

DEPARTMENT OF EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS SUBMISSION TO THE SENATE STANDING COMMITTEE ON EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

Inquiry into the Schools Assistance Bill 2008 and the Education Legislation Amendment Bill 2008

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Introduction

1. The Department of Education, Employment and Workplace Relations (DEEWR) is pleased to provide a submission to the Senate Standing Committee on Education, Employment and Workplace Relations, which is currently considering the Schools Assistance Bill 2008 (the SA Bill) and the Education Legislation Amendment (ELA) Bill.
2. This submission outlines the broader context in which both the SA Bill and the ELA Bill have been framed and a detailed rationale for the approach taken.

Brief outline of the Bills

3. The SA Bill will:
 - provide funding for non-government schools for 2009 to 2012 as part of the Commonwealth Government's overall agenda for delivering an *Education Revolution*;
 - implement the Government's election commitments to continue the current socio-economic status (SES) funding and indexation arrangements for non-government schools for 2009 to 2012;
 - appropriate an estimated \$28 billion of Commonwealth funding for recurrent, capital and targeted assistance for non-government schools and bodies for 2009 to 2012, including supplementary assistance for Indigenous school students;
 - fund Indigenous-specific school education programs through a single, streamlined Indigenous Supplementary Assistance element and align the indexation and remoteness classifications of this funding with those which apply to mainstream recurrent funding;
 - establish an Indigenous Funding Guarantee to ensure that non-government school authorities are no worse off under the new arrangements;
 - provide for maximum recurrent funding for non-government schools with a very high proportion of Indigenous enrolments; and
 - provide the mechanism to ensure that the performance and accountability requirements for non-government schools are consistent with the requirements of the National Education Agreement, which is currently being finalised through the Council of Australian Governments (COAG).
4. The ELA Bill amends the following legislation:
 - *Indigenous Education (Targeted Assistance) Act 2000* (the IETA Act);
 - *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004* (the Schools Assistance Act 2004); and
 - *Australian Technical Colleges (Flexibility in Achieving Australia's Skills Needs) Act 2005* (the ATC Act).
5. The ELA Bill also repeals the *States Grants (Primary and Secondary Education Assistance) Act 2000* while extending the *Indigenous Education (Targeted Assistance) Act 2000* so that the Government can continue to provide national leadership and contribute towards closing the gaps between the outcomes of Indigenous and non-Indigenous students.
6. The SA Bill will appropriate funding for all non-government schools and the ELA Bill appropriates funding for Indigenous-specific supplementary assistance to preschool and vocational education and training (VET) providers as well as funding for strategic investments and initiatives. Both Bills cover the period 2009 to 2012.

7. The estimated financial impact of the SA Bill over 4 years 2009 to 2012 is \$28 billion. It is estimated a further \$779 million will be appropriated under the ELA Bill.

8. The Bills need to be passed before the end of 2008 in order that funding agreements can be entered into and payments to non-government schools can be made in January 2009 to enable schools and providers to commence operations in the new school year.

The Government's quality schooling agenda and COAG reform agenda

9. In the context of the November 2007 election, the Australian Labor Party (ALP) committed to creating an *Education Revolution* to build a world class education system which would establish Australia as one of the most highly educated and skilled nations in the 21st Century. The *Education Revolution* is a key element of the Government's agenda to:

- **Build a Stronger Future** – Increasing Australia's capacity to sustain higher economic growth with low inflation through increasing the skills base of the labour force and aligning that skills base with the needs of the economy;
- **Build a Fairer Australia** – Raising the skills and capacity of all Australians, particularly those with those with low skill levels, to ensure equity in the economic, social and political life of the nation; and
- **Prepare for Future Challenges** – Australia faces significant changes to its social and economic environment through an ageing population and increasing international competition. The nation must invest in developing a world class education system and drive development of a workforce that is highly skilled and flexible.

10. The Prime Minister's address on 27 August 2008, *Quality Education: The case for an Education Revolution in our Schools*, set out the Australian Government's three major priorities for reform of the education systems:

- raising the quality of teaching in our schools;
- ensuring all students are benefiting from schooling, especially in disadvantaged communities; and
- improving transparency and accountability of schools and school systems at all levels.

11. The Government has made substantial progress towards these aims, with the 2008–09 Budget delivering an estimated \$19.3 billion in investments in education, cementing the Government's commitment to Trade Training Centres, new digital technology, development of a national curriculum and additional literacy and numeracy support to those schools and students that most need it.

12. All Australian Governments have undertaken major reform of Commonwealth-State financial relations through COAG. This process will result in a reduction in the number of Specific Purpose Payments (SPPs) from approximately 90 to five, with a renewed focus on outputs and outcomes, providing states and territories with greater flexibility in order to increase the productivity and capacity of the economy and deliver a higher quality of service to the Australian community.

13. To progress its cooperative federalism agenda, in December 2007 COAG established seven working groups to deliberate on approaches to major policy initiatives across a range of critical issues of national significance through the course of 2008. The Working Group on the Productivity Agenda – Education, Skills, Training and Early Childhood Development (PAWG) was established to:

- pursue substantial reform in the areas of education, skills and early childhood development, to deliver significant improvements in human capital outcomes for all Australians; and

- strengthen Australia's economic and social foundations through this reform workplan, including in relation to teacher quality.

14. A substantial component of the work of the PAWG has been the drafting of the National Education Agreement (NEA), to be considered by COAG later this year. The NEA will contain an agreed set of objectives, outcomes and outputs, and hence educational priorities and reform directions, for Australia's school education system. Schooling in the 2009-2012 period will therefore be shaped for the first time by a comprehensive agenda, supported by all governments, to improve outcomes for all Australian students.

15. COAG has identified the achievement of the following five high-level outcomes as key to boosting Australia's participation and productivity:

- All children are engaged in and benefiting from schooling;
- Young people are meeting basic literacy and numeracy standards, and overall levels of literacy and numeracy achievement are improving;
- Schooling promotes the social inclusion and reduces the educational disadvantage of children, especially Indigenous children;
- Australian students excel by international standards; and
- Young people make a successful transition from school to work and further study.

16. In addition to establishing the NEA, COAG has proposed entering in to National Partnership (NP) arrangements with additional funding for participating states and territories (the states) and non-government schools, to facilitate and reward systemic reforms. These reforms are intended to improve the quality of teaching and school leadership, support ambitious, nationally significant reforms in low socio-economic school communities and support students' literacy and numeracy development in participating schools.

17. The achievement of this reform agenda requires a framework for funding, accountability and improvement that is consistent across all sectors, transparent about need and focused on quality and effectiveness in every school.

18. The SA Bill provides the legislative basis for funding non-government schools as part of this overall framework. Firstly, it links the non-government school sector to the COAG agenda which has been a government to government negotiation. Secondly, it appropriates funding for non-government schools over 2009 to 2012 in a way that will give funding certainty to schools in line with the ALP's election commitment to maintain the socioeconomic (SES) funding model and indexation arrangements for non-government schools. Thirdly, it focuses on quality and applies transparency and accountability requirements that are consistent with government schools. As well as meeting the Government's election commitments, the Bill will make important changes to funding for Indigenous students in non-government schools.

19. In the longer term the Government has committed to a comprehensive and transparent review of all school funding. This review will conclude by 2011, ahead of the next funding period beginning in 2013. The review is intended to ensure that the strongest possible platform is built for long term investment and improvement in educational outcomes beyond 2012.

20. COAG's Education Agenda has, as noted, been pursued through PAWG and its working groups. PAWG is chaired by the Deputy Prime Minister and includes key officials from Commonwealth, state and territory treasury, finance and education departments, as well as the Prime Minister's and state Premiers' and territory Chief Ministers' departments. While representatives of the non-government sector are ineligible for membership on COAG's working groups, there has been extensive and ongoing consultation with the non-government schools sector. These consultations have included

- DEEWR briefing following the April 2008 Ministerial Council on Education, Employment, Training and Youth Affairs' (MCEETYA) meeting;

- COAG PAWG “Open Day” on 12 June 2008; and
- DEEWR schooling stakeholder forum on 6 August 2008.

21. Further consultation has taken place since August 2008, both at the national level with the Independent Schools Council of Australia and National Catholic Education Commission, and through meetings with representatives of state and territory-based Associations of Independent Schools and Catholic Education Offices, as well as with other non-government school stakeholders.

Funding for government schools – the new Commonwealth-State financial framework

22. Commonwealth funding to the states for government schools for 2009 to 2012 will be appropriated separately as part of the new Commonwealth-State financial arrangements for SPPs (including schools funding) being developed through COAG. The details of funding through the SPP as well as proposed NPs will be announced at the next COAG meeting.

23. Consistent with all SPPs, funding for the SPP for government schools will be appropriated under the proposed Federal Financial Relations Bill to be administered by the Commonwealth Treasury.

24. The new financial framework applying across SPPs will remove input controls and provide the states with flexibility to achieve the best possible outcomes in their jurisdiction. In schooling, COAG has agreed to the outcomes mentioned in paragraph 15. A comprehensive performance framework will be considered by COAG at its next meeting. The aim of the new performance information and reporting framework is to reduce regulatory burden, while focusing on the achievement of agreed outputs and outcomes. Requirements in the current Schools Assistance Act 2004, which have no relationship to improved educational outcomes, will no longer apply to government and non-government schools.

Funding for non-government schools – the Schools Assistance Bill 2008

25. The SA Bill is a major building block in the shared national agenda. It appropriates funding for non-government schools during the 2009-2012 period in a way that will give funding certainty, focus on quality and apply transparency and accountability requirements for the non-government sector that are consistent with government schools and with the ALP’s election commitments on transparency. As well as meeting these commitments, the Bill will make important changes to funding for Indigenous students in non-government schools.

26. Non-government schools legislation for 2009 to 2012 is required to:

- ensure that funding will be appropriated in time for payments to non-government schools in January 2009 (a 50% general recurrent grant payment is made in January every year – without this payment many non-government schools, both large and small, would have difficulty paying salaries etc);
- ensure that the Commonwealth Government can honour its election commitment that no school will be disadvantaged; and
- enable time for the arrangements between the states and non-government schools to be put in place to ensure that the states, which are constitutionally responsible for school education, will be able to deliver on outcomes across the entire schools system.

27. While the non-government schools sector is not a party to the NEA for 2009 to 2012, non-government school authorities will have the opportunity to work with states on NP reforms.

Detailed outline – Schools Assistance Bill 2008

28. The SA Bill 2008, which will appropriate an estimated \$28 billion for non-government schools and non-government bodies, is a critical element of the national reform agenda, including moving beyond the perceived 'public-private divide' that has long been a feature of Australia's schooling system and funding arrangements.

29. The SA Bill 2008 will provide for:

- recurrent and capital funding for non-government schools;
- continuation of current indexation arrangements, with indexation of recurrent and targeted funding based on Average Government School Recurrent Costs (AGSRC), including for the first time Indigenous specific funding, and capital grants indexed by the Building Price Index;
- maximum recurrent funding for non-government schools with a very high proportion of Indigenous enrolments;
- Indigenous Supplementary Assistance (ISA) for Indigenous students, generally comprising the non-government recurrent funding component for Indigenous school students provided under the *Indigenous Education (Targeted Assistance) Act 2000*; this is complemented by an Indigenous Funding Guarantee to ensure schools are not worse off under the new arrangements; and
- funding for non-government schools for most of the targeted programs which currently operate under the schools legislation, other than the Non-government School Term Hostels program, Establishment Grants for schools and the National Projects element of the Literacy, Numeracy and Special Learning Needs (LNSLN) Program.

30. This Bill will appropriate funding for recurrent, capital and targeted programs for non-government schools and non-government bodies for 2009 to 2012, including estimated funding of:

- \$26.3 billion in general recurrent grant assistance, including the remote per capita loading;
- \$239.1 million for Indigenous Supplementary Assistance and an Indigenous Funding Guarantee, to provide extra support to assist in closing the gap for Indigenous school students;
- \$557.6 million in capital grants for school facilities;
- \$790.0 million for the LNSLN which assists the most disadvantaged students including students with disabilities;
- \$24.0 million for the Country Areas Program which assists geographically isolated children;
- \$43.0 million under the English as a Second Language – New Arrivals Program to assist newly arrived students of non-English speaking backgrounds;
- \$56.4 million for the Languages Program to improve learning outcomes of students learning languages other than English; and
- \$4.8 million for Short Term Emergency Assistance, to support the operation of schools that have been affected by unforeseen, emergency circumstances.

Commonwealth funding for schools for 2009 to 2012 compared to 2005 to 2008

31. The Government has committed to a minimum of \$42 billion in funding over the four year period 2009 to 2012 for government and non-government schools. It has also committed to continuing the use of the AGSRC (an index which reflects the average level of state spending on education and therefore changes from year to year) as the basis for Commonwealth funding to both government and non-government schools.

32. The Commonwealth will have provided funding of \$33 billion for schooling over the 2005-2008 funding quadrennium through SPPs for schooling under the Schools Assistance Act 2004:

- \$11 billion (33 per cent) for government schools; and
- \$22 billion (67 per cent) for non-government schools.

33. The Schools Assistance Act 2004 figures do not include Indigenous education funding for non-government schools which was appropriated under separate legislation, the *Indigenous Education (Targeted Assistance) Act 2000*, for 2005-2008.

34. The SA Bill will provide an estimated \$28 billion for non-government schools and bodies for 2009 to 2012, including Indigenous supplementary funding for non-government schools.

35. The final amounts provided to the states for government schools will be determined by COAG on the recommendation of the Heads of Treasuries Working Group.

Other Commonwealth initiatives

36. In addition, under the *Education Revolution* the Commonwealth is providing significant investment in schools through the following initiatives:

- Digital Education Revolution (including the National Secondary School Computer Fund and Fibre Connections to Schools), \$1.2 billion over five years;
- Trade Training Centres in Schools, \$2.5 billion over 10 years;
- National Action Plan for Literacy and Numeracy, \$577.4 million over four years;
- Local Schools Working Together to share facilities pilot program, \$62.5 million over four years;
- Development of a national curriculum, \$20 million over four years;
- National Asian Languages and Studies in Schools, \$62.4 over four years; and
- Education Tax Refund, \$1 billion per year.

National Curriculum

37. The Government is committed to the development of a single, rigorous, world-class national curriculum from kindergarten to Year 12, beginning with the key learning areas of English, mathematics, the sciences and history. National curriculum in key learning areas will be developed by 2010 and implemented from 2011. The SA Bill requires, as a condition of funding, the implementation of national curriculum in all schools by 31 January 2012.

38. In December 2007, all governments agreed through COAG to work together to develop and implement a national curriculum. The national curriculum is currently being developed by the interim National Curriculum Board.

39. The new national curriculum will provide a clear and explicit agreement on the curriculum essentials that all young Australians should have access to, regardless of their socio-economic background, sector or location of their school. It will set out curriculum content and achievement

standards for each of the key learning areas (English, mathematics, the sciences and history). Beyond these core requirements, there will continue to be flexibility and scope that allows schools and teachers to implement curriculum content and achievement standards in appropriate ways at the local and school level.

40. The SA Bill makes the implementation of the new national curriculum, once complete and agreed, compulsory in all schools. In collaboration with state and territory curriculum authorities, consideration will be given to whether some existing curricula, such as the International Baccalaureate and other curriculum programs offered by, for example, Steiner and Montessori schools, meet the requirements laid down by the new curriculum, once it is known and agreed.

Australian Curriculum, Assessment and Reporting Authority

41. On 2 October 2008, COAG agreed to establish a new national education authority that will bring together, for the first time, the functions of curriculum, assessment and reporting at the national level. This historic decision was driven by the unprecedented agreement between Commonwealth, state and territory education ministers through MCEETYA. This new national education authority will be a key driver of the Commonwealth Government's *Education Revolution*.

42. Enabling legislation for the Australian Curriculum, Assessment and Reporting Authority (ACARA) was introduced to the Parliament on 23 October 2008 and is expected to be passed before the end of the year. This is relevant to provisions regarding national curriculum and greater transparency in school reporting (see section below on **Transparency: the Performance Information and Reporting Framework**).

43. ACARA will be an independent statutory authority that will report directly to all Australian education ministers through MCEETYA. It will incorporate the functions currently overseen by the interim National Curriculum Board relating to the development of the national curriculum. It will also incorporate the transparency and performance reporting agenda announced by the Prime Minister on 27 August 2008 and the functions of the National Schools Assessment and Data Centre announced by the Government in the 2008-09 Budget.

44. ACARA will be established in early 2009 and will be led by a Board of experts with a balance of professional expertise across curriculum, assessment and reporting, as well as financial management and corporate governance. Board membership will include a Chair and Deputy Chair as well as a member nominated by each state and territory education minister, the National Catholic Education Commission, the Independent Schools Council of Australia and the Commonwealth Government.

Transparency: the Performance Information and Reporting Framework

45. In its election document, *Commitment to Lift School Standards* (18 November 2007), the ALP made a commitment to improve transparency in Australian schooling through national testing, easy-to-understand reports for parents and public reporting on the performance of schools.

46. In his address to the National Press Club on 27 August 2008, the Prime Minister set out the importance of transparency for understanding the needs and the performance of Australian schools. The Deputy Prime Minister has also made the case for a new era of transparency in Australian schooling in the interests of providing parents with better information about how their child and school are doing, supporting them in their choice of school, and guiding resources and policy decision-making towards the greatest possible effectiveness and improvement.

47. In order to identify accurately where the greatest educational need across the Australian community is located, and encourage excellence in every school, the Government has determined that a fair, consistent and accurate analysis of how different schools are performing is needed. The Performance Information and Reporting Framework will require reporting on the results of individual schools in national tests. The Prime Minister and Deputy Prime Minister have stated that such reporting will not take the form of simplistic league tables. Instead, any public reporting should show

how schools are doing compared to other “like schools” which share the same student characteristics. Over time, it should also show the “value added” or progress made by schools and students.

48. A central feature of funding arrangements for 2009 to 2012 is a simpler, strengthened performance information and reporting framework for non-government schools which will be consistent with the conditions required of the states under the NEA.

49. Under the auspices of the MCEETYA Expert Working Group, the states are currently working with the Commonwealth Government to examine which forms of data are relevant to understanding the performance of schools, given their overall circumstances and the students they serve. The non-government sector is represented on this Working Group.

50. The new transparency framework will apply equally to non-government and government schools. This Bill therefore contains provisions to ensure that non-government schools receiving Commonwealth funding will provide the same kinds of information required of government schools, which enables them to be reported fairly and transparently.

51. Information and reporting requirements in the SA Bill focus strongly on five requirements central to good reporting to parents, the community and government:

- national testing;
- national reports on the outcomes of schooling;
- provision of individual school information;
- reports to parents; and
- publication of information by schools.

52. Details of these requirements are outlined below. Specific details on some provisions of the SA Bill (such as national assessments, individual school information, student reports to parents, school performance information, national curriculum), are to be contained in regulations.

53. While the regulations may not be finalised prior to the passage of the legislation, this is not unusual. This was the case for the current legislation in 2004 when schools signed funding agreements prior to the finalisation of regulations in 2005 in order to receive funding from the beginning of 2005. Education authorities will be consulted on the regulations and the administrative guidelines.

Participation in national testing

54. All schools and school system authorities must ensure that the national student assessments specified in the regulations are carried out for each school or, in the case of sample assessments, for each school selected in the sample. The assessments currently comprise:

- National Assessment Program Literacy and Numeracy (NAPLAN) assessments - annual full-cohort national tests in reading, writing, language conventions and numeracy at each of Years 3, 5, 7 and 9;
- National Assessment Program (NAP) assessments – rolling triennial sample assessments in science at Year 6, civics and citizenship at Years 6 and 10 and ICT literacy at Years 6 and 10;
- International sample assessments – the OECD Programme for International Student Assessment (PISA) in reading, mathematical and scientific literacy for 15 year olds and the Trends in International Mathematics and Science Study (TIMSS) at Years 4 and 8.

Participation in national reports on the outcomes of schooling

55. All schools and system authorities must participate in preparing national reports on the outcomes of schooling, providing the necessary performance information by a date determined by the Minister or, if no determination is made, by a date that will enable publication of the reports within twelve months of the end of the program year. This provision will enable regular reporting to the community by Education Ministers on progress towards the National Goals for Schooling and in respect of the agreed COAG outcomes and performance measures.

56. The performance information, which will be specified in regulations, will be reported using performance measures endorsed by the MCEETYA and COAG. It is likely to include the outcomes of national testing (see section above on **Participation in national testing**) and data on student enrolment and attendance. The regulations will specify the required data disaggregations to enable reporting according to student background characteristics (gender, socio-economic status, Indigenous background, language background, disability and geographic location). As with past arrangements, the regulations would be able to prescribe particular performance measures and standards for reporting purposes once they are adopted by MCEETYA or approved by the Minister.

57. One new feature will be the requirement to report on the range of student achievement in literacy and numeracy across the achievement bands being adopted by MCEETYA, rather than against the former minimum-level literacy and numeracy benchmarks. The release of the 2008 NAPLAN results against achievement bands has already given effect to this requirement.

Provision of individual school information

58. A lack of information on each individual school adversely impacts on policy debates about schools funding requirements as it is difficult to argue that some categories of schools need more funds unless information to support that view is available.

59. The SA Bill requires that all schools and system authorities provide to the Minister, or to a person or body determined by the Minister, individual school information (including for each school in a system) as specified in the regulations. This information will include student background characteristics, literacy and numeracy testing outcomes, Year 12 attainment and attendance. It will also include details of the school's income from all sources under broad categories. This information will be published (see section below on **Reporting on funding sources**).

60. The Minister may determine that this information will be provided to an independent body such as ACARA. Provision of individual school information is essential to enable the Commonwealth and states and territories to target resources effectively to areas of need.

Provision of reports to parents

61. All schools and system authorities must provide to the parents or carers of each child the student reports specified in the regulations. These reports must use plain language, include assessment of the student's achievement in comparison to the student's peer group at the school, and meet any requirements in the regulations. The Minister would be able to determine the format of such reports and how often they are to be provided to parents.

62. Parents will also receive reports from national literacy and numeracy tests which will show student achievement against key indicators such as the national average, the middle 60 per cent of students and national minimum literacy and numeracy attainment standards where these have been set. A continuous scale of achievement across ten bands from Year 3 to Year 9 with each year level reported in six bands will mean that, as students advance through the years of schooling, it will be possible to track their progress in literacy and numeracy attainment.

Publication of information by schools

63. All schools and system authorities must make publicly available, within six months of the end of each program year, the school information specified in the regulations, in the manner specified in the regulations. Aimed at parents and the community, this annual report would include, amongst other things, contextual information about the school and its teachers, parents, key student outcomes, student and teacher satisfaction, and income by funding source (see ***Reporting on funding sources*** below).

Financial accountability and reporting

64. Existing requirements under the current schools legislation to ensure financial accountability and reporting for funding will continue, with additions to the SA Bill for 2009 to 2012:

- **Reports on financial assistance** - relevant authorities are required to provide a report or reports, of a kind required by the Minister, in relation to programs of financial assistance under the Act;
- **Financial operations** – an additional requirement for 2009 to 2012 for relevant authorities to provide a report or reports on the financial operations (including financial viability and funding sources) of the school, body, school system or schools in the system;
- **Evaluations** - relevant authorities must ensure schools take part in evaluations of the outcomes of programs funded by the Commonwealth;
- **Financial accountability** - relevant authorities are required to provide an electronic certificate by a person who is a Qualified Accountant. This certificate must also separately identify funding used for administrative expenditure, as provided by the funding agreements; and
- **Additional provision in agreements** - the Act also empowers the Minister to include any additional provisions in funding agreements with relevant authorities, schools or non-government bodies.

65. As a condition of Commonwealth funding to schools, school authorities must provide financial accountability each year, in the form of a certificate signed by a qualified accountant to the effect that funds have been spent, or committed to be spent, for the purposes for which they were provided.

66. Non-government education authorities are also required to submit a Financial Questionnaire which specifies all gross income received by the authority in operating the school and in providing activities for the students enrolled at the school, as well as all gross expenditure (whether of a recurrent or capital nature).

67. In addition, as legally incorporated entities, non-government school authorities are also subject to the accountability provisions of the Australian Securities and Investment Commission or their state or territory registrar of associations. This entails the submission of audited financial statements which are available for public scrutiny.

68. The ongoing viability of a school still rests with the governing authority. However, the Commonwealth Government is accountable to the Parliament and the people of Australia for the expenditure of public funds it provides for school education. Financial accountability requirements have been, and will continue to be, a condition for funding that must be complied with by non-government education authorities.

Reporting on funding sources

69. Clause 24 is similar to the requirements of paragraph 36(3)(a) of the Schools Assistance Act 2004. Currently, pursuant to paragraph 36(3)(a) of the Act, the funding agreement for

non-government schools requires the annual submission of a Financial Questionnaire containing details of income, expenditure and loans, with the data derived from the school authority's audited financial accounts. This information is currently confidential and the Department does not publicly release it at the individual school level.

70. Clause 24 of the SA Bill confirms the requirement for the Financial Questionnaire but also requires the school authority to provide a report on the financial operations (including financial viability and funding sources) of the authority. This clause provides support for clause 15 of the Bill which allows the Minister to refuse to authorise or delay a payment to a school authority if there are concerns about financial viability. Clause 24 codifies the requirement of full public disclosure about a school's financial health. It provides the foundation for ensuring that non-government school authorities disclose information about their schools in a way which will be understood by the school community and in line with what is required in the government school sector.

71. Legislative authority ensures that funding agreements can not be selectively negotiated with the funding recipient, i.e. clauses are picked out as being unsuitable by the parties represented in agreements.

72. The requirement for reporting funding sources in the new legislation is intended to provide DEEWR with more flexibility about what financial information they can report about school authorities. The final decisions about what schools will be required to report will be made after consultations with the non-government sector.

73. The Financial Questionnaire collection will continue, as will the publication of the 'Green Report', the report to Parliament on financial assistance provided under the Act.

74. In its election policy document, *Commitment to Lift School Standards* (18 November 2007), the ALP made a commitment to improve transparency in Australian schooling through national testing, easy-to-understand reports for parents and public reporting on the performance of schools.

75. The same requirements proposed for non-government schools will apply to government schools.

Financial viability requirements

76. Clause 15 of the SA Bill:

- extends the Schools Assistance Act 2004, s30(4) and (5) financial viability conditions for relevant authorities to all bodies (whether or not incorporated);
- adds a further condition preventing (or allowing for the delay of) payments under a funding agreement if an auditor's report on a relevant authority (required under Commonwealth or state law) is either qualified or expresses concern about the authority's financial viability.

77. Clause 15 of the SA Bill extends the Minister's current power to refuse to pay or delay a payment to a non-government body where the Minister considers that the liabilities of the authority are substantially greater than its assets or the relevant authority is unable to pay its debts as and when they fall due (section 30 of the Schools Assistance 2004). As noted, the Minister's discretion in this part remains unchanged.

78. One of the accountability and financial viability checks that the Commonwealth Government currently relies upon is the independent auditor's report to the school's financial accounts, a copy of which is required to be forwarded to the Department each year. Reviewing an auditor's opinion is an administrative arrangement (also set out in funding agreements) in place in other programs. For example, one of the eligibility requirements for VET Fee Help is the provision of an auditor's opinion with any qualifications or comments used in the assessment process.

79. Clause 15 of the SA Bill extends the current requirements, so the Minister may also now refuse or delay a payment where the audit opinion is:

- expressed to be qualified (subclause 15(c)(i)); or
- where the audit opinion expresses concerns about the financial viability of the body or authority (subclause 15(c)(ii)).

80. Both of these requirements are considered necessary.

81. It is possible for an audit report to be qualified, but the qualification may not raise a concern about the school body's financial viability but may refer to governance issues (particularly in the area of proper authorisation of expenditure). This qualification would alert the Minister to issues in the school which may require attention.

82. The Commonwealth Government is not in the business of closing down schools or hindering the ongoing operation of non-government schools. It does, however, have an obligation to ensure that recipients of public funding have the confidence of the public and that advice from audits is acted upon. Including this clause in the legislation informs the funding recipient and the public in an open and transparent way of the arrangements for monitoring a school's financial health. Delaying payments to a school only occurs where there are substantial concerns about the way in which the school is operating.

83. It is also possible for an auditor to submit an unqualified report that expresses concerns about the financial viability of the school. For example, the auditor may report that the school's accounts provide a fair and true representation of the school's finances. However, without qualifying their opinion, the auditor may also express concerns about the viability of a school body, e.g. where the school body is highly dependent on the continued goodwill of its financiers, from whom funds have been borrowed on better than commercial terms.

Recurrent Grant Assistance

SES funding model

84. The Commonwealth will implement its election commitment to continue the existing SES funding arrangements for non-government schools for the next funding period, 2009 to 2012.

85. The funding arrangements for non-government schools were introduced in 2001 and are based on the SES of the school community. The SES funding model links the residential addresses of students enrolled at the school to Australian Bureau of Statistics (ABS) national Census data to obtain a socioeconomic profile of the school community and a measure of its capacity to support the school.

86. The SES index is based on the Census Collection District (the smallest useable spatial unit in the Australian Standard Geographical Classification) in which a student lives. The index measures occupation, education and income levels of residents within the Census Collection District.

87. Under the SES model, schools which draw students from areas of predominantly high SES receive lower levels of funding than schools which draw from areas of average or low SES. SES funding ranges from a minimum entitlement of 13.7 per cent of the average cost of educating a student in a government school (AGSRC) for schools with an SES score of 130 and above, to a maximum entitlement of 70 per cent of this cost for schools with an SES score of 85 and below. Schools with SES scores within this range receive proportional recurrent grant funding based on their individual SES scores.

88. The existing SES funding arrangements also include funding maintenance and funding guarantee provisions and these will continue for the 2009 to 2012 funding period. For 2009 to 2012:

- schools that were funding maintained in 2008 will continue to have their 2008 per capita funding entitlements maintained in real terms unless their 2009 to 2012 SES score results in increased overall funding for the school; and
- schools with a 2009 to 2012 SES score that is higher than their 2005-2008 score will have their 2008 per capita dollar amounts 'guaranteed' until the value of the new score is equal to, or greater than, their 2008 per capita dollar amounts.

89. Maximum recurrent grant funding of 70 per cent of AGSRC is automatically provided for schools that are special schools or meet the criteria as a special assistance school. For 2009 to 2012 maximum funding will also be provided for non-government schools with a high proportion of Indigenous students (more detail in the section below on **Maximum SES funding for schools with high Indigenous enrolments**).

Recurrent grants

90. General recurrent grants are the largest element of Commonwealth funding for non-government schools, providing an estimated \$26.3 billion for non-government schools over the coming four years. This funding can be used to meet recurrent costs incurred by non-government schools, including staff salaries, professional development of teachers, curriculum development and maintenance and general operation provisions.

91. Funding for distance education students attached to a non-government day school will continue based on current arrangements, whereby students attract the minimum amount of recurrent funding.

Remoteness loading

92. The remoteness loading attached to general recurrent grants is being retained, providing an estimated \$48.4 million over the next four years. This funding will assist over 400 regional and remote non-government schools with the higher cost of education delivery in regional and remote areas. The additional funding allows schools to direct expenditure to those areas which most seriously affect their capacity to offer a quality education. For example, this funding can be directed to attracting and retaining quality teachers or providing additional resources.

Maximum SES funding for schools with high Indigenous enrolments

93. In moving to the 2009 to 2012 funding quadrennium, SES scores for non-government schools were recalculated based on 2006 ABS national Census data and student residential addresses collected from non-government schools in 2007. There are limitations to the use of ABS Census data at the CD level for these schools because:

- they draw students from CDs with very small populations that can be significantly affected by the nature of CD boundaries;
- the ABS practice of not releasing, or randomly, adjusting data to avoid the risk of releasing identifiable information, or
- of other changes that are unrelated to the actual circumstances of the community itself, such as a small increase in the number of professional staff living in the CD; and
- these communities have a reduced capacity to accurately complete Census forms.

94. As of 2009, schools with 80 per cent or more Indigenous enrolments, and schools located in very remote areas with 50 per cent or more Indigenous enrolments, will have an automatic entitlement to maximum general recurrent funding (70 per cent of AGSRC). The non-government sector fully supports this change. This proposal is estimated to cost \$5.4 million over 2009 to 2012 and aligns with the Commonwealth's objective of identifying and providing additional resources to disadvantaged schools. The impact on Indigenous Australians will be positive. An estimated 2,157

Indigenous students will receive maximum funding under this initiative, enabling them to receive a higher level of support to help them achieve better educational outcomes.

95. For more information on changes under the SA Bill, see section on **Indigenous Education Programs** below.

Establishment assistance

96. Establishment grants for newly commencing non-government schools will no longer be provided. No existing schools will be financially disadvantaged by the abolition of establishment grant assistance. Schools which commenced operation in 2008 and received the first year entitlement in 2008 will receive their second year entitlement of \$250 per student in 2009.

97. Establishment grants were introduced in 2001 to assist newly established independent schools to be competitive with existing schools, particularly newly established Catholic systemic schools which were funded outside the SES model without regard to the socioeconomic status of their school communities. As Catholic systemic schools were fully integrated into the SES funding arrangements from 2005, and new Catholic systemic schools have their funding determined on the same basis as new independent schools, there is no longer a need for establishment grants assistance.

98. The typical pattern in the establishment of new schools is enrolment growth over a period of some years as year levels are progressively added and more students enrol. The first two years of a school's establishment are typically when enrolments are at their lowest. This means that the value of establishment grants is not particularly significant when considered in the context of the life span of a new non-government school.

New non-government school systems

99. On moving to the SES funding arrangements in 2001, the then Government decided to no longer formally recognise new school systems. The SA Bill includes a new provision for the approval of new non-government school systems.

100. Recognition of new school systems from 2009 could facilitate reform within the school sector and may provide benefits through improved oversight of the educational accountability and financial stability of non-government schools. Additional benefits to government of school systems may include better reporting and consistent implementation of Commonwealth initiatives, adherence to legislative requirements, ensuring the achievement of the National Goals for Schooling, and ensuring the viability and provision of schools in poorer and remote areas.

Capital Grants

101. The Capital Grants Program provides funding to assist in building, maintaining and upgrading non-government schools throughout Australia. Commonwealth funded capital projects typically include the construction of new school facilities, additional classrooms, libraries and other school facilities needed to enhance educational outcomes. An estimated \$557.6 million will be provided for Catholic and independent schools over the next four years. The focus of the Capital Grants Program will continue to be to direct funds to those projects that best meet the program objectives, primarily assisting schools with the most educationally disadvantaged students. Applications from schools for grants under the Capital Grants Program will continue to be administered by the non-government Block Grant Authorities.

Targeted Programs

102. Targeted program funding currently directed towards a range of activities to support improved student outcomes in the non-government school sector will largely continue, based on current arrangements. Funding for Non-government School Term Hostels, Non-government Centres

Support and the National Projects elements of the LNSLN Program for 2009 to 2012 will be paid to the states under the NEA.

Literacy, Numeracy and Special Learning Needs Program

103. The LNSLN Program will provide an estimated \$790 million to non-government school students for additional learning assistance. The program is targeted at the most educationally disadvantaged students, including students with disability. The 2005-2008 funding arrangements for this element of funding will be maintained over 2009 to 2012, ensuring that non-government education authorities will not experience a reduction in funding.

104. Funding will continue for the other elements of the LNSLN Program – the Non-government Centres Support and National Projects elements – but these elements will not be appropriated under the SA Bill. The National Projects element supports strategic national research projects and initiatives to improve the learning outcomes of educationally disadvantaged children and school students. Non-government Centres are not for profit organisations which receive support through the Non-government Centres Support element of LNSLN for children with disabilities who are below school age, of school age or in residential care. As part of the development of the new funding agreement and the reform of the broader SPP financial framework, funding for these elements will be paid to the states under the NEA from 2009.

Country Areas Program

105. Students attending non-government schools in rural and remote communities will benefit from estimated funding of \$24 million under the Country Areas Program over the next four years. Funding under this program is provided to support a wide range of activities that enhance opportunities that would be difficult for rural and isolated schools to provide owing to the additional costs of their geographic isolation. Activities typically funded through the program include supporting students' curricula, assisting with transition to further education, and assisting rural teachers with training and support.

English as a Second Language – New Arrivals

106. The SA Bill provides an estimated \$43 million over the next four years for the English as a Second Language – New Arrivals Program to ensure newly arrived migrant and refugee school students receive support in learning English. Funding for students is made available to non-government education authorities to assist them with the delivery of intensive English language tuition so that newly arrived students are able to participate in mainstream schooling. Additional funding will continue to be provided for humanitarian entrant new arrivals, in recognition of their additional support needs.

Support for Languages Other Than English

107. The SA Bill provides an estimated \$56.4 million over the next four years for the teaching of languages in non-government schools. Funding will be provided to support the teaching of Asian, European and Australian Indigenous languages and Auslan in non-government schools.

Short Term Emergency Assistance

108. Estimated funding of \$4.8 million will continue to be appropriated for the next four years to support the operation of schools that have been affected by unforeseen, emergency circumstances.

Non-government School Term Hostels

109. The Commonwealth provided funding for non-government school term hostels as part of the schools legislation for the 2005-2008 schools funding quadrennium. Non government school term

hostels are not schools. Rather, they are not-for-profit non-government entities that provide accommodation for primary and secondary students from rural and remote Australia who attend government and non-government schools. Eligible non-government school term hostels received a per capita grant for each eligible student each year over 2005 to 2008.

110. While not included in this Bill, as of 2009, Commonwealth funding for non-government school term hostels will be provided to the states under the NEA. The states will have the flexibility to determine how to best support students residing in these facilities.

111. This approach gives effect to a recommendation and decision by MCEETYA in July 2001 that non-government hostels are a state responsibility. The states already provide funding support for government hostels. It is important that they accept responsibility for non-government school term hostels as an essential resource for rural students, and as a mechanism to help achieve COAG's outcomes for schooling.

Indigenous Education Programs

112. Further detail on the provisions of the SA Bill relating to Indigenous Education Programs is provided here, including a rationale for, and further explanation of, changes to existing legislation.

113. Over the past ten years there has been little in the way of significant improvements to the educational outcomes of Indigenous students. Earlier this year, Governments across Australia agreed to national targets aimed at halving the gaps between the outcomes of Indigenous and non-Indigenous Australians. If literacy and numeracy gaps are to be halved in the next decade and gaps in Year 12 attainment rates halved by 2020, a new approach is required.

114. In order for the Commonwealth Government to achieve its ambitious outcomes-focused agenda, the new financial arrangements will need to provide systems and schools with less prescription around the nature of the intervention and fewer bureaucratic requirements associated with the administration of Commonwealth funding. These new arrangements will need to facilitate the data and information that can inform improvements and provide a quality curriculum delivered by quality teachers to every student. School-based funding leverages most of the reporting requirements contained under the IETA Act.

115. Existing parameters for Indigenous Education Programs in 2005-2008 under the IETA Act involve a capped four-year appropriation allocated through a mix of formula and submission based funding arrangements to preschools, schools, vocational education and training providers, tertiary institutions and third party providers. Whilst many of these funding categories give particular weighting to remote areas or students, the remote classifications used vary across the categories.

116. A single indexation rate also currently applies across each of the funding categories under the IETA Act, regardless of sector and purpose of that funding. This indexation factor is out of step with the indexation rates used for the nearest equivalent mainstream education programs.

117. The Commonwealth will continue to make specific appropriations that provide additional opportunities for providers to accelerate outcomes for Indigenous students. For Indigenous-specific funding moving into the SA Bill, current program settings and input controls will be replaced with a composite funding formula to be known as Indigenous Supplementary Assistance (ISA). This streamlined approach will afford schools greater flexibility in the application of this funding to support a wider range of strategies to assist all Indigenous students, whilst also reducing the burden on school administration. These arrangements also mirror the flexibilities that will be offered to Government education systems as part of the NEA.

118. ISA and the Indigenous Funding Guarantee under the SA Bill replaces the non-government components for Indigenous school students previously appropriated under the IETA Act through the following six programs:

- Supplementary Recurrent Assistance (SRA);
- Indigenous Tutorial Assistance Scheme (ITAS) incorporating in-class tuition for those below the Year 3, 5 and 7 literacy and numeracy benchmarks, tuition for students in years 9-12 and tuition for students moving from remote areas to school in non-remote areas for the first time;
- English as a Second Language – Indigenous Language Speaking Students (ESL-ILSS);
- Homework Centres (one component of the Whole of School Intervention Strategy);
- Building an Indigenous Workforce in Government Service Delivery; and
- Transitional Project Assistance (TPA-NIELNS), under the former National Indigenous English Literacy and Numeracy Strategy.

119. The rationale for transferring these programs into the SA Bill is that they represent the recurrent funding elements provided to schools under the IETA Act during 2005-2008. A further summary of the 2008 rates and conditions associated with each of these programs is provided at Attachment A.

120. The overarching rationale for refining the application of the funding previously allocated to these programs is to meet the Government's objective to reduce red tape and move towards outcomes based funding.

121. In addition, these new arrangements address outstanding issues arising from evaluations and feedback provided to the Department. For example, the Australian National Audit Office's Audit Report No. 43 2001-2002, *Indigenous Education Strategies*, indicated that arrangements associated with TPA-NIELNS would need to be addressed. From 2009, schools currently in receipt of TPA-NIELNS will now be supported under the Indigenous Funding Guarantee in the same way that schools currently entitled to Funding Guarantees under SRA are treated.

122. Through regular discussion with school authorities during 2005-2008, many providers raised concern about the level of input-based reporting associated with ITAS as well as concerns about how funding could be used to support the retention and professional development of tutors. The new arrangements remove the requirement to report detailed information on tutors and their activities and also provides additional flexibility for schools in how funding can be used to better support Indigenous students.

123. Over 2009-2012, an amount of \$221 million has been estimated for expenditure under ISA. Funding under the new ISA will:

- be allocated on a per Indigenous enrolment basis and without a funding cap;
- be allocated under remoteness classifications that are consistent with the classifications used for other recurrent funding under the Bill;
- provide a higher per capita rate for secondary students and schools in remote/very remote areas;
- remove current minimum enrolment eligibility requirements; and
- be indexed by movements in AGSRC rather than Wage Cost Index 1;

124. In addition, the freeze on metropolitan indexation rates has been lifted and the rates rebased to align them with rural rates which have been indexed over 2005-2008.

125. The bulk of funding provided to assist Indigenous students flows from the mainstream resources provided by both the Commonwealth and school authorities themselves. These resources must be applied in a way that prioritises the needs of Indigenous students. However, ISA provides additional opportunities to accelerate outcomes for Indigenous students. ISA can be used in a variety of ways to achieve this objective. These uses can include, but are not limited to:

- teaching and ancillary staff salaries;
- professional development of teachers;
- curriculum development; and
- other strategies to accelerate the educational outcomes of their Indigenous students.

126. A summary of the comparison of initial ISA rates and the 2008 SRA rates is provided below.

SRA – final 2008			ISA – initial 2009		
Level of education	Funding category	Rate	Level of education	Funding category	Rate
Primary	Metro	\$1,119.51	Primary	Non-remote	\$1,600.00
Primary	Rural	\$1,212.97	Primary	Non-remote	\$1,600.00
Primary	Remote	\$2,425.97	Primary	Remote	\$3,850.00
Junior	Metro	\$1,679.27	Secondary	Non-remote	\$2,250.00
Junior	Rural	\$1,819.48	Secondary	Non-remote	\$2,250.00
Junior	Remote	\$3,638.95	Secondary	Remote	\$4,400.00
Senior	Metro	\$1,847.20	Secondary	Non-remote	\$2,250.00
Senior	Rural	\$2,001.43	Secondary	Non-remote	\$2,250.00
Senior	Remote	\$4,002.84	Secondary	Remote	\$4,400.00

127. In 2008, a number of schools had a guaranteed rate that related to a change in remoteness classification from 2004 to 2005 following the application of 2001 ABS census data. This funding guarantee will be replaced in 2009 by the new Indigenous Funding Guarantee.

128. A capped Indigenous Funding Guarantee is established under the SA Bill, appropriating \$18.1 million over 2009-2012 as a transitional measure to ensure that non-government school authorities, which might otherwise lose funding under the new arrangements, continue to receive funding comparable to their entitlements in 2008. The Guarantee will not, however, insulate school authorities from funding impacts associated with changes in the normal business of schools, such as addressing any fall in enrolments.

129. Entitlements to the Indigenous Funding Guarantee will be determined each year by comparing final 2008 entitlements (under GRG and the six Indigenous education program elements to be replaced by ISA and the Indigenous Funding Guarantee) with final entitlements (under GRG and ISA) in each of 2009, 2010, 2011 and 2012. The amount payable in any given year under the Indigenous Funding Guarantee will be adjusted should enrolments fall below those in 2008.

130. During the negotiation of agreements with school authorities later in 2008, DEEWR will discuss potential eligibility for the Indigenous Funding Guarantee. This will take account of their final 2008 funding entitlements. The actual Indigenous Funding Guarantee entitlement cannot, however, be calculated until the full-time equivalent enrolments collected through the school census is finalised in each of 2009, 2010, 2011 and 2012. This will normally occur later in the school year (e.g. 2008 final entitlements are not expected to be available until November 2008). Where providers believe this timing will affect their operations, a staged payment process may be negotiated based on preliminary estimates.

131. A significant contingency has been provided for under the Indigenous Funding Guarantee to ensure the Commonwealth has sufficient legal authority to fund entitlements under the Guarantee. The appropriation tapers over the 2009-2012 period as the effect of parameters such as improved indexation arrangements are expected to result in the majority of affected school authorities becoming better off through the application of General Recurrent Grants funding and ISA over the period.

Detailed outline – Education Legislation Amendment Bill 2008

132. The Education Legislation Amendment Bill 2008 (the ELA Bill) amends the following legislation:

- *Indigenous Education (Targeted Assistance) Act 2000* (the IETA Act);
- *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004* (the Schools Assistance Act 2004); and
- the *Australian Technical Colleges (Flexibility in Achieving Australia’s Skills Needs) Act 2005* (the ATC Act).

133. It also repeals the States Grants (Primary and Secondary Education Assistance) Act 2000.

Amendments to the *Indigenous Education (Targeted Assistance) Act 2000* (the IETA Act)

134. The ELA Bill amends the IETA Act for the following reasons:

- to continue funding under the IETA Act until 2013 for Indigenous-specific programs which are not funded under the SA Bill 2008 or other legislation;
- to replace the definition of ‘higher education institution’ with ‘higher education provider’. The term ‘higher education provider’ is the term used in the *Higher Education Support Act 2003* (HES Act) which replaced the *Higher Education Funding Act 1988* (HEF Act) as the principal legislation for appropriating funding for universities and some other tertiary education institutions. It is anticipated that the HEF Act will be repealed during the period of operation of the IETA Act, necessitating the change of definition;
- to continue the requirement for an annual report to Parliament in relation to funding paid under the IETA Act, but with a focus on the performance information and payments made through agreements under the IETA Act; and
- to update references to earlier schools funding legislation consistent with the new definition of Education Assistance Act in clause 4 of the SA Bill.

135. The IETA Act has appropriated funding for the purpose of improving education outcomes for Indigenous Australians since 2001. Without the passage of the ELA Bill, current legislative provisions would see funding capacity under IETA end after 31 December 2008 and authority to make payments against this capacity end on 30 June 2009.

136. The Government is retaining the IETA Act through amendments contained in the ELA Bill. Through this Bill, a further \$779 million is estimated to be appropriated under the IETA Act for the period 2009-2012. This targeted funding will provide the Commonwealth Government with the ability to highlight good practice and support national initiatives across sectors and jurisdictions that can inform and assist the role of providers in closing the gap between Indigenous and non-Indigenous student outcomes.

137. To the end of 2008, the IETA Act has incorporated funding that can be classed as SPPs, as well as funding categorised as Commonwealth Own Purpose Expenses (COPEs). Reforms to SPP arrangements due to commence from 1 January 2009 will result in SPP components formerly funded under the IETA Act, being appropriated under legislation supporting the NEA, the National Skills and Workforce Development Agreement and the Early Childhood Development National Partnership Agreement. However, with new arrangements for preschool and VET not scheduled for implementation until mid-2009, transitional arrangements will be put in place under IETA to ensure these sectors are no worse off from 1 January 2009 until the new arrangements become operational. Residual COPEs will continue to be funded under the IETA Act for 2009 to 2012.

138. The table below reconciles the destination of funding that is currently included in the agreed IETA forward estimates.

Indigenous Education (Targeted Assistance) Act 2000 (IETA) (estimated outturned prices)

	2009	2010	2011	2012	2009 - 2012
	\$'000	\$'000	\$'000	\$'000	\$'000
To transfer to Early Childhood Development arrangements in 2009 (S. 14B)	12,002	12,260	12,199	12,426	48,887
To transfer to Skills and Workforce Development arrangements in 2009 (S. 14B)	27,783	28,369	28,850	29,400	114,402
IETA – S. 14B (Targeted initiatives)	122,416	128,835	127,109	127,553	505,913
IETA – S. 13 (Away from Base)	26,328	26,986	27,661	28,352	109,327
SUB-TOTAL ELAB	188,529	196,450	195,819	197,731	778,529
Government schools component transferring to the NEA	117,556	120,043	121,286	123,597	482,482
Non-government schools components transferring to the SA Bill	52,181	53,281	54,082	55,106	214,650
<i>SUB-TOTAL INDIGENOUS SCHOOLS FUNDING UNDER REFORM ARRANGEMENTS</i>	<i>169,737</i>	<i>173,324</i>	<i>175,368</i>	<i>178,703</i>	<i>697,132</i>
SUB-TOTAL AGAINST CURRENT FORWARD ESTIMATES	358,266	369,774	371,187	376,434	1,475,661
Additional funding for AGSRC indexation of ISA (under SA Bill)	2,863	4,963	7,159	9,593	24,578
TOTAL	361,129	374,737	378,346	386,027	1,500,239

139. As a result of the ELA Bill, appropriations provided for under the IETA Act will include an estimated \$109.3 million under section 13 and an estimated \$669.2 million under section 14B. Of the \$669.2 million under section 14B, \$163.3 million is associated with transitional arrangements for new early childhood development arrangements and new skills and workforce development arrangements. The remaining \$505.9 million will enable the Commonwealth to continue to exercise public leadership and maintain its support for localised initiatives which improve Indigenous education outcomes. This role includes collaboratively setting policy directions and priorities in Indigenous education, engagement with stakeholders and investment in research and evidence in conjunction with the states and non-government education providers to support future reforms and systemic improvements in the education and training sectors for Indigenous Australians.

140. Initiatives maintained under the IETA Act include:

- expansion of intensive literacy and numeracy programs and professional support for teachers to develop Individual Learning Plans;
- 200 additional teachers for the Northern Territory;
- three new boarding facilities in the Northern Territory;
- Away from Base for 'mixed mode' delivery (to assist providers support the travel costs of students who are required to live away from home for short periods while undertaking tertiary studies);
- Indigenous Youth Mobility Program;
- Indigenous Youth Leadership Program;
- Sporting Chance Program; and
- Targeted Projects.

141. Funding associated with the Parent School Partnership Initiatives (PSPI) will also be retained in 2009-2012 under the IETA Act. However, program refinements will give consideration to the Australian National Audit Office performance audit of the Whole of School Intervention strategy and the Government's broader reform priorities focused on raising achievement in disadvantaged school communities and achieving the transparency needed for parents, teachers and policy makers to make the right educational decisions for Indigenous students. Amongst other things, PSPI is likely to be more focused on supporting the role of Indigenous parents and communities in the development of school and community educational partnership agreements committed to by all governments through MCEETYA's *Australian Directions in Indigenous Education*.

142. A particular consideration in any refinement of PSPI for 2009 and beyond will be the intersection between the NP Agreement to address the needs of schools serving low-SES communities and the operation of PSPI. COAG is expected to consider NP arrangements later this year and further discussions with stakeholders are expected to follow their decision. As a result, DEEWR will not be in a position to communicate final program parameters until these discussions are finalised early in 2009.

Amendment to reporting requirements under IETA

143. Section 17A of the IETA Act currently requires the Education Minister to table a National Report to Parliament on Indigenous Education and Training for each funding year. This required the Minister to report on:

- performance information, in relation to each state and territory and in relation to the government and non-government sector, contained in MCEETYA's *National Report on Schooling in Australia*;
- information relating to Indigenous students contained in any performance reports of MCEETYA;
- the progress of the National Indigenous Literacy and Numeracy Strategy;
- the number of Indigenous enrolments in the pre-school sector;
- the year 10 and year 12 retention rates for Indigenous students;
- the number of Indigenous enrolments in post-compulsory education and training;
- the number of Indigenous students completing post-compulsory education and training;
- payments made under agreements made under this Act, including totals of such payments in relation to each state and territory and in relation to the government and non-government sector.

144. The ELA Bill will amend section 17A of the IETA Act to remove the requirements mentioned above. In large part, it has been the recurrent funding to preschool, school and VET providers formerly appropriated under IETA that has leveraged the provision of this information from providers. From 2009 this funding will be appropriated through legislation supporting National SPP and NP agreements. As such, associated reporting will be captured under these new arrangements. The Budget-related Ministerial Statement, *The Education Revolution* (13 May 2008), notes that all indicative progress measures under the participation and productivity agenda will be disaggregated by Indigenous status. This will include progress measures in the early childhood development, schooling and skills and workforce development domains. For example, measures in the schooling domain include:

- the proportion of children enrolled in and attending school;
- literacy and numeracy achievement of Year 3, 5, 7 and 9 students in national testing;
- Proportion of students in the bottom and top levels of performance in international testing (e.g. PISA and TIMSS); and

- Proportion of the 19 year old population having attained at least a Year 12 or equivalent qualification (noting that further work is being undertaken to refine this measure).

145. The Prime Minister will however, provide a report to Parliament on the first sitting day of each year in relation to 'closing the gap' for Indigenous Australians. In addition, COAG is expected to continue its commitment to the production of the *Overcoming Indigenous Disadvantage* Report.

Amendments to the Australian Technical Colleges (Flexibility in Achieving Australia's Skill Needs) Act 2005 (the ATC Act)

146. The ELA Bill amends the ATC Act for the following reasons:

- to update references to schools funding legislation to reflect that the SA Bill 2008 will replace the Schools Assistance Act 2004 as the legislation appropriating funding for non-government schools for the period 2009-2012.
- to provide a definition of 'government school' for the purposes of the ATC Act since the SA Bill does not have a definition of government school.

Amendments to the Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004 (Schools Assistance Act 2004)

147. The ELA Bill amends the Schools Assistance Act 2004 to remove the provisions allowing funding payments for schools to be appropriated under the Schools Assistance Act 2004 beyond 2008, since that funding will be appropriated and paid out for schools under the SA Bill 2008.

148. The Bill also corrects an incorrect cross reference to section 131 in the Schools Assistance Act 2004.

Repeal of the States Grants (Primary and Secondary Education Assistance) Act 2000

149. The ELA Bill repeals the *States Grants (Primary and Secondary Education Assistance) Act 2000*. That Act provided for funding for schools for the period from 2001-2004. No further funding payments need to be made under that Act so it is being repealed.

Summary

150. The Commonwealth Government is committed to creating an education revolution to build a world class education system. This commitment recognises the central role that education plays in both the economic and social fabric of the nation.

151. These Bills are being introduced in conjunction with the development of the new financial arrangements being negotiated between the Commonwealth and the states through COAG. The COAG reform framework means that, for the first time, all governments in Australia will agree to a single set of objectives, outcomes, outputs and targets, and hence educational priorities and reform directions for the education system.

152. The SA Bill and the ELA Bill are the major vehicles for providing Commonwealth funding for non-government schools and supporting this reform framework for 2009 to 2012.

153. The Bills were introduced in to Parliament on 24 September 2008. A number of key concerns were raised by members of the House of Representatives in the debate of the SA Bill, including:

- funding –the perception that non-government schools are being treated differently to government schools in the new financial framework;
- audit and financial viability –the rationale for requirements under subclause 15(c)(i), given the requirement under 15(c)(ii);

- reporting sources of funding –the rationale for changes and how they differ from current requirements;
- national curriculum – whether there is less flexibility in the requirement that all schools must commit to the national curriculum and the possible effect of implementation of a national curriculum on other curriculum programs in schools; and
- establishment grants –an explanation of why establishment grants are not continuing (except for 2009 entitlements).

154. The summary below addresses these concerns, as well as other other issues raised by Members of Parliament during debate on the legislation.

Funding

155. The SA Bill 2008 appropriates an estimated \$28 billion for non-government schools for 2009 to 2012 and will implement essential transparency and accountability requirements that are consistent with those for government schools. The Bill implements the existing SES funding arrangements and indexation for non-government schools funding for 2009 to 2012 in order to provide certainty and stability of funding over the next four years. The non-government schools sector will have the opportunity to work with the states on NP reforms.

Transparency and accountability

156. Improving transparency and accountability of schools and school systems at all levels is a key element to improving the outcomes of all schools and this is reflected in the SA Bill in the simpler, but strengthened performance information and reporting framework for non-government schools which will be consistent with the conditions required of the states under the NEA.

Transparent reporting

157. The SA Bill contains provisions to ensure that non-government schools receiving Commonwealth funding will provide a range of information which enables fair and transparent reporting and ensures financial accountability for the significant level of Commonwealth funding for non-government schools.

158. Transparency about income received from different sources is necessary in understanding the effectiveness of individual schools and in order to treat all schools, government and non-government, consistently. The SA Bill makes it possible for income to be reported consistently by source in a way that will be compatible with the existing regulatory requirements to report through a Financial Questionnaire to DEEWR. The Regulations and Guidelines for the Bill will ensure that the provision of information about income can be undertaken in the most efficient way possible.

159. To identify accurately where the greatest educational need across the Australian community is located, and encourage excellence in every school, a basis for fair, consistent, and accurate analysis of how different schools are doing is required.

160. States and school systems are currently working with the Commonwealth Government to examine which forms of data are relevant to understanding the performance of schools, given their overall circumstances and the students they serve. A particular emphasis on Indigenous students will feature in performance data to guide improvements in closing the educational gap between Indigenous and non-Indigenous children.

161. In response to concerns raised by school education authorities, the requirements of the SA Bill significantly reduce the range of reporting requirements imposed under the current legislation, ensuring that schools can invest more of the resources the Commonwealth provides in improving educational outcomes rather than dealing with “red tape”.

162. Specific details on some provisions of the SA Bill (such as national assessments, individual school information, student reports to parents, school performance information, national curriculum), are to be contained in regulations. While the regulations may not be finalised prior to the passage of the legislation, this is not unusual. This was the case for the current legislation in 2004 when schools signed funding agreements prior to the finalisation of regulations in 2005 in order to receive funding from the beginning of 2005. Education authorities will be consulted on the regulations before the end of the year.

Audit certificate financial viability issue

163. Clause 15 of the Bill extends the reasons on which the Minister may make a decision to delay or stop payment, to include where an audit opinion is expressed to be qualified (subclause 15(c)(i)) or where the audit opinion expresses concerns about the financial viability of the body or authority (subclause 15(c)(ii)). It is possible for an audit report to be qualified and not raise concerns about financial viability, but it may instead refer to governance issues. This qualification would alert the Minister to issues in the school which require attention. It is also possible for an auditor to submit an unqualified report that still expresses concerns about the financial viability of the school.

164. The Australian Government has an obligation to ensure that recipients of public funding have the confidence of the public and that advice from audits is acted upon. Including this clause in the legislation informs the funding recipient and the public in a very open and transparent way of the arrangements for monitoring a school's financial health. Delaying payments to a school only occurs where substantial concerns have been raised about the way in which a school is operating.

National Curriculum

165. The new national curriculum will provide a clear and explicit agreement on the curriculum essentials that all young Australians should be able to access.

166. The SA Bill does not require detailed adherence to a rigid program of curriculum study. A national curriculum will provide for flexibility and scope that allows schools and teachers to implement its content and achievement standards in appropriate ways at the local and school level. It should not interfere with the ability of independent schools to continue to offer local curriculum arrangements within the requirements of the curriculum essentials of the national curriculum. The ACARA with responsibility for curriculum will work in collaboration with state and territory curriculum authorities to consider whether other existing curriculum programs meet the requirements laid down by the new curriculum, once it is known and agreed.

Closing the gaps for Indigenous students

167. The SA Bill will make important changes for Indigenous students in non-government schools. Bringing supplementary Indigenous education funding into the SA Bill and streamlining the administrative arrangements that support that funding, will reduce the administrative burdens and increase flexibility for providers so that they can get on with the job of closing the gaps between the educational outcomes of Indigenous and non-Indigenous students. Under the new arrangements, it will be clearer than ever that closing the gap is not an "add on", but core business for education providers.

168. Every Indigenous student will now attract supplementary funding and the same indexation rate to keep pace with the delivery costs of education. The new arrangements for supplementary funding for Indigenous school students offer non-government school authorities the same opportunities that are being offered to government schools. More importantly, these arrangements will encourage the type of reform and flexibility needed to close the gap between Indigenous and non-Indigenous students and achieve the significant targets agreed by COAG.

169. The additional funding through the new maximum SES funding initiative for non-government schools with high proportions of Indigenous students will also enable Indigenous students to receive a higher level of support and to achieve better educational outcomes.

170. The ELA Bill extends the IETA Act 2000 so that the Government can continue to make supplementary investments to contribute towards closing the gaps between the outcomes of Indigenous and non-Indigenous Australians. These amendments will support the Commonwealth in highlighting good practice and supporting national initiatives across sectors and jurisdictions to inform and assist providers in improving outcomes for Indigenous Australians.

Conclusion

171. The national reform agenda commits all governments to working together to improve outcomes for all children. The SA Bill 2008 and ELA Bill 2008 are critical elements in this national agenda.

172. These Bills, in conjunction with the major COAG reforms, and other major national initiatives including Trade Training Centres, new digital technology and a national curriculum, will support the reforms that will assist in delivering world class schooling across Australia.

Attachment A: Comparison of SRA/ISA rates – 2008 and 2009 Non-Government Schools

2009 Base Rates

Indigenous Supplementary Assistance (per full-time equivalent Indigenous student enrolment rates):

	NON-REMOTE	REMOTE/ VERY REMOTE
PRIMARY	\$1,600	\$3,850
SECONDARY	\$2,250	\$4,400

2008 Rates

A. Supplementary Recurrent Assistance (per full-time equivalent Indigenous student enrolment rates):

	Metro	Rural	Remote	Guaranteed
Primary	\$1,119.51	\$1,212.97	\$2,425.97	\$2,239.02
Junior Secondary	\$1,679.27	\$1,819.48	\$3,638.95	\$3,358.54
Senior Secondary	\$1,847.20	\$2,001.43	\$4,002.84	\$3,694.39

Conditions:

1. Minimum enrolment of 20 Indigenous students

B. Indigenous Tutorial Assistance Scheme (ITAS) – In-class Tuition (ICT) (hourly rate)

	Metro and Provincial	Remote and Very Remote
Hourly Rate	\$30 per hour for Individual tuition \$35 per hour for Group tuition	\$30 per hour
Max Hours per week	2.5 hours	2.5 hours
No. of weeks	32 weeks (based on a school year)	32 weeks
Proportion of rate per student	50% for Individual tuition 16.6% for Group tuition	100%
Conditions	<ol style="list-style-type: none"> 1. Indigenous school students who, in the year prior to the funding year, failed to meet one or more of the literacy and numeracy benchmarks in Years 3, 5 and 7, including exempted Indigenous students. 2. Excluding those Indigenous students attending schools in State capital cities and Canberra with less than 20 Indigenous enrolments. 	<ol style="list-style-type: none"> 1. Indigenous school students who, in the year prior to the funding year, failed to meet one or more of the literacy and numeracy benchmarks in Years 3, 5 and 7, including exempted Indigenous students

Note: In-class Tuition may be approved for Indigenous school students who did not meet one or more of the literacy or numeracy benchmarks in the previous year's literacy and numeracy benchmark tests, and for Indigenous school students who are identified as being at risk of not meeting relevant literacy and numeracy curriculum outcome levels for their age, with the prior written consent of parents/caregivers of participating students.

C. Indigenous Tutorial Assistance Scheme (ITAS) – Years 9, 10, 11 and 12 (hourly rate)

	Metro and Provincial	Remote and Very Remote
Hourly Rate	\$30 per hour for Individual tuition \$35 per hour for Group tuition	\$30 per hour for Individual tuition \$35 per hour for Group tuition
Max Hours per week	4 hours	4 hours
No. of weeks	35 weeks (based on a school year)	35 weeks
Proportion of rate per student	7% for Individual tuition 1% for Group tuition	35% for Individual tuition 5% for Group tuition
Conditions	1. Indigenous secondary school students enrolled in Years 9, 10, 11 and 12.	1. Indigenous secondary school students enrolled in Years 9, 10, 11 and 12

D. Indigenous Tutorial Assistance Scheme (ITAS) – Remote Indigenous Students (RIS) (hourly rate)

Hourly Rate	\$30 per hour
Max Hours per week	4 hours
No. of weeks	35 weeks (based on a school year)
Proportion of rate per student	100%
Conditions	<ol style="list-style-type: none"> 1. Indigenous school students who have left their remote community to attend school in a non-remote location, or attending a remote boarding school. 2. Tuition is only available in the first year students are away from their remote community.

E. English as a Second Language (ESL-ILSS) (per eligible student rate): \$3,561.11

Conditions:

1. Eligible Indigenous students are those from a non-English speaking background who are enrolled in the Funding Year and undertaking their first year of formal instruction in English

F. Homework Centres (under the Whole of School Intervention Strategy)

Submission based application.

G. Building an Indigenous Workforce in Government Service Delivery (per approved position)

One-off professional development payment	\$6,000 per position
Weekly contribution	\$218.60 per week
On-cost allowance	Up to 30% of wage contribution
Conditions	<ol style="list-style-type: none"> 1. For a permanent, part-time wage, on-costs and a training budget for each converted CDEP position. 2. On-costs to contribute to covering superannuation, long-service leave, payroll processing and the costs associated with creating and filling the new position. 3. One-off payment to assist with necessary professional development of former CDEP participants, including coaching and training. 4. Providers will have until 31 December 2008 to expend the training and development funds.