SAVE OUR SCHOOLS

Labor's Gonski Model: The National Plan for School Improvement

Trevor Cobbold

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https://saveourschools.com.au
twitter.com/SOSAust
saveourschools690@gmail.com

Preface

This working paper aims to provide a comprehensive review of the implementation of the Gonski funding model by the Labor Government in 2013. It is the fourth in a series of papers on the model and its demolition by successive Coalition Governments.

A previous paper reviewed the Gonski Report. Two other papers covered the sabotage of the Gonski model by the Abbott and Turnbull Governments and the abandonment of needs-based funding by the Morrison Government. These papers are published on the SOS website.

A further paper is in preparation on the changes to the model made by the Turnbull Government. Another paper will outline a funding model that builds on the principles and framework developed by the Gonski review of school funding.

Comments on this paper are invited. Notification of issues not covered and mistakes of fact, analysis and interpretation will be appreciated. Please excuse any remaining typos and repetitions. Comments can be sent to the email address of Save Our Schools: saveourschools690@gmail.com .

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1. Introduction

The Report on Funding of Schooling in Australia (the "Gonski Report") was delivered to the Labor Government in December 2011. It was released by the Government on 20 February 2012.

On releasing the Report, the Prime Minister, Julia Gillard, pointedly refused to endorse it. She did not even endorse the principles behind the new funding model recommended by the Report. She said, "there is a lot of nuts and bolts work to do" and "we need to make sure that any new funding model is sustainable over time and fits within government budgets".[1] Under questioning at the press conference she said: "I'm not going to make financial commitments for forthcoming government budgets". The Minister for Education, Peter Garrett, later said that "the model is not government policy".[2] Despite her refusal to endorse the Report, the Prime Minister again assured private schools that "no school would lose a dollar".

Instead of endorsing the Report, the Government announced that it would embark on extended consultation with school organisations and state governments on the implications of the proposed model.

> All governments and stakeholders need the time to understand and work through what is proposed by the Review Panel, how it may impact on them and whether it will work in practice.
> …It needs to satisfy those involved that the funding proposals, based on the Review Panel's recommendations, are right for our nation.[3]

The Government announced a detailed program of consultation with state and territory governments and school organisations to develop and test a new funding model.[4] It said that sate and territory governments would be engaged in the process through the Council of Australian Governments (COAG) and it would take a set of funding principles to the next meeting. It also proposed to establish a Ministerial Schools Funding Reference Group to examine the key recommendations and proposals and provide advice. The Group would include representatives of state and territory governments and private school organisations.

The Government said that principal, teacher and parent organisations would be invited to participate in the process of developing and testing elements of a new system. The program included public forums for parents and school communities to discuss funding for schools. No timeline was prescribed for the consultation.

Many were dismayed at the refusal to endorse the Report, including members of the review panel. Before the 2012-13 Budget was presented, a member of the panel, Ken Boston, said a clear funding commitment by the Government was needed to provide a framework for negotiations between it

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[1] Julia Gillard and Peter Garrett, Transcript of joint press conference - Gonski Review of Funding for Australian Schooling Report, 20 February 2012.
[2] Anna Patty, Gonski report not government policy, insists Garrett, *The Sydney Morning Herald*, 29 March 2012.
[3] Australian Government, Initial Government Response to the Review of Funding for Australian Schooling Report, February 2012, p. 3.
[4] Julia Gillard and Peter Garrett, Transcript of joint press conference - Gonski Review of Funding for Australian Schooling Report, 20 February 2012; Australian Government, Initial Government Response to the Review of Funding for Australian Schooling Report, February 2012, pp. 3-4.

and state/territory governments on the new funding model.[5] In the event, Boston was "disappointed" as there was no commitment forthcoming for further investment in education.[6]

Another panel member, Carmen Lawrence, said she was "disappointed" and "mystified" at the delay in endorsing the Report.[7] She said she didn't know why the Government did not commit to the Report's recommendations, particularly since the panel had kept it informed of its deliberations throughout the 18-month review and the Government appeared to have had no reservations about it.

She was disappointed at the announcement of further consultation saying that the review had already done all that and had "talked to everybody". She warned that the longer the Government waited the more likely it was that support for the reforms would evaporate: "The longer we wait, the more the forces of reaction will muster and position themselves in their usual arrangements". Little did she know that Gillard had long ago agreed to delay implementation in secret negotiations with the Catholic Church "to give them a clear moment of political fightback if they wanted it ".[8]

Many others were also urging the Government to act on the recommendations, In May, the Australian Education Union launched its "I give a Gonski" campaign to implement the Report's recommendations. In June, the Business Council of Australia, the Smith Family and the Australian Council of Social Services all called on the Government to implement the recommendations.[9]

Lawrence's warning proved to be prescient. By delaying endorsement of the Report, the Government made implementation of a new funding model hostage to interminable wrangling with private school organisations. It wasn't long before they asserted their power.

2. Class war unleashed

Tony Abbott warned private schools of "a new assault on Independent schools" and that there is "a new hit list coming".[10] He asserted that:

> …there are some recommendations in the Gonski report that pose a real threat to independent schools if implemented. There's the threat to indexation, there's the threat to low fee schools and there is the threat of an effective means test on parents.

Pyne said it would lead to less funding for private schools and higher fees.[11] This had been emphatically denied by David Gonski who said he failed to understand how that could be construed from the report: "If there's a hit list in there, I still haven't found it".[12] This intervention did not deter Pyne as he kept up his scare campaign in the months following.[13]

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[5] Ken Boston, The homework is done – it's now time to put Gonski into action *The Sydney Morning Herald*, 3 May 2012.
[6] Melinda Rout, Gonski schools changes urgent, says review team member Ken Boston, *The Australian*, 24 May 2012.
[7] Jewel Topsfield, School reforms delayed too long, says Lawrence, *The Age*, 26 May 2012.
[8] Julia Gillard, *My Story*, Random House, Sydney, 2014, p. 258.
[9] Justine Ferrari, Gonski reforms overhaul of schools to cost $6.5bn, *The Australian*, 23 July 2012.
[10] Tony Abbott, Transcript of Doorstop Interview with Tony Abbott and Christopher Pyne, Adelaide, 7 March 2012.
[11] Christopher Pyne, Funding Uncertainty for Low Fee Schools, Media Release, 7 March 2012.
[12] Justine Ferrari, David Gonski denies fees will increase, *The Australian*, 6 March 2012.
[13] For example, see Christopher Pyne, School Fees Set to Rise Under Labor, Media Release, 28 July 2012; Christopher Pyne, ISCA Modelling Confirms School Fees Up Under Labor, Media Release, 17 August 2012..

Nor did Gonski's intervention deter some private school organisations from taking the warpath to defend and extend their funding privileges. In mid-April 2012, the NSW Association of Independent Schools claimed that 86 Independent schools in NSW would lose funding under the proposed model of between $65,000 and $3.9 million a year.[14] It said this would force them to increase fees and some might be forced to close. It called on the Commonwealth Government to guarantee that funding for schools would not be reduced in real terms. The Association of Independent Schools of Queensland claimed that 19 Queensland independent schools would have lose about $18 million in funding under the model.[15] It said that it wanted more certainty about the funding of Independent schools in 2014.

In May, the Association of Independent Schools in NSW condemned the new model because it said it would strip money from almost every independent school within four years because the level of indexation was too low. [16] It called for a two year extension of the existing SES funding arrangements to provide certainty for schools. The Catholic Education Commission of NSW also claimed there would be a funding gap for its schools under the proposed model because indexation would be lower than under the SES model.

Independent schools claimed that over 3,200 schools would lose funding under the Gonski report recommendations. The claims were orchestrated throughout the Murdoch papers. Lists of schools that would allegedly lose hundreds of thousands, even millions, of dollars were bandied about.[17] It was alleged that schools would lose a total of $1.45 billion a year at an average of about $450,000 per school.

The Independent Schools Council of Australia (ISCA) added to the pressure in the lead up to its national education forum at which Gillard and Abbott were to speak. It claimed that one in six of its schools would be worse off under the new model. Its Executive Director, Bill Daniels, said fees would have to increase by thousands of dollars to cover shortfalls and some schools.[18]

The claims scared the life out of the Prime Minister. She was quick to ingratiate herself to the rich and powerful at the Independent Schools National Education Forum:

> I am incredibly proud of the way that as we've gone through this big journey of change, independent school leaders have been a partner with us, with me, in every step of the way. You have never said go slower or don't go as hard, every stage of the journey you have urged us on, because you want to see the best for the kids you teach at every stage of their education....you've always been there for the big changes that go with the extra resources. Your sincere and complete support for progress in Australian schools has been vital to the success of our approach....

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[14] Anna Patty and Kim Arlington, Private schools warn of fee rises, *The Sydney Morning Herald*, 16 April 2012; Anna Patty, Gonski: top losing schools named, *The Sydney Morning Herald*, 23 April 2012..

[15] The Association of Independent Schools of Queensland, Gonski Review Outcomes Encouraging for Queensland But Is It a False Hope? Media Release, 19 April 2012.

[16] Andrew Stevenson, Defer Gonski's funding reforms, private schools urge, *The Sydney Morning Herald*, 22 May 2012.

[17] Samantha Maiden, 3000 schools face funding cuts, but Prime Minister Julia Gillard stands firm on pledge, *Sunday Herald-Sun*, 19 August 2012; Samantha Maiden, We name the school losers the Prime Minister Julia Gillard vows to rescue, *The Sunday Telegraph*, 19 August 2012; Samantha Maiden, Federal funding level risk for 248 South Australian schools, *The Sunday Mail*, 19 August 2012; Tanya Chilcott and Jessica Marszalek, Local schools will suffer if Gonski review reform goes ahead, says Queensland Government, *The Courier-Mail*, 20 August 2012.

[18] Joanna Mather, Schools body canes Gonski, *The Australian Financial Review*, 17 August 2012.

> I've never looked at a big independent school in an established suburb and thought 'That's not fair'. I look at a big independent school in an established suburb and think 'That's a great example'.[19]

She gave them a big new promise. Not only would no school lose a dollar as she had long re-assured private schools since the Gonski review was announced but every school, even the richest, would get a funding increase. She promised that: "Every independent school in Australia will see their funding increase under our plan". Apparently, the commitment extended to other private schools as well. The Minister for Education, Peter Garrett, said that it would be a real increase in funding and not just a nominal increase to cover rising costs.[20]

It was a concession that would make a big hole in the Gonski funding bucket. It meant that many highly privileged schools that were already over-funded would get to keep their over-funding and have it increased in real terms. There were over 1000 so-called "funding maintained" (FM) private schools which were over-funded by $615 million (2010 figures) and this would be increased as part of the promise. All this over-funding went to medium and high SES private schools. No low SES private school was funding maintained.

The Prime Minister also promised that "all students, regardless of school, will be funded on a consistent basis for the first time". This meant that all schools with a similar socio-economic status (SES) would be funded at the same rate. This was a key recommendation of the Gonski Report.

However, the FM schools at each SES score were already funded at higher rates than other schools funded according to their SES score - an incoherence of the current funding arrangements criticised by the Gonski Report. In order for all private schools to funded on a consistent basis, the funding rates for the non-FM schools would have to be increased to match the highest FM rate at each SES score because of the promises that "no school will lose a dollar" and that "all schools will get a funding increase" meant that the FM funding rates could not be reduced.

Once again Gillard buckled under the pressure of private school organisations. She later admitted as much:

> In response, I brought forward the announcement of the next necessary commitment for the process of transition. From saying no school would lose a dollar, I moved to a commitment that all schools would continue to see their funding rise.[21]

Nor was Tony Abbott to be outdone in genuflecting to those he served. He intoned:

> I stand before you as a proud Australian, as a product of the independent school system, as someone who believes that I can say with deep conviction that I am a friend of the independent schools of Australia. I know them intimately. I am a friend of the independent schools of Australia and I think that you can judge me by my deeds and not simply by my words.[22]

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[19] Julia Gillard, Speech to Independent Schools National Forum, Canberra, 20 August 2012.

[20] Peter Garrett, ABC Lateline Transcript, 20 August 2012; Peter Garrett, Interview with David Speers, *Sky News PM Agenda*, 20 August.2012.

[21] Julia Gillard, My Story, Random House, Sydney, 2014, p 263.

[22] Tony Abbott, Address to the Association of Heads of Independent Schools of Australia and Independent Schools Council of Australia National Forum, Canberra, 20 August 2012.

He claimed that Independent schools are victims of an "injustice" because their proportion of government funding is less than their enrolment proportion. Incredibly, he said "...there is no question of injustice to public schools here. If anything, the injustice is the other way".

The implication was that Independent schools deserved the same funding entitlement as public schools. In effect, Abbott wanted the same government funding for Independent as public schools. This would ensure that Independent schools would always have more resources than public schools because they could draw on income from fees and donations. Abbott's priority was to defend and extend the privileges of the wealthy. It was all about protecting the resource advantage of schools that serve the wealthy.

The two leaders' presentations demonstrated bi-partisan agreement to continue to support privilege in education in Australia. The irony was that whenever public education advocates and schools claimed funding priority for disadvantaged students and public schools, representatives of the rich criticise them for "class envy" and "class war". The campaign conducted by Independent schools showed class warfare in action by the wealthy. It had a significant effect on the final arrangements for the new system announced in April 2013. As the multi-billionaire business magnate, Warren Buffett, so famously said: "There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning."[23]

3. Government response to the Gonski Report

The Government finally gave its formal response to the Report in September with the announcement of its National Plan for School Improvement (NPSI).[24] It adopted the basic funding framework and other features recommended by the Gonski Report. The SES model for funding private schools was to be scrapped.

Funding for schools would be based on a new Schooling Resource Standard (SRS) plus loadings for various categories of disadvantage. The SRS would be based on the costs of successful schools. The funding loadings would apply to six categories: students from low income families, Indigenous students, students with disabilities, students with limited English skills, school size, and students who attend rural and remote schools. The loadings would apply to both public and private schools.

Funding for every school would be increased and phased in over six years from 2014. It was estimated that schools would receive additional funding of about $6.5 billion by 2020. A new method of annual indexation would be introduced. Government funding of private schools would continue to be based on parents' capacity to contribute.

The increased funding would be tied to requirements for school improvement in both public and private schools. The requirements would relate to improving teacher quality, increased school autonomy and more information for parents.

Higher standards for teachers would include more classroom experience before graduation, higher entry standards to the profession and annual performance reviews for all teachers. Teachers would receive extra training in managing disruptive behaviour and dealing with bullying and every school would have a Safe School Plan to prevent bullying.

[23] Ben Stein, In Class Warfare, Guess Which Class is Winning, *The New York Times*, 26 November 2006.
[24] Julia Gillard, A National Plan for School Improvement, Speech to National Press Club, Canberra, 3 September 2012; Julia Gillard and Peter Garrett, Better Schools: A National Plan for School Improvement, Joint Media Release, 3 September 2012. See also Marilyn Harrington, 'Better schools' – the Government responds to Gonski, Flag Post, Parliamentary Library, Canberra, 6 September 2012.

Principals would have greater power over the hiring of staff and the allocation of budgets. Every school would be required to have a School Improvement Plan which would outline the steps that each school would take to improve student results.

More information for parents would be included on the My School website about student progress, teacher qualifications, specialist teachers, Year 12 attainment, the results of parent, teacher and student surveys, and how many students go on to further education or get a job when they leave school.

The Government said the details of the NPSI would be worked through with state and territory governments and private school organisations. A special sub-committee of education ministers would be established to drive the changes. It said that any extra Commonwealth funding would be contingent upon the states signing up to the new arrangements.

The Government did not formally respond to the recommendation of the Gonski report to establish an independent body to oversee school funding. It was not even mentioned in the Prime Minister's response to the report. It was later reported that the Government rejected the proposal.[25] The Minister for Education said that governments were best placed to make decisions about the resourcing of schools and that adding another level of administration and bureaucracy to set and review school funding was unnecessary. The decision was welcomed by state and territory governments, who had opposed the establishment of the body as another layer of bureaucracy and feared it would take control of their education budgets out of state hands.

The overall thrust of the Plan was generally welcomed but there was frustration about the lack of detail and aspects of the requirements for school improvement.[26] Public school teacher, principal and parent organisations voiced their support. Private school organisations wanted more detail and more certainty about future funding. Tony Abbott insisted that the plan was not affordable. Coalition Premiers in Victoria, Queensland and Western Australia voiced opposition while the NSW Premier and the Education Minister, Adrian Piccoli, continued supported the model as did Labor governments in South Australia, Tasmania and the ACT.[27]

In late November, the Government introduced the Australian Education Bill into the Parliament. However, it was essentially another statement of principle and lacked the detail that everyone wanted. It seemed to be more designed to fill in the delay in implementation that the Prime Minister had promised the Catholic Church. Inevitably, it led to another round of wrangling with state governments and private school organisations in the following months.

4. The National Plan for School Improvement

The Government announced its detailed Plan on 13 April 2013[28] A meeting of the Council of Australian Governments (COAG) a week later committed to negotiations between the Commonwealth and the states on the implementation of the Plan.[29] Further details of the Plan were provided in the 2013-14 Budget and the Australian Education Bill 2013 was tabled in the Parliament in early June and passed later in the month. The Plan was to be implemented from 1 January 2014.

[25] Justine Ferrari and Nicolas Perpitch, Labor rejects Gonski's "red tape". *The Australian*, 5 September.2012.
[26] Justine Ferrari, Prime Minister Julia Gillard announces a new $6.5 billion school funding system, *The Australian*, 4 September 2012; ABC News, States call for school funding details, 4 September 2012; Caroline Milburn, Is this the blueprint for better schools? *The Sydney Morning Herald*, 10 September 2012.
[27] Chris Johnson, Govt dances to Gonski's beat, *The Age*, 5 September 2012.
[28] Julia Gillard and Peter Garrett, Resourcing all our kids, classrooms and teachers for the future, Joint Media Release, 14 April 2013.
[29] COAG, Meeting Communique, Canberra, 19 April 2013.

The NPSI included national goals for the Australian school education system, an education reform strategy to achieve those goals and a new school funding model. The NPSI was given effect through the Australian Education Act 2013, the National Education Reform Agreement (NERA) between the Commonwealth and state and territory governments and memorandums of understanding with private schools and organisations.

The Labor Government adopted the basic framework recommended by the Gonski report, but with some significant differences.[30] As recommended by the Gonski report, the NPSI established a new funding model consisting of base per student funding standards and funding loadings for disadvantaged students, school location and school size. Private schools would receive a per student amount adjusted for parent capacity to contribute plus the disadvantage loadings. The NPSI also provided a large increase in school funding over six years.

In order to participate in the NPSI, private schools and organisations had to sign memorandums of understanding that set out their implementation plans. Each state and territory Catholic system and Independent school system authorities subsequently signed an approved system arrangement with the Commonwealth Government.[31] These agreements were not made public and the conditions under which government funding was provided are not known; for example, whether their private funding effort was to be maintained.

4.1 Participating and non-participating states

Under the Education Act 2013, the Minister for Education could determine that a state or territory government is a "participating" government. A participating government was one that signed the NERA and a separate bilateral agreement with the Commonwealth. The bilateral agreements consisted of three parts – a heads of agreement, a funding schedule and an implementation plan.[32] A "non-participating" government was one did not sign the NERA and did not have a separate bilateral agreement with the Commonwealth.

Only the NSW, SA and ACT governments signed both the NERA and a bilateral agreement. The Queensland, Western Australia and the Northern Territory governments did not sign the Agreement. The Victorian and Tasmanian governments agreed in-principle to sign bilateral agreements but did not do so before the 2013 election in September because their implementation plans were not completed.

[30] The following description of the NPSI is based on a number of government statements and documents, including The Australian Education Act 2013; the Australian Education Regulation 2013; Council of Australian Governments (COAG), National Education Reform Agreement, 2013; Australian Government, National Plan for School Improvement, Budget 2013-14, Canberra, May 2013; Australian Government, National Plan for School Improvement, PowerPoint slides, Canberra, 2013; Australian Government, A New Way of Funding Our Schools. Canberra, 2013; Australian Government, New school funding model fact sheet long version, Canberra, 2013; Australian Government, National plan for school improvement long version, Canberra, 2013; Peter Garrett, Australian Education Bill 2012, Second Reading Speech, House of Representatives, 4 June. 2013; Louise Hanlon, National Plan for School Improvement and School Funding Reform. Presentation to Parents Forum, Department of Education, Employment and Workplace Relations, Canberra, 17 June 2013; Marilyn Harrington, Funding the National Plan for School Improvement: An explanation. Parliamentary Library, Canberra, 26 June 2013; Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice, Budget Estimates 2013-14, 2013.

[31] Senate Select Committee on School Funding, Answer to Question on Notice No. 9, Private Briefing with the Department of Education, 18 February 2014.

[32] Tony Cook, Senate Select Committee on School Funding, Hansard, 18 February 2014, p. 4.

The Tasmanian Government submitted an incomplete draft bilateral agreement at the commencement of the caretaker period of the 2013 election which was not progressed.[33] A Commonwealth Education Department official later told the Senate School Funding Select Committee that Tasmania's draft plan was not submitted within 14 days of the signing of the Heads of Agreement as specified in the latter, the implication being that it was therefore not operative even though no allowance was made for the fact that the 14 days fell within the caretaker period of government and the new government did not follow up after the election.[34] There was no time restriction in the Heads of Agreement with the Victorian Government for the submission of its bilateral agreement.

The outcome was that the NPSI applied only to the Commonwealth, NSW, South Australian and ACT governments. The Coalition parties had actively discouraged Coalition state governments from signing up to the NERA. In letters to Coalition premiers and chief ministers, Pyne set out the Coalition's position and encouraged them not to conclude negotiations about the funding model "in a rushed, pressured and politicised environment" of the pre-election period.[35] It was a key part of the Opposition's strategy to undermine the NERA from the beginning. It said that it would not support the Gonski model unless a majority of states and territories signed up.[36]

The Education Act provided for Commonwealth funding of participating schools and systems according to the needs-based funding model consisting of the base per student amounts, adjusted amounts for private schools and disadvantage loadings. For their part, the participating states agreed to ensure their funding arrangements were aligned with the agreed needs-based model, to make their school funding formula publicly available, to maintain their current funding effort as set out in the NERA including indexation, and to implement agreed national policy initiatives relating to school education.

Under the Act, the Commonwealth Minister of Education determined the level of funding for non-participating systems. The financial assistance was to be provided through a national specific purpose payment (SPP) for schools located in non-participating states and territories.

This distinction between participating and non-participating governments had implications for how public schools were funded as all private schools and systems were treated as participating authorities.[37] Non-participating governments were not required to increase their funding for public schools or to implement a Gonski-type funding formula. Recurrent funding for public schools under non-participating governments continued to be provided through SPP with the amount received in 2013 to be indexed each year by the Minister. Non-participating governments were also not bound by other conditions of the NERA and specific conditions relating to the participating states in the Education Act. However, they were bound by the broad policy conditions of the Act and conditions relating to the collection of information.

4.2 Education goals

In presenting the Government's response to the Gonski report in September 2012, Julia Gillard said that Australia had to improve its overall education performance and, in particular, for poorer children. She noted that four of the top five schooling systems in the world were in the region, and

[33] Senate Select Committee on School Funding, Answer to Question on Notice No.1, 18 February 2014.
[34] Tony Cook, Senate School Funding Select Committee, Hansard, 13 March 2014, p. 3.
[35] See for example, Christopher Pyne, Letter to Barry O'Farrell, 21 May 2013; Christopher Pyne, Letter to Colin Barnett, 21 May 2013.
[36] Christopher Pyne, Interview with Graham Richardson, Sky News, 22 May 2013
[37] All private schools were regarded as participating authorities under the Education Act.

that Australia was not among them. She also noted that the results of poor and Indigenous students were well below the average.

She said that improving the education of disadvantaged students was a moral imperative, but it was also a goal to improve results for all children: "This is not just about disadvantaged kids, not just about gifted kids, it's about all students". She said that there is an economic imperative to improve Australia's education performance:

> ...we cannot have a strong economy and prosperous future if the skills of our workforce lag behind the skills of our competitors...
> Put bluntly, our businesses will be unable to compete if our children's education keeps falling behind. To win the economic race, we must first win the education race.[38]

She said that the legislation for the new funding arrangements would embody new goals:

> By 2025, I want Australian schools to be back in the top five schooling systems in the world.
> By 2025, Australia should be ranked as a top 5 country in the world in Reading, Science and Mathematics – and for providing our children with a high-quality and high-equity education system.

These new goals were re-affirmed in the second reading speech on the Australian Education Bill 2012 by the Prime Minister together with need "to eradicate the great moral wrong" of some children being denied a good education.[39] She made it clear that economic goals were just as much a part of the plan as equity:

> Applying the power of education to preserve the Australian fair go and strengthen the Australian economy is the governing purpose of my party and my government.

In announcing the NPSI in April 2013, the Prime Minister and the Education Minister, Peter Garrett, emphasised the goals of improving Australia's international ranking in education and strengthening the economy:

> The Prime Minister has set out a goal for Australian schools to be among the world's top five in reading, numeracy and science by 2025. A world class school system is a key part of a strong economy for the future.[40]

In introducing the new Education Bill to the Parliament in June 2013, the Minister for Education said that the Bill was intended to "right a moral wrong and that we secure our economic future". He said that improving Australia's education performance was "a great national economic imperative" and focused on the economic implications of the gap in school results between Australia and East Asian countries.

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[38] Julia Gillard, A National Plan for School Improvement, Speech to National Press Club, Canberra, 3 September 2012.
[39] Julian Gillard, Australian Education Bill 2012, Second Reading Speech, House of Representatives, 28 November 2012.
[40] Julia Gillard and Peter Garrett, Resourcing all our kids, classrooms and teachers for the future. Media Release, 14 April 2013.

> Australian businesses, and our economy, will not be able to compete if we accept these statistics as good enough. It has been said often, and it is true, that we cannot win the economic race if we lose the education race.[41]

The *Australian Education Act 2013* and the NERA incorporated the new goals espoused by the Prime Minister and the existing COAG goals. They set a target for Australia to be placed in the top five performing countries in reading, mathematics and science by 2025 and that the Australian schooling system be considered a high quality and highly equitable schooling system by international standards. The student outcomes targets were to increase the Year 12 (or equivalent) and Certificate II attainment rate to 90 per cent by 2015; lift the Year 12 (or equivalent) or Certificate III attainment rate to 90 per cent by 2020, halve the gap for Indigenous students in reading, writing and numeracy by 2018; and at least halve the gap for Indigenous students in Year 12 or equivalent attainment rates by 2020. There was no mention of reducing the gap between other groups of students. However, a resource standard for schools was designed to achieve a different set of student outcomes (see Section 5.1 below).

The goal of ensuring students meet basic literacy and numeracy standards that was included in the National Education Agreement of 2009 was not included in the Act or the new Reform Agreement. The NERA included the goal of reducing the educational disadvantage of children, including Indigenous children and children from low SES backgrounds, but was not included in the Education Act.

4.3 The National Education Reform Agreement

The signatories to the NERA committed to implementing a needs-based funding model incorporating:

- A base per student amount representing recurrent resources required to support a student with minimal educational disadvantage to achieve expected educational outcomes;[42] and
- Additional funding (called loadings) for several categories of education need, including but not limited to:
  - low socio-economic status students;
  - Aboriginal and Torres Strait Islander students;
  - students with limited English language proficiency;
  - students with disability;
  - school location;
  - school size.

The new model implied a significant increase in funding for schools by the Commonwealth and the states. The additional ('Gonski') funding estimated over the six years to 2019 was $15.1 billion (see Section 6 below). It was agreed that the Commonwealth would provide 65 per cent ($9.82 billion) of the additional funding and the states 35 per cent ($5.28 billion).[43] The NERA also specified that all schools would reach their full funding entitlement by 2019.[44] However, the Minister for Education later said that all schools would reach at least 95 per cent of their funding entitlement by 2019.[45]

[41] Peter Garrett, Australian Education Bill 2012, Second Reading Speech, House of Representatives, 4 June 2013.
[42] The base amount for private schools is adjusted to their 'capacity to contribute'.
[43] Council of Australian Governments (COAG), National Education Reform Agreement, 2013, Clause 67.
[44] Council of Australian Governments (COAG), National Education Reform Agreement, 2013, Clause 66.
[45] Peter Garrett, Australian Education Bill 2012, Second Reading Speech, House of Representatives, 4 June 2013, Hansard, p. 5111.

Governments also agreed to maintain their current funding levels ('baseline' funding) through indexation to ensure a consistent baseline for calculating their shares of the additional funding and to ensure that funding from one government level was not substituted for funding from another in the transition to the full funding levels by 2019. Thus, there were two sources of nominal funding increases per student over the six years – one was the additional (Gonski) funding required to provide all students with a base level of resources and to provide additional support for education need, and the other was the indexation of the existing funding levels to ensure maintenance of funding effort. The NERA stated:

> 63. The Parties agree that the 'additional funding' under this Agreement is the positive difference between what would have been provided under the funding arrangements that preceded this Agreement and the SRS.
> 64. On this basis, to ensure a consistent baseline for calculating shares of additional funding (as per provisions 66-67) and to ensure funding from one Party does not substitute for funding from another in aiming to reach SRS funding levels by 2019, Parties agree to maintain current funding effort as set out in this provision and adjusted for indexation as set out in provisions 68-69.[46]

In addition, the agreements between the Commonwealth and individual states included funding for enrolment growth and changes in demographic composition. For example, the Heads of Agreement between the Commonwealth and NSW governments on National Education Reform includes the following clauses:

> 18. From 1 January 2014, NSW will contribute its existing funding for schools and school systems. This equates to $8.264 billion in 2014. This contribution will be escalated by 2.62 per cent from 2014 to 2015 and 3 per cent yearly thereafter.
> 19. In addition, NSW will also contribute $1.761 billion over six years (2014-2019) which includes 35 per cent of the additional investment required to transit schools and school systems under the SRS toward the SRS over this period.
> 20. From 1 January 2014, the Commonwealth will contribute its existing funding for education equating to $4.025 billion in 2014. The contribution will be escalated by 4.7 per cent per annum from 2014 to 2015 and yearly thereafter.
> 21. In addition, the Commonwealth will also contribute $3.270 billion over six years (2014-2019) which includes 65 per cent of the additional investment required to transition schools and school systems under the SRS towards the SRS over this period.
> 22. The funding amounts in clauses 18 to 21 will change if there are different enrolment growth rates and changes to student characteristics to those currently estimated in the SRS funding model…[47]

The agreement potentially represented a major change in inter-governmental co-operation on school funding. The Secretary of the Department of Education, Employment and Workplace Relations told Senate Estimates:

> …this is the first time that states are being asked to in any way match or relate their funding to Commonwealth funding. So, historically, there has been no influence from the Commonwealth over state schools' expenditure, except of course what the Commonwealth has paid the states. This is the first time states are being asked both to match the Commonwealth's additionality, or additional funding, and to reach certain indexation rates

[46] Council of Australian Governments (COAG), National Education Reform Agreement, 2013, pp. 18-19.
[47] Heads of Agreement Between the Commonwealth of Australia and the State of New South Wales on National Education Reform, p. 3.

> for the first time ever—and, indeed, to fund non-government schools to certain levels. The two funding systems are really one funding system now, if the offer is accepted.[48]

State and territory governments participating in the NERA agreed to implement needs-based funding arrangements from 1 January 2014.[49] These arrangements had to conform with the principles for needs-based funding outlined in the NERA which basically meant adopting loadings for various categories of disadvantage. The states also agreed to implement a range of school improvement policies (see Section 9 below).

5. The Commonwealth Government funding model

The Australian Education Act 2013 and the Australian Education Regulation 2013 provided the statutory framework for implementing the Commonwealth Government commitments and commenced operation on 1 January 2014.

The Commonwealth paid all financial assistance under the Act, including funding for private schools, to the state or territory in which a school was located. State and territory governments were required to pass on the full amount of funding to the relevant approved authorities for schools. In the case of public schools, the approved authority was the state or territory government. In the case of private schools, the approved authority was the body corporate approved by the Minister for that school. This authority could represent one or more schools or was an approved system authority that administered a group of schools.

System authorities were free to distribute Commonwealth funding according to their own approved needs-based funding systems. They had to comply with the needs-based principles established under the Act. Commonwealth funding for Independent schools was also paid through the relevant state government but was directly attributed to the school according to the Commonwealth's needs based funding model.

5.1 The Schooling Resource Standard

As recommended by the Gonski Report, the Schooling Resource Standard (SRS) was to be used to as the basis for all recurrent government funding of schools. The SRS was an estimate of how much total government funding a school needed to meet its students' educational needs. Its estimation took account of Commonwealth Government funding, state and territory government funding and privately sourced income by private schools. As noted above, the NERA specified that all schools would be funded at 100 per cent of their SRS by 2019. However, this was later amended by the Minister for Education to at least 95 per cent of their SRS by 2019.

The SRS was comprised of a basic per student amount for primary and secondary school students and loadings for various student-based and school-based sources of disadvantage. For 2014, the base resource level per primary school student was set at $9,271 and at $12,193 per secondary student. These amounts were to be indexed in the following years by 3.6 per cent. This rate was based on a five year forward estimate of an Average Schools Recurrent Cost (ASRC) to reflect the estimated increases in the costs of all schools from all sources.[50]

Some confusion about the definition of the SRS arose because of an apparent inconsistency between the NERA and the Education Act. In the NERA [p. 51], the SRS referred to the total of the funding

[48] Lisa Paul, Senate Standing Committee on Education and Employment, Budget Estimates 2013-2014, Hansard, 5 June 2013, p. 93.
[49] Council of Australian Governments (COAG), National Education Reform Agreement, 2013, Clause 62, p. 18.
[50] Senate Standing Committee on Education Employment and Workplace Relations, Budget Estimates 203-14, Answer to Question on Notice No. EW0001_14.

level required to support a student with minimal educational disadvantage to achieve expected educational outcomes plus the per student loadings.

> The SRS has two elements: the amount of investment per student in every system required to provide a high quality education; and loadings that target disadvantage and need at student and school level in specific areas which are known to impact on student performance, such as low socio-economic background, disability, indigeneity, English language proficiency and school size and location.[51]

However, the Education Act [s. 31] stated that the SRS referred to funding level required to support a student with minimal educational disadvantage to achieve expected educational outcomes; that is, it was confined to the base level of funding per student.

In effect, a distinction had to be made between the SRS as the base level of funding and the SRS funding entitlement of schools which consisted of the base level of funding plus funding loadings. Government statements about the SRS for schools and systems generally included both the base amount and the loadings. For example, the statement on the NPSI published with the 2013-14 Budget Papers defined the SRS as follows:

> The system will deliver a per-student level of funding based on current funding levels for high-achieving, efficient schools. On top of this, additional funding will be provided to meet the costs of helping a child overcome disadvantage.

Schools whose funding was currently below their calculated SRS would have their funding increased over six years. Schools whose current resources exceeded their SRS would retain their government funding but it would be indexed at a slightly lower rate than the SRS in future years.

As recommended by the Gonski Report, the base SRS per student amount was determined by the costs of educating a child at a set of high performing schools with minimum levels of disadvantage, called "reference schools". These were schools where at least 80 per cent of their students exceeded the NAPLAN minimum standards for Years 3, 5 and 9 in both reading and numeracy in each of the three years 2009-2011.[52] The Gonski Report recommended against a higher benchmark of 90 per cent because it would have resulted in too small a number of reference schools and too many atypical schools.[53] It said that the 80 per cent benchmark was met by 16 per cent of all mainstream schools whereas the 90 per cent benchmark would have been met by only 3 per cent of schools.

There were 1489 reference schools were used to estimate the SRS for the NPSI.[54] Of these, 1035 (69.5 per cent were primary schools, 226 (15.2 per cent) were secondary schools and 228 (15.3 per cent) were combined schools. Private schools accounted for nearly 50 per cent of the reference schools. There were 762 (51.2 per cent) public schools, 437 (29.3 per cent) were Catholic schools and 290 (19.5 per cent) were Independent schools.

[51] Council of Australian Governments (COAG), National Education Reform Agreement, 2013, p. 51.
[52] Year 7 results were not used because of lack of national uniformity on year 7 as the starting year level for secondary school and Year 7 NAPLAN tests were conducted only three months after many students started secondary school.
[53] Review of Funding for Schooling, Final Report, December 2011, p. 158.
[54] Allen Consulting Group, Schooling Resource Standard: 2011 Update, May 2013 (Released under FOI on 28 January 2022).

A quantile regression analysis developed by the Allen Consulting Group for the Gonski panel was used to determine the base SRS amounts.[55] The model estimated the relationship between school income and a range of student and school characteristics that influence school resourcing. It produced cost results for primary and secondary schools for the 10th, 25th and 50th percentiles of net recurrent income per student as well as the mean. The technical report explained that the cost estimates for each income percentile represented the range of school efficiency in achieving educational effectiveness of 80 per cent or more of students achieving above the national minimum NAPLAN standard. It said that the mean estimate represented average efficiency while the 10th percentile represented the most efficient schools.

According to information later supplied by the Department of Education to the National Commission of Audit, the cost of schools at the 25th percentile was chosen as the SRS base amounts.[56] The rationale for using the 25th percentile was not publicly explained at the time despite a question on notice at a later Senate Estimates.[57]

The explanation only became available when the Allen Consulting technical report was released under FOI in 2019. According to this report, the regression at the 25th percentile was superior to the 10th percentile regression because it was better able to generate a SRS estimate that was feasible to implement and it represented a reasonable level of efficiency.[58]

The modelling used for the NPSI showed a considerable difference in the estimated base SRS at the 25th and 10th percentiles. The base SRS at the 25th percentile was $8,370 for primary students compared to $7,855 per student at the 10th percentile.[59] The SRS for secondary students was $11,008 at the 25th percentile compared to $10,202 at the 10th percentile.

The reference schools included in the Allen Consulting 2013 updated analysis (1489 schools) were high socio-economic status schools. The median Index of Socio-Educational Advantage score was 1122 for primary schools, 1100 for secondary schools and 1175 for combined schools compared to 1000 for all schools. Some 85-80 per cent of schools were in metropolitan cities.

They also included significant proportions of income from private sources. The median proportion of net recurrent income per student from private sources for the reference schools was 16 per cent.[60] The secondary schools obtained 25 per cent of their income from private sources and the combined schools obtained 68 per cent of their income in this way while about 11 per cent of primary schools did so[61]. Income from private sources therefore had a significant influence on the estimation of the base SRS.

[55] Allen Consulting Group, Schooling Resource Standard: Technical Report, April 2012. This report was not published at the time and was released under FOI on 13 September 2019 (TRIM Reference: L19/28242). This report was updated for the NPSI using 2009-2011 NAPLAN data; see Allen Consulting Group, Schooling Resource Standard: 2011 Update, May 2013 (Released under FOI on 28 January 2022).
[56] National Commission of Audit, Towards Responsible Government, Appendix Volume 1, February 2014, p. 260.
[57] Senate Committee: Education and Employment, Answer to Question on Notice No. SQ17-000157, Additional Estimates 2016-17.
[58] Allen Consulting Group, Schooling Resource Standard: Technical Report, April 2012, p. 2. The 2013 Update used the same methodology.
[59] Allen Consulting Group, Schooling Resource Standard: 2011 Update, May 2013, p. 54.
[60] Allen Consulting Group, Schooling Resource Standard: Technical Report, April 2012, p. 2.
[61] Allen Consulting Group, Schooling Resource Standard: 2011 Update, May 2013, p. 18. These proportions were similar to those in the previous technical report.

The Commonwealth share was determined by the regulation to the Act. It stated that the Commonwealth share of a school's funding was calculated from the same percentage of the per student funding as applied in the final year of the previous funding arrangements, indexed for following years, the arrangements to transition to the full SRS and the share of additional funding outlined in the bilateral agreements with participating states.

5.2 Disadvantage funding loadings

All schools, both public and private, were eligible for a range of disadvantage loadings based on a percentage of the base SRS amount per student.[62] The loadings were to provide additional resources to schools to assist students with specific needs to achieve the targeted school outcomes. They reflected the higher costs of enabling such students to achieve the expected outcomes. They were estimated using the regression analysis developed for the Gonski review panel. However, the loadings that were implemented differed from those recommended by the Gonski Report.

5.2.1 Low SES

The low SES student loading provided additional funding for schools with students from low socioeconomic backgrounds, and schools with higher concentrations of these students, to achieve nationally agreed educational outcomes.

The measure used to identify students from low socio-economic backgrounds was the socio-educational advantage (SEA) component of the Index of Community Socio-Educational Advantage (ICSEA) developed by the Australian Curriculum, Assessment and Reporting Authority (ACARA). The SEA scale measured the occupational and educational status of parents of school students. It used information relating to parent occupation, school education and non-school education obtained from student enrolment records. Missing data was imputed.

The loading was structured to provide greater resourcing in schools with the higher concentrations of low SES students. The loading increased on a sliding scale from 15 per cent of the relevant base SRS to a maximum of 50 per cent for schools where 75 per cent of students were in the lowest SEA quartile. Schools with a higher proportion of students in this quartile received the maximum loading. Schools also received a loading of 7.5 per cent for a student in the second lowest SEA quartile and this increased to a maximum of 37.5 per cent for schools with 75 per cent or more students in the 2nd quartile. As a result, more than 95 per cent of schools would receive low SES funding.[63]

In each case, the precise loading for a school also depended on the number of students in the relevant quartile as a proportion of the total number of students in the school. For example, if there was only one student in the lowest quartile in a school of 100 students, he/she would attract a slightly larger loading than in a school of 200 students.

The loadings were based on the indicative range suggested in the Gonski Report which, in turn, was based on a research report prepared for the panel.[64] The loadings for students in the lowest SEA quartile were more generous than those proposed by the Gonski report. The Gonski report proposed loadings ranging from 10 per cent of the resource standard for each low SES student in schools with under 10 per cent of students in the lowest SES quarter to 50 per cent for each low SES student in schools with more than 75 per cent of students in the lowest SES quarter.[65] In addition, the Gonski report loadings were structured on a step rather than a linear scale.

[62] The formulae for calculating the loadings were set out in the Australian Education Act 2013.
[63] Australian Government, A New Way of Funding Our Schools, Fact Sheet, May 2013.
[64] Senate Select Committee on School Funding, Answer to Question on Notice No. 5, 16 May 2014. See Attachment A, Review of Funding for Schooling – Rationale for the Panel's Proposed Loading for Students from Low Socioeconomic Backgrounds.
[65] Review of Funding for Schooling, Final Report, December 2011, p.169.

5.2.2 Aboriginal and Torres Strait Islanders

The loadings for Aboriginal and Torres Strait Islander (ATSI) students were also more generous than those proposed by the Gonski report. Under the NPSI, every ATSI student in every school would receive a funding loading. The loadings were on a sliding scale starting at 20 per cent of the base SRS for the first ATSI student in a school and increasing to 120 per cent for schools with 100 per cent of ATSI students. As in the case of the low SES loading, the precise amount of the loading depended on the proportion of ATSI students in a school.

These loadings differed from those proposed by the Gonski Report. It proposed loadings ranging from 40 per cent of the SRS for each ATSI student in schools with between 5 and 25 per cent of students who are ATSI to 100 per cent for each ATSI student in schools with more than 75 per cent of students who are of ATSI background.

5.2.3 Low English proficiency students

The loading for students with limited English language proficiency was set at 10 per cent. This was less than that recommended by the Gonski report, which set loadings ranging from 15 to 25 per cent. The Commonwealth Department of Education stated that no specific research was used to inform the final loading.[66]

The loading was initially based on an existing measure of disadvantaged students from a language background other than English. The regulations specified that a low English proficiency student was a student with a disadvantaged language background other than English as identified by ACARA.

Under the NERA, it was agreed that a nationally consistent methodology for identifying students with limited English language skills should be developed. The Government stated that it would do further work in conjunction with state and territory governments and private school organisations on a better, nationally consistent, way to identify students with limited English language skills who need more support.

A non-public review was later conducted and recommendations presented to the meeting of national education ministers on 14 December 2014. The agenda paper for the meeting recommended that the current measure of a disadvantaged language background be maintained for the remainder of the funding quadrennium and that further collaborative work be undertaken to develop greater national consistency in English language proficiency assessments.[67]

5.2.4 Disability students

An interim loading for students with disabilities was provided for 2014 while governments worked on developing an appropriate loading for 2015 and beyond. The disability loading for a student in a special school was set at 223 per cent and at 186 per cent for disability students in other schools.

The definition of a student disability used for the loading was based on the disability funding requirements of the state or territory in which a student resides. However, the requirements for a student to receive financial assistance in relation to the student being a student with disability differed between jurisdictions. A Nationally Consistent Collection of Data on School Students with Disability (NCCD) was to be developed and phased in over time to provide consistent data on the number and distribution of students with disability.

[66] Senate Select Committee on School Funding, Answer to Question on Notice No. 5, 16 May 2014.
[67] Third Education Council Meeting, Agenda Item 5.2: Review of the Low Socio-economic Status Loading and Finalisation of the English Language Proficiency Loading, 12 December 2014.

5.2.5 Size and location

The Gonski Report recommended a single loading for school size and location, ranging from 10 per cent for medium-sized schools in remote locations to 100 per cent for very small schools in very remote locations. However, the NPSI split it into two separate loadings.

Unlike the other loadings, the size loading was a dollar amount for the whole school rather than a percentage loading applied to the school's SRS base amount. The school size loading for primary schools was set at $150,000 per school of between 15 and 200 students and reducing to zero for 300 or more students. The loading for secondary schools was $240,000 per school of between 100 and 500 students and reducing to zero for 700 or more students. The size loading for combined schools were based on the loadings and enrolment limits for primary and secondary schools and the combined school's proportion of primary and secondary enrolments.

For very small schools, the size loading was phased in as their enrolments increased. The location of these schools was also considered in determining their size loading. The size loading for primary schools with less than 15 students ranged from $10,000 up to $150,000 based on enrolments and remoteness. For secondary schools with less than 100 students, the loading ranged from $20.000 up to $240,000 based on enrolments and remoteness.

The location loading was based on a school's Accessibility/Remoteness Index of Australia (ARIA) score and applied as a percentage to both the SRS base per student funding amounts for a school and the school's size loading. ARIA measured remoteness on a continuous scale ranging from 0 (high accessibility) to 15 (high remoteness) with scores based on road distance to service towns of different sizes. The location loadings were:

- Inner Regional schools - up to 10 per cent;
- Outer Regional schools - between 10 and 30 per cent;
- Remote schools - between 30 and 70 per cent;
- Very Remote schools - between 70 and 80 per cent.

The loadings were effectively indexed at 3.6 per cent against rising costs because, with the exception of school size, they were expressed as a percentage of the base SRS. The size loadings were indexed by the same percentage as the base SRS.

5.3 Private school funding

The SRS for private schools replaced their funding link to Average Government Schools Recurrent Cost (AGSRC) in the SES funding model. As with the SES funding model, private schools were not entitled to government funding for the full base SRS amount. Their government funding was adjusted by a measure of the "capacity to contribute" of families which took into account income from fees and other sources of private income. The capacity to contribute was measured by the school's socio-economic status (SES) score. Schools with a higher SES score received less government funding.

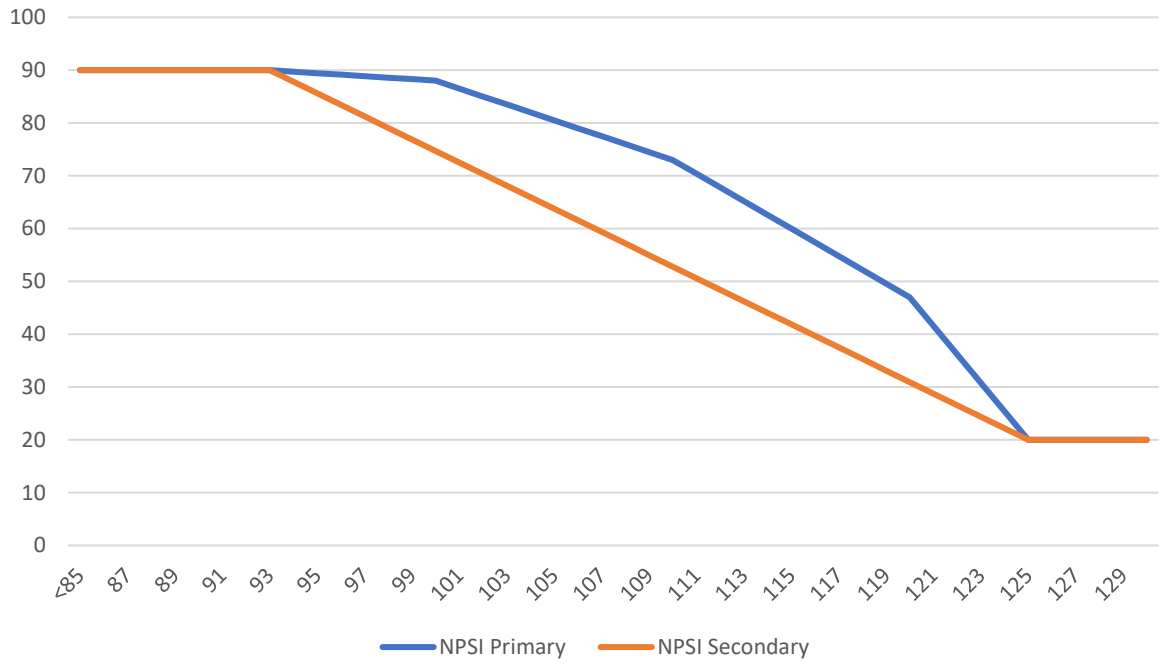
Certain categories of private schools were exempt from the 'capacity to contribute' requirement and were fully government funded. These included special schools, schools with a majority of ATSI students and sole provider schools in remote areas.

Private primary and secondary schools with the lowest SES scores (93 or less) were deemed to contribute 10 per cent of the per student funding amounts for primary and secondary students and therefore received government funding of 90 per cent of the base resource level. Schools with the highest SES scores (125 or greater) were deemed to contribute 80 per cent so that they received

government funding of 20 per cent of the base resource levels. Schools with an SES score between 93 and 125 received payments of between 90 and 20 per cent of the base SRS.

Instead of one schedule of funding rates as under the SES funding model and as recommended by the Gonski Report, the NPSI established separate funding schedules for primary and secondary schools [Figure 1]. The primary school rates significantly exceeded the secondary rates between the SES scores of 93 and 125. The Government said that this was to recognise the differential fee structures of private primary and secondary schools. The funding schedules included both Commonwealth and state government funding.

Figure 1: Government Funding of Private Schools by School SES Score, 2014 (% of SRS)



Source:
SRS: Australian Education Act 2013.
AGSRC: Author's estimates.

As under the previous SES funding model, the SES score for private schools was calculated by linking student addresses to an ABS area-based measure of socio-economic advantage/disadvantage based on census data. A school's SES score was an average of the student scores based on their area of residence.

This measure was highly criticised by the Gonski Report. It said that the area-based SES index used to determine the SES status of schools was prone to "significant error" and a "large degree of inaccuracy" because of variability in family SES within ABS collection districts.[68] It noted studies by the ABS that show large differences in the individual and family SES within Census collection districts. This created the potential for error in the measured SES of schools in circumstances where higher SES families in low SES areas attend private schools. Schools that draw higher income families from low SES areas are given a lower SES rating than if they were measured by a family-based measure of SES and attract a higher level of government funding than warranted.

[68] Review of Funding for Schooling, Final Report, December 2011, pp. 85, 177.

The Report recommended that a more precise measure of school SES should be developed as a priority to replace the existing measure. In the meantime, the Report used the existing measure as the basis for estimating the extent of the private contribution that should count towards meeting the resource standard in private schools.

Under the NERA, it was agreed that the Commonwealth would review the SES score methodology by 2017 to ensure it is the most appropriate means of assessing the relative educational advantage of private schools, including their capacity to contribute.[69]

Independent schools were generally funded directly based on their SRS estimates and their assessed capacity to contribute. The Education Act provided for block funding of private school systems. They could distribute the funding to their schools according to their own needs-based funding systems. As in the case of public school systems, needs-based distribution in private school systems had to be approved by the Commonwealth Government as consistent with its SRS model.

Following extensive negotiations between the Government and the National Catholic Education Commission (NCEC). it was agreed that the SES scores for all Catholic systemic schools would be calculated on a student-weighted system-wide average in each state, that is, all schools in a system would have the same SES score for determining their capacity to contribute.[70] The student weighted average SES for a system was calculated by multiplying the SES score of each individual school in that system by the number of enrolments at each individual school, then summing this estimate and dividing the total by the total number of enrolments in that system. A special arrangement was made for the ACT Catholic system whereby its SES score would be the average SES score for all Catholic systemic schools across Australia.

During the negotiations, it was also agreed to extend the option of a student-weighted system-wide average method of determining SES scores to Independent school systems. Eleven of the 18 independent school systems opted to use this system to determine the SES scores for all of their schools.[71] They included Anglican, Lutheran, Ecumenical, Christian and Seventh Day Adventist systems. The others chose to have the scores determined on an individual school basis.

> Under these arrangements, systems were free to decide how to distribute the funding to member schools according to their own distribution model. System distribution models were required to be consistent with the needs-based funding arrangements of the Education Act. Every system had to be approved by the Commonwealth Government to ensure it was consistent with the needs-based principles and systems had to publish how they calculated and distributed their funding allocations (see Section 7 below).

5.4 Transitional arrangements

Under the NERA, governments agreed to reduce the shortfall between the existing funding for each school and their total SRS (base + loadings) entitlement over a transitional period of six years. As noted above, it was intended that each school would receive 95 per cent of its total funding entitlement by 2019.

[69] Council of Australian Governments (COAG), National Education Reform Agreement, 2013, Clause 109, p. 23.
[70] Australian Education (SES Scores) Determination 2013, 27 November 2013; Australian Education (SES Scores) Determination 2013, Explanatory Statement, 27 November 2013.
[71] Another Independent school system joined the arrangement in early 2014. See Australian Education (SES Scores) Determination 2013, 28 March 2014.

Commonwealth Government funding for schools was based on a comparison of funding under the old scheme with that under the new SRS arrangements and adjustment of the funding amounts over time until they reached the total SRS funding entitlements. The comparison was done on a per-student basis to ensure changes in enrolments over the transition period were taken into account. The adjustment to the final total entitlement was to be achieved by indexing per student amounts at different rates.

Schools were funded differently according to whether their approved authority was categorised as 'below SRS', 'above SRS' or 'on SRS'. These categories were determined by calculating an old total government (Commonwealth and state/territory) funding per student amount for each approved authority for 2014 and comparing it with the total SRS entitlement for 2014.[72]

If the old 2014 amount was less than the approved authority's 2014 total SRS amount, the approved authority was referred to as being funded 'below SRS'. Commonwealth Government funding for schools whose estimated old per student amount for 2014 was less than their SRS amount for 2014 was increased by at least 4.7 per cent (called the "transition rate")[73] a year to move them towards their full SRS entitlement.

Commonwealth funding for authorities whose old per student amount for 2014 was more than their estimated per student amount for 2014 continue to receive the old per student amount, plus indexation of 3 per cent per annum, until their new SRS per student amount caught up with their actual funding. This ensured that schools funded at more than the total SRS funding amounts continued to have their funding increased as guaranteed by the Labor Government.

School authorities that were classified as 'on SRS' were not subject to the transitional arrangements.

6. Aggregate funding increase

As noted above, there were two sources of nominal funding increases per student planned over the six-year transitional period - additional (Gonski) funding required to provide all students with a base level of resources with additional support for education need as well as indexation of the existing (baseline) funding levels to ensure maintenance of funding effort.

Under the Heads of Agreement between the Commonwealth Government and each participating government (which formed the basis of the Bilateral Agreements), it was agreed that the increases in baseline funding and the agreed additional funding amounts would vary according to enrolment growth and changes in the profile of student characteristics for which the loadings applied.[74] Thus, for example, higher enrolment growth and a higher proportion of low SES students than expected would generate higher baseline and additional funding by the Commonwealth and state governments than originally projected.

[72] An information paper later published by the Department of Education stated that the old per student funding for public schools was based on 2011 financial data and that for private schools was based on the school's actual 2013 financial data. The amounts were indexed according to agreed state and sector indexation rates to determine a 2014 amount. See Department of Education, Transition arrangements under the Australian Education Act 2013 to calculate Commonwealth recurrent funding entitlement, Version 2.0, June 2014.

[73] Each participating government had an agreed transition rate. See below.

[74] Heads of Agreement Between the Commonwealth of Australia and the State of New South Wales on National Education Reform, p. 3. Similar clauses were included in the Heads of Agreement with the Victorian, South Australian, Tasmanian and ACT Governments.

6.1 Gonski funding

The Plan proposed a $14.5 billion increase in school funding over the six years from 2013-14 to 2019-20. This was later increased to $15.9 billion after agreements were negotiated with several state and territory governments.[75] About $10 billion of the increase was deferred to the last tow years of the transition period.

It was expected that the Commonwealth Government would contribute $9.8 billion of the originally planned increase and state/territory governments the remaining $4.7 billion. The Commonwealth Government contribution was increased to $10.3 billion following negotiations with several governments. The full state and territory amounts following the negotiations were: NSW - $5,000 million; Victoria - $4,180m; Queensland - $3,800m; WA - $921m; SA - $1,100m; Tasmania - $400m; ACT - $190m; and NT - $300m.

Public schools were to receive 83 per cent of the original planned increase. They would receive $12.1 billion compared to $1.4 billion for Catholic schools and $1 billion for Independent schools.[76]

The large part of total government funding under the model was for base funding. According to information provided to Senate Estimates, 74 per cent of the funding increase would be for base funding over the six years and 26 per cent would be allocated to the various disadvantage loadings.[77] Low SES students would receive 11.1 per cent, students with disabilities 8.2 per cent, Indigenous students 1.8 per cent, location 2.7 per cent, size 1.8 per cent, and students with limited English proficiency students 0.3 per cent.

The base funding proportion would be higher for Catholic and Independent schools than for public schools – 77.6, 81.6 and 72.4 per cent respectively – reflecting the higher proportion of disadvantaged students in public schools.

The proportions to apply from January 2014 were similar to these.[78] The proportion allocated to base funding was estimated at 77 per cent and 23 per cent for the loadings. There were large differences between the states and territories. The proportion allocated to base funding for public schools ranged from 84 per cent in the ACT to 45 per cent in the Northern Territory. For Catholic schools, it ranged from 86 per cent in the ACT to 43 per cent in the Northern Territory while the range for Independent schools was from 86 per cent in Victoria to 55 per cent in the Northern Territory.

The 2013-14 Budget Papers showed that most of the Commonwealth Government's original $9.8 billion increase was back-loaded to the last two years of the six-year transition period which was beyond the traditional four-year forward estimates of government budgets. The total increase over the four-year forward estimates to 2016-17 was $2.8 billion[79], leaving $7 billion to be provided in the last two years of the transition period.

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[75] Marilyn Harrington, Funding the National Plan for School Improvement: An explanation. Canberra, Parliamentary Library, 26 June 2013.

[76] Australian Government, National Plan for School Improvement. PowerPoint slides, Canberra, 2013.

[77] Senate Standing Committee on Education Employment and Workplace Relations, Answer to Question on Notice EW00227_14, 2013-14 Budget Estimates, June 2013.

[78] Senate Select Committee on School Funding, Answer to Question on Notice No. 6, Private briefing with the Department of Education, 18 February 2018.

[79] The Minister of Finance stated to Senate Estimates that the total planned NPSI expenditure over the forward estimates would be $2.98 billion. See Senate Finance and Public Administration 2013-13 Budget Estimates, Hansard, 29 May 2013. p. 93.

Much of the increase over the forward estimates was not new funding. The large part of the increase was to be financed by the termination of five national partnership programs applying to schools.[80] These were the Low Socio-economic Status Communities, Literacy and Numeracy, Empowering Local Schools, Rewards for Great Teachers and Rewards for School Improvement programs. The planned funding allowed for these programs in the forward estimates for these programs over 2013-14 to 2016-17 was $2.1 billion, leaving $0.7 billion in net new funding for the NPSI [Table 1].[81] The net new increase in school expenditure in 2013-14 was estimated at $333 million, but there would be declines in expenditure in 2014-15 and 2015-16 totalling $265 million and then a net increase in 2016-17 of $630 million. It was reported that in a letter to Opposition education spokesman, Christopher Pyne, after the Budget was announced, that the Auditor-General had estimated the new funding over the four years at $879 million.[82]

Table 1: Re-directed Expenditure from National Partnership Programs to NPSI ($m)

Program	2012-13	2013-14	2014-15	2015-16	2016-17	Total Increase 2013-14 to 2015-16
Low SES Communities		85	174			259
Literacy & Numeracy			243	162	162	567
Empowering Local Schools			1	410	1	412
Rewards for Great Teachers		40	125	250	250	665
Rewards for School Improvement	15	15	38	68	68	204
Total Re-directed Exp	15	140	581	890	481	2,107
NPSI Planned Exp		473	479	737	1,111	2,800
Net NPSI Increase/Decrease		333	-102	-153	630	693

Source: 2013-14 Budget Paper No. 2

As with the Commonwealth funding, most of the state/territory government increases were also postponed until the last two years. Comparable financial year estimates of the state/territory increases were not published but the planned state/territory increase for the first four calendar years was estimated to be $2 billion, or 38 per cent of the planned total, leaving with $3.2 billion to be provided in the last two years.[83]

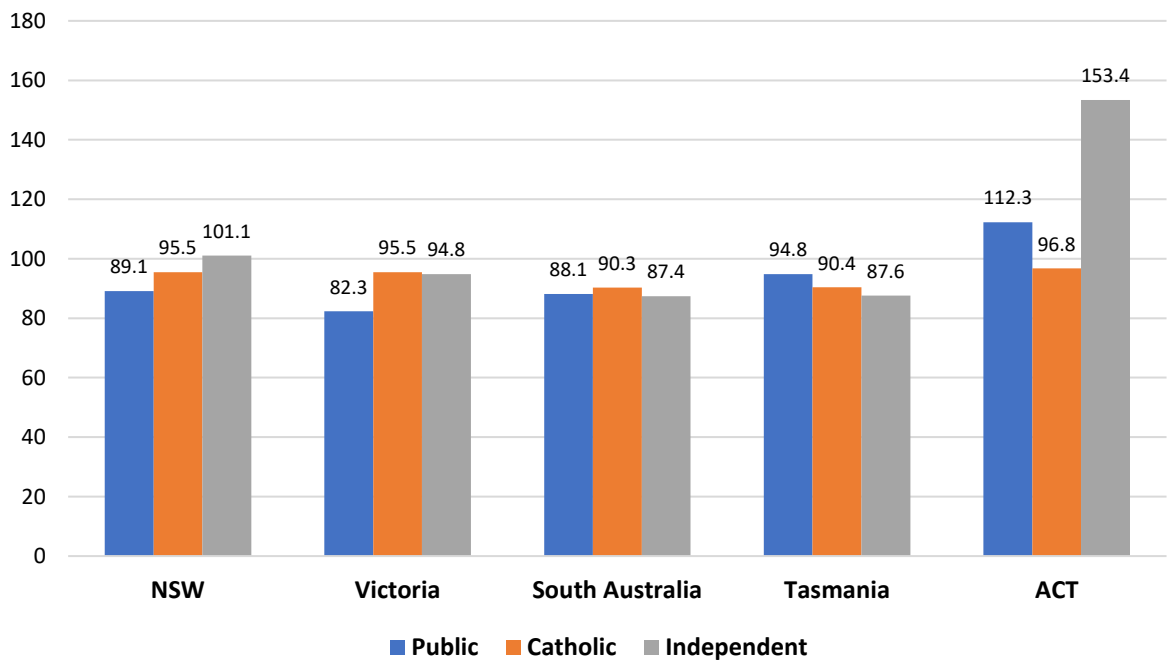
Because the large part of the planned funding increase was postponed until the final two years, little progress was expected in the percentage of the SRS that public schools in NSW, Victoria and South Australia would be operating at by 2017 (Figure 2). It was estimated that public schools in these states would still be operating at substantially less than their total SRS by then. Public schools in Victoria would be operating at only 82 per cent of their SRS by 2017, while those in NSW and SA

[80] Commonwealth Treasury, 2013-14 Budget, Budget Paper No. 2, pp. 115-121, 14 May 2013.
[81] The total re-directed expenditure of $2.1 billion was also confirmed in Senate Estimates. See Senate Standing Committee 2013, Answer to Question on Notice EW0075_14. A further offset was made when the Coalition Government terminated the trade training centres in schools (see chapter 8 below).
[82] Sid Maher and John Ferguson, Auditor-General says new spending falls $2bn short, *The Australian*, 27 June 2013. This revised figure appeared to be based on the revised estimate of total expenditure on the NPSI over the forward estimates provided by the Department of Finance to Senate Estimates.
[83] The break-up is derived from figures supplied to the Senate Standing Committee on Education and Employment, Additional Estimates 2013-2014, Answer to Question on Notice No. ED0264_14.

would have 89 and 88 per cent of their SRS, respectively. However, public schools in Tasmania would be in receipt of 95 per cent of their SRS by 2017. Public schools in the ACT were substantially above their SRS already in 2014 and this would be reduced progressively to 2017 and beyond.

Catholic schools in NSW, Victoria and the ACT were expected to reach 95 per cent of their total SRS or more by 2017, while schools in South Australia and Tasmania would be funded at 90 per cent of SRS. Independent schools in NSW and the ACT were already funded at over 95 per cent if their total SRS in 2014, with ACT Independent schools funded at a massive 56 per cent over their SRS. Independent schools in Victoria were expected to be at 95 per cent of their SRS by 2017, but schools in South Australia and Tasmania would be funded at substantially less than 95 per cent.

Figure 2: Estimated Total Government Funding as a Proportion of Total SRS in NERA States, 2017



Source: Senate Standing Committee on Education and Employment, Additional Estimates 2013-2014, Answer to Question on Notice No. No. SQ15-000244.

6.2 Maintenance of funding effort

In addition to the funding increases agreed under the NPSI, governments agreed to maintain their current funding effort to ensure a consistent baseline for calculating shares of the additional Gonski funding and to ensure funding from one level of government is not substituted for funding from another level in the transition to the SRS funding levels by 2019.[84]

The Commonwealth Government agreed to index its existing funding for schools at 4.7 per cent a year from 2014.[85] According to the Department of Education this rate was informed by the estimated 10-year rolling average of state and Commonwealth expenditure on all schools from all sources and by data on current and proposed education spending by states and territories, provided

[84] Council of Australian Governments, National Education Reform Agreement, 2013, Clause 64, p. 19.
[85] Julia Gillard and Peter Garrett, Resourcing all our kids, classrooms and teachers for the future, Media Release, 14 April 2013; Commonwealth of Australia, Budget Measures, Budget Paper No. 1, 2013-14, p. 6-24; Commonwealth of Australia, Budget Measures, Budget Paper No. 2, 2013-14, p. 120; Australian Government, National Plan for School Improvement, May 2013, p. 7.

through state and Commonwealth treasuries.[86] As such, the 4.7 per cent reflected past trends in costs and real funding increases over the previous 10 years.

Under the NERA, participating states agreed to increase their existing funding by at least 3 per cent a year after 2014.[87] This rate was based on a weighted five-year Average Government Schools Recurrent Cost (AGSRC) index.[88] However, rates for 2015 were varied in the bilateral agreements.[89] Only the ACT Government agreed to increase its funding by 3 per cent a year from 2015. Other governments agreed to increase funding by 3 per cent from 2016. NSW agreed to indexation of 2.62 per cent in 2015 and South Australia agreed to 2.5 per cent. Victoria proposed 1.35 per cent and Tasmania 2 per cent. The rates for 2014 were less than 2 per cent in all states except the ACT. The rates applied to funding for both public and private schools.

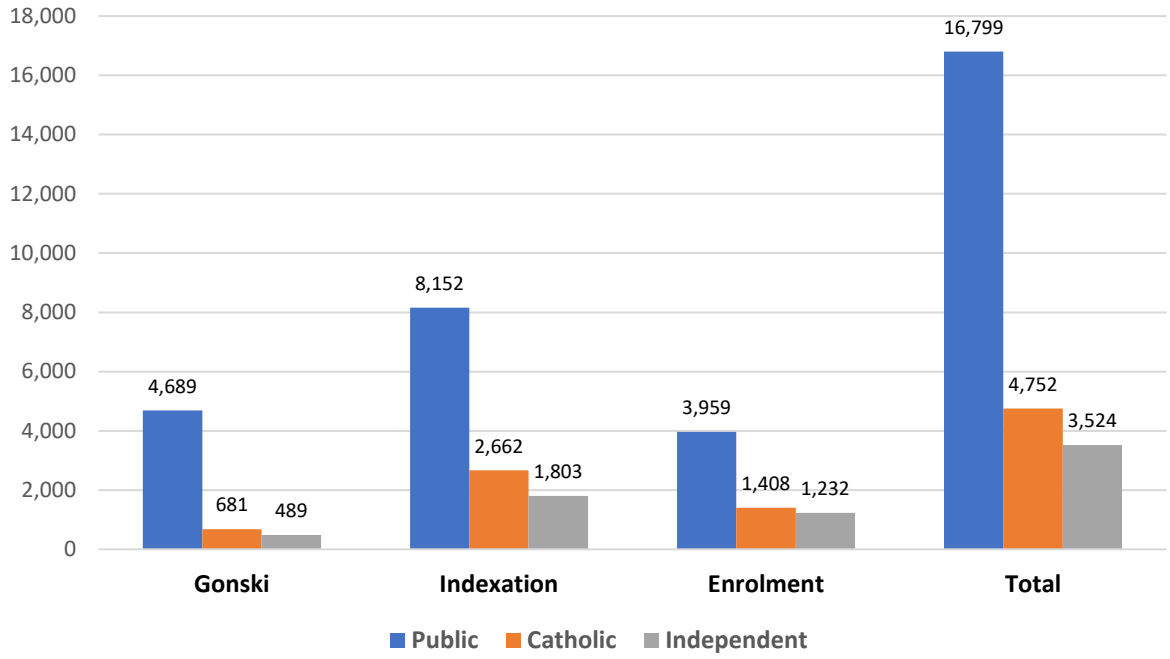
6.3 Total planned funding increase

It was not generally recognised that the NERA involved very substantial increases in funding from 2014 not only because of the additional Gonski funding, but because governments agreed to maintain their past funding effort and to fund enrolment growth. Estimates of the increases were provided to Senate Estimates in February 2014 by state and school sector, but only for the period 2014-17.

The total funding increase for public schools over the period was estimated at $16.8 million while Catholic schools would receive $4.8 million and Independent schools $3.5 million (Figure 3).[90] Public schools would receive $4.7 million in Gonski funding while Catholic schools would get $681 million and Independent schools $489 million. Public schools would receive $8.2 billion from indexation, Catholic schools $2.7 billion and Independent schools $1.8 billion. it was estimated that public schools would receive $4 billion for enrolment growth, Catholic schools $1.4 billion and Independent schools $1.2 billion.

[86] Senate Standing Committee on Education and Employment, Budget Estimates 2013-2014, Answer to Question on Notice No. EW0001_14.
[87] Julia Gillard and Peter Garrett, Resourcing all our kids, classrooms and teachers for the future, Media Release, 14 April 2013.
[88] Senate Standing Committee on Education and Employment, Supplementary Budget Estimates 2013-2014, Answer to Question on Notice No. EW0223_14.
[89] Senate Standing Committee on Education and Employment, Supplementary Estimates 2013-14, Answer to Question on Notice EW0002_14.
[90] Senate Standing Committee on Education and Employment, Additional Estimates 2013-2014, Answer to Question on Notice No. ED0264_14.

Figure 3: Total Commonwealth & State Funding Increases Under NERA, 2014-2017 ($M)



Source: Senate Standing Committee on Education and Employment, Additional Estimates 2013-2014, Answer to Question on Notice No. ED0264_14.

7. Transparency and accountability

Transparency and accountability were also included in the objects of the *Australian Education Act* 2013. The Act provided for the provision of Commonwealth funding to schools and, along with the Regulation, accountability mechanisms applying to this funding.

Public and private school systems could receive block funding to distribute to individual member schools according to their own needs-based funding model. This model had to comply with the needs-based principles established under the Act.

The Regulation to the Act set out several requirements to ensure that systems had an appropriate needs-based model. The model had to be approved by the Minister; it had to be publicly available and transparent and systems had to submit an annual report to the Department outlining how funding distributed to each member school was determined. In addition, the Minister had to table a report annually in each house of the Parliament detailing how the funding was applied by systems in the previous year.

The Act and intergovernmental agreements also defined the goals, outcomes and targets for Australian education. These were to be incorporated in the Measurement Framework for Schooling in Australia maintained by ACARA. The Framework detailed a schedule of key performance measures that all school authorities were required to report against.

8. Education improvement

In return for additional funding, the Rudd/Gillard Governments required every state and territory government to sign up to the new national education reforms. These involved a range of education policies designed to improve student results. They focused on five areas:

- Quality teaching;

- Quality learning;
- Empowered school leadership;
- Meeting student need;
- Greater transparency and accountability.

The quality teaching initiatives included higher entry standards for teaching and better training for teaching students; a requirement for teachers to be in the top 30 per cent for literacy and numeracy before they can graduate; more practical classroom experience before graduation; annual performance reviews for every teacher; payment of bonuses to recognise and reward excellent teachers; and all teachers to have access to ongoing training throughout their career.

The quality learning initiatives included a requirement for all schools to implement the Australian Curriculum in all subjects by 2016 for Foundation to Year 10 and by 2018 for Years 11-12; an early years reading blitz to improve literacy skills in Foundation to Year 3; every student to have access to learning an Asian language by 2025; and adding science to the NAPLAN tests.

Principals were to be given more power to make decisions over the way they run their school, including decisions about budgets, staffing and resources. They were responsible for the development of an annual School Improvement Plan that outlined and reported against the steps taken to improve student results.

The new funding system with disadvantage loadings was intended to better meet student needs in schools. In addition, it was intended to provide better support for, and engagement with, parents, families, local groups and employers to strengthen the relationship between schools and the community. Every school would also have a Safe School Plan to prevent bullying.

Parents and the community were to be provided with more information about school performance. Additional information on each school to be posted on the My School website included the level of teacher expertise, the number of specialist teachers, staff attendance and turnover; parent, teacher and student opinion survey results; Year 12 attainment rates; and school improvement plans.

In addition to the new funding model to better meet student need, schools were required to have a Safe School Plan to prevent bullying and to strengthen parent and community engagement to improve student outcomes.

9. Differences between the National Plan for School Improvement and the Gonski Report

The NPSI differed in several respects from the model recommended by the Gonski Report. The major difference related to the loadings for low SES, Indigenous students and school size and location.

While the Gonski report recommended a funding loading for every student in the lowest 25 per cent of SES backgrounds, the NPSI provided a loading for every student in the bottom 50 per cent, with students in the lowest quartile receiving bigger loadings. The Gonski report did not recommend loadings for students in the 2nd SEA quartile. However, it acknowledged that the impact of disadvantage was not confined to students in the lowest quartile and that a separate but lower loading for students in the 2nd quartile could be considered. The extension of the loading to the2nd quartile meant that more than 95 per cent of schools would receive low SES funding.[91]

[91] Australian Government, A New Way of Funding Our Schools

The NPSI also provided slightly more generous funding loadings for low SES students than recommended by the Gonski Report. The loading began at 15 per cent of the resource standard compared to 10 per cent in the Gonski model.

In addition, the step approach for the SES and Indigenous loading was replaced with a sliding scale that increased with concentrations of disadvantage. The size and location loadings were split to ensure adequate funding for small schools. Consultations with stakeholders suggested that the link between size and location loadings could lead to anomalous results and significant decreases in funding for some schools.

The other major difference was that the capacity to contribute schedule for private schools was split into separate primary and secondary schedules. As noted above, the justification for splitting the schedules was that the higher percentage funding rates for private primary schools were necessary to take account of the differential fee structures of the two sectors.

10. Analysis of the National Plan for School Improvement

10.1 A watershed funding model

The NPSI promised to be a watershed in school funding in Australia. It broke new ground in the history of government funding of schools by changing the focus from supporting school choice to improving equity in education. It adopted the principles and framework recommended by the Gonski Report to establish a needs-based funding system based on a resource standard for all schools and funding loadings for various categories of disadvantage. This provided a more objective and consistent basis for funding schools than previous approaches.

It also broke new ground by creating a national funding model for both public and private schools focused on improving equity in education. Public and private schools were be funded according to the same principles and framework. It broke the link between government funding for private schools and AGSRC. This was a highly significant change because the link was a major source of inequity in school funding. However, as discussed below, it was replaced by a link between private school funding and total government funding which undermined the principle of increasing equity in funding.

The plan provided for the biggest increase in funding in living memory, the large part of which was directed at public schools and disadvantaged students.

However, the NPSI compounded the problems and flaws of the Gonski model and added a few of its own. Together, these problems make a case to radically improved model for the future.

10.2 The Gonski equity goals were abandoned

The NPSI abandoned the dual equity goal set by the Gonski Report and replaced them with international and national education performance targets and a ‘weak’ equity goal. Government statements did not mention the equity goals espoused by the Gonski Report. There was no mention of ensuring that all students achieved an adequate education. It did set a goal to halve the achievement gap between Indigenous and non-Indigenous students but made no mention of eliminating or reducing the gap between advantaged and disadvantaged students or between rural and remote students and metropolitan students. These clear goals were replaced by the ‘weak’ equity goal of improving the results of disadvantaged students. This revision of the equity goals of school funding was one of the most disappointing aspects of the NPSI.

As noted above, the equity goal was reduced to the vague notion of righting a “moral wrong”, improving the results of disadvantaged students and ensuring that the Australian education system

was highly equitable. However, "highly equitable" was never defined. The NPSI attached as much importance to increasing the results of all children as to improving the results of disadvantaged students.[92]

The Government set a primary goal for Australia to become one of the top five achieving countries in the world. The top achieving countries were all East Asian countries. The Government aimed to eliminate the gap between Australia's education performance and these countries.

Economic considerations were behind this shift of focus. While the Gonski Report acknowledged that improving equity in education would have economic benefits, they became the main goal in the Government's justification of the NPSI. Moving Australia into the top five achieving countries in international test results was seen as the way to boost economic competitiveness. Gillard and Garrett said: "To keep winning the economic race, we have to win the education race".[93]

The abandonment of the strong equity goals advocated by the Gonski Report and their replacement by the weak goal of improving the results of disadvantaged students meant that large inequities in education could continue. Giving priority to improving Australia' ranking on league tables of international test results such as the OECD's Programme of International Assessment (PISA) would detract from improving equity in education outcomes. Australia could achieve a higher ranking while increasing inequity. A higher ranking could be achieved by increasing the average results of students from top two SES quartiles while there was no change for students in the bottom quartile. In this case, a larger achievement gap between the most disadvantaged students and the most advantaged students would accompany the higher ranking. Moreover, a higher ranking could be achieved by increasing the average results of students from the top SES quartile while the results of the lowest SES quartile fell but by less than the increase in the top quartile.

The Gonski equity goals were also displaced by a national performance target to be achieved by the new funding model. The model was designed to provide the resources for schools to ensure that 80 per cent of students exceeded the NAPLAN minimum standards in reading and numeracy. This target defined a successful school with a minimum of disadvantage and the base funding amounts and the funding loadings for various categories of disadvantage were designed to achieve it.

However, the 80 per cent plus benchmark was well short of the objective that all students, except for those with intellectual disabilities, should achieve a minimum standard of education. It allowed for 20 per cent of students not to achieve the NAPLAN minimum standards and for many students not to complete Year 12 or its equivalent, which the Gonski Report said was the minimum requirement for all students in modern society. The Gonski Report noted that there is a human rights imperative for all people to develop their capacities and participate fully in society. Those who do not complete Year 12 or its equivalent have limited employment prospects, reduced lifetime earnings, and greater risks of unemployment. While having 80 per cent of students in disadvantaged schools achieve above the national minimum NAPLAN standards would represent a significant improvement in equity, it would not meet the Gonski objective.

The 80 per cent benchmark also ignored the social equity objective and allowed for large achievement gaps between advantaged and disadvantaged students. Even if the limited target were achieved by disadvantaged students, large differences would likely remain between the average scores and range of scores of disadvantaged and high SES students.

[92] Review of Funding for Schooling, Final Report, December 2011, p.108.
[93] Julia Gillard and Peter Garrett, Better Schools: A National Plan for School Improvement, Joint Media Release, 3 September 2012.

Continuing large disparities in education outcomes according to different social backgrounds would entrench inequality and discrimination in society. Education would continue to be a mechanism through which economic advantage is transferred from one generation to the next. Students from more privileged backgrounds have greater access to higher incomes, higher status occupations and positions of wealth, influence and power in society than students from more disadvantaged backgrounds.

The new national performance target was driven by data needs to estimate the national school resource standards and not by equity principles. This definition of successful schools was adopted by one of the research reports prepared for the Gonski inquiry following discussions with a number of educational outcome measurement experts.[94] It was then used by the technical report which developed the approach to estimating the SRS.[95] The justification was that adoption of a higher outcomes standard such as 90 per cent of students achieving above the NAPLAN minimum standards was unrealistic and would have resulted in resulted in a very narrow group of reference schools comprising only 271 schools.[96] It would have included 162 primary schools, 50 secondary schools and 59 combined schools. The technical report said:

> Many of these reference schools have atypical characteristics in terms of the composition of the student body, and many of the schools in this group have selective entry requirements.

This was a puzzling justification for rejecting a higher benchmark of school success because the whole point of estimating the base SRS was to determine the most efficient and effective schools with a minimum of disadvantage. It should not have mattered that a relatively small number of schools met these criteria or that they were atypical in their student composition.

Inspection of the My School website at the time showed that successful high SES primary schools with few or no disadvantaged students had close to 100 per cent of students achieving above the national benchmarks while the successful high SES secondary schools had over 95 per cent of students achieving above the benchmarks.[97] The average percentage of students achieving at or above national reading and numeracy benchmarks in Years 3 & 5 in 2013 was around 95 per cent and in Year 9 it was 90-93 per cent of students.[98]

The Government's abandonment of the Gonski equity goals undermined its own stated goal of boosting economic competitiveness. The likelihood of a significant proportion of students not achieving a Year 12 qualification or its equivalent reflected a waste of talents, skills and resources. Continuing large disparities in education outcomes would result in lower productivity and an under-performing economy. in effect, the continuing achievement gap is a measure of the gap between actual and potential workforce skills and productivity.

Despite the Government's abandonment of a strong equity goal as the centrepiece of funding reform, the Gonski focus on equity resonated in public debate. Improving equity in education had sidelined the previous focus on choice in education.

[9494] Allen Consulting Group, Feasibility of a National Schooling Recurrent Resource Standard. Prepared for the Australian Government Review of Funding for Schooling Panel, 2011, p.85.

[95] Allen Consulting Group, Schooling Resource Standard: Technical Report. Prepared for the Australian Government Review of Funding for Schooling, 2012, p. 5.

[96] Ibid, pp. 1, 27.

[97] My School no longer reports the percentage of students achieving at each NAPLAN achievement band.

[98] Australian Curriculum, Assessment and Reporting Authority, NAPLAN Achievement in Reading, Persuasive Writing, Language Conventions and Numeracy: National Report for 2013, ACARA, Sydney, 2013.

10.3 The international performance targets

10.3.1 Unreliable measures of education success

Apart from being inconsistent with improving equity in education, achievement of the Government's goal for Australia to be in the top five countries in international league tables was not necessarily a sign of education success. It assumed that the PISA rankings were an accurate and reliable measure of the performance of education systems. However, as a note published by the Parliamentary Library at the time warned:

> ….it may be misleading to only use the PISA results in reading, mathematics and science as a summary of the success or otherwise of the Australian education system.[99]

An extensive scholarly literature over the past 20 years has revealed a wide range of problems with PISA that make its rankings unreliable and created an "illusion of education quality" and "false idols of educational excellence for the world to worship".[100] Just two of the many flaws are outlined here.

First, the PISA rankings are heavily influenced by differences between countries in the proportion of students who do not fully try in the tests. Many studies have shown that test-taking motivation has a profound effect on student results in low-stakes tests such as PISA.[101] Students don't have much incentive to fully perform in such tests because there are no personal consequences from their results. Students and their parents are not given the results and they have no effect on future academic careers at school. Different groups of students may also have different levels of motivation and may also bias comparisons of achievement.

A 2005 meta-analysis of studies which compared results in low stakes tests with those of high stakes tests such as those required for completion of Year 12 found that student's results in low stakes tests are lower than in high stakes tests.[102] Another meta-analysis of 28 studies of test taking effort and test performance conducted between 2005 and 2018 showed that nearly all found a statistically significant positive effect between test-taking effort and test results.[103] Higher motivation and effort led to higher results and low motivation and effort led to lower results.

One study examined differences in student effort in PISA 2009 and found that 32 to 38 per cent of the cross-country variation in PISA scores was explained by different levels of student effort across countries.[104] Another study based on data from PISA 2015 found large variation between countries in the proportion of students who did not take the science test seriously.[105] The OECD's report on

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[99] Carol Ey, PISA – more than just league tables? Flag Post, Parliamentary Library, 12 September 2012.
[100] Yong Zhao, How PISA created an illusion of education quality and marketed it to the world, *Washington Post,* 3 December 2019; Yong Zhao, Two Decades of Havoc: A Synthesis of Criticism Against PISA, Journal of Educational Change, 21: 245–266, 2020.
[101] Trevor Cobbold, Have Kids Stopped Trying on NAPLAN and PISA? Education Research Brief, Save Our Schools, Canberra, September 2019.
[102] Steven L. Wise and Christine E. DeMars, Low Examinee Effort in Low-Stakes Assessment: Problems and Potential Solutions, Educational Assessment, Vol. 10 (1), 2005: 1-17.
[103] Geri Silm, Margus Pedaste and Karin Taht, The Relationship Between Performance and Test-taking Effort When Measured with Self-report or Time-based Instruments: A Meta-analytic Review, Educational Research Review, Vol. 31, November 2020.
[104] Gema Zamarro, Collin Hitt and Ildefonso Mendez, When Students Don't Care: Re-examining International Differences in Achievement and Non-cognitive Skills, EDRE Working Paper 2016-18, University of Arkansas, 2016.
[105] S. Pelin Akyol, Kala Krishna and Jinwen Wang, Taking PISA Seriously: How Accurate are Low Stakes Exams? Working Paper No. 24930, National Bureau of Economic Research, Cambridge, MA, August 2018.

PISA 2018 estimated that over two-thirds of students in OECD countries did not try their hardest in the tests.[106]

Data from PISA 2012 showed that the effort made by low performing Australian students in mathematics was amongst the lowest of 64 participating countries/economies.[107] Their effort was ranked equal 9th lowest on the PISA "effort thermometer" (out of 30 rank scores for the participating countries/economies - several countries had the same score). The difference in effort made by low performing students and those above baseline proficiency was the equal 5th largest out of 17 score differences for all participating countries/economies. The OECD's report on PISA 2018 showed that about three in four Australian students did not try their hardest.[108]

Country rankings move up and down according to student effort. One study estimated the effect of differential student effort on the cross-country rankings in PISA 2015 and found large changes in rankings for several countries if students took the test seriously.[109] For example, the ranking for Portugal changed 15 places from 31st to 16th; Sweden's ranking changed 11 places from 33rd to 22nd and Norway's changed 9 places from 25th to equal 16th. Australia's ranking increased four places from 16th to 12th. The study concluded:

> Using PISA scores and rankings as done currently paints a distorted picture of where countries stand in both absolute and relative terms.[110]

Another study simulated the impact on US performance in PISA 2012 mathematics and found that the increased effort would have increased the US results by 22-24 points, which was equivalent to moving the US from 36th to 19th in the 2012 rankings.[111] A study based on data from PISA 2006 also found significant changes in the rankings of countries when motivational factors were removed, with some countries moving up the league table while other countries move down in the rankings.[112] Australia moved from 13th on a combined reading, mathematics and science scale to 8th.

Given the very wide range between countries in the proportion of students who exhibit low motivation there is therefore considerable risk in interpreting international league tables of test results such as PISA as measures of education success. As the OECD has warned:

> …when comparing student performance across countries, the extent to which student performance on international tests might be influenced by the effort that students in different countries invest in the assessment must be considered.[113]

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[106] OECD, PISA 2018 Results (Volume I), What Students Know and Can Do, OECD Publishing, Paris, 2019, pp. 199-200.
[107] OECD, Low-Performing Students: Why They Fall Behind and How to Help Them Succeed, PISA, OECD Publishing, Paris 2016, Online table 3.7.
[108] OECD, PISA 2018 Results (Volume I), What Students Know and Can Do, OECD Publishing, Paris, 2019, p. 200.
[109] S. Pelin Akyol, Kala Krishna and Jinwen Wang, Taking PISA Seriously: How Accurate are Low Stakes Exams? Working Paper No. 24930, National Bureau of Economic Research, Cambridge, MA, August 2018.
[110] Ibid, p. 23.
[111] Uri Gneezy, John A List, Jeffrey A. Livingston, Sally Sadoff, Xiangdong Qin and Yang Xu. Measuring Success in Education: The Role of Effort on the Test Itself. Working Paper No.24004, National Bureau of Economic Research, Cambridge, MA, November 2017.
[112] Lex Borghans, and Trudie Schils, Decomposing Achievement Test Scores into Cognitive and Noncognitive Components. SSRN Working Paper Series, December 2018.
[113] OECD, PISA 2009 Results: What Students Know and Can Do – Student Performance in Reading, Mathematics and Science (Volume I), PISA, OECD Publishing, Paris, 2010, p.36. See also OECD, PISA 2012 Results: What Students Know and Can Do – Student Performance in Mathematics, Reading and Science (Volume I), PISA, OECD Publishing, Paris, 2013, p. 36.

It can only be concluded from this and other evidence that the PISA results and rankings may be as much a measure of student effort as a measure of student learning.

Another flaw is that countries can manipulate their results in various ways. For example, China has never fully participated in PISA and has been able to choose which provinces/cities could participate. Some countries have been shown to systematically exclude lower achieving students and breach the OECD criteria for excluding students.

China was one of the East Asian countries that Gillard wanted to emulate in PISA results. It is consistently at the top of the PISA rankings. Yet, China has never fully participated in PISA. At first, in 2009, it was only the city of Shanghai (the cities of Hong Kong and Macau were reported separately). PISA tests were administered in 12 Chinese provinces, including several rural areas, but only scores from Shanghai were released.[114] In 2015, this was extended to the four provinces of Beijing, Shanghai, Jiangsu and Guangdong while the other 18 provinces were excluded. In 2018, Guangdong was replaced by the province of Zhejiang. The inclusion of only four provinces in PISA was in contrast to the norm of countrywide testing. Moreover, the four provinces contain China's most wealthy metropolitan areas and comprise only a small proportion of China's population. As is the Director of the US Institute of Education Sciences said:

> Allowing China to handpick a few of its richest provinces as representing the entire country distorts the very purpose of PISA as a comparative test of national education systems.[115]

In addition, there has been an ongoing controversy over the exclusion of children of internal migrant workers from the tests and low representation of children of manual workers which would further bias the results upwards.[116] After an initial denial, the OECD admitted that more than a quarter of Shanghai students were not covered by PISA 2013.[117] This was much higher than permitted by PISA's sampling standards of up to a total of 5 per cent of the relevant population. The participation rate of the four provinces in PISA 2015 was 64 per cent which was the 4th lowest of 72 participating countries/regions.[118]

Participation rates in PISA have been affected by student exclusions and other factors in several countries over the PISA cycles and have influenced country rankings. Professor John Jerrim of the University College London estimated that the combination of student exclusions, school non-response, student non-response and eligibility criteria meant that about 40 per cent of the target UK student population did not participate in PISA 2018.[119] This was the fourth lowest participation rate of the 79 countries participating in PISA 2018. Only Panama, USA and Brazil had lower rates.

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[114] Tom Loveless, China is No. 1 on PISA — but here's why its test scores are hard to believe, *Washington Post*, 5 December 2020.

[115] Mark Schneider, The Strange Case of 'China' and Its Top PISA Rankings — How Cherry-Picking Regions to Take Part Skews Its High Scores, The 74, 19 December 2019.

[116] For example, see Tom Loveless, Attention OECD-PISA: Your Silence on China is Wrong, Brown Centre Chalkboard, Brookings Institute, 11 December 2013; Tom Loveless, Lessons from the PISA-Shanghai Controversy, Brown Centre Chalkboard, Brookings Institute, 18 March 2014; Tom Loveless, The Children PISA Ignores in China, Brown Centre Chalkboard, Brookings Institute, 19 December 2019.

[117] Yang Zhao, How Does PISA Put the World at Risk (Part 4): Misleading the World, Blog, 29 March 2014.

[118] OECD, PISA 2015 Results (Volume I): Excellence and Equity in Education, PISA, OECD Publishing, Paris, 2016, Table A2.1, p. 290.

[119] John Jerrim, PISA 2018 in England, Northern Ireland, Scotland and Wales: Is the data really representative of all four corners of the UK? Review of Education, Vol. 9, No. 3, October 2021.

Jerrim showed that the PISA 2018 data for England (which accounted for 84 per cent of the UK sample) clearly under-represented lower achieving students and over-represents higher achieving students. For example, 21 per cent of the PISA sample were low achievers compared to 29 per cent for the total population of the age group.

England and Northern Island also failed to meet the OECD standard that 85 per cent of sampled schools take part in the study. In England only 72 per cent took part and only 66 per cent in Northern Ireland. The overall rate for the UK was 73 per cent. While there is provision to include replacement schools, the PISA technical criteria require a very high participation rate from such schools which was not met by the UK.

Jerrim also showed that the UK had a high rate of student exclusion from the tests. The OECD technical standards state that within-school exclusions should total less than 2.5 per cent of the target population and that the combination of school-level and within-school exclusions should not exceed 5 per cent of the target population. The UK failed to meet these standards. The within-school exclusion rate was 3.3 per cent and the total exclusion rate was 5.5 per cent. Jerrim noted that a strict application of PISA's data quality criteria would have caused the UK to be removed from the study as it was from PISA 2003 for similar breaches.

These exclusion rates are much higher than for many other countries participating in PISA 2018. The average within-school rate was 1.4 per cent and the total exclusion rate was 3 per cent. The total exclusion rates in Japan and South Korea were 0.1 per cent. Such differences are likely to bias cross-country comparisons of PISA performance.

The overall high non-participation in the UK had clear potential to bias its PISA 2018 results. Jerrim estimated that the average PISA scores in England and Wales were inflated by the high non-participation rate in PISA 2018. The average PISA mathematics score for England was 504 points – significantly above the average across OECD countries. He estimated that had a truly representative sample of the population taken the tests England's score would have been about 494 and therefore lowered its PISA ranking.

Similar concerns have been raised about the results of other countries. One study has shown that a combination of low response rates and high exclusions led to only around half of eligible students in Canada being covered in PISA 2015 compared to 90 per cent or more in Finland, Estonia, Japan and South Korea.[120] Canada was ranked as the equal top performing OECD country in reading. However, it was estimated that its score would have dropped by 22 points after accounting for its low participation rate and its ranking would have fallen to equal 9th.

Vietnam was another high performing country in PISA 2015. It achieved a ranking of 8th in science with a score of 525, which was significantly above Australia's score of 510. However, it is likely that its score was artificially inflated because only 48.5 per cent of Vietnam's 15-year-olds participated in PISA 2015 and those not covered by the were likely to be academically weaker than those who were tested because they left school early. One researcher estimated the impact of the low coverage of Vietnam's 15-year-old students by comparing its science results with other PISA data where it is assumed that 15-year-olds who are not in school perform at or below the national median.[121] He

[120] Jake Anders, Silvan Has, John Jerrim, Nikki Shure and Laura Zieger, Is Canada really an education superpower? The impact of non-participation on results from PISA 2015, Educational Assessment, Evaluation and Accountability (2021) 33:229–249.

[121] John Jerrim, Why does Vietnam do so well in PISA? An example of why naïve interpretation of international rankings is such a bad idea, Institute of Education London Blog, 19 July 2017.

estimates that the "real" performance of Vietnam was probably 50 to 60 points below its mean science score. This would have put Vietnam's ranking in science at 35-40th, a far cry from 8th.

Apart from the likelihood of increasing inequity in education, or at least failing to reduce it, the Government's focus on international education rankings was entirely misplaced. It amounted to a chase for fool's gold – a flashy but worthless investment – or what had become "false idols of educational excellence for the world to worship".[122] It ignored the fact that these rankings were heavily influenced by differences between countries in student exclusions, school non-response, student non-response and interpretation of eligibility criteria. As Professor Jerrim concluded:

> There remain many ways for countries to not test pupils who are technically part of the target population, with lower-achievers disproportionately likely to be removed from the sample.[123]

10.3.2 Ignored the hidden cost of East Asian success

The education success of several East Asian countries was due in no small part to the long hours that children spent studying from an early age. The results from PISA 2015 showed that students in several East Asian countries spend a large fraction of their waking hours in school lessons and studying outside of school.[124] For example, 41 per cent of students in the four Chinese provinces spent at least 60 hours a week at school and doing homework, extra lessons, or private study outside school. In Singapore, 25 per cent spent at least 60 hours a week studying while in Korea it was 23 per cent and 18 per cent in Hong Kong. The average across OECD countries was only 13 per cent. In Australia, only 9 per cent of students spent at least 60 hours a week studying and it was only 4 per cent in Finland and Germany.

Students in all these high achieving East Asian countries spend long hours out of school studying and in private tutoring. Students in the four Chinese provinces spent an average of 27 hours per week doing homework, tutoring or private study out of school. Singapore students spent 22 hours a week on these activities while South Korean students spent 21 hours and Hong Kong students 18 hours. This compared with an average of 10 hours in Finland and 11 in Germany.

Data from PISA 2012 showed that 65 to70 per cent of 15 year-old students in Shanghai, Japan, Korea and Singapore participated in after school tutoring in mathematics compared to 27 per cent in Australia.[125] About 40 to 55 per cent of these East Asian students also participate in after-school tutoring in their own language and science and 50 to 70 per cent participate in other subjects compared to Australia where only 15 per cent participate in science tutoring, 20 per cent in language and 26 per cent in other subjects.

While it was highly unlikely many Australian families would sacrifice outside school hours activities such as sport for longer hours of study by their children, it was also highly questionable whether it was desirable because of the hidden education and social costs associated with the long hours of study in these countries.

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[122] Yong Zhao, Two Decades of Havoc: A Synthesis of Criticism Against PISA, Journal of Educational Change, 21: p. 246, 2020.

[123] John Jerrim, PISA 2018 in England, Northern Ireland, Scotland and Wales: Is the data really representative of all four corners of the UK? Review of Education, Vol. 9, No. 3, October 2021, p. 30.

[124] OECD, PISA 2015 Results (Volume III): Students' Well-Being, PISA, OECD Publishing, Paris, 2016, Table III.3.6, p. 283.

[125] OECD, PISA 2012 Results: What Makes Schools Successful? Resources, Policies and Practices (Volume IV). Paris: OECD Publishing, Table IV.3.25, p. 355.

Despite their success, there was considerable disquiet amongst many East Asian governments about their education systems. There were high level concerns about the excessive education burden, the relative shortage of creative and entrepreneurial talents, high levels of student depression and anxiety, and declining physical health amongst young people.[126] There was also widespread concern about increasing inequity in funding and student outcomes. For example, there were huge differences in government funding between school districts. The tradition of meritocracy made schools unequal by design because of the longstanding practice of sorting students into different quality schools based on their exam performances.

There was much concern in official circles in Singapore about the fixation on grades and students' lack creativity and an ability to think laterally. This was seen as a competitive disadvantage for Singapore in developing a knowledge economy based on innovation and inventiveness. For example, then Prime Minister, Lee Hsien Loong, used the 2012 National Day speech to criticise "tiger mothers" who pressure their children from a very young age to excel at school by imposing extra homework and tuition out of school. He said:

> Please let your children have their childhood…Instead of growing up balanced and happy, he grows up narrow and neurotic. No homework is not a bad thing. It's good for young children to play, and to learn through play.[127]

Chinese authorities were also concerned about the pressure on young children and the lack of creativity amongst its students.[128] Discontent amongst officials was also apparent in Korea and Hong Kong.[129]

There were also widely recognised social costs associated the focus on tests and the long hours spent in out of school classes. For example, while East Asian countries were at the top of the league table of test scores, they were at the bottom in student well-being. The results of a student well-being survey conducted as part of PISA 2015 showed that Japan, South Korea, Hong Kong, Taiwan, Macao and four mainland Chinese provinces (Beijing, Shanghai, Jiangsu and Guangdong) had the lowest levels of life satisfaction among students out of 50 countries participating in the survey.[130] It also found that high percentages of students did not engage in any significant physical activity.

Another major issue was that the long hours indoors studying from an early age have contributed to an epidemic of myopia in East Asia.[131] Some 80-90 per cent of children completing secondary school in the above countries are short-sighted and need glasses or contact lenses. Around 10-20 per cent have high myopia which leads to potentially severe visual impairment and premature blindness. Early effective blindness amongst the adult population in these countries is now a major health issue. The leading expert on myopia in East Asian countries, Professor Ian Morgan of the Australian National University, said this was not something that Australia should replicate:

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[126] Yong Zhao, Lessons that Matter: What should we learn from Asia? Mitchell Institute Discussion and Policy Paper No. 04/2015, Mitchell Institute for Health and Education Policy, Melbourne, 2015.
[127] The Economist, Losing Her Stripes? 22 September 2012.
[128] People's Daily, China's young students lack imagination, creativity,24 November 2010; Cheng Yingqi and Liu Ce, So young and so little time for fun, China Daily, 1 June 2012; Dong Fangyu, What's the true meaning of education, China Daily, 23 August 2013; Yong Zhao, Who's Afraid of the Big Bad Dragon? Why China Has the Best (and Worst) Education System in the World, Jossey-Bass, San Francisco, 2014.
[129] Yong Zhao, Lessons that Matter: What should we learn from Asia? Mitchell Institute Discussion and Policy Paper No. 04/2015, Mitchell Institute for Health and Education Policy, Melbourne, 2015
[130] OECD, PISA 2015 Results (Volume III): Students' Well-Being, PISA, OECD Publishing, Paris, 2016.
[131] Ian Morgan, Kyoko Ohno-Matsui, Seang-Mei Saw, Myopia, Lancet 2012; 379: 1739–48; Ian Morgan and Kathryn Rose, Myopia and international educational performance, Ophthalmic Physiological Optics 2013, 33, 329–338.

> It is important to ensure that we do not adopt the East Asian policies and practices which have led to the appearance of an epidemic of myopia. Australia is still a top-performing country in educational terms and we need to build on Australian policies and practices that have under-pinned our current success. We can learn from other countries that have achieved high educational achievements without creating an epidemic of myopia, rather than following the East Asian model which has created major health problems for children.[132]

It was ironic that the Australian Government was seeking to emulate the results of East Asian countries at a time when many governments in the region were questioning the costs of their focus on test results and implementing reforms to reduce student academic burdens, reduce the amount of time devoted to school subjects outside school, and reduce the pressure of schoolwork on students. For example, at the time, the Gillard Government set its agenda, the Singapore Government embarked on a long-term reform program. It abolished league tables for secondary schools, which it said were skewing teachers' priorities in the classroom. Other changes included reframing exam questions to be more open-ended so as to encourage critical thinking as well as knowledge of a subject, reducing the emphasis on grades, training for teachers in new pedagogies and teacher appraisals not just of academic performance but also on the social development of students.[133]

The Chinese Government also implemented numerous systemic reforms over many years to minimize the impact of testing on teaching and learning that continue to the present day. For example, the Government released Ten Regulations to Lessen Academic Burden for Primary School Students in August 2013.[134] A range of reforms were introduced in the following years, including reform of the *gaokao* exam system.[135] Recently, the Government clamped down on private tutoring firms and reduce the pressure on homework.[136]

10.4 Over-reliance on NAPLAN

The NPSI relied on NAPLAN test results to set the student outcomes benchmark. The justification was that used by the Gonski Report, namely that NAPLAN was the only nationally consistent measure available. It said that nationally consistent data other than NAPLAN was limited to school attendance with Year 12 retention rates and post-school destinations only available in some states.

It was puzzling that attendance and Year 12 retention and completion rates were not used as outcome measures in estimating the SRS. The My School website at the time was reporting

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[132] Cited in Trevor Cobbold, High Myopia Prevalence in East Asia Linked to After-School Tutoring, Save Our Schools, 5 June 2013.

[133] The Economist, It has the world's best schools, but Singapore wants better, 30 August 2018; Maegan Liew, The Singaporean education system's greatest asset is becoming its biggest weakness, ASEAN Today, 9 January 2019; Zhang Yiwei, The Cost of Cramming, Global Times, 15 December 2013.

[134] Yong Zhao, China Enters "Testing-free" Zone: The New Ten Commandments of Education Reform, Blog, 22 August 2013.

[135] Ministry of Education, People's Republic of China, Providing access to quality and equitable education for all-- Overview of progress in reforming and developing basic education since 18th CPC National Congress in 2012, China Education Daily, 5 September 2018; Ministry of Education, People's Republic of China, MOE press conference to highlight progress in basic education during 13th Five-Year Plan period, 14 December 2020..

[136] General Office of the Central Committee of the Communist Party of China and the General Office of the State Council, Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training, Teller Report, 24 July 2021; Sun Yu, Private School Owners Forced to Hand Institutions Over.to Chinese State, Financial Times, 11 August 2021; Zou Shuo, Academic burden on students to be reduced, China Daily, 25 August 2021.

attendance rates, the number of senior secondary certificates awarded for each secondary school as well as the number of students who completed Year 12.[137] Admittedly, data on the number of students in Year 12 would have been required to calculate completion rates because only the number of students completing Year 12 were recorded on My School. Such information was obtainable from school census data.

As the Gonski Report acknowledged, NAPLAN is only a partial measure of school outcomes contained in the national goals of schooling and the then National Education Agreement. There was no guarantee that it could be considered as a reliable proxy measure of those outcomes. In particular, it may not be completely reliable as an indicator of Year 12 results, although there is evidence of a strong relationship.[138] The last year for which NAPLAN results are available is Year 9. While nearly all students complete Year 9, many students from disadvantaged groups do not complete secondary school. For example, the apparent retention rate to Year 12 in 2012 was 80 per cent, that is, 20 per cent of students who started secondary school did not enrol in Year 12. However, 32 per cent of low SES students did not complete Year 12. In addition, NAPLAN tests only literacy and numeracy while Year 12 students are examined in four to six subjects of their choice and which may not include mathematics. For these reasons, it is necessary to include Year 12 results in setting funding levels to achieve an adequate education for all.

The danger was that NAPLAN would remain the sole measure of outcomes over the longer-term. This has proved to be the case. While Year 12 completion and attendance data have long been reported on the My School website, they are still not used in determining the SRS per student funding amounts for secondary schools. The Labor Government and those that followed failed to take up the recommendation of the Gonski Report that the scope of student outcomes used in determining the SRS be broadened beyond NAPLAN.

Year 12 retention and completion rates should also be used to set the SRS funding rates for secondary schools. As the Gonski Report stated, completion of Year 12 or its equivalent is the minimum education standard that should be expected for all students.

10.5 The Schooling Resource Standard

10.5.1 The reference schools included high cost private schools

As noted above, the base SRS was estimated from a statistical analysis of the expenditure of 1489 reference schools. Just under half of these schools were private schools and their average expenditure per student greatly exceeded that of similarly successful public schools. For example, the average expenditure of 15 Independent secondary schools included in the list of reference schools was $20,158 per student and the average for the 101 Catholic secondary schools was $15,010 per student compared to $12,347 per student in 100 public schools.[139] The average expenditure of private combined primary and secondary schools was even higher - $17,935 in 15 Catholic schools and $20,508 in 217 Independent schools compared to $12,902 for two public schools. The average expenditure of public and Catholic primary schools was similar at $10,000 and $10,325 respectively but significantly lower than the $13,847 in Independent schools.

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[137] [137] Australian Curriculum, Assessment and Reporting Authority, My School Version 2, November 2010. Australian Curriculum, Assessment and Reporting Authority, What is new in My School version 2, November 2010.

[138] Brendan Houng and Moshe Justman, NAPLAN Scores as Predictors of Access to Higher Education in Victoria, Melbourne Institute Working Paper No. 22/14, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, October 2014.

[139] These estimates were derived from individual school expenditure figures on the My School website for 2013.

These comparisons suggest that the public reference schools were much more efficient at delivering the agreed national education outcomes, at least as far as secondary and combined schools are concerned.

The Allen Consulting technical analysis used to determine the SRS also revealed large disparities in expenditure between reference schools.[140] In the case of primary schools, the disparity between the highest and lowest expenditure schools was $20,000 or more per student with the highest expenditures about four times that of the lowest expenditure schools. The expenditure differences between secondary schools were only slightly less with the highest expenditure schools spending three times that of the lowest expenditure schools.

These disparities were the likely reason for the choice of the 25th percentile value of expenditure from the regression model. As noted above, the Gonski panel considered this was a reasonable estimate of the expected level of efficiency. It diminished the influence of high cost private schools on the estimated base SRS but not completely. However, a substantial proportion of the income of the reference schools was from private sources. About 68 per cent of the income of combined schools, about 25 per cent of the income of secondary schools and about 11 per cent of the income of primary schools was from private sources. This strongly suggests that the base SRS for secondary and primary schools was over-estimated compared to an estimate based solely on the more efficient public schools.

The over-estimation of the SRS meant that many public and private schools would receive unwarranted funding increases and a large part of the funding increase planned under the NPSI would go to these schools rather than directly to disadvantaged schools and students. As noted above, only 26 per cent of the total increase was allocated to funding the disadvantage loadings.

While the adoption of the 25th percentile expenditure value was justified on the grounds that it reflected a reasonably level of efficiency, it was an arbitrary judgement. As an academic paper observed, "…the selection of a (sic) any given percentile for the quantile regression approach is largely arbitrary".[141] The recurrent expenditure of highly successful government schools in metropolitan areas would be a better indicator of the efficient level of recurrent funding required for schools with minimal levels of educational disadvantage to achieve the nationally agreed minimum standards. If this standard were adopted, substantial savings could be achieved and more funding could be directed to disadvantaged students.

10.5.2 The disadvantage loadings were too small

It is highly likely that the disadvantage funding loadings were too small. This was suggested by the available research evidence on the additional funding needed to ensure that disadvantaged students achieved average school outcomes. In addition, the estimation of the funding needs of disadvantaged schools under the NPSI was only designed to ensure that 80 per cent of students exceeded the national NAPPLAN standards. It ignored the social equity objective of ensuring that disadvantaged students achieve a similar average and range of results as advantaged students.

The funding loadings for disadvantaged students were not generous. The minimum loading was only 0.15 for the first student in the lowest SES quartile and increased on a sliding scale to a maximum loading of 0.5 that applied only to schools that had over 75 per cent of their enrolments from the lowest SES quartile. Low SES secondary school students in these most highly disadvantaged schools

[140] Allen Consulting Group, Schooling Resource Standard: 2011 Update, May 2013, p. 46 (Released under FOI on 28 January 2022)..
[141] William Gort, Rebecca King and Alan Weiss, Measuring School Efficiency and Effectiveness to Inform the Design of a School Funding Formula, Economic Record, Vol 95, No S1, June 2019, p. 66.

received an extra $6,096 compared to $12,193 if the loading was set at 1.0, which was about the minimum loading suggested by research studies. Low SES secondary students in schools with 50 per cent of students in the lowest SES quartile received a loading of about 0.38, or $4,633 per student. Secondary schools with 30 per cent of students from the lowest SES quartile got a loading of about 0.3, or $3,658 per low SES student.

The maximum loading of 0.5 only applied to a tiny proportion of all low SES students. According to the My School website only 289 schools (248 government, 18 Catholic and 23 Independent) would have qualified for this loading in 2013. The total enrolment in these schools was 33,572, of which about 27,000 were in the lowest SES quartile. In 2013, there were approximately 870,000 students in the lowest SES quartile. Therefore, only about three per cent would qualify for the maximum low SES loading, a loading which itself was well below the loadings suggested by research studies.

No research evidence was provided to justify the low SES loadings. The Allen Consulting technical report did not provide any estimates for the loadings. The Gonski Report said that the indicative range for the loadings was based on other considerations and these appeared to be limited to a few international examples.[142]

Research studies at the time suggested that even the maximum loadings recommended were too small and that the loadings for lower concentrations of these disadvantaged students were much too low. Overseas research studies show that the additional expenditure required for low income students to achieve at adequate standards was up to double or more the cost of educating a non-poor student.[143] This implies disadvantage funding loadings of 1.0 or more.

A path-breaking cost study investigated funding loadings for low income students to achieve a given performance target.[144] It estimated loadings relative to the cost of a non-poor student to achieve given pass rates on elementary and secondary mathematics and reading tests in New York State. It found loadings for students in poverty ranging from 1.2 to 2.1, that is, double to three times the funding required for non-poverty students. An update of this study suggested a loading of 1.25.[145] One review of cost studies found poverty loadings of between 1.0 and 1.5 for US states with large urban areas.[146] Other studies have produced a large variety of estimates with several less than 1.0.[147] The estimates varied from state to state and reflect different variables included in the modelling, different cost structures and different performance measures used.

More recently, a number of studies prepared for official inquiries on the adequacy of school funding in several US states have recommended similar or higher loadings for low income students. For example, a study submitted to an inquiry by a Vermont General Assembly recommended a loading

[142] Review of Funding for Schooling, Final Report, December 2011, pp. 250-251.
[143] For a review of the studies available at the time see Trevor Cobbold, The Case for Gonski Plus Funding Loadings for Low SES Students, Education Research Brief, Save Our Schools, October 2014.
[144] William A. Duncombe and John Yinger, How much more does a disadvantaged student cost? Economics of Education Review, 24(5): 513-532, 2005. This study is the standard reference in the literature and is used as the basis for many other studies analysing the relative costs of serving children with varied needs and research estimating funding gaps.
[145] John Yinger, How Equitable is The Education Finance System in New York State? Policy Brief Series No. 54/2019, Centre for Policy Research, Maxwell School, Syracuse University, New York, July 2019.
[146] William A. Duncombe and John Yinger, Measurement of cost differentials. In Helen F Ladd and Edward B Fiske (eds.), *Handbook of Research on Education Finance and Policy*, London: Routledge, 238-256, 2008.
[147] Julie Anna Golebiewsk, An Overview of the Literature Measuring Education Cost Differentials, *Peabody Journal of Education*, 86:1, 84-112, 2011.

of 2.97.[148] This was eight times the existing loading of 0.25. A report prepared for a Commission to Study School Funding in New Hampshire recommended a loading of 1.8.[149] Other studies have produced lower estimates. For example, a study of school funding in Kansas prepared for the Kansas Legislature recommended a weighting of 0.89 which is still much higher than the low SES weighting in the NPSI.[150]

Other studies use professional judgement panels and the loadings produced from these studies are generally lower than those obtained from cost studies and range from about 0.6 to 1.0.[151] However, professional judgement panel studies are criticised for under-estimating the cost of educating children living in poverty to a given education standard.[152]

Research studies have largely ignored concentrations of low income students so there is little research evidence to guide loadings for such schools. As one prominent researcher on student funding loadings noted, there is relative consensus amongst research studies on at least a range for the magnitude of appropriate weights, but the research is less clear on loadings as the concentration of disadvantaged students increases.[153] Another leading education expert observed:

> The addition of needs-based weights helps, but does not fully eliminate, the inequity associated with concentrations of needy students.[154]

However, the extensive research evidence from overseas and in Australia that student achievement declines with greater concentration of low SES students implies that loadings higher than 1.0 should be applied for schools with different proportions of low SES students.[155]

The strong conclusion that can be drawn from the available research is that the low SES funding loadings proposed by both the Gonski Report and as applied by the NPIS were far too small to achieve the goal that all low SES students achieve an adequate education. A rough consensus from the studies is that a loading of at least 1.0 is appropriate for low SES students with even larger loadings for schools that have high concentrations of these students.

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[148] Tammy Kolbe, Bruce Baker, Drew Atchison and Jesse Levin, Pupil Weighting Factors Report, Report to the House and Senate Committees on Education, the House Committee on Ways and Means, and the Senate Committee on Finance of the Vermont General Assembly, Vermont Agency of Education, 24 December 2019.
[149] Drew Atchison, Jesse Levin, Bruce Baker and Tammy Kolbe, Equity and Adequacy of New Hampshire School Funding: A Cost Modelling Approach, American Institute for Research, August 2020.
[150] Lori L. Taylor, Jason Willis, Alex Berg-Jacobson, Karina Jaquet and Ruthie Caparas, Estimating the Costs Associated with Reaching Student Achievement Expectations for Kansas Public Education Students: A Cost Function Approach, West Ed, San Francisco, CA, 15 March 2018.
[151] Bruce Baker, Lori Taylor and Arnold Vedlitz, Adequacy Estimates and the Implications of Common Standards for the Cost of Instruction. Washington DC: National Research Council, 2008; Thomas Downes and Leanna Steifal, Leanna, Measuring Equity and Adequacy in School Finance. In Helen F. Ladd and Edward B. Fiske (eds.). Handbook of Research on Education Finance and Policy. Routledge, London, 2008, pp. 222-237.
[152] Bruce Baker, Jesse Levin. Drew Atchison and Caitlin Kearns, Costing Out and Adequate Education, Policy Brief, American Institute for Research, June 2020.
[153] Jennifer Imazeki, School Finance 101: Cost Adjustments for Poverty and English Learners. Policy Analysis for California Education, Stanford Graduate School of Education, Stanford, CA, 2013.
[154] Helen F. Ladd, Reflections on equity, adequacy and weighted student funding. Journal of Education Finance and Policy 3 (4) 2008: p. 417.
[155] Trevor Cobbold, The Case for Gonski Plus Funding Loadings for Low SES Students, Education Research Brief, Save Our Schools, October 2014; Trevor Cobbold, Higher Funding Loadings are Needed for Schools With Greater Concentrations of Disadvantaged Students, Education Policy Brief, Save Our Schools, October 2014.

The loadings estimated by the overseas research studies were generally designed to achieve a 'weak' equity objective of a given pass rate or standard which could be considered as a benchmark for an adequate education. The loadings to achieve a 'strong' equity objective such as the pass rate achieved by high SES students or the average test scores of high SES students would have to be much higher.

Under the NPSI the low SES loadings are spread more broadly than recommended by the Gonski report. The Government's case for funding loadings for the second SES quartile was that a significant group of these students achieve much lower outcomes than students with above average SES background, although it also appears this decision was made to appease the Catholic sector as it would have benefited little under the original proposal because of the relatively low proportion of Catholic students in the lowest SES quartile.[156]

Nevertheless, there was evidence to support the Government's case. The 2012 PISA results showed that while 33 per cent of 15 year-old students in the lowest SES quartile were below the mathematics proficiency standard, 22 per cent of students in the second lowest SES quartile were also below the standard.[157] The achievement gap between students in the second lowest SES quartile and the highest quartile was 58 points which was equivalent to about one and half years of learning. Twenty-two per cent of students in the second lowest quartile were below the reading and science benchmarks and about one and half years behind their high SES counterparts.

Thus, there was a good case to provide additional funding for students in the second lowest quartile as well as the lowest quartile. Improving the results of these students to match those of higher SES students should be part of the long-term strategy to achieve social equity in education outcomes. However, the basis for the loadings in the NPSI was not apparent and there was little research to guide the appropriate loadings.

The upper end loadings for Indigenous students were more like those recommended by research studies on disadvantaged students generally. However, these higher loadings only applied to schools with very high proportions of Indigenous students. As a result, the loadings were likely to prove inadequate.

The loading for students with limited English language proficiency of 0.1 was surprisingly low, being lower than the range of 0.15 to 0.25 recommended by the Gonski Report. Many studies have found much higher weights are needed.[158] Some recent studies suggested loadings exceeding 1.0.[159] Furthermore, in Australia there are very large achievement differences between students of language backgrounds other than English (LBOTE). As one researcher observed:

[156] Dean Ashenden, End of the education revolution. Online Opinion, 9 April 2013.
[157] Sue Thomson, Lisa De Bortoli and Sarah Buckley, PISA 2012: How Australia Measures Up. Camberwell: Australian Council for Educational Research, 2013.
[158] Julie Anna Golebiewsk, An Overview of the Literature Measuring Education Cost Differentials, *Peabody Journal of Education,* 86:1, 84-112, 2011.
[159] For example see Tammy Kolbe, Bruce Baker, Drew Atchison and Jesse Levin, Pupil Weighting Factors Report, Report to the House and Senate Committees on Education, the House Committee on Ways and Means, and the Senate Committee on Finance of the Vermont General Assembly, Vermont Agency of Education, 24 December 2019.and Drew Atchison, Jesse Levin, Bruce Baker and Tammy Kolbe, Equity and Adequacy of New Hampshire School Funding: A Cost Modelling Approach, American Institute for Research, August 2020.

> Some students who are speakers of language other than English are performing well on NAPLAN. On the other hand others are highly disadvantaged and their disadvantage, even their existence, is hidden in the LBOTE category.[160]

10.6 The funding increase was not the full Gonski

The delivery of the planned funding increase $15.9 billion by the Commonwealth and state governments was not guaranteed because about two-thirds of it was back-loaded on the last two years of the six-year transition period which was beyond the traditional four-year forward estimates of government budgets. About $7 billion in Commonwealth funding was left to the final two years of 2018 and 2019. There would be at least two Federal elections before then and there could be no certainty that the funding increase would be honoured in the event of a change of government.

Even the planned Commonwealth funding increase over the first four years was largely financed by the termination of several national partnership programs. The Labor Government chose not to make a substantial new financial commitment over the forward estimates and the new funding above what had already been planned was only $693 million.

About $3 billion in state/territory government funding was also left to the last two years and there was no guarantee this increase would be honoured. In addition, only three state and territory governments were participants to the agreement and there was no guarantee that the non-participants would deliver their share of the planned funding increase.

In reality, the planned Gonski funding increase was always on the 'never never'.

10.7 Inadequate state indexation rates

As noted above, the states participating in the NERA initially agreed to increase their existing funding by at least 3 per cent a year after 2014, but this was varied in the bilateral agreements to apply from 2016. The rates that were adopted by the states that signed the bilateral agreements for 2014 and 2015 were significantly lower than 3 per cent except the ACT (Table 2). As a result, schools were under-funded by the states in those two years.

The indexation rates for 2014 and 2015 were also significantly lower than the combined Wage Price Index for Public and Private Education and Training and the Consumer Price Index which were 3.3 per cent in both years. As a result, state government funding for schools would not keep pace with rising costs and would result in a reduction in the human and material resources available to schools.

This reduction in real resources was particularly significant for public schools because state government funding accounted for about 85 per cent of their total government funding in this period. In comparison, state funding accounted for only about 25 per cent of total government funding for Catholic and Independent schools. As a result, public schools stood to lose far more than private schools. The funding shortfall per student for public schools in NSW and Tasmania was about three times that of Catholic and Independent schools while the shortfall for Victorian public schools was about four times that for private schools [Figure 4). The shortfall for public schools in South Australia was five times that of private schools and six times in the ACT.

[160] Sue Creagh, Australia's most disadvantaged children invisible in official NAPLAN results, Edu Research Matters, 28 January 2015. See also Lesley Chenoweth, Pacific Islanders and education: is Australia an 'unlucky country'? The Conversation, 10 February 2014; Trevor Cobbold, My School Ignores Differences in the Ethnic Composition of School, Save Our Schools, 5 May 2010.

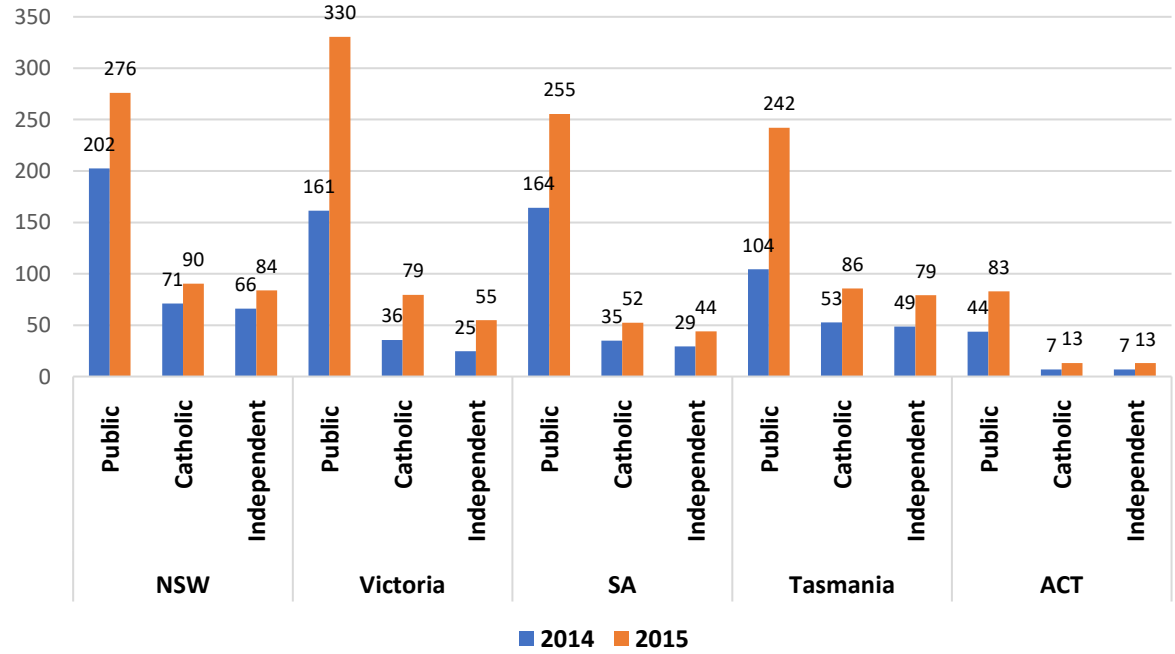
This loss of funding for public schools amounted to several hundred million dollars over 2014 and 2015. The total losses were estimated at: NSW -$367.8 million; Victoria - $281.8 million; South Australia - $70.3 million; Tasmania - $19.6 million and the ACT - $4.8 million.

Table 2: State Indexation Rates (per cent)

State/School Sector	2014	2015	2016	2017
NSW Public	1.22	2.62	3.0	3.0
NSW Catholic	0.41	2.62	3.0	3.0
NSW Independent	0.41	2.62	3.0	3.0
Victoria Public	1.35	1.35	3.0	3.0
Victoria Catholic	1.64	1.35	3.0	3.0
Victoria Independent	1.64	1.35	3.0	3.0
SA Public	1.74	2.50	3.0	3.0
SA Catholic	1.56	2.50	3.0	3.0
SA Independent	1.56	2.50	3.0	3.0
Tasmania Public	2.27	2.0	3.0	3.0
Tasmania Catholic	1.09	2.0	3.0	3.0
Tasmania Independent	1.09	2.0	3.0	3.0
ACT Public	2.94	3.0	3.0	3.0
ACT Catholic	2.93	3.0	3.0	3.0
ACT Independent	2.93	3.0	3.0	3.0
Combined WPI/CPI	3.3	3.3	2.8	2.9

Sources:
Senate Standing Committee on Education and Employment, Supplementary Estimates 2013-14, Answer to Question on Notice EW0002_14; Australian Bureau of Statistics, Wage Price Index (WPI) for Public and Private Education and Training (re-based to June 2009 = 100); Australian Bureau of Statistics, Consumer Price Index (CPI)(re-based to June 2009 = 100).
Note: The combined index was 80 per cent WPI + 20 per cent CPI.

Figure 4: Shortfall in State Government Funding from Low Indexation Rates ($ per student)



Sources: See Table2; author's estimates.

10.8 Failure to implement a national funding model

The Gonski Report was highly critical of the fragmented system of funding schools. It found that "Australia lacks a logical, consistent and publicly transparent approach to funding schooling".[161] It noted that the funding of private schools was "a patchwork of different funding methodologies and models".[162] It called for a common funding framework to ensure coherence and transparency in how funding is allocated to systems and schools.

> There is a clear need for funding for schooling to be better coordinated between the funding partners and to be delivered in a more coherent and transparent way. This could be through jointly agreed funding mechanisms involving common approaches to the allocation of funding to systems and schools.[163]

Central to the development of such a nationally consistent approach was a revised National Education Agreement between the Commonwealth and state and territory governments and the establishment of a National Schools Resourcing Body (NSRB) to advise governments on the allocation of funding.

The Report recommended that the NSRB should have responsibility for advising governments on the national resource standard, disadvantage loadings, indexation, and ongoing research, analysis and data improvement.[164] It said that such a body was needed to ensure an open and transparent process in which the Commonwealth Government, the states and territories and the private school sector all shared responsibility for oversight.

As noted above, the proposal was rejected by the Government with the support of state governments. This represented a lost opportunity to ensure that school funding decisions were assisted by public independent expert advice. It meant continued lack of transparency about school funding decision. One of the Gonski panel members, Ken Boston strongly criticised the failure to establish the body as a "major mistake".[165] As the Greens' dissent to the Senate Select Committee report on school funding stated:

> The National Schools Resourcing Body (NSRB) was integral to the effective implementation of the recommendations of the Gonski Review. Such a body, independent of governments and the various sectors and interest that characterise education debates in Australia, could have provided the governance necessary to ensure school funding was provided in a way that maximised its educational impact and minimised self-interest, including political and sectoral interests.[166]

The development of a more coherent national approach to funding schools was dependent on negotiations with state governments and private school organisations. The Labor Government clearly hoped for a national approach, but it was hamstrung by its agreement with the Catholic Church to delay the introduction of the new funding model. This allowed private school organisations and state governments to draw out the negotiations to gain concessions. It also allowed the Opposition to continue its campaign against a new approach. As Gillard outlined in her

[161] Review of Funding for Schooling, Final Report, Canberra, December 2012, p.49.
[162] Ibid, p. 48.
[163] Ibid, p. 53.
[164] Ibid, pp. 191-193.
[165] Ken Boston, Senate Select Committee Inquiry on School Funding, Hansard, 16 May 2013, p. 2.
[166] Select Committee on School Funding, Equity and Excellence in Australian Schools, Australian Greens Additional Comments, July 2014, p. 153.

memoirs, the negotiations with state governments proved difficult, exasperating and time consuming.[167]

While the Labor Government was negotiating with the states and territories, the Coalition pressured state Coalition governments not to sign up, not that some needed much convincing. The Queensland Premier, Campbell Newman, had described the plan as a "bucket of custard" and the WA Premier, Colin Barnett, was totally opposed to the national funding model.[168] In his Budget reply speech in May 2013, the Opposition Leader, Tony Abbott, said: "We won't back a so-called national education system that some states don't support…"[169]

The Coalition set out to ensure that some didn't. In letters to Coalition premiers and chief ministers, Opposition education spokesperson, Christopher Pyne, set out the Coalition's position and encouraged them not to conclude negotiations about the funding model "in a rushed, pressured and politicised environment" of the pre-election period.[170] He said that the Federal Coalition would extend the existing SES funding model while negotiating future arrangements with the states. At the same time, he re-iterated his leader's announcement that the Opposition would not support the Gonski model unless a majority of states and territories signed up:

> If there is not a national agreement, we will not honour any agreement with individual states. There has to be a national agreement or we will not honour an individual states agreement. Now if there is an overwhelming number of States, we'll look at it, but if New South Wales and the three Labor States are the only ones that have signed on to it, we will certainly will not be having a SRS model – a Student Resources Standard model – for four States and Socio Economic Status for the other four States.[171]

Coalition governments in Queensland, Western Australia and the Northern Territory refused to participate in the NERA. This had major implications for the funding of public schools because public schools in the participating states would receive the Gonski funding increase and be required to have a needs-based funding model while those in the non-participating states would have their Commonwealth funding provided under a Special Purpose Payment and were not required to have a needs-based funding model.

Private school organisations feared that a needs-based model would disadvantage them and they raised the spectre that many would lose funding under the model.[172] ISCA had expressed its concern that the model would see a significant movement in funds away from private schools.[173] The NCEC was concerned at what it saw as an increased regulatory burden created by a "multiplicity of stringent transparency and accountability requirements".[174] In a memo sent to all NSW Catholic

[167] Julia Gillard, My Story, Random House, Sydney, 2014, pp. 264-266.
[168] Tony Taylor, Class Wars, Monash University Publishing, Clayton, p. 246.
[169] Tony Abbott, Budget Reply Speech, House of Representatives, 16 May 2013, Hansard, p. 3574.
[170] See for example, Christopher Pyne, Letter to Barry O'Farrell, 21 May 2013; Christopher Pyne, Letter to Colin Barnett, 21 May 2013.
[171] Christopher Pyne, Interview with Graham Richardson, Sky News, 22 May 2013.
[172] Jewel Topsfield, Schools jittery as Gillard delays education reforms, The Age, 18 August 2012; Samantha Maiden, 3000 schools face funding cuts, but Prime Minister Julia Gillard stands firm on pledge, Sunday Herald Sun, 19 August 2012.
[173] Independent Schools Council of Australia, Submission to Inquiry into the Provisions of the Australian Education Bill 2012, Senate Standing Committee on Education, Employment and Workplace Relations Legislation Committee, February 2013.
[174] National Catholic Education Commission, Submission to Inquiry into the Provisions of the Australian Education Bill 2012, Senate Standing Committee on Education, Employment and Workplace Relations Legislation Committee, February 2013.

school principals and church area leaders, Bishop Anthony Fisher, the NSW head of the Catholic Education Commission, criticised the process and calculations for private school funding for 2014 and beyond as uncertain, imprecise, extremely complex and annually variable.[175]

In the end, the Catholic Church signed the agreement, having gained an additional $200 million in funding and full autonomy in the distribution of funds to its schools which allowed several different funding systems.[176] ISCA signed the agreement after gaining an additional $150 million in negotiations.

Instead of a national funding model applicable to all jurisdictions and school systems, there were just as many different funding models as under the previous arrangements. As the National Audit Commission noted:

> ….rather than there being a single national schools funding model, there is instead a Commonwealth model, eight different state models, a further eight models in the Catholic sector, as well as different models for other non-government school systems. The SRS model will only apply directly to the approximately 900 non-systemic non-government schools.[177]

In fact, the Audit Commission under-estimated the number of different models because it ignored the fact that many Catholic dioceses also had their own funding model.

11. Private school funding

The NPSI made a major change to government funding of private schools by breaking the link with the AGSRC. The link had allowed private schools to double dip on government funding. Private schools with very few disadvantaged students received windfall gains for increased funding for disadvantaged students in public schools because they received a proportion of public school costs even if they had no disadvantaged students. However, It was replaced by another link which provided similar benefits to private schools (see below).

The NPSI ensured that many private schools, including those serving the most privileged and wealthy families in Australia, received more funding than they would be entitled to under a strictly needs-based funding model. There were several forms of over-funding which were the result of special deals with private school organisations by the Labor Government.

- Many private schools were allowed to keep funding that they would have otherwise lost under the terms of the new model;
- Separate funding schedules for private primary and secondary schools;
- Government funding ensured that many private schools had more income per student than public schools;
- The continuation of system-weighted funding for Catholic schools and a special deal for ACT Catholic schools;
- The measure of the SES of private schools used to determine their level of government funding systematically over-estimates disadvantage in private schools with the result that they receive more government funding than they would by using a more accurate measure;

[175] Denis Shanahan, Catholic ire over 'poor' Gonski forecasts, The Australian, 23 May 2013.
[176] Jewel Topsfield and Danial Hurst, Catholic sector signs up to school funding reforms, Sydney Morning Herald, 23 July 2013.
[177] National Commission of Audit, Towards Responsible Government, Appendix to the Report of the National Commission of Audit, Volume 1, Canberra, 2014, p. 266.

- Private schools were guaranteed the same share of total government funding that they had prior to the introduction of the new funding model, irrespective of changes in the proportion of disadvantaged students.

11.1 A new form of funding maintained schools

The NPSI incorporated the new "no losers" guarantee. All schools were guaranteed increased funding even if they were funded above what was warranted by their SES score. A similar provision under the old SES model permitted schools funded at above their SES score rate to retain that special funding and have it indexed against cost increases. Under the new model, they continued to receive their old per student amount, plus indexation of 3 per cent per annum, until their new lower, entitlement, indexed at 3.6 per cent per annum, caught up with their actual funding.

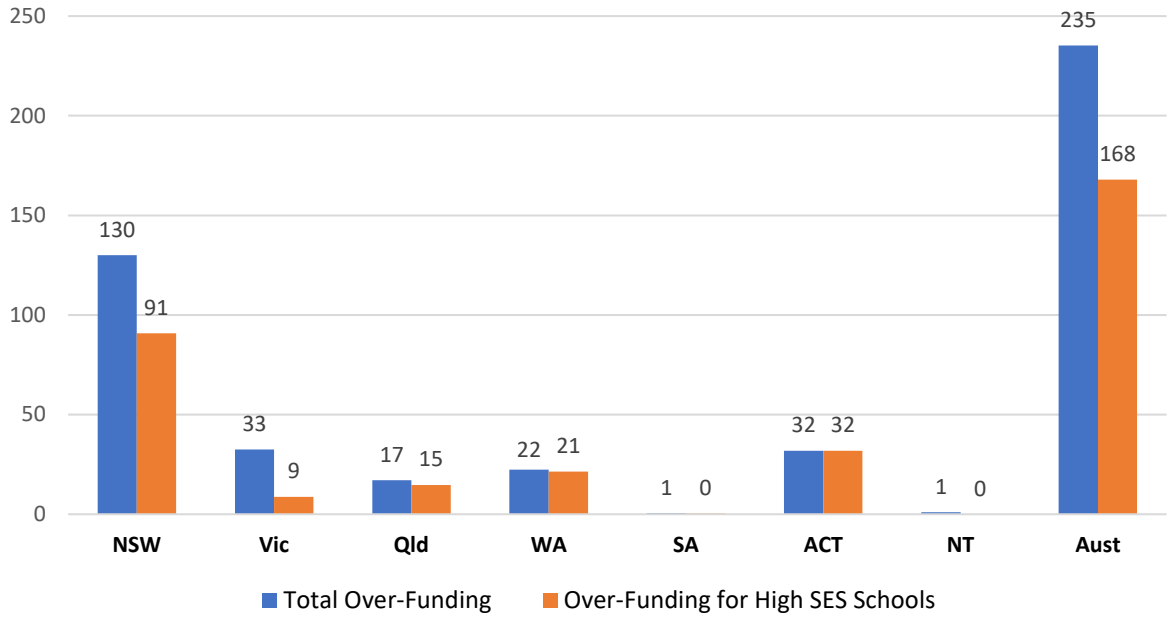
As a result, many private schools were over-funded in the new model and for many it would take a long time for them to revert to their funding entitlement. The Commission of Audit found that it would take over one hundred years for the most over-funded schools to have their funding adjusted to their SRS entitlement.[178] The late Greens MLA in the NSW Parliament, John Kaye, estimated that it would take 202 years for Loreto Kirribilli to have its funding adjusted to its SRS and it would take over 100 years for many other schools.[179]

The Department of Education stated that there were 191 Independent schools in 2014 in receipt of funding exceeding their SRS, nearly 18 per cent of all Independent schools.[180] This number was expected to decline to 181 in 2017. No Catholic schools were considered to be above their total SRS. The large proportion of the over-funding went to some of the wealthiest schools in Australia. Data provided by the Department of Education to Senate Estimates showed that this form of over-funding amounted to $235 million in 2014.[181] Over 70 per cent of this went to schools with around 50 per cent or more of their students from the highest SES quartile [Figure 5].[182]

The new "no losers" guarantee meant that the exceptions, incoherence and inequities in the Howard Government's funding model criticised by the Gonski report were incorporated in the NPSI. The one difference was that the exceptions were even less transparent under the NPSI because under the SES model they were at least labelled "funding maintained" or "funding guaranteed". It meant that many private schools on similar SES scores would continue to receive different levels of funding for a long into the future. The "no losers" guarantee destroyed any prospect of a system of government funding of private schools that meets the Gonski report criteria of operating "within a coherent and principled framework that is applied consistently to all non-government schools".

[178] National Commission of Audit. Towards Responsible Government. Appendix to the Report of the National Commission of Audit, Vol. 1, Canberra, February, p. 266.
[179] John Kaye, Wealthy private schools walk away from Pyne's train wreck with $169 million annual windfall, Media Release, 8 June 2014
[180] Senate Standing Committee on Education and Employment, Budget Estimates 2013-2014, Answer to Question on Notice No. EW0007_14; Supplementary Budget Estimates 2013-14, Answer Question on Notice No. EDO146_14. The Audit Commission report stated that approximately 17% of Independent schools were over-funded according to their total SRS entitlement in 2014. National Commission of Audit 2014, Towards Responsible Government, Appendix Volume 1, February, p.260.
[181] Standing Committee on Education and Employment, Supplementary Budget Estimates 2015-16, Answer to Question on Notice No. SQ15-000888.
[182] For further details on schools that were over-funded see Save Our Schools, Private School Funding Is Corrupted by Special Deals: An Open Submission to the National Education Ministers' Council, November 2016.

Figure 5: Over-Funding of Private Schools Under the NPSI, 2014 ($M)



Source: Supplementary Budget Estimates 2015-16, Answer to Question on Notice No. No. SQ15-000888

Notes:

1. No Tasmanian private schools had this form of over-funding.
2. High SES schools are defined as those with around 50 per cent or more students from the highest SES quartile.
3. Over-funding is the difference between a school's funding entitlement (its Schooling Resource Standard) in 2014 and its actual level of government funding.

11.2 Private schools guaranteed a minimum share of total government funding

While the NPSI eliminated the link between private school funding and AGSRC, it was replaced by a new link with total government funding. Soon after the announcement of NPSI, it was reported that the Prime Minister had given an assurance to the Catholic Church that the 16.8 per cent share of school funding then received by Catholic schools would be maintained in the long term.[183] The specified share of 16.8 per cent was based on 2009 financial data from My School.[184]

The Australian reported that the assurance was "certain to annoy other school systems that don't have such guarantees". Subsequently, it was revealed that the assurance was extended to all private schools. During Senate Estimates on the 2013-14 Budget, the Parliamentary Secretary for School Education and Workplace Relations said that this arrangement applied to all private schools:

> I should also say, quite apart from the model itself being sector blind, the government has assured, for example, that Catholic schools will maintain their proportion of public funding. Considerable work has gone into the design of the 'capacity to contribute' component—which is not new; it is part of the current funding arrangements—to ensure that there is no pressure on non-government schools with

[183] Jewel Topsfield, PM gives Catholics funding assurance. *Sydney Morning Herald,* 19 April 2013; Denis Shanahan & Mark Coultan, Julia Gillard's vow to George Pell on Gonski schools funding, *The Australian*, 30 May 2013.

[184] Senate Standing Committee on Education and Employment, Budget Estimates 2013-2014, Answer to Question on Notice No. EW0003_14. The National Report on Schooling in Australia data portal shows that the Catholic share of total government funding of schools was 15.8 per cent in 2009.

> respect to their fee or contribution arrangements and that the overall share of public funding, over time, is maintained for non-government schools.[185]

The share of public funding accruing to Independent schools was not specified, only that they would retain their current share. However, their share in 2009 was 10.2 per cent.[186]

Apparently, the intent of the deal was to ensure that private schools retained market share. In response to a question on whether the government could guarantee that each sector would maintain its share of the market under Gonski, the Associate Secretary of the Department of Education, Employment and Workplace Relations said that it was the Prime Minister's intention that "they would at least maintain the share of total public funding that they currently do".[187] Thus, the guaranteed percentages represented floors for government funding of Catholic and Independent schools. Information subsequently provided to the Estimates Committee by the Department of Education showed that the Catholic sector would increase its share of total government funding from 18.2 per cent to 18.6 per cent from 2014 to 2017 (Table 3).

Table 3: Catholic Share of Total Government Funding (%)

	2014	2015	2016	2017
NSW	16.5	16.7	16.7	16.7
VIC	22.3	22.4	22.5	22.7
SA	14.6	14.9	15.1	15.4
TAS	14.2	14.6	14.9	15.2
ACT	16.4	17	17.6	18.2
Total	18.2	18.4	18.5	18.6

Source: Senate Standing Committee on Education and Employment, Budget Estimates 2013-2014, Answer to Question on Notice No. EW0003_14.

While the floors could be exceeded to meet need in private schools, they could also have similar effects to the previous AGSRC link in allowing private schools to double dip on government funding following changes in the funding of public schools. This could occur because the Commonwealth would always ensure sufficient funding to meet the floors, irrespective of need in private schools. For example, an increased proportion of higher funded disadvantaged students in public schools would draw increased Commonwealth and state government funding which could cause the shares of private schools in overall government funding to fall below their respective floors.

In these circumstances, the Commonwealth would be obliged to increase its funding of private schools to guarantee meeting the floors even if their enrolments of disadvantaged students remained unchanged, increased by less than in public schools or declined. In other words, private schools would get a windfall gain because of increased funding to improve equity in education.

Similar increases in Commonwealth funding for private schools could follow if public schools increased their share of total enrolments or because state governments increased their funding of public schools. A particular anomaly was that an increase in the share of enrolments or a change in the composition of enrolments in one private school sector could result in increased Commonwealth

[185] Senator Jacinta Collins, Senate Standing Committee on Education and Employment, Budget Estimates 2013-2014, Hansard, 5 June 2013, p.127.
[186] Australian Curriculum, Assessment and Reporting Authority (ACARA), National Report on Schooling in Australia data portal.
[187] Senate Standing Committee on Education and Employment, Budget Estimates 2013-2014, Hansard, 5 June 2013, p. 100.

funding for the other sector because its share of total government funding fell below the agreed floor.

While the new link could provide windfall gains to private schools as did the AGSRC link, they were not automatic and only accrued to private schools if their share of overall government funding fell below their respective floors. Increases in funding for public schools did not generate increases in funding for Catholic or Independent schools while their funding exceeded the respective floors. To this extent, the new link was much less iniquitous that the link to AGSRC in the SES funding model. Nevertheless, it was a special deal for private schools. As *The Australian* stated, the assurances about the share of funding "appear to undermine a central tenet of the Gonski model that schools are funded on the basis of need and not through special deals".[188]

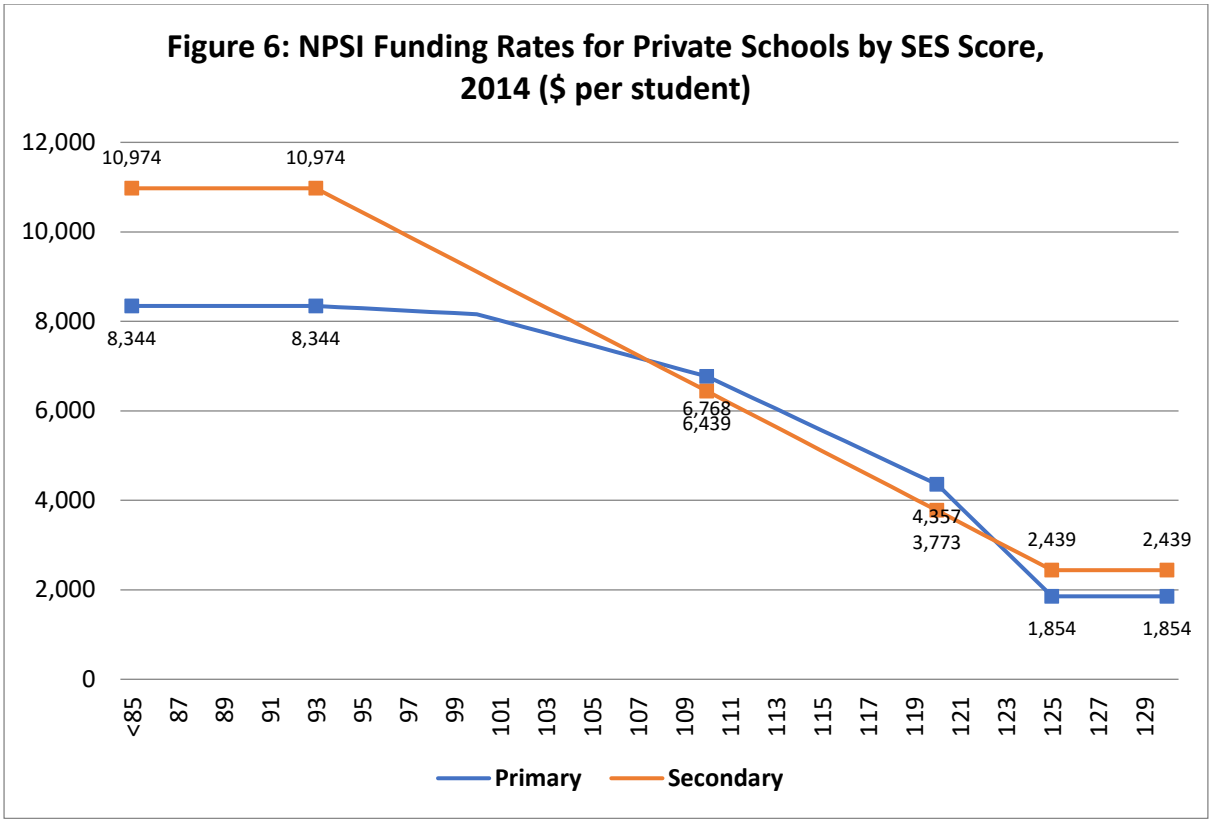
The issue was how the funding shares would be guaranteed under the new funding model as the nominated floor was the share resulting from the old SES funding model. This was never explained, but it has been suggested that this was the reason for the bizarre funding schedules for primary and secondary schools.

As noted above, the NPSI provided different capacity to pay funding schedules for primary and secondary schools. The primary school rates significantly exceeded the secondary rates between the SES scores of 93 and 125. A bizarre outcome of the higher rate schedule for primary schools is that they will receive more per student funding than private secondary schools over part of the school SES score range, despite the higher overall cost structure of secondary schools. Government funding for secondary student exceeds that for primary students by about $2,600 per student at low SES scores, but the gap gradually narrows from SES score 93 to SES score 108 when funding for primary schools exceeds that for secondary schools up to SES 123 [Figure 6]. The gap between primary and secondary school funding is lower for high SES private schools than for low SES schools.

The justification that the higher percentage funding rates for private primary schools were necessary to take account of the differential fee structures of the two sectors was not credible because primary school costs are considerably lower than secondary school costs as reflected in the different base SRS for the two sectors. The ISCA told a Senate inquiry that the distortion in the capacity to contribute schedules "had no policy basis or justification" and that the arrangement was part of a special deal "to provide additional funding to a particular group of non-government schools".[189] The implication being that it was Catholic schools that stood to benefit from the arrangement.

This inconsistency in the funding of private primary and secondary schools breached the principle set out in the Gonski report to ensure "the integrity and fairness" of the funding arrangements for private schools and that they have "a clear, coherent and logical design".[190] It likely assured private schools a higher share of funding than was warranted because their funding shares would have declined because the vast majority of disadvantaged students were enrolled in public schools and private schools has much lower proportions of disadvantaged students than public schools.

[188] Denis Shanahan & Mark Coultan, Julia Gillard's vow to George Pell on Gonski schools funding, *The Australian*, 30 May 2013.
[189] Independent Schools Council of Australia, Submission to the Senate Select Committee on School Funding, 21 March 2014, p. 11.
[190] Review of Funding for Schooling, Final Report, December 2011, pp. 85, 151.



Source: Estimated from the base SRS of primary and secondary schools in 2014 and the capacity to contribute schedules in the *Australian Education Act 2013*.

11.3 System-weighted average funding arrangement

As noted above, Catholic and several Independent school systems in each state and territory were block funded using student weighted average system SES scores to calculate their total funding. This arrangement created the potential for some schools to be over-funded and others to be under-funded, depending on the degree to which the actual distribution of funds differed from that if funds were distributed according to the formula provided in the Education Act.

There was evidence this occurred under the previous SES funding model. A report by the Australian National Audit Office (ANAO) in 2009 had found that:

> …systemic schools with low SES scores (that is, schools servicing low socio-economic communities) receive less Australian Government general recurrent grants per student from their school systems than if they were directly funded under the SES arrangements…
> … schools systems appear to give less weight to individual school SES scores when distributing Australian Government general recurrent grants to affiliated schools.[191]

It became evident that this practice continued under the new model. The Victorian Auditor-General, a commissioned report for the NSW Catholic Education Commission and the Grattan Institute found evidence that private school systems, especially Catholic systems, continued to allocate government

[191] Australian National Audit Office, Funding for Non-Government Schools, Audit Report No.45 2008–09, Canberra, 2009, pp. 22, 27. See also Trevor Cobbold, Catholic Education Authorities Mislead on Over-Funding, Education Research Paper, Save Our Schools, April 2012.

funding to schools in richer areas at the expense of those in poorer districts.[192] Investigative reports by the Australian Financial Review and the ABC also found similar evidence.[193]

A later report by the ANAO also found that the practice continued. The Office compared funding calculated by the Department of Education for individual private schools with the funding amount reported as allocated to individual schools by system authorities. Its analysis showed significant differences between the funding allocated to private school system authorities by the Department and the funding these authorities reported having distributed to each of the schools that they represented. [194] Of 1794 private schools that received funding and had an SES score, 206 (11 per cent) received at least 10 per cent more funding than was allocated to the system by the Department and 223 (12 per cent) received at least 10 per cent less funding than allocated. Of these schools, 24 received at least 30 per cent more funding than was allocated to the system by the Department and 18 received at least 30 per cent less funding than allocated. It found that several low SES Catholic schools were allocated significantly less funding by Catholic education authorities than their entitlement calculated by the Department.

The report also found that many systems were not distributing funding for disadvantage loadings as required under the Education Act. There were large differences in the funding allocated by the Commonwealth for low SES and disability students and the funding allocated to schools for these students by private school system authorities. For example, about $550 million was allocated to the low SES loading by the Department of Education in 2015, but only $300 million was distributed to schools by system authorities under the loading. Just over $500 million was allocated to the disability loading, but system authorities only distributed $300 million to schools for this loading.

The special arrangement for the ACT Catholic school system proved especially beneficial. They were significantly over-funded because their negotiated system average score of 101 was well below the SES score of each individual systemic school. Their scores ranged from 111 to 128 and their average score was 117.[195] The disparities between these scores and the deemed system score of 101 had a huge effect on nominal funding for schools. For example, the four systemic Catholic secondary schools were each over-funded by between $4.4 and $5.6 million. The total over-funding of Catholic systemic schools in the ACT in 2014 was $48.2 million.

The flexibility allowed for private school systems to adopt their own needs-based funding arrangements proved to be very beneficial for Catholic schools in competing with Independent schools in wealthy areas. Catholic schools got more funding than if the needs-based formula had been strictly implemented for each school and, as a result, it provided a considerable financial advantaged over Independent schools in wealthy areas and enabled them to compete for enrolments. The fee difference between Catholic and Independent schools in wealthy suburbs could be considerable.[196]

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[192] Victorian Auditor-General, Grants to Non-Government Schools, March 2016; Kathryn Greiner, Review of Governance Structures and Funding of Catholic Schools in NSW and the ACT, March 2016; Tim Dodd, Catholic opposition to Gonski 'dishonest', Australian Financial Review, 22 May 2017.

[193] Tim Dodd, New figures show Catholics direct funds to rich schools at expense of poor ones, Australian Financial Review, 14 May 2017; Tim Dodd, New government figures show Catholics favouring rich over poor schools, Australian Financial Review, 22 May 2017; Inga Ting, Katia Shatoba and Alex Palmer, How the Catholic school system takes from the poor to give to the rich, ABC News, 22 September 2020.

[194] Australian National Audit Office, Monitoring the Impact of Australian Government School Funding, ANAO Report No.18 2017–18, Canberra, December 2017, p. 42.

[195] Trevor Cobbold, Special Over-Funding Deal for ACT Catholic Systemic Schools to Continue, Save Our Schools, 30 May 2017.

[196] Peter Goss, Catholic schools aren't all the same, and Gonski 2.0 reflects this, The Conversation, 22 March 2018.

11.4 Schools on the same SES score could be funded at different levels

The previous SES funding model was capricious and incoherent because private schools on the same SES score could have very different funding levels. The Gonski Report heavily criticised the model for inconsistency in the funding of schools on the same SES score. It said that "a confusing number of different levels of per capita funding can apply to schools on the same SES score".[197] The continuation of system-weighted average funding and system autonomy to distribute funding according to their own needs-based funding arrangements meant that large differences in the funding of schools on the same SES score could continue.

When the NPSI was implemented, 20 private school systems had elected to take the option of the student-weighted system average method of determining SES scores to determine their funding.[198] Eight were Catholic systems and 12 were Independent school systems. These systems were able to determine their own distribution arrangements for member schools as long they were consistent with the needs-based principle of the Education Act. This created the potential for schools on the same individual SES score to have different base SRS funding amounts. This possibility subverted the Gonski Report recommendation that private schools should be funded on "the basis of a common measure of need that is applied fairly and consistently to all".[199]

This likelihood that many schools on the same SES score would receive different base SRS funding amounts was increased by the devolution of responsibility for the allocation of funding to regional dioceses within Catholic systems. The Catholic Education Commission in several states uses its own funding model to distribute funds to each diocese within its jurisdiction. Each diocese in turn has its own funding model it uses to decide funding allocation to schools in the diocese. Thus, not only could Catholic schools on the same SES score in different states receive different funding but schools within the same state on the same SES score could also receive different funding.

A report by the National Audit Office in 2017 showed that this potential for schools on the same SES score to receive different base SRS funding was realised with many schools on the same SES score receiving highly different levels of funding.[200] At almost every SES score from below 80 to above 120 there were several schools with different levels of funding. At several SES scores, 20 or more schools received different levels of funding ranging from 50 per cent or more above what they were entitled to 30 per cent less than they were entitled.

11.5 Wealthy private schools received unwarranted government funding

Under the NPSI, all private schools receive a base per capita grant from the Commonwealth Government determined by a measure of the "capacity to contribute" of families in each school. The capacity to contribute was measured by the school's SES score. Those with a higher SES score received less government funding, but all schools, even the most privileged, received a grant. The wealthiest schools were guaranteed a minimum grant of 20 per cent of the base SRS. The Gonski Report made it clear that this minimum level of funding was designed to meet the Labor Government's requirement that "no school will lose a dollar" under the new funding arrangements.

> To meet the Australian Government's announcement that no school will lose a dollar per student as a result of this review, a minimum public contribution towards the cost of

[197] Review of Funding for Schooling, Final Report, December 2011, p. 83.
[198] Australian Education (SES Scores) Determination 2013, 28 March 2014.
[199] Review of Funding for Schooling, Final Report, December 2011, p. 84.
[200] Australian National Audit Office, Monitoring the Impact of Australian Government School Funding, ANAO Report No.18 2017–18, Canberra, December 2017, Figure 2.2, p. 42.

schooling should apply to non-government schools at a level between 20 to 25 per cent of the resource standard per student amounts without loadings.[201]

The Report provided no other justification for continuing taxpayer funding of higher SES private schools. The implication is that, in the absence of the Julia Gillard's "no losers" guarantee, it may have more seriously considered the case against taxpayer funding of higher SES private schools.

As a result, many high fee private schools with over 50 per cent of their students in the highest SES quartile, and total expenditure per student which is two to three times that of public schools, receive up to $10,000 per student in government funding. Even the wealthiest of the elite schools get significant levels of government funding. For example, in NSW, Sydney Grammar had 97 per cent of its students from the highest SES quartile in 2014 and income from fees and donations of $37,364 per student but still received $3,617 per student in government funding and total funding of $4 million. Ascham with 90 per cent of its students from the highest SES quartile and income from fees and donations of $33,503 per student received $3,240 per student and total funding of $3.4 million.

In Victoria, Scotch College with 86 per cent of its students from the highest quartile and income from fees and donations of $26,264 per student received $3,269 per student and total funding of $6.2 million. Methodist Ladies College with 83 per cent of its students from the highest quartile and income from fees and donations of $25,874 received $3,640 per student and total funding of $7.5 million.

There is a case for government funding of private schools whose resources are below what is needed to ensure an adequate education for all children. Governments have a responsibility to ensure that children educated in the private sector are not disadvantaged in their access to quality education by their parents' choices. Their education should not be allowed to suffer because their parents choose to send them to an under-resourced school.

Similarly, disadvantaged students such as low SES, Indigenous, remote area and disability students should be entitled to the same funding loadings whether they attend public or private schools. As part of ensuring access to quality education, governments also have an obligation to regulate private schools to ensure students receive a high quality, fully rounded education and to ensure their personal safety and welfare.

However, private schools whose private-sourced income exceeds a community standard such as the base SRS should not be entitled to baseline funding by governments. The argument that all children, including those attending high fee, exclusive schools, are entitled to government assistance for their education is a spurious argument. Government funding compounds their large resource advantage over public schools. They remained free to continue to increase their resource advantage with government funding. As one commentator observed in relation to the Gonski Report, there was no control over how much private schools can devote to students while receiving government funding.[202]

The entitlement argument for public funding of private schools serves to support advantage and privilege in education outcomes. Taxpayer funding should not be directed at providing some students with additional advantages over and above those available by virtue of a privileged family background. To devote public resources to extending the advantages of a student from a wealthy background over a student from a disadvantaged background is to enhance social inequity. Such use of taxpayer funds provides even greater opportunities for the privileged to gain the intrinsic rewards

[201] Review of Funding for Schooling, Final Report, December 2011, Recommendation 19, p. 177.
[202] Dean Ashenden, Gonski's review: another salvo in the Hundred Years' War, Inside Story, 23 February 2012.

of education such as access to economic resources as well as positions of social status and power in society. It means that scarce funds are diverted from serving those with high learning needs to those with few needs. Government funding for private schools can only be justified on the basis of need. Those with annual fees of $20 000 or more a year were not in need.

Families have the right to seek a particular education for their children outside the public system. This choice may be directed at a religious-based education, an alternative philosophy of education, a specialist education in music, the arts, etc., acquiring a positional or status good, entrance to a social network, a particular behaviour or dress code or some other goal. School fees are the price families pay for choice of education. It is not the responsibility of governments to fund their choice. Instead, it is the responsibility of governments to ensure that every child is able to achieve an adequate education and to improve equity in education outcomes.

A related argument employed by defenders of government funding for elite private schools is that families whose children attend these schools are entitled to government funding because they pay taxes. This is another spurious argument. The purpose of taxation is to provide services of benefit to society. People who do not avail themselves of publicly provided services are not thereby entitled to claim a certain proportion of taxation revenue to fund their private choices. This is not the purpose of taxation.

All citizens pay taxes for community services such as public transport, police, paramedics, fire brigades, libraries, garbage removal, street repairs and public education regardless of whether or not they use these services. Governments do not subsidise families if they choose to use their own car instead of public transport, use private security arrangements to protect their home instead of relying on the police, use private recreation and leisure facilities such as a backyard pool instead of the public swimming pool or buy their own books instead of using public libraries.

Another argument of defenders of taxpayer funding of well-off and elite private schools is that it saves governments money because students in these schools get less government funding than those in public schools. It is true that government funding of well-off private schools is on average less than per student funding in public schools, although there are many cases where private schools receive more government funding than public schools. However, this is no justification for government funding. Families who use their own car, implement their own home security and fire prevention measures, buy their own leisure facilities or buy their own books all reduce the cost of public services, but they are not thereby entitled to taxpayer funding for those private choices.

Far from saving governments money, funding of well-off private schools adds unnecessary costs to governments because it is not based on need. There are two forms of this over-funding of private schools. The first is where the per student income from fees and donations of wealthy private schools exceeds the base SRS. In these cases, government funding is not needed for these schools to achieve the SRS and it extends their resource advantage over public and other private schools that are only funded to the SRS. The second form is where private schools whose income from private sources is less than the SRS, but whose base per capita grant provides them with a higher average total income per student than the SRS. The extra government funding also gives these schools a resource advantage over public schools that are only funded at the SRS

The level of over-funding from these two forms is the aggregate of the difference between the base per capita grant for each private school and the funding that would be required to equalise the total average income student and the SRS. Both forms of over-funding are an unnecessary cost to government and the money could be better used for other purposes, such as increased funding for disadvantaged students and schools

It is difficult to estimate the actual amount of over-funding because the relevant data is not readily available, particularly for school systems that are block funded. An approximate estimate can be obtained by comparing the excess of total government funding over the amount that would be required to equalize average total income per student in private and public schools.

At the time the NPSI was implemented there were over 200 wealthy private schools whose income from fees and private donations alone exceeded the average income per student in public schools. These schools received over $1 billion in recurrent funding from the Commonwealth and state/territory governments in 2013.[203] If their government funding had been abolished, they would still have retained higher income per student than the average public school. This was a waste of taxpayer funding. It would have been better used to support under-resourced public and private schools. On top of this, there were over 1,000 other private schools whose private income was below the average income per student in public schools but whose government funding provided them with a higher average income than public schools. The excess funding for these schools amounted to about $1.8 billion in 2013.

These figures are likely to substantially under-estimate the actual over-funding because the base SRS was significantly less than the average income per student in public schools which includes funding loadings for various categories of disadvantaged students and school size. Many more private schools were likely to have total income per student with government funding exceeding the SRS. Nevertheless, the estimates indicate that the total over-funding of private schools whose total income per student exceeds the SRS was well over $3 billion a year.

All the arguments by defenders of privilege in education fail to distinguish between the different social roles of private and public schools. They imply that private schools have the same public purposes as public schools and accept the same public responsibilities. They do not. Public schools are required to take all comers regardless of background or capacity to pay. Private schools do not take on the task of providing access to education for all children, but only those who can pay or who might enhance the academic standing of the school and its marketing capacity. Private schools can exclude students on the basis of perceived academic ability, unacceptable behaviour, religious beliefs and inability to pay fees.

There is no justification for providing several billions in government funding to schools that are the preserve of well-off families. It is a complete waste of taxpayer funds. It means that less funding is available for schools serving the education needs of low income, Indigenous students and students with disabilities. It means fewer teachers, fewer support staff, lower salaries, fewer books and less equipment. That is, less of everything that matters for those who need it most.

11.6 Private schools were over-funded because their SES was under-estimated

Under the NPSI, as under the previous SES funding model, government funding of private schools was determined by a measure of “capacity to contribute” which was measured by the school’s SES score. The SES score was calculated by linking student addresses to an area-based measure of socio-economic advantage/disadvantage constructed by the Australian Bureau of Statistics (ABS) based on census data. A school’s SES score was an average of the student scores based on their area of residence.

This measure was highly criticised by the Gonski Report. It said that the area-based SES index used to determine the SES status of schools was prone to “significant error” and a “large degree of

[203] Trevor Cobbold, Well-off Private Schools Are Over-Funded by $3 Billion a Year, Education Policy Comment, Save Our Schools, 6 January 2016.

inaccuracy" because of variability in family SES within ABS collection districts.[204] It noted studies by the ABS that show large differences in the individual and family SES within Census collection districts. This created the potential for error in the measured SES of schools in circumstances where higher SES families in low SES areas attend private schools. Schools that draw higher income families from low SES areas were given a lower SES rating than if they were measured by a family-based measure of SES and therefore attract a higher level of government funding than warranted.

Another source of bias was that the area-based measure excluded international students enrolled in high SES private schools. They were excluded because it was not possible to geo-code their addresses to a Census collection district. This also artificially lowered the SES rating of some high SES schools because it is only wealthy overseas families who can afford the high tuition and boarding fees and associated costs of sending their children to Australia. While this was unlikely to result in much over-funding because of the relatively small number of international students, it did add to the inherent bias in using the area-based SES index to measure school SES.

12. Extending the market in education

The first Rudd Labor Government continued the policies of the Howard Government of extending the market in education by introducing national testing and public reporting of individual school results on the My School website. These were intended to create competition between schools as a way of improving school results. The policy was epitomised by Rudd's statement that if some "walk with their feet" and removed their children from schools that were not performing well as a result of the publication of results "that's exactly what the system is designed to do".[205]

The NPSI proposed to extend the market in education by adding a science test to national testing and reporting and promoting greater autonomy for school principals in the allocation of budgets and staffing. As Education Minister, Julia Gillard preached the virtues of evidence-based policies in education. However, she ignored her own advice in when it came to market-based policies in education. The gap between rhetoric and practice on education markets showed the triumph of ideology over evidence.

12.1 Extension of national testing and reporting

The proposed extension of national testing to science and reporting of school results on My School ignored extensive evidence available at the time that reporting school results and greater competition and choice do not lead to significant improvements in student achievement. Very few studies had separately assessed the impact of reporting school results, but the key studies showed no significant effect on student achievement.[206] For example, a Brookings Institution study found "no discernible effect".[207] Even one of the most frequently cited studies on school accountability concluded that reporting school results itself has no effect on student achievement.[208]

The then chief executive of ACARA, Peter Hill, publicly acknowledged that there was very little evidence to show that reporting school results improved achievement.[209] Instead of relying on

[204] Review of Funding for Schooling, Final Report, December 2011, pp. 85, 177.
[205] Keven Rudd, Questions and Answers, Press Conference, National Press Club, Canberra, 27 August 2008.
[206] Save Our Schools, Reporting School Results and Student Achievement, Submission to the Senate Education Committee Inquiry into the Administration and Reporting of NAPLAN, Part 1, June 2010.
[207] John H. Bishop, Ferran Mane, Michael Bishop, and Joan Moriarty, The Role of End-of-Course Exams and Minimal Competency Exams in Standards-Based Reforms, *Brookings Papers in Educational Policy*, 2001, p.310.
[208] Eric Hanushek and Margaret Raymond, Does School Accountability Lead to Improved School Performance? *Journal of Policy Analysis and Management*, 24 (2): 297-329.
[209] Maralyn Parker, The minefield that is school league tables, *Daily Telegraph*, 28 October 2009. In a response to Parker's article published on her Daily Telegraph blog, Hill also said: Simply making information available

research evidence, Gillard preferred the claims by New York Schools Chancellor, Joel Klein, that reporting improved student results despite evidence that New York school authorities had manipulated results.[210]

12.2 School autonomy

The decision to provide greater school autonomy was not soundly based on research evidence. The weight of evidence was that it would have little effect on student results. School autonomy also tended to reduce collaboration between schools and increase social segregation and inequity in education.

The mass of evidence from studies of school autonomy across several countries at the time was that it has little impact on student achievement.[211] The evidence came from studies of New Zealand's 20-year experiment with decentralized schools, charter schools in the United States, 'free' schools in Sweden, academies and foundation schools in England, and OECD studies based on data from PISA.

New Zealand had the most decentralized school system in the OECD with schools exercising full control over budgets and staffing. The head of research at the NZ Council for Educational Research said that there had not been any significant gains in overall student achievement, new approaches to learning, or greater equity in education opportunity since decentralization was implemented in 1989.[212]

Charter schools in the United States were another form of school autonomy. They are independent public schools. The weight of evidence from the most sophisticated studies of charter schools showed that there was no difference in results between them and traditional public schools.[213] Indeed, some studies showed that charter schools do worse. A large national study of charter schools found that three-quarters of all charter schools were doing no better than traditional schools in reading and 70 per cent are doing no better in mathematics.[214]

Free schools in Sweden are privately-operated schools that receive the same level of government funding as municipal schools. The research evidence on these schools was mixed – some showing better performance by free schools and some showing better performance by municipal public schools.[215] A review of studies published by the Institute of Education at the University of London found that the benefits were small, largely concentrated on children from highly educated families and do not persist through to the end of school.[216]

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about a school's performance is not likely to lead directly to big improvements", 2 November 2009. See also Trevor Cobbold, ACARA Head Admits There is Little Evidence for Reporting School Results, Save Our Schools, 29 October 2009.

[210] Trevor Cobbold, Klein Lied to the National Press Club, Save Our Schools, 8 December 2008.

[211] Save Our Schools, School Autonomy Fails to Increase Student Achievement and Undermines Collaboration between Schools, A Submission to the Australian Senate Education Committee Inquiry on Teaching and Learning, Canberra, January 2013.

[212] Cathy Wylie, Vital Connections: Why we need more than self-managing schools, Wellington: New Zealand Council for Educational Research, 2012.

[213] Save Our Schools, School Autonomy Fails to Increase Student Achievement and Undermines Collaboration Between Schools. Submission to Senate Education Committee, Canberra, January 2013.

[214] Centre for Research on Education Outcomes (CREDO), National Charter School Study 2013, Stanford University, Stanford CA, 2013.

[215] Save Our Schools, School Autonomy Fails to Increase Student Achievement and Undermines Collaboration Between Schools, Submission to Senate Education Committee, Canberra, January 2013.

[216] Rebecca Allen, Replicating Swedish 'Free School' Reforms in England, *Research in Public Policy*, Issue 10, Summer, 4-7, 2010.

Academies and foundation schools in England are publicly-funded schools that have greater freedom over how to allocate their budgets and over staffing than other state schools. Research evidence on foundation schools showed no increase in student achievement while some studies of academies showed improvement and others no improvement.[217] A study of academy schools showed that they have not increased student achievement.[218]

Another source of evidence on school autonomy was the PISA program. The OECD's own analysis of the results from PISA 2009 found that in the vast majority of participating countries, including Australia, there was no significant difference in student achievement between schools with a high degree of autonomy in hiring teachers and over the school budget and schools with lower autonomy. It concluded that "...greater responsibility in managing resources appears to be unrelated to a school system's overall student performance" and that "...school autonomy in resource allocation is not related to performance at the system level".[219]

School autonomy, together with the publication of school results, encouraged schools to see themselves as isolated silos rather than as part of a system working together to achieve particular education goals. School autonomy also worked to undermine collaboration between schools in sharing best practice.

In the light of all this evidence available at the time, it is difficult to understand why the Government persisted with promoting school autonomy as part of the NPSI. It could only be the result of its faith in the market prevailing over the evidence.

13. Conclusion

The implementation of the Gonski funding model represented a watershed in school funding in Australia. It changed the whole focus of school funding from increasing choice under the Howard Government's SES model to improving equity in education. It also broke with the past by providing an objective and consistent approach to funding schools and to establish an integrated national approach to school funding across jurisdictions and school sectors.

The major achievement of the NPSI was to legislate the principles and framework for a funding system based on need. It established a minimum resource standard for every school in the country and provided additional funding loadings for various forms of disadvantaged students: low SES, Indigenous, remote area, language background other than English and students with disabilities.

The model was supported by the commitment of a massive increase in funding of nearly $16 billion over six years, the large part of which was to go to public schools. It offered the best chance in living memory to make a real difference in improving the education outcomes for disadvantaged students, most of who are enrolled in public schools. It promised a huge boost to public education.

Another achievement of the NPSI was that it broke the longstanding link between government funding for private schools and average government school costs. This was a highly significant change because

[217] Rebecca Allen, Measuring Foundation School Effectiveness Using English Administrative Data, Survey Data and a Regression Discontinuity Design, *Education Economics*, 21(5): 431-446, 2013; Stephen Machin and James Vernoit, Changing School Autonomy: Academy Schools and their Introduction to England's Education. Paper No. CEE DP 123, Centre for the Economics of Education, London School of Economics, London 2011; Stephen Gorard, What are academies the answer to? *Journal of Education Policy*, 24(1): 101-113, 2009.
[218] Academies Commission, *Unleashing Greatness: Getting the best from an academised system*, London: Royal Society for the Encouragement of Arts, Manufactures and Commerce, 2013.
[219] OECD, PISA 2009 Results: What Makes a School Successful? – Resources, Policies and Practices (Volume IV), Paris, 2010, p. 41, Note 7, p. 86.

the link was a major source of inequity in school funding. Every time state governments increased funding for public schools, a portion of it flowed through to private schools including the most privileged and richest private schools.

However, the potential of the NPSI was undermined by several major flaws, some of which were self-inflicted by the Labor Government and some which were forced on it by the Liberal Opposition's ruthless campaign against the model and resistance by private school organisations.

The NPSI abandoned the dual equity goal set by the Gonski Report. Government statements did not mention the equity goals espoused by the Gonski Report. There was no mention of ensuring that all students achieved an adequate education. There was no mention of the social equity goal implicit in the Gonski report that school results should be similar across different social groups, in particular, that the average results for low SES, Indigenous, remote area, and limited English proficiency students should be similar to those of high SES students.

These strong equity goals were replaced by a weak equity goal of improving the results of disadvantaged students and high priority given to meeting the performance target of being in the top five achieving countries in the world. This was seen as the way to boost Australia's economic competitiveness. In effect, the priority given to equity goals by the Gonski Report was displaced by economic goals. It meant that large inequities in education could continue.

A major failure of the NPSI was that the large proportion of the planned funding increase was back-loaded to the last two years of the transition period which made it hostage to a change of government. The funding committed over the first four years was only a small percentage of the planned increase and it was largely financed by funds re-cycled from other programs. The long delay in implementation negotiated with the Catholic Church also put the model under threat by a change of government.

Too little of the funding increase would go to disadvantaged schools and students because of two methodological problems. First, the base SRS was set too high because the reference schools used to estimate the SRS included high fee private schools. The over-estimation of the SRS meant that many public schools, particularly selective schools, and private schools that were already adequately funded would receive additional funding that would have been better directed to disadvantaged students and schools. Second, the under-resourcing of disadvantaged schools was compounded because the funding loadings for disadvantaged students were far too low to make a significant difference to their outcomes. The maximum loadings were well below those recommended by research studies and only applied to a small number of schools and students. Consequently, too little went to disadvantaged students. Only 26 per cent of the total planned increase was to be allocated to funding the disadvantage loadings.

The biggest flaw in the NPSI was its corruption of needs-based funding principles by several special deals for private schools. As with the introduction of the previous SES model, the NPSI ensured that no school would lose a dollar of funding. In fact, it went further by providing all schools with an increase in funding irrespective of need. Many private schools that were over-funded compared to their SRS entitlement continued to receive funding increases, albeit at a lower rate than other schools, and it would take over 100 years for many to revert to their actual funding entitlement. The deal also destroyed any prospect of establishing a coherent and principled funding framework as recommended by the Gonski Report because it ensured that many private schools on similar SES scores would continue to receive different levels of funding for a long into the future.

Another outcome of the deal was that high SES private schools charging fees of over $20,000 per student would continue to receive large amounts of government funding that enabled them to maintain their large resource advantage over lower SES public and private schools.

While the NPSI eliminated the link between private school funding and AGSRC, it was replaced by a new link with total government funding. Under the deal negotiated with the Catholic Church and extended to Independent schools, private schools would maintain their share of total government funding into the future. This deal was intended to protect the market share of private schools. It meant that private schools could double dip on government funding in some circumstances. For example, the share of government funding going to public schools would increase following an increase in the proportion of students in public schools or an increase in the proportion of higher funded disadvantaged students in public schools. Private schools would be compensated by increased Commonwealth funding if the increase in public school funding caused the funding share to private schools to fall below the agreed floor.

Another special arrangement was that Catholic and several Independent school systems in each state and territory continued to be block funded using student weighted average system SES scores to calculate their total funding. Each system could allocate funding according to their own needs-based funding system. This arrangement created the potential for some schools to be over-funded and others to be under-funded, depending on the degree to which the actual distribution of funds differed from that if funds were distributed according to the formula provided in the Education Act. The arrangement was very beneficial for Catholic schools in competing with Independent schools in wealthy areas because it allowed them to charge much lower fees.

A consequence of this deal was to make the funding of private schools even more incoherent and inconsistent. Eight state/territory Catholic systems, many Catholic dioceses and 12 Independent school systems were able to determine their own distribution arrangements for member schools and this created the potential for schools on the same SES score in different systems and sub-systems to have different levels of funding.

The irony of all these special deals was that Julia Gillard claimed that one of the reasons for reviewing the funding system was that the SES model "had become politicised by political deal-making"[220]. Yet, the outcome to the review was even more political deals with private school organisations and massive over-funding of private schools that ensured the maintenance of Australia's class-based education system.

Another fundamental flaw of the NPSI was that it proposed to extend the market in education by adding a science test to national testing and reporting and promoting greater autonomy for school principals in the allocation of budgets and staffing. In pursuing these policies, the Government was more motivated by ideology than evidence. It ignored the fact there was very little evidence to show that reporting school results improved student and school achievement. It also ignored the weight of research evidence was that greater school autonomy had little effect on student results. School autonomy also reduces collaboration between schools and increase social segregation and inequity in education.

A final failure of the NPSI was that school funding remained highly fragmented. It failed to establish a common funding framework to ensure coherence and transparency in how funding is allocated to systems and schools. This was a political failure that was partially self-inflicted but also the result of political campaigns by the Liberal and National Party Opposition and private school organisations.

[220] Julia Gillard, My Story, Random House, Sydney, 2014, p. 258.

The development of a more coherent national approach to funding schools was dependent on negotiations with state governments and private school organisations. The Labor Government clearly hoped for a national approach, but it was hamstrung by its agreement with the Catholic Church to delay the introduction of the new funding model. As Carmen Lawrence had foreshadowed, this allowed time for the Opposition to campaign against the model to sow confusion about its implications for private schools. It also allowed time for private school organisations and state governments to draw out negotiations and gain concessions that undermined the integrity of the model. It made the future of the model hostage to the imminent Federal election. It in fact signed the death warrant to full implementation of the NPSI.

Despite all its flaws and the political mistakes in its implementation, the NPSI provided the foundation to reduce the vast inequities in education in Australia. This was a major achievement in the face of the ruthless campaign led by Tony Abbott and the Federal Coalition to defend the privileges of private schools.