



## Andrew Barr MLA

MINISTER FOR EDUCATION AND TRAINING  
MINISTER FOR PLANNING  
MINISTER FOR TOURISM, SPORT AND RECREATION  
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MEMBER FOR MOLONGLO

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Dear Ms Barron

The ACT Government thanks the Chair of the Review of Funding for Schooling, Mr David Gonski AC, for inviting submissions in response to the *Review of Funding for Schooling Emerging Issues Paper*, released on 16 December 2010. The ACT Government acknowledges the importance of the review of school funding, the outcomes of which are expected to impact on the provision and quality of education in Australia and the ACT for generations of students to come.

This submission from the ACT Government responds to matters raised in the Paper, and reinforces many of the views expressed in the initial consultation phase for the Review.

In summary, the ACT submission contends that any new funding model should be simple, effective and transparent, and provide funding based on individual student need. A nationally consistent definition of need should be developed to ensure funding is targeted in the most effective way.

Innovative and best practice teaching methods should be incentivised to ensure Australia is able to maintain and improve its position as a global leader in education, with states and territories provided with greater autonomy when allocating Australian Government funding. This will ensure funding is targeted where needed, resulting in improved outcomes for students. States and Territories are best placed to ensure available funding is directed to areas of most need.

### **Education in the ACT**

In 2010 the ACT had a total student population of 65 412 students. There were 38 853 students attending 83 public schools in years K-12 (59% of the total student population) and 26 559 students attending 44 non-government schools (41%).

ACT public schools have a diverse student profile, including students with special needs (4.8%), indigenous backgrounds (3.1%), English as a second language (12%) and low socio-economic status (7.5%).

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ACT LEGISLATIVE ASSEMBLY

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In 2010 there were 1869 special needs students in ACT public schools (around 4.8% of the total student population and an increase of 85 or 4.8% from 2009), and 479 (1.8%) special needs students attending non-government schools.

In 2010, the number of Indigenous students in all ACT schools increased by 11.3% to 1480. The public sector had the highest proportion of Indigenous students at 1208 (3.1% of total students), while non-government schools had 272 Indigenous students (1%).

According to the February 2010 census, there were 4158 students meeting the English as a second language (ESL) eligibility criteria (12% of the total K-12 school population).

It is important to note that the ACT does not follow the trend of other jurisdictions where low socio-economic areas can be defined by postcode. In the ACT social disadvantage is widely spread and often masked by higher SES within the same geographical area. Any funding model needs to be able to reflect and respond to this demographic anomaly.

### **Current funding arrangements**

#### Public schools

The ACT public school system has a legislative requirement to accept all students regardless of their background, circumstances or educational need.

ACT Government funding to public schools is calculated primarily based on student numbers with an allocation to ensure a minimum staffing structure is achieved in line with the *ACT Department of Education and Training Teaching Staff Enterprise Agreement 2009-2011*. Additional funding is provided in some cases to small schools or schools with specific circumstances.

Non-staffing operational costs are funded through school-based management payments which are based on a number of factors including student enrolments and school size.

Schools are also indirectly funded through functions performed centrally such as curriculum, student support, finance, and human resource functions.

The Commonwealth Government provides grants to the ACT for public schools based on enrolments which increases annually by the average increase in all Australian Government Schools Recurrent Cost (AGSRC). The Commonwealth also provides specific funding through National Partnerships.

Commonwealth funding provided directly for education equates to around 11%-12% of total expenditure.

#### Non-government schools

The majority of ACT Government funding provided to non-government schools is calculated using student enrolments and an historical assessment of need. Some smaller grants are provided direct to the Catholic Education Office or allocated on other bases including numbers of students with a disability and school numbers.

In 2009-10 non-government schools received total funding of \$225 million from the ACT and Australian Government. Of this funding 21% was from the ACT Government and 79% was from the Australian Government.

## **Current funding model challenges**

### Student Need

The current Socio-Economic Status (SES) funding model does not effectively identify need and therefore does not effectively allocate funding to maximise student outcomes.

Public schools are required to accept all students regardless of their individual circumstances. The impact of this requirement is higher costs and intensive resource need for specific groups of students in the public system. In the ACT, the number of students with a disability in the public system in the ACT has increased by 266 students or almost 17% since February 2004 and now equates to around 4.8% of total enrolments.

In the non-government sector, students with a disability make up only 1.8% of total enrolments. This figure is increasing in both the public and non-government systems.

The ACT considers that the use of AGSRC as the basis for providing funding to non-government schools results in a generous level of indexation and funding to some non-government schools, when considering the needs of students as the primary focus.

Public schools have a higher proportion of students with high needs including special needs students, Indigenous students, low SES students and students from non-English speaking backgrounds. In the ACT, 1.8% of enrolments in non-government schools are identified as special needs compared to 4.8% in public schools. As a result, public school costs are generally higher than non-government schools due to the relative need of students.

The use of AGSRC to index non-government school grants each year means non-government schools receive a financial benefit from the high-needs characteristics of public schools. This is because the indexation is directly derived from the costs associated with educating public school students.

Further, any increased need and associated cost increase within the public sector flows through to the non-government sector regardless of whether the student population in that sector has similarly changed.

This funding arrangement increases the risk of residualisation of the Australian public school system as lower need (cost) students transfer to non-government schools the average cost of government school students will increase and in-turn provide increased relative funding to the non-government school sector. This trend is already evident as reported by Jack Keating (2010)<sup>1</sup> *"... a steady drift of enrolments from the free government system to the fee based autonomous non-government schools. At some point this drift will threaten the capacity of the government school system to maintain its role as the public guarantor."*

### Indirect Funding

The review has not made any reference to indirect funding sources received by states and territories for education. GST funding forms a major component of state and territory funding and existing Horizontal Fiscal Equalisation (HFE) arrangements incorporate educational considerations. The Review of School Funding needs to consider these indirect

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<sup>1</sup> Resourcing Schools in Australia: A proposal for the restructure of public funding, Jack Keating, 2010 (p.5)

funding sources to ensure jurisdictions are not penalised or rewarded twice for the same educational advantages or disadvantages.

Through HFE, the GST distribution to states and territories takes into consideration factors affecting state revenues and expenditures. In regard to school education, HFE takes into account a range of factors including:

- Relative numbers of students from:
  - low socio-economic status backgrounds
  - indigenous students;
  - rural/remote students;
  - and students from non-English speaking backgrounds
- cross-border education service provision; and
- relative retention rates.

#### Cross-border Educational Service Provision

The ACT provides educational services to significant numbers of students living outside the Territory. The 2010 Census of ACT schools identified 1839 students who attend ACT public schools live in New South Wales. This means NSW students make up approximately 5 % of the total public student population in the ACT. The 2010 Census also identified 3060 cross-border students attending ACT non-government schools which equates to almost 12% of the non-government student population.

While the ACT receives an adjustment through HFE of approximately \$12 million for NSW students, the cost is estimated to be around \$31 million, leaving the ACT with a significant unrecovered cost. The financial impact of such a significant proportion of cross-border students on the education budget for a jurisdiction the size of the ACT renders it crucial that the ACT is fully reimbursed for all costs associated with educating NSW students.

#### Retention rates

The ACT has the highest retention and participation rates for students in years 11 and 12 in Australia. While this could be expected to lead to an increased HFE allocation to reflect increased education costs it actually results in a reduction to HFE allocations as it is considered to be an ACT policy decision. The ACT considers this position to be inconsistent with the National Education Agreement which has set higher retention rate targets for the ACT.

#### **New funding model**

The ACT believes the following issues need to be critically considered in the development of any new or proposed funding model:

#### State and Territory responsibility

The ACT reinforces the importance of states and territories retaining responsibility for the operation of schools, including the development of policy and service delivery. As stated in the Council of Australian Governments (COAG) Intergovernmental Agreement on Federal Financial Relations, *'The primacy of State and Territory responsibility in the delivery of services in these sectors is implicit in the Constitution of the Commonwealth of Australia.'* Furthermore, this Agreement acknowledges that the intent of this financial framework is to improve service delivery by *'reducing Commonwealth prescriptions on service delivery by the States and Territories.'*

While additional Australian Government support as an outcome of this review would be welcomed, this cannot be at the expense of jurisdictional responsibility for education. It is therefore important to reinforce the important role that the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA) should play in the Review of Funding for Schooling. The role of MCEECDYA includes the coordination of strategic policy at the national level, and the negotiation and development of national agreements.

Part of MCEECDYA's recent focus has been on developing principles that can be used as a basis to test recommendations about school funding and regulation across government and non-government sectors. In line with the responsibilities of the Council, the progress of the review should be provided to MCEECDYA for consideration and comment prior to the presentation of the final report to ensure an open and accountable process as well as complete engagement from States and Territories.

The ACT notes that it is vital that any funding model must support jurisdictional flexibility in the allocation of resources to meet need. Funding at a local level provides the opportunity for better and more innovative responses and outcomes.

#### Autonomy and accountability

The ACT supports a funding model that provides increased autonomy for States and Territories in how all resources, including Australia Government funding is utilised.

The Australian Government provides a number of grants to state and territory governments that are required to be expended for a specific purpose, and an acquittal process ensures states and territories expend the funding in line with Australian Government requirements. Greater autonomy in allocating Australian Government funding will assist in targeting funding where it is most needed.

The importance of this responsibility at the state and territory level is matched by the importance of jurisdictional accountability. Australian Government funding should be provided on the basis of common accountability mechanisms and accountability of outcomes across all states and territories and all sectors.

The ACT Department of Education and Training has introduced several rigorous accountability measures for public schools including a School Improvement Framework which aims to increase transparency and improve student outcomes in public schools and supports an overarching strategic plan. Another accountability measure is the ACT Teacher Quality Institute (TQI) which began operations this year with a key purpose of: upholding the standards of the teaching profession in the ACT; providing quality assurance processes to support the delivery of education in schools in a professional and competent way by approved teachers; recognise, develop and promote professional learning; and maintain community confidence in the teaching profession.

The current national architecture provides a level of steerage and accountability of outcomes through initiatives such as the Australian Curriculum and national professional standards for teachers. However, the ACT considers accountability and consistency for outcomes at a local level across all schools and all schooling sectors an important element in developing any new funding model.

### Moving to a focus on educational need

In developing a new funding model the concept of educational need or disadvantage should be clearly defined to ensure the model can be designed to most effectively address that need. The definition of need should be developed and agreed nationally with a key consideration being that all students have the opportunity, and fair chance, to access the resources they need to achieve learning outcomes.

The Catholic Education Office for the Archdiocese of Canberra and Goulburn were consulted in the development of this submission and agreed that education funding should be distributed equitably on the basis of relative need, taking 'into account the general educational needs of every child and the particular needs of children disadvantaged educationally by social, economic, geographical, cultural, physical and other factors.'

The Association of Independent Schools of the ACT (AISACT) also raised the importance of students being funded on need, stating, 'AISACT supports equity of educational outcome for every student and sees the review as an opportunity to highlight the opportunity that every student should be funded in order that they should exceed expectations in achieving their academic potential... It may be suggested that government schools shoulder the burden of students from disadvantaged families, and those with special needs. While these schools are also funded to support these students, independent schools would ask nothing less in their desire to do the same. While not receiving as great an amount in government funding in the first place, independent schools would seek to work in partnership with Government to provide as far as possible for students with a disability, from low socioeconomic backgrounds and indigenous students.'

All students must be provided with access to a quality education that enables them to maximise their educational outcomes. An equitable funding model should appropriately acknowledge factors that increase the cost of providing a high quality education for all and take into account both Australian Government and state and territory funding contributions, as well as the capacity of some schools to attract private income and particular students. The model should provide some level of government support for all students, irrespective of their background or financial situation, but there should be greater flexibility to channel or direct resources to those schools and students most in need.

An alternative model to be investigated should include allocating resources to students based on their individual educational need, effectively changing the definition of disadvantage to one based on the achievement or non-achievement of educational benchmarks. While this approach would be a significant change for Australia, it is used in countries around the world to ensure resources are focused on where they are most needed.

Across all jurisdictions and sectors, schools should be held accountable for the funding provided for students with a disability and the corresponding student outcomes. There must be an assurance that such funding is invested directly in supporting students with a disability to increase their learning outcomes and opportunities.

There needs to be a commitment by all schools, regardless of sector, to contribute adequate funds in addition to Commonwealth funding to assist students with special needs.

### Innovation and re-engagement

This Review of Funding for Schooling presents an opportunity to foster innovation and best practice as fundamental requirements of educational progress. For Australia to maintain and improve its position as a leader in education throughout the world it is imperative that innovative and best practice teaching methods are further developed and used to raise expectations and standards at a national and local level.

Similarly, if the national aim is to provide all students with access to a quality education that enables them to maximise their educational outcomes, this review presents an opportunity to include attention on students who have disengaged from schooling.

The links between educational attainment and outcomes such as employment rates, the length of time an individual stays in the workforce, and remuneration received are well known. Research supports the need to maximise engagement of all young people to improve outcomes for individuals as well as the broader Australian economy. A new funding model should provide support to jurisdictions to actively re-engage young people who have disengaged from schooling.

### **Impact of a new model**

In developing a new funding model the starting point or base funding level is critical. It is important to ensure that all states and territories, all sectors, and all schools are not disadvantaged through transition to, and implementation of, a new funding model.

It is also important to recognise that implementation of a new funding model will not be cost neutral. The Australian Government should provide for transition costs to ensure successful implementation.

A new model should acknowledge the strengths and diversity of the current jurisdictional funding models. In this context, a new model should not impact on the ability of jurisdictional models to provide funding where it is most needed and to maximise student outcomes.

### **The ACT's continued participation in the Review**

The ACT is pleased to be participating in a range of research commissioned to inform the panel and looks forwards to considering the progressive outcomes from the research and panel considerations in consultation with the Australian Government and other jurisdictions in framing the next round of discussions regarding a new funding model.

The ACT appreciates the opportunity to provide a submission to the Review of Funding for Schooling. The ACT Government and the ACT Department of Education and Training will continue to work through MCEECDYA to develop consistency, transparency and accountability in the funding of schools.

Yours sincerely



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