



Review of Funding for Schooling — Update for independent schools

Background

On 15 April 2010, the then Commonwealth Minister for Education, the Hon Julia Gillard MP announced a review of funding for schooling which would encompass funding for both government and non-government schools (the Gonski Review).

The independent sector argued consistently during the Review that no independent school or student should receive less public funding in real terms than they currently receive. The sector also highlighted that any new funding model should be assessed against the following criteria:

equity; incentive; flexibility; transparency; simplicity; predictability and consistency.

Further any funding model must rely on *reliable, robust, up-to-date data that cannot be subject to manipulation or interpretation.*

The sector also highlighted the importance of early decisions since the Commonwealth Government's funding arrangements for non-government schools expire on 31 December 2013.

Review Recommendations

On 20 February 2012, the Commonwealth Government released the Final Report of the Review of Funding for Schooling from the Gonski Review Panel. In short, the Panel recommended that recurrent funding be based on a new Schooling Resource Standard (SRS) with additional loadings to address educational disadvantage.

It has become clear since the release of the Final Report, that both the timing and fiscal outcomes of any new funding arrangements are linked to Commonwealth/state funding negotiations. The tight

budgetary environment at both Commonwealth and state level is another key driver of any new school funding decisions.

Commonwealth Government Response

On 3 September 2012, the Prime Minister announced the Commonwealth Government's response to the Review and the commencement of detailed bilateral negotiations with the state/territory governments and the Catholic and independent sectors. The negotiations are being conducted under strict Council of Australian Governments (COAG) confidentiality arrangements.

The Government has made significant changes to a number of the recommended settings and thresholds of the proposed Gonski model and the data for schools used to model the changed settings has been updated.

As a consequence of these changes, any initial indications of possible funding outcomes from the Review you may have received for your school from your Association of Independent Schools or other sources earlier this year **should be disregarded.**

Impact on Independent schools

The Commonwealth Government is currently engaged in a highly complex process to renegotiate school funding arrangements with state and territory governments and both the Catholic-systemic and independent schools sectors. The goal of incorporating state and territory government funding arrangements has significantly increased the level of complexity of the negotiations.

The fundamentals of the proposed model are premised on the assumption that state and territory governments will maintain their current levels of

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funding effort for both government and non-government schools in their jurisdictions. Recent decisions by some state governments have challenged this assumption.

Significantly for independent schools, the Commonwealth Government has undertaken to ensure that the calculation and distribution of its funding for non-government schools would continue to rest with the Commonwealth Government and not with state or territory governments, (whilst recognising that Constitutional requirements will necessitate funding continuing to flow to state and territory treasuries to be passed on to non-government education authorities and schools).

During the negotiations to date, it has become clear that while the proposed funding model should produce reasonable outcomes for many (but not all) schools that are ‘systemic’, the key issue for independent schools will be the impact on the model as applied to individual independent schools. The Gonski Review recommended that system authorities should retain their existing freedom to redirect funds to schools within their system. Non-systemic independent schools do not have the flexibility that systems would have to make adjustments between schools in the transition to any new model.

A key outcome of the negotiations for independent schools will be that any proposed funding model must provide acceptable outcomes for independent schools at the individual school level. In assessing these outcomes, the Independent Schools Council of Australia (ISCA) is mindful that consideration not only needs to be given to the immediate impact (say for 2014 funding) but also the longer term outcomes for schools through the implementation phase to 2019 and beyond.

The other significant issue for independent schools continues to be the level of annual indexation for government funding, ensuring that grants maintain their value in real terms. The Commonwealth Government, recognising the need of schools for fiscal certainty and the negative impact on schools of recent decisions by some State Governments, is

considering a more stable level of indexation, at a higher level than would be delivered by the AGSRC from 2014.

In November 2012, ISCA wrote to the Hon Peter Garrett AM MP, Minister for School Education, Early Childhood and Youth clearly setting out the issues to be resolved for independent schools with the proposed model.

ISCA and Associations of Independent Schools (AISs) remain closely engaged with Government and will continue to work to achieving the best possible outcome for every independent school in the sector.

When discussing future school funding arrangements with your local Commonwealth and state/territory political representatives, the key message should be that any proposed school funding model must work at the individual school level for independent schools. Looking at the funding outcomes for a sector or state/territory as a whole (e.g. government, Catholic-systemic, independent) masks the differential impact of the model on individual, stand-alone independent schools.

Legislation

The Australian Education Bill 2012 was introduced into the House of Representatives on 28 November 2012. The Bill does not provide detail on school funding arrangements, but instead enshrines in legislation the Commonwealth Government’s proposed National Plan for School Improvement. The legislation requires a commitment by schools to implementation of the National Plan as a prerequisite for Commonwealth Government funding.

The Government has indicated that following the conclusion of negotiations with state governments and non-government education providers, the Bill will be updated to reflect the final agreement reached with all parties. The Government anticipates that the outcomes of negotiations will be agreed at the first Council of Australian Governments (COAG) meeting in 2013, expected to be in March or April. Unfortunately, this timetable means that the lack of

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certainty for independent schools regarding future funding arrangements will continue for the foreseeable future.

AISs will advise schools as soon as possible of any significant developments that provide more certainty about future funding arrangements. ISCA will provide another update for the sector during February 2013.

What does this mean for individual independent schools?

An important element in the independent sector representations to Government about the future funding model has been to highlight the importance of certainty in funding arrangements.

Schools should take into consideration the following when considering longer term planning:

- The current Commonwealth Government funding arrangements for non-government schools will continue in 2013 – this includes supplementation of General Recurrent Grants by the movement in Average Government School Recurrent Costs;
- State Governments will determine their funding arrangements for 2013;
- The current Commonwealth Government funding arrangements expire at the end of 2013. As Commonwealth Government funding is provided through an Act of the Federal Parliament, new legislation will need to be passed by Parliament during 2013 to provide for funding from January 2014;
- The proposed Commonwealth Government funding model from 2014 (as outlined above) would combine Commonwealth Government and state/territory government funding into one single funding model – this includes General Recurrent Grants at both the Commonwealth and state levels and the various Targeted Programs and National Partnerships at the both the Commonwealth and state levels. The complexities of negotiating this funding arrangement and ensuring state and territory governments maintain their levels of funding effort have been noted earlier;
- The Commonwealth Government has made a long-standing commitment that no school will lose a dollar per student as a result of the Gonski Review of Funding for Schooling, however, this commitment does not relate to funding in real terms. This commitment should be seen in the context of total Government funding received by a school (and as published on the My School website), while noting that this total public funding includes funding by state and territory governments;
- The Commonwealth Government maintains that in 2014, if the proposed Commonwealth Government funding model is implemented, independent schools would receive funding at least at the level of their Commonwealth and State 2013 funding plus some indexation;
- The level of indexation applying to 2014 funding may not be the same for all independent schools. In particular, those independent schools which would receive Government funding greater than their entitlement under the proposed Commonwealth Government model, may receive indexation at a lesser rate;
- A level of annual indexation at a lesser rate would be expected to continue beyond 2014 for those schools which are receiving greater Government funding than their entitlement under the proposed Commonwealth Government funding model (for example, this indexation could be set at a percentage of the indexation available to other schools; at a set percentage amount; or based on a defined indicator);
- This differential indexation could be expected to continue until an individual independent school moves to a position whereby its Government funding is equal to its entitlement under the proposed Commonwealth Government model.

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During the phase of differential indexation, the individual school will not be worse-off in dollar terms, but may be worse-off in real terms.

- Independent schools which are currently receiving less Government funding than their entitlement under the proposed Commonwealth Government funding model are likely to receive additional funding in 2014. This would not be the total additional amount of funding, but more likely a proportion of any additional funding entitlement (given that the implementation of the Commonwealth Government funding model is to be over a period of six years from 2014 to 2019). In other words, additional funding would be applicable to a school at a rate of one-sixth each year on a cumulative basis.

The following matters should also be taken into consideration for longer-term planning in relation to schools funding:

- Each independent school's SES score is currently being recalibrated by DEEWR, as part of a normal process of updating, with new SES scores applying from 2014. It is expected that schools will be advised of their new SES scores in early 2013. It is currently not clear how schools which have an increase or a reduction in their SES score from 2014 will be treated in the proposed Commonwealth Government funding model;
- Under the proposed Commonwealth Government funding model to apply from 2014, funding resulting from the loadings will be significant for many schools. Loadings will be applicable for various school and student characteristics and could be variable from year to year depending upon a school's particular cohort of students. Some loadings such as size and location should be stable, however, for some schools, it may be difficult to predict from year to year the amount of government funding to be received because of the likely variability in most loadings. ISCA will continue to highlight this issue to government and seek a policy outcome to mitigate against this outcome such as schools

being provided with stability in loadings for at least three years;

- Two key loadings, students with disabilities and students with a language background other than English, are unlikely to be incorporated into the proposed funding in 2014 as work is continuing to develop consistent approaches to identifying eligible students.