

Funding

Under construction

– future funding arrangements for schools

According to **Bill Daniels**, the Executive Director of ISCA, the highly anticipated release of the Gonski report on school funding on 20 February 2012 has ushered in a further period of consultation, discussion and negotiation on how schools will be resourced in the future. It may be a while before independent schools can safely predict their future funding levels.

While Government promises that no school will lose a dollar provides a level of assurance, schools must be able to determine the impact of any new funding arrangements on their individual operations before they can plan with confidence.

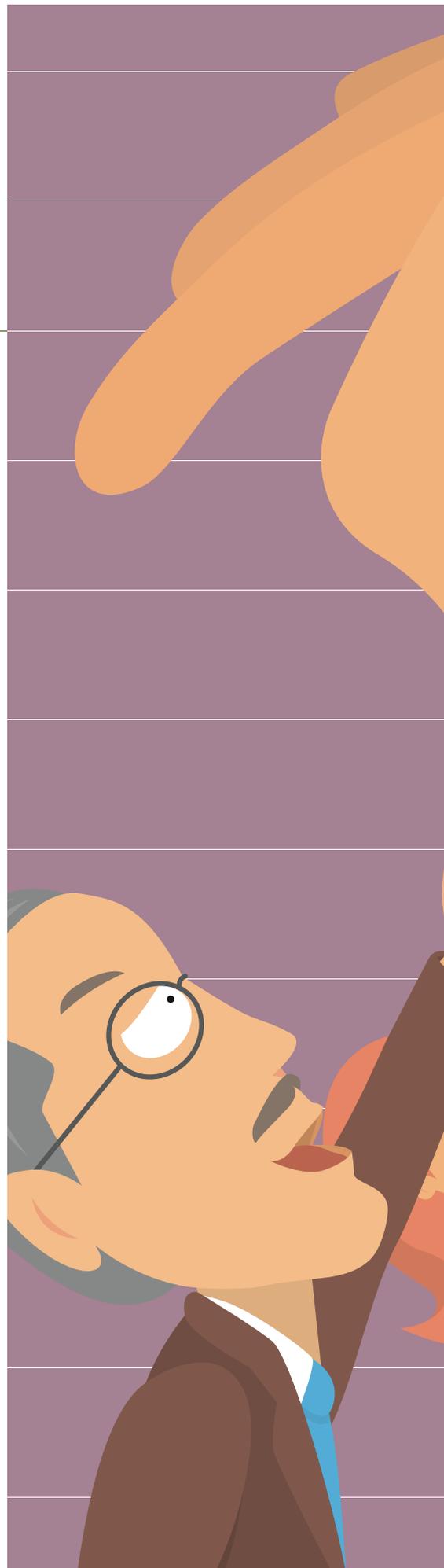
Since the release of the report, after almost two years of inquiry, a host of working groups and committees have been appointed to explore specific elements of the proposed new arrangements. While it has made no commitment to accept any or all of the Gonski panel's 41 recommendations and 26 findings, the Commonwealth has initiated a process of consultation, testing and modelling, with the aim of incorporating these changes in the school funding arrangements due to be legislated at the latest in 2013. This leaves many details to be resolved over the next several months.

This tight timetable is only one of several challenges to be met if the Gonski proposals for a comprehensive overhaul of the current funding arrangements are to be legislated in time for the next school funding period. Proposals for a shift in the responsibilities of the Commonwealth and states and territories will require sensitive negotiation, and the price tag attached to implementation, conservatively estimated at \$5 billion a year (2009 costs), and

will be difficult to meet in a period of budgetary restraint and changing political environment.

The Independent Schools Council of Australia (ISCA) cautiously welcomed the report on its release and in principle supports many of the review's recommendations. However, it reserves its conclusions until it can examine the proposed model in detail, using real data, to assess their impact on independent schools. Over the coming months, ISCA will be actively engaged in testing the feasibility and practical application of the Gonski proposals using 2009 and 2010 My School financial data. The original delay by the Government in releasing the data required to undertake modelling analysis is unfortunate.

The main planks of the proposed funding model are a new schooling resource standard (SRS), a realignment of Commonwealth and state/territory responsibilities for government and non-government school funding, and additional funding for disadvantage to be paid as part of general recurrent funding, in the form of loadings on the schooling resource standard.





1. A NEW RESOURCE STANDARD

One of four major research studies commissioned by the Gonski panel in the course of its review was an assessment by the Allen Consulting Group of the feasibility of a schooling resource standard, to reflect the level of resources required for students to meet specified educational outcomes. The review accepted the Allen Group's conclusion that an appropriate national schooling recurrent resource standard could be designed and used as a base for both government and non-government school funding.

The SRS is the centrepiece of the review's approach to recurrent funding. It would replace the AGSRC, both as a benchmark and for indexation purposes, and would underpin all general recurrent funding, applying across all sectors and systems in the form of a separate per student dollar amount for each primary and secondary student.

Calculated as the full cost of delivering high quality schooling, the standard would initially be developed from a set of reference schools to be chosen from the government, Catholic and independent sector where at least 80 per cent of students have achieved above the national minimum standard for their year level in both reading and numeracy across each of the three most recent years of NAPLAN results. The review panel's indicative estimate of the value of the standard is about \$8,000 for primary schools and \$10,500 for secondary.

The Gonski panel envisages a schooling resource standard that is forward-looking; a benchmark measure of the actual costs of providing students with the opportunity to achieve nationally

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agreed outcomes. It is described as an aspirational amount, linked to education achievement and outcomes, in contrast to the costs and inputs that drive the AGSRC.

The initial reference schools would continue to be used to assess changes in schooling costs, as the basis for annual indexation of both the resource standard itself, and the additional loadings targeting disadvantage.

How the standard would apply

Under the proposals, government schools would continue to be fully publicly funded, attracting the full amount of the SRS per student. Non-government schools would attract at least a minimum public contribution per student, regardless of either the capacity of the school to contribute or the actual level of private investment.

The Gonski report indicates that the minimum public contribution would apply to a very small number of high SES schools, as is the case now under the SES funding model. The review considers that a level between 20 to 25 per cent of the schooling resource standard per student amounts without loadings would be appropriate for these schools – the approximate equivalent of the current minimum level of combined public funding, from the Commonwealth and state and territory governments, received by non-government schools which are funded under the SES model and which have an SES score of 130 or above.

Needs-based funding

In addition to the minimum base grant, non-government schools would be entitled to an additional proportion of

the resource standard based on the anticipated level of a school's private contribution. This private contribution is expected to reflect the capacity of the school community to contribute and is anticipated to be a minimum of 10 per cent of the SRS.

The Gonski report rejects the arguments for linking public funding directly to a non-government school's actual private income, expenditure or assets and finds that such an approach would be too complex and difficult to implement equitably, and would have the perverse effect of creating a disincentive for parental contribution. The panel puts forward a number of principled and practical arguments for continuing to base the allocation of the public contribution to non-government schools on the expected capacity of parents to make a financial contribution, rather than the extent to which they actually do. They believe that capacity to contribute:

- provides a fairer, more consistent and transparent basis for funding the different types of non-government schools;
- is simpler and less intrusive for schools and governments to administer than a model based on actual contributions; and
- provides stronger incentives for private investment by parents and others.

The panel accepts that some non-government schools will therefore have total resources in excess of the resource standard. Nor will schools be penalised if they do not raise private income or fees equivalent to the anticipated minimum private contribution.

Under the new model a few non-government schools will be exempted

from the expectation to raise the private contribution of at least 10 per cent of the SRS. Schools serving students or communities with very high levels of need, such as special schools, majority Indigenous schools and remote sole provider schools, may be eligible for full public funding.

The Gonski report considers various reservations about the validity of the SES measure currently used as a basis for needs-based funding, and suggests the development of a more precise SES-type measure, either using the smaller area mesh blocks which represent the smallest unit of the 2011 census, or alternatively, a direct measure of parental SES. In the meantime, the existing measure would be used.

A more serious concern to the review panel was the extent of exceptions to the SES model whereby 17 per cent of independent schools and 55 per cent of Catholic systemic schools are not actually funded on a needs basis. In the panel's view, it is critical to the integrity and fairness of the new funding arrangements that the same measure of need is applied to all non-government systems and schools. The consistent application of the measure is seen as essential to the integrity and fairness of new funding arrangements.

2. COMMONWEALTH AND STATE/TERRITORY FUNDING RESPONSIBILITIES

One of the complexities of school funding in Australia has long been the division of funding responsibilities between the

Commonwealth and states/territories. The Gonski report draws attention to the fact that the Commonwealth provides only 15 per cent of the total public funding of government schools compared with about 74 per cent of the public funding of non-government schools. On the other hand, state and territory governments provide 85 per cent of the public funding of government schools and only about 26 per cent of the public funding of non-government schools.

To complete the funding picture, it is important to note that private investment accounts for about 5 per cent of the total recurrent funding of government schools compared with 23 per cent and 55 per cent of the recurrent funds of Catholic systemic and independent schools respectively.

This complexity has fuelled many misconceptions and distortions in the school funding debate in Australia. The Gonski panel finds the current arrangements unnecessarily convoluted, lacking coherence and transparency, and involving duplication, overlap and lack of coordination. The review therefore calls for a “realignment” and “rebalancing” of roles and greater coherence, so that schools are funded appropriately for need regardless of sector and jurisdiction. Under the new model, responsibility for funding the SRS and loadings for all schools, government and non-government, would be shared between levels of government.

Proposed new intergovernmental framework

In the interests of greater coherence, the review proposes that the Commonwealth assume a greater role in funding government schools and the states and

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territories take on more responsibility for non-government school funding. This would involve significant change to current responsibilities in what has long been a particularly sensitive area of federal relations. These proposals seek to balance the central government’s responsibility for the outcomes of schooling which have an influence on national economic and social goals, and the constitutional responsibility of the states and territories for the delivery and management of schooling.

In the panel’s view, only the Commonwealth has the financial capacity to make the significant investment needed to lift the outcomes of disadvantaged students in government schools. This larger role for the Commonwealth in government school funding is seen to align with its responsibility under the National

Education Agreement to support students with particular needs, and the shared responsibility of governments to support improved outcomes of Indigenous students.

For the Commonwealth to maintain its funding obligations to non-government schools and increase its funding to government schools at the same time would require either additional resources, or a realignment of responsibilities. The additional cost to governments is estimated at more than \$5 billion a year.

New structures

To develop, oversee and administer the new funding approach, the panel proposes new structures, at both national and state/territory levels. At the core of the new governance arrangements is an independent and expert National Schools Resourcing Body. To be funded by all governments, this new body would have major responsibility for the ongoing development and maintenance of the schooling resource standard and loadings, annual indexation of the standard and loadings, ongoing research, and the development of school building standards.

The report also identifies a need for more coordinated planning for new schools and major school expansions, and recommends the appointment at state level of new cross-sectoral School Planning Authorities. For non-government schools, capital funding would continue to be provided through Block Grant Authorities.

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PROFILE

Bill Daniels is Executive Director of the Independent Schools Council of Australia. Prior to serving three years as Deputy Executive Director of the Australian Quarantine and Inspection Service, Bill held several senior appointments in the Commonwealth's education portfolio. He also served as Chief of Staff for Senator John Carrick when he was Minister for Education.

3.FUNDING FOR DISADVANTAGE

A prime concern in the review is the need to address disadvantage. The panel's proposals are designed to direct greatly increased resources to the key dimensions of educational disadvantage, identified as low socioeconomic status, Indigenous background, English language proficiency, disability and school remoteness.

Schools that enrol students with multiple factors of disadvantage or with high concentrations of disadvantaged students will attract higher funding through the application of loadings to the schooling resource standard. The loadings will be calculated as the additional cost of giving schools with a particular characteristic or with particular types of students the same opportunity to achieve nationally agreed educational outcomes as schools that do not attract loadings.

The panel notes the findings of research commissioned from the Nous Group showing that Australia has a high concentration of disadvantaged students in certain schools and a large number of disadvantaged schools in the government sector. It is these disadvantaged students and schools that will be targeted through the additional funding provided through loadings. This is seen by the review panel as a cost-efficient strategy with the greatest impact on improving overall performance.

While the majority of the additional funding is expected to go to government schools, the loadings for disadvantage would apply irrespective of schooling sector. The review has followed the principle that public funding needs to reflect the nature of the educational challenges faced by a system or school

given its characteristics and student population, regardless of whether it is in the government or non-government sector. The panel has recognised the degree of diversity in non-government schools and the broad range of students in the sector, including students from disadvantaged backgrounds. Of particular importance to independent schools is the proposal for equitable funding for students with a disability across sectors.

The move to a funding system based on a resource standard plus loadings would see the end of targeted funding programs. These would be phased out,

“The Gonski recommendations provide a comprehensive platform for future reforms.”

and current targeted funds rolled into the base of funding available for the new model.

In proposing this approach, the panel has drawn attention to the trend over the last decade for many state and territory governments to move away from discrete targeted programs towards funding disadvantaged students and schools through per student-based funding formulas. ISCA will be examining the implications of this approach in the course of discussions and negotiations with governments over the coming

months and testing whether it is the most efficient or effective approach to meeting the needs of disadvantaged students in independent schools.

The panel highlights a need for governments to focus on public accountability for educational outcomes. While accepting the necessary accountability that comes with public funding, independent schools are already highly regulated and accountable at many levels of government. ISCA will be concerned to avoid any unnecessary increases in regulations and heavier government or bureaucratic involvement in the operation of independent schools under the new arrangements.

THE WAY FORWARD

ISCA is looking forward to working constructively with the Government in considering the feasibility of a new funding model to support the overarching objectives of quality and equity, choice and diversity in schooling. The Gonski recommendations provide a comprehensive platform for future reforms. Rather than act in haste and risk either the integrity of the new model or losing features of the current funding arrangements that are known to contribute to school effectiveness, it may be necessary to delay the new legislation until all the necessary details can be resolved, all the likely anomalies explored and the new approach properly tested and trialled. As the Gonski report itself points out, so much is at stake for the nation in having a high quality and equitable schooling system.

