



Australian Government



Review of Funding for Schooling

Paper on Commissioned Research | August 2011

Comments and inquiries

Further information on the review can be found on the review website: **www.deewr.gov.au/fundingreview**

978-0-642-78083-6 [PDF]

978-0-642-78084-3 [RTF]



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The document must be attributed as the *Review of Funding for Schooling: Paper on Commissioned Research*.

Note from the Chair

It is my honour to be chairing the Review of Funding for Schooling panel, working with members Ken Boston AO, Kathryn Greiner AO, Carmen Lawrence, Bill Scales AO and Peter Tannock AM.

On behalf of the panel, I welcome the opportunity to thank those who have contributed to the review so far, giving generously of their time, experience and expertise.

Many have spent time on submissions to the *Review of Funding for Schooling: Emerging Issues Paper*, which closed earlier this year. Others have met with panel members, or have opened schools to us during our visits to schools across Australia between February and May 2011.

I have said on previous occasions that the task ahead in developing any new funding model for schooling is complex. It is critical that our deliberations be informed by comprehensive research and analysis. In addition to the extensive research which has been undertaken over recent years, the panel has commissioned four research projects.

These research projects have been undertaken by leading research organisations including the Australian Council for Educational Research, Deloitte Access Economics, The Allen Consulting Group, and a consortium led by The Nous Group, which includes the Melbourne Graduate School of Education at The University of Melbourne and the National Institute of Labour Studies at Flinders University.

This paper accompanies the release of the four commissioned research reports and invites public comment on the findings of the reports. The panel is seeking public comment through a submission process. We are particularly interested in comments on how any funding approach suggested by the research reports might impact on the future provision of schooling in Australia.

It is not the intention of this paper to set out any of the panel's conclusions about the research reports. Nor should the research reports be read as suggesting the direction the review is taking.

The findings are those of the authors and should not be read as supported or endorsed by the panel. The panel is still forming its own assessment of the research findings, and invites interested parties to make a submission in respect of the research. We look forward to receiving your views and ideas by **30 September 2011** as we shape our recommendations.

The panel will provide its final report to the Australian Government, setting out new funding arrangements for schooling in Australia, before the end of this calendar year.



David Gonski AC

Introduction

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.

In order to do this, the review must consider the funding needs of students from all schools across the government, Catholic and independent schooling sectors. It must also consider funding provided by the Australian Government and state and territory governments, as well as other sources of school income.

A number of factors interact within Australia's schooling system which impact on its performance. Among these factors are Australian Government and state and territory government funding and the means and mechanisms by which it is allocated across schools. The policy and regulatory environments which govern schooling within each state and territory, the demographics of the student population, and the extent to which educational disadvantage is present all have a bearing on the way funding is allocated.

In addition to funding, the performance of our schooling system is influenced by factors such as the quality of our principals and teachers, the ability of schools to allocate and manage resources at the school level, the expectations and ambitions parents and teachers have for students, and the innovative approaches to teaching and learning employed by our high performing teachers and schools.

It is critical that the panel's work in identifying new funding arrangements for schooling carefully consider these important factors, and in doing so, draw upon comprehensive research and analysis in these areas.

This paper accompanies the release of four commissioned research reports, which form one part of the review's program of research. The four reports are available from the review's website at www.deewr.gov.au/fundingreview. The paper provides an introduction to each report, and invites government and non-government education authorities, schooling organisations, and members of the community to make a submission on the content of the research reports.

The research reports do not reflect any conclusions of the panel, but are an important part of the panel's ongoing deliberations. Comments and reactions from the community on the research reports will help to shape these deliberations. These comments will provide a valuable indication of whether the research presents a viable way forward in addressing the panel's terms of reference.

Information on how the community can make a submission on the commissioned research is set out in the final section of this paper. Further information is available from the review's website at www.deewr.gov.au/fundingreview.

Submissions strictly close on **30 September 2011**.

The task ahead of the panel

The terms of reference for the review at **Appendix 1** of this paper outline the issues that the panel is considering as it forms its recommendations on a new funding system for schooling in Australia.

The task of understanding and responding to the challenges of the current funding arrangements for schooling is complex. There are significant differences in the way Australian schools are organised across the government and non-government schooling sectors, and across states and territories. There are also differences in the way schools are funded by the Australian Government and state and territory governments across sectors and states. These funding arrangements are not easy to understand and lack transparency, particularly funding for educationally disadvantaged students.

Furthermore, there are different funding needs arising from variations in the communities schools serve, the backgrounds of the students, and the size and location of schools.

There is no doubt that the many representations and submissions to the review, as well as the research and evidence presented to the panel, have made a case for fundamental change in the way we fund schooling at all levels of government.

The panel is now well on its way in developing new funding arrangements for schooling. It has spent over a year reviewing the current funding arrangements, speaking to members of the community, carefully considering the many submissions to the review, and reflecting on research and analysis, including the four research reports presented in this paper. At this point, further feedback from government and non-government education authorities, schooling organisations and the community on the findings of the commissioned research will be critical in shaping the future funding directions for schooling.

The panel looks forward to receiving this feedback ahead of providing its final advice to the Australian Government before the end of 2011.

Consultation with the community

Consultation with the community has formed an important part of the panel's work since the commencement of the review.

To begin with, the panel undertook a preliminary listening tour in the second half of 2010, meeting with over 70 organisations. On 16 December 2010, the panel released the *Review of Funding for Schooling: Emerging Issues Paper*, which presented the views the panel heard during the listening tour, and invited submissions on the issues. Over 1200 submissions were received as part of this submission process. In addition to the submission process, a significant number of other submissions have been received by the panel. The extensive knowledge, experience, ideas, and opinions that have been expressed in the submissions have been analysed and carefully considered by the panel.

In the first half of 2011, the panel undertook a number of visits to government and non-government schools in each state and territory to hear more about the issues which were raised during its initial consultations.

Review's program of research

The panel's listening tour in 2010 confirmed that there were a number of significant issues that the review must address in developing a new funding system for schooling. The concept of equity of educational opportunity for all students in all schools was widely discussed, and has been a recurring theme in submissions to the review.

Another significant issue raised during representations to the review was concern that aspects of the current funding arrangements lack clarity and transparency, particularly Australian Government funding for non-government schools. Both the socioeconomic status (SES) funding model and the Average Government School Recurrent Costs (AGSRC) measure were viewed by many as complex and inequitable.

The funding provided by governments for educationally disadvantaged students was also considered to be insufficient for some groups of students, with little evidence available on the effectiveness of this funding in supporting student outcomes.

Based on the many significant issues raised by stakeholders, the panel was able to identify a number of highly complex areas that required further analysis and investigation.

In 2010, a comprehensive program of research began to support the panel's deliberations. The program includes four commissioned research projects, additional research that has been undertaken over recent years, and other types of evidence that have been presented to the panel.

The four commissioned research projects align with the areas that the panel has been asked to examine and deliver recommendations against, as set out in the review's terms of reference at **Appendix 1**. They are:

- ***Assessment of current process for targeting of schools funding to disadvantaged students***, by the Australian Council for Educational Research (ACER)
- ***Assessing existing funding models for schooling in Australia***, by Deloitte Access Economics
- ***Feasibility of a national schooling recurrent resource standard***, by The Allen Consulting Group
- ***Schooling challenges and opportunities***, by a consortium led by The Nous Group which includes the Melbourne Graduate School of Education at The University of Melbourne and the National Institute of Labour Studies at Flinders University.

Opportunity for comment

Detailed findings and suggestions for future funding arrangements for schooling in Australia are contained within the four commissioned research reports, published on the review's website at www.deewr.gov.au/fundingreview. It is important that this part of the paper be read in conjunction with the reports.

The research reports remain the responsibility of the authors. The research findings do not necessarily reflect the views or conclusions of the panel.

The panel now invites comments on the content of the four commissioned research reports. Interested parties may wish to comment on some, or on all of the research reports.

A short introduction to each research report is set out below. The project scope and research questions the authors set out to address is at **Appendix 2**.

1. Assessment of current process for targeting of schools funding to disadvantaged students – Australian Council for Educational Research (ACER)

The research project undertaken by ACER examined the funding the Australian Government, state and territory governments and non-government school systems provide to schools for educationally disadvantaged students, namely students with disability, Indigenous students, students with limited English language proficiency, students from low socioeconomic backgrounds, and students in regional, rural and remote areas. The project also considered how the educational needs of these students are defined, identified and measured.

The project used a combination of three data collection methods including a questionnaire, face-to-face interviews involving all educational authorities, and a literature search and review.

As part of the project, ACER was asked to provide a high level evaluation of the effectiveness of the programs for educationally disadvantaged students, as well as outline a number of feasible alternative arrangements.

2. Assessing existing funding models for schooling in Australia – Deloitte Access Economics

The research project undertaken by Deloitte Access Economics examined and assessed existing Australian Government and state and territory government funding models used to support government and non-government schools. As part of the project, Deloitte Access Economics identified criteria by which the effectiveness of different school funding models could be assessed, and applied these criteria to the existing funding models.

The project drew upon the *Mapping funding and regulatory arrangements across the Commonwealth and states and territories* project, which was undertaken by The University of Melbourne's Graduate School of Education on behalf of the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) in 2011. This report is available on the MCEECDYA website at www.mceecdya.edu.au.

The project was also informed by data analysis, desktop research, and information obtained from discussions with government and non-government education authorities in each state and territory.

3. Feasibility of a national schooling recurrent resource standard – The Allen Consulting Group

The purpose of the research project undertaken by The Allen Consulting Group was to examine the potential value of a schooling resource standard or benchmark in new funding arrangements, which could be linked to achieving nationally agreed student outcomes.

The project also considered the advantages and disadvantages of different methodologies for developing a resource standard.

The project involved technical discussions with stakeholders, desktop research, and econometric data analysis.

4. Schooling challenges and opportunities – The Nous Group

The research project undertaken by a consortium led by The Nous Group, and also involving The University of Melbourne's Graduate School of Education and the National Institute of Labour Studies at Flinders University, set out to investigate the opportunities and challenges that Australia faces over the next 20 years in improving educational outcomes for all students, particularly those from disadvantaged backgrounds.

The project involved primary and secondary analysis, including econometric data analysis, literature reviews, and interviews with government and non-government education authorities and school principals.

Making a submission

All submissions on the commissioned research reports should be made via the online submission system at the review's website, www.deewr.gov.au/fundingreview, before **30 September 2011**.

Interested parties are asked to download the template provided at the review's website in preparing their submission. The website details how to lodge the submission, including how to provide attachments with the submission.

A quick guide has been developed to assist in the preparation of submissions, also available at the review's website. Submission authors are strongly encouraged to read this guide.

Important—Confidentiality

As part of the online submission system, submission authors will be prompted to give their consent to their submission being treated as a public document and published on the review's website. If submission authors do not wish their submission to be published, the submission should be clearly marked as 'confidential'.

Final steps

The panel will consider all submissions received by **30 September 2011** as it prepares its recommendations, ahead of reporting to the Australian Government by the end of 2011.

The Australian Government has committed to undertake extensive consultation with the community in reaching its final position on any new funding arrangements for schooling.

Appendix 1

Terms of Reference for the Review of Funding for Schooling

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

Purpose

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

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

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

Supporting educational outcomes

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

Allocation of funding

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

Funding mechanisms

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

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

Accountability and regulation

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

Appendix 2

Project scope and research questions

The authors were asked to address the following scope and research questions in undertaking each project:

Project 1: Assessment of current process for targeting of schools funding to disadvantaged students

Scope

The scope of the work will include mapping:

- the definition of educational need and disadvantage used in Australia by government and non-government schools and systems for funding purposes including English language proficiency, indigeneity, location, disability and special needs, low socioeconomic status; and
- the programs which seek to address disadvantage and how funding is allocated under them.

It will also include a high level evaluation of the effectiveness of these programs and outline a range of feasible alternative arrangements.

Research questions

The project is expected to address the following specific research questions:

How do existing programs seeking to address educational disadvantage work?

- What funding programs operate across jurisdictions and sectors to improve educational outcomes for disadvantaged students?
- How much funding do they provide?
- What types of disadvantage do they seek to address?
- What types of student selection and exclusion policies may apply across different systems?
- How is disadvantage defined in an operational sense?
- What are the key similarities and differences in the ways funding programs are structured and operate across jurisdictions and sectors?

Are existing programs effective?

- To what extent do existing programs effectively reduce the impact of disadvantage on educational outcomes?
- To what extent do they meet the range of needs for assistance?
- Do they overcome the major barriers to such students accessing and participating in quality schooling?
- Are these programs effective in reducing the impact of concentrated disadvantage in some schools on the educational outcomes of their students?
- What is the impact of student selection and exclusion policies on schools and systems?

What alternative funding approaches should be considered?

- Which alternative funding approaches would best meet the specific needs arising from different types of disadvantage?
- Are there examples of good practice or more effective programs in some jurisdictions or sectors that could be adopted more generally?
- What accountability should recipients of funding bear for demonstrating that programs are effective in meeting the needs of disadvantaged students and schools?

Project 2: Assessing existing funding models for schooling in Australia

Scope

The scope of the work should include:

Analyse the relationship between school resourcing and educational outcomes.

- Description and analysis of the available evidence about the links between school resourcing and educational outcomes. While the links between resourcing and outcomes are complex and indirect, we require a conceptual framework to describe why and how effective funding arrangements are important for achieving educational outcomes (an effective funding model should contribute to maximising the educational outcomes achieved, however a significant number of factors related to program design and delivery are involved). This framework should be applicable to government, Catholic and independent schools in each jurisdiction, using available information (to the extent that this can be identified).

Consider the criteria by which different school recurrent, capital and targeted funding models around Australia should be assessed.

- Appropriate criteria should be developed with reference to best practice funding approaches, relevant literature, and views of the panel and other stakeholders as identified by the secretariat. The criteria would likely include, but not be limited to, the following features of funding arrangements:
 - effectiveness (funding supports the provision of high quality education and achieves educational outcomes);
 - being linked to policy objectives (funding contributes to educational outcomes and is specifically linked to clearly defined, appropriate and current program and policy objectives, such as the Melbourne Declaration and including those set by state and territory governments);
 - supporting programs and practices known to achieve educational outcomes (including responsiveness to evaluations and best practice advances);
 - financial efficiency (with reference to administration costs, resource standards, private investment);
 - sustainability (is the level of funding and the funding approach sustainable over time, including whether or not schools and systems are satisfied with the approach);
 - flexibility (the extent to which the model is responsive to changes in student and school needs from year to year);
 - simplicity (is the complexity of the funding model appropriate for its purpose);
 - fairness (are all students, schools and systems treated fairly, for example do students or schools with similar characteristics have access to similar support and programs); and
 - transparency (how easy is it for participants in the system to understand the basis on which they and others receive funding, and for students, families and educators to understand resource allocation to various aspects of schooling).
- Whether or not criteria should be weighted in any assessment of performance, and if so, what those appropriate weightings may be.

Summarise and assess the different models in Australia for funding schooling, identifying strengths and weaknesses.

- Summarise the different models in Australia for funding schooling.
- Identification of strengths and weaknesses in the current funding arrangements at both program and national level.
- Stakeholder views on the performance of the current funding arrangements against a range of criteria.

- Comparison between jurisdictions and systems—on things such as features of the funding and regulatory arrangements, policy rationale, demographic differences, and total funding amounts.
- Identify which features of state and territory funding models contribute to the overall performance of school funding arrangements. Consider the extent to which differences in funding models are important in achieving educational outcomes.
- Identify which features of Commonwealth funding models contribute to the overall performance of school funding arrangements in Australia.
- Describe and analyse the contribution of indirect funding delivered through Commonwealth and state and territory taxation systems. Identify who benefits from the taxation arrangements, quantify the benefits if possible, and identify any issues with the arrangements.

Explain and assess how funding arrangements at different levels of government interact.

- Consideration of the national and local contexts for school funding.
- Describe how state and territory funding arrangements interact with Australian Government funding arrangements.

To the extent that it is related to funding mechanisms, regulation and school policy are to be considered in this work. The funding of disadvantaged students in particular is the subject of another project, currently underway. As such, this work does not need to consider disadvantaged students in detail, rather as one part of overall funding.

Research questions

The project is expected to address the following specific research questions:

What is the relationship between school resourcing and educational outcomes?

- What evidence is available about the relationship between school resourcing and educational outcomes?
- Are educational outcomes appropriate criteria by which to assess the effectiveness of funding models?
- What is the best way to conceptualise the links between funding arrangements, program design and delivery, and educational outcomes?
- How do funding arrangements contribute to educational outcomes for government, Catholic and independent systems in each jurisdiction? To what extent is it possible to identify this?

On what criteria should the performance of school funding models be assessed, for example financial efficiency, sustainability, simplicity, fairness, and transparency?

- What other criteria should be considered in assessing the effectiveness of funding models?
- Are there different views on the appropriate criteria?
- Should some criteria be given a greater weighting, and if so, what should the weightings be?

Which models perform better and why?

- Which have been reviewed recently or are now under review? What issues have arisen in reviews about the performance of different models?
- What qualitative or quantitative evidence is available to support assessments?
- Which models are most efficient at ensuring available funding is spent directly on educational resources, rather than administration?
- Which models best encourage private investment?
- What are the different approaches to indexing and setting resource standards?
- Which funding models can be most easily understood by those administering and participating?

- In which models is it possible to identify how schools are funded, on what basis they receive funding, and whether this is applied consistently to and by all participants in the system?
- To what extent can observed differences in student outcomes be attributed to funding models as distinct from other influences?
- What is the contribution of funding delivered through taxation benefits?

How do funding arrangements at different levels of government interact?

- Do any issues about the performance of school funding models arise from the interaction between Commonwealth and state/territory or non-government funding arrangements?

Project 3: Feasibility of a national schooling recurrent resource standard

Scope

The scope of the work should include:

- reviewing and critically assessing previous studies of school costs or resourcing standards, including relevant international research;
- investigating options for how existing statements of goals such as the Melbourne Declaration, COAG targets and the National Education Agreement (NEA) might be represented in appropriate service and resource standards for quality schooling;
- considering the advantages and disadvantages of these options (linking resources to outcomes) to form an assessment of which, if any, are feasible and merit further work;
- scoping and assessing the comparability and reliability of existing data that could be used for the purposes of setting a resource standard;
- developing specifications for a standard preferred by the panel (if any) in more detail;
- analysing data to make preliminary estimates of the level and cost of that standard; and
- depending on the panel's preferred approach and available data and time, validating the estimated level of the standard.

Research questions

The project is expected to address the following specific research questions:

What is the 'standard level of service' in schooling implied by the Melbourne Declaration, COAG targets and the NEA?

- Can a 'standard level of service' be specified that clearly links to goals and targets contained within the Melbourne Declaration, COAG targets and the National Education Agreement?
- What specific measures (that is, input, process or outcome) can be used to specify a 'standard level of service'?
- Can a 'standard level of service' be defined that is relevant to all jurisdictions and school sectors?
- Can a 'standard level of service' in schooling be specified so as to develop a schooling resource standard?

Can a schooling resource standard be specified?

- To which sectors should a schooling resource standard apply?
- What criteria should be used to evaluate specifications of the resource standard?
- Is there a basis for linking a 'standard level of service' to resourcing (both recurrent and capital)?
- How should financial and non-financial resources be treated in a standard?

- Should the 'base' standard be adjusted for student or school characteristics?
- At what level should a resource standard be set (for example, student or school or combination of both)?
- What sector(s) should be the source of data for developing the standard?
- What other factors are required to achieve outcomes (for example, accountability)?

What costs should be included in estimation of the schooling resource standard? And why?

- What costs should be included (and excluded) from a resource standard?
- Should costs not directly contributing towards outcomes be included (for example, transport, health and welfare)?
- How should administrative costs be treated (for example, internal: school-based staff and external: head office)?
- How should existing capital stock be treated in relation to recurrent expenditure?
- How should future capital expenditure be treated?
- How should capital-related costs (for example, depreciation, cost of capital) be treated?
- What are the key cost drivers in the resource standard (that is, which costs are likely to increase the most in the future)?

How should a schooling resource standard be supplemented to meet specific needs?

- Should a common standard be varied for specific student attributes, which have a significant effect on the cost of schooling (for example, low SES, Indigenous status, disability and non-English speaking background) and, if so, how?
- Should a common standard be supplemented to reflect school attributes which might have a significant effect on the cost of schooling (for example, size, location (remoteness), access, disadvantage) and, if so, how?
- How would a resourcing standard deal with specific circumstances such as special schools or combined primary/secondary schools?

What method(s) and analytical techniques can be used to develop a schooling resource standard?

- How can efficient costs be identified for inclusion in the estimation of a schooling resource standard?
- Can legitimate adjustments to the schooling resource standard (that is, cost weights aimed at achieving equity) be identified and estimated?
- Should the schooling resource standard and legitimate adjustments (for example, cost weights), be adjusted annually, or can an external indexation factor be applied?

What data is required to estimate the schooling resource standard and its components?

- What is the ideal range of data required to estimate and validate the schooling resource standard?
- Is the requisite data available for all Australian school sectors, at all levels required (that is, school, sector), and is this data comparable? If not, will requisite data be available in the future?
- Can missing data be replaced by synthetic or alternative data sets?
- Are there potential (or known) quality concerns with the data available to estimate the schooling resource standard?

What is an estimate of the schooling resource standard?

- What assumptions must be made when estimating the resource standard?
- How sensitive is the standard estimate to assumption changes?
- What are legitimate equity-based adjustments to the standard?

- What actions are required to validate the estimated resource standard? Is the standard estimate deemed to be valid?
- What are the overall resource implications of standard estimate?
- Is application of the standard likely to cause funding volatility for schools?

Project 4: Schooling challenges and opportunities

Scope

The overall purpose of the project is to provide a narrative describing the current levels of performance and equity of the Australian schooling system, future challenges facing the systems, and policy reform designed to meet these challenges and improve performance and equity. The research will be undertaken in four key components.

Component 1 – Current schooling outcomes and performance

This component will focus on the current performance, and recent historical trends in performance. Performance in learning, social and economic outcomes for individuals and Australian society as a whole will be considered at both the international level (OECD) and against performance targets (such as the Melbourne Declaration and COAG targets). The aim of this analysis will be to uncover any trends in performance that need to be addressed by policy reform. This should include analysis of differences across states and territories.

In this component the Consultant will also consider the broader roles that schooling plays in developing productivity, human capital and skills and in providing pathways to employment and tertiary education and training. The more intangible outcomes such as developing confident and creative individuals, and active informed citizens who participate in civil society should also be addressed. To this extent the project will explore what aspects of school performance can be used as leading indicators for these broader schooling outcomes.

Component 2 – Equity of school outcomes

This component will focus on the equity of educational outcomes, how these outcomes have changed overtime and the factors that explain these changes. This should include an international review of how Australia compares to other countries in the extent to which differences in educational outcomes are due to social background and what factors account for the differences. It will also examine trends over time within Australia at both national and state levels. It will also review evidence on:

- the major categories of disadvantage that are relevant to contemporary schooling and what the evidence says about the relevance of traditional equity categories and the degree and nature of the problems and funding. Key to this analysis will be developing an understanding of what factors affect schooling outcomes, for example considering the impact that external factors to the schooling system have on schooling outcomes;
- the links between different types of disadvantage and learning outcomes and the quality of school experience and how different types of disadvantage interact;
- whether gaps in health and welfare services for children in need make the challenges greater for schools educating significant numbers of such children; and
- the mechanisms by which social disadvantage leads to poor educational outcomes.

This analysis will also test whether changes in the structure, organisation and funding of schooling have exacerbated inequitable outcomes, including whether changes in enrolment patterns across all sectors have affected the equity of school outcomes. The analysis will look at existing research to define, and test, the phenomenon of 'residualisation' whereby enrolment drift results in increased concentration of disadvantaged students in some schools, and test the impact that concentrated levels of disadvantaged students have on the equity of outcomes.

The analysis will estimate the economic and social cost of the current levels of inequity when compared to possible alternatives (for example, other advanced OECD countries with better equity of outcomes). This will require the cost modelling and the development of a preferred path to equitable outcomes, or a definition of a desired state, recognising that full equity in schooling outcomes is a goal that is unlikely to be reached in the foreseeable future.

Component 3 – Future priorities and demand

The analysis in this component will focus on how the schooling system can support the further development of Australia's human and social capital to enable it to become a more open, competitive and equitable society over the next twenty years.

In order to provide a high level logic for reform, this analysis will consider the broad social, economic, environmental, demographic and technological trends and challenges facing Australian schooling and what level of performance the schooling system will need to achieve to meet these challenges. This will involve setting realistic performance outcome objectives and timeframes, relative to OECD countries.

The analysis will also consider how these trends will impact on the supply and demand for schooling and based on these assumptions, consider the extent to which the Department of Education, Employment and Workplace Relations' current enrolment projections could be improved for developing and costing recommendations. It is acknowledged that access to more sophisticated data (notably from state and territory education departments) about the patterns and features of student enrolments would provide better insight for modelling, however, subject to access being granted to such data, other national datasets may be used.

The Consultant will summarise this analysis with a framework that can be used to conduct cost benefit analysis of education investments, including to achieve greater equity of educational outcomes.

Component 4 – Policy direction

Having developed an evidence base outlining the current levels of performance of the schooling system, the cost of inequity within the system, and the future challenges facing Australia, this component will focus on possible reforms to drive increased performance and equity across the schooling system. Reforms that may be considered include:

- improving equity of educational outcomes and provision and the benefits that would accrue as a result of achieving this;
- increased school autonomy (where appropriate) and stronger school leadership;
- school ethos and orientation;
- transparency/accountability;
- community and family engagement; and
- teacher quality and effectiveness (selection, recruitment and training) and how access to good quality teachers for disadvantaged students could be improved.

The analysis will focus on improving the educational outcomes for disadvantaged students. The Consultant will consider changes to funding models, governance arrangements and the role played by individual schools and communities to improve performance and equity. The discussion should include:

- reflections on the results of and lessons from previous efforts to reduce educational disadvantage in Australia from the 1970s onwards;
- suggested reforms which would make better use of existing funding as well as some which may involve additional funding; and
- a register of evidence in support of proposed directions including a summary of key studies and their findings.

The Consultant will also quantify the benefits to the overall economy and society of improving the equity of schooling outcomes. The overall findings of the project will be presented as 'propositions' to inform the panel's thinking about recommendations it may wish to include in its report.

