequate schooling places. Increasingly, money is being wasted opening new private schools which threaten the viability of nearby public, and in some cases private, schools rather than upgrading the resources of the existing schools.

8.1.5 In effect, the Government is deliberately creating a market in schooling and is funding all parties in that market. This is not a responsible use of public money. That the funding is biased to private schools shows its real intention is to undermine the public system.

8.2 Promotions and advertising

8.2.1 `Another consequence of this competition is that promotion and advertising has increased dramatically as small schools are opening and then actively promoting themselves to draw students from other schools.

8.2.2 This has a number of undesirable effects such as :

- Increasing amounts of the overall education budget being spent on advertising and promotion;
- Advertising which is misleading, or places an emphasis on attracting only those aspiring to Universities. It is noticeable that at a time when the policy of all governments places an emphasis on the need to retain students through to the end of schooling, private school advertising is emphasising the number of students that go on to university.

- Encouraging the tendency for private schools to be more concerned about their image than catering to the range of students likely to want to attend. A recent example of this occurred in Western Australia where, as reported in The Australian:

> "Struggling Year 12 students will be forced to sit final exams as independent candidates to avoid damaging the reputation and academic ranking of a private Perth college. In a letter to parents, Carmel Adventist College said the annual publication of league table rankings based on school examination results had forced the college to assess whether "doubtful or struggling" students should sit exams under the school's name. The letter is the first written evidence that private schools may attempt to improve their league table rankings by excluding weaker academic candidates from sitting the Tertiary Entrance Examination. In the letter, principal Jan Barnett says the "recent focus on league tables has forced management to consider students who are not performing academically ... (that they) sit their TEE examinations privately and not under the banner of Carmel Adventist College. "I am informing you that every child's performance will be reviewed shortly, and individuals may be required to sit as a private candidate." (Laurie and Taylor, 2004)

- The denigration by one school of another. There have been anecdotal reports of schools knocking door to door running down local schools in order to boost their enrolments.

8.3 Establishment grants

8.3.1 Since the abolition of the New Schools Policy, registration by state or territory authorities has been the only criterion for the receipt of Australian Government grants. However, state and territory registration procedures were not designed to assess the suitability of the schools to receive these grants, since they were developed when the Australian Government accepted responsibility for establishing its own criteria about eligibility. For instance, only one state or territory, Victoria, has any consideration of enrolments, and even in that case it is only a minimum of 20.

8.3.2 In order to give further stimulus to the opening of new private schools, the current legislation introduced Establishment Grants for all new schools at the rate of $500 per student in the first year and $250 in the second.

8.3.3 The processes around the dispersal of this money do not even require a school to apply for the grant. It is given automatically through DEST.

8.3.4 In its enthusiasm to hand out this money, it is apparent that in the initial phases, at least, the grants were given to schools which could not be considered new. (Nicholls 2004, pp.20-23). It is not clear that the new legislation will include a more rigorous process.

Australian Islamic College (Perth)

The Kewdale campus of this school received an Establishment Grant from the Commonwealth as a "new school" when it opened in 2001, although the school itself opened in 1999.

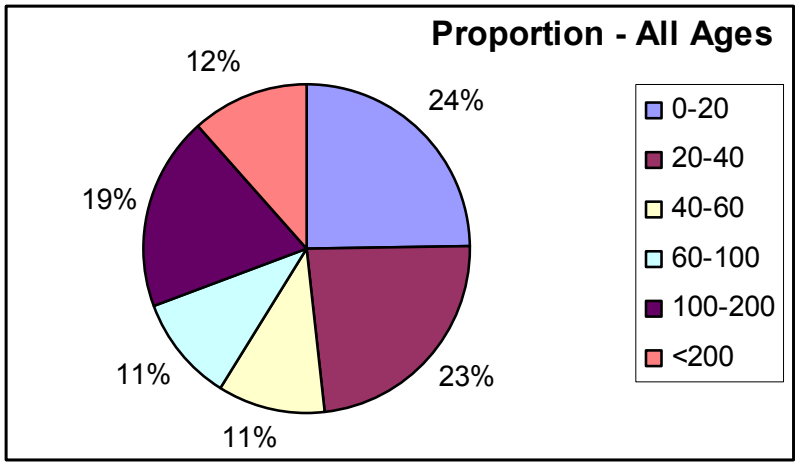
It must be emphasised that the school was not guilty of misrepresentation or fraud in claiming this money. The funds flowed automatically as a result of the school's initial application for Commonwealth recurrent grants – established as it was with a new, separate State registration from the other campuses of the school. There is no suggestion that the school took out the new registration with respect to this campus in order deliberately to attract Establishment Grant funding: in fact its registration predated the introduction of the new Commonwealth subsidy and it received the funds under a retrospective provision in the States Grants Act. The Commonwealth's mistake – one which it continues to refuse to admit to – was to fail to look behind initial applications for recurrent funding to ascertain where a new application really revealed a "new" school, as opposed to, say, a new campus of an existing school. It must be understood that, until 2004, schools were not required to apply separately for Establishment Grants, nor make any kind of declaration that they were actually genuinely "new".

8.2.3 It is a process which gives an extra grant for students who move schools but not those who stay where they are, regardless of the availability of places. The same student can move each year, and each move gains a further grant. Whilst it is not tied to any planning process, its effect is more to create instability than stability.

8.4 New school viability

8.4.1 Perhaps the greatest concern in relation to new schools is that many of the schools which are opening are too small to offer reasonable curriculum choice and/or lack financial viability. Graph 4 considers the size of all new private schools opened between 1999 and 2002. It therefore includes some schools which are in their fourth year of operation, some in their third, and so on. Nevertheless, the size of schools remains alarmingly low. 58% have below 60 students.

Graph 4



Source, Martin, 2003, pp.8-10

8.4.2 These figures are for whole schools across whatever age range they cover. When the figures are considered within age ranges they are even more concerning:

- At the primary level over 60% were below 60 students
- At the junior secondary level 66% were below 60
- At the senior secondary level 73% were below 60. (Martin, 2003, p.9)

The fact that nearly three quarters of the schools have less than sixty students at the senior secondary level indicates that the "choice" being offered is at the expense of student choice of subject.

8.4.3 There is also concern some schools are closing or undergoing ownership restructure. While figures are difficult to obtain, there seems to an increase in both these areas. The buying and selling of schools seems to be more common than it used to be. (Nicholls, p.30)

WILGIE VIEW SCHOOL/EARLY LEARNING CENTRE

Wilgie enmark in rural WA for some years prior to 1999. It closed at the end of 1998. In 1999 the school was re-established by a commune group and continues to this day under the same management, although it has changed location several times. In 2003 the school also changed its name – to Spirit of Play Community Early Learning Centre. At this point it applied for a new registration from the WA authorities.

Since 1
only. I l boasted five Year 1 students. It applied for and received an Establishment Grant and began to receive Commonwealth recurrent funding. By mid-year all primary students had left the school. The following year five Year 1 students enrolled, but only three re
was tw

This case illustrates the problems for the Commonwealth's administration of its current funding policies, especially in the absence of a New Schools Policy which places minimum size requirements on schools. The school fades in and out of eligibility for Commonwealth grants,

according to its enrolments or lack of them, and has even attracted an Establishment Grant on at least one occasion when it happened to have Year 1 students enrolled. Under current guidelines, it is not clear that, for one reason or another, the school would not receive further Establishment Grants. Educationalists might also question the desirability of this school's enrolling primary students when it apparently cannot provide stability of provision and surely lacks the facilities and resources of a larger primary school.

8.4.4 This adds to concerns that the provision of schooling is becoming more volatile. It is not desirable that schools open and close or change hands on a frequent basis. Most parents expect their child to be able to complete the relevant stage of their schooling at the same school. This should be the case. (These issues are further discussed in Nicholls, 2004,)

GLENDALE COLLEGE/INVESTIGATOR COLLEGE

This school has operated under three different names and at least two owners since 2000. It has also changed location of its campuses within the South Australian towns of Victor Harbour and Goolwa: since 2000 it has had a total of five locations. In 2001 the school changed its name from Glendale College to Glendale Christian College and at the same time it was taken over by the Anglican school system. The school (controversially) received an Establishment Grant that year as a new school. This was related to its fresh registration under new owners. In January 2003 the school was re-registered under a new name: Investigator College. It is now listed under the ownership of another Anglican school – Trinity College – with campuses located in Adelaide and Gawler.

Enrolment history of the school in its various incarnations shows fluctuations, both overall and on its different campuses. In 2000, Glendale Christian College had 410 primary and 161 secondary enrolments (571 in total). The following year, as Glendale College, there were 325 primary and 100 secondary students (total 425). In 2002, as Investigator College, there were a total of 337 primary and 96 secondary students on the two campuses, while by the start of 2003, 320 primary and 112 secondary students were enrolled.

This case illustrates the volatility increasingly typical of low-fee private schools and school systems, where rapid expansion is not necessarily accompanied by sound planning or good administration. The Australian Government has implicitly encouraged the unplanned and unchecked establishment and growth of new private schools. In regional areas in particular, this policy destabilises educational provision generally, including the viability of the public system. The policy also jeopardises the educational experiences of students who may be subjected to abrupt changes in their school's direction, rules and policies generally.

8.4.5 Again, because children have a right to a place in a public school, this imposes additional burdens on the public systems, both financially in terms of having to have the places available when necessary and educationally where they have to include students into programs after they have been in a school which was suffering financial and possibly educational problems.

- **planned provision to ensure that any growth in private schools is demand driven and that new schools do not deleteriously affect existing schools;**
- **that proposed schools are financially and educationally viable, including that they are of sufficient size to deliver a reasonable range of curriculum offerings.**

Recommendation 5: Establishment grants should be abolished.

9. The Socio-Economic Status (SES) Funding Model

The inequitable nature of funding to private schools has been further exacerbated by the introduction of the SES model. The introduction of the SES has increased inequity because:

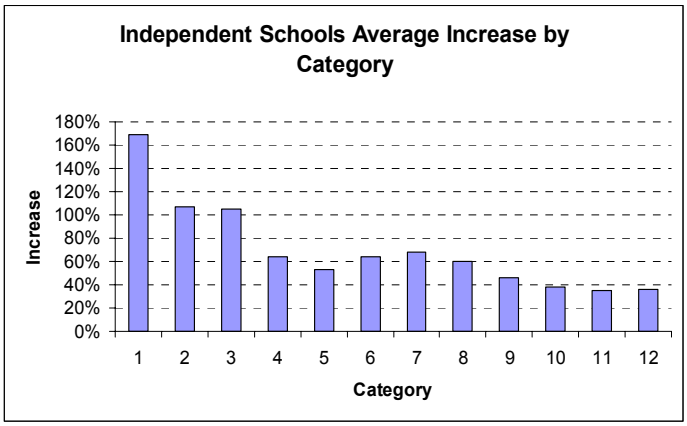
- It was accompanied by large increases in the funding to private schools, which were not reflected in the funding to public schools. This is reflected in the trends as described in Section 5.
- It also gave the greatest increases to many schools which are amongst the most wealthy, thus increasing inequity both within the private system and between these schools and public schools.
- It has also introduced a model which contains a number of serious anomalies and flaws which perpetuate the inequity.
-

9.1 Increases when the SES was introduced.

9.1.1 Under the previous Educational Resources Index System (ERI) schools were allocated to one of twelve Categories on the basis of their financial resources (fees, and other income). The most wealthy were Category 1 and the most needy were Category 12.

Graph 5 indicates the average increase for each category as a result of the implementation of the SES model.

Graph 5



Source: DEST Tables

As can be clearly seen, it was those schools formerly considered the most wealthy which gained most from the introduction of the SES.

Table 9 illustrates the increases for some high fee schools.

Table 9

Funding Increases to wealthy schools						
School Name	**State**	**Fees pa Yr. 12**	**Est Total ERI Funding 2000 $**	**EST Total Funding 2004 $**	**Increase By 2004 $**	**% Increase**
Haileybury College	VIC	$15,852.00	1170751	4586168	3415417	291.7%
Frensham School	NSW	$16,106.00	229149	877073	647924	282.8%
Mentone Girl's Grammar	VIC	$14,800.00	578499	2190866	1612367	278.7%
Mentone Grammar School	VIC	$13,736.00	713551	2623576	1910025	267.7%
Trinity Grammar School	NSW	$16,350.00	1482489	5318894	3836405	258.8%
Toorak College	VIC	$13,945.00	606688	2153001	1546313	254.9%
Geelong Grammar School Corio	VIC	$18,900.00	832682	2928009	2095327	251.6%
Presbyterian Ladies' College	VIC	$15,996.00	959765	3075197	2115432	220.4%
Caulfield Grammar School	VIC	$15,195.00	2134444	6573791	4439352	208.0%
The King's School	NSW	$16,875.00	965388	2946208	1980820	205.2%
St Leonard's College	VIC	$13,973.00	1229422	3510944	2281502	185.6%
Newington College	NSW	$16,413.00	1310216	3732560	2422344	184.9%
Pittwater House Grammar	NSW	$15,840.00	269969	740123	470154	174.2%
Wesley College	VIC	$14,706.00	2891417	7853562	4982145	171.6%
St Andrew's Cathedral School	NSW	$14,620.00	730894	1954566	1223672	167.4%
Melbourne Girls' Grammar	VIC	$14,508.00	688067	1790941	1102874	160.3%
Brighton Grammar School	VIC	$15,822.00	858067	2046185	1188118	138.5%
Melbourne Grammar School	VIC	$14,940.00	695934	1611110	915176	131.5%
Firbank Grammar School	VIC	$15,693.00	713070	1627870	914800	128.3%
Carey Baptist Grammar School	VIC	$14,619.00	1638911	3712024	2073113	126.5%
Sydney Gammar Edgecliff	NSW	$17,000.00	177905	389126	211221	118.7%
SCEGGS	NSW	$16,360.00	696947	1452695	755748	108.4%
Lauriston Girls' School	VIC	$15,891.00	638884	1293421	654537	102.5%
Scotch College	VIC	$16,065.00	1544325	3094547	15502222	100.4%

Source DEST Tables and Lifelong Learning Network 2004,*Survey of private school tuition fees.*:

9.1.2 Hayward and Esposto (2004) have considered the increases by category on a per student basis for both primary and secondary schools. (Tables 10 and 11). They show clearly that whereas prior to 1997 the largest increases went to the lowest, "most needy" schools, the largest increases since 1997 have gone to those schools that were considered the most wealthy under the old system. The change to the SES model between 2000 and 2001 has been a major contributor to this. Unless one believes that the old ERI system was so wrong that in fact the schools were in the reverse order to what was claimed, it is clear that the SES had given the largest increases to students attending the least needy schools.

Table 10. Real Federal Government per capita grants to government and non-government primary schools, by level of education and funding category, Australia, selected years 1991-2003(a)

Year	1991	1996	1997	2000	2001	2002	2003	1991-96	2000-01	1997-03	2000-03	1991-03	Annual growth
Government schools	330	407	432	492	501	517	539	23.4	1.7	24.9	9.4	63.5	5.3
Non-government schools													
Category 1	473	542	570	651	888	748	927	14.4	36.4	62.5	42.4	95.9	8.0
Category 2	631	723	762	869	1071	1219	1448	14.6	23.2	90.1	66.6	129.6	10.8
Category 3	777	904	952	1087	1305	1283	1510	16.4	20.1	58.6	39.0	94.4	7.9
Category 4	954	1101	1159	1322	1466	1601	1784	15.4	10.9	53.9	34.9	87.0	7.2
Category 5	1092	1302	1380	1607	1717	1620	1767	19.3	6.9	28.0	10.0	61.9	5.2
Category 6	1200	1441	1526	1771	1957	1933	2161	20.1	10.5	41.6	22.0	80.1	6.7
Category 7	1316	1583	1675	1939	2099	2935	2309	20.3	8.2	37.8	19.1	75.4	6.3
Category 8	1446	1739	1841	2140	2298	2439	2656	20.2	7.4	44.2	24.1	83.7	7.0
Category 9	1517	1904	2035	2421	2561	2551	2711	25.5	5.8	33.2	12.0	78.7	6.6
Category 10	1595	2041	2187	2629	2707	2547	2700	28.0	3.0	23.4	2.7	69.3	5.8
Category 11	1671	2187	2351	2854	3162	3300	3422	30.9	10.8	45.5	19.9	104.8	8.7
Category 12	1747	2341	2524	3099	3221	3282	3474	34.0	3.9	37.6	12.1	98.8	8.2

Source: MCEETYA, National Report on Schooling, (1991-2001). (a) Using Implicit Price Deflator for Non-Farm Gross Domestic Product (NFGDP), base 2003 = 100.0. Estimates to 2003, Answer to Senate Estimates Question E617_03, 2002-03 Additional Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation committee. List of schools information (government and non-government) provided to the Parliamentary Library by the Schools Statistics Section, Research and Evaluation Branch, DEST. The 12 categories shown are from the old funding system. We have extrapolated from data to derive these estimate

Table 11 Real Federal Government per capita grants to government and non-government secondary schools, by level of education and Australian government funding category, Australia, selected years 1991-2003 (2002 = 100)

Year	1991	1996	1997	2000	2001	2002	2003	1991-96	2000-01	1997-03	2000-03	1991-03	Annual growth
Government schools	488	602	637	727	744	767	803	23.3	2.3	26.2	10.5	64.4	5.4
Non-government													
Category 1	751	860	905	1032	1296	1434	1716	14.6	25.6	89.6	66.3	128.6	10.7

Category 2	1000	1140	1200	1369	1573	1822	2081	14.0	14.9	73.4	52.0	108.0	9.0
Category 3	1150	1321	1391	1587	1837	2078	2374	14.9	15.7	70.6	49.6	106.4	8.9
Category 4	1516	1734	1825	2080	2283	2544	2802	14.4	9.7	53.5	34.7	84.8	7.1
Category 5	1615	1894	2009	2332	2484	2682	2875	17.3	6.5	43.1	23.3	78.0	6.5
Category 6	1783	2102	2225	2584	2787	3054	3315	17.9	7.9	49.0	28.3	85.9	7.2
Category 7	1951	2308	2444	2832	2991	3213	3425	18.3	5.6	40.2	20.9	75.6	6.3
Category 8	2137	2544	2695	3128	3293	3436	3647	19.1	5.3	35.3	16.6	70.7	5.9
Category 9	2249	2791	2979	3539	3679	3769	3966	24.1	4.0	33.1	12.1	76.3	6.4
Category 10	2363	2983	3194	3840	3971	4068	4254	26.3	3.4	33.2	10.8	80.0	6.7
Category 11	2473	3193	3432	4166	4174	4357	4518	29.1	0.2	31.6	8.4	82.7	6.9
Category 12	2581	3419	3688	4525	4677	4726	4945	32.5	3.4	34.1	9.3	91.6	7.6

Source: MCEETYA, National Report on Schooling, (1991-2001). (a) Using Implicit Price Deflator for Non-Farm Gross Domestic Product (NFGDP), base 2003 = 100.0. Estimates to 2003, Answer to Senate Estimates Question E617_03, 2002-03 Additional Estimates Hearing, Senate Employment, Workplace Relations and Education Legislation committee. List of schools information (government and non-government) provided to the Parliamentary Library by the Schools Statistics Section, Research and Evaluation Branch, DEST.

9.2 Flaws in the SES model

The SES model contains many ongoing flaws which contribute to inequity in funding both within the private sector and, because they result in larger grants to already wealthy schools, to the provision of schooling in general.

9.2.1 The SES Model is not based on the actual incomes of the families with students in the school

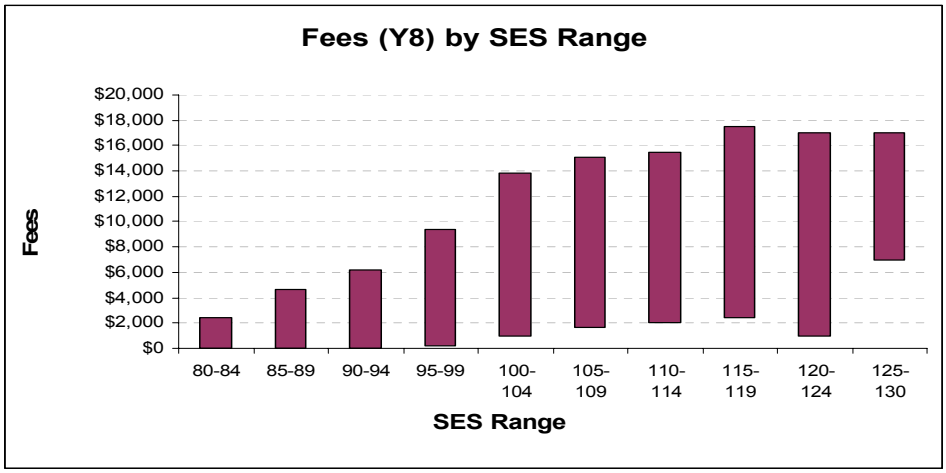
Because the SES is based on the average income of the Census Collection District from which the students come, not the income of the actual parents of the schools, it distorts the results. As one commentator has put it, the SES of a school is based on the income level of the neighbours of the students, not the families of the student themselves.

Because of this, many schools which are by any measure (except the SES one) the most wealthy in the country are judged not to be wealthy.

For instance, Haileybury College in Melbourne, which has students from families that can afford the over $15000 per year fees, has an SES score of only 108, implying it is only the 275th most wealthy school. Geelong Grammar has an SES of 111 (221st) and The King's School, recognised as one of the wealthiest NSW private schools, has an SES of 116 (149th wealthiest)!

Graph 6 charts school fees against SES ranges and shows the wide spread of fees, and consequently resources available, within schools with similar SES scores. Schools with an SES between 110 and 114, for instance, charge fees ranging from $2000 to $13 500 at Year 8. Schools with an SES between 120 and 124 charge fees ranging from $996 to $15988! One school which charges fees of $9376 has an SES of 99 and therefore receives 52.5% of AGSRC from the Australian Government. Such figures clearly demonstrate that the SES cannot be creating greater equity!

Graph 6



Source: Lifelong Learning Network 2004, *Survey of private school tuition fees.*

9.2.2 Many private schools are actually funded at a rate above their SES

Despite the fact that it is called the SES model, and that the Government argues the supposed virtues of this model, it is does not apply it to most private schools!

- When the SES was introduced, any school that would have received less under its SES than under the old system kept its old funding level – indexed against inflation.
- Catholic schools will not come onto the SES until 2005. Even then, only just over half will be funded at their SES level, the others will be "funding maintained" at 56.2% of AGSRC (51.2% in ACT). The money will go to the system not the school.
- Some schools would have lost funding when the SES changed from using the 1996 Census data to the 2001 Census data. These are "funding guaranteed". They will get their old funding level until inflation catches up.

This creates several different ways of funding private schools – two different levels of Funding Maintained, Funding Guaranteed and those actually on the SES. The numbers of schools funded by each method is shown in Table 12. In total barely half of schools are funded at their SES. Because it is the larger schools which tend to be funding maintained, an even higher proportion of students are not at schools funded by their SES.

Table 12 School Funding Levels (Excludes special schools)

	Independent	Catholic
On SES	663	632
Funding Maintained	227	973
Funding Guaranteed (2005)	100	
Totals	990	1605
% on SES	67%	39%

The extent of this overfunding in 2005 is estimated to be about $500 million.

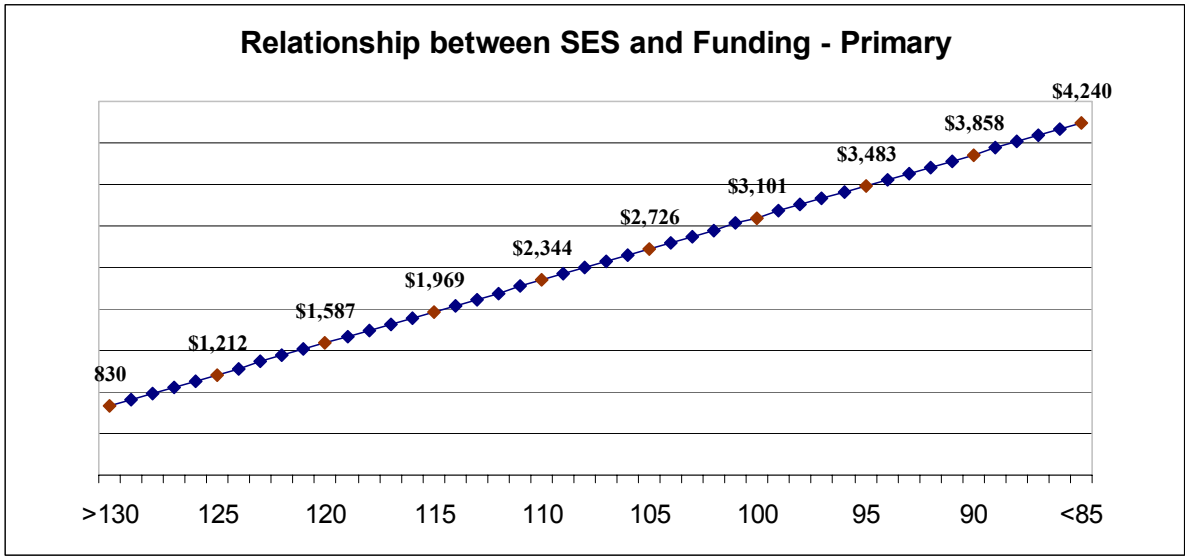
9.2.3 The SES Model Ignores a School's Private Income

The SES model takes no account of the resources available to a school such as the fees it collects, bequests, investments and other private income. Because of this, schools with resources most can only dream of are given large grants by the Australian Government. It is not possible to achieve equity of resourcing without taking account of the private income of private schools.

9.2.4 The calibration of the SES is based on an artificial linearity rather than real need

When per capita grants for non-government primary students are plotted against SES scores, as in Graph 7 it can be seen that the distribution of funds is linear. The same holds true for Secondary. This implies that need occurs on a linear scale, which is not the case. It implies that each SES grade carries the same weight, regardless of where on the scale that occurs. Thus the difference in need between 85 and 86 is the same as that between 129 and 130.It also implies that those with high SES scores still have a level of need. In other words even more advantaged students can be assessed as having a level of "need" based on a linear scale.

Graph 7



Source: DEST Tables

In reality, those on lower SES scores require much more assistance and those on high SES scores much less. A more realistic distribution of funding according to educational need would not be linear, and would likely be based on ranges of need. Past a certain score there would be no level of need. This is reinforced by the fact that many of the schools on these high SES scores already operate above the AGSRC.

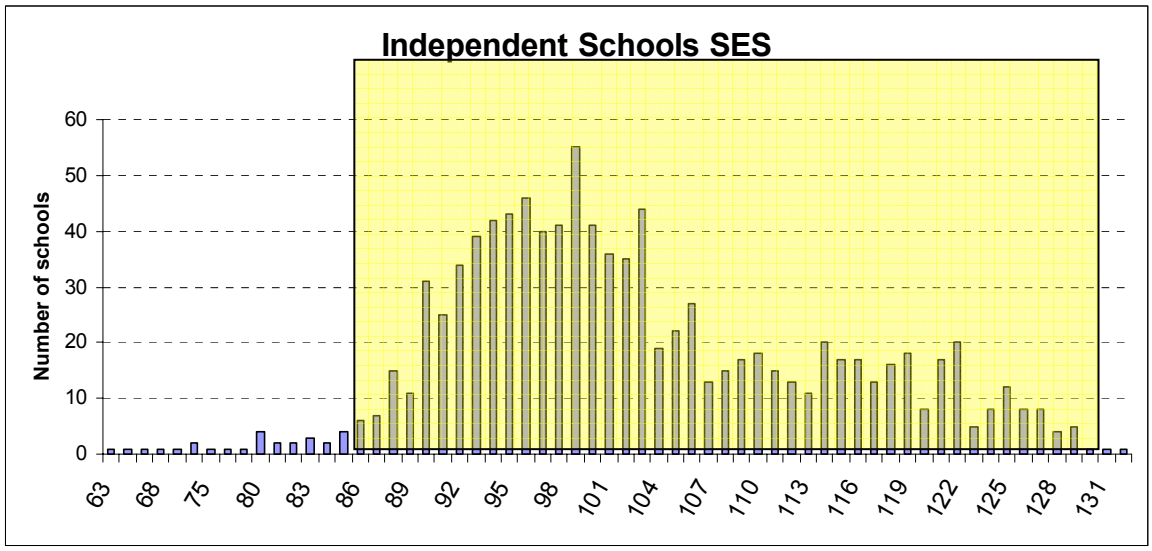
9.2.5 The "spread" of schools across the range is largely illusory.

The government claims that:

> SES funding ranges from a minimum entitlement of 13.7% of the average cost of educating a student in a government school… for schools with an SES score of 130 and above to a maximum entitlement of 70% of this cost for schools with an SES score of 85 and below. (Nelson, 2004a)

However, when the spread of schools across this specified range is examined, it can be seen that the vast majority of schools are found to be at the needier end of the spectrum. Graph 8 looks at the spread of independent schools based on their SES, with the funding window superimposed. The tendency for schools to be bunched at the lower end is observable. It is also noticeable that there are far more schools below the lower cut off than the higher one.

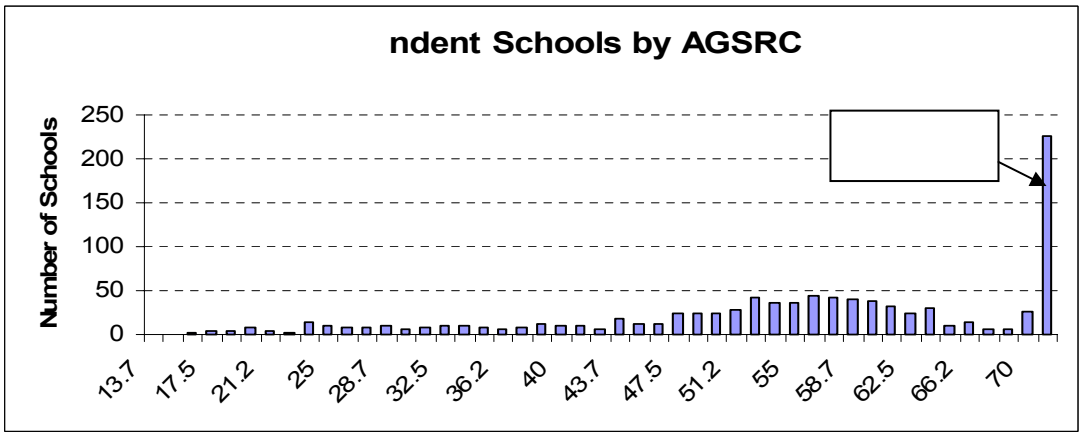
Graph 8



Source: DEST Tables

When this is translated into AGSRC grants, (Graph 9) the bunching becomes even more emphasised. Because many schools are Funding Maintained, there are even less schools funded at the lower levels than the SES would indicate. In fact only one school in Australia is funded at the minimum.

Graph 9

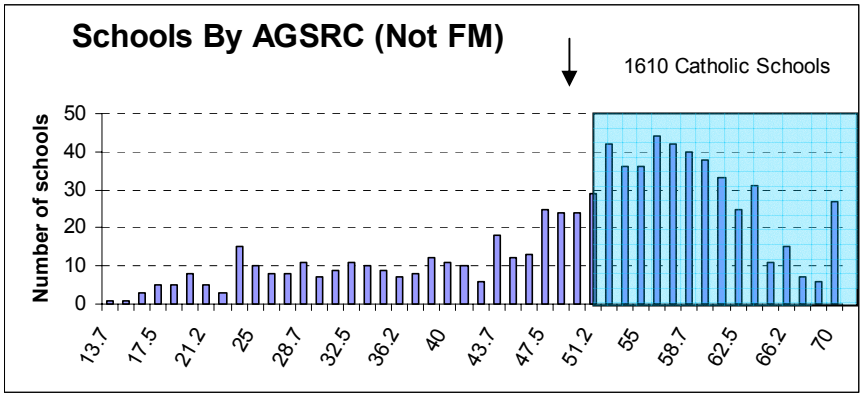


Source: DEST Tables

9.2.6 Because of their numbers, it is difficult to include the Catholic schools. However, the minimum grant to Catholic schools is 51.2% (ACT) with the vast majority being on

56.2% of AGSRC or above. They would therefore be placed somewhere in the blue shaded area in Graph 10.

Graph 10



Source: DEST Tables

It is therefore obvious that the vast majority of schools are funded in the range 50% to 70%. In fact over 80% of schools receive between 50% and 70% of AGSRC. This further undermines the extent to which "needs based" is a feature of the SES system.

9.2.7 It is the view of the AEU that the SES model is fundamentally flawed. No amount of tinkering around the edges will turn it into an equitable and needs based system. The essential flaw lies in seeking to find a model which funds schools by assessing the economic circumstances of the students' parents, (or in fact the characteristics of parents neighbours!)

The funding goes to the school and therefore it is the capacity of the school that must be measured. This is the only way in which equitable resource levels are achievable.

The AEU therefore calls for a return to a system which bases funding to private schools on measures of the financial capacity and the resource levels of those schools, assessed against a community standard.

No doubt some will argue that this means a return to a model similar to the "failed" ERI model. The reality is that the reasons for the alleged failure of this model have never been adequately examined and remedies sought.

The major argument put against the continuation of the ERI system appeared to be that the growing expertise of parts of the private sector to maximise their advantage and effectively to "rort" the system was making it unworkable. If this is the case, proper accountability, including a proper system of auditing by Government appointed inspectors, should be contemplated.

The SES model cannot be justified on the basis of the failures of the ERI model when it is itself so fundamentally flawed.

Recommendation 6: The SES model of funding private schools should be replaced with one based an assessment of school resources (modified ERI), and appropriate processes of auditing to ensure compliance and consistency be introduced

PART E

c. The effectiveness of accountability arrangements for state, territory and Australian governments' funding of government and non-government schools.

In this part, the inadequacies of current accountability arrangements will first be considered, followed by some analysis of the growing problem of the blurring of the line between "for profit" and "not for profit". Suggestions to improve accountability will be made.

10. Accountability of Private Schools

10.1 Current accountability requirements

10.1.1 In a paper prepared for the AEU, Chris and Terry Aulich (2003) examined the accountability of private schools in comparison to arrangements overseas. Their conclusion was:

> First, that regulation of private schools in Australia is comparatively benign. Second, Australian accountability regimes for public funding of private schools is inconsistent with broad international practice. Internationally, higher levels of funding are usually accompanied by stronger government regulation.

This is despite the fact that Australia funds private schools at a higher level than most other countries.

> *"*...most countries that heavily subsidise private schools also hold them to extensive government regulation and oversight…" (CEP, 1999)

The kinds of areas for which private schools are held accountable in other countries include:

- Curriculum.
- Teaching and Student Achievement.
- Student Admissions and Discipline.
- Teacher Qualifications, Salary and Employment Conditions.
- Tuition, Fees and Finance.
- Values.

Basic standards, timetables, representation on boards, and record keeping are also variously included as part of the regulatory processes.

10.1.2 They point out that the lack of proper accountability has not gone unnoticed by The Auditors-General of both New South Wales and Victoria, though no action has resulted from their observations.

The Victorian Auditor General in 2000 considered that:

> …the current (accountability) guidelines were developed at a time when the volume of funds distributed were smaller and accountability regimes less tight than is expected today. Greater emphasis is (now) placed on funding agreed program outputs, regardless of whether the programs are delivered within or outside the public sector. (Auditor General Victoria , 2000)

The Auditor General of NSW, when reporting in 2003 on school accountability and improvement models:

> … expressed reservations about accountability in the private schools sector. To date, these (accountability) provisions have not been imposed by the Government on private schools even when public funds are provided to such schools. (Audit Office of NSW, 1999)

10.2 Strengthening accountability provisions

The following are areas in which accountability needs to be enhanced:

10.2.1 Public transparency and Parliamentary reporting of accounts

Currently, private schools report to DEST via a Financial Questionnaire which is a detailed report of all financial matters related to the school. They also give audited accounts in relation to the expenditure of Australian Government money.

It is argued this is an adequate form of reporting. There are, however, two difficulties:

- The financial questionnaire is given and treated on a commercial in confidence basis, and in fact little is done with it outside DEST. It is not even reported in a meaningful summary form that avoids naming schools.
- The auditing of government funding does not account for any substitution that might take place. Thus funding that is justified on a "needs basis" may not be used to ameliorate that need. Private schools have a capacity to "two pocket account". That is, they can substitute government money for private expenditure, and then spend the private money on things not allowed within the government funding. The greater the school's private resources, the greater their capacity to do this. It is no coincidence that many of the wealthier private schools have undertaken capital works, such as additional swimming pools, or, in the case of The King's School, very expensive sandstone gates and of Melbourne Grammar a vast new sports complex following their increases in funding in 2001. The Government argues that it has increased re-current expenditure, which cannot be used for capital works. The reality is that they take no steps to prevent substitution of their own funding for private resources.

Given the levels of funding that private schools receive and the relevance of knowing and being able to compare the overall levels of resources of both public and private schools, there seems to be no good reason why these reports should not be tabled in Parliament. It would not be an unreasonable condition of the funding, given its quantum and the extent to which it enables the operations of the schools, that Parliamentarians and the interested public should be able to see these figures. It would facilitate a transparent process of funding schools to equitable resource levels and enable greater tracking to ensure that the money provided by the Australian Government goes to improve those aspects of schooling it is intended to.

Similarly, it is not unreasonable to assume that Australian Government funding is given to improve specific resource levels in schools. The agreements between the Government and the school or system should therefore specify the actual resource outcomes that will be achieved through the funding. This would ensure that what has happened in regard to the Catholic system, as outlined at 4.5 for instance, would not continue to happen. Funding would be given to enable an **improvement of resources,** and based on a guarantee that the recipient would continue their level of funding for that resource.

MELBOURNE GRAMMAR SCHOOL

Melbourne Grammar School has approximately 1700 students on three campuses and in 2004 receives $3 million in Commonwealth recurrent funds. Its funding rose by over 100% with the shift to the SES funding model.

Schools like this one, with considerable financial resources, can make use of their budgetary flexibility to shift and substitute resources around. Melbourne Grammar has embarked on a huge building program in the last few years. This includes a lavish music and performing arts complex on the main campus and a new copper-clad assembly and performance hall for Grimwade House, a primary campus. A sports complex is also under development. This is located at Melbourne's Docklands development, on prime real estate. It will boast several ovals and sports fields, all constructed with high-tech purpose-built drainage systems and sub-surface irrigation, pavilions, an electronic AFL scoreboard and a coaches' box, paths, terraces and other landscaping and buildings.

10.2.2 Admission and exclusion criteria

A significant characteristic of private schools is their capacity to determine whom they teach. Given that the rhetoric of private school funding relies heavily on the principle of parent choice, there would seem to be good arguments why the balance of the power of choice should be shifted in favour of the parent.

There are a number of precedents in the USA and Canada for models such as balloting which can assist this happening at the point of entry.

Of even more concern is having selected which students they wish to teach in the first place, many private schools feel no obligation to carry this through to completion if the student does not match their expectations.

Whilst no data has ever been collated, anecdotal evidence about the extent to which public schools are expected to take over when private schools find students "difficult" is commonplace at meetings of public teachers and principals.

The AEU would support research into this.

It is also imperative that funding agreements include agreements with state or territory authorities on admission and exclusion policies.

10.2.3 Salaries

Chris and Terry Aulich note (2003, p.18):

> This is an area where prestige and competitive marketing advantages can be obtained by using government funding to allow private principals and senior staff to be recruited at salaries far beyond those applying in the public sector. Current indications are that the benchmark for principal salaries in some private schools can be three times that of a principal in a state system. Some principals in the private sector have salaries currently benchmarked at $340,000 per annum. Acceptance of government funding should incur a responsibility to pay teaching staff at rates comparable to those in government schools.

The problem now extends beyond just principals and senior teachers. In Victoria, some private schools are offering beginning teachers up to $5000 p.a. above the government

award. The NSW submission to the Teaching and Teacher Education Review (NSW, 2003, p. 38) notes:

> There is some evidence that higher rates of government funding are being utilised in some non-government schools to support over-award payments to attract teachers. This is particularly relevant when there are shortages in areas such as mathematics, science and technology. Regardless of mechanisms to support such distortions, quality teachers are being attracted away from the government schools to teach in non-government schools. There is clear evidence that a high proportion of teachers in non-government schools commenced teaching in the government system. The government system is acting as a pool for the non-government sector to draw on for recruitment.
>
> > Consequently, the government school system is carrying the major burden for supporting the induction, and mentoring of beginning teachers.

The MCEETYA paper (nd., p.27)) confirms that private schools use increased salaries and target recommended teachers as strategies to overcome recruitment difficulties at the expense of the public system.

> There are then reasons to believe that, in a situation of teacher shortage, some private schools are able to use their superior financial situation, to which the Australian Government is contributing, to insulate themselves from the situation at the expense of public schools.

REDDAM HOUSE, SYDNEY

Reddam House in Sydney's Eastern suburbs with fees of over $11 000, has attracted the ire of neighbouring schools by enticing both students and teachers to its well-appointed facilities and its elitist educational approach. The school subjects applicants for preschool places to an IQ test.

A teacher at Reddam, Mark Bailey, is quoted in the *Sunday Daily Telegraph* of 28/3/04 as saying,

"Pay isn't such a problem in the private sector, where we're paid well; that's why I moved from a public school to Reddam a few years ago."

10.2.4 Curriculum and professional accountability

The majority of private schools tend to mirror the curriculum and professional practices of the state or territory in which they are. There are, however, exceptions.

The current situation in regard to compliance with quality standards such as registration is largely a state or territory matter and is not consistent across all jurisdictions. In NSW, for instance, it is possible for people without teaching qualifications to teach, under the supervision of a qualified teacher who may not be in the same geographic area. (Although this is being addressed at the state level).

The extent to which private schools comply with the basic skills and exit testing is also variable. A particular concern is the growth of the International Baccalaureate in private schools, since this undermines the autonomy of Australian education decision making. Such credentials have the potential to lead to a situation where an external authority has undue control of Australian curriculum and where that curriculum may become inappropriate for Australian students or indeed for Australia as a whole.

There is similarly a need to ensure that all schools include values such as an understanding of democratic principles, tolerance and non discrimination**.** As has been noted in a recent publication (Wilkinson, MacIntosh and Hamilton, 2004), most private schools are exempt from many parts of the various Discrimination Acts in this country, and this a particular concern where it is leading to discrimination against particular students and teachers.

Currently, a commitment to the National Goals is required before a private school is given registration/government funding. However, the extent to which compliance is assured is very limited. There is a need to ensure that funding is conditional on a range of such matters to ensure compliance with similar standards and similar curricula to those in the public schools.

This is consistent with Minister Nelson's concern for national consistency on a range of matters, and the AEU does note that his proposed accountability measures in the new funding proposals do include private schools. This gives a base from which they should be extended.

10.2.5 Expenditure on promotion, marketing and advertising

It was noted at 3.6 above that there is increasing concern with the level of promotion, marketing and advertising that is taking place. It is inappropriate that public funding be going to the promotion of inappropriate and expensive competition between schools. There is some reasonable level of information to prospective parents which should be provided through leaflets or the like. However, activities such as the extensive use of space on expensive billboards and the sides of trams, as is occurring, is an undesirable expense from schools receiving public money. The potential for this to get out of hand needs regulation.

10.2.6 Fee regulation

Health funds, which receive on average considerably less public money than private schools, are subject to fee regulation. The lack of rigour in the current system has been illustrated by the extent to which private schools have increased fees, especially since the then Minister David Kemp argued that one reason for giving them more money was to make them more affordable.

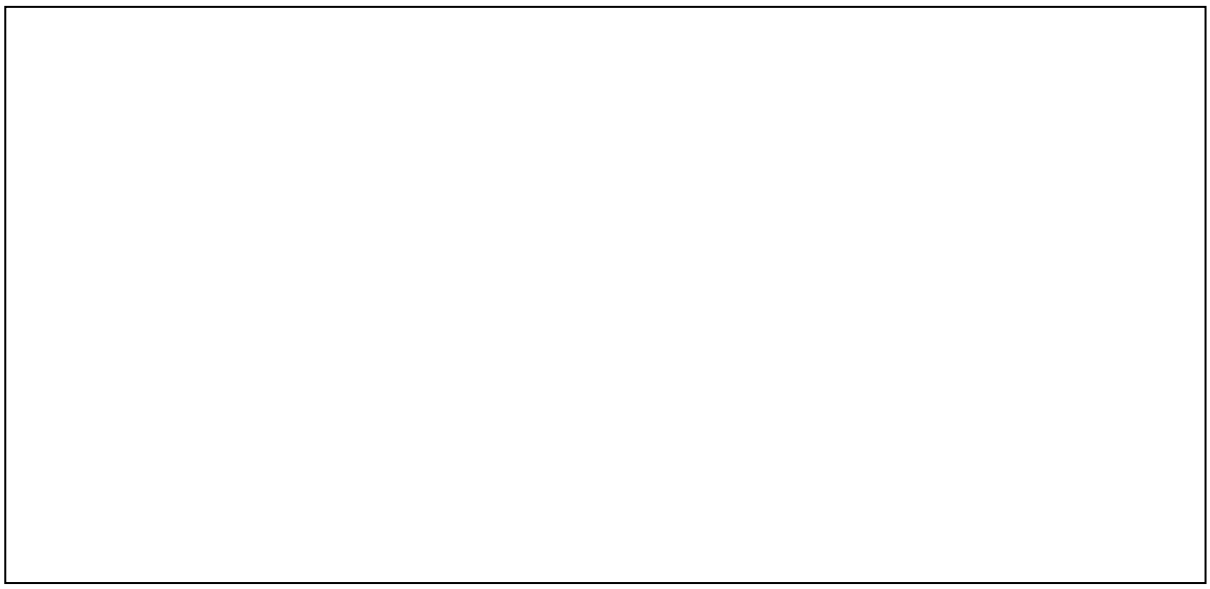
If the principle of equity is to be pursued through the Government funding then some regulation of fees is a necessary adjunct.

The use of scholarships also needs to be regulated. At the moment these are used to deprive the public system of its higher achieving students and improve the image of the private school rather than be based on any genuine philanthropic consideration. If scholarships are to be allowed, then they should not be on the basis of academic selection.

10.2.7 Auditing of rolls

Concerns have also been raised about the accuracy of the numbers of students for which private schools receive funds. Current auditing processes seem very lax, with very low

levels of verification. There is anecdotal evidence of private schools being very slow to remove from their rolls those students who have left, whilst being very quick to include new ones. Since Australian Government funding is based on the enrolments at a particular date, this needs to be included within a proper system of auditing.



10.2.8 Capital funding

Central to this issue is the question of ownership and stated purpose. Currently, government funding for capital purposes is confused in terms of failing to ensure that the asset is not sold or transferred by the recipient; that ownership is ultimately vested in government or that change of purpose is a matter for government approval.

Nicholls (2004, pp. 29-32) studies in some detail what has happened in a number of cases where schools receiving capital grants have been sold or closed. She points to the small proportion of money recouped, the general vagueness of the processes, and the "evidence of lack of appropriate care by DEST in assessing applications for capital grants" (p. 31) in the first place. The financial viability of the school does not appear to be a major concern in assessing the application.

11. The "Not for Profit Clause" (and Emergency assistance)

"Non-profit" status:

Sunshine Coast Grammar School was, until the end of 2003, owned by Sunshine Coast Grammar School Pty Ltd – a for-profit company whose sole shareholder was John Burgess, then principal of the school. This fact – the former ownership of the school - has been confirmed informally by the Queensland Office of Non-State Education

To all intents and purposes the operator of the school was in fact the owner company – Sunshine Coast Grammar School Pty Ltd. Company Secretary of this company was John Burgess, the person described in the 1998 media release (referred to above) as "head" of the school. The principal place of business of the for-profit company, and the registered office, were registered with ASIC at the address of the school. . (It should be noted that Burgess ceased as a Director

of the company on 9 November 2002 – a date close to that of his deregistration as a teacher. On the same date he ceased as Company Secretary.)

But a school is not eligible for Commonwealth funds if it is "operated for profit". How, then, did Sunshine Coast Grammar slip through the net of the Commonwealth's scrutiny? First, the entity that presented itself to the Commonwealth as operator of the school was, most likely, a Queensland-registered incorporated body known as "Sunshine Coast Grammar School". (In the Queensland jurisdiction it is not required for a religious organisation or a charity, when incorporated, to add "Limited" or "Ltd" to its name.)

Second, it seems that, for whatever reason, the for-profit company Sunshine Coast Grammar School Pty Ltd was not registered as having either its office or its principal place of business at the school itself until well after the school was up and running – and approved as eligible for Commonwealth grants. Its registered office, until 28 October 1999, was in Indooroopilly in Brisbane. The company's principal place of business was registered with ASIC until 14 December 1997 as in Toowong, also in Brisbane. Between this date and 31 August 1998, no principal place of business was apparently registered with ASIC. Therefore, when the school came up for scrutiny by the Commonwealth for funding purposes (presumably in 1996 or 1997), salient facts about the identity and nature of its actual management might not have been apparent. Certainly, perusal of the ASIC company register would not have shown clearly that the link between the for-profit company and the school was extremely close.

The fact that the company's details – in particular its principal place of business – were not correctly recorded with ASIC may actually constitute an offence.

Since selling the school the company has changed its name from "Sunshine Coast Grammar School Pty Ltd" to "Sayipassed Qld Pty Ltd". Its registered office is now at the business premises of former Director Stephen Beebe and its current principal place of business is specified as the home address of John and Kim Burgess. The nature of the business now conducted by "Sayipassed" is not known.

The new owner of this school is the Presbyterian and Methodist Schools Association.

KOORALBYN INTERNATIONAL SCHOOL, QLD

Kooralbyn International School, on the Queensland Gold Coast, closed abruptly, due to insolvency, in April 2002. In the previous year the school had received an STEA (Emergency Assistance) grant, said by DEST to have been made because the school's income from overseas students "was reduced due to the downturn in the Asian economy, affecting its overall financial situation." The Asian economic downturn had in fact occurred in 1997-98. Thus the school had ample opportunity to adjust its expenditure, or to look for additional local enrolments, by 2001 when it received the emergency grant. The decision to provide the grant appears to have fallen outside the guidelines for the program, which specify unforeseen financial problems. STEA grants are not repayable. The school plans to reopen in July 2004. None of this money will be recouped.

REDDAM HOUSE

Reddam House Ltd is the non-profit company that ostensibly runs Reddam House School. Its principal place of business is listed with the Australian Securities and Investments Commission (ASIC) as "56 Mitchell St, Bondi, NSW" – also the address of the school. This is not unusual. The Managing Director of the school, Graeme Crawford, is also a Director of Reddam House School, and a company Director, George Balios, is listed as a "Director" on the school's staff list. Mr Balios has an active role in running the school. The Business Manager of the school is Ian McLeod, who is also Company Secretary of Reddam House Ltd. The owner of Reddam House Ltd is Graeme Crawford, who owns all 100 shares in the company.

None of the facts about the ownership and management of the school, as so far described, are in themselves remarkable. Things begin to look more interesting, however, when the structure and principals of the for-profit Reddam House Holdings are investigated. This company's office bearers are almost exactly the same as those of the non-profit company that purports to run the school. The principal place of business and the business address of this company are also identical to those of the non-profit company. Key officially recorded dates (of meetings, the lodgement of certain documents etc) are also identical between the two companies.

The exact relationship between the for-profit and the non-profit activities and assets of Reddam House, in its various guises, is not yet clear. The indications are, though, that these companies are structured in part in order to enable Reddam House Ltd to obtain Commonwealth and State funds, and to join the AIS, as a not-for-profit entity. Schools run for profit are ineligible to receive Commonwealth and State funds and to become members of the AIS. Further information is being sought.

ABC LEARNING CENTRES

Australian public company ABC Learning Centres Ltd announced in February 2004 that it planned to build on its already lucrative business in childcare centres by establishing the first of a chain of primary schools, this one on a new housing estate near Brisbane. A new division of the company, ABC Education Services Pty Ltd, would lease property and provide services to a non-profit company, Independent Colleges Australia, which would hire the staff and teach the students. This not-for-profit-company had been established especially for this venture. ABC Learning Centres estimated that it would generate a 20 percent return on its investment in the first year. The school would have a capacity for 750 students.

Under questioning in Senate Estimates, DEST has indicated that its examination of entities applying for recurrent funding is limited to that company or organisation that presents itself on the application – which in this case will obviously be the non-profit Independent Colleges Australia. In this putative case, as in at least two existing cases, it would appear that this refusal to examine the entities associated with a purported school can lead to Commonwealth funds indirectly feeding the considerable profits of commercial companies.

In theory, Australian Government funding to schools must go to a "not for profit" entity. However, this is becoming an increasingly grey area. Problems are arising in a number of ways. These are elaborated by Nicholls (pp. 10-14). She identifies the following problem areas:

- Schools with "for profit" parent companies where it is difficult to be sure that Australian Government funding is not benefiting the parent company.
- The buying and selling of schools whilst they are in receipt of Australian Government funding.
- Emergency assistance which has been given to schools in connection with their for profit (overseas) activities rather than their not for profit activities;
- A number of schools with high proportions of overseas students. Overseas students are not eligible for Australian Government funding. However, it is difficult to see how the funding provided for Australian students does not benefit all the students in the school.

The changing nature of school ownership and the blurring of lines between "for profit" and "not for profit" should be of greater concern to the Government than it appears to be. It is not in the interests of Australian students to allow funding earmarked for school resourcing to be siphoned

off into profits for individuals. The AEU therefore believes that there is a need for an inquiry (as in Recommendation 1) to consider this matter in detail and develop guidelines which ensure that Australian Government funding does not go either directly or indirectly to "for profit" companies.

Recommendations 8:	**There should be a full and open inquiry to establish guidelines about the interaction of "for profit" and "not for profit" activities of non government schools.** **Emergency assistance must be tied to the "not for profit" operations of non-government schools, and not be available for contingencies arising in their for profit operations**

PART F

d. The application of the framework of principles for the funding of schools that has been endorsed by State and Territory governments through the Ministerial Council on Education, Employment, Training and Youth Affairs.

Part B examined the problems with the current rationale being used by the Australian Government in its funding of schools. In this section the AEU will consider alternative principles, and will then consider the extent to which the MCEETYA principles meet these.

12. Some Alternative Principles

12.1 A primary obligation to public schools

Whilst there are variations amongst states and territories, schooling is generally compulsory between the ages of about five and fifteen. Increasingly, completion to Year 12 is becoming a basic qualification which it is desirable that all should attain. This places an onus on governments to provide schooling which is accessible by all on an equitable basis. This generally results in systems which are based on the principles of free, universal and secular education. Private schools do not meet these principles.

Therefore the quality of the public system must be the primary obligation of governments.

If private schools are to be given funding by governments, then their impact on the public systems has to be the basic consideration. If the government funds them at a level which enables them to operate at resource levels above public schools, and thereby encourages segregation by race, religion and wealth, then it is failing in its obligation to meet the tests of free, universal and secular education.

Few advocates of the private sector argue it should be the dominant form of provision. Many support the need for a strong and viable public system as the basis of schooling for all and the base from which a private system best operates. Consequently, the strength of the public system is important to all.

12.2 Governments working together

This obligation is not exclusive to state and territory governments, it extends to all governments. All governments must work in partnership to achieve the same objectives. To suggest that the obligation rests with one level of government whilst another can subvert and undermine it is, of course, a nonsense. If schooling is a responsibility of the states and territories, then the only legitimate role of the Australian Government is to assist with that responsibility, not to fund a system in competition.

12.3 A common standard of resources target

If governments choose to fund private schools, then equitable provision is must be ensured by enabling all schools, especially public schools, to meet specified resource standards. Once these standards are met, they must be maintained and raised for everyone. If they become considered as a necessary minimum set, with no importance placed on equity above the base, then they become inequitable.

12.4 Choice

Choice is best provided as choice within the public system. If choice is to be provided through the funding of private schools, then it must be done in a way that does not undermine and residualise the public system. The majority of parents want to be able to choose a well funded and resourced public school. They should not be forced to choose a private school because of a perception that it provides better resources. Other things being equal, the proportion of parents choosing not to go to the public system is very small. The provision of choice between public and private schools should not become the major policy priority, since this creates unnecessary pressure on parents to leave the public system.

13. The MCEETYA Principles

13.1 Context

13.1.1 Private school funding is growing exponentially. As has been described above, private schools now receive large amounts of public money but operate without reasonable regulation. As a result, public schools are operating in an environment of growing competition where many of the "rules" of this competition are biased against them. Australian Government funding is deliberately fostering two systems which operate at different resource levels under different conditions.

Increasingly parents are encouraged to see the public system as the "safety net" system for those who cannot afford private education. There are increasing signs that the residualistion of public education is occurring. If the parameters of the situation are not altered very soon then the public system, which has served Australia well for so long, may be irretrievably undermined. It is important to stress that this will not just be disastrous for public education and its supporters, but that free and equitable schooling are inextricably tied to its well being. In the long run it is the nation as well as its children that will suffer.

13.1.2 It is within this context that the AEU considered the Agreed Framework of Principles for Funding Schools developed through MCEETYA , and endorsed them on the basis that whilst private school funding continues it must operate within such a framework.

13.2 Intent of MCEETYA principles

13.2.1 The MCEETYA principles embody a much healthier approach to the funding of the sectors than currently exists. In particular their implementation would ensure :

- That the Australian Government and state and territory governments work in unison to achieve common objectives in the provision of resources.
- The use of the National Goals of Schooling as a reasonable basis from which to create a common standard of resources.
- An emphasis on equality of outcomes.

- An acknowledgment that achieving equitable outcomes can only be done through fair and equitable distribution of resources and that this means an unequal distribution of resources to take account of student needs.
- The importance of all levels of government recognising that government schooling must be adequately funded to provide high quality schooling for all.
- An emphasis on students, their needs and the schooling they receive rather than arguments about relative expenditures, costings and "entitlements" and the use of the iniquitous AGSRC nexus in funding.

13.2.2 The AEU would put a number of caveats around the argument that "public funding supports the right of families to choose non-government schooling and supports nongovernmental schools on the basis of need".

It is important that if private schools are to be publicly funded, they are created in response to genuine parental demand and this does not lead to a supply driven expansion. As noted above this demands that a priority be given to public schools.

13.2.3 The part of this fourth principle which stipulates this funding take place, "within the context of promoting a socially and culturally cohesive society" also adds an important condition. There is a need for further consideration of how private schools can better fulfil an obligation to play a part in the creation of such a society, and the importance of greater accountability by private schools has been discussed above.

13.2.4 Similarly "the effective use of public funds" implies that the creation of new private schools and the operations of existing ones must take place within a planned and regulated process.

13.3 Funding the principles

There is a need to further develop the concept of basing funding on the needs of students in achieving the National Goals. It is understood that the MCEETYA schools resourcing taskforce is working on this, which is supported.

Recommendation 9

Funding should be based on the MCEETYA principles with an emphasis on:

- **the priority of public education;**
- **governments working together to ensure funding ameliorates inequities, rather than exacerbates them;**
- **ensuring that if private schools are to be publicly funded, they are created by a genuine parental demand which does not lead to a supply driven expansion.**

Part G

Preschool education: refining the parameters of schooling.

14. The Benefits of Preschool Education.

There is now almost universal recognition of the critical importance of preschool education. Its value is not just in setting the foundations for cognitive, physical, emotional, social and language development. It is often essential in terms of the detection of impediments to learning, which if not attended to could affect a child's learning potential for the rest of their life.

The long term benefits of quality early education were recognised in the Senate report, *childhood matters*, which commented that *numerous studies have repeatedly demonstrated that quality early education, and intervention where children experience disadvantage or disability, has a measurable impact upon their intellectual performance upon entry to school, their social achievements, self esteem and task orientation.* (Senate Employment, Education and Training references Committee, 1996)

A 2001 literature review of the outcomes of preschool education found that the benefits include:

- Preschool has a positive effect on intellectual and social skills, independent of background, when centres provide quality in terms of physical surroundings and adult/child interactions;
- Preschool improves children's ability to think and reason as they enter school, enabling them to learn more in the early grades. Even if the IQ advantage fades (this was not conclusive), their learning accumulates and their success keeps them 'on track' towards high school completion;
- For children from very deprived socioeconomic backgrounds, preschool makes a difference in intellectual progress and the acquisition of positive attitudes and motivation to succeed at school;
- Greater social and emotional maturity. Reduction in delinquent behaviours and drug abuse. Fewer anti-social actions and arrests. Those who attended preschool received higher teacher ratings on measures of social and emotional maturity… (Hull R. and Edsall S., 2001)

The longer term benefits of preschool education have again been confirmed in the recent report of the independent national inquiry into preschool education, '*For all our children'*.

Provision of universal access to high quality preschool education is thus a vital foundation for the achievement of the National Goals for Schooling. In particular, the achievement of the goals related to socially just schooling is integrally related to access to preschool education, particularly for educationally disadvantaged students and for Aboriginal and Torres Strait Islander students. A failure to provide such access further disadvantages children as they enter the early years of primary school, with consequences that can be long lasting. In the context of existing structures of provision, children's access is dependent on their socio-economic background and/or geographic location.

Discrimination and barriers to children's participation in education and other social and cultural structures must be identified and addressed. A commitment to equity requires a national policy framework which ensures that no Australian child is disadvantaged because of the state or territory or location in which they live, or because of their family circumstances.

All education systems should have as their objective the achievement of participation of Aboriginal and Torres Strait Islander children in early childhood education and have an obligation to provide for the intellectual, cultural, social and emotional development of young Aboriginal and Torres Strait Islander children, recognising that central to learning for Aboriginal children is a focus on identity and self-determination.

15. Issues of equity in access to preschool education.

The independent inquiry found that there is not equitable access to a high quality free preschool education across the country. (Walker 2004)

The inquiry concluded that:

> From a national perspective, this inquiry found that preschool education is characterised by fragmentation, varying degrees of quality, no equitable access, and without a national vision, commitment or consistent approach. The number of different approaches, funding formulas, terminology, child ratios, curriculum, costs and delivery hours and models promote inequity across Australia for young children in their preschool year.
>
> The enormous variation of preschool education in Australia results in more "luck of the draw" than a systematic, well-planned program. We need a vision and a commitment to preschool that is shared between the commonwealth states and territories.

Most states and territories have a commitment to ensuring that all children have access to preschool education, at least in the year prior to entering school. However, different government policies mean that access to a high quality public preschool education is not equitable and is currently determined by location and all too often, by family circumstances.

> *Through the inquiry process, it became evident that significant numbers of children are either not accessing or able to participate in a high quality preschool program. Equity of access differs between states and territories and differs in relation to various groups within the population.* (Walker 2004)

Determining who is missing out is problematic given the inconsistency and unreliability of available national data.

Across Australia, around 83.5% of children attended preschool in the year prior to school in 2002-03. It is worth noting that participation rates have been increasing, as have actual enrolments since 1999, despite a fall in the number of 4 year olds in Australia. (SCRCSSP 2004, Kronemann 2004).

On this data, it is clear that more than 40,000 children did not access preschool education in the year prior to school.

Definitions of preschool education differ from state to state, and participation rates are calculated on the basis of the 4 year old population, notwithstanding the fact that children may be aged 3 or 5 in their preschool year.

This is likely to mean that the participation rate is overestimated.

When 2002-03 preschool enrolments are compared with 2003 enrolments in the preparatory or reception year of school (year 1 and the prep trial in Queensland), the participation rate would be 79.2%. (SCRCSSP 2004, ABS 2004)

This would suggest that more than 55,000 children missed out on a preschool education in the year before school.

Participation rates vary considerably across the states and territories, from 61.9% in NSW to

101% in Queensland. (Kronemann 2004)

About 17% of younger children (3 year olds) also attended preschool in 2002-03. In NSW, Queensland and South Australia younger children are funded to attend preschool education. In the ACT and Northern Territory some younger children are eligible to enrol, including Indigenous children. Some may also enrol in limited circumstances in Tasmania and there is a small early entry program for Indigenous students in Western Australia. No younger children are funded in Victoria.

The participation data informs us that children are more or less likely to be enrolled in preschool education in the year before school on the basis of where they live. In addition, location determines whether 3 year olds will be funded to attend, or not.

With no real certainty about the number of children missing out on a preschool education, the data is even less reliable in relation to who is missing out.

Some things are, however, fairly clear.

Commonwealth policies in relation to Indigenous Education recognise that the participation of Aboriginal and Torres Strait Islander children in preschool education is a critical objective. Some Commonwealth IESIP funding is provided but there is a general view that the participation of Aboriginal and Torres Strait Islander children needs to be increased. The participation rate of Aboriginal and Torres Strait Islander children remains significantly lower than that of other Australian children. In most but not all systems, 3 year old Indigenous children are entitled to enrol in preschool education. If all 3 and 4 year old Indigenous children were entitled to participate, then on the basis of the SCRCSSP data, some 12,300 children missed out on this opportunity in 2003-03. The *National Report to Parliament on Indigenous Education and Training* indicates that some 13,160 children are missing out on preschool education. (Kronemann 2004)

The reasons for this lower participation rate are complex. They include the impact of poverty in affording access; lack of transport; lack of integrated services; lack of Indigenous staff; and also a perception that some services are not culturally sensitive and/or are providing culturally inappropriate programs.

The data available in the Report on Government Services also indicates that children from non-English speaking backgrounds are substantially under-represented in preschool education, relative to their representation in the community, across all jurisdictions for which there is data. (SCRCSSP 2004)

Children with disabilities are reported to be under-represented in every preschool system for which data is available with the exception of NSW and South Australia. (SCRCSSP 2004). The independent inquiry found across the whole of Australia that *the lack of adequate funding, resources and supports for preschool education for children with special needs are a significant barrier to equity and access*. (Walker 2004)

Children in rural and remote communities are also missing out, at least in Queensland and the Northern Territory. (SCRCSSP 2004) The Northern Territory Department of Education, for example, has estimated that some 2400 children in the Northern Territory are missing out on preschool education, notwithstanding efforts by the current Government to extend services, eg through the mobile preschool program.

No data is maintained on the socio-economic background of children who miss out on preschool education. There is however a considerable body of research that suggests that children from disadvantaged backgrounds are more likely to miss out. (Kronemann 1998)

Access to preschool education cannot be described as equitable when participation varies across systems and when, across Australia, it is clear that some groups of children within our community are more likely to be missing out.

Children who do attend a preschool setting are not necessarily provided with equitable access to high quality provision. In discussions with teachers, parents and early childhood organisations across Australia, the most frequently mentioned element of a quality preschool education was access to a qualified early childhood teacher. The independent inquiry defined preschool as:

> a planned educational program for children in the year before the first year of school. Children are usually aged between 4 - 5 years of age. A qualified early childhood teacher, who has completed a degree in education, plans the program and is usually supported by a teacher assistant. (Walker 2004)

Not all programs described as preschool programs include a qualified teacher.

In NSW, all 4 year old children attending childcare are the basis for determining the preschool participation rate. Both child care and preschool settings are required to have a qualified teacher but only if there are at least 30 children enrolled. This means that many children are accessing programs that are not planned and delivered by qualified teachers. In other systems too, early childhood teaching qualifications are desirable rather than mandatory, and while children will be taught by teachers, they will not necessarily have early childhood qualifications.

There are other barriers to quality provision, many of which relate to inadequate resources. Group sizes, for example, are often too large to ensure that quality education can be guaranteed. Children with special needs are often not catered for adequately, and in some cases are able to attend for only the half the time that other children do, because of a lack of support.

Pre-service teacher training does not necessarily include Aboriginal Studies and Torres Strait Islander Studies, and existing staff often lack sufficient access to appropriate professional development.

The independent inquiry reported a range of barriers to access, and noted that:

> Lack of a national vision and commitment to preschool education is viewed as a major barrier to access of high quality preschool. (Walker 2004)

16. Structures of preschool education in Australia

Preschool is a vital component of the education continuum and specific strategies are required to ensure that the links between preschool and school education are strong and supported. It must be an integral part of the early childhood education offered by a high quality, properly resourced system of public education.

The issue of transitions for young children is recognised as being of considerable significance in ensuring their educational success and wellbeing.

As the authors of *100 Children Go to School* argued:

> The historical divide between preschool and school demands bridging so that early education is reconceptualised as a period of time spanning 3-8 years. (Hill et al, 1998)

In six of Australia's eight systems, preschool education is clearly recognised as part of the public education continuum. It is administered, staffed and funded by the Education Department and preschool education is usually part of the school or staffed by Education Department teachers and there are increasingly moves towards co-location where this has not been the case.

Teachers can move between education levels and particularly in co-located settings, are able to share information, experiences and resources across preschool and the early years of primary schooling. Children too are able to share activities, resources and equipment. This includes 'buddy' systems and other educational experiences with older children as well as access to specialist teachers and resources.

In a number of systems, notably Tasmania, the ACT and the Northern Territory, the moves to greater structural integration have included the co-location or even integration of community childcare facilities with schools, or on school sites. Whilst as yet generally less fully developed in many settings, this too has created new opportunities for social and educational cooperation. For parents of younger children, it has created an opportunity to become part of the school community and to enable the needs of differently aged children in the family to be brought more easily together.

In addition, many co-located settings are increasingly moving to encourage other early childhood services onto school sites; health screening services, play groups, Parents as Tutors and the like. This is of course linked to the commitment in the *National Goals for Schooling* to strengthen schools as learning communities. Resource and structural barriers do however pose challenges for the development of schools as community hubs.

Victoria and NSW are the exceptions, in different ways. In NSW, there have been some moves to increase public preschool provision, and by the end of the year there will be 100 public preschools that are linked to government schools. However the vast bulk of preschool provision in NSW falls under the Community Services Department, regulated by the same mechanisms which regulate childcare, requiring a qualified teacher only in larger settings and with limited links to schools. Community preschools in NSW have faced substantial resource pressures, with their funding effectively frozen for some years.

In Victoria too, preschool education is still the responsibility of Human Services and again, outside some particular programs, there are few links to schools. Programs offered through child care settings are less generously funded by the Victorian Government than those in stand alone preschools. Victorian regulations do require funded preschool programs to have a qualified teacher. However, the lack of salary parity with teachers in Victorian schools has ensured a growing pressure on preschool teacher supply.

In both systems, teachers in standalone preschools face enormous workload pressures arising from administration and accountability requirements. For many, these include both the workload and insecurity that come from being employed by a committee of management which turns over each year.

The fragmentation and inequity that results from the lack of national coordination and specific goals for preschool education directly impact on the capacity of governments to fulfil their

responsibilities in regard to the quality, equity, efficient and effectiveness of funding schooling systems.

The current barriers between the funding models operating for the preparatory/reception/transition year of schooling and for preschool programs are both arbitrary and deleterious to quality and equity goals.

Across most of Australia, preschool education is indeed recognised as a vital part of the education continuum. It is high time that reality – and need- was reflected in national goals, planning and funding regimes.

The 1996 Senate Inquiry recommendation was that there should be *universal provision, across the range of early childhood settings, for the year before a child enters school*. (Senate Employment, Education and Training References Committee, 1996). Eight years on, it is time to ensure that vision can be fulfilled.

17. Lack of national funding commitment

Preschool education is badly under-resourced in Australia, relative to the commitment made by other countries. Compared to the OECD average expenditure of 0.4% of GDP, Australia spends 0.1%. As a relatively wealthy country, Australia is one of the four lowest spending of 36 countries on preschool education for children aged 3 years and older. (OECD 2003)

Moreover, the OECD average expenditure from public sources is 82.7%, with 17.3% from private sources (the latter including subsidies paid to educational institutions from public sources). In Australia, by contrast, only 60.7% of expenditure came from public sources.

This national under-resourcing of preschool education underpins many of the barriers that currently prevent universal access to high quality preschool education. Within it, different systems are providing different levels of commitment to preschool education, leading to inequities in the cost to parents and the level of support and resources provided to services.

The Commonwealth Government ceased funding in 1985 and now provides no funding for preschool education, outside some support for Indigenous Education. The failure to make a resource commitment links to the lack of policy leadership at a national level.

Across Australia, different government funding policies mean that access to a quality public preschool education is not equitable, and is currently determined by location and, in some states, by family circumstances.

Fee structures in those two states which do not support and resource preschool as part of the education system reflect a far higher reliance on user pays, which disadvantages families with lower socio-economic backgrounds. In NSW, for example, community organisations and providers estimated that families would be paying $30 on average for a full day session – or $60 per week for an average length program. In Victoria, the state average was around $145 per term, or about $14-50 per week, but suggestions are that metropolitan rates would be closer to some $165 per term. Even with fee concessions available to some families (eg Health Card holders) these are significant burdens for families to carry, especially for low income families.

Parents and teachers in the ACT reported that a considerable number of NSW families sought to enrol in ACT programs each year, because, we were informed, of the cost and the perception that the ACT offered high quality programs.

In other states, parental contributions are restricted to voluntary fees and fundraising. Many parents across the country indicated their awareness of the inequities that exist between systems in terms of the costs imposed on parents. There was a general perception that these differences were not fair. The independent inquiry identified the cost to parents, particularly in NSW and Victoria, as a major barrier to preschool access. (Walker 2004)

18. The role and responsibility of the Commonwealth Government, in partnership with the states and territories.

However good provision may be in particular states and territories, from a national perspective, current provision of preschool education is inconsistent, fragmented and uncoordinated. There is no national policy, no national infrastructure to provide the basis for planning and no coherent strategies to ensure that all children in Australia can exercise their right to a free, public, high quality preschool education. Nor are there minimum standards for preschool provision.

As already indicated, there is not even an adequate national research base to be able to determine how many children are missing out and why. The current structures lack either the capacity or the will to ensure that both problems and solutions can be systematically shared. Good programs at best transfer from system to system on an ad hoc basis.

There are no structures to bring stakeholders, including governments, parents, teacher unions and relevant community groups together, to assist in national planning.

The Commonwealth Government has maintained a strong role in all other sectors of education, from schools to higher education, as well as in child care services. The Commonwealth funding contribution to the operation of TAFE institutes and government schools is based on cooperative partnerships with the states and territories that are aimed to achieve agreed national objectives for those sectors.

The report of the independent inquiry endorsed the view that the Commonwealth has a central role to play in ensuring universal and equitable access to preschool education:

> The inquiry received significant numbers of written and verbal submissions stating that the provision of high quality free preschool should be the shared responsibility of the Commonwealth and state and territory governments and that the Commonwealth should inject significant funds to preschool education across the country.
>
> Submissions also stressed the need for a national vision and framework for preschool education across Australia. (Walker 2004)

The current position in relation to the Commonwealth's failure to provide funding for preschool education is, as the AEU's 1998 discussion paper noted, a sad step backwards. Following the recommendations of the Australian Pre-Schools Committee in 1974, the Commonwealth Government proceeded to support and extend both preschool and child care services. The current funding situation arises from a decision in the May 1985 Statement of Initial Savings Measures, to terminate Commonwealth funding support for preschools in the states and territories for the end of 1985. The decision to abolish block grants to the states saved the

Commonwealth some $33m per annum at that point. The Commonwealth does continue to provide some funding for preschool services for Aboriginal and Torres Strait Islander children.

The failure of the Commonwealth Government to maintain a similar responsibility in relation to preschool education is inconsistent with the general pattern of government relationships and shared responsibilities with regard to education. Apart from the shortage of resources available to ensure universal access to preschool education, the current situation has exacerbated fragmentation and lack of coordination. The reintroduction of a shared Commonwealth commitment to the resourcing of preschool education underpins efforts to ensure equity of access, redress of disadvantage and greater national consistency.

The AEU supports the findings of the independent national inquiry into preschool education and supports the implementation of the inquiry's recommendations, which are listed below.

Recommendation 1

It is recommended that:

1.1 a national plan for preschool education be developed between the Commonwealth and states and territories to ensure equity and access to high quality preschool;

1.2 a national framework and vision for preschool education is coordinated through MCEETYA and DEST.

Recommendation 2

It is recommended that:

2.1 the provision of high quality and accessible preschool education in the year before commencing school is free for all children across Australia and is acknowledged at a federal level as a universal right;

2.2 the Commonwealth reintroduce dedicated funding for preschool education and that Commonwealth and state and territory governments jointly provide the full costs of preschool education.

Recommendation 3

It is recommended that:

3.1 the Commonwealth and State and Territory governments give priority to ensuring access to high quality preschool education for Indigenous children across the country;

3.2 access to two years of preschool education be provided for all Indigenous children;

3.3 Commonwealth and state and territory governments provide additional funds dedicated to improving access for Indigenous children to preschool education;

3.4 current initiatives that link health, education and community programs be increased and expanded. Higher levels of coordination between services should be established between government and non-government organisations in direct consultation with Indigenous communities;

3.5 priority be given to increased employment of Indigenous teachers and other staff, particularly in Indigenous communities, and initiatives are introduced urgently to increase study opportunities for Indigenous staff in early childhood.

Recommendation 4

It is recommended that:

4.1 the term "preschool" be used across Australia to describe the year before school;

4.2 a common term for the first year of school be used across Australia.

Recommendation 5

It is recommended that preschool education programs be staffed by at least one qualified staff member with an early childhood teacher degree. In addition there be at least one teacher assistant for the duration of time children attend the program.

Recommendation 6

It is recommended that:

6.1 the Commonwealth and state and territory governments provide a significant and immediate increase in funding to provide adequate supports and resources for children with special needs;

6.2 group size and teacher /child ratios be reduced for each child who meet the criteria for special needs assistance.

Recommendation 7

It is recommended that:

7.1 the maximum size of preschool classes be limited to 20 children per group. For each group there be at least two staff, including one with an early childhood teaching degree;

7.2 in remote and rural areas of Australia, provision of preschool not require a minimum of 12 children. A group size of 5 and above is recommended.

Recommendation 8

It is recommended that preschools and child care centres across Australia come under the jurisdiction of the Departments of Education in each state and territory and provide continuity for children and families between child care, preschool and the first year of school.

Recommendation 9

It is recommended that funding for preschool programs be based upon enrolment rather than attendance.

Recommendation 10

It is recommended that the Commonwealth and state and territory governments jointly fund increased provision of transport for children to access preschool. This provision needs to be targeted at children with special needs, Indigenous children, CALD children and families in low socio economic groups.

Recommendation 11

It is recommended that:

11.1 culturally appropriate curriculum be provided in all preschools, with content that reflects cultural diversity for all children;

11.2 curriculum reflects and respects the specific groups within each program, particularly providing appropriate supports and content for children and families of CA*LD backgrounds, Indigenous children and children with special needs.*

Within that broad framework, the AEU would support a funding model which, from the basis of an agreed national plan, would ensure that both the Commonwealth and the state and territory governments played their part. Commonwealth funding for preschool education should be included in the overall funding package for schooling.

- Defined Commonwealth and State and Territory roles should be negotiated within a new funding and policy partnership aimed at delivering universal, free, public preschool education of the highest quality for all children in Australia.

- The Commonwealth Government should provide general recurrent funding to increase participation and quality via funding agreements which also require maintenance/enhanced effort by the states and territories and incorporate agreed targeted outcomes.

- In addition, the Commonwealth should fund a national targeted equity program to guarantee equitable access and to redress educational disadvantage.

A more detailed model is outlined in the AEU policy.

RECOMMENDATION 10 : The Australian Government should work in partnership with the states and territories to develop a national plan for preschool education and to fully fund access to high quality free preschool education for all children.

PART H

Concerning Aboriginal and Torres Strait Islander Programs

AUSTRALIAN EDUCATION UNION
SUBMISSION TO THE SENATE INQUIRY INTO COMMONWEALTH FUNDING FOR SCHOOLS

PART H
CONCERNING ABORIGINAL AND TORRES STRAIT ISLANDER PROGRAMS

Summary

The Australian Government repeatedly proclaims a commitment to policies aimed at achieving social justice for Indigenous people and improving their socio-economic well being[i]. MCEETYA has stated that educational equality for Australia's Indigenous peoples is an urgent national priority[ii].

However, the educational funding arrangements for Indigenous students announced by the Federal Minister for Education in April 2004 will not realise this important objective. The Minister has proposed that $2.1 billion dollars be allocated to pre-schools, schools, VET providers and universities in the Indigenous Education 2005-2008 Quadrennium Funding, an increase of $351 million or 20.5%. Since there has been no detailed analysis of the longitudinal trends in funding it is difficult to compare the true dollar amount assigned to support Aboriginal and Torres Strait Islander education over the past 10 years.

The 20.5% increase to funding announced by the government is less significant once previous cuts are factored into the equation. For example the cuts made to Abstudy in January 2000 saved $18.8 million for the Government in January-March 2000 period. The total net saving to the Government for 2000 alone was an astounding $75.2 million. The cumulative savings reaped from the cuts to Abstudy by the Government over the 2001-2004 quadrennium cuts equates to 60% of the Minister's $351 million claimed 'increase'.

It is apparent that the announced Indigenous Education 2005-2008 Quadrennium Funding represents indexation increases to cover annual cost adjustments, not to a new policy on Indigenous Education funding and new investment in the education of Aboriginal and Torres Strait Islander students. The indexed increase for all Indigenous education programs is around 3.25 % per annum, an increase which barely keeps pace with inflation[iii]. This compares unfavourably with that of general schools indexation which is running in the region of 6.4% per annum and is included in the forward estimates for schools in the funding quadrennium 2005-8 by the Federal Minister.

A genuine and significant increase in funding is urgently required.

The proposed changes to Indigenous-specific funds allocation, and the proposed model for the distribution of funds articulated by the Minister will disadvantage many Indigenous students.

Changes to both the Indigenous Education Strategic Initiatives Program (IESIP) and the Indigenous Education Direct Assistance Program (IEDA) will mean most of the funds will be directly tied to performance based outcomes with a disproportionate amount of funding being targeted to support programs in regions classified as 'remote'. This submission does not seek to contribute to a divisive debate regarding urban versus remote, nor seek to quantify levels of disadvantage. That the majority of Indigenous peoples in Australia face great disadvantage in all aspects of social life has been well documented in the literature[iv] as well as in the government's own reports and inquiries. The argument must remain fixed on how to empower Indigenous people to achieve the same educational outcomes as non-Indigenous Australians.

1. Impact of Redefining Remoteness

It is noted by the Commonwealth Grants Commission (CGC) report in their Inquiry into Indigenous Funding (2001) that regardless of the diversity in the circumstances between, for example urban and remote Indigenous communities, "In all regions, and across all functional areas examined … Indigenous people experienced entrenched levels of disadvantage compared to non-Indigenous people"[v]. Rather than stripping funding from one disadvantaged section of the community and injecting more funding to another disadvantaged section of the community it is imperative that more funding be made available to all Indigenous students and tackle "unacceptable disadvantage" disadvantage in a structured and global manner. This will be the only way to achieve genuine equitable outcomes for all Indigenous Australians.

Under the proposed arrangement, Indigenous students in urban schools with less than 20 Indigenous students will be significantly disadvantaged. Prior to April 2004 a metropolitan Indigenous student with needs over and above that defined as a school responsibility was entitled to access free additional tuition under the Class Tuition program or individual tuition under the Aboriginal Tutorial Assistance Scheme[vi]. This program will no longer be available to support students in metropolitan areas where the Indigenous student population is low.

Other changes to ATAS will also significantly disadvantage Indigenous children. Where once after-hours tutorial assistance was provided to all disadvantaged Indigenous children, the new scheme will only assist those students in years 3, 5 and 7 who fail literacy and numeracy benchmarks. Rather than encourage and support students throughout their educational years and help all students realise their potential, only those who have already failed in the system will be offered some form of support. Such an approach will not lead to improved outcomes for all Indigenous students but will perpetuate inequality.

Instead of redirecting Indigenous-specific funding from urban and rural to remote areas, Dr Nelson should consider redirecting funding from the richest category one private schools in to Aboriginal and Torres Strait Islander Education[vii]. Since 2001, the Howard Government has overseen substantial increases in private school funding since the passing of the States Grants (Primary and Secondary Education Assistance) Act 2000. For example, Scotch College, one of Melbourne's wealthiest private schools has between 2001 and 2004 received a 93% increase in Commonwealth funding, or $1,531,264[viii]. Indeed, with the current States Grants Act in place, "more than 50 of (Australia's) wealthiest schools get increases of more than $1 million over four years."[ix] Some private schools have enjoyed a 240 percentage increase to funding[x].

2. Need to implement programs which are owned and monitored by local Indigenous communities in consultation with their own state educational structures

Submission-based funding will replace ASSPA committees. Fifty percent of this funding ($62.5m) will be targeted to remote areas. The DEST media release states: "the discontinuation of formula-based funding for ASSPA committees supports the findings of the IEDA review, which found this funding model was no longer an appropriate

approach." [xi] It is unclear how submission-based funding will enhance the participation of Indigenous parents in educational decision-making. It is also unclear as to how the writing and acquittal of submission-based funding is any less onerous for Indigenous communities than the current operations of ASSPA committees.

There is an urgent need for dialogue on the proposed changes to IEDA and ASSPA. There has been little public commentary on the proposed changes because in fact most Indigenous communities are not aware of what is about to happen[xii]. Of the 3,900 ASSPA committees across the country, only 10 have made a submission to the government on the impact of the changes to ASSPA[xiii]. Direct impacts will result in even lower school attendance rates and test results by Indigenous school children.

Alford[xiv] (2004) reminds us that the National Aboriginal and Torres Strait Islander Education Policy (AEP) recommends the active involvement of Indigenous community elders and families in classrooms, school management and program design but laments that this practice rarely occurs. It is imperative that local Indigenous communities together with Aboriginal and Torres Strait Islander educationalists and state and federal education departments negotiate policy development and delivery and that all are actively involved in program monitoring.

Racist assimilationalist policies have failed. The deficit model where Indigenous students are constantly cajoled to play 'catch up' has failed. Therefore it is time for the Australian education system to investigate its own inherent structure and establish the means through which it can engage more effectively with Indigenous people. Indigenous parents must be asked about their aspirations for their children, and what value systems they want the education system to engender in their children. Only by engaging parents and broader Indigenous communities with educational decision makers will an appropriate and culturally informed framework be established. Once this is realised real advances in the education of Aboriginal and Torres Strait Islander students will be achieved.

3. Need to implement performance measures which are endorsed by local Indigenous communities

The AEU supports the notion of improving outcomes for Aboriginal and Torres Strait Islander students, but does not support punitive measures as a means to achieving this end. Punitive measures, such as the diminution of resources to ECE centres, schools and TAFE colleges that are not achieving externally determined outcomes do not provide an incentive for improvement[xv].

In any case the notion of an 'outcome' is a subjective one. MCEETYA itself recognises that the reporting of test outcomes can have both positive and negative consequences depending upon how test outcomes are interpreted[xvi]. Interpretation of test results becomes fraught especially since research has shown that some test items and some test administrations used in Australian schools to assess competency in literacy or numeracy often discriminate against students on the basis of culture-specific knowledge and linguistic background.

There is also evidence that there is real assessment bias. Attempts to adjust, accommodate or make tests more appropriate have been 'sporadic, under-funded and had not had a major impact on practices in the field'[xvii]. Standardised tests in themselves do

not lead to real educational improvements. Given that test instruments are unreliable and given that test results can be used in an arbitrary way it is imperative that funding is not aligned to testing.

While all funded projects should be accountable in some way, the measures imposed must be relevant and meaningful. There has been no negotiation with Aboriginal and Torres Strait Islander parents, communities or regional bodies on performance measures which are meaningful to Indigenous Australians. What are the educational attributes Indigenous Australians value? Can it be presumed that they are the same as the educational attributes valued by mainstream society? Until these basic questions are answered the performance measures used by the government to determine funding will remain at best, paternalistic.

4. Implications of mainstreaming resources

Many of the proposed changes to the Indigenous Education funding for the 2005-2008 quadrennium are based on the premise that mainstream resources can be utilised and dedicated to support Indigenous students despite evidence that mainstream education has had devastating consequences for many Aboriginal and Torres Strait Islander students. The Aboriginal and Torres Strait Islander People's Training Advisory Council (ATSIPTAC) (1998) identified some of the key factors inhibiting the successful outcomes for Indigenous students as "… concentration of school education upon classroom and didactic teaching styles; relative absence of curriculum related to Indigenous cultures; lack of cross-cultural understanding of Indigenous cultures; and lack of Indigenous people employed as teachers and trainers". Gurrurajan (2000) identified racism, lack of available tutors, confusion regarding the structure of, and associated terminology used in mainstream classrooms, inflexibility and time demands as all having negative impacts on student outcomes[xviii].

Contemporary research provides a compelling argument against mainstreaming educational programs and resources. It consistently indicates that Indigenous people are more likely to access Indigenous-specific programmes and services designed to address their needs whenever they are available. In the areas of health, education, housing and employment where Indigenous-specific programs exist, however, the resources are often insufficient to remedy the level of need or are inappropriately allocated. So far, according to the Australian Commonwealth Grants Commission, government expenditure in these areas has proved inadequate to the task of raising Indigenous people to a position of equality in Australian society[xix].

The AEU believes that there are areas where mainstream funding can and should be leveraged to free up funds for program related areas. This is particularly the case in the area of staffing, where in most states and territories, commonwealth funding is used as the primary fund source for the employment of Indigenous peoples. This results in Aboriginal and Torres Strait Islander staff being trapped in casual employment within the school sector.

5. Recommendations

Recommendation 11 That the Australian Government recognise that, since 88% of Aboriginal and Torres Strait Islander students are in public schools, raising the resource levels of public schools is vital to improving the educational outcomes for Aboriginal and Torres Strait Islander students.

Recommendation 12 That the Australian Government establish a national body of key stakeholders to monitor the changes to ISIP, IEDA and the impact of past changes to Abstudy. This should include Indigenous Australians who are AECG representatives as well as representatives from all educational sectors including Higher Education, VET, Secondary and Primary Schools and Early Childhood Education.

The Department of Education Science and Training should provide such a national body with transparent information.

The national body be charged with the responsibility to monitor government policy and program development in line with the 21 long term goals contained in the National Aboriginal and Torres Strait Islander Education Policy (AEP).

Such policies and programs should be monitored for outcomes and consistency and require funding

Footnotes:

[i] Examples include: House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, 1994, *Justice Under Scrutiny*, Canberra.; Royal Commission into Aboriginal Deaths in Custody, 1991,*National Report*, vol. 3.; Senate Employment, Workplace Relations, Small Business and Education Reference Committee, 2000, *Katu Kalpa: Report on the Inquiry into the Effectiveness of Education and Training for Indigenous Australians*, Canberra.

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[iii] Macklin, J, 2004, Smoke and mirrors: Indigenous education funding announcement to hide 3.25 per cent a year increase, Australian Labour Party media release, http://www.alp.org.au/media/search.html?task=search_go&restrict_search=%21med&keyword_query=indigenous+education&restrict_media_name=&restrict_media_portfolio=&method=AND&display=25&dates=0 (accessed 29 June 2004)

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AEU Melbourne, http://www.aeufederal.org.au/Atsi/Indigfundquad.pdf (accessed on 22 June 2004)

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[x] ALP News Statement, *Transcript – Sunday Sunrise, Channel Seven*, 15 February 2004, http://www.alp.org.au/media/search.html?task=search_go&restrict_search=%21med&keyword_query=indigenous+education&restrict_media_name=&restrict_media_portfolio=&method=AND&display=25&dates=0, (accessed 29 June 2004)

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[xiii] ibid

[xiv] Alford, K, 2004, Denying Aboriginal Identity in South-East Australia: The Failure of the Assimilation Model in Schools, Centre for Study of Health and Society, Faculty of Medicine, Dentistry and Health Sciences, Melbourne University.

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