



Australian Government



Review of Funding for Schooling

Emerging Issues Paper | December 2010

Comments and inquiries

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Note from the Chair

I was honoured to accept an invitation by the then Minister for Education, the Hon Julia Gillard MP, on behalf of the Australian Government, to chair the Review of Funding for Schooling.

I am joined on this panel by Ken Boston AO, Kathryn Greiner AO, Carmen Lawrence, Bill Scales AO, and Peter Tannock AM. I acknowledge the unique skills and expertise of my colleagues and thank them for their time and commitment to the review so far.

We understand that this is a complex task and, while not underestimating its challenges, we look forward to providing advice to the Australian Government that may inform future funding arrangements for schooling, whilst recognising the funding realities within which governments operate.

We have been tasked with conducting an open and transparent review that is to be consultative, wide ranging and comprehensive, and which will report against its terms of reference.

As a first step, we felt it was important to take time to hear the issues first-hand. During the latter part of 2010, we met with over 70 key educational groups in each state and territory as part of a preliminary stakeholder listening tour.

This emerging issues paper is a reflection of what we have learned from that experience.

It is not the intention of this paper to set out any of our conclusions.

Rather, we felt it important to share the views and opinions that were presented to us to encourage discussion of the issues raised, and to invite further views from those with an interest in education to inform the next steps of the review.

It is our hope that this paper will play a role in generating ideas and engaging all relevant parties in an informed debate on funding for schooling, and will serve to highlight particular areas that stakeholders and interested parties may wish to comment on.

On behalf of the panel, I would like to thank those people and organisations who provided an initial submission to the review and those who gave generously of their time in meeting with the panel. We were encouraged by the dedication and commitment that they brought to these discussions, and their contributions in both the meetings and the submissions have been essential in helping us gain an understanding of the complexity of the task at hand.

The panel is seeking further input from the community on the issues raised in this paper.

I would urge those with an interest in the review to make a submission, using the review's terms of reference (provided at **Appendix 1**) and the issues presented in this paper as a framework for discussion. Interested parties have until 31 March 2011 to make a submission on the issues raised in this paper.

I look forward to hearing the outcome of this call for public submissions.



David Gonski AC

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Abbreviations

ABS	Australian Bureau of Statistics
AGSRC	Average Government School Recurrent Costs
BER	Building the Education Revolution
BGA	Block Grant Authority
COAG	Council of Australian Governments
CPI	Consumer Price Index
DER	Digital Education Revolution
IGA	Inter-governmental Agreement on Federal Financial Relations
MCEECDYA	Ministerial Council for Education, Early Childhood Development and Youth Affairs
OECD	Organisation for Economic Co-operation and Development
PISA	Programme for International Student Assessment
SES funding model	Socioeconomic status funding model

Executive Summary

The aim of this emerging issues paper is to present the views heard by the panel during its preliminary listening tour that was undertaken during the latter part of 2010 across all states and territories. The panel heard views from over 70 education groups, including government and non-government education authorities, Indigenous education and special education representatives, and parent, principal, teacher and union groups.

The views summarised in this paper are not those of the panel, but of those who generously shared their views with the panel. The issues and concerns raised in submissions to the review have also been incorporated.

While a range of issues were raised, discussion broadly centred around seven key themes: (1) equity of educational outcomes; (2) recurrent funding; (3) capital funding; (4) targeted and needs-based funding, including funding for Aboriginal and Torres Strait Islander students; (5) support for students with special needs and students with disability; (6) governance and leadership; and (7) community and family engagement.

In discussions with the panel, it was acknowledged that Australia has a high-performing schooling system when compared with other Organisation for Economic Co-operation and Development (OECD) countries, and that there are strengths in the current funding arrangements for schools that can be built upon. However, Australia's performance in international assessments also highlights the large number of students who are at risk of falling behind their peers. Many education groups concluded that these results suggest the allocation of funding for schooling in Australia may be inequitable and not fully supporting the opportunity for all students to achieve their full educational potential.

The theme of equity of educational outcomes for all students was widely discussed in meetings, and was a recurring theme in the submissions received. Equity appears to have had different meanings and interpretations to different groups, depending on the contexts in which it has been used.

To provide a basis for discussion in the community, the panel feels it important to state its focus of considerations of equity for the review. It believes that equity should ensure that differences in educational outcomes are not the result of differences in wealth, income, power or possessions. The panel does not intend it to mean that all students are the same or will achieve the same outcomes, but rather that they will not be prevented from achieving their maximum potential because of their background or family circumstances.

In the context of this aspiration, organisations acknowledged that the funding the Australian Government and state and territory governments provide for schooling is constrained by budgetary allocations, yet what is available should be distributed equitably. Some groups questioned the ability of the current funding system to cater for all students and discussed the need for clarity around what a common level of funding for every student should be based on, who should provide it, and the outcomes it should be intended to produce for different groups of students.

This in turn generated discussion about the respective roles and responsibilities of the Australian Government and the state and territory governments in the resourcing of schooling.

Under the Australian Constitution, each state and territory government is responsible for the operation of schooling within its jurisdiction. This can include registering and regulating government and non-government schools, as well as monitoring and reviewing the performance of schools and the general administration of government schools. The Australian Government, whilst not responsible for the administration and running of schools, in collaboration with state and territory governments

provides national leadership across a range of educational reforms and significant financial investment to support these.

Some saw the review as an opportunity to reflect on the roles and responsibilities of governments and how these may be better coordinated to support a stronger national schooling system, but noted that these would need to be considered in collaboration with the state and territory governments.

Another issue that arose in discussions was that the achievement of educational outcomes was not necessarily dependent on increasing the funding that was provided by governments. An alternative is to ensure that the available funding is used more effectively. The panel recognised that distributional and structural arrangements play a key role in promoting strong educational outcomes.

The almost unanimous view from those who participated in discussions with the panel was that the current funding arrangements are complex and not easily understood. There were particular concerns raised about the socioeconomic status (SES) funding model and the Average Government School Recurrent Costs (AGSRC) measure, whether used as the basis for calculating Australian Government recurrent funding for non-government schools or as an indexation factor. Some were of the view that the current funding arrangements were not balanced across the sectors, contributing to a recent drift in enrolment numbers from the government school sector to the non-government school sector. A number supported the SES funding model and the AGSRC, citing the value of the arrangements in providing certainty of funding and the relative generosity of the AGSRC as an indexation factor.

A variety of concerns about funding for capital and infrastructure were expressed, especially in relation to the costs of maintaining and updating ageing infrastructure and learning facilities in existing schools, as well as developing and establishing new schools, particularly in population growth areas. The current capital funding amounts were considered to be limited, reflecting a broader concern that this funding is not able to keep pace with increases in demand and costs.

The panel heard views on the need to consider funding arrangements that better target the additional costs associated with students who face educational disadvantage and how to best do this in a consistent way across jurisdictions, whilst being mindful of overall funding constraints. It was noted that these students often experience multiple dimensions of disadvantage and that this is often concentrated in particular geographic locations and can affect schools in all sectors.

Support for students with disability was a dominant concern raised by a large number of participants in the consultations. Supporting students with disability was considered to be resource intensive, with equipment and teaching support recognised as costly. There was a general acknowledgment of the need to establish a national definition for students with disability, a process that is currently underway through the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA).

The benefits of the integration of funding and support services within schools in support of better student engagement and outcomes were consistently highlighted in discussions. This was acknowledged as being particularly important in early interventions to support educationally disadvantaged students.

Most of the education groups interviewed acknowledged that funding alone does not lead to improved educational outcomes for students. Research has consistently shown that the interactivity of relationships between principals, teachers, students, families and the broader community are fundamental to achieving stronger educational outcomes.

There was broad support for funding arrangements that encourage and enable school governance and leadership to drive improved educational outcomes. There was also strong support for funding arrangements to strengthen and reinforce efforts to improve teacher quality. Enhancing school or principal autonomy in the management and allocation of school resources was suggested by some stakeholders as an effective mechanism for improving decision making and outcomes. Governance structures, such as school boards, were also viewed as likely to enhance the ability of schools to be responsive to their parent and local communities and to ensure the effective allocation of resources.

Many acknowledged the importance of community engagement in attracting students to schools and promoting educational outcomes, and considered more could be done to encourage donations from the business community to schools, particularly those in the government sector.

The critical role of families and caregivers in assisting their children to achieve better educational outcomes, in partnership with schools, was also highlighted.

Introduction

On 15 April 2010, the then Minister for Education, the Hon Julia Gillard MP, announced a review of funding and regulation across the government and non-government schooling sectors, the first such review in Australia since 1973.

The review will focus on the funding needs of students from all schools (government, Catholic and independent) and will consider funding provided by the Australian Government and state and territory governments, as well as other sources of school income.

The aim of the review is to identify arrangements that will achieve a funding system which is transparent, fair, financially sustainable and effective in promoting excellent educational outcomes for all Australian students. Integral to this is ensuring the funding that is available is equitably distributed among schools; that is, directed to where it is needed most so that students are supported to overcome barriers to achievement, regardless of their background or where they go to school.

Ultimately, the review is intended to provide the strongest possible platform for long-term investment and improvement in educational outcomes in schooling beyond 2013. It aims to complement a broader suite of educational reforms being implemented by all governments through the Council of Australian Governments (COAG) to confront disadvantage in school communities, boost literacy and numeracy, and improve teacher quality. These reforms include national curriculum, enhanced school transparency and accountability through the *My School* website, *National Partnerships for Smarter Schools*, and significant investments in school infrastructure through the Building the Education Revolution (BER) and Trade Training Centres in Schools and in technology through the Digital Education Revolution (DER).

Australia's wealth, resources, democratic institutions and the talents of its people lay the basis for a just, productive and creative society. A strong education system empowers individuals, enabling them to make choices that can help them lead fulfilling and productive lives, which in turn provides the human capital we need to keep our society and our economy strong into the future. The wide-reaching social and economic benefits of schooling for individuals, the community and the national economy provide a compelling rationale for governments to play a significant role in funding and regulating schooling.

The panel conducting the review is guided by the terms of reference that were developed by the Australian Government with input from government and non-government education authorities, parents, principals, teachers, unions and other special interest groups. The terms of reference are provided at **Appendix 1**.

Consultation with stakeholders and members of the community

A fundamental part of the panel's work in understanding the current funding issues facing the schooling sector is to consult with the broad range of people and organisations that have an interest in schooling.

To begin with, the panel undertook a preliminary listening tour in the second half of 2010.

The panel met with representatives from over 70 key educational groups including government and non-government education authorities, Indigenous education and special education representatives, and parent, principal, teacher and union groups in every state and territory. The organisations which participated in these meetings are set out in Figure 1 (see next page) and are listed at **Appendix 2**.

Figure 1: Organisations involved in the panel's listening tour

Government Sector	Non-Government Sector
<ul style="list-style-type: none"> • State and Territory Education Authorities: <ul style="list-style-type: none"> ○ DET, New South Wales ○ DEECD, Victoria ○ DET, Queensland ○ Department of Education, Western Australia ○ DECS, South Australia ○ Department of Education, Tasmania ○ DET, Australian Capital Territory ○ DET, Northern Territory ○ Victorian Council of School Organisations ○ Northern Territory Indigenous Education Council* ○ Department of Education Services, Western Australia** 	<ul style="list-style-type: none"> • National Catholic Education Commission (NCEC) • Independent Schools Council of Australia (ISCA) • State and Territory Catholic Education Commissions/Offices • State and Territory Associations of Independent Schools • Australian Association of Christian Schools • Christian Schools Australia • Lutheran Education Australia • Adventist Schools Australia • Australian Council of Jewish Schools • Christian Education Ministries • Australian Anglican Schools Network • National Independent Special Schools Association
Parent Representatives	
<ul style="list-style-type: none"> • Australian Council of State School Organisations (and state and territory affiliates) 	<ul style="list-style-type: none"> • Australian Parents Council • NCEC Parent Committee
Principal Organisations	
<ul style="list-style-type: none"> • Principals Australia • Australian Special Education Principals' Association • Australian Secondary Principals Association 	<ul style="list-style-type: none"> • Association of Heads of Independent Schools of Australia • Catholic Secondary Principals Associations
<ul style="list-style-type: none"> • Australian Primary Principals Association • National Aboriginal and Torres Strait Islander Principals' Association 	
Teacher Unions	
<ul style="list-style-type: none"> • Australian Education Union (national, and state and territory branches) • New South Wales Teachers Federation • Queensland Teachers' Union • State School Teachers' Union of Western Australia 	<ul style="list-style-type: none"> • Independent Education Union of Australia
Non-sectoral	
<ul style="list-style-type: none"> • Australian Association of Special Education • Australian College of Educators • Children with Disability Australia • National People with Disability and Carer Council • Stronger Smarter Institute, Queensland University of Technology • Torres Strait Islanders' Regional Education Centre 	

* The Northern Territory Indigenous Education Council is an Indigenous representative advisory body appointed by the Northern Territory Minister for Education and Training to provide advice and make recommendations to the Northern Territory Government and Australian Government ministers on education for Indigenous students.

** The Department of Education Services, Western Australia, registers Western Australian non-government schools and allocates funding to those schools. It reports to the Western Australian Minister for Education and provides policy advice on matters relating to non-government schools.

This emerging issues paper shares with the community the views put to the panel during the listening tour. It is intended to facilitate broader community discussion and involvement in the review process.

As shown in Figure 1, most of the education groups who participated in the panel's listening tour represent the interests of either the government or non-government school sector, with only eight organisations not being aligned with either sector. Regardless of affiliation with a particular sector, the panel found that each education group advocated strongly on behalf of its members. They were all genuinely supportive of the review process, seeing it as a valuable opportunity to consider whether current funding arrangements support governments' shared aims for schooling in Australia.

It is important to note that the views summarised in this paper reflect the interests of a range of groups, and not all views presented were shared by all groups across schooling sectors. The paper does not seek to attribute certain views to particular groups, but rather attempts to provide a balanced account of the issues that were prominent in discussions with the panel.

The panel has also received a number of submissions on the draft terms of reference for the review following its release on 30 April 2010, as well a number of submissions of a more general nature. These submissions have been valuable in assisting the panel and the issues raised have informed this paper.

In setting out the key issues raised during the panel's initial consultations and in submissions to the review, this paper also presents some of the options suggested to the panel in response to those issues.

The panel now seeks views on the issues and potential options set out in this paper. Information on how organisations and individual members of the community can make a submission to the review is set out in the Next Steps section of this paper, and is also available from the review's website at www.deewr.gov.au/fundingreview.

The concluding section of this paper also outlines the approach and timeframe the panel intends to adopt to ensure the process is open, consultative and transparent. Further consultation in 2011 with schools, education systems and parents will be critical in identifying the best approach to future funding for all schools.

Current Schooling Environment

Performance in education

Australia has a high-performing schooling system that compares well with other countries. In international benchmarking through the Programme for International Student Assessment (PISA) of 15 year-olds in 2009, Australia ranked significantly above the OECD average in the three areas tested: reading, mathematical literacy and scientific literacy. However, Australia was significantly outperformed by six other countries in both scientific literacy and reading literacy and 12 countries in mathematical literacy¹.

Yet despite the fact that Australian students generally perform well in international testing, there are some grounds for concern. One is the persistent low achievement evident in the proportion of students in the bottom proficiency bands. While the extent of under-achievement in Australia is not as prominent as in most other OECD countries, it is still not as low as in top-performing countries such as Finland or Korea.

There are also issues about the extent to which the composition of students in the bottom of the proficiency bands reflects broader social disadvantage due to, for example, low SES, Indigenous status, remoteness and language background. While the impact of social background on reading literacy in Australia was around the OECD average in 2009, it is clear that there are a significant number of young Australians who are not performing to their full potential.

Another concern is evidence of a decline in reading performance measured between 2000 and 2009. This decline occurred between 2003 and 2006 and is evident particularly at the higher levels of achievement.

Structure and organisation of schooling

Schools represent a major component of Australia's society and economy. In 2007–08, Australian schools were educating more than 3.4 million students at a total recurrent and capital cost of more than \$41 billion. A total of 9562 schools employed more than 337 000 staff, or around three per cent of the Australian labour force.

Australian schools are classified as either government or non-government, with non-government schools identified as Catholic or independent.

Government schools are administered by the relevant state or territory department of education. Government schools and some non-government schools comprise 'systems', that is, groups of schools administered by and funded through a central organisation. Government school systems have a legal obligation (enshrined in state and territory legislation) to accept all students regardless of their background, circumstances or educational needs.

Governance and funding arrangements for Catholic systemic schools vary from state to state, with dioceses playing a more central role in some states compared to state-level Catholic education commissions and offices in other states and territories. Independent schools (including a small number of independent Catholic schools) are mostly established and governed on an individual school basis, although some with common aims and educational philosophies are governed and administered as small systems.

¹ Sue Thomson, Lisa De Bortoli, Marina Nicholas, Kylie Hillman and Sarah Buckley, *Challenges for Australian Education: Results from PISA 2009*, Australian Council for Educational Research, 2010

Catholic schools have traditionally offered a low-cost education to those families who wish to share the Catholic church's educational mission. Independent schools service a broad range of communities, from low socioeconomic communities to those from higher socioeconomic backgrounds with fee structures adjusted accordingly.

While the majority of students are enrolled in government schools (66 per cent in 2009), there has been strong growth in the number of students attending non-government schools at both the primary and secondary school level. From 1999 to 2009, the full-time equivalent number of school students increased by 233 300. Most of this increase was in the independent sector (140 395 full-time equivalent students), followed by the Catholic (68 667) and government (24 239) sectors.²

Funding for schooling

Under the Australian Constitution, state and territory governments are responsible for the operation of schooling. This can include registering and regulating all schools (government and non-government), as well as monitoring and reviewing the performance of schools in their jurisdiction and the general administration of government schools.

Accordingly, the Australian Government is not responsible for the administration and running of schools. However, in more recent times, the Australian Government has played a key role in supporting schooling through significant financial investment, and in collaboration with state and territory governments has provided national leadership. Recently, through the COAG, new priorities and reforms have been agreed in the areas of national curriculum, infrastructure enhancements, and transparency and school performance.

From the most recently available data (2007–08 for government schools and 2008 for non-government schools), total expenditure on Australian schools was around \$41.4 billion (excluding the notional user cost of capital).³ State and territory governments provided the majority of funding for government schools (around 89 per cent or \$23.5 billion in 2007–08), while the Australian Government provided some additional funding for state and territory run government schools (around 11 per cent or \$3 billion in 2007–08).

Conversely, the Australian Government was the major government funder of non-government schools, providing around 42 per cent of total funding for those schools (\$6.1 billion in 2008). In 2008, the states and territories provided around 15 per cent, or \$2.2 billion, of all funding for non-government schools. Private income in the form of fees and donations provided 43 per cent of non-government school income (\$6.3 billion in 2008). Private income accounted for approximately 28 per cent of total income for Catholic schools and 58 per cent of total income for independent schools. However, there was significant variation in the private income of schools in the independent sector, largely attributable to the SES of the school community.

It is important to note that, within these distributions, there are some differences across states and territories and between sectors in the way funding is distributed to schools and the amounts that schools receive.

In discussions with the panel, some groups raised the broader question of the relative roles of the Australian Government and state and territory governments in the management of schools and the provision of funding for schooling. Other groups also signalled that the traditional funding distinction

² Australian Bureau of Statistics, *Schools Australia 2009*, 4221.0, NSSC Table 43a - Full-time equivalent enrolments - by States and Territories, Affiliation, Sex, Grade, and Years (1993 to 2009)

³ Ministerial Council for Education, Employment, Training and Youth Affairs, *National Report on Schooling in Australia 2008 - Appendix: Additional statistics on Australian schooling*

between recurrent, capital and targeted (or needs-based) programs could be reconsidered by the panel in favour of more consolidated or 'block' funding arrangements.

Support for non-government schools

Non-government schools receive the bulk of their funding from the Australian Government through the *Schools Assistance Act 2008*. The major funding program which is administered under this Act is assistance to meet a proportion of recurrent costs. The level of recurrent funding provided to a non-government school is determined by student enrolments, a proportion of the primary and secondary AGSRC amounts, and the SES score of the school under the SES funding model. There are some exceptions that apply, as described below in relation to Funding Maintained and Funding Guaranteed arrangements, and the demographics of certain schools.

The AGSRC amounts represent average recurrent expenditure on educating a primary student or a secondary student in a government school, and are calculated based on state and territory government expense data collected by MCEECDYA. The AGSRC amounts are arrived at by dividing total expenditure related to primary and secondary levels of education (minus certain exclusions) by their respective enrolments for the same period. The amounts increase from year to year broadly in line with the increasing expenditure on education in government schools.

In 2010, the AGSRC amount for primary education is \$9070, and the AGSRC amount for secondary education is \$11 393.

The AGSRC is also used as an indexation factor, to annually supplement Australian Government recurrent and targeted assistance for non-government schools. The AGSRC index is calculated using the expense data maintained by MCEECDYA and represents the percentage change in per capita state and territory expenditure between two financial years.

The SES funding model links student residential addresses to Australian Bureau of Statistics (ABS) national census data to obtain a socioeconomic profile of a school community and measure its capacity to support the school. Non-government schools receive recurrent funding within a range from 70 per cent of the current AGSRC amount for those that are serving the most disadvantaged communities (that is, schools that have a low SES score of 85 and below), to 13.7 per cent of AGSRC for schools whose SES score is high (130 and above).

Recurrent grants are calculated on a per student basis, and non-government schools are funded either on their SES score or are Funding Maintained or Funding Guaranteed.

Funding Maintained schools are those that would have been funded at a lower level on the basis of their SES score at the time of joining the SES funding system. Funding Maintained independent schools have had their funding entitlements preserved, with full AGSRC indexation, at their 2000 funding levels. Funding Maintained Catholic systemic schools that joined the SES funding arrangements in 2005 have had their funding entitlements preserved, with full AGSRC indexation, at their 2004 funding levels.

Funding Guaranteed schools are those SES-funded schools whose SES scores were higher in 2009–2012 than 2005–2008, resulting in reduced per capita funding entitlements. These schools had their 2008 per capita dollar amounts guaranteed. Funding Guaranteed schools will move to be funded on the basis of their 2009–2012 SES score once the funding associated with that score, plus AGSRC indexation, is equal to or greater than their 2008 entitlements.

Special schools that cater mainly for students with disabilities, special assistance schools that cater mainly for students with behavioural and emotional problems, and majority Indigenous student schools with 80 per cent or more Aboriginal and Torres Strait Islander students, or in very remote locations schools with 50 per cent Aboriginal and Torres Strait Islander students, are automatically funded at the maximum rate (70 per cent of the AGSRC amounts) without regard to their SES score.

In addition to recurrent funding, Indigenous Supplementary Assistance is provided by the Australian Government for all Aboriginal and Torres Strait Islander students studying at non-government schools. This funding is provided on a per student rate, the funding formula takes into account the level of schooling and the school's remoteness location, and the program is indexed by the AGSRC index.

An Indigenous Funding Guarantee is provided by the Australian Government as a transitional measure to ensure non-government schools receive total recurrent funding at least comparable to their 2008 level, before Indigenous Supplementary Assistance was rationalised from several individual programs into one program. To receive the Indigenous Funding Guarantee, schools must be in receipt of recurrent assistance and Indigenous Supplementary Assistance.

Further, eligible non-government schools receive a remoteness loading in addition to recurrent assistance for students studying at eligible locations.

The Australian Government provides capital funding to non-government schools through Block Grant Authorities (BGAs), which are separate legal entities which have been established to administer the capital grants program. They assess applications for funding from individual schools based on relative educational disadvantage and other factors.

In addition to recurrent and capital funding, the Australian Government allocates targeted assistance to non-government schools. This includes the Literacy, Numeracy and Special Learning Needs Program, the Country Areas Program, the English as a Second Language — New Arrivals Program, and the School Languages Program.

Non-government schools also receive funding under National Partnership arrangements with the states and territories. These partnerships operate in the priority reform areas of:

- literacy and numeracy
- improving teacher quality
- improving educational outcomes in disadvantaged school communities
- trade training centres in schools
- digital education
- youth attainment and transitions.

The BER also operates as a National Partnership, providing significant infrastructure and refurbishments to eligible schools.

State and territory government funding arrangements for non-government schools vary significantly among jurisdictions. All provide recurrent funding, but the method of setting and allocating funds is different in each state and territory. State and territory governments also provide capital and targeted funding for non-government schools, and the mechanisms for allocating this funding varies from state to state.

Support for government schools

As noted earlier, state and territory governments are the main funders of their schools. Funding levels and mechanisms reflect the circumstances, costs, operational challenges and budget priorities of each jurisdiction.

Prior to the introduction of the Inter-governmental Agreement on Federal Financial Relations (IGA) in 2009, Australian Government recurrent funding for government schools was provided at 8.9 per cent and 10 per cent of the AGSRC amount for primary and secondary school students respectively, for each full-time student enrolment.

Since 2009, the majority of Australian Government funding for government schools is provided to the states and territories through the National Schools Specific Purpose Payment under the IGA. The initial base of the National Schools Specific Purpose Payment was derived from previous levels of recurrent, capital and targeted funding. In subsequent years, the base is adjusted by a growth factor reflecting changes in government school enrolments and the AGSRC.

The IGA allows state and territory governments to allocate Australian Government funding to areas which they consider will produce the best outcomes for students. In return for this flexibility, all governments have committed to achieving agreed national targets under the National Education Agreement, including lifting the Year 12 or equivalent attainment rate for all students, and improving Aboriginal and Torres Strait Islander school completion rates and outcomes in reading, writing and numeracy.

State and territory governments are responsible for ensuring government schools are appropriately resourced in order to achieve the agreed objectives and performance benchmarks of the National Education Agreement. Under the agreement, all government schools have an obligation to meet a common set of national school performance and reporting requirements. These requirements include:

- participation in national testing
- contribution to national reporting
- reporting to parents
- publishing performance information
- provision of information for school-level reporting.

Additional Australian Government funding is provided to state and territory governments for the support of government and non-government schools through the National Partnerships, as outlined previously.

Key Messages

Most of those interviewed agreed that any funding framework must be fair, simple and clear in the allocation of and rationale for funding. It was also suggested that government investment in education should focus on educational outcomes rather than system inputs.

Organisations noted the benefits of schooling, both to the individual and the nation. It was argued that quality schooling is important in preparing individuals for citizenship and their participation in broader society. Schooling is also seen to play a pivotal role in developing the highly skilled workforce needed to maintain and strengthen our economy. It is viewed as paramount to the experiences and chances of individuals, as well as to Australia's society, economy and future productivity.

There was discussion around how schooling could be a vehicle to address social disadvantage by lifting student participation and improving the quality of education that is available for all. This was linked to discussion of equity of educational outcomes, or ensuring that differences in student outcomes should not be attributable to differences in wealth, income, power or possessions.

The panel heard that the economic disparities among families and communities are often reflected in available schooling options. Some groups argued that under the current arrangements, choice is not an option for all parents in all communities, particularly for those in regional and remote areas where there is limited provision of services, and those on low incomes. Others suggested that the current funding arrangements have increased the affordability of non-government schooling by allowing low-fee paying schools to operate, and thereby offering some families greater choice regarding their child's school education.

The important role of parents and the community in schooling was highlighted, and it was suggested the review should consider how to better resource schools to build stronger and more meaningful relationships with parents and the community.

It was noted that it is especially important that Aboriginal and Torres Strait Islander communities and students receive support to achieve better community and parental engagement in schooling as a way of improving both participation and educational outcomes.

A number of groups discussed the current federated structure of schooling and saw value in the Australian Government providing certainty of funding to both government and non-government schools. Some preferred to preserve the current roles of the Australian Government and the states and territories, but have them operate under a common funding framework which could include the consolidation of multiple funding sources but which would require the agreement of state and territory governments.

Many argued that any discussions of quality schooling had to recognise teacher quality and effective school leadership as the greatest determinants of educational success.

The special role of school systems was also discussed in the context of the current funding structure. The relative strengths and benefits provided by the operation of these systems across different sectors were highlighted. For example, in relation to the Catholic system, reference was made to the importance of the principle of subsidiarity. Subsidiarity is defined by the Catholic sector as the ability to make decisions about the use of resources at the most appropriate level of administration to best support educational outcomes for students. It was suggested that adopting this principle allowed school communities to exercise initiative and accommodate the needs of students at the local level. The role of the government school systems and their legal obligations to deliver quality education for all students across Australia were also highlighted by some participants as being critical to the success of schooling and raising educational outcomes.

Key Themes

The views put to the panel during the listening tour broadly cluster around seven key themes: (1) equity of educational outcomes; (2) recurrent funding; (3) capital funding; (4) targeted and needs-based funding including funding for Aboriginal and Torres Strait Islander students; (5) support for students with special needs and students with disability; (6) governance and leadership; and (7) community and family engagement.

Each of these key themes is discussed in further detail below. The panel welcomes further comments on these themes and any other funding issues that people wish to raise.

Equity of educational outcomes

The panel was urged to consider whether the current funding arrangements support universal access to a quality education for all students and, by extension, put all students in the best position possible to achieve their full educational potential.

Much of this discussion centred on recognising that governments need to equitably distribute appropriate and adequate resources if there is to be equity of educational outcomes for all students, especially for those students for whom there is no choice other than the government system. The panel also heard that it was important to recognise the diversity of needs in each schooling sector and that educational disadvantage should be addressed wherever it occurs.

Some stakeholders argued that an equitable funding model should appropriately acknowledge factors that increase the cost of providing a high quality education for all and take into account both Australian Government and state and territory funding contributions, as well as private sources of income, when allocating resources. An alternative, though not inconsistent, view put forward was that a fair and equitable funding model must provide some level of government support for all students, irrespective of their background or financial situation.

Others questioned whether it was appropriate to continue to increase funding to schools that consistently perform very highly in national assessments. They argued that there should be greater flexibility in the funding arrangements to channel or direct resources to those schools and students most in need, though it was made clear that such flexibility should not disadvantage or reduce funding to those schools who do perform well. The panel would welcome views on how trade-offs between competing priorities for the available schooling resources could be accommodated.

There was discussion about the enrolment shift towards non-government schools, the current funding arrangements supporting non-government education to become more affordable for more families, and the resulting capacity of the government education system in Australia to provide a quality education for all students if the number of students in government schools significantly declined. The panel noted the legal requirement of government schools to take all students, regardless of background, circumstances or educational needs. Concerns were heard about a widening gap in the social composition of non-government and government schools leading to a perceived 'residualisation' of government schools in some areas.

When participants used the term 'residualisation' in discussions with the panel they generally meant it to mean the constitutional role which the government schooling sectors play in being required to accommodate all students irrespective of their economic status or their physical or intellectual capability.

In discussing the concept of 'residualisation' with stakeholders, it became clear from their perspective that there are different types of this concept involving a range of complexities. The panel heard that shifts in the socioeconomic composition of the different schooling sectors were occurring in a number of ways and that the patterns are complex, including shifts between and within sectors, and the strong growth of low-fee non-government schools. The panel also heard that such shifts are occurring for a variety of reasons. One is the intended and unintended exclusion of students in some schools as a consequence of the school's orientation, ethos or policies. Another is the consequence of choices exercised by parents for particular types of schooling that best meet the needs of their children, the increased responsiveness of schools to market pressures and the popularity of selective schools in both the government and non-government sectors.

To provide a basis for discussion in the community, the panel feels it important to state its focus of considerations of equity for the review. The panel believes that a commitment to equity means that differences in educational outcomes should not be the result of differences in wealth, income, power or possessions; it is not meant to suggest that all students are the same or will achieve the same outcomes. This aspiration aligns with the OECD's definition of equity in education.

Potential options for further consideration

The panel welcomes views on how a funding model could better support equity in educational outcomes.

Recurrent funding

Throughout the discussions, there was almost universal concern about aspects of the current funding arrangements, particularly the lack of transparency across sectors and jurisdictions and the levels of recurrent funding for educationally disadvantaged students.

The SES funding model and use of the AGSRC were seen by some as lacking clarity and transparency, and as ineffective in redressing educational inequities. The AGSRC, in particular, was seen as assuming a degree of homogeneity in the demands placed on schools that is often not evident especially in smaller jurisdictions or those characterised by diverse school populations.

Many raised the importance of establishing an appropriate base or common funding amount for students in primary and secondary schools. While there was a view that such an amount would assist the Australian Government in allocating recurrent funding to schools, others questioned who should have responsibility for providing it, and what outcomes may be attached to the provision of the funding. It was suggested that students with high needs would require additional funding to supplement any base funding amount.

Some organisations agreed with the underlying rationale behind the SES funding model, while others suggested a more direct measure of need that was less reliant on census or broad geographic measures should be implemented. A suggested alternative to measuring SES on a geographical basis was the use of individual student-specific information on parental income, occupation and education.

Those who expressed support for the existing recurrent funding arrangements under the National Education Agreement and the National Partnerships highlighted their benefits in terms of targeting funding to areas of need. They also noted that these arrangements had increased investment in human capital, driven flexibility, and provided incentives for achieving better outcomes. There was, however, some criticism of the mechanics of the National Partnership arrangements, with concerns raised over the extent to which all schools and students within a state or territory had been given the opportunity to benefit from these reforms, and the significant administrative and reporting burden that accompanied them which was experienced, in some cases, by some groups.

Generally speaking, the non-government school sector expressed a strong preference that Australian Government recurrent funding should continue to be provided directly to the system authority or school. Many non-government school representatives argued that funding provided directly by the Australian Government, rather than distribution being dependent upon a state or territory government, was more likely to enable resources to be targeted to particular schools and students based on local needs.

SES Funding Model

The current funding model, under which non-government schools receive funding according to the SES of their school community, was the focus of most discussion.

Many stakeholders questioned the value of the SES funding model, noting that in 2009, 52 per cent of all non-government schools were funded according to their actual entitlement (that is, almost half of non-government schools were either Funding Maintained (40 per cent) or Funding Guaranteed (8 per cent)). It was noted that the Funding Maintained arrangements seemed to operate as a separate and second funding model that applied to a prescribed group of non-government schools, which provided a secure and favourable funding environment, but one that was not consistent with the equal application of the SES funding model.

While it was broadly acknowledged that all schools should receive some support through government funding, the SES funding model was, at times, criticised for encouraging the movement of students from mid to high SES backgrounds into non-government schools. There was concern that this may position the government school sector as a 'residual' sector, increasingly catering for students from low SES backgrounds. Those who expressed this view favoured funding arrangements that support the provision of adequate funding for all students, including those whose family background or educational philosophy leads them to enrol their children in government schools.

The SES funding model was regarded by many as a blunt instrument, based on a geo-coding process that sometimes lacks precision in identifying areas of disadvantage to be able to target funding. Several groups commented that real disadvantage is often disguised as it may be concentrated in or dispersed across census collection districts, and concluded that relative need could be better assessed using more direct measures.

A number cited the lack of additional loading for students with specific needs as an example of the model's limitations and there was broad support for the consideration of alternative funding arrangements based on a student's educational needs, regardless of the type of school they attend. Some raised the possibility of enhanced support for particular student groups, including students with disability, Aboriginal and Torres Strait Islander, low SES, rural and remote, and refugee and migrant students, above the targeted funding that is already provided by the Australian Government for these student groups. While no alternative funding mechanisms were proposed along these lines, groups representing the government and non-government school sectors, parents, teachers and principals supported such an approach.

The SES funding model was supported by some who viewed it as providing stability and certainty of funding for schools. It was also seen to support parental choice in education, specifically allowing parents from a diverse range of SES backgrounds to gain access to education for their children that is affordable and consistent with their values. This point was emphasised as particularly relevant given the recent growth in demand for places in the non-government school sector.

Based on the above views, the panel is of the view that there is clearly a need to look further at a range of different funding options to see whether they might be viable alternatives which could complement

or improve on existing arrangements. This could involve looking at, for example, approaches that would specify a common funding amount for all students, with additional support attached to students with greater educational needs. This type of approach was put forward as a way of better targeting funding to schools and within schools to support students. The panel would welcome comments on this issue.

AGSRC

As set out previously, the AGSRC measure is used as the basis for setting Australian Government recurrent funding for non-government schools (through a proportion of the AGSRC amounts for primary and secondary students), and as an indexation factor.

The AGSRC was acknowledged by some groups as providing a relatively generous level of indexation for Australian Government recurrent assistance and targeted programs, compared to other indexes such as the Consumer Price Index (CPI). These groups noted that the CPI would not be a suitable measure to index educational programs, as it reflects the costs of goods and services, and not significant costs relating to schooling, such as teacher and administrative staff salaries.

It was also argued that the AGSRC plays an important role in maintaining parity in resource expenditure between the government and non-government sectors, and that some state governments link their funding of non-government schools to state level equivalents of the national AGSRC amounts.

However, several groups argued that the AGSRC is not an accurate measure since it does not include all types of school expenditure, and that it lacks transparency in both its composition and application. For example, there were reports of a lack of clarity regarding the rationale behind excluding some expenses from calculations, such as the user cost of capital which is included in other measures of expenditure per student compiled by MCEECDYA and the Productivity Commission. These education groups argued that the levels of funding provided under the SES funding model did not reflect the actual operating costs of non-government systems and schools, particularly those providing low fee-paying education.

Similarly, some groups commented that the time lag between the collection of information used in the calculation of the AGSRC and its later flow on to funding levels hindered the ability of schools and systems to quickly fund increased expenses.

The use of the AGSRC as a suitable measure for determining funding for all schools was also questioned. Government schools tend to enrol a higher proportion of students from low SES backgrounds and students with high educational needs, which can be resource intensive. As a result, it was argued some non-government schools benefit from the high-demand characteristics of the student population in government schools. This was seen by some as inequitable.

While there was broad support for retaining the features of the AGSRC as an index that better reflects changes in expenditure on schooling, no specific alternatives were put forward for the panel's consideration.

Potential options for further consideration

While few stakeholders went so far as to propose the adoption of specific funding models, a number suggested principles or features around which alternative funding approaches should be designed. These included

- equity between schools serving similar communities evidenced by comprehensive, reliable and transparent assessment of need

- preserving access to a high quality and free education for all students, balanced with a diversity of schooling options, parental choice and incentives for private contributions
- a common funding amount for all students, and additional needs-based support for disadvantaged students and schools that enables such students to achieve high quality outcomes
- greater autonomy for schools
- stability and predictability of funding, with simplified accountability and reporting
- continuing to index funding for the full extent of expenditure increases
- the potential to achieve greater coordination of funding contributions from the Australian Government and state and territory governments across jurisdictions and sectors.

The panel heard from a range of groups that any changes to recurrent funding and indexation arrangements should take into account funds received from both the Australian Government and state and territory governments, and should recognise all school resources. It was suggested that this recognition could take the form of tripartite agreements between governments and schools or school systems that would apply to the funding provided to both the government and non-government school sectors. Some saw this approach as beneficial in maintaining the direct funding relationship between the non-government school sector and the Australian Government, while also supporting the role school systems have in allocating funding to particular schools.

Another approach that was advocated was to develop funding models that could apply on a jurisdictional or sectoral basis. It was suggested this could involve pooling Australian Government and state or territory government funding in each jurisdiction in order to achieve greater coherence in funding approaches for government and non-government schools at the state level. Related to this was a suggestion of bilateral arrangements between state and territory governments and non-government school system authorities, where funding would be provided as a long-term commitment with commensurate accountability.

In these discussions the panel recognised the constitutional responsibilities of the state and territory governments for school education, and that any move to greater coordination or coherence of funding between the Australian and the state and territory governments would require significant consultation and collaboration with the states and territories through its MCEECDYA.

Other ideas that were canvassed included that the period for which funding is provided should be extended to deliver greater certainty and predictability to schools and to allow them the opportunity to maximise the investment over the traditional 12-year life cycle of schooling. For example, it was suggested that the funding period should be extended from four to 12 years, with rolling four-year cycles within the longer timeframe and reviews at set intervals. The role of systems in funding was also raised, including whether government and non-government systems should be funded in more similar ways.

The panel welcomes further suggestions for funding models that take into account sector and jurisdictional considerations, the potential to consolidate across different sources of funding, as well as school and student characteristics.

Capital funding

A variety of concerns about funding for capital and infrastructure arose from the consultations. Groups expressed concerns especially in relation to the costs of maintaining and updating ageing infrastructure and learning facilities in existing schools, as well as developing and establishing new schools, particularly in population growth areas.

Pressures on infrastructure in existing schools were stated to arise from a number of sources, including changes in the curriculum, greater reliance on technology in contemporary classrooms and increasing enrolments in some areas and sectors. While the investment in primary school infrastructure through the BER was welcomed, concerns were expressed about pressing needs in secondary schools, the debt servicing of loans (particularly for non-systemic schools) for significant capital projects, and under-investment in school infrastructure in some cases.

Issues raised in relation to new schools included the growing cost of acquiring land and establishing schools in population growth corridors in some metropolitan and regional areas. The panel also heard of the long lead times involved in planning, building and establishing new schools through to their achieving a sustainable level of enrolment. Some groups argued that greater support is needed for communities establishing new schools, especially those which have limited financial capacity (such as low socioeconomic and rural areas).

Rising building costs (especially in non-metropolitan and remote areas) was also raised as a challenge facing the development of new non-government schools, as was the variable support for capital expenditure by non-government sector schools from state and territory governments. The high cost of maintaining teacher housing in remote communities was also noted as a challenge, given existing problems of recruiting and retaining teachers in those areas.

Other aspects of infrastructure funding canvassed were the potential advantages of a longer forward commitment period to support improved planning and the need to encourage more efficient use of valuable school resources through arrangements such as community access to facilities outside school hours. In the non-government sector, there was support for BGAs to continue to have a separate role in the allocation of capital funding to schools. In government systems, the flexibility afforded by combining capital and recurrent funding under the National Schools Specific Purpose Payment was welcomed.

The non-government school sector in particular raised the BER as an example of the benefits of local management of capital funding, highlighting the value for money received through competitive and local capital processes, while ensuring high quality results. Groups across all jurisdictions welcomed the BER and DER funding as enabling a significant injection of resources and facilities into schools. It was noted, however, that the one-off nature of this funding meant that it could not be used for the completion of other large capital works required at schools from time to time, such as reroofing or in the repair of unexpected damage. Some also commented that current capital funding levels did not adequately address this type of infrequent but major capital expense.

A number of groups raised issues about the impact of the establishment of new schools in some areas on existing schools and the potential for under-utilisation of infrastructure and inefficient duplication. It was suggested that greater collaboration across sectors in decision-making and planned provision about the location of new schools could reduce inefficiencies and duplication of educational facilities and limit the number of schools operating on a smaller and arguably less efficient scale because of the construction of more schools than are needed to service the local population.

There was also support for the review to consider the infrastructure challenges facing sole provider schools with small enrolments, specifically the relatively high per-student capital expense that these schools encounter in completing infrastructure projects.

Potential options for further consideration

The panel heard support from some for governments to commit funds to capital works over a longer time period. Some groups argued that this would assist schools to facilitate better planning and management of their building and other capital projects.

An alternative model put forward was the possible establishment of a schools endowment fund to support the long-term planning of infrastructure and capital needs. It was suggested that such a fund could be modelled on current processes for funding education infrastructure in the tertiary sector. Some also suggested that low interest loans and interest subsidy schemes could be available to highly disadvantaged schools, allowing them to meet their infrastructure needs.

There was support for greater collaboration at state and territory level across all sectors in the planned provision of school infrastructure in growth areas. Together with additional capital funding for these areas, groups argued that such a policy would better meet the requirements for the establishment of new schools, better address student growth, and could minimise the over-provision of services and associated costs in some areas.

The panel welcomes other views on the most appropriate ways to fund expenditure on infrastructure and maintenance of new and existing schools, including the potential to consolidate capital funding with other sources of funding. As with other areas of need identified in the consultations, trade-offs between competing priorities will need very careful consideration in the review.

Targeted and needs-based funding

The panel heard strong views about the barriers faced by disadvantaged students, including students from rural and remote communities, Aboriginal and Torres Strait Islander students, students from low SES backgrounds and students from non-English speaking backgrounds. It was noted that there was often a multiplier of disadvantage occurring, with many students experiencing more than one type of disadvantage and concentrations of disadvantage frequently occurring in particular regions or communities. It was generally agreed that current funding arrangements do not adequately compensate for this and groups across all sectors argued for a funding model that better supports these students.

More generally, some raised the issue of the impact of scale and location on exacerbating the disadvantage already occurring in some communities.

It was observed that there are high delivery costs in rural and remote schools, particularly schools which are sole providers within a community in states and territories such as Queensland, Western Australia and the Northern Territory. It was noted that some of these schools are non-government schools, and that they did not appear to benefit from the level of funding provided to government schools servicing communities on a sole provider basis.

There was support for alternative funding arrangements that would better recognise the cost of providing education in both government and non-government schools in rural and remote areas. It was also noted that rural and remote schools often experience difficulty attracting and retaining quality teachers and school leaders, compounding resource concerns.

Some stakeholders urged the panel to define and clarify the concept of educational disadvantage in order to provide a basis for more specific funding interventions, and focus on the types of students that are most at risk of low achievement in schooling. The five most common sources of educational disadvantage identified by stakeholders were:

- lack of English language proficiency (including refugees and migrants)
- indigeneity
- remoteness
- disability
- low SES.

The panel invites views on how other sources of disadvantage interact with these five major sources.

It was acknowledged that there should be a consistent mechanism for calculating funding for disadvantaged students, and there was general agreement that one of the benefits of a consistent approach to funding may be a more equal distribution of disadvantaged students between the government and non-government school sectors.

A number of groups considered the current funding arrangements did not provide effective support for innovative strategies to address social exclusion. Examples included the provision of health and counselling services, services to address truancy and general behavioural issues, and funding to enhance literacy and numeracy skills. The panel heard strong support for funding for such programs; there was general acknowledgment of the positive effect that they can have on educational outcomes.

Some suggested distance education, home schooling and boarding schools could be better supported as alternative options to mainstream schooling. Some argued that greater funding support for such approaches could assist with the additional costs of providing education in rural and remote communities.

The panel heard that students accessing distance education are currently funded at the lowest level of AGSRC and that funding for these students is not based on the socioeconomic profile of the family. It was noted that many students who use distance education are from low socioeconomic communities or are students with disabilities who have difficulties gaining access to classroom education.

There was also support for increased funding to better support the needs of gifted and talented students in the interests of maintaining balanced school communities. Some noted that the importance of catering for gifted and talented students was sometimes overridden by the need to manage the demands of other, more challenging, student groups within schools.

Potential options for further consideration

The panel heard universal support for targeted needs-based funding to support educationally disadvantaged students, with most stakeholders favouring a model where targeted funding is paid in addition to a common funding amount for all students. It was suggested that this could be determined by the needs of a school, based on its student population, rather than as a universal loading or weighting provided to all schools.

There was also support for improved funding for early intervention programs, which were acknowledged as effective, but resource intensive to deliver. The importance of early intervention was widely recognised in achieving good educational outcomes for all students, but was considered particularly important for high-needs students and students from disadvantaged backgrounds. It was argued by some that any future funding model should reflect the importance of investing in the early years of schooling and therefore any discrepancy between the level of funding for primary and secondary school students should be reduced or eliminated.

Another approach suggested to the panel was that schools operating together in cluster arrangements could pool or share funding and resources. This collaborative model was put forward as potentially beneficial for low SES and rural and remote schools.

A number also highlighted the potential benefits of an integrated hub model of education, where services from early childhood through to secondary school could be provided in 'educational precincts.' They highlighted the educational, social and emotional benefits of such a model, and pointed to the significant cost efficiencies that could be achieved.

The panel invites views on criteria that could be used to assess student need, and accompanying funding arrangements that would support educationally disadvantaged students.

Support for students with special needs and students with disability

Funding for students with special needs and students with disability was a significant issue raised by groups from all states and territories. They noted the growth in numbers of students with disability, in part due to a higher incidence of identification of those students. They also consistently commented that current funding levels did not adequately support students with special needs and students with disability. It was also noted that current funding arrangements did not make provision for the fact that these students often experience educational disadvantage in more than one way.

Several believed there could be greater transparency in how funding for students with special needs and students with disability is spent by schools and sectors. The panel noted that there appeared to be a lack of clarity about how funding is allocated both within and across the government and non-government school sectors, and that parents did not always understand when government funding for their child was available.

It was noted that there was a higher proportion of students with special needs and students with disability among students enrolled in government schools, and that these students encountered delays in accessing necessary equipment and services, such as therapists.

Several groups commented that there are clear links between students with special needs and with disability and low SES. This view is supported by research published by the ABS, which reveals that families with a child with a disability are more likely to be living in areas of greater socioeconomic disadvantage. Almost one-fifth (18 per cent) of families living in areas of greatest socioeconomic disadvantage had a child with a disability, compared with 13 per cent of all families.

The panel heard that one of the most significant challenges in funding students with disability was the lack of a nationally consistent definition of disability, and the consequential inconsistency among states and territories in the types of disability which attracted funding. There was strong support for a common definition and groups acknowledged the work underway through MCEECDYA to develop a nationally consistent approach to identifying students with disability. Several suggested eligibility for funding could be determined by an external panel, and could include a mechanism to assess the individual needs of students with disability, allowing funding to be directed according to identified need.

Some groups explained that the different ways in which state and territory governments fund students with disability can have a significant impact on a school or system's ability to cater for these students. For example, in some states, the government subsidises the salaries of teachers and supervisors employed in non-government special schools catering for students with moderate and severe intellectual disability, and students with autism. These sorts of schemes were viewed as particularly beneficial.

The importance of funding for teacher professional learning to support teachers to develop and deliver effective teaching strategies to meet the needs of students with disability was also raised. It was noted that this support should be developed and implemented with the full involvement of school leaders, and in collaboration with parents and support professionals.

Potential options for further consideration

The panel encountered a variety of views on potential models for portable funding for students with disability. Few supported a 'pure' voucher model, but many argued for a model that shared characteristics of a 'voucher' so that all funding, or at least a proportion, should follow a student with special needs or a student with disability when they move schools. While there was no clear consensus on whether funds should be paid to schools or to parents, there was widespread support for a revised model of funding that provides schools with greater flexibility in how the funds are spent. It was suggested that a portable funding model would also assist schools in accommodating the increasing number of students with special needs and students with disability. The complexities of a portable funding model were acknowledged, particularly with respect to investments in infrastructure and the limited ability for this to move with the student.

An alternative model presented was for students with special needs and students with disability to receive a uniform funding rate, regardless of school sector, which could be in addition to a common amount for a resource standard provided to all students. Some suggested such an approach could enhance parental choice, not only between sectors, but when choosing between educating a child at a special school or integrating that child within mainstream schooling. Others considered that there could be improved financial incentives for open enrolments and support for students with disability and students from low socioeconomic backgrounds.

The panel welcomes views on alternative funding models to support the educational requirements of students with special needs and students with disability.

Governance and leadership

It was generally acknowledged that educational outcomes are not influenced by funding alone, and that funding is primarily an enabler of educational outcomes. Research has consistently shown that the interactivity of relationships between principals, teachers, students, families and the broader community are fundamental to achieving stronger educational outcomes.

Broadly speaking, these relationships are managed and supported through the governance arrangements and leadership within a school. The broader mission of a school that influences school decision-making and direction, principal autonomy, the level of engagement of school boards or councils, the management and administration of funds at the school, and the level of input and support from parents and the community all have a role to play in promoting these relationships.

Many groups raised the importance of teacher quality in achieving stronger educational outcomes, and pointed to evidence that shows that quality teaching is the single greatest in-school influence on student engagement and achievement. They argued that any new funding arrangements should underpin and reinforce efforts to improve teacher quality.

It was recognised that improving teacher quality requires both strong system and school leadership and new approaches to teacher recruitment, retention and reward. Many groups indicated that this would involve ensuring better qualified entrants into pre-service teaching courses, quality pre-service teacher training, strong teacher-into-schools induction programs, quality professional learning throughout a teacher's career, and the quality and capacity of leadership and management (either at the system or school level) to reward quality teaching or to address issues of underperformance.

The reward payments available to states and territories through the *Smarter Schools Improving Teacher Quality National Partnership* were highlighted as assisting schools in this area. These stakeholders welcomed the measures to increase principal autonomy, strengthen the working relationship between the principal and the school leadership team, promote effective school governance, and target critical

points in the teacher 'lifecycle' to attract, train, place, develop and retain quality teachers and leaders in Australian schools and classrooms.

Some thought that it was preferable to allow schools and their boards to determine their own allocation of resources. They favoured management models where principals, perhaps in conjunction with school boards, have a high degree of autonomy over budgeting and staffing.

Non-government school representatives highlighted the benefits of principals in that sector having a high or complete level of autonomy in relation to the recruitment of staff and other resources in their schools.

Other groups suggested that while principal autonomy operates effectively for large systems or schools, it may not always be as effective for smaller schools. Some parent groups also presented differing opinions on the level of autonomy that should apply in government schools. Concerns centred on the responsibility for managing resources at the expense of educational leadership, complexities in the recruitment and dismissal of staff that are employed by state and territory governments, insufficient resource management training and experience in making resource decisions, and the limited flexibility that smaller schools have in managing budgets and staff numbers.

The panel heard a general view that school boards enhance the ability of schools to be responsive to, and participate in, their local communities. The benefits of school boards or councils, in partnership with the principal and the school leadership team, having responsibility for strategic planning and the management of a school's operations and finances, as well as in enhancing parental and community ownership of schools were highlighted. For Aboriginal and Torres Strait Islander communities, school boards were viewed as particularly beneficial. In these communities school boards can play a role in advising on the cultural needs of students and highlighting the importance of schooling within the local community.

Many raised the importance of professional development in school governance and leadership, and the need for clarity around how funding is used for this purpose across Australia. The panel also heard that further work is needed at the national level to define school or principal autonomy and its scope, and that there could be clearer guidelines around the required skills for principals as well as appropriate guidance on best practice governance.

Potential options for further consideration

Many suggested that any change to funding arrangements for schooling must strengthen efforts to improve teacher quality.

While there was broad support for enhanced governance arrangements, such as school boards and councils, in school decision making, no specific ideas to increase this engagement were put forward.

Some indicated they were already moving towards providing principals in government schools with a 'one line' budget, which allows flexibility to direct resources according to local needs. In such cases, principals are provided with support and appropriate resource management tools. It was suggested that, while there was some resistance to this approach initially, it has now been adopted by some government schools. It was also noted that the recent Australian Government initiatives, which will support principals and schools in moving to have greater responsibility over their school budgets and in the selection and performance management of their staff, supported school governance.

The panel welcomes views on how a funding model could enhance school governance and leadership, and in turn strengthen educational outcomes.

Community and family engagement

The panel heard strong views from both sectors on the importance of community engagement in attracting students to schools and promoting educational outcomes.

Several groups held the view that this leads to improved student outcomes, although many noted the difficulties of quantifying the relationship. They also noted the critical importance of parental engagement in achieving better educational outcomes for students. Along similar lines, local community engagement with schools was seen as crucial in improving attendance rates and educational outcomes for Aboriginal and Torres Strait Islander students, particularly in remote communities.

Some drew a link between effective community engagement and a school's ability to attract philanthropic giving. There was a view that any new funding arrangements should not discourage or penalise private investment in education and that, given the growing importance of philanthropic giving as a revenue source, governments could do more to encourage donations to government schools.

While the need to encourage philanthropic giving was acknowledged, some noted there are barriers to making individual donations to government schools while accessing the same type of tax benefits available for donations to non-government schools.

Potential options for further consideration

Several groups considered there could be improved financial incentives for schools to effectively engage with their local communities. Some acknowledged the value of the National School Chaplaincy Program, which supports school communities that wish to access the services of a school chaplain or secular pastoral care worker, as a program which has been successful in improving the wellbeing of students and enhancing school engagement with the broader community.

The panel welcomes views on how a funding model could further encourage community and family engagement and philanthropic giving.

In Summary

The aim of this emerging issues paper is to present the views heard by the panel during its preliminary consultations with key education groups. The views summarised in this paper are not those of the panel, but of those who generously shared their views with the panel. Issues and concerns raised by stakeholders and members of the community in submissions to the review have also been incorporated.

The panel welcomes further discussion of the themes and issues presented in this paper and would encourage those interested in future funding for schooling arrangements to bring forward any other issues relating to funding for schooling.

It is important that every Australian with an interest in schooling has the opportunity to contribute their ideas to the review. This will assist the panel in identifying funding arrangements that best support the achievement of all students in all schools.

Next Steps

Preliminary consultations with key education groups have highlighted a significant number of issues that require further consideration by the panel as part of its forward work program.

Based on the issues raised by stakeholders, the panel has identified several areas of analysis and research for immediate action:

1. the concept of equity as it relates to schooling for the purposes of the review and the principal sources of disadvantage that warrant specific interventions or focus through funding
2. current arrangements to fund disadvantaged students and the effectiveness of these arrangements
3. the potential value of a schooling resource standard or benchmark in new funding arrangements
4. an assessment of existing Australian Government and state and territory government funding models and methods
5. the challenges Australia faces in improving educational outcomes for all students and, in particular, for those from disadvantaged backgrounds
6. different models for funding schooling and their advantages and disadvantages.

Work is underway in each of these areas, with some activities being progressed in collaboration with state and territory education authorities and non-government education authorities. The research will inform the panel's discussions with interested groups and the community on school funding issues as the review progresses.

The panel looks forward to considering these issues in consultation with all interested members of the community.

The panel now seeks views on the issues set out in this emerging issues paper, on the key research questions, and any further issues or approaches that interested groups and members of the community wish to put forward.

Making a submission

Education groups and members of the community are invited to make submissions on this paper to the review.

Those with access to email are encouraged to provide comments through the submission template available from the review's website at www.deewr.gov.au/fundingreview and, if possible, to return their submission to the review secretariat before 31 March 2011.

Hard copy submissions and attachments should be sent to:

Secretariat
Review of Funding for Schooling
Location C16MT4
GPO Box 9880
CANBERRA ACT 2601

Those submissions already received by the panel have formed part of its considerations to date and the panel thanks those who have provided their views. All are welcome to submit further views in response to the issues raised in this paper.

In addition to this public submission process, there will be further consultation opportunities over the coming months. Members of the community are invited to register their interest to receive further details on those consultations as they become available at the review's website.

Final report

The panel anticipates providing its final advice to the Australian Government in the second half of 2011. The Government has committed to undertake extensive consultation with the community in reaching its final position on any new funding arrangements for schooling.

Appendix 1

Terms of Reference for the Review of Funding for Schooling

The Review of Funding for Schooling will report to the Minister with responsibility for school education.

Purpose

The review will provide recommendations to the Minister with responsibility for school education on the future funding arrangements for schooling in Australia for the period beyond 2013.

The review's recommendations will be directed towards achieving a funding system for the period beyond 2013 which is transparent, fair, financially sustainable and effective in promoting excellent educational outcomes for all Australian students.

In making its recommendations, the review should consider the following issues:

Supporting educational outcomes

1. The role of funding arrangements in supporting improved educational outcomes, including:
 - a. links between school resourcing and educational outcomes; and
 - b. funding allocation mechanisms that address current barriers to educational achievement such as English language proficiency, indigeneity, location, disability and special needs, and other disadvantaged groups such as low socioeconomic areas and other concentrations of disadvantage.
2. The roles of families, parents, communities and other institutions in providing or supporting educational partnerships with schools.

Allocation of funding

3. The roles of the Australian and state and territory governments in providing funding for schooling.
4. The baseline level and allocation of funding for schools, including:
 - a. costs of ensuring all students have access to a world class education;
 - b. factors influencing growth in costs and whether current indexation arrangements are appropriate;
 - c. supply and demand considerations including the likely growth and distribution of demand and student need, based on current student enrolment trends and projections;
 - d. cost drivers of school funding, including teaching, capital, technology and other costs of schooling;
 - e. place of voluntary and private contributions and other income sources in school funding arrangements for government and non-government schools; and
 - f. role of government funding in providing parents with choice among diverse schools.

Funding mechanisms

5. The most effective means of distributing funding for schooling, including:
 - a. the different funding models used in states and territories and relevant overseas examples, especially in high performing school systems, and how these may link to outcomes in their respective education systems;
 - b. the best funding mechanism(s) for delivering optimal educational outcomes, financial efficiency and sustainability, including whether a basic resource standard for every student is required and how this could be defined and determined;

- c. ways to increase the simplicity, transparency and effectiveness of school funding arrangements, including the forms of school and system-level autonomy within those arrangements that best support improved educational outcomes; and
- d. the transitional assistance that should be offered to schools in making the transition to any new system.

Accountability and regulation

- 6. What forms of accountability, transparency and regulation are necessary to promote high standards of delivery and probity among schools receiving public funding, and the data required to monitor and assess these standards of delivery and educational outcome

Appendix 2

List of organisations consulted on the 2010 listening tour

Stakeholder	Date of meeting
ACT Council of Parents and Citizens Associations	11 August 2010
Adventist Schools Australia	8 July 2010
Association of Heads of Independent Schools of Australia	11 August 2010
Association of Independent Schools of New South Wales	9 July 2010
Association of Independent Schools of South Australia	29 July 2010
Association of Independent Schools of the ACT	11 August 2010
Association of Independent Schools of the Northern Territory	21 July 2010
Association of Independent Schools of Western Australia	19 July 2010
Australian Anglican Schools Network	19 July 2010
Australian Association of Christian Schools	9 July 2010
Australian Association of Special Education	8 July 2010
Australian College of Educators	23 November 2010
Australian Council of Jewish Schools	8 July 2010
Australian Council of State School Organisations	14 July 2010
Australian Education Union	8 July 2010
Australian Education Union – ACT Branch	11 August 2010
Australian Education Union – NT Branch	21 July 2010
Australian Education Union – SA Branch	29 July 2010
Australian Education Union – Tasmanian Branch	6 July 2010
Australian Education Union – Victorian Branch	8 July 2010
Australian Parents Council	6 July 2010
Australian Primary Principals Association	28 July 2010
Australian Secondary Principals Association	8 July 2010
Australian Special Education Principals' Association	19 July 2010
Catholic Education Commission ACT	11 August 2010
Catholic Education Commission of Victoria	8 July 2010
Catholic Education Commission of Western Australia	19 July 2010
Catholic Education Commission, NSW	9 July 2010
Catholic Education South Australia	29 July 2010
Catholic Secondary Principals Associations	14 July 2010
Children with Disability Australia	15 December 2010
Christian Education Ministries	16 July 2010
Christian Schools Australia	9 July 2010
Department of Education and Children's Services, South Australia	28 July 2010
Department of Education and Early Childhood Development, Victoria	8 July 2010
Department of Education and Training, ACT	14 July 2010

Stakeholder	Date of meeting
Department of Education and Training, NSW	27 August 2010
Department of Education and Training, NT	21 July 2010
Department of Education and Training, Queensland	16 July 2010
Department of Education Services, WA	19 July 2010
Department of Education, Tasmania	6 July 2010
Department of Education, WA	19 July 2010
Federation of Parents and Citizens' Associations of NSW	9 July 2010
Independent Education Union of Australia	14 July 2010
Independent Schools Council of Australia	14 July 2010
Independent Schools Queensland	16 July 2010
Independent Schools Tasmania	6 July 2010
Independent Schools Victoria	8 July 2010
Lutheran Education Australia	28 July 2010
National Aboriginal and Torres Strait Islander Principals Association	9 August 2010
National Catholic Education Commission	14 July 2010
National Catholic Education Commission Parent Committee	9 July 2010
National Independent Special Schools Association	9 August 2010
National People with Disability and Carer Council	15 December 2010
NSW Teachers Federation	9 July 2010
NT Catholic Education Office	21 July 2010
NT Council of Government School Organisations	21 July 2010
NT Indigenous Education Council	21 July 2010
Parents Victoria	8 July 2010
Principals Australia	29 July 2010
Queensland Catholic Education Commission	16 July 2010
Queensland Council of Parents and Citizens Association	9 August 2010
Queensland Teachers' Union	16 July 2010
South Australian Association of School Parents' Club	29 July 2010
State School Teachers' Union of Western Australia	19 July 2010
Stronger Smarter Institute, Queensland University of Technology	16 July 2010
Tasmanian Catholic Education Commission	6 July 2010
Tasmanian State School Parents and Friends	6 July 2010
Torres Strait Islanders' Regional Education Council	16 July 2010
Victorian Council of School Organisations	8 July 2010
Western Australian Council of State School Organisations	19 July 2010

