



Australian Education Union

Submission to the

Review of Funding for Schooling Commissioned Research Papers

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Introduction

The AEU welcomes the release of the four independent research papers commissioned by the Gonski review of school funding to examine current funding practices and key issues associated with the development of more equitable funding arrangements.

At the press conference held by Peter Garrett and David Gonski to announce the release of the research, the Minister reiterated that Australia has a complicated funding system which is not transparent and which has produced “some unfair and inequitable results”.¹

This is confirmed by the findings of the independent research. The papers overwhelmingly show that the existing system of school funding is:

- inequitable and fails to deliver fair and excellent outcomes for all students;
- too complex;
- insufficiently flexible;
- unstable;
- lacking in transparency;
- unsustainable;
- increasingly an ineffective way to spend money on schooling; and
- inefficient in the expenditure of public money.

This is the opposite of the principles underpinning the Schools Funding Review from the outset: that Australia’s funding system should be characterised by fairness, equity, and excellent outcomes for all, simplicity, flexibility, stability, transparency, financial sustainability and efficiency in the expenditure of public money, and that it should be founded on a strong evidence-base and represent best practice in delivering improved educational outcomes:

Overseen by David Gonski, this review of school's funding explores the best methods by which education can be provided to Australian students, regardless of their wealth. The Review of Funding for Schooling aims to achieve a funding system which is transparent, equitable, financially sustainable and effective in providing an excellent education for all Australian students, and which ensures that differences in educational outcomes are not the result of differences in wealth, income, power or possessions.²

We welcome independent validation in all the papers that the current funding arrangements are inequitable, inadequate and unsustainable. They all acknowledge structural problems with the public/private framework of funding for our schools and the inequity of student outcomes it

¹ Peter Garrett, ‘Transcript of Press Conference with David Gonski on School Funding Research’, 31 August 2011. http://www.deewr.gov.au/Ministers/Garrett/Media/Transcripts/Pages/Article_110831_172251.aspx

² Australian Policy Online, ‘Review of funding for schooling - Paper on commissioned research’, Department of Education, Employment & Workplace Relations, 7 September 2011. <http://apo.org.au/research/review-funding-schooling-paper-commissioned-research-0>

produces, most notably through the socioeconomic status (SES) funding model and the nexus in funding between public and private schools through the AGSRC measures.³

All the papers draw attention to the lack of recognition in the existing funding model that the AGSRC reflects the costs of the public school sector's obligation to run a system of schools for all Australian children, in all parts of Australia, and that the socio-demographics of public and private schools are entirely different, even for Catholic schools.

Public schools enrol the great majority of students from the five most common categories of educational disadvantage - lack of English language proficiency (including refugees and migrants), Indigeneity, remoteness, disability and low SES – and the average cost of this public education provision is higher than in private schools which educate far fewer children with complex needs.

We welcome the long overdue recognition that, as a national average of the costs incurred by governments in educating students in public schools, the AGSRC is quite inappropriate as a basis for determining the funding of individual private schools. Indexing funding levels for private schools to increases in the AGSRC allows many private schools to benefit from the high-demand 'resource-intensive' characteristics of the student population in public schools. As has already been acknowledged by the Review Panel, such a measure cannot be justified on the grounds of educational need. Accordingly, the ACG's call for the AGSRC to be replaced is most welcome.

The Review's goal of recommending a funding system which will underpin the achievement of equity and equality of learning outcomes cannot be attained while the AGSRC remains central to the funding of private schools in Australia.

Were the AGSRC to be retained, or replaced by a similar method of indexation, it would effectively guarantee the entrenchment and extension of the relative disadvantage of public schools in terms of funding.

While the research papers have not considered the issue of the public obligations incumbent on the private sector for the receipt of public funding, they all stress the need for public clarity about what we want schools to achieve with their funding.

The papers overwhelmingly make the case that not enough is being done to deliver the resources needed by public schools to lift overall performance and address underachievement and disadvantage. This requires, as acknowledged by the Gonski Review, "fundamental change in the way we fund schooling at all levels of government."⁴

Fundamental to achieving this important national goal is an explicit acknowledgement by the Review of the unique role of Australia's public schools in our democratic society.

We believe that government schools are the backbone of our education system. They are the crucible of the democratic right to accessible, affordable, quality education, and are the place where most students' formal education begins. The success of Australian education is predicated on the existence of strong, vibrant, high quality public schools.

Education Minister, Peter Garrett, 30 May, 2011⁵

³ Review of Funding for Schooling, *Paper on Commissioned Research*, 31 August 2011, pp.3-4

⁴ *Review Paper on Commissioned Research*, 31 August 2011, p.3

⁵ Peter Garrett, *Media Release: Statement on Review of Funding for Schooling*, 30 May 2011
<http://www.petargarrett.com.au/924.aspx>

Comments on The Nous Group's *Schooling challenges and opportunities* research report

The Nous Group report makes welcome observations on a number of key funding and policy issues. It acknowledges that *Australia's school system is among the better performing systems in the world*⁶ but also puts front and centre the issue of Australia's 'high quality/low equity' schooling system.

The report clearly attributes Australia's 'high quality/low equity' performance to our inequitable funding arrangements; arrangements which allow what they call "the strategic reactions of those well-resourced non-government schools that are able to charge higher fees":

*In the face of competition most non-government schools have kept their fees relatively high ... [and] from the perspective of the non-government schools, this has been an effective strategy. Where they have been able to do so ... such schools have attracted a greater share of high SES students (important for continued high performance) whilst retaining revenue.*⁷

The Nous Group's research confirms that the supposed benefits of competition between schools, which have been heavily promoted by successive governments over the last several decades, namely improved educational outcomes through greater 'efficiency' and 'effectiveness', have not materialised.

They acknowledge that some schools achieve great results with less expenditure than others, but they are unable to find evidence that these outcomes stem from schools responding to a competitive marketplace.

*As Levin and Belfield observe from the international literature educational economists cannot offer very precise advice about which characteristics schools should possess to make them more efficient, nor can they indicate unambiguously that private schools are more efficient than public schools (emphasis added).*⁸

They reach a similar conclusion with regard to the proposition that competition delivers more effective schools.

*As we will have seen elsewhere in this report, the desire to carve out a market 'niche' leads to greater selectivity and certainly greater selectivity lifts school performance. The point is that competition across the school system does not appear to 'lift all boats'.*⁹

In addition to highlighting the problems associated with market-based approaches driven by 'choice and competition' and the nexus between the academic selectivity of private schools and student outcomes, the report also highlights problems which occur when concepts like 'efficiency' and 'effectiveness' are utilised in relation to education and student learning.

⁶ Nous Group (2011), p.5

⁷ *ibid.*, p.150

⁸ *ibid.*

⁹ *ibid.*

Equity

*The simple fact of providing access to a school is not enough to address all the facets of disadvantage. It has long been established that there is a significant relationship between the socio-economic background of students and their educational performance at school. The equity of a schooling system is therefore typically measured by the impact that a student's socio-economic background has on their schooling outcomes (that is, in this context, their PISA results). The less evident the effect of a student's background on his or her schooling outcomes, the more equitable the school or schooling system is considered to be.*¹⁰

Nous Group, August 2011

The Schools Funding Review has already clearly established the centrality of equity to schools funding reform. The Review Panel's *Emerging Issues Paper* (December 2010) explicitly acknowledges the need to identify new arrangements which ensure that "funding 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".¹¹

Consistent with the OECD's definition of equity in education, the Paper advocated the need for funding arrangements which would act as "a vehicle to address social disadvantage by lifting student participation and improving the quality of education that is available for all; *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.*"¹²

*[The Panel] 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.*¹³

The equity findings of the Nous report confirm the importance of a new funding system which, recognising the advantages that accrue to private schools under the current arrangements, ensures that the needs of all students are met, enabling all to reach their full potential; i.e. equality of learning outcomes for all children regardless of their backgrounds.

The effect of concentrations of particular SES levels in a school on the performance of all children at the school

The Nous Group report directly links the strong relationship between socio-economic status (SES) and educational outcomes with a competitive schooling market and academic selectivity.¹⁴

*What is striking [in PISA] is the strong correlation between the performance of a child and the average SES of all the students that attend his or her school.*¹⁵

¹⁰ *ibid.*, p.19

¹¹ Review of Funding for Schooling, *Emerging Issues Paper*, December 2010, p.8

¹² *ibid.*, p.17; p.19

¹³ *ibid.*, p.5; p.18

¹⁴ Nous Group (2011), p.5

¹⁵ *ibid.*

The report notes that this is not the case in ‘high equity’ countries like Finland and Canada:

What is striking is the strong correlation between the performance of a child and the average SES of all the students that attend his or her school. In other countries, including ‘high equity’ countries like Finland and Canada, such an effect would not be evident. In Australia it is quite pronounced (emphasis added).¹⁶

The Nous Group finds that the most serious consequence of this “intensifying stratification along SES lines” is the “concentration of disadvantage in certain schools”.¹⁷

When compared to similar OECD countries, Australian schooling is characterised by a relatively stronger concentration of disadvantaged students in disadvantaged schools. That is, in Australia there is a higher proportion of students in schools where the average student socio-economic background is below the national average.¹⁸

The report notes the relatively low proportion of students attending schools with “average or mixed socio-economic characteristics” in Australia:

- *A third of Australian students are in schools with socio-economically disadvantaged students, that is schools where the average SES of the students is below the average SES of the nation. **This is higher than in all similar OECD countries, and the OECD average.**¹⁹*
- *Nearly 60% of the most disadvantaged students are in schools with disadvantaged socio-economic status. **This is well above the OECD average, and substantially higher than in any comparable OECD country.**²⁰*
- *Only around a third of all Australian students are in schools with average or mixed SES, **which is well below the OECD average.**²¹*

Given the significant impact of school SES on student outcomes, in addition to the student’s SES status and their individual circumstances, the Nous Group finds that the “compounding effect on disadvantage and underperformance” creates a vicious circle for certain cohorts of students and schools.²²

Their analysis of the relationship between the SES of students attending a school, the school’s average SES, and the resources of the school, highlights the inequity of schools with students from a low SES background typically having fewer resources:

*There is a large and significant gap between the average SES of schools with advantaged and disadvantaged students in favour of those with advantaged students. (i.e. there is a strong concentration of advantaged students together in the same schools and of disadvantaged students together in the same schools ... **the gap between the quality of the educational resources in schools with advantaged and disadvantaged students is large and significant, favours schools with advantaged students, is around twice the OECD average, and is larger than in any similar OECD country** (emphasis added).²³*

¹⁶ *ibid.*

¹⁷ *ibid.*, p.30

¹⁸ *ibid.*, p.20

¹⁹ *ibid.*

²⁰ *ibid.*

²¹ *ibid.*

²² *ibid.*, p.30

²³ *ibid.*, p.109

The detrimental effects of selective enrolment by schools

Noting the level of underperformance by socio-economic level in PISA is greater than that of many similar countries, and that academic selectivity reinforces what it calls “performance stratification”, the report highlights the fact that the negative equity consequences are most apparent and keenly felt in the public school sector.

... [I]n Australia’s schooling market the majority of schools - independent, Catholic and a proportion of government schools - can select who they enrol. And given a choice, schools will take children who have a strong academic record. The movement of a bright child from a low SES school to a higher SES school will undermine the quality of the remaining student body in the low SES school. The gain to the child who moves is offset by a loss to his or her fellow students who stay behind. This is how the process of SES and performance stratification is reinforced.

Put simply, if the schools that can select the students who are likely to do best are allowed to, the schools that cannot choose (mainly the government sector schools) are left with a student body that is less supportive of good performance for each individual student who remains.²⁴

The September release of the OECD’s *Education at a Glance 2011: OECD Indicators* report adds further weight to this finding by the Nous Group:

*Equality of outcomes can only be achieved if disadvantaged students have the opportunity to attend schools with high-quality resources and effective social policies and practices. Focusing on the prevalence of vulnerable students and the extent to which certain subpopulations are at greater risk of being vulnerable – having low literacy skills or being disengaged from school, for example – enables countries to set meaningful and achievable goals. The most desirable outcome for a country is to have low levels of vulnerability **and** low levels of inequality.²⁵*

In some school systems, inequality is entrenched through the mechanisms in which students are allocated to schools, including tracks that channel students into different schools based on their prior achievement or ability, private schools and special programs in the public sector.²⁶

The OECD Report argues that the evidence on equality of outcomes and lowering the potential risk for disadvantaged students shows that it can only be achieved by systems which allocate resources fairly in order to provide equitable and inclusive learning environments; where *disadvantaged students have the opportunity to attend schools with high-quality resources and effective school policies and practices*. Inclusive school systems, those with greater levels of inclusion that support diversity among all learners, *have better overall outcomes and less inequality. When school systems are more inclusive, material resources and experienced teachers tend to be more evenly distributed among schools.²⁷*

Within this context, the Nous report notes that a key component of lifting school performance must be reducing the overly-large proportion of under-performing students in Australia; students who are overwhelming concentrated in the public sector. To this end it specifically recommends supporting disadvantaged students through targeted assistance and support (financial, practical and emotional) and greater investment in underperforming schools where there are concentrations of disadvantage.

²⁴ *ibid.*, p.6

²⁵ OECD, *Education at a Glance 2011: OECD Indicators*, p.451
<http://www.oecd.org/dataoecd/61/2/48631582.pdf>. Accessed 13 September, 2011

²⁶ *ibid.*, p.455

²⁷ *ibid.*, pp.454-455

A number of other findings and observations on schools funding and policy in Australia by the Nous Group also relate to the key issue of equity.

The unique and privileged position of private schools in Australia

The report confirms the uniqueness of Australia's schools funding arrangements and the privileging of the private sector by such high levels of public funding:

It is particularly unusual to have such a large private ('independent') sector ... Australia's subsidisation of the fee-charging, autonomously-run independent school sector with public funds is unique across OECD countries.²⁸

The uniqueness of these arrangements and the extent of public funding allocated to Australia's private school sector is highlighted by the OECD *Education at a Glance* findings. The OECD's analysis shows that 21.8% of Australia's total public expenditure on education is allocated to private schools; 71.3% to public schools. By contrast, the OECD average for public expenditure on private schooling is just 9.8%, less than half that of Australia, whereas public expenditure on public schooling is 86.1%.²⁹

Recognition of the achievements of public schools

The uniqueness of Australia's schools funding arrangements and heavy subsidisation of private schooling is particularly significant in light of the Nous Group's findings on the achievements of public schools in Australia. They cite rich data from the Melbourne Graduate School of Education which shows that there is "not necessarily a lot that the [so-called high-performing] schools are doing that is 'better'":

The high performing schools tend to be those that attract the most successful students. In other words, school 'quality' is probably better expressed as 'student quality at that school'. Once we take account of the student quality and the other resources of the school, government schools do as well or better than private schools. This important result, from the careful analysis of PISA data, means that the greatest 'value for money' is often found in schools that do not get the highest test scores.³⁰

The authors argue emphatically that the alignment between SES and "the hierarchy of the three sectors" is strong, and that "a large component of the relative performance advantage of Australian independent schools is a function of the relative clustering of advantage":

Average socio-economic background of schools in each sector strongly correlates with academic results, so much so that performance differences between government and non-government schools are halved when the impact of the student body's average socio-economic status is taken into account. Further, when the average socio-economic status of the school is considered in addition to the socioeconomic status of the individual student (their emphasis), performance differences at the individual level between those attending government and non-government schools disappear. NELS' analysis of the 2009 PISA data shows that when you control for all factors, any advantage that independent schools have is largely due to socio-economic factors. Moreover, it could be argued that the government system performs better than the non-government system in terms of producing outcomes that are as good or better than would be expected for a student given

²⁸ Nous Group, p.5

²⁹ OECD *Education at a Glance 2011*; p.253. Table 4.4 *Distribution of total public expenditure on education (2008)* <http://dx.doi.org/10.1787/888932463992> Accessed 13 September, 2011

³⁰ *ibid.*, p.7

*his/her own socioeconomic background and the average socio-economic background of his/her school.*³¹

Obviously the PISA data is focussed on literacy and numeracy, but the report rightly notes that desirable educational outcomes are not restricted to test scores on literacy and numeracy. School graduates need to be adaptable and resilient, have analytical and problem-solving capabilities and higher order interactive skills. Schools don't just teach the basic curriculum or provide a basis for securing employment but help shape the values and outlook of students.

*This means that, notwithstanding the SES effects noted above, factors such as school ethos and culture, as well as the expectations that teachers and parents have of children (and the expectations they have of themselves) are vitally important in determining the success of a student in school. We therefore need to think of schools as places where children can be helped towards realising their potential as students, citizens and contributors to the economy and society.*³²

Sustainable reforms that work

The report cautions against relying on 'silver bullets' to deliver change and specifically mentions school autonomy and charter schools in this regard. While these may *bring an impressive lift in performance that lasts for a while ... the effect declines after a few years*:

*The charter school initiative in the United States, for example, which allowed greater individual autonomy for how schools were run, created a great deal of excitement initially and seemed to have a highly positive impact. But educationalists are generally ambivalent about their impact on performance over time. The results from students attending charter schools have not been consistently stronger than those in US government schools. The risk is to rely on one or two 'silver bullets' to deliver change – for example, introducing greater autonomy – rather than engaging other levers at the same time.*³³

Instead of silver bullets or 'quick-fixes', the report argues that we already know what works and we should build on this through reforms that are 'sustainable' and given a chance to work.

*The most profound conclusion we reach after our extensive and intensive analysis is that there is a well-understood set of ingredients that contribute to student performance and widen the opportunity for children of all backgrounds to achieve their potential.*³⁴

The Nour report identifies the following 'specific levers for improvement':

- **Quality teaching**
Improving the quality of teachers and the practice of teaching – this means attracting and retaining a strong professional teaching workforce, guiding them well in the best instructional methods and supporting them to carry out their responsibilities.
- **Getting standards and governance right**
Ensuring the right external standards and governance – setting goals and using the right data is important. Also, supporting autonomy over deployment of resources for high-performing schools, but limited autonomy over student selection.

³¹ *ibid.*, p.28

³² *ibid.*, p.8

³³ *ibid.*, p.9

³⁴ *ibid.*, p.8

- **Collaboration and engagement between schools and community to counter negative effects of competition**
Promoting regional-level collaboration and networked-schools – it is important to engage the community and support inter-school linkages to mitigate the effects of competition between schools and ‘lift all boats’ in the region.
- **Supporting disadvantaged students**
Supporting disadvantaged students – targeted assistance and support (financial, practical and emotional) for those with particular needs, to complement quality teaching of those who can most benefit.
- **Investment to address concentrations of disadvantage**
Investing in underperforming schools where there is a concentration of disadvantage – addressing the downward spiral of schools by ensuring a safe and well-functioning learning environment, with a positive ethos. This includes actively encouraging high-performing schools to take in cohorts of under-performing students.
- **Expanded focus on school leadership**
Strong leadership to drive school improvement – school leaders are key to ensuring high standards of instruction and a culture oriented towards capability-development among teachers and students. They also play an important role in engaging the community to support school improvement.

Significantly, the report finds that principals feel split between providing instructional oversight, fulfilling managerial responsibilities and engaging with the community, which the authors rightly consider to demonstrate the need for more leadership positions or support to carry this load.

Recognition that teachers need more support to do their job well

The report also makes the welcome observation that meaningful reforms to improve the quality of teaching require increased staffing levels – teaching and support staff - with more time and professional development. This, they imply, would be a more desirable alternative to funding performance pay proposals or bonus payments for teachers:

More generally teachers’ non-salary conditions appear as or more important as an incentive than promises of increased remuneration....Additional investments would possibly take the form of expanding training and teacher support and providing more staff so that teachers and leaders have more time for planning, reviewing and engaging with others.³⁵

Within the context of the report’s recommendation of ‘levers for improvement’, the current COAG focus on improving teacher quality, targeting core literacy and numeracy skills and assisting lower SES school communities, is supported and seen as deserving of continued and improved investment.

However, the discussion around improving the effectiveness of teaching (which tends inappropriately to be used interchangeably with ‘improving teacher quality’), which the report considers to be one of the two most important principles underpinning reforms by Australia to improve educational performance and equity, needs closer attention.

³⁵ *ibid.*, p.10

The Nous report underpins its argument with the now familiar misinterpretation (by the current Government as well as others) of research, such as that by John Hattie, which is said to demonstrate that *“the greatest influence on performance is what happens in the classroom - that is, the effectiveness of teaching.”*³⁶

We would urge the Panel to consider Hattie’s caveat which non-contextualised statements like this appear to ignore. Hattie acknowledges his research conclusion that the quality of the teacher is “the single greatest in-school influence on student engagement and influence”. But he warns that his research is **not** about what he says are beyond the influence of schools:

*... thus critical discussions about class, poverty, resources in families, health in families, and nutrition are not included - this is NOT [his caps] because they are unimportant, indeed they may be more important than many of the issues discussed in this book. It is just that I have not included these topics in my orbit.*³⁷

Without an understanding of this caveat, the Review Panel might be encouraged to set teachers impossible tasks in improving their own teaching quality that will still fail to address the aforementioned obstacles to improved student performance.

Governance and Accountability

The AEU would welcome greater clarity regarding the report’s identification of the need to have appropriate ‘external standards and governance’ over school systems and greater accountability for student outcomes; particularly for “greater accountability and oversight” of larger investments for lower performing schools.

*‘Autonomy’ has arguably been one of the more faddish concepts that has informed education reforms internationally in the past decade. It is generally used to refer to ‘autonomy from government control’ but it is not always clear whether that autonomy constitutes relaxed controls over curriculum, teacher employment and remuneration, financial management, enrolment of students, or some combination of these. **The common underlying assumption, however, is that greater freedom will deliver improved student outcomes. As we have shown, freedom over enrolment certainly does that for the ‘receiving’ school, but it comes at a cost for other schools in the system. Moreover, it is less clear whether other types of autonomy deliver a marked and sustained improvement. With those considerations in mind, we have been cautious about how and where we use the term ‘autonomy’. ...[W]e maintain that there is less need for directive oversight of high performing schools, but that we should match the larger with investments in lower performing schools with greater accountability (and therefore oversight). We do not support greater autonomy over enrolments than currently exists, and we see value in centrally-directed industrial relations arrangements for teachers and principals to support a thriving professional community and to ensure that the best teachers are deployed where they are most needed.***³⁸

³⁶ *ibid.*, p.8

³⁷ John Hattie, *Visible Learning: A Synthesis of Over 800 Meta-Analyses Relating to Achievement*, Routledge, London, 2009; pp.x-ix

³⁸ Nous Group, p.63

These are important issues. The report rightly highlights concerns around greater autonomy over enrolment practices, and we welcome its support for system arrangements over key areas affecting student and school outcomes. However the notion that greater school autonomy and accountability will lead to improved student outcomes is a very fraught and contested area of research and debate in the school reform literature, as outlined in our submission to the Issues Paper, and needs more detail from the authors.

This is particularly so in light of their findings referred to earlier that “a large component of the relative performance advantage of Australian independent schools is a function of the relative clustering of advantage”. Because it is often said that one of the key drivers of the “better” performance of private schools is their greater levels of autonomy and accountability, it is vital that there is clarity as to just which aspects of their performance are due to the advantage that accumulates from academic selection policies and which from their structures of governance and accountability.

The AEU also has concerns with the report’s argument that Australia needs a ‘comprehensive’ approach to reform ‘that takes the focus away from sectors and puts it onto schools’. While this is intended legitimately to foreground the ‘external contributors to a student’s or school’s success’, and to minimise competition between schools, it too needs greater clarity.

Public and private school systems have different purposes. One has a public obligation to run a system of schools for all Australian children regardless of location or background; the other does not, and is able to select who it enrolls and excludes.

Approaches which fail to adequately acknowledge the public purposes of public expenditure on education, and the primary obligation of public funding of schooling to the public schools sector, effectively treat the differing roles of the various schooling sectors as distractions from ‘the key issues’ rather than as basic dimensions of inequitable educational outcomes in Australian schooling.

A focus on competition and selectivity in enrolment *per se* (which some government schools practice implicitly or explicitly), rather than the effects of the differing roles, practices and resource levels of public and private schools, avoids the very important consideration of **the conditions under which private schools receive public funding**.

While the report specifically calls into question the extent to which public funds should continue to subsidise well-resourced private schools which are doing well, in large part due to their selective enrolment practices, its proposed response is limited.

Instead of concluding that governments should question their continuing subsidisation of these already well-resourced selective enrolment private schools, the Nous report suggests that a possible answer is to require such schools to take on more of the low SES cohort.

*Re-directing resources from elsewhere – while controversial, we do need to question the extent to which public funds should continue to subsidise those already well-resourced selective schools that are not providing ‘value-add’ in terms of student performance. In our view there ought to be some pressure on schools to take on more under-performing students and demonstrate their quality through student performance over and above what would have been expected from past performance. This may mean restructuring some or all of the public subsidies so that they are retrospective and ‘reward-based’.*³⁹

³⁹ *ibid.*, p.10

While this is a timely reminder that private schools, all of whom receive public funding, are not obliged to enrol all children and are free to choose whom they enrol and exclude, we are concerned by the suggestion of increasing public funding to already well-resourced and advantaged private schools which currently selectively enrol the higher-achieving students in the low SES cohort.

The alarm created in some quarters by this relatively modest proposal concerning the possibility of some obligations on schools which receive significant levels of public funding, without any conditions on their enrolment practices, is instructive. Speaking in the House of Representatives on September 14, Alan Tudge, the Federal Member for Aston, claimed that the recently released research reports raised considerable concerns for the autonomy of private schools. He described the proposal to “compel non-government schools to take certain cohorts of students” as an “*incredible intrusion*”.⁴⁰

Given the extent of residualisation created by the current funding system it is difficult to see how a proposal could ever be implemented to the extent that it would lead to “comprehensive, integrated and sustainable education system improvement” in the provision of equitable education aimed at improving educational outcomes for all students as its ultimate goal.

⁴⁰ Commonwealth of Australia Parliamentary Debates, House of Representatives, Alan Tudge (Aston), *School Funding*, p.45
<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=AuthorId%3AM2Y%7C%7CReporterId%3AM2Y;rec=4> ; See also Dr Kevin Donnelly: *Funding is not the only area where non-government schools are endangered. A second report, by the Nous Group, undermines the autonomy of non-government schools by arguing that such schools should be forced to enrol greater numbers of low SES students and abide by state mandated equity requirements.*
<http://www.theage.com.au/national/education/why-private-schools-deserve-more-support-20110909-1k1o7.html#ixzz1YSI5TnmJ>

Comments on the Allen Consulting Group's *Feasibility of a national schooling recurrent resource standard* research report

The Allen Consulting Group's (ACG) research paper is the cornerstone of the research commissioned by the Gonski Review.

The Inadequacy and Inequity of the AGSRC

The ACG's report provides strong endorsement of the urgent need for a new equitable funding system based on the total recurrent funding required to achieve an agreed set of educational outcomes, an essential condition of which is breaking the inequitable nexus between public and private school funding based on the Average Government School Recurrent Costs (AGSRC).

The ACG finds that the AGSRC, which is based on the average amount spent by state and territory governments on a diverse range of schools and students, is not a suitable basis for a model of allocating funding to private school systems:

*The AGSRC has a number of limitations as the basis for a sustainable and transparent school resourcing measure. For example, it is based on the average cost of provision across government schools of vastly different characteristics and student cohorts, rather than the differential costs of meeting the needs of students and schools in all sectors. Also, there is no relationship between costs and outcomes in the AGSRC.*⁴¹

The AGSRC also has the additional *limitation of being a historic expenditure based measure not related to outcomes.*⁴²

The report calls for a model which is **not** based on historic or average or lowest costs of delivery or without any clear link to outcomes,⁴³ but which **does** provide a more transparent means of allocating funding between service providers.⁴⁴

*[The model should] ensure that governments are equitably funding providers of similar services, not just to treat providers fairly, but also to ensure that people receive services based on consistent levels of resourcing and outcomes [and also]...be adjusted for higher costs of service delivery to individuals and communities with more complex needs, or to reflect additional costs associated with economies of scale and/or location.*⁴⁵

The ACG explicitly rejects an average cost model with a 'flat per student rate' for all students in all schools as a model for funding schools because an *average cost model would not differentiate between students and schools of different characteristics*, which they say is too similar to the AGSRC.⁴⁶

⁴¹ Allen Consulting Group, Executive Summary p. vii; p.7

⁴² *ibid.*, p.76

⁴³ *ibid.*, p.4

⁴⁴ *ibid.*, p.5

⁴⁵ *ibid.*, p.4

⁴⁶ *ibid.*, p.49

By contrast the ACG argue for a 'base plus model', with a base per student amount which can be adjusted in response to student and school characteristics and need:

A base plus model would seek to target need through estimating a base student funding rate that is applied to all schools, with loadings then applied on the basis of characteristics of students and the school itself.⁴⁷

The loadings added would be tied to additional costs associated with ensuring that the educational outcomes for students from various backgrounds and levels of need are met. They would reflect the higher costs faced by schools with certain characteristics such as remoteness, small size and concentrations of disadvantage, and identify the additional resources required by schools to assist students with specific needs associated with factors such as SES, Indigeneity, language background, location, disability and family background to achieve specified outcomes. Community characteristics and school system characteristics would be included as appropriate.⁴⁸

The ACG's recognition of the compounding effects of concentrations of disadvantage⁴⁹ is particularly noteworthy. They indicate that discussions with school funding researchers show:

Costs per student do not necessarily grow linearly if there are concentrated levels of disadvantage. Recent analysis by the New South Wales Department of Education and Training (NSW DET) has examined the significance of both an individual student's SES and school-level SES. This analysis found there is not only a strong linkage between individual student SES and performance, but also the concentration of disadvantage at the school level. Concentration of disadvantage at the school level was shown to have a powerful additional impact on student performance.⁵⁰

The ACG also notes similar findings from analyses of Australia's participation in PISA (2009), which confirm the effect of students' backgrounds and SES on their educational performance, and also the peer effect of the SES of the school itself.⁵¹

A New Funding Model

The measure the report recommends as the determinant of 'the base' is the National Schooling Recurrent Resource Standard (NSRRS). It defines the NSRRS, which would replace the AGSRC, as:

The level of resourcing per student from all sources that efficiently and effectively applied over time, would enable students attending schools serving communities with minimal levels of educational disadvantage the opportunity to meet agreed national educational outcomes.⁵²

Notably, in response to a suggestion made to the ACG that parents of children enrolled in high-fee non-government schools should be entitled to expect a higher level of service for the fees paid, the ACG states unequivocally that:

All parents are entitled to expect that students will achieve at the maximum of their capability, regardless of which school they attend. Excellence, continuous improvement, innovation and

⁴⁷ *ibid.*, p.49

⁴⁸ *ibid.*, Executive Summary p.xi; p.10

⁴⁹ *ibid.*, p.39

⁵⁰ *ibid.*, pp.47-48

⁵¹ *ibid.*, p.48

⁵² *ibid.*, Executive Summary p.viii

*meeting differing student needs and aspirations should be common across all schools, supported by a NSRRS, but supplemented by additional programs, measures and local school characteristics.*⁵³

However, the options provided for the use of an NSRRS include at least one that could be interpreted as a form of voucher entitlement. It is noteworthy though that the ACG is keen to suggest that the student entitlement funding model is quite different from vouchers in that, while it is built from the individual student level it is applied at the school level.⁵⁴ This, they say, differentiates it from voucher models where the funding is provided directly to students; rather it 'follows' students as they attend the school of their choice.⁵⁵

The AEU is not supportive of any model which provides funding as an individual entitlement and supports the report's conclusion that funding should not be provided at the level of the individual student. Voucher models, regardless of the name by which they are called, are integral to the market-based 'choice and competition' approach to education funding and reform, which have been implicitly or explicitly questioned in other parts of the paper, and the papers by the Nous Group, ACER, and Deloitte Access Economics.

The five options are:

- *A fully developed NSRRS could in theory be used to underpin resource allocation to individual schools.*
- *A NSRRS could underpin a student entitlement funding model for schools.*
- *A NSRRS could provide a more reliable and relevant benchmark against which costs and outcomes for schools and school systems can be assessed.*
- *A NSRRS could assist in identifying investment requirements for school education in Australia.*
- *A NSRRS could be used by the Australian Government to guide its contribution to both government and non-government school funding as a replacement for the AGSRC.*⁵⁶

The ACG suggest that the NSRRS could be calculated by determining the cost of educating students at 'reference' schools, where at least 80 per cent of students met the national minimum standard in literacy and numeracy. Funding would then be allocated to schools based on their location and number of students, supplement by need-based loadings.

The report does not indicate, however, how the NSRRS would calculate actual funding amounts, or how the share of costs between state and territory governments and the Commonwealth government would be broken down.

Neither does it discuss how to deal with the supposedly transitional inequitable Funding Maintained arrangements associated with the SES funding formula, whereby private schools have been paid billions of dollars in over-entitlement payments.

⁵³ *ibid.*, p.40

⁵⁴ *ibid.*, Executive Summary p.xi; p.48

⁵⁵ *ibid.*, p.73

⁵⁶ *ibid.*

In relation to the replacement of the AGSRC as an indexation measure, the Report states that NSRRS rates and loadings should be maintained over time through an annual indexation process. This is necessary to ensure that indexation rates are informed by changes in costs in relevant sectors of the wider Australian economy as well as cost movements in schools.

Rather than the discredited AGSRC, they propose indexing the resource standard against either the CPI (3.3% in 2010-11); the Labour Price Index (3.9%); a combination of both; or My School financial data. The criteria they identify to inform the development of a preferred indexation methodology are:

- *minimising the risk that increased expenditure by schools themselves directly affects indexation rate, through increased school expenditure 'determining' the indexation rate;*
- *ensuring indexation reflects changes in underlying costs of schooling, particularly factors outside the control or influence of individual schools or systems; and*
- *ensuring that indexation does not include cost changes associated with quality changes.*⁵⁷

It is particularly significant, given the relationship between levels of resourcing and school and student outcomes, that the ACG stipulates that all sources of a school's income, which it defines as income from state and territory governments, the Australian Government, fees, and other private income,⁵⁸ should be included in the estimation of the NSRRS:

*Estimation of the NSRRS will not just include government funding ... it must include all comparable school resources consistent with My School financial data, including Australian government, state and territory government, and private contributions, to estimate the total level of recurrent resources required to meet specified outcomes.*⁵⁹

However, much greater clarity is required concerning how the NSRRS would be incorporated into a funding formula and no consideration is given to what this would mean for schools already operating well above the standards from their private sources alone. These are crucial considerations which are vital to ongoing debate about the role of the NSRRS in a new schools funding model.

While the ACG acknowledges problems with assessing schooling outcomes, such as the limitations of NAPLAN data, which it says is *at best a partial measure of the broader schooling outcomes contained in the Melbourne Declaration and the NEA*, it is significant that they recommend that NAPLAN data would need to be supplemented by other data *and applying professional judgement at the school level.*⁶⁰

Within this context, the ACG makes the welcome recognitions that:

- *Teaching is far more complex than the delivery of other human services and it is far more difficult to link funding to outcomes at a particular point in time. The way in which students progress through school varies and many required different levels of resources and support at different times.*⁶¹

⁵⁷ Ibid., p.88

⁵⁸ Ibid., p.2

⁵⁹ Ibid., p.10

⁶⁰ Ibid., Executive Summary p.ix; p.9

⁶¹ Ibid., p.5

- *Educational outcomes are heavily influenced by inherent student characteristics, as well as past educational achievement, social background, family characteristics and peer influences.*⁶²

The Report also suggests that My School financial data for both government and non-government schools would be used in initial estimations of the NSRRS; i.e. **all school resourcing applied to school operating costs**⁶³, and that the NSRRS could be used to identify areas of over- and under-funding relative to student characteristics and outcomes.⁶⁴

The level of Australian Government funding to a school would be dependent on:

- *its NSRRS rate;*
- *specific school and student characteristics in a school;*
- *loadings applied to school and student characteristics; and*
- *the percentage of the NSRRS that the Australian Government has agreed to fund.*⁶⁵

At this stage, what the ACG does not include in the NSRRS are:

- *capital funding and costs;*
- *sector overheads;*
- *system overheads; and*
- *adjunct costs –e.g. transport, health and welfare (which should be separately identified as a CSO).*⁶⁶

Additionally, because of the complexities of funding for students with disabilities, the report advocates that students with disabilities should be funded separately through a different process.

Capital funding

While the ACG does not include capital funding and costs in the NSRRS, consideration of these issues is crucial to any new funding arrangements. There is a significant gap in funding between the school sectors which sees public schools disadvantaged.

The ACG states that capital funding and costs are not included in the development of a national Schools Resource Standard at this stage because current national financial data is inadequate to estimate capital funding levels, and “*because the ways in which systems and schools fund capital works varies significantly.*”⁶⁷

However the need for including capital funding and costs in considerations of a Schools Resource Standard, or a National Schools Capital Resource Standard, is critical. It cannot be ignored.

⁶² *ibid.*

⁶³ *ibid.*, Executive Summary pp.ix/xi; p57

⁶⁴ *ibid.*, p.7

⁶⁵ *ibid.*, p71

⁶⁶ *ibid.*, Executive Summary, p.xii

⁶⁷ *ibid.*, p.11

The existing gap in capital expenditure and funding between the school sectors sees public schools seriously disadvantaged. The ACER's research report commissioned by the Funding Review shows that in 2008, on average per student, the government sector spent the least amount on capital expenses (\$864) compared to Catholic schools (\$1,416) and the independent sector (\$2,495); effectively that capital expenditure by Catholic schools was double that of public schools, and triple by Independent schools.⁶⁸

This is in no small way associated precisely with the different ways that systems and sectors fund capital works, and we would submit, with the generous amounts of government recurrent and capital funding allocated to private schools.

Analysis of funding over the last decade shows that, as levels of public funding to private schools have dramatically increased, this has allowed them to transfer significant levels of their privately generated income to funding capital works and improvements. This is, quite simply, beyond the capacity of the vast majority of public schools. Their recurrent income alone is inadequate to allow them to achieve the educational outcomes to which they aspire for all their students, and this is compounded by the inadequacy of their government capital funding.

This uneven distribution of capital funding between the sectors is confirmed by recent My School financial data for 2009. A Deloitte analysis of the My School 2.0 financial data, commissioned by the Government, shows that the major sources of capital expenditure for public schools were from state/territory (49%) and Federal (46%) funding. Catholic schools received 49% of their capital expenditure funding from the Federal Government, a larger proportion than that received by public schools; 53% from Federal and State/Territory governments combined. Independent schools received 34% from the Federal Government; 36% from Federal and State/Territory governments combined. At the school level, Federal and State/Territory governments spent more per school on Catholic schools (\$510,263) and Independent schools (\$567,514) than public schools (\$438,106).

The consequences of this funding imbalance for the public school sector were highlighted in the March 2011 submission to the Review by Malcolm McComas and the Commonwealth Bank, 'Funding the re-development of Australia's *National Education Estate*'.

Mr McComas was a member of the Federal Government's Building the Education Revolution (BER) Implementation Taskforce chaired by Brad Orgill. The submission highlighted Mr. McComas' significant concerns about the poor condition of the building infrastructure in the government school system across Australia; notably that:

- Government primary school facilities (described as the "National Education Estate") are generally of a lower standard relative to equivalent facilities in the Catholic and Independent school systems.⁶⁹
- The divide between Government and non-Government schools could not be greater; e.g. some government schools (large and small) are housed entirely in non-permanent accommodation; permanent accommodation in many locations is unsuitable to current teaching styles and is poorly maintained; administration and non-teaching facilities in many

⁶⁸ ACER, p.33

⁶⁹ Malcolm J McComas and Commonwealth Bank (the Group), Submission to the Review of Funding for Schooling, 'Funding the re-development of Australia's *National Education Estate*', 31 March 2011. p.1 http://www.deewr.gov.au/Schooling/ReviewofFunding/SubEip/MtoS/Documents/McComas_Malcolm_with_Commonwealth_Bank_Australia.pdf

facilities are of an unacceptable standard; and sporting and extra-curricular facilities are poor or non-existent.⁷⁰

- The indicative cost to improve Government primary school facilities across Australia *to the equivalent standard* of private schools was estimated to be in the order of \$40 billion; equivalent to approximately \$2.7 billion a year, over 15 years, in today's dollars. A capital works program of this magnitude *"is necessary to make a material difference to the standard of the National Education Estate"*.⁷¹
- Inclusion of the private school sector would increase the funding requirement by an additional approximately \$16 billion, *but given the generally superior level of existing facilities the demand should be less, if this funding is limited to projects that bring facilities up to a predetermined minimum standard or benchmark.*⁷²

As the submission concluded:

Having seen first-hand the current standard of the government schools "National Education Estate" it's no surprise that retention rates are low, that school teacher morale is low, and that academic and extra-curricular achievement are failing many students.

In dividing up scarce educational dollars and establishing a framework for the funding and development of associated infrastructure, please don't ignore the immediate need and ongoing responsibility to rebuild a large proportion of the government schools "National Education Estate".

*There is an immediate and urgent need to introduce minimum standards for educational facilities across states and educational jurisdictions based on best practise, for the benefit of all students.*⁷³

This reinforces the ACG's recommendation that there are strong public policy arguments for identifying and developing a capital cost element within a NSRRS (if feasible) in order to address the future capital needs of schools in Australia. This is necessary, they say, because schools and school systems need greater certainty than what is available under current arrangements to plan for future capital needs.⁷⁴

We would argue that the evidence provides a strong rationale for this work to be undertaken. Further, that in addressing 'future capital needs', it must take into account the existing infrastructure, assets and resources of private schools, the superior standard of which owes much to the public funding they have received to date.

We are disappointed that the ACG makes no recognition of any differences in role, purpose, and legal/moral obligations between public and private schools and systems. However we do welcome the ACG's call for:

- a funding model which has the explicit linking of funding arrangements to the achievement of publicly agreed educational objectives and the provision of the level of resources needed to meet those objectives (e.g. Melbourne Declaration/National Education Agreement) as its rationale; and

⁷⁰ *ibid.*, pp.2-3

⁷¹ *ibid.*, p.1; p.4

⁷² *ibid.*, p.4

⁷³ *ibid.*, p.6

⁷⁴ ACG, p.11

- a transparent and equitable funding model which recognises and meets the differing needs of individuals and communities and the importance of loadings which recognise the disproportionate share of students with specific needs in the public system.

The AEU believes that a national funding standard to replace the inequitable AGSRC and the discredited and unsustainable SES funding model for private schools is worth considering, but it *must* take into consideration the fundamental differences in purpose and obligations between the public and private school sectors, and the wealth and resources at the disposal of private schools.

Comments on ACER's Assessment of current process for targeting of schools funding to disadvantaged students research report

The aim of the Australian Council for Educational Research (ACER) research project was to:

- *examine funding arrangements for educationally disadvantaged students, namely students with disabilities, Indigenous students, students with limited English language proficiency, students from low socioeconomic backgrounds, and students in regional, rural and remote areas, and the effectiveness of existing programs in reducing disadvantage in educational outcomes; and*
- *identify alternative approaches to better meet the needs of disadvantaged students.*

The research findings were largely based on a survey distributed to government and non-government education authorities and surveys and administrative data from various systems.

Equity

The demographic and performance data on disadvantaged students in the report confirms the research data presented in the AEU's previous submissions to the Review and the "heavy lifting" undertaken by government schools with respect to disadvantage.

Demographic data

Government sector schools have the highest share of disadvantaged students and schools, including:

- *students with disabilities representing nearly 5.5 per cent of government school enrolments compared with 2.8 per cent for the non-government sector;*
- *Indigenous students representing nearly 6 per cent of total enrolments in government schools compared to nearly 2 per cent in non-government schools;*
- *household census data from 2006 showing around 78 per cent of all students from low income families (where family income is less than \$1,000 per week) were educated in government schools; and*
- *more than 80 per cent of students in remote areas and very remote areas (89 per cent) attend government schools.⁷⁵*

Performance data

The most recent PISA 2009 academic performance data confirm that Australian schools continue to have difficulty in overcoming major barriers to high quality educational outcomes for schools serving Low SES communities, Indigenous students and schools in remote areas.⁷⁶

⁷⁵ ACER (2011), *Assessment of current process for targeting of schools funding to disadvantaged students*, para 307 p.74

⁷⁶ *ibid.*, para 253; p.64

The report also confirms the serious equity implications of school and parental ‘choice’ policies based on the application of ‘market mechanisms’ to schooling. The authors cite national and international research, such as that undertaken by Stephen Lamb, Jack Keating, Chris Ryan, Louise Watson and others in Australia, and the OECD’s international literature review on the equity effects of school choice; research which was also highlighted in the AEU’s submission to the Issues Paper. ACER notes:

The effect of school choice policies on student segregation and education outcomes cannot be assumed to be positive. ... OECD research into the effects of school choice across OECD countries has found that school choice policies may pose risks to equity [and that] ... [a]cross countries, greater choice in school systems is associated with larger differences in the social composition of different schools. ... Very few large-scale research projects find clear evidence that segregation between schools decreases across the board as result of more parental choice.⁷⁷

In fact, expert analysis of modes of school organisation and the effect of inequitable funding policies on education outcomes, by Professor Barry McGaw, indicates that in Australia, as in the US and the UK, “social background is more substantially related to educational achievement than in the OECD as a whole”. Further, there is a significant correlation between stratified and segregated school systems and lowering educational standards, which governments should be seeking to reduce rather than exacerbate:

The schooling system largely reproduces the existing social arrangements, conferring privilege where it already exists and denying it where it does not.⁷⁸

Professor McGaw’s analysis emphasises that:

Where differences in social background account for a large percentage of the between school variation this suggests that the educational arrangements in the country are inequitable. Where much of the account derives from the social background of other students in the school, it suggests that there is a benefit for advantaged students in keeping company with similarly advantaged students but a compounded disadvantage for disadvantaged students keeping company with others like themselves ... students with lower skills benefit more from being exposed to clever peers, whereas those with higher skills do not seem to be affected much. Social heterogeneity, moreover, has no big adverse effect on academic outcomes. These results imply considerable social gains of reducing stratification in educational settings.⁷⁹

While the authors of the ACER report note that “a strong school choice policy framework is accepted by all Australian governments”, they strongly caution against policies which effectively select students for ‘separate and unequal schooling’:

... school funding and student selection policies which can mitigate any identified social stratification caused or accentuated by school choice may be needed to avoid the education and broader social costs associated with inequity in educational outcomes.

⁷⁷ *ibid.*, paras 281-282, p.70

⁷⁸ Professor Barry McGaw, *Reducing the impact of social background in education: fond hope or realistic aim?*, Presentation to Faculty of Arts and Education, Murdoch University, March 17 2010; p.23

⁷⁹ *ibid.*

*A prudent approach for government policy makers in Australia would be to examine and redress any unintended negative effects associated with school choice policies affecting a whole jurisdiction or specific localised effects.*⁸⁰

The AEU would go further and argue that ‘a prudent approach’ to examining and redressing the negative equity effects of school choice and market mechanisms should begin with an explicit rationale for what governments at both state/territory and national levels intend to achieve **educationally** by their ‘school choice’ funding policies; policies which have produced the current mix of public and private schools and contribute substantially to the educational outcomes of Australian students.

As Ryan and Sibieta state in their recent *Australian Economic Review* paper:

*In the absence of a clear, contemporary policy goal, it is impossible to measure the extent to which the private schools funding program is achieving its purpose, a policy vacuum which must have posed some challenges for the deliberations of the current review.*⁸¹

Funding

The ACER report is emphatic that understanding and locating the significance of what is being allocated towards any targeted groups requires an understanding of the total funds available.

Funding disparity between the sectors and the “heavy lifting” done by government schools

Using National Report on Schooling data from 2008 (the most recent data at the time of publication), the ACER’s analysis of the global school resourcing data showed that Catholic schools were spending on average \$10,826 per student, compared with \$11,625 in government schools and \$15,576 in independent schools, using all recurrent and capital expenditure from all sources of declared school income.⁸² The Report goes on to note that (1) government and Catholic school systems provide very similar global per student funding (p30); and (2) that this is particularly significant in light of the “heavy lifting” done by government schools and:

*... the imbalance between sectors in the average profile of schools and students they are servicing. Government school systems have a higher share of students with additional education needs (Low SES, Indigenous and students with disabilities). Government schools also have a higher share of students in the high cost remote and very remote locations. ... [and] the actual disparity in total funding (from government and private sources) between sectors [is]... large.*⁸³

⁸⁰ ACER (2011), op.cit., para 283, p.70

⁸¹ Ryan, C. and Sibieta, L. (2011), A Comparison of Private Schooling in the United Kingdom and Australia. *Australian Economic Review*, 44: 295–307. doi: 10.1111/j.1467-8462.2011.00651.

⁸² ACER (2011), op.cit. p.30. It is important to note that that, as pointed out by Cobbold (2011): “the official statistics on school expenditure over-state government school expenditure in comparison with private [including Catholic] schools. Cobbold, T. (2011) Catholic Submission to the School Funding Review Makes Important Concessions. <http://www.saveourschools.com.au/fundng/catholic-submission-to-the-school-funding-review-makes-important-concessions>.

⁸³ *ibid.*, pp.30-31

This highlights the fact that the student profile of the public school sector reflects the legal and moral obligations of the public school system to provide schools for all Australian students, regardless of their location or background. The obligations surrounding public education provision are such that the average cost of educating students in public schools is necessarily higher than in Catholic schools whose student cohort has fewer children from low SES backgrounds, and which educate fewer children with complex needs and fewer children in remote and very remote locations.

The report makes the disturbing finding that there is insufficient data available to establish the effectiveness of existing programs in reducing the impact of educational disadvantage.⁸⁴ They note the complex and multifaceted nature of government funding of educational disadvantage; particularly that “funding disaggregation is generally not transparent or publicly available.”⁸⁵ This is a serious concern which must be addressed.

Nevertheless, despite the lack of empirical data, the authors conclude that on the basis of anecdotal survey evidence, most ESL programs and remote and rural programs are generally deemed to be successful. The ACER report does note however that indicative estimates of unmet demand for ESL type services in New South Wales public schools, provided by the NSW Department of Education and Training, showed that by July 2010 (based on an annual survey of needs) there were 50,435 students requiring ESL support services which they were unable to access due to funding issues.⁸⁶

With regard to programs for students with disabilities and for specific Indigenous and Low SES programs, the ACER found major problems.

The paper notes that national aggregate funding for disadvantaged groups during 2009-10 was approximately \$4.4 billion, broken down as follows:

Nearly \$2.8 billion of this total was allocated for students with disabilities. Identified funding for Low SES students was next highest at about \$585 million. The other three disadvantaged groups received considerably less identified targeted funding (Indigenous \$436 million, English language \$333 million, Regional/Rural/Remote \$337 million).⁸⁷

However this funding is generally inadequate to meet the needs of disadvantaged students in government schools. Excluding students with disabilities, who account for the majority of targeted disadvantaged funding, the ACER survey found that just 4% of total government school funding in 2010 was for disadvantaged groups (2007-08 figures adjusted with price adjustment to 2009 values).⁸⁸ Significantly, they found that the heavy cost burden on governments is entirely due to the public obligation of governments to provide schooling for all, unlike non-government schools which have selective enrolment policies:

The 4 per cent targeted funding allocation is small and reflects that part of government spending that is explicitly directed towards addressing disadvantage. However, the 4 per cent does not cover the full marginal costs associated with delivering services. Interviewees within the government sector identified the highest marginal cost in terms of low student-teacher ratios for delivering services to (i) locations outside of metropolitan areas, and (ii) in some Low

⁸⁴ ACER (2011), Executive Summary; p. xvi

⁸⁵ ACER (2011), Executive Summary; p.xiv

⁸⁶ ACER (2011), p.16

⁸⁷ *ibid.*, para 139, p.35

⁸⁸ *ibid.*, para 142, p.36

*SES areas. These can create very heavy per student costs that are not driven by any policy related variable except a government obligation to provide schooling for all communities.*⁸⁹

The ACER survey found that targeted allocations for Low SES factors within schools average less than \$1,000 per student per annum, and note that these are very modest additional allocations when it is considered that average annual expenditure per student in government schools exceed \$10,000.⁹⁰

The ACER also cites evidence that the key issue for funding students from Low SES backgrounds is the quantum of available funding:

*The key issue for funding students from Low SES backgrounds appears, on the evidence available to this study, to be the quantum of funds available.*⁹¹

Accordingly, they propose a more desirable alternative funding approach by governments. The public school sector, which has the majority of low SES students, need significantly increased funding to assist in ‘turning around’ residualised schools within low SES communities. They note that “significant concentrated investments” in these schools will have important educational and future social benefits:

*The relatively little amount of targeted funding for Low SES government schools (relative to the total school budget) suggests an increase of funding for Low SES schools may be warranted to support them with the heavy lifting in the improvement of school learning outcomes.*⁹²

In addition, the report noted that for the public sector, which has the greatest share of Indigenous enrolments, there remains the issue of providing concentrated additional funding to the neediest schools while granting flexibility to link with additional allocations related to remoteness and the Low SES background of students.⁹³

Alternative funding approaches

Significantly increased funding for schools with concentrations of low SES students

One of the options proposed by ACER is the provision of an up-front payment to schools in danger of becoming residualised so that they can increase their enrolment share:

*For students from Low SES backgrounds, the study has proposed a front-loaded alternative funding mechanism that can support a targeted investment strategy to schools experiencing residualisation effects on their enrolment base. By delivering significant investment funding for a period of up to ten years (above and beyond recurrent funding) schools will be given the latitude to invest as appropriate in areas such as quality teaching practices, materials, school leadership and facilities. A key expected outcome of this investment strategy will be an increase in school enrolments within residualised schools to deliver long term savings in the unit costs of schooling.*⁹⁴

⁸⁹ *ibid.*, para 142, p.36

⁹⁰ *ibid.*, para 362 p.82

⁹¹ *ibid.*

⁹² *ibid.*, para 361 p.82 and para 380 p.86.

⁹³ *ibid.*, para 340, p.97

⁹⁴ *ibid.*, Executive Summary p.xvii

Given the relationship between residualisation, lack of resourcing and the impact on student outcomes (as detailed in our submission concerning the Nous Group Report), the AEU welcomes the proposal of a mechanism for the provision of much-needed additional funding to the public school sector.

Broadbanding of equity programs

The report provides general support for the concept of moving away from targeted programs which base their funding on student or community background or location (i.e. inputs such as a student language barrier or inadequate access to resources due to remoteness) to broad banded funding based on outputs or outcomes (i.e. pooling funds from individual, more narrowly targeted programs). Such an approach is said to address educational needs at the individual student level without necessarily focussing on group disadvantage.

By addressing need at the individual student level, the notion of a 'target group' is changed from a specified input group, such as remote students or Low SES students, to a group specified by outputs, such as low achievement in literacy and numeracy at a given grade level.⁹⁵

While the AEU welcomes the emphasis in the paper on improving funding arrangements and programs for disadvantaged students, other research undertaken into funding for disadvantaged students, such as Indigenous students and students with disabilities, shows that such an approach may not achieve the desired objectives.

A number of analyses of broadbanding of funding for educationally disadvantaged students have been undertaken since the 2000 States Grants Act and the mandate that equity funding was conditional on state and territory authorities entering a new outcomes-based accountability framework that included the achievement of performance measures, including targets.

These have shown that although per capita support was targeted towards students with higher support needs, broadbanding allowed education authorities considerable discretion in the use of the vast majority of pooled funds which could be directed towards any disadvantaged student. As a result the bulk of money went to literacy and numeracy areas and relatively little to specific groups of disadvantaged students such as students with disabilities.⁹⁶ Further, that the new arrangements resulted in a loss of transparency about the total level of government resources provided to meet the specific additional educational support needs of students with disabilities and the use of Commonwealth funds to support them.⁹⁷

⁹⁵ *ibid.*, Executive Summary p.xv

⁹⁶ See for example, 2002 Senate Inquiry: *Education of students with disabilities* (http://www.aph.gov.au/senate/committee/eet_ctte/completed_inquiries/2002-04/ed_students_withdisabilities/report/report.pdf), p.125 (149). *Although per capita support is targeted towards students with higher support needs, education authorities have considerable discretion in the use of the vast majority of SAISO funds. Consequently, they can direct funding towards any disadvantaged student, including students that would fall within the broad definition of disability under the Disability Discrimination Act.*

⁹⁷ Senate Inquiry Report, p.123: *The program is designed to give educational authorities the flexibility to make decisions about which schools have the greatest need for additional assistance to achieve improved outcomes. These authorities have the responsibility to distribute SAISO funds throughout the sector and determine appropriate funding amounts for schools. These are required to provide the Commonwealth with details about how the funds are managed. The committee accepts that the current funding arrangements are administratively simple, and allow authorities to address the needs of students with multiple educational disadvantages without being constrained by artificial divides between programs. However, these new arrangements result in a loss of transparency about the use of Commonwealth funds to support students with*

Similar problems have been identified with the broadbanding of funding for Indigenous students. To the degree that broadbanding and flexibility (linked to outcomes-based accountability) contribute to even less transparency than previously, foster the achievement of short-term rather than strategic goals, and create uncertainty about specific Indigenous education programs, they may actually prove counterproductive. MCEETYA's Senior Officials Working Party on Indigenous Education noted in its Directions in Indigenous Education 2005-2008 report that:

*Gains in educational outcomes achieved by Indigenous students over recent decades are largely attributed to Indigenous specific intervention programs (including strategies, pilot projects and trials) that supplement mainstream effort to meet the specific learning needs of students. While some of these programs have been highly successful, only a small proportion of the total population of Indigenous students is able to access them. Although invaluable, these programs have had unintended consequences. Indigenous education has come to be seen as peripheral rather than integral to core business. In addition, the funding of Indigenous education through special programs has led to dependence on short-term solutions.*⁹⁸

While it might deliver advantages such as economies of scale, the AEU is concerned about the potential for further inequities, particularly in the context of increasing school autonomy and school-based management, which the report associates as being consistent with the 'broadbanding' approach.

The report identifies 'challenges' to 'scaling up and sustaining reform' associated with the National Partnerships, which reinforces the need for greater levels of recurrent funding rather than a reliance on 'one-off' program funding:

*There is a view that a serious risk for some of the significant reforms is that they might begin to dissipate in the medium term. In particular, schools may find it difficult to begin the work of self-evaluation and planning around specific reforms if there is no assurance of resourcing for the future.*⁹⁹

Students with disabilities

Unfortunately for the public education sector which educates the majority (80%) of students with disabilities, the recommendation for targeted funding for students with disabilities focuses exclusively on the private sector. The authors are concerned about what they see as "the current imbalance in resourcing with government sector schools"; namely that private schools do not have access to a large pool of funds that enables them to react to a changing enrolment profile.

Non-government school authorities indicated that schools within their sectors are at a disadvantage in providing for students with disabilities. The absence of significantly more and clearly identified funding made it difficult for some schools to meet their obligations towards

disabilities. The problem is that there is no corresponding mechanism to measure improvements in educational outcomes for students with disabilities.

⁹⁸ MCEETYA Australian Education Systems Officials Committee, Senior Officials Working Party on Indigenous Education, *Directions in Indigenous Education 2005-2008* p.16.

http://www.curriculum.edu.au/verve/resources/Australian_Directions_in_Indigenous_Education_2005-2008.pdf

⁹⁹ ACER (2011); Executive Summary p.xvi

*these students. Schools in the independent sector, which are outside of a system, may face a particular difficulty in meeting these additional costs.*¹⁰⁰

On the basis of these concerns the report suggests the provision of a ‘minimum funding standard’ to be available to the Catholic and independent sectors in all states and territories for students with disabilities.

*For students with disabilities, the report has proposed the establishment of a ‘standard disabilities entitlement’ to frame a minimum funding standard for students with disabilities. The entitlement could apply across sectors and states and territories. Financing the standard disabilities entitlement needs to be considered from the angles of equity, effectiveness and efficiency. In terms of equity, the financing should not deplete existing funding for government schools to further subsidise the operations within non-government schools.*¹⁰¹

While the ACER report says that financing the standard disabilities entitlement should not “deplete existing funding for government schools” to further subsidise the operations within private schools¹⁰², we would hope that the Panel goes further than this in its recommendations.

In our March submission, we referred to evidence that counters the claim that students with disabilities in private schools are funded far less than those in government schools. Research shows that, in fact, they have an advantage over government schools, as the claim only takes direct funding for students with disabilities into account. Commonwealth grants to private schools are linked to average government school costs through the AGSRC, average costs which include funding for students with disabilities in government schools. This research (Cobbold, 2011) finds that:

*Different private schools receive different proportions of government school costs. If their funding proportion is higher than their proportion of students with disabilities relative to that in the government sector, they effectively have more to spend on students with disabilities or to divert to mainstream students. This is generally the case because private schools enrol less than half the percentage of students with disabilities than do government schools.*¹⁰³

The report’s proposal may well not “deplete existing funding for government schools”. It would, however, be certain to deplete existing enrolments at public schools by funding already well-resourced and advantaged private schools; schools which largely determine their own enrolment profiles and have the capacity to pay if they should choose to enrol students with disabilities.

Any change to disability funding allocations between government and non-government schools should take into account the fact that the latter are still able to choose which students and their levels of ability/disability they enrol, and that private schools fail to allocate the additional funding they receive through the AGSRC to support students with disabilities.

¹⁰⁰ ACER (2011), Executive Summary p.xvi

¹⁰¹ *ibid.*, Executive Summary p.xvi-xvii

¹⁰² ACER paper pp. 6-1

¹⁰³ AEU Submission to the Review of Funding for Schools, March 2011, p 53; citing Cobbold, T. (2009), *Students with disabilities are actually better funded in private schools than in Government Schools.*

The AEU is disappointed that the ACER report did not recommend an increase in funding for the government sector that is acknowledged as enrolling the vast majority of these students. Further, we would urge the Panel to consider any proposals for additional funding for students with disabilities in non-government schools in the context of the total resources already available to that sector, as recommended by other significant reviews:

Given the extent of Commonwealth funding for this (private) sector, the Committee was surprised to find how little these students were supported. The Committee accepts that funding disability education in all sectors will continue to be problematic but argues that any review of funding arrangements for the non-government sector must be considered in the context of the total resources already available to that sector. (Senate Inquiry into the Education of Students with Disabilities, 2002)¹⁰⁴

Additional funding for students with disabilities should be focused on the public school sector which educates the majority of students with disabilities, and on overcoming the anomalies associated with the huge variation in spending per student across the states, which was highlighted in a recent piece by the Education Minister, Peter Garrett:

All governments are committed to supporting students with disabilities, but the report has made clear that differing approaches and funding levels across Australia mean that not all students get the support they need. This has given us a situation where the funding available for a student with disability in one state can be three or four times that available in another.¹⁰⁵

Low SES students

Unlike the report's consideration of funding for students with disabilities, the discussion on low SES notes from the outset that the funding for students from low SES backgrounds is particularly important for public schools and systems because of the higher concentration of Low SES background students in the government sector and concerns surrounding the continued residualisation of some government schools.¹⁰⁶

While the private school sector talks much about the diversity of their student enrolment profiles, it is incontestable that the public school sector does the 'heavy lifting' with regard to low SES students, which was recognised in all four research papers.

¹⁰⁴ Senate Inquiry into the Education of Students with Disabilities, 2002; p.129
http://www.aph.gov.au/senate/Committee/eet_ctte/completed_inquiries/2002-04/ed_students_withdisabilities/report/report.pdf; see also the report of the 2010 NSW Parliamentary Inquiry into the Provision of Education to Students with a Disability or Special Needs.

¹⁰⁵ The Advertiser, 13 September, 2011

¹⁰⁶ ACER (2011), Executive Summary p.xvi

Governance and autonomy

While the ACER report gives implied support for greater school autonomy¹⁰⁷, it provides a number of insights which caution against increasing local school autonomy and school-based management without heed to the national and international evidence on its equity implications:

Interviewees from education authorities shared the view that there was a need for funding that retains and develops appropriate management capacity (at the system or sector level) as well as develops out of school expertise to support schools in their specialised activities for targeted groups. The use of any per capita funding formula to direct all targeted money for a disadvantaged group down to the school level was seen by some respondents to have a negative impact if it (i) truncates the managerial capacity at the system or sector level, or (ii) inhibits broader cooperation within the sector or (iii) broader cooperation with other sectors.

*The expertise employed at a central level is typically highly specialised and used sparingly which is not conducive to employment at the school level. **A school system or sector can build consistency of service and improvements in quality of service delivery through the use of pooled specialist staff. These staff are best able to encourage replication effects of good practice and improve their capabilities by working with many schools catering to similar educational needs of children. The need for pooled core sector expertise applies very much to special needs programs but was also identified by some interviewees as being relevant for the other identified disadvantaged groups such as remote Indigenous communities and for ESL.***¹⁰⁸

This is consistent with research cited in the Queensland Government's response to the Review's Issues Paper, which indicates that:

*... teaching quality and school leadership drive student outcomes far more than adjusting structural or governance arrangements in delivering education. Any effective funding model should consider these essential drivers of educational outcomes.*¹⁰⁹

Their response also highlights recent PISA findings which conclude that there is no clear evidence base to support the notion that increased autonomy over the allocation of resources improves a school system's overall performance; rather that "school autonomy over design of curricula and assessment is a key characteristic of successful school systems".

Similarly, the recent West Australian Auditor General's report into WA's 'Independent Public Schools' initiative finds that:

- System staffing policies must deliver the right teacher to the right place at the right time to ensure that students achieve successful educational outcomes. Any changes to staffing policy must take into consideration the risk of failure to ensure that objective.¹¹⁰

¹⁰⁷ *ibid.*, para 189, p.50: *There is a general movement of government school systems in the direction of ... devolved school funding ...consistent with a growing move towards increasing school autonomy and school based management.*

¹⁰⁸ *ibid.*, para 190, p.50

¹⁰⁹ Queensland Government Response To The Australian Government Review Of Funding For Schooling: Emerging Issues Paper, July 2011, p.5

¹¹⁰ WA Auditor General's Performance Audit, *Right Teacher, Right Place, Right Time: Teacher Placement in Public Schools*, Office of the Auditor General Western Australia August 2011; p.7

- The WA Department's incremental introduction of alternative staffing processes which allow schools to opt out of the central placement process, has not been accompanied by (a) identification or adequate consideration of the risks associated their new devolved model; or (b) measures of efficiency and effectiveness based on clear objectives to enable it to assess whether the new processes are delivering improvements and benefits for schools, teachers and students.¹¹¹
- *The Department's failure to address risks could eventually result in unfilled vacancies as well as disadvantaging some schools and teachers by 'making them uncompetitive in the open market'; for example, schools which struggle to find teaching staff now may be faced with serious teacher shortages, meaning the quality of education for students at these schools will suffer.*¹¹²

¹¹¹ *ibid.*, pp.26-28

¹¹² *ibid.*, p.22

Comments on Deloitte Access Economics' *Assessing existing funding models for schooling in Australia* research report

A myriad of factors interact to determine the performance of schooling systems and, therefore, the extent to which the goal of delivering high quality education is achieved. Among these factors is government funding and the means and mechanisms by which it is allocated across and within schools – that is, funding model design (as distinct from the level of funding). However, the impact of funding model design on the performance of schooling systems is heavily influenced by the complex policy and regulatory environment which governs activity in the schooling system, as well as the range of external factors (such as student background).

Nevertheless, adequate, appropriately allocated funding underwrites the capacity of school systems to deliver high quality education programs. Well crafted funding models can support – and indeed shape – the system toward optimal operation. At the same time, poorly designed funding models compromise the education system's capacity to deliver high quality education, particularly to students with greatest need (such as students from Indigenous background, students in remote locations and students from a low SES background).

Optimally designed funding models are a necessary but not sufficient condition for creating an educational environment conducive to achieving high quality student outcomes.¹¹³

Within this context, it is notable that the Deloitte study has found no “best model” having surveyed the 18 Federal, State, Territory and system models in Australia. Consistent with the other research papers it has found that our current funding arrangements clearly compromise the capacity of our education system to deliver high quality education outcomes for all students, particularly those with greatest need; the essence of their definition of a poorly designed funding model.

Current funding models

In their examination of the 18 Australian models, they find that where they most significantly depart from the optimum is in:

- complexity (particularly concerning targeted funding);
- efficacy of targeted initiatives in terms of both appropriate targeting of educational need and the evidence base underlying this component of the funding model; and
- rigour and effectiveness of funding model review processes (in particular the use of performance data).

...[I]nadequately prescribed lines of demarcation and poor coordination among different streams of funding lead to potentially inefficient overlap of funding and the potential compromise of funding model objectives. In practice, high calibre funding models are those which combine different features in a complementary and effective fashion – given local demographic, historical and geographic factors – and draw on the highest quality available evidence to inform their design and periodic review.¹¹⁴

¹¹³ Deloitte Access Economics, Executive Summary p.i

¹¹⁴ *ibid.*, Executive Summary p.iii

What constitutes optimal funding model architecture?

By contrast to the existing inadequate funding arrangement, the authors argue for what they consider to be ‘optimal funding model architecture’. They note that while funding is not the only factor influencing the delivery of schooling and its outcomes, it is a vitally important one:

*Of course, the efficacy of funding as a vehicle to shape design and delivery towards optimality is constrained by the broader policy framework in which the sector operates. Funding is one element among an array of variables – such as schooling policy and regulation, the school environment and student background – that impact on student outcomes. **Nevertheless, the resources delivered to schools through funding models provide a vital foundation for the achievement of enhanced educational outcomes for Australian students. Ensuring the optimality of funding model design is therefore a critical public policy issue for government.***¹¹⁵

The report argues strongly for a funding model designed with direct reference to public policy objectives, which has long been a position of the AEU and one of the key arguments in our submission to the Review of Funding for Schooling regarding the Issues Paper.

A new funding model, the report argues, should be based on the “efficient” cost of meeting students’ educational needs, taking into account the characteristics of the school they attend, based on empirical research and cost analyses of funding rates and their variations across student cohorts and school settings; e.g. differing service delivery costs based on remoteness or school size.

In its consideration of the extent to which the funding model does/does not create barriers for schools/school systems to procure other sources of funding, the report notes that “current funding models vary markedly in the extent to which they incentivise private contributions toward the cost of education, due in large part to the different philosophies underpinning public and private education.”¹¹⁶ The report notes that the public school system is responsible for ensuring universal access to primary and secondary education whereas universality is not part of the education charter in the private schooling sector. Given these fundamentally different roles of the two systems, and the capacity of many private schools to supplement public funding with income from private sources, including fees, the whole area of “incentivising private contributions” requires critical examination by the Review Panel.

The Report claims that the SES funding model removes ‘disincentives’ for private contributions, but we would contend that it has created an even bigger problem in that it removes any assessment of the greater access of private schools to other sources of revenue.

What doesn’t?

Public funding for unplanned private provision

In terms of “efficiency”, the ACER notes that the private sector has a greater proportion of small secondary schools (100 students or less) compared to the public sector¹¹⁷. This would surely bring into question what almost certainly represents duplication of provision by the private sector in competition for enrolments with the public sector. It has to be asked whether this is an ‘efficient’,

¹¹⁵ *ibid.*, p.31

¹¹⁶ *ibid.*, p.71

¹¹⁷ *ibid.*, p.9

‘effective’ or ‘value-for-money’ approach to the expenditure of public money, which the Review Panel has previously stated are attributes of a desirable funding model.

Lack of coherence

The lack of definition and clarity in schools funding is highlighted in the report:

*A range of examples can also be cited where multiple funding mechanisms are targeted at a given area or issue in a poorly coordinated fashion – **particularly where one or more of the initiatives has a strong political basis** (our emphasis). Rather than different funding vehicles operating in a complementary fashion to comprehensively respond to an identified funding need, there are instances where funding streams unnecessarily overlap, potentially undermining the defined features of the individual models (e.g. carefully calibrated loadings may be compromised by competing funding from other sources).¹¹⁸*

The SES funding model

The report is also particularly critical of the ‘Funding Maintained’ measures in the SES funding model for private schools:

The impact of funding maintenance arrangements under the SES model, whereby approximately 40% of non-government schools are funding maintained and are therefore not technically funded under the model, provides an example of how the prioritisation of certainty during the funding model reform process – above all other principles – can compromise the intent of any reforms. Indeed, the effect of funding maintenance is to entirely negate the SES model for those funding maintained schools, with funding simply tied to historical factors.¹¹⁹

The report is also critical of the SES funding model on the grounds that it provides funding to private schools on the basis of the SES profile of the ABS Census Collection Districts in which students live:

While there is evidence to suggest this is a good proxy, it nonetheless overlooks the variation in family circumstances that exists within geographic boundaries – even at the CCD level.¹²⁰

The AGSRC

The report confirms problems with the AGSRC as an ‘efficient’ method of indexation. This leads directly to questions about its use as a key determinant of funding for private schools, *as it passes on real increases over and above the effects of inflation on schools and without regard to the specific needs of the schools receiving those increases.*¹²¹

While funding rates under the state/territory models are indexed primarily with reference to wage inflation as stipulated in the relevant EBAs (with some minor adjustments for smaller cost

¹¹⁸ *ibid.*, p.80

¹¹⁹ *ibid.*, p.73

¹²⁰ *ibid.*, p.62

¹²¹ McMorrow, J.F., *Schools Funding Futures*, July 2010. p. 5

For example, the funding generated by the costs of educating the disproportionate share of students with disabilities in government schools is distributed across all non-government schools but without regard to targeting these funds to the actual students with disabilities in that sector.

<http://www.aefederal.org.au/Publications/2010/Schoolfundfutures.pdf>

items) it is less clear that the indexation under the SES model has mirrored efficient growth in costs. Over the period 1998-99 to 2007-08 the AGSRC indexation factor increased by 59 per cent, compared to cumulative change in the CPI of 35 per cent and the Labour Price Index (education and training) of 43 per cent (internal DEEWR analysis).¹²²

This finding clearly supports the call in the ACG paper for the replacement of the AGSRC due its limitations and inequitable effects.

Lack of transparency

The Report confirms the lack of transparency surrounding the basis and formulae for funding allocations. It strongly advocates for much greater levels of transparency and for this information be made public in an accessible form to allow greater public scrutiny of the basis on which public education funding is determined and allocated.

The use of standardised testing as a method of resource allocation

The report is not particularly supportive of standardised testing as a method of resource allocation, or even as a measurement of student outcomes.

Student outcomes provide an important indication of the effectiveness of the education system as a whole. Outcomes can be measured through a number of variables such as student test achievement, school attendance and year 12 attainment.

*It should be noted that the overall effectiveness of the education system cannot be captured solely through these types of student outcomes.*¹²³

It argues the limitations of NAPLAN type data as a form of accountability for the effectiveness of a funding model:

*The effectiveness of schooling systems is a function of a myriad of factors, of which the funding model is just one. For example, performance is impacted by a combination of factors including teacher recruitment, training and professional development, industrial relations legislation, the quality of the curriculum and infrastructure and teaching resources.*¹²⁴

This is also an important acknowledgement that ‘inputs’, which these factors represent, are also a vital consideration in any considerations of funding models, a point which is often overlooked by advocates of a narrowly focussed performance-based ‘outcomes’ approach to funding. A desirable and much-needed resource guarantee for public schools would encompass a number of significant educational factors which might be crudely labelled ‘inputs’ in a simplistic consideration of ‘inputs’ and ‘outputs/outcomes’.

Further weight to this observation is added by the report’s reference to the importance of social outcomes as outlined in the Melbourne Declaration.¹²⁵

¹²² Deloitte, p. 71

¹²³ *ibid.*, p.12

¹²⁴ *ibid.*, p.64

¹²⁵ *ibid.*, p.12

Improving student educational outcomes

The Report identifies what Deloitte consider to be the three key factors in student educational outcomes that are influenced by funding models: socio-economic status, school autonomy and teacher quality. With regard to class size, which the AEU believes is a key factor, the report concludes that the evidence is too “mixed”.

Socio-economic status

In relation to SES, the Deloitte Report confirms, as do the other commissioned research reports, that concentrations of disadvantage have an additional negative effect on performance:

There is also a body of research describing how concentrations of disadvantage can have a strong, additional impact on student performance. An array of Australian and international studies demonstrate that the results for students from all socio-economic backgrounds tend to improve when they attend schools with larger proportions of students from high SES backgrounds, and decline when there are larger proportions of low SES students.¹²⁶

This adds to the already overwhelming body of evidence which supports the Report’s view that social and economic disadvantage is a significant barrier to educational achievement, and that funding models play an important role in ensuring disadvantaged students have the additional resources they require to overcome these barriers, particularly those affected by the compounding effects of concentrations of disadvantage:

Countries participating in PISA with less stratified national education systems such as Finland and Canada record a greater proportion of students achieving higher proficiency levels alongside low between-school variance in educational achievement (about one-tenth of the OECD average in Finland) compared to countries with more segregated systems. In general, these countries also appear to have higher overall achievement and correspondingly, the relationship of parents’ socio-economic status with students’ school achievement appear to be small when compared to other OECD nations.¹²⁷

Teacher quality

While not disputing the importance of quality teaching and learning experiences, the AEU has a particular concern that the Report cites research on teacher effectiveness in support of its advocacy of using bonus pay to attract “the best and brightest” to teaching:

In successful and improving education systems, the importance of attracting top-performing students to the profession is recognised through remuneration and reward systems – salaries are increased when system goals are reached or required progress had been made in achieving those goals. Overseas education systems with educational outcomes relevant to the Australian context provide teachers with competitive base salaries, with the final level of remuneration related to the individual teacher’s professional position in their career. Systems achieving outcomes above Australia’s provide teacher salaries significantly above the national GDP per capita enabling them to recruit the best and brightest students to the profession. Bonus schemes are also in place – for example, in Singapore top-performing teachers can receive bonuses equivalent to 3 months salary.¹²⁸

¹²⁶ *ibid.*, p.24

¹²⁷ *ibid.*

¹²⁸ *ibid.*, p.38

There is a substantial body of evidence questioning the efficacy of ‘bonus pay’ as a significant factor in improving teaching quality and/or student learning outcomes. It is welcome therefore that the report acknowledges other research about factors which help to produce better student educational achievement. They cite work such as that of Stephen Lamb et al (2004) and Linda Darling-Hammond (2005) which attest to the importance of factors such as higher concentrations of teachers satisfied by their jobs; innovative teaching styles; school climate; student engagement; teachers equipped with evidence-based teaching strategies supported by instructional leadership.¹²⁹

Nevertheless the observation about the need for “competitive base salaries” and the provision of teacher salaries “significantly above the national GDP per capita” in support of attraction and retention strategies is welcome.

School autonomy

In light of aspects of the current Government’s education agenda, the fact that the Report’s references to school autonomy are qualified reinforces the ACER Report’s cautions concerning increasing local school autonomy and school-based management without heed to the equity implications indicated by the national and international evidence.

The report states that *positive correlations have been found between student achievement and schools that have autonomy in decision making in areas such as purchasing of supplies, budget allocations within schools, hiring and rewarding teachers (within a given budget), choosing textbooks and instructional methods*¹³⁰; and references work by Hanushek and Woessmann:

*Woessman et al (2009) found that in general, all types of accountability systems combined with autonomy were effective in increasing student’s cognitive skills whether they were aimed at the teacher, school or student.*¹³¹

However, the report then notes *prominent research from the United States indicating that extensive testing systems linking school performance to rewards and penalties is [sic] ineffective in improving student performance.* While the report makes reference to high levels of autonomy in Finland it points out that this is ... *in terms of the courses offered by schools. In addition, accountability is based on teacher-made tests rather than standardised external tests.*¹³²

Furthermore, it states:

*Interestingly, the best performing OECD countries on PISA 2003 (Finland, Japan, the Netherlands and Korea) have no form of national assessment for consequential accountability purposes but use comparative school performance data as an internal guide for teaching practices, internal ranking of schools or monitoring the achievement of curriculum objectives. It appears that in advanced educational systems, the collaborative practice amongst teachers (as outlined above) serves as an accountability mechanism and can substitute for formalised teacher appraisal: ‘By developing a shared concept of what good practice looks like, and basing it on a fact based inquiry into what works best to help students learn, teachers hold each other accountable to adhering to those accepted practices’.*¹³³

¹²⁹ *ibid.*, p.25

¹³⁰ *ibid.*, p.28

¹³¹ *ibid.*

¹³² *ibid.*

¹³³ *ibid.*, p.29

The report also makes the important point that centralised models are not necessarily antithetical to high performance, and that the variety of approaches in high-performing countries indicates that no one model is superior:

*Centralised models can be high-performing, provided prescriptiveness regarding resource allocations is accompanied by adequate utilisation of local-level information. Similarly, decentralised models – toward which most models are trending – can be high-performing provided adequate governance mechanisms are in place.*¹³⁴

PISA 2009 findings also highlight other negative features associated with autonomy such as competition between schools for student enrolments, which results in increasing social segregation in the schooling system (addressed elsewhere in our response) and is not associated with “high system performance”. Additionally, the most recent *OECD Education at a Glance* report (September 2011) also provides evidence which undermines the Report’s unqualified assertion that the availability of school choice and an educational market for schooling is a given in considerations of funding arrangements.¹³⁵

¹³⁴ *ibid.*, p.85

¹³⁵ *ibid.*, p.80. See also Joan Wilson, [Are England’s Academies More Inclusive or More ‘Exclusive’? The Impact of Institutional Change on the Pupil Profile of Schools](#), Discussion Paper 125, Centre for the Economics of Education, Institute of Education, University of London, May 2011; <http://www.saveourschools.com.au/choice-and-competition/school-autonomy-leads-to-more-social-exclusion-and-inequality-in-education>