

Address to the ISCA/ AHISA Education Forum 2018

by

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In February 1992 I was a public servant newly transferred to what was then the Department of Employment, Education and Training or DEET. I commenced in the School Resourcing Branch whose primary focus was the Australian Government's funding for schools – government and non-government. I spent my days costing funding options for non-government schools. In the end I spent almost 17 years working on various aspects of school funding in the Australian Government Department.

I then moved to ISCA and I have been at ISCA for more than a decade. Another decade of Australian Government school funding.

For the mathematically inclined you may have calculated that I am now well into my 27th year of school funding. After all these years totally absorbed by school funding and being confronted with the prospect of addressing the forum today, I have decided to take the opportunity for some introspection around school funding and school funding for non-government schools in particular.

Where have we come from; where do we want to go; what is the end game here? What is the Holy Grail of school funding for Independent schools?

To answer any question about school funding the answer always is: "its historical". To paraphrase William Faulkner "The past is never dead. It's not even past" This is never more true that for school funding. The legacies of funding arrangements dating back decades are still with us today. There have been many attempts to re-set non-government school funding to get rid of these legacies and yet they are still with us.

So what am I talking about? Let's look at how we got to where we are now. In doing so I will attempt to treat history impartially without putting too much of an Independent school slant on the facts and encourage you to draw your own conclusions. Please forgive me if my ten years of advocacy for Independent schools shows.

In 1964 the Australia Government began funding some capital works in non-government schools, specifically science blocks and equipment for both government and non-government schools. In 1970, recurrent funding for non-government schools was introduced, "a major impetus for which was the struggling Catholic school sector". From 1973, recurrent funding for both government and non-government sectors was introduced, providing with these changes: recurrent, capital funding and some targeted funding for specific educational needs.

Let's now jump to the model that was in place when I joined the world of school funding with the ERI or Education Resources Index which was introduced in 1985. Under the ERI there were 12 funding categories – Category 1 schools were in theory the most well off and Category 12 schools were in theory the most needy schools. Schools were categorised according to a complex measure of need which, among other things, utilised fees as part of that measure.

As you would anticipate, Independent schools were spread across the 12 funding categories. And many of you will recall that Category 1 to 3 schools were infamously targeted under the Latham Hit List.

Significantly, and this is important for where we are today, Catholic systemic schools were deemed to be Category 11. That is, they were all deemed to be classified as virtually the most disadvantaged

schools in Australia regardless of the communities they were serving and received Australian Government funding accordingly at high levels.

It was widely acknowledged by the mid 1990's that the ERI methodology for funding non-government schools was broken. It was open to manipulation and gaming and clearly was no longer an accurate or effective measure of need. It has also become clear that a model based in part on fees, also acted as a disincentive to private investment in education. The Minister for Education at the time, Dr David Kemp, initiated the development of new funding arrangements which resulted in the socio-economic status methodology of assessing need in the non-government sector. The SES is, of course, still utilised in non-government schools to determine capacity to contribute today.

The SES methodology applied to Independent schools from 2001. The Catholic system did not join the SES until 2005. Significantly, for schools that would have been worse off under the SES methodology at its commencement, these schools were designated to be Funding Maintained which meant that they did not lose any Australian Government funding, and received full indexation, effectively maintaining them at the funding levels they received under the ERI. This was a decision of the government of the day.

Whilst the critical finger of blame for the issues created by Funding Maintenance is generally pointed at the Independent sector, only 15 per cent (15 per cent) of Independent schools were Funding Maintained. In fact 55 per cent of Catholic systemic schools were Funding Maintained which meant that the majority of Catholic systemic schools were still being funded at their ERI entitlement (ie the second highest level of disadvantage) right up until 2013.

By now you can probably begin to see why history is important and where the issues we have today had their genesis.

This brings us to the fairly recent history of the first Gonski Review. Initiated by the ALP when in Government in 2010, the Final Report of the Review of Funding for Schooling was released in February 2012 and recommended substantial changes to school funding arrangements – primarily the base and loading arrangements we are now familiar with known as the SRS or Schooling Resource Standard.

Significantly for non-government schools, base funding was and still is discounted by a measure of a school community's capacity to contribute which utilises the SES methodology.

This new approach to school funding was legislated in considerable haste just prior to the 2013 election which saw the ALP lose government to the then Abbott-led Coalition Government. The model applied to government and non-government schools from 2014.

Under these Gonski mark 1 arrangements there were three categories of non-government schools:

- Schools which were entitled to additional Australian Government funding (majority of Independent schools) and which were transitioning up to their correct funding entitlement (ie funding increasing)
- Schools which were already at or "on" their correct funding entitlement – these were mostly new schools
- Schools which were receiving funding in excess of their new SRS entitlement which came to be known in the media as "overfunded" schools. These schools were clearly identifiable in the Independent sector as the majority of the sector are stand-alone schools and many of these schools were subject to high levels of critical media attention.

However, there were "overfunded" schools in both the Independent sector and the Catholic systems but the Catholic systemic schools were not visible to the general public given the nature of systemic funding.

This also meant that the treatment of "overfunded" schools differed between systemic schools, predominantly Catholic systemic, and Independent schools.

We know that there were 272 Independent schools which were considered to be “overfunded”. However there were also 347 Catholic systemic schools which were also “overfunded”.

“Overfunded” Independent schools were transitioning down over time to their correct funding level utilising differential indexation. The SRS funding amounts were indexed at 3.6 per cent and these Independent schools were indexed at 3 per cent (hence the situation where some schools were going to take in excess of 100 years to transition – assuming the funding model lasted that long – which of course it didn’t).

However, for “overfunded” systemic schools, predominantly Catholic systemic schools – there was no transition to a correct entitlement, because of the funding arrangements for systems. As systems were funded as one entity, a system which overall was attracting additional funding, received 4.7 per cent indexation for all schools, even if some schools individually within the system were ‘overfunded’.

This was exacerbated by the use of system weighted average which funded all schools in a system at the student weighted average SES score for the system. This was something systems could elect to use if it was financially advantageous for them.

The effect of this was that not only were ‘overfunded’ Catholic systemic schools not moving towards their correct funding entitlement, they were receiving increases in real terms.

This arrangement was deemed to be ‘sector-blind’ because it was also offered to systemic schools within the Independent sector. But it was not ‘sector -blind’ in its treatment of ‘overfunded’ schools consistently across the sectors. Clearly stand-alone Independent schools were at a significant, and increasing, financial disadvantage.

Now I am fully aware that around 18 per cent of Independent schools are systemic. Only about half of Independent systems elected to utilise the system weighted option. But for those Independent systems that did opt to utilise the system weighted option, there were as I mentioned, the same benefits for their overfunded schools in terms of total funding and indexation. It is worth noting however, that the number of ‘overfunded’ Independent schools in Independent systems was small, only 20 schools, compared to the 347 Catholic systemic schools.

Following the election of the Coalition Government in 2013, the Coalition Government committed to funding the first four years of Gonski mark 1 – that is for 2014, 2015, 2016 and 2017.

In June last year, amendments to the Australian Education Act were passed changing the Australian Government funding arrangements for schools again. The fundamental concept of the Gonski funding mark 1 with the base and loadings was retained, but the model moved to a concept of a consistent Australian Government share of a school’s SRS.

This is the 80 per cent/20 per cent concept. For non-government schools, the Australian Government would fund 80 per cent of a school’s SRS public funding entitlement. State and Territory Governments would fund 20 per cent of a school’s SRS public funding entitlement.

These changes sought to bring all schools onto their actual funding entitlement rather than further entrench historical funding decisions.

In theory, these changes were consistent with ISCA’s long-standing principles for school funding including the principle of Consistency – that is, that funding arrangements should apply consistently to all schools across the non-government sector regardless of organisational arrangement.

Part of the Coalition Government’s stated objective was the removal of what the Government defined as a number of ‘special deals’ which had been applied to the school sectors including Catholic and Independent schools by the previous government. Probably most contentious of these identified special deals was the system weighted average application to non-government systems, most significantly Catholic systems.

Systems retained their capacity to allocate funding according to their own needs-base methodology, which in the case of Catholic systems meant they could continue to ensure they were able to maintain their ethos of keeping fees low across all schools.

Of course, in securing passage of the legislative amendments through the Senate, in response to Catholic concerns regarding the SES, it was agreed that the removal of System Weighted Average for systems would be delayed for a year, 2018, pending the outcome of the review of the SES methodology (which has just been released). In response to this, the Independent sector secured ongoing indexation for all Independent schools of at least 3 per cent for 2018, to avoid further distortion of the current funding relativities between the two sectors.

Which brings us to today. And the issue of what next.

The National School Resourcing Board was established as part of the amendments to the legislation last year. Its first task has been to Review the SES methodology utilised to determine the capacity to contribute discount applied to the base funding of non-government schools.

As you would all no doubt be aware, the Board has recommended a radical change to how capacity to contribute should be measured – utilising a direct measure of parental income of parents of students at a school.

ISCA's response to the Report has been cautious noting that the current SES methodology took three years to model, trial and validate prior to its introduction, and the Independent sector would accept a no less rigorous process in the consideration of any alternative methodology. In short, the Independent sector could not support an alternative methodology without extensive further work and clear answers to the many technical issues and concerns with the proposed alternative methodology.

We are all acutely aware that some in the Catholic sector have been very vocal in their opposition to the Government's changes to school funding last year. Their approach has in some instances been highly political, and in some cases, quite antagonistic towards the Independent sector, which is a significant departure from the previous positive relationship we have enjoyed between the two non-government sectors.

This is a new and difficult environment to negotiate. There have of course been difficult and challenging times for the Independent sector in the past:

- The Australian Council for the Defence of Government Schools or DOGS High Court challenge to state aid for non-government schools in the 1970s;
- The 2004 Mark Latham Hit List of Category 1 to 3 Independent schools

Being just two examples.

However, it is difficult to remember a time when the environment was so contested and complex.

The situation is exacerbated by what I can only characterise as a deteriorating environment of public discourse around school funding for non-government schools, characterised by light-weight journalism; a loss of subject experts –including Education specialists in the media particularly the press; and a willingness to accept and report information or comment without any regard to its veracity.

This has meant that there continues to be widespread misinformation and confusion in the community regarding school funding, with perception not reflecting reality.

So what is the Holy Grail for school funding for Independent schools?

- Is the objective to just shoot for as much funding as possible and accept we have to live with the historical anomalies;

- Is the objective to continue to strive for consistent treatment of non-government schools across the sectors – that is, that schools serving the same communities receive the same level of Australian Government funding support.

No matter what, in the end, we have to operate in the real world and the political reality.

If policy purity is the Holy Grail – the true history of non-government school funding is a reality-biting exercise in political compromise and pragmatism.

We know that going into an election, the Government and the Opposition will seek to mollify their critics whilst avoiding creating a whole new cohort of critics.

And let's not forget that regardless of who is in government, major changes to school funding will require amendments to the legislation. And that means passage through the Senate and that generally means all manner of horse-trading, negotiation, compromise and deals. And the merry-go-round starts again.

Perhaps the best we can hope for in the quest for the Holy Grail is that the inevitable political compromise comes with a measure of integrity.

Compromise with integrity. Probably an oxymoron, I know.

And ISCA will continue to advocate for fair, consistent and equitable funding for Independent schools. We will continue to work for the whole sector and every Independent school in Australia, with close co-operation with our members and consultation with the many other representative bodies in the sector, many of whom are here today.

Although some days, the school funding environment feels like we are a character in another quest for another Holy Grail. For those Monty Python fans among you, for those days when we feel like the Black Knight, we should remember that "It's just a flesh wound".

Thank you.