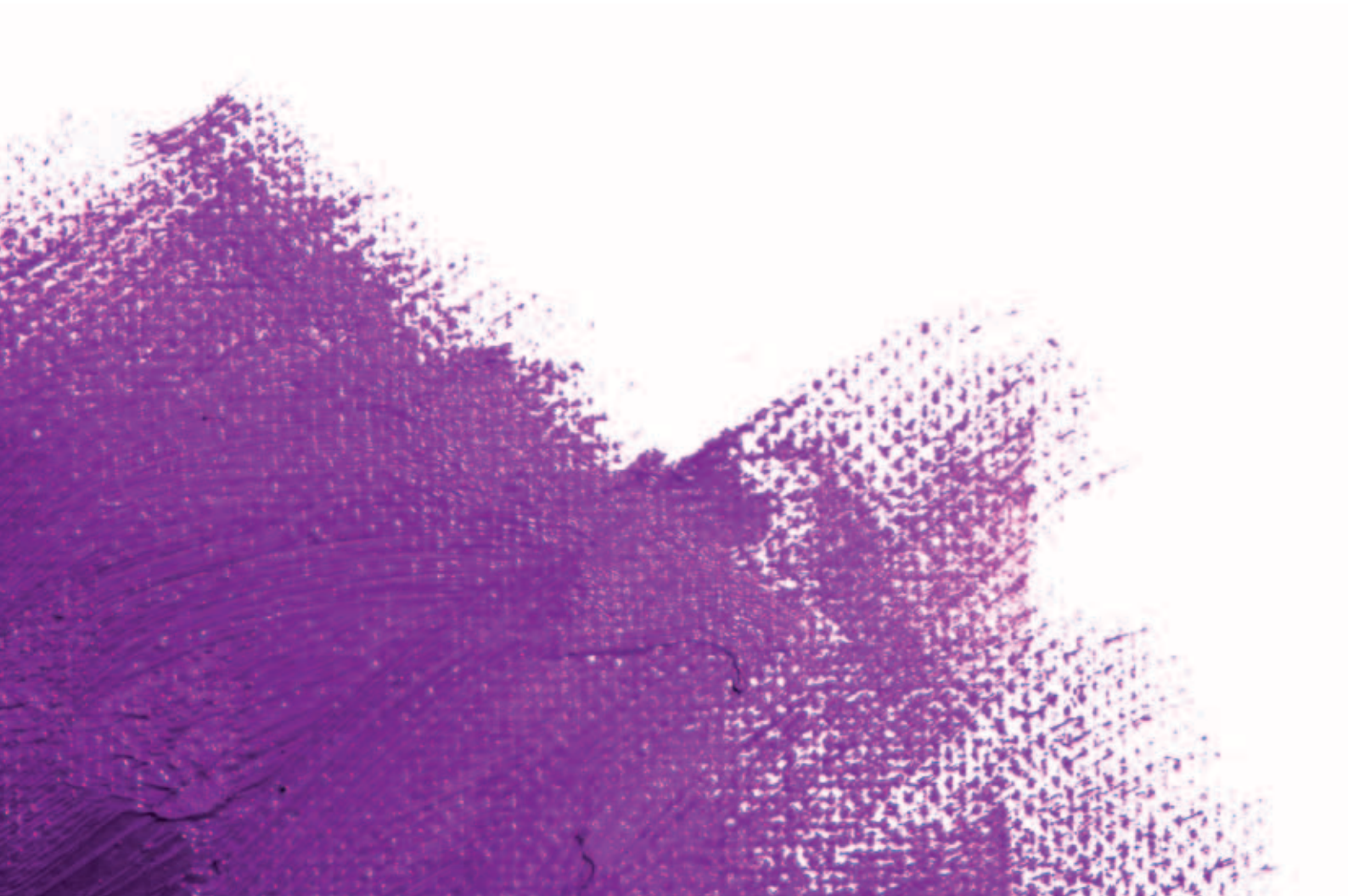




Australian Government

Review of Funding for Schooling

Discussion Paper and Draft Terms of Reference



Comments and inquiries

Please submit your feedback to the review secretariat at the following address:

Email: schoolsfundingreview@deewr.gov.au

Postal address: Location C16MT4, GPO Box 9880 Canberra ACT 2601

Telephone: 1800 677 027 (select 1 then option 4)

Details on the review panel along with additional information including fact sheets and Questions and Answers can be found on the review website: www.deewr.gov.au/fundingreview

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Message from the Minister

In 2008, the Council of Australian Governments agreed to pursue a range of policy and reform directions in education through the National Education Agreement. One of the reform initiatives identified was a review of funding and regulation across government and non-government schooling sectors.

This review marks an important milestone in schooling for this country. How we resource schools goes directly to aspirations Australians have for the future, for their children, for their communities and for their sense of fairness in Australian society.

I think the time is right to have this discussion in a constructive and open manner. Education is too important to allow it to be dominated by ideological arguments or as a vehicle for a broader political agenda.

The review of funding for schooling will be open and transparent. It will be consultative, wide ranging and comprehensive. It will be evidence-based: informed by the best data from Australia and around the world. It will be carried out by eminent Australians with a range of expertise.

The review is not about taking money away from schools but any new funding system must be financially sustainable into the future. There has been an unprecedented level of investment by the Australian Government in schooling. This review is about the best allocation of resources to all schools—government and non-government—and directing funds to where they are needed most.

The first step in the review is the development of terms of reference. This will be done hand-in-hand with key Australian educationalists, including state government systems and schools, non-government systems and schools, parents, principals, teachers and unions.

Draft terms of reference are included in this discussion paper but these are not final and are included to stimulate discussion. The terms of reference that emerge from these consultations should address some of the most fundamental questions about funding for schooling such as:

- What are the principles against which schools funding should be measured?
- What is the right level of resourcing needed to provide a child with a high quality education? What are the most effective means of distributing those resources?
- How do we ensure all students have access to a high quality education? How do we best support students with a disability, Indigenous students, students at risk of leaving the education system and other vulnerable students?
- What funding models are used overseas and how do these link to outcomes and quality in their respective education systems? Are there lessons that Australia can learn from other countries?
- What does data tell us about the relationship between resources and outcomes for students?

Once the terms of reference are finalised and announced, all key groups—including parents, principals, teachers, business and the broader community—will have the opportunity to contribute their views.

I expect the review of funding for schooling will be completed by the end of 2011, well before the beginning of the next funding period which commences in 2013.

I encourage you to get involved with the review and contribute your ideas about the best way to fund schools into the future.

This discussion paper represents a first step on an important journey for Australia.

Julia Gillard
Minister for Education

Introduction

High quality schooling is essential for Australia's future prosperity. It is important that schools funding supports the delivery of a world class school system in Australia.

Over 2009–2012, the Australian Government is investing \$63.7 billion in schools funding which represents an effective doubling of funding to schools compared to the last funding period (2005–2008).

The Australian Government, together with state and territory governments, has committed to the objectives of building a world-class education and training system in Australia so that all Australian school students acquire the knowledge and skills to participate effectively in society and employment in a globalised economy. This reflects a shared belief that all Australian students are entitled to the very best quality schooling and outcomes.

This aspiration is reflected in the goals of the Melbourne Declaration on Educational Goals for Young Australians signed by all Education Ministers in December 2008. These goals reflect the commitment that high quality schooling in Australia will:

- deliver equality of opportunity in a democratic society
- secure economic prosperity and meet changing workforce demands
- deliver the necessary knowledge and skills to thrive in an information-rich world
- understand and address current and emerging environmental challenges
- promote social cohesion through sharing values and aspirations underpinned by knowledge and tolerance
- prepare for global citizenship.

The Australian Government has set three major reform priorities for schooling in Australia. These are raising the quality of teaching in schools; ensuring all students are benefitting from schooling, especially in disadvantaged communities; and improving transparency and accountability of schools and school systems at all levels.

While we can be proud of Australia's schooling system, there are areas in which we can improve. Although Australian students perform well in international tests, their performance has slipped, relative to some other countries. There is under-achievement among a significant percentage of our students.

Standards of performance and patterns of need are continually changing. At present, Australia's school funding arrangements are complex. The way schools are funded reflects Australia's history, communities, geography and constitution.

The funding review will examine:

- how all Australia's schools are currently funded
- what needs to be done to improve the distribution of resources to where they are needed most to raise student achievement and narrow gaps in achievement caused by factors such as disadvantage
- what investments in schooling work well and what can be improved
- options to improve the distribution of funding.

This paper presents information about how schools are currently funded and issues that may influence future funding and questions that could inform the scope of the review. It also includes draft terms of reference and invites comment and suggestions on those terms of reference.

The first stage of the review will be the development of terms of reference through consultations with key Australian educationalists. It is anticipated that the terms of reference will be finalised and announced in June 2010.

A period of public consultations will be conducted by the review panel. These will involve everyone with an interest in schooling including parents, teachers, principals, businesses and the broader community. These consultations will commence in the second half of 2010.

The review will report to Government in 2011.

Details on the review panel along with additional information including fact sheets and Questions and Answers can be found on the review website: www.deewr.gov.au/fundingreview

Performance in Education

Australia has a high-quality schooling system that performs strongly against other countries. In international benchmarking of results for 15-year-olds in 2006, Australia ranked among the top 10 countries in the three areas tested: science, reading and mathematics.¹

Despite Australia's overall good performance, not all Australian students perform to their full potential. The 2006 results show that between 2003 and 2006, Australian student performance declined in both absolute and relative terms in reading literacy. This decline is evident at all levels of achievement. Our top students are doing less well relative to the top students in other countries. There is still a large number of students who, although above the minimum standard, are not doing well enough in literacy and numeracy and are at risk of falling behind their peers.

This decline is partly the result of students from disadvantaged backgrounds performing relatively poorly. Socioeconomic factors play a stronger role in determining student outcomes and life chances than they should in Australia.

Australian school students in remote locations for example, achieved on average at a level equal to a year-and-a-half lower than students in metropolitan locations in science, reading and mathematics. The proportion of students in very remote areas reaching the benchmarks in literacy and numeracy is lower than the proportion of metropolitan, provincial and remote students achieving these benchmarks.

The difference between students from the poorest backgrounds and the richest was, on average, more than two years of schooling in both reading literacy and mathematics. The difference between Indigenous and non-Indigenous students in mathematics and reading literacy was equal to more than two years of schooling.²

Individual student backgrounds clearly remain a major influence on how students perform at school in Australia. Such inequities are more marked in Australia than in some other countries, such as Finland and Canada.

The Australian Government's vision is for a system of schooling in which every child is able to progress and achieve their full potential, whatever their background, circumstances and location.

Working together with schools, principals, teachers, parents, education authorities and state and territory governments, the Australian Government is delivering major reform to achieve this vision. This includes:

- **A national curriculum**

All Australian governments have committed to the development and implementation of Australia's first national curriculum from kindergarten to year 12, beginning with English, mathematics, science and history. The next stage will cover languages, geography and the arts. Future stages will focus on health and physical education, information and communications technology, design and technology, economics, business, and civics and citizenship.

A truly national curriculum will offer a guarantee of quality and consistency in every Australian school. This will be a great comfort to parents, teachers and students.

1 Organisation for Economic Cooperation and Development (OECD) Programme for International Student Assessment (PISA) results, 2006.

2 Thomson, Sue and Lisa De Bortoli 2007, Exploring scientific literacy: how Australia measures up: the PISA 2006 survey of students' scientific, reading and mathematical literacy skills, ACER, Melbourne.

- **A new era of transparency**

For the first time in Australia, the website www.myschool.edu.au provides nationally comparable data on all schools in the vital areas of literacy and numeracy. It includes data on individual school performance compared to statistically similar schools.

For each school in Australia, www.myschool.edu.au provides a profile which includes details about the school, student and staff numbers, student attendance rates, socioeconomic background of the school student body, teaching resources, results from national literacy and numeracy tests, Year 12 attainment, and post-school destinations. Data on school income will be added later in 2010.

This information is being well used by parents, schools, governments and the wider community.

- **Reforms to improve the quality of teaching**

The Australian Government recognises teacher quality as the greatest single in-school influence on student engagement and achievement. Under the *Smarter Schools—Improving Teacher Quality National Partnership*, the Government is providing funding to improve teacher quality by creating opportunities for people of the highest calibre to enter teaching, in addition to helping existing teachers improve their practices.

The Partnership targets critical points in the teacher ‘lifecycle’ to attract, train, place and retain quality teachers and leaders in our schools and classrooms.

- **Investment and reform to boost achievement in disadvantaged school communities**

The Smarter Schools—Low Socio-economic (SES) School Communities National Partnership aims to help disadvantaged students fulfil their potential. This Partnership seeks to improve educational outcomes for students in disadvantaged communities, including a special focus on Indigenous students. It focuses on teacher quality, principal leadership, school accountability and innovative learning opportunities.

Current Situation for Funding

Australia's constitution allocates primary responsibility for school education to state and territory governments. Australian, state and territory government recurrent expenditure on school education in 2007–08 was \$36.4 billion³. 79 per cent of this total, or \$28.8 billion, was provided to government schools.

Nationally in 2007–08, state and territory governments provided 91.4 per cent of funding to government schools and the Australian Government contributed 8.6 per cent. Conversely, the Australian Government provided 72.1 per cent of total government funding to non-government schools, with the states and territories providing 27.9 per cent. It is important to note that funding arrangements, including the methodology for allocating funding, differ between states.

Australian Government funding arrangements

Over 2009–2012, the Australian Government is investing \$63.7 billion in schools funding, through the Intergovernmental Agreement on Federal Financial Relations and associated National Partnerships including the Building the Education Revolution, Digital Education Revolution, Trade Training Centres in Schools program, and the Schools Assistance Act 2008. This represents an effective doubling in funding to all schools from the last funding period (2005–2008).

Average Government School Recurrent Costs (AGSRC)

Average Government School Recurrent Costs (AGSRC) are related to the cost of educating a student in a government school. The AGSRC is used as the base for Australian Government payments to schools, meaning payments are increased in line with increasing costs of education in government schools, from year to year.

There is a different AGSRC amount for primary students and for secondary students. In 2009 the Primary AGSRC amount was \$8 380 and the Secondary AGSRC amount was \$10 646.

The AGSRC amounts for primary and secondary school students are calculated based on state and territory government expense data maintained by the Ministerial Council on Education, Early Childhood Development and Youth Affairs (MCEECDYA). These AGSRC amounts are changed annually after consideration of movements in the data reported to MCEECDYA. There are several elements included in the AGSRC calculation:

- Employee related expenses—all salaries, wages and allowances and on-costs paid to staff.
- Salary on-costs—superannuation, payroll tax, long service leave, workers compensation, insurance and fringe benefits tax.
- Out of School expenses—expenses incurred in the payment of salaries and allowances and non-salary costs for other education establishments and other items which do not fit the definition of in-school expenses such as travelling expenses for a music teacher based in a regional office, payments made by regional or central offices for freight, and postal charges.

Capital-related items, such as depreciation, are excluded from the calculation of AGSRC.

Government schools

Under previous schools funding arrangements, government primary schools were funded by the Australian Government at 8.9 per cent of AGSRC, while government secondary schools received 10 per cent of AGSRC. From 1 January 2009, funding for government primary schools was increased to 10 per cent of the primary AGSRC amount.

³ Report on Government Services 2010, Chapter 4, www.pc.gov.au/gsp/reports/rogs/2010

From 2009, Australian Government funding for government schools is delivered through the Intergovernmental Agreement on Federal Financial Relations, negotiated with the states and territories through the Council of Australian Governments in 2008, and includes the National Education Agreement (NEA). Funding for capital infrastructure, Indigenous education and other targeted funding has been incorporated into the NEA arrangements.

The NEA, agreed for five financial years, articulates the roles and responsibilities of the Australian Government and the states and territories. It does not specify how state and territory governments spend Australian Government funding, as has historically been the case. Instead it focuses on outcomes such as student achievement in literacy and numeracy.

Under the NEA, the states and territories have responsibility for developing policy, delivering services, monitoring and reviewing individual school performance and regulating schools.

The NEA provides flexibility for state and territory governments to allocate Australian Government funding to areas which they believe will produce the best outcomes for students. In return for this flexibility, all Australian governments have committed to achieving agreed national targets of:

- lifting the Year 12 or equivalent attainment rate to 90 per cent by 2020
- halving the gap between Indigenous and non-Indigenous students in reading, writing and numeracy within a decade
- at least halving the gap between Indigenous and non-Indigenous students in Year 12 or equivalent attainment rates by 2020.

State and territory governments are responsible for ensuring government schools are appropriately resourced in order to achieve the mutually-agreed objectives and performance benchmarks of the NEA.

Under the NEA all government schools have an obligation to meet a common set of national school performance and reporting requirements. These requirements include:

- **participation in national testing:** schools are required to participate in national assessments including annual literacy and numeracy testing; triennial sample studies in science, civics and citizenship, and information and communication technology; and international assessments: Programme for International Student Assessment, Trends in International Mathematics and Science Study and for the first time in 2010/11 Progress in International Reading Literacy Study.
- **contribution to national reporting:** schools and system authorities must participate by providing relevant data or information for national reports on the outcomes of schooling. This includes a report by the Council of Australian Governments Reform Council and a national report on schooling to enable reporting to the community on progress towards agreed national outcomes and performance measures.
- **reporting to parents:** student reports must use plain language, give an accurate assessment of progress, and include assessment of achievement against national standards and relative to the student's peer group.
- **publishing performance information:** aimed at parents and the community, schools must publish an annual report which includes contextual information about the school; key outcomes; information on satisfaction; and income by funding source.
- **provision of information for school-level reporting:** all schools and system authorities are required to provide information to support national reporting on individual schools. This information is published by the Australian Curriculum, Assessment and Reporting Authority (ACARA) on www.myschool.edu.au

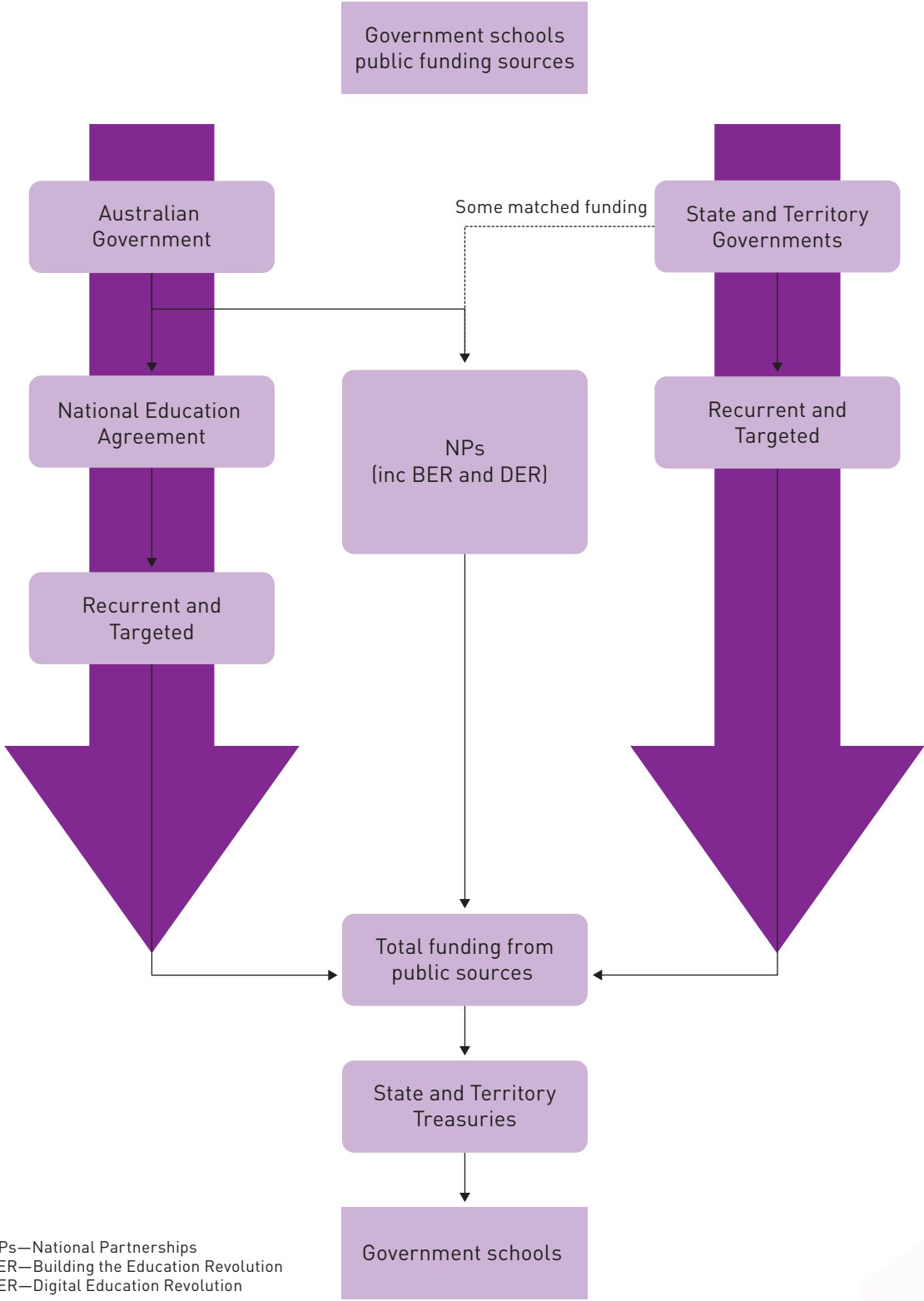
Through the Intergovernmental Agreement on Federal Financial Relations, the Australian Government is providing around \$17.5 billion in Commonwealth funding to the states and territories for government schools over 2009–10 to 2012–13. This amount includes funding for the NEA plus Indigenous education programs and National Partnerships in the priority reform areas of:

- literacy and numeracy
- improving teacher quality
- improving educational outcomes in disadvantaged school communities
- trade training centres in schools
- digital education.

In addition to this funding, the Building the Education Revolution program is providing \$11.2 billion in funding to government schools over 2009–2012.



The current government schools funding environment is shown in the following diagram:



Non-government schools

Non-government schools operate under conditions determined by state and territory government registration authorities and also receive state and territory government funding. Non-government schools receive the bulk of their public funding from the Australian Government through the *Schools Assistance Act 2008* (the Act). The Act covers the four calendar years from 2009 to 2012 and includes the same transparency and accountability requirements as those applying to government schools. Other federal funding is provided through National Partnership arrangements with the states and territories.

The Australian Government allocates recurrent funding to non-government schools—calculated on a per student basis, based on a proportion of AGSRC—according to a formula that measures the socioeconomic status (SES) of a school community. The SES funding model links student residential addresses to Australian Bureau of Statistics national census data to obtain a socioeconomic profile of a school community and measure its capacity to support the school.

The SES index that is used to calculate schools' SES scores measures the income, education and occupation levels of residents within a Census Collection District. The Census Collection District is currently the smallest spatial unit in the Australian Standard Geographical Classification. In urban areas Census Collection Districts average about 220 dwellings. In rural areas the number of dwellings per Census Collection District reduces as population densities decrease.

Student residential addresses are mapped to the correct Census Collection Districts by a process called geocoding. Each school's community is defined in terms of the Census Collection Districts from which it draws its students and the school's SES score is calculated on the basis of the average SES of these Census Collection Districts. Schools which draw students from areas of predominantly high SES receive lower levels of funding than schools which draw from areas of average or low SES.

SES funding ranges from a minimum entitlement of 13.7 per cent of AGSRC for schools serving the wealthiest communities (schools with an SES score of 130 and above) to a maximum entitlement of 70 per cent of AGSRC for schools serving the poorest communities (schools with an SES score of 85 and below). Schools with SES scores within this range receive proportional funding based on their individual SES scores.

Under the current funding arrangements, non-government schools are funded either on their SES score, are funding maintained or funding guaranteed.

Funding maintained schools are those that would have received less money if they were funded on the basis of their SES score at the time they joined the SES system:

- Funding maintained independent schools have had their funding entitlements preserved, with full AGSRC indexation, at their 2000 funding levels under the previous Education Resources Index (ERI) funding system.
- Funding maintained Catholic systemic schools have had their funding entitlements preserved, with full AGSRC indexation, at their 2004 funding levels. (Catholic systemic schools joined the SES system in 2005.)
- There are no new funding maintained schools. Any new independent (from 2001) or Catholic systemic (from 2005) schools are funded on their SES score.

Funding guaranteed schools are those SES-funded schools whose SES scores were higher in 2009–2012 than 2005–2008 resulting in reduced per student funding entitlements. These schools had their 2008 per student dollar amounts guaranteed. Funding guarantee schools move to being funded on their SES score once the funding associated with that score, plus indexation, is equal to or greater than their 2008 entitlements.

- Funding guarantee works as a transitional arrangement and most schools will move to their actual SES score funding before the end of the quadrennium.
- The funding guarantee provision continues a principle which has long been a feature of schools funding, recognising that funding adjustments need to be phased-in over a period of time.

In addition to recurrent funding, Indigenous Supplementary Assistance is provided by the Australian Government under the *Schools Assistance Act 2008* for all Indigenous students studying at non-government schools. Indigenous Supplementary Assistance replaced six previous Indigenous education programs from 1 January 2009. Approximately \$256.5 million will be provided for Indigenous Supplementary Assistance funding for 2009–2012. Funding is provided on a per student rate and the funding formula takes into account the level of schooling and the school's remoteness location. Indigenous Supplementary Assistance is indexed by AGSRC.

An Indigenous Funding Guarantee is provided by the Australian Government as a transitional measure to ensure non-government schools receive total recurrent funding at least comparable to their 2008 funding levels.

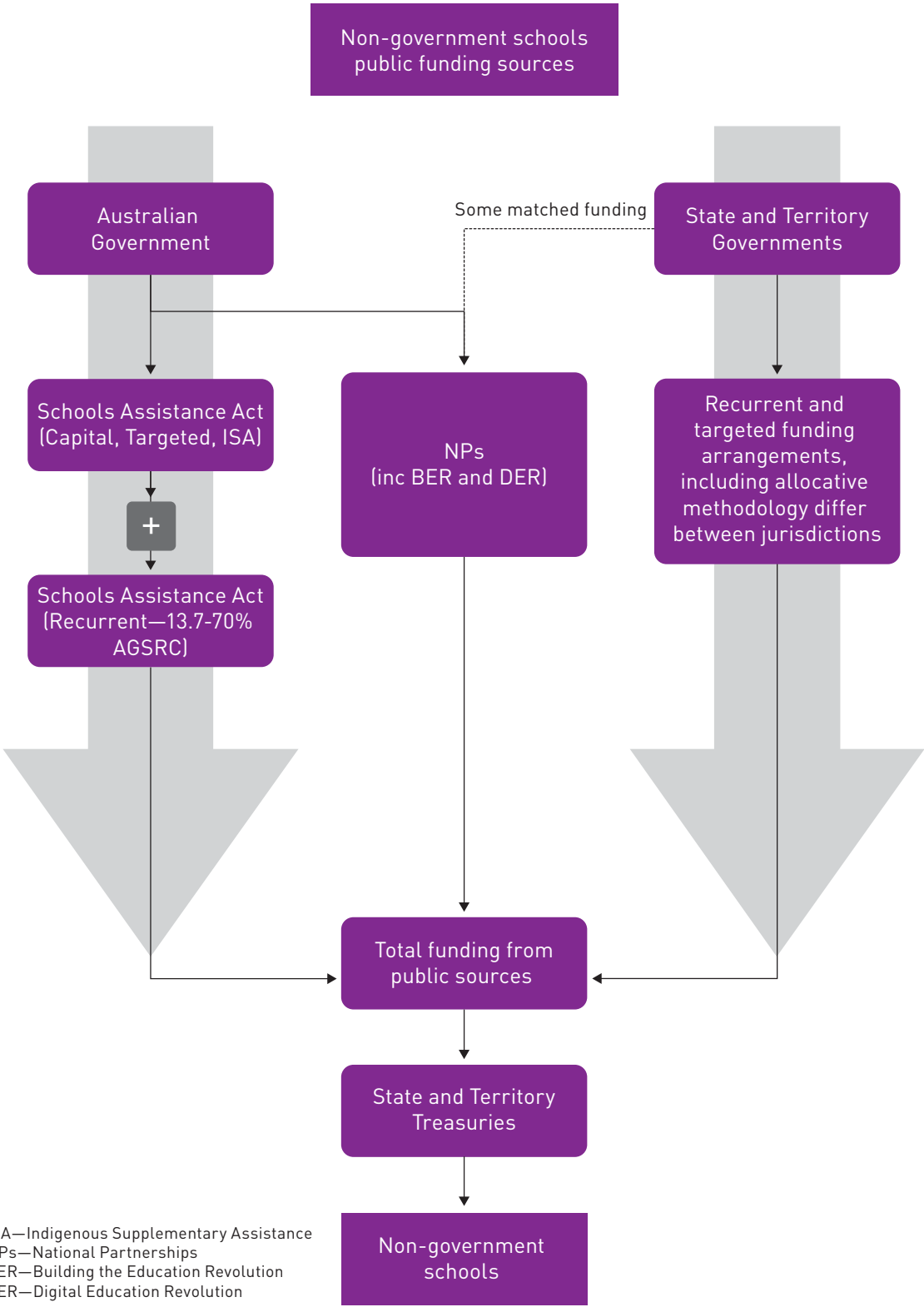
- Schools must be in receipt of Recurrent Grants and Indigenous Supplementary Assistance funding to be eligible for Indigenous Funding Guarantee.
- Indigenous Funding Guarantee does not insulate schools from the impact associated with shifts in enrolments or changes to their classification of remoteness.

Eligible non-government schools receive a remoteness loading in addition to their recurrent grant funding for students studying at eligible locations. Non-government schools or campuses classified as 'Moderately Accessible', 'Remote' or 'Very Remote' receive an additional 5 per cent, 10 per cent or 20 per cent respectively of the funding entitlement associated with their SES score. The funding is provided in recognition of the higher cost of delivering education services in regional and remote regions of Australia and the negative impact this can have on student achievement levels.

The Australian Government provides funding to improve capital infrastructure. These funds are supplementary to funds provided by non-government school authorities and school communities which have primary responsibility for providing, maintaining and upgrading school facilities. In 2009 approximately \$135.3 million was available for non-government schools under the Capital Grants Program. The Government also provides funding across a range of targeted areas such as education in country areas, teaching English to new arrivals, languages education and literacy, numeracy and special learning needs.

Australian Government funding for non-government schools is provided under the *Schools Assistance Act 2008*. An estimated \$28.9 billion will be provided to non-government schools over the financial years 2009–10 to 2012–13. Non-government schools are also receiving \$5.1 billion in funding under the Building the Education Revolution program.

The current non-government schools funding environment is shown in the following diagram:



Students with particular needs

All Australian governments are committed to addressing issues of social exclusion.

There are groups of students with particular needs and these include students with disabilities and special learning needs.

The Australian Government strongly supports the right of all students to have the same educational opportunities as other students and provides significant funding to state and territory government and non-government education authorities for this purpose.

The current NEA includes a specific outcome relating to this—that schooling promotes social inclusion and reduces the educational disadvantage of students, especially Indigenous students. In particular, four groups of students are identified as having special needs:

- Students with low socioeconomic status.
- Aboriginal and Torres Strait Islander students.
- Students with language backgrounds other than English.
- Students from remote locations.

The current structures for funding attempt to address the needs of these students but progress is hampered by a lack of nationally comparable data and consistent funding mechanisms.

Pressure points are building. The number of students with severe or profound disabilities attending school grew from around 40 000 in 1981 to almost 150,000 in 2003 and increasingly these students are attending mainstream schools rather than special schools.⁴

The proportion of full-time Indigenous students in government schools was 5.8 per cent and 1.8 per cent in non-government schools in 2008. The number and proportion of full-time Indigenous students varies greatly across states but in all states the proportions are higher in government schools than non-government schools.

Indigenous student performance in national literacy and numeracy tests is consistently below non-Indigenous performance. For example, 63.4 per cent of Indigenous students are at or above the national minimum standard in year 5 reading compared with 92.6 per cent of non-Indigenous students, a gap of around 29 percentage points. The performance gap varies across states.⁵

The contribution parents and families make towards the cost of schooling

Under current arrangements, funding for government and non-government schools is a partnership involving the Australian Government, state and territory governments and parent communities.

The Australian Government acknowledges the investment parents and families make towards the cost of educating students.

The size of the contribution made by families varies between sectors. The latest available data show that voluntary parent contributions to government school funding amounted to over \$400 million in school fees and donations in 2003–04.⁶

In the non-government sector, parent contributions through fees and charges in 2007 represented an average of 36.3 per cent of total non-government school income. These amounts varied within this sector nationally from 22.3 per cent for Catholic schools to 51.3 per cent for independent schools.⁷

⁴ Disability in Australia: trends in prevalence, education, employment and community living. AIHW, Bulletin 61, June 2008

⁵ COAG Reform Council, National Education Agreement, Baseline performance report for 2008, 30 September 2009, pp 53

⁶ Australian Social Trends 2006 (Cat No. 4102.0, Australian Bureau of Statistics, 20 July 2006)

⁷ National Report on Schooling in Australia 2007, Ministerial Council of Education, Employment, Training and Youth Affairs

Questions about school funding

The following questions are important to the provision of schooling in Australia. These questions are deliberately broad to encourage discussion. There are many more questions to be considered and contributions to the review should not be limited to these issues only.

What is the basic entitlement needed to provide a child with a high quality education?

- What should a basic funding entitlement cover?
- How should governments determine funding responsibilities?
- What contribution should parents/families make to the provision of a basic entitlement?
- What is currently being provided for student education from all sources? Given the amounts being spent on education, what programs work well? Is there a better way to allocate existing resources?
- How is capital funding from all sources allocated and how does the provision of capital infrastructure support educational outcomes?

How should funding models factor in the higher cost of students with high learning needs, such as indigeneity, remoteness, language background, disability and socioeconomic disadvantage?

- Are nationally consistent definitions, measurements and cost structures for these factors needed in order to have a consistent approach to funding?
- What is the most cost effective funding model to support these students?
- How do governments support students with special needs? What factors should be considered—remoteness, disabilities, special learning needs, Indigenous status, low socioeconomic status? What criteria should be used to assess these factors? What are the interaction effects of these factors?
- Are loadings or supplements appropriate to cater for students with additional learning needs? How do governments around Australia and overseas calculate such loadings?
- How should governments ensure the development of nationally agreed definitions for students with additional learning needs? How could governments ensure consistent application if there were nationally agreed definitions for students with additional learning needs?

What lessons can be learned from overseas and domestic funding models, particularly in systems and nations that deliver world class, high-equity outcomes in cost-effective ways?

- Why are Australian students doing worse than others in international tests?
- What does the evidence show about connections between resourcing and student outcomes?
- Of different funding models used overseas, what are common elements and are these appropriate for the Australian context?
- Are there overseas funding models that could reflect the Australian context? In considering other overseas models, which countries should be considered?



Which features of state and territory government funding models could and should be considered at a national level?

- How do states and territories measure student outcomes? Is there evidence of a link between outcomes and funding?
- Of the different funding models used by state and territory governments, what are the common elements and is it appropriate to consider these at a national level?

What can data tell us about the relationship between school resources, school effectiveness and student outcomes?

- What forms of data can assist in clarifying this relationship and guiding the optimal use of additional funding?

What does www.myschool.edu.au tell us about the relationship between resources and outcomes of similar students?

School income data will be available on www.myschool.edu.au in late 2010 along with each school's national literacy and numeracy (NAPLAN) outcomes from 2008–2010.

- What is the potential for www.myschool.edu.au to link information on educational outcomes and funding provision to schools?
- How can the school transparency framework contribute to a better understanding of resourcing needs, student outcomes and school effectiveness?
- What are the appropriate levels of transparency and accountability for schools and school systems receiving public funding?

Suggested Review Scope

The Government Funding Environment

Currently, Australian Government and state and territory funding arrangements for schools are complex:

- The Australian Government and state and territory governments share responsibility for funding schools.
- The Australian Government and state and territory governments have different approaches to funding schools, including the mechanisms used for allocating funding.
- At the Australian Government level, different approaches are used in funding government and non-government schools. Furthermore, the distribution of funds within systems in the non-government sector differs from system to system.

The result is a schools funding system that is largely the product of historical circumstances.

Principles

The guiding principle of the review of funding for schooling is that a funding system will support schools to raise the educational standards of all school students whilst reducing achievement gaps between students.

In reviewing school funding arrangements, the Australian Government aspires to an outcome which:

- results in a fair and simple funding model that supports student attainment and distributes funding to where it is needed most, regardless of sector
- builds the strongest possible platform for financially sustainable long-term investment in schooling and improvements in educational outcomes beyond 2012.

Consequently, the Australian Government's view is that the principles upon which any new model for school funding is developed should be based on simplicity, flexibility, stability, equity, value for money, transparency and best practice.

Under consideration should be all issues surrounding schools funding, including the provision of Australian Government and state and territory government funding for government and non-government schools.

The review will be based on public consultation and submissions.

The review will result in a range of options to inform a funding framework ahead of the next Australian Government school funding period that will commence in 2013.

Review of Funding for Schooling

Draft Terms of Reference

The review will provide recommendations on the future funding of schools in Australia for the period beyond 2012.

The review's recommendations should be directed towards achieving a funding system for the period beyond 2012 which is transparent, fair, financially sustainable and effective in promoting excellent educational outcomes for all Australian students.

The review may consider:

- the cost of educating a student to world class educational standards
- the likely growth of demand and student need
- ways to increase the simplicity, transparency and effectiveness of school funding
- whether a basic entitlement for every student is required and how it should be determined
- the best way to take account of student and community need
- the best way to meet the costs of specific factors such as indigeneity, location, disability and socioeconomic disadvantage which can act as barriers to educational achievement
- how to achieve cost-effectiveness in the provision of school funding
- the role of funding in promoting school improvement and reducing the negative impact of socioeconomic disadvantage on student outcomes
- what data and forms of transparency are required to deliver effective, financially sustainable school funding into the future
- what lessons can be learned from funding arrangements overseas and in Australia, especially those in high performing school systems
- the appropriate composition of school funding, including teaching, capital and other costs of schooling
- indexation
- the place of voluntary and private contributions and fees in school funding arrangements
- what forms of public accountability are appropriate for schools receiving public funding
- what forms of regulatory oversight are necessary to ensure high standards of delivery and probity among schools receiving public funding
- what, if any, transitional assistance should be offered to schools in making the transition to a new system.

Next Steps

The first stage of the review will be the development of terms of reference through consultations with key Australian educationalists. It is anticipated that the terms of reference will be finalised and announced in June 2010.

A period of public consultations will be conducted by the review panel. These will involve everyone with an interest in schooling including parents, teachers, principals, businesses and the broader community. These consultations will commence in the second half of 2010.

The review will report to Government in 2011.

Please submit your feedback to the review secretariat at the following address:

Email: schoolsfundingreview@deewr.gov.au

Postal address: Location C16MT4, GPO Box 9880 Canberra ACT 2601

Telephone: 1800 677 027 (select 1 then option 4)

Details on the review panel along with additional information including fact sheets and Questions and Answers can be found on the review website: www.deewr.gov.au/fundingreview