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# NEW DIRECTIONS IN SCHOOLS FUNDING

CHAPTER 6: THE FUNDING MODEL

This paper, The Funding Model, is the final section of a longer report, *New Directions in Schools Funding*. The report has been prepared by Jim McMorrow and Lyndsay Connors, in their roles as honorary adjunct associate professors in the Faculty of Education and Social Work, the University of Sydney. It places the entitlement of all students to quality teaching as the centrepiece of schools funding reform. The purpose of this independent study is to contribute to informed public debate on a key and sensitive policy issue in Australia in the run-up to the review of schools funding the Commonwealth has announced for 2011.

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SCHOOLS FUNDING**

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# NEW DIRECTIONS IN SCHOOLS FUNDING

BY JIM MCMORROW AND LYNDSEY CONNORS

## **Proposed Funding Model for Australian Schools**

The reform of schools funding principles and arrangements proposed in this paper has the potential to resolve one of Australia's more enduring policy imbroglios: the relationship between the public funding of government and non-government schools by governments, Commonwealth and State.

This would be achieved by providing schools in both sectors with the security of an explicit, educational rationale for their funding from both levels of government: establishing a clear connection between educational and funding goals; and coordinating and focusing the responsibility of Commonwealth and State governments on delivering the critical resource that all schools need to achieve the best educational outcomes for their students, namely an adequate supply of high quality teachers.

The proposed Funding Model would provide all families with confidence that all schools were resourced to meet quality standards. It would provide all families with the realistic choice of public schooling of the highest quality. It would establish an explicit, educational rationale for the public funding of non-government schools.

This Funding Model has been designed to connect the currently disjointed aspects of education policy in Australia—curriculum and assessment; teaching standards and professional development—to its central purpose: the quality of learning. This would create a better aligned, higher quality and fairer system of schooling.

The Funding Model provides schools with a more secure and predictable financial basis for future planning irrespective of sector. It would limit the scope for public funding to be used to fuel competition among schools based on resource disparities; and would position schools funding policy in its proper place as the vehicle for achieving quality schooling for all.

## THE FUNDING MODEL

The Funding Model proposed here recognises and then builds on the historical legacy of schools funding policies, in the political context of this country. It provides a way to overcome the current dysfunctional structural arrangements for all schools. Against that background, the discussion that follows sets out the key steps for achieving a sustainable and credible funding policy framework for the future.

### STEP 1: ESTABLISH AND REACH CONSENSUS ON A NEW CHARTER FOR SCHOOLS FUNDING ARRANGEMENTS IN AUSTRALIA

There are compelling reasons for a new national charter for schools funding in Australia. These can be summarised as follows:

- To deal with major imperatives in our school system
  - to raise school achievement and school completion rates overall
  - to counter persistent and unjustifiable patterns of underachievement
  - to contribute to social, economic and cultural development, through ensuring all schools have the resources they need for their students to meet agreed national goals and priorities for schooling.
- To provide a rational and transparent link between the public funding of schools and the purposes for which it is provided
  - to base schools funding on the costs of providing the services needed to achieve these goals and purposes in actual school settings
  - to provide every family with the choice of a high quality and well-resourced public school; and with confidence that all schools are resourced to meet quality standards, irrespective of sector.
- To improve public understanding of, confidence in and consensus about schools funding arrangements across the nation
  - to ensure that that schools funding arrangements have educational integrity and that the best available evidence is used to inform decisions about the level and allocation of resources
  - to strengthen public confidence in governments' commitment to meeting their responsibilities for the education of all children and young people.
- To overcome the effects of dysfunctional aspects of federalism on schools funding in Australia
  - to marshal public resources for planned public investment through aligning Commonwealth, State and Territory funding policies
  - to formalise mutual and agreed roles and responsibilities of governments for providing public resources for schools.
- To commit to a planned program of increased and sustained public investment in quality teaching
  - to base the distribution of teachers on the principle that all students can access the teaching they need to gain the maximum personal benefit from their schooling
  - to formalise the responsibility of governments for an adequate supply of quality teachers and of teaching-related resources as the centrepiece of schools funding arrangements.

## STEP 2: ACHIEVING A PROPER LEVEL AND ALLOCATION OF TEACHING RESOURCES IN THOSE SCHOOLS WHERE GOVERNMENTS HAVE ALREADY TAKEN ON THE FUNDING ROLE AND RESPONSIBILITY

Making equal access to quality teaching the centrepiece of schools funding reform would recognise the crucial link between quality teaching and student learning; and the fact that the largest expenditure item in schools' budgets is the provision of teaching staff. This would require an understanding of current funding responsibilities for teaching staff and teaching-related resources in all school settings.

Priority should be given to identifying those schools, or school systems, that are currently provided with their teachers by governments either directly or through recurrent grants from governments at a level sufficient to cover the cost of their current teaching resources: teacher salaries and salary-related costs such as superannuation and provisions for staff leave.

All public schools are dependent on government for covering the costs of teaching. It is now also the case that all Catholic systemic schools and more than half of independent schools are receiving recurrent public funding that more than covers their teaching costs, owing to the cumulative effects of Commonwealth and State funding policies over time.

It cannot, of course, be assumed that because a school's teaching resources are being provided by the public purse that these resources are necessarily adequate and appropriate, in either a relative or an absolute sense. But this common reliance on publicly-funded teachers across the sectors creates both an opportunity and an imperative to establish a common framework for determining schools' entitlement to such teachers, as assessed against their relative workloads, in order to provide quality teaching and learning for the students they enrol.

National funding arrangements would formalise the responsibility of governments to provide the capacity for quality teaching for all students in all those schools where they already have an obligation for providing teachers or have taken on the role of providing the funding equivalent. These arrangements would also provide a means for governments to achieve a more equitable distribution of teachers across schools, while bringing all schools up to agreed national teaching standards over time, as outlined in the next step.

## STEP 3: USING FORMAL AGREEMENTS BETWEEN THE FUNDING PARTNERS TO GIVE EFFECT TO THE FUNDING MODEL

### 3.1 Defining the funding responsibilities of government for quality teaching in these<sup>1</sup> schools

#### Developing national standards of teaching resources

As noted above, the highest priority in public policy for schooling is to ensure that all children and young people in all schools are able to achieve the highest possible educational standards.

The starting-point for the realisation of such a policy is an agreed curriculum, which in the words of the Australian Curriculum Assessment and Reporting Authority (ACARA) outlines '... the essential skills, knowledge and capabilities that all young Australians are entitled to access, regardless of their social or economic background or the school they attend'. But a curriculum entitlement in the absence of the provision of the quality teaching needed for access by all students to that curriculum would be a sterile commitment indeed. We know from cumulative research that investment centred on providing all students with quality teaching is the most effective funding strategy for delivering high learning outcomes.

Around two-thirds of total recurrent expenditure on schools is currently directed to paying teacher salaries and teacher-related costs. In these circumstances, it is appropriate for governments to develop and apply a Funding Model that directly links public moneys to the supply, nurturing and distribution of quality teaching.

*The essence of the Funding Model proposed in this paper is to direct public funding to schools so that all schools have the capacity to operate at national teaching resource standards.*

This requires, in the first instance, the development of a profile of the teaching resources that different schools would need to meet national educational goals for their students.

Governments should take responsibility for this, in collaboration with the teaching profession. It would require developing the means of measuring the teaching workload of schools, drawing on a range of existing research and building on national and international precedents. The development of this Funding Model would also benefit from research specifically undertaken to provide a rich and finely nuanced measure of the teaching workload of schools serving very different student communities and operating in a range of settings. This would, ideally, be ongoing research to further refine and update the Model over time.

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<sup>1</sup> As defined under Step 2, these are public schools, and those non-government schools now receiving their public recurrent funding at a level sufficient to cover the cost of their teaching staff.

The workload of schools is, of course, influenced by the numbers of students at the school. As well as the work teachers do inside the classroom, there is work relating to preparation for teaching, which is often invisible to outsiders, and which is planned by teachers working independently as well as collaboratively with their colleagues. Some of the teaching workload, such as the work of marking, assessment and reporting, is clearly also directly influenced by the number of students. But there are parts of the teaching workload which apply across all schools and which are not necessarily lighter in smaller schools. It is also clear that the teaching workload will be more onerous and complex in schools where teachers need to put in more effort than those in other schools to engage their students with the standard curriculum. The work of relating to the school's community may also require greater effort in such schools. The workload will be more intensive where schools enrol students with high learning support needs; as it will in schools serving students from troubled families and communities, where many difficult issues are brought into the school itself.

It is clearly the case that many aspects of teachers' work are common to all schools, regardless of size and the mix of students they enrol. It would be necessary, then, to have a basis for establishing the resources that would be needed for the kind of school that enrolls students who come from families and communities well-placed to support their education, and who are highly motivated and academically able. This would provide a 'core' minimum benchmark teaching resource standard.

The principle of differential resourcing according to need is well-accepted and practised in Australia. Under the Funding Model, there would also be a need to define the differential teaching resource standards needed to reflect differences in the range, complexity and intensity of the teaching workload of different schools. Although the application of the standards across different schools would vary, schools with comparable teaching workloads would receive comparable teaching resource standards, regardless of sector.

There are useful precedents that would inform the development of such flexible resource standards for determining schools' staffing entitlement against such standards. These can be found in such current approaches as the Victorian Student Resource Package. The standards could also be informed by work undertaken in other school systems, agencies such as the former Commonwealth Schools Commission and, more recently, the MCEETYA Schools Resources Task Force, as well as by work undertaken internationally.

There is also a need for measuring the costs of delivering the curriculum and teaching in various settings. The higher costs of provision in remote areas are a good example here.

Governments are now far better placed than ever before to set national resource standards that recognise the quality as well as the number of teachers in the workforce. State teacher accreditation bodies are building an understanding of what defines quality teaching and, over a number of years, have developed explicit statements on the standards expected of teachers over the key stages of their careers, from graduation and then through initial professional competence to the higher levels of professional accomplishment and leadership. These standards, in turn, provide a guide for funding the provision of professional development. All governments, including the Commonwealth, have now entered into a National Partnership Agreement for improving teacher quality, including the development of a National Teacher Professional Standards Framework.

Under the schools funding arrangements proposed in this paper, teaching resources for each school would be expressed as a set of *target standards*. This would allow increased public funding to be applied flexibly over time, taking into account the current levels of staffing and teaching resources in individual schools against their target standard.

In developing the proposed National Target Teaching Resource Standards for the purpose of setting a funding benchmark, it would be necessary to define 'teaching'. This would need careful consideration, but should include at least the following elements:

- classroom teachers: salaries and related on-costs (superannuation, leave, etc)
- professional development programs and entitlements for teaching staff—to build the capacity of each school to provide quality teaching for all their students
- teacher accreditation and reward programs
- teaching materials
- paraprofessional staff, including teachers' aides and related support.

Existing teacher accreditation authorities could assist where necessary in defining 'teaching and teaching-related staff' for this purpose. In relation to defining 'teaching', there is a need to recognise that there is an important collective dimension to teaching, where quality teaching arises from the way in which teachers within their specific schools work together to create a positive learning environment, as well as from strategies to maximise the effectiveness of individual teachers (Connell, 2009). The definition of 'teaching' in

relation to these standards would need to be reviewed periodically, to recognise that changes occur over time in understanding and experience of what constitutes 'quality teaching' across the full range of schools.

The definition of 'teaching resources' would need to be flexibly applied where school authorities believe that their students would benefit educationally from a wider range of professional support. Depending on the assessment of student needs in particular schools, the proposed 'teaching' standards could be inclusive of such professional resources as interpreters, counsellors, information technology support, behaviour management specialists and teacher-librarians. This definition would need to be re-evaluated over time, to reflect changes in curriculum, pedagogy and teaching and learning technologies, as well as the effects of broader social changes.

As discussed previously in this paper, there has been a trend in all sectors, but especially in the non-government school sector, towards the employment of increased numbers and proportion of paraprofessional staff, as outlined above. This reflects, in part, the changing educational significance of technology in schools, as well as changing needs for student support services. But it may also be a response to various forms of teacher shortage and cost pressures in schools. The intention of the proposed National Target Teaching Resource Standards is to protect students' access to qualified and high quality teachers, complemented by paraprofessional support staff as appropriate to the needs of students at each school. The intention is also to avoid schools having recourse to substituting quality teachers on financial, as opposed to educational, grounds.

The proposed National Target Teaching Resource Standards would exclude non-teaching staff, such as for administration and general maintenance; non-teaching recurrent costs; technology; building maintenance; and capital infrastructure. But it would also be necessary to develop and set separate, nationally-agreed standards for these resources, to ensure that teaching and learning receives adequate support and takes place in an appropriate environment; and to provide a benchmark for national agreements as set out below.

These nationally agreed standards, taken together, would also reflect the total resource levels within which government expects all schools in receipt of publicly-funded teachers to be able to work to educate the students they enrol.

### **Coordinating current Commonwealth and State funding of teachers in government and non-government schools**

For the schools identified by the above criteria, government would provide planned increases in public funding to enable schools to progress towards their own target standard. In this way, governments would accept their responsibility for meeting students' entitlement to quality teaching.

This would require an increased investment, beyond the current level. Target standards would be set at a level designed to provide for an increase in both the supply and the quality of teaching as well as for the salary structure needed to make teaching an attractive and rewarding career for high quality entrants, including for those teaching in the most hard-pressed schools. The setting of a 'target' standard gives governments the scope to provide differential rates of increases in staffing resources to different schools according to their relative needs. The cost of this increased investment would be contingent upon the gap between schools' current levels of teaching resources and the target standards. For the purpose of determining annual Budget priorities, governments would need to decide on an affordable rate of progress towards the National Target Teaching Resource Standards.

For these targets to be achieved, it would be necessary to coordinate all moneys from both Commonwealth and State sources for the funding of teaching. This would require agreements between the Commonwealth and each State government for the pooling of all public funding related to the payment of teachers' salaries and other resources as defined by the National Target Teaching Resource Standards.

In particular, the Commonwealth would need to consolidate its recurrent funding of government and non-government schools currently provided through general recurrent per capita grants and from targeted or special purpose programs, such as English as a Second Language grants, Indigenous education programs, as appropriate, (other than those directed to parents and Indigenous communities), and national partnership programs for quality teaching, disadvantaged schools and literacy and numeracy support.

State funding for non-government schools in the form of per capita grants and any specific purpose programs for targeted schools and students, would also be pooled for the purpose of supporting progress towards the proposed National Target Teaching Resource Standards.

This integration of Commonwealth and State funding of teaching resources from all sources is essential for the development of a coherent and strategic approach towards national teaching standards for all schools.

One model for integrating public moneys to achieve national target teaching resource standards in schools would be for one level of government to assume total responsibility for this purpose. Assuming it were the Commonwealth, this would require agreement between governments on the transfer to the Commonwealth of State moneys currently received by them through general revenue arrangements, essentially GST funds. Such a transfer would relieve the States of their funding of teaching resource standards in government schools and all of their grants to non-government schools. Of course, the Commonwealth would have the upper hand in negotiations about the transfer of funding responsibilities, given its central role in collecting all tax revenue, including GST, and in authorising the distribution of general revenue payments to the States through the Commonwealth Grants Commission.

A formal transfer of this kind would, however, raise questions about the legal, financial, administrative and educational responsibilities of each level of government. Comparable issues would have arisen during recent negotiations between the Commonwealth and the States over funding responsibilities for public hospitals, which could provide important information for the funding of teaching resources in government and non-government schools as put forward in this paper.

Alternatively, governments could enter into national agreements for the allocation of their separate funding for national teaching resources without proceeding to a formal transfer of moneys between the levels of government. This would be a simpler means of realising the benefits of a coordinated approach to the allocation of public moneys for higher teaching standards in schools.

Either way, the crucial ingredient for the policy reforms proposed in this paper is the coordination, through national agreement, of funding from both levels of government for a focus on quality teaching in schools, through progress towards the National Target Teaching Resource Standards.

The proposed National Target Teaching Resource Standards would incorporate the additional resources required for the work entailed in meeting the educational needs of students with special needs, which are currently provided from a range of program sources.

Students across the full range of intellectual and physical ability would be covered by the standards. Determining the teaching resources required by students with learning needs affected by various forms of disability and learning difficulty would follow from an assessment of the teaching support needed by these students in their particular school settings irrespective of sector.

The Funding Model would also recognise the level of teaching resources required for students with more intensive learning support needs, including in schools serving concentrations of students from Indigenous and low socio-economic communities.

Schools' staffing entitlement would be defined by teaching workload, based on needs arising from their actual student intake and community circumstances, so that schools with a comparable teaching workload received a comparable staffing entitlement regardless of sector.

It will clearly be the case that the gap between current staffing levels and the target standards to which schools were entitled would be greater for some schools than for others. The greater the gap between schools' current and target standards, the higher their level and rate of increase.

Public funding, from Commonwealth and State governments combined, should be paid to school and system authorities on a *per teacher* basis, where the school receives its allowance for classroom teachers based on the maximum salary rate. School authorities would then determine, and be held accountable for, the allocation of this funding across salaries, rewards and professional development within the school, taking into account the age and experience of their teaching force. Schools with a higher proportion of younger teachers, and therefore lower salaries, would direct funding in excess of those salary costs to providing the professional learning their less-experienced teachers would need to meet accredited teaching standards for professional accomplishment and leadership, consistent with the quality teaching national partnership being developed through the Council of the Australian Governments (COAG).

Under this Funding Model, the balance of leadership and classroom teacher staffing would vary among schools with different student characteristics. This would be built into the staffing standards that were applied.

Adopting access to quality teaching as the key funding criterion for schools within the Funding Model removes the need for artificial funding categories of non-government school, such as 'funding maintained', 'Catholic maintained' and 'funding guaranteed'. Those schools currently operating at the proposed target standards would have their public funding maintained in real terms while real increases were applied to bring all other schools up to the standard appropriate to each school's circumstances.

This would bring schools funding into line with contemporary circumstances and standards. All of the schools in the Funding Model would operate within a common resources framework that provides differential staffing according to workload, consistent with considerations of quality, equity and social inclusion.

There would also be a need for current differences between the States in their funding of government and non-government schools to be gradually smoothed out over time, within the framework provided by the target resource standards. This is a responsibility that would best be taken up by the Commonwealth, in the context of the integration of Commonwealth and State funding as discussed above.

It is also possible that the adoption of public responsibility for funding and achieving national target teaching resource standards would add pressure for establishing a single national system for paying teacher salaries and related conditions, such as providing professional development and rewarding quality teaching. Such a possibility should be explored by governments and school authorities.

Governments, including the Commonwealth, would continue to have the option, separately from this Funding Model, of funding programs of research, evaluation and innovation in priority areas, including curriculum development and related assessment and reporting, fostering new teaching and learning technologies and developing innovative approaches to teaching and learning in schools. Such programs have the potential to inform future support and provision of quality teaching in schools.

In relation to funding agreements, this Funding Model can be applied to systemic and non-systemic schools. It is applicable to systems, regardless of differences in governance structure, or in the balance of devolved or centralised decision-making.

#### **Maintaining the real value over time through proper indexation**

It would be essential for the real value of the resources provided for schools to be protected against the effects of inflation. This effectively requires annual adjustments to funding so as to offset schools-related price changes.

As governments would be funding the costs of teaching, their funding should be adjusted each year for movements in teachers' salaries and related costs. The current *education wage* index calculated by the Australian Bureau of Statistics could be applied, although it would be better if a separate teachers' salaries index were developed for this purpose.

Adoption of a teachers' salaries index for adjusting public recurrent grants to schools could raise questions about the role of both Commonwealth and State governments in salary negotiations and awards. The involvement of both levels of government in such negotiations would be a welcome development. Currently, only State governments have this responsibility even though the Commonwealth is the major source of funding for non-government schools, which benefit from the flow-on effects arising from the current index, the Average Government Schools Recurrent Cost (AGSRC) measure.

A related issue is whether to continue to use a national teachers' salaries index, or move to States-specific measures based on salary movements in each jurisdiction. A national index could add weight to arguments for a single or federated national teaching service for all publicly-funded teachers, but this would take some time to work through the complex web of industrial, legal and political issues. State-specific indexes would result in some differences between the salaries paid to teachers in the various States, but such differences tend to even out over time. Within each State, however, it would be essential for publicly-funded teachers and leaders in schools within the Funding Model, whether in the government, Catholic or independent sector, to be paid and rewarded at comparable levels and conditions. Variations for differential provisions for schools in hard-to-staff locations would be built into the standards.

It would also be important to adjust the agreed standards of non-teaching recurrent resources against the effects of inflation. The value of these costs, to be met by government and non-government school authorities under the proposed national agreements, should be adjusted each year for changes in non-teaching staff salaries and wages and for other inflation effects. This could be achieved by the development of a composite and balanced index, possibly derived from current measures of average weekly earnings and consumer prices. Weighting for this kind of composite index would be informed by the balance of school expenditures as set out in national reports.

Application of a deflator that directly measures annual movements in actual recurrent expenditures avoids the artificiality of the current measure, the Average Government Schools Recurrent (AGSRC) index. The AGSRC is a contrived calculation, where year-on-year movement in accrual data provided for national reports is applied to a cash-based figure. The year-on-year movements in AGSRC include the effects of changes in teacher salaries, non-teacher salaries and non-staff costs. But they also include the effects of State policy decisions, such as reductions in

class size or new programs for students with special needs. The AGSRC figure is also affected by the diseconomies experienced by State systems in meeting their legal obligations when a significant proportion of public schools become smaller and less efficient due to the changing population level overall and its shifting distribution. This distribution is also affected by shifts between government and non-government schools. These latter increases in AGSRC have nothing to do with maintaining the value of existing expenditures. Moreover, such increases are provided indiscriminately to all schools, rather than to the targeted schools and students for which some of the policy increases were intended.

The application of a direct measure of recurrent changes as proposed here protects schools funding against the effects of inflation. It would also have the important benefit of releasing the above-inflation funding that the current AGSRC index produces, and of allowing governments to target the real priorities of bringing all schools up to National Target Teaching Resource Standards.

#### **Making provision for research and evaluation**

The proposed national agreements should be put in place for a sustained period of time, to provide funding security and predictability for all parties to those agreements. It should also allow for formal evaluation of the funding arrangements so as to assess their effectiveness in meeting agreed educational goals and priorities; and to enable any agreed adjustments and improvements to the funding processes to be made without disruption to each school's ongoing operation. Such evaluation would include the opportunity to redefine the standard of teaching resources required to achieve any revised goals and priorities.

In these circumstances, a funding period of around seven years would be appropriate. Annual reports would provide all parties with regular information on schools' compliance with the terms of the agreements. This information would feed into a more comprehensive evaluation of the funding arrangements in about the fifth year; leading to a formal review of the terms of the next funding agreement in the following year. This would provide all parties to the national funding agreements with more than 12 months notice of any major changes to their obligations.

It would be important for the outcome of this evaluation and review process to be undertaken professionally by those with real insights into the teaching and learning process and in the ways that schools and systems are able to support students and teachers to maximise their learning outcomes. This would best be achieved by establishing an independent,

professional body with a remit to provide public advice to governments, through COAG on schools funding policy trends and directions. To support this evaluation and review process, governments should provide funds to enable independent research into the implications for student progress and achievement of different patterns of resource use and, in particular, the organisation of teachers' work within schools.

### **3.2 Beyond teaching: defining the further funding responsibilities of school authorities – State government, Catholic and independent school authorities**

#### **Non-teaching recurrent resources within agreed standards**

Responsibility for funding other recurrent resources, such as non-teaching staff, books, stationery and materials and administration would rest with the relevant school authorities in both sectors. Formal agreements between governments and school authorities would ensure that these resources were provided at nationally-agreed standards.

*Government schools:* For government schools, State and Territory governments would continue to constitute the formal authority for this purpose.

*Non-government schools and systems:* A parallel arrangement would apply in non-government schools, with the relevant non-government authorities having responsibility for the private funding of non-teaching recurrent resources, within agreed standards. Non-government school authorities and their communities would fund the agreed levels of non-teaching recurrent resources in non-government schools – around 15 per cent to 20 per cent of total recurrent costs. This level of private contribution is consistent with current levels for the bulk of non-government schools. Determining the precise level would follow detailed analysis of current recurrent resource levels, possible areas for improvement, and the sources of funding for these.

*Voluntary contribution and fund-raising in schools:* In many school communities, parents and others are able and willing to support schools in both sectors through voluntary donations and non-compulsory charges. This funding is estimated at up to five per cent of total recurrent funding of government schools (Senate Employment, Workplace Relations, Small Business and Education Committee, 1997). The level of discretionary funding this provides varies greatly among individual school communities. A similar average level could be assumed in most non-government schools, again in the form of voluntary and optional contributions which are over and above and quite separate from the formal fees and charges that govern access to the school

or to the curriculum it provides through publicly-funded teachers. Under this Funding Model, it is proposed that such funding would continue to be available to meet local needs and provide extra-curricular services and activities. For accountability purposes, schools would be required to include the nature and level of this form of voluntary, optional private funding in their public reporting.

An important principle here is that no student should be excluded from access to the agreed curriculum or to the services provided by publicly-funded teachers on the grounds of parental inability or unwillingness to pay voluntary fees and charges. The Funding Model should remove the need for such discretionary, voluntary funding to be used in either sector to provide teaching resources above the proposed standard.

There are currently some differences between the government, Catholic and independent school sectors in the balance of teaching staff, non-teaching staff and non-staff recurrent expenditures. These could be brought together over time, so that all the schools within the Funding Model were operating at comparable resource levels, within the specified standards.

Some might argue that individual schools should determine the balance of teaching and non-teaching resources, possibly within a 'basket of services' or 'global budget'. Under the Funding Model proposed here, it is argued that all schools should have equal access to quality teaching, defined and costed against agreed standards. The degree of flexibility at school level to apply those standards could, however, be further negotiated, but within the overall resource standards. The important principle is that the public funding provided to cover teacher salaries and related, agreed costs of teaching must be spent on these resources.

### Capital and infrastructure

As well as quality teaching, students need a quality learning environment. All schools should provide for their students a safe and secure environment conducive to quality education; and the facilities fit for the educational services schools are required to provide. There is a need to resolve where responsibility lies for the ongoing funding of capital works for government and non-government schools under the Funding Model proposed in this paper.

The Commonwealth has been providing separate capital grants to augment funding by government and non-government school authorities for decades. In recent years, these general programs have been enhanced by major Commonwealth interventions: the Howard Government's *Investing in our Schools Program* and the Rudd

Government's *Building the Education Revolution* and *Trade Training Centres in Schools* programs. These interventions, totalling more than \$20 billion, have the potential to redress the effects of years of neglect of capital infrastructure, especially in the public school sector. The scale of these interventions should achieve this potential, notwithstanding the missed opportunities for new capital works to benefit from strategic educational design and the decision to spread this funding among all schools regardless of need.

These programs are budgeted to terminate in the next few years. But the fillip they have given to the physical infrastructure in schools right across the country now provides an ideal opportunity to re-align public investment in schools to better recognise the role of governments in sustaining the supply and quality of teaching across all schools.

*Government schools.* Governments are spending around \$2 billion each year on general capital infrastructure in government schools. On a per student basis, expenditure on capital works in 2007 was \$860 (MCEETYA, 2007. *National Report on Schooling 2007, Statistical Appendix Table 20*) for government schools. The Commonwealth's ongoing contribution to general capital spending in government schools, outside its *Building the Education Revolution (BER)*, intervention, represents around \$350 million, or just under 20 per cent of that annual funding.

The Rudd Government has now rolled over this general capital funding for government schools within the overall amount paid to the States under the new national specific purpose payments. This gives State and Territory authorities the flexibility to allocate these funds across their own priorities for recurrent or capital funding of schools as part of their National Agreements with the Commonwealth.

In these circumstances, it would now make more sense for the rolled-over funds from the Commonwealth capital program to be directed to improving teaching standards in government schools under the Funding Model proposed here. As stated in 3.1 above, this would be consistent with the Commonwealth's role and responsibility in supporting government schools to reach the proposed National Target Teaching Resource Standards. State authorities would then have an unambiguous responsibility for the capital infrastructure in the government schools for which they are the legal owners. It would also remove the anomalies arising from the Commonwealth investing public funds in assets for which it has no direct responsibility, including for ongoing maintenance. This roll-over of capital funding would need to be done in such a way as to preserve the ongoing value of the Commonwealth's investment in public schools. This exchange of responsibilities would consist largely in

intergovernmental accounting adjustments, rather than having any practical significance from the point of view of the operation of schools.

*Non-government schools.* Total annual spending on general capital infrastructure on non-government schools from all public and private sources currently exceeds \$2 billion. For Catholic schools, per student expenditure on capital works in 2007 was \$1,256 and for independent schools around \$2,497 (MCEETYA. 2007. *National Report on Schooling 2007, Statistical Appendix Table 23*). These expenditure figures will change over the next few years as the *BER* projects take hold, but are likely to revert to the previous sectoral comparisons revealed by the 2007 financial data when the *BER* program terminates in 2011-12.

Of total annual spending on non-government schools' general capital infrastructure, the Commonwealth provided over \$120 million. That is, some six per cent of the ongoing total capital investment in non-government schools was provided by government<sup>2</sup>.

Given such relativities, it would also make sense, under the Funding Model proposed here, to transfer these funds to the pool of new moneys needed to bring all schools up to National Target Teaching Resource Standards. This would confirm the Commonwealth's core and ongoing responsibility, in formal partnership with States, for the quality of teaching; and would place the responsibility for the provision and maintenance of capital facilities with the owners of these private assets. As for government schools, this roll-over of capital funding would need to be done in such a way as to preserve the value of the Commonwealth's investment in the non-government schools sector.

For non-government schools, this separation of responsibility, in the context of the Funding Model, for the funding of teaching and of capital facilities would also obviate the need to deal with issues arising from governments investing public funding in what are privately owned and controlled assets. These issues include the fact that, under current arrangements, there is inadequate recognition and protection of the public interest in its investment in these school buildings throughout their life; and that the financial and planning conventions observed in other areas of government in relation to such public-private partnerships do not apply here. Governments have little or no say in the use, development and disposal of these assets in which they have made a public investment for educational purposes.

As for government schools, this separation of responsibilities for recurrent and capital funding between the funding partners could also be achieved through reciprocal accounting adjustments on the part of the Commonwealth

and non-government school authorities. It has to be said, however, that for the non-government sector there is more to this issue and to the significance of recurrent and capital funding from government than simple arithmetic. The fact is that the six per cent of funding for capital from public sources has significance for some non-government school authorities well beyond its scale. Public funding from governments is a highly valued source of start-up funding for some non-government school communities. Such funding enables schools to be established in a shorter time frame than may be necessary if a community were required to raise the start-up funding itself. Many families may be unable or unwilling to commit their own resources to providing the buildings for a school ahead of its being available to their own children. The availability of this public funding also assists school authorities to borrow further funding; and allows authorities to spread the costs of their capital investment over an extended period, rather than having to commit an upfront payment from their own funds.

It is also clear, however, that there would be significant benefits to the non-government school sector as a whole if the same amount of funding currently supplied by governments in the form of capital assistance to non-government schools were transferred, under this under this Funding Model, to support for teaching. The funding responsibilities of public and private partners in these schools would be able to be more clearly, and cleanly, defined. Governments would have the capacity to provide higher rates of assistance to schools towards reaching the National Teaching Resource Standards.

The value of the funding transferred would still be protected through the proposed supplementation arrangements for the public funding of teaching resources set out above, which is less likely to produce fluctuations than the current index for adjusting Commonwealth capital grants, namely its Buildings Price Index. The benefits of this funding would also be spread more fairly among all non-government schools covered by the Funding Model than is currently the case.

It is clear that authorities within the non-government school sector are already bearing the overwhelming responsibility for capital investment in their schools, contributing more than 94 per cent compared with the public contribution of six per cent<sup>3</sup>. In all these circumstances, it would appear sensible to re-align this funding responsibility cleanly.

<sup>2</sup> This estimate excludes funding of small-scale capital works and the provision of support for interest subsidies on loans for non-government schools by some State governments. But, under the proposed Funding Model, any such funding by States should also be rolled into the funding provided to reach the proposed National Target Teaching Resource Standards.

<sup>3</sup> Excluding short-term capital interventions, such as the Rudd Government's Building the Education Revolution program.

Recent major injections of capital funding by the Howard and Rudd governments, as outlined above, have created a singular opportunity for such a realignment of public funding from capital to recurrent resources without adverse effect.

### 3.3 Aligning conditions for public funding among schools

National agreements between governments and school authorities would need to embrace a range of conditions and principles. These conditions are consistent with the principle that equity requires government to provide differential levels of support for schools to reflect the differing intensities of student needs and the varying circumstances in which schools are operating. Where public funds are used to support differential standards of resources, these resource differences must be able to be justified on educational grounds. That is, public funding should not be used to drive a competition among schools, within or between the government and non-government sectors, based on resource differences with no educational rationale. This Funding Model is designed to improve the comparability in resources and conditions among those schools now commonly reliant on the public purse for the teaching they provide.

For government schools, these agreements would be negotiated within the COAG machinery that has been developed for this purpose. For non-government schools, these agreements would be negotiated with governments as a form of public-private partnership. Public funding for non-government schools would be contingent upon their demonstrated willingness and capacity to work within the resource standards set for all schools within the Funding Model.

Funding conditions within national agreements would contribute towards the overall goal of providing quality teaching for all students.

#### (a) Access

The rules that govern access to the publicly-funded teachers in schools should be regulated by governments as appropriate to protect the public interest in this investment.

For government schools, this would be met by ensuring that all parents who rely on or who want to choose quality public schooling for their children were able to do so. Access to public schools should continue to be free of compulsory fees and charges. Voluntary financial contributions could continue to be provided as noted above, but should not be used in ways that restrict any student's access to the agreed curriculum or participation in the life of the school.

Non-government schools would continue to operate according to their religious or philosophical ethos, and to charge private fees. In financial terms, access to these schools would be governed by agreements with governments on fee levels, including policies for fee exemptions or remissions. Such agreements would include criteria for fee increases over time as demonstrated to be necessary, as part of the proposed partnership towards achievement of the National Target Teaching Resource Standards, and to cover the costs of inflation as noted above. As for public schools, all students admitted to these schools would have access to the agreed curriculum, as taught by publicly-funded teachers.

Agreements with non-government school authorities would also incorporate the principle of transparency in school enrolment policies, admission criteria and practices. School authorities should be required to agree to common criteria and guidelines for the exclusion, suspension and separation of students.

#### (b) Quality of schooling

The proposed national agreements should require all school authorities to provide students with access to approved curriculum and assessment; and to guarantee high teaching standards, including through professional development programs for teachers and school leaders and planning for school improvement. This would be undertaken in the context of registration and accreditation arrangements for schools and teachers.

#### (c) Planning and the economic use of resources

School authorities would provide public information on their planned response to demographic changes in their communities. Cooperation among schools authorities would be encouraged in areas of common interest, including agreed sharing of specialist staff, diagnostic services for students, services for students with disabilities and, where appropriate, community access to school facilities.

Consistent with prudential features of public-private partnerships, the formal agreements should also place an obligation on non-government authorities, in the event of closing a school within the agreed funding period, to make buildings available to public authorities on a reasonable financial basis, should this be necessary for a period of time to accommodate displaced students and to protect the interests of all affected students.

New non-government schools in receipt of publicly-funded teachers would be required to operate at minimum enrolment levels, to be determined, to ensure an economic use of publicly-funded resources.

**(d) Accountability and reporting**

All schools covered by the proposed Funding Model would be required to operate within a common template for accountability to government and related reporting to the community, while allowing for local needs and the distinctive purposes of individual schools to be expressed. This would minimise duplication between Commonwealth and State governments in relation to accountability for the receipt of public funds.

Reporting would include the provision of public information on the full range of a school's operation, including curriculum offerings and outcomes and human resources.

It should also include full financial transparency for all sources of funding, including all private income for schools in both sectors and the private sources of that income.

**(e) Infrastructure: capital and technology**

As noted above, the Funding Model proposed in this paper is concerned with the recurrent resources required to meet national educational standards. But it recognises that teachers and students operate in a physical environment and with increasingly complex technologies.

The schools being covered by the model would be required to provide capital facilities within agreed standards. School governing bodies—State and Territory governments and non-government school and system authorities—would need to accept responsibility for providing such facilities.

An important feature of these funding arrangements is that they require no fundamental change to the legal basis of government or non-government schools. The non-government schools contracting with government would do so as separate entities and would not be 'integrated' into the public sector. Integration involves full public funding and planning and the transfer of legal rights between the private and public partners. The Funding Model envisages ongoing private funding responsibilities and the meeting of agreed conditions as outlined above.

Implementing this Funding Model for the vast majority of all schools must be given priority. These are the schools where governments already provide teachers or the funding equivalent, and that now rely on governments for this provision.

Current arrangements for the public funding of schools, from the standpoint of access to quality teaching, are inconsistent, irrational and inequitable. They leave many schools without adequate resources for engaging the particular students they enrol in the formal curriculum and for achieving optimal outcomes. There is a lack of alignment and consistency in the way governments exercise their responsibility and accountability for their investment of public funding in teachers across the public and the non-government school sectors. For those schools in the non-government sector, in particular, the current funding arrangements are demonstrably flawed.

This paper sets out practicable arrangements for dealing with these problems. Through establishing National Target Teaching Resource Standards, governments can correct current deficiencies and inequities by providing funding increases at the level and rate needed to raise all schools to their appropriate standard, according to their relative workloads. There is a reasonable degree of convergence in relation to overall resource standards (including staffing) among all those schools being provided by governments with their teaching staff or the funding equivalent. Because of this, it would be practicable for this Funding Model to be established over the first funding period without undue disruption to these schools, around 95 per cent of all Australian schools.

As set out above, the money spent annually by governments is more than enough to cover the total number of teachers employed in all Australian schools. There is, however, a small minority of schools, in the non-government sector, for which this does not apply at the school level. This appears to be the case for up to half of the independent schools within the non-government sector. Such schools constitute around five per cent of all schools in Australia. These are schools that spend more on their teaching staff than the amount

they receive in the form of public recurrent grants from both Commonwealth and State sources.

Two factors explain why the grants these schools receive from governments cover only a proportion of their expenditure on teachers, in contrast with the schools previously defined within the Funding Model. This is because they may have more teachers comparatively and lower pupil-teacher ratios than most schools. Or they are receiving a lesser rate of funding than the majority of non-government schools. This will be either because they are measured by the Commonwealth for funding purposes as having students drawn from the higher end of the socio-economic spectrum; or because they are continuing to have their Commonwealth funding maintained at the level generated by the former Education Resources Index (ERI) measure based on their income from private sources. In many cases, both factors apply.

The total public recurrent grants currently received from government by this group of schools provide the equivalent of some 10,000 teachers, or around half of their total teaching staff. At the level of the individual school, however, the proportion of the costs of total teaching staff covered by public grants appears to vary greatly.

As a matter of principle, students in these schools are as entitled as all other students to the quality of teaching they need to achieve their personal best. And governments are as accountable for their investment of public funds in teachers in these schools as in all other schools, including for the explicit, educational rationale.

The clear priority for governments is implementing the proposed Funding Model and setting the National Target Teaching Resources Standards for the vast majority of schools. This would enable them to begin the process of applying increased public funds to raise the standards of schools that are operating well below their target. These standards will then provide governments with the basis for a proper consideration and review of their public investment in the teachers in this remaining five per cent of schools.

Financial and political issues related to public funding of this far smaller group of schools have proven over the years to be far more vexed than for those schools already reliant on public funding for their full teaching staff; and significant benefits for the majority from the introduction of the Funding Model should not be delayed on this account.

Reviewing the current level of public investment in teaching in the above minority of schools is less urgent on educational grounds. Teaching resources in these schools are at a level where there appears to be no pressing case for extra public funding on educational grounds. Giving priority to funding

arrangements for the vast majority of schools would avoid the situation evident in the past, particularly in the context of national elections, where public debate has centred on the interests of this minority of schools and drawn attention away from the schools that serve the vast majority of students.

This paper proposes that current levels of combined public recurrent funding (including any special purpose funding such as for students with special needs) from Commonwealth and States for these schools should be held constant in real terms, pending the implementation of the Funding Model and the establishment of National Target Teaching Resource Standards. This would enable maintenance of their current programs, in the interests of students. These funds would be consolidated, as set out above. Supplementation arrangements would also be those set out above.

Maintenance of this public funding would be contingent upon the same transparency requirements as set out in Step 3.3(d) above for schools within the scope of the Funding Model.

Once the National Target Teaching Resource Standards are available, it would be appropriate for the proposed independent body referred to above to undertake a review of these schools, to report their current levels of funding in relation to the provisions of the Funding Model. It should provide an understanding of schools' operating patterns and their related use of resources from all sources; describe how the current level of public resources is apportioned among these schools; and advise on policy implications for the future use of these public resources, including on the explicit rationale for this investment.

In sum, the directions proposed in this report would have the following positive effects:

#### **Putting education back into schools funding**

Under current arrangements, decisions about educational goals and priorities, including curriculum, are being made in a resources vacuum; while decisions about schools funding have largely been made without regard to the way schools work and the differing scope, complexity and intensity of their work among schools across the government and non-government sectors. The Funding Model provides a rational basis for the allocation of public funding to schools, based on each school's workload.

#### **Providing a more educationally explicit, rational and ethical basis for schools funding**

The proposed Funding Model would end the inequalities arising from the use of public funds to foster a resource-based competition among schools. Instead, governments would use public funding to widen the resource differences

among schools only where this has an educational rationale and is designed to raise standards for all schools while reducing unjustifiable gaps in student achievement.

#### **Establishing clear lines of responsibility**

The proposed Funding Model provides clear lines of responsibility for each of the key funding partners, Commonwealth, State and non-government school authorities; and deals with the negative and dysfunctional aspects of Federalism that characterise current arrangements.

#### **Aligning government and non-government schools funding**

The proposed Funding Model would draw the funding of government and non-government sectors into a closer alignment through reform to the conditions for public funding and through the allocation of public funds according to relative workload.

#### **Making quality teaching the centrepiece of schools funding**

The proposed new directions in schools funding are based on clear evidence that investing in the quality of teaching in schools is the most significant way in which governments can improve schools participation, achievement and outcomes. A Funding Model for schools centred on the responsibility of governments for ensuring an adequate supply of quality teachers would strengthen public understanding of, and confidence in, the way our schools are funded.

## NOTES ON THE AUTHORS

**Lyndsay Connors AM FACE** is an honorary Adjunct Associate Professor in the Faculty of Education and Social Work at the University of Sydney. She was appointed to the Commonwealth Schools Commission in 1983 and, in that capacity, chaired the Curriculum Development Council. In 1988, she was appointed to chair the Schools Council of the National Board of Employment, Education and Training. In the early 1990s, she served as Deputy Chair of the Australian Broadcasting Corporation and was a member of the Board of the Open Learning Technology Corporation and the Australian Children's Television Foundation.

She subsequently worked in the NSW Department of Education and Training, first as director for inner city schools, then as director of equity programs and, later, of higher education. When the NSW Public Education Council was set up in 2002, she was appointed as its chair. Her work has led to honorary doctorates from the Universities of Canberra and South Australia; an outstanding service award from the Australian Council of Deans of Education; the Annual Medal of the Australian College of Educators; and appointment as a Member in the general division of the Order of Australia. She is currently a member of the Council for the Order of Australia and President of the Australian College of Educators.

**Jim McMorrow FACE** is an honorary Adjunct Associate Professor in the Faculty of Education and Social Work at the University of Sydney. Following a period of teaching in NSW and PNG, he was appointed as Research Officer for the Queensland Teachers Union. From the late 1970s, he served in senior policy position in the Commonwealth Department of Education and the former Schools Commission. He was the senior officer responsible for developing and negotiating the Commission's schools funding advice for the Hawke Government. This was followed by a period as a senior officer in the NSW Catholic Education Commission NSW and then as executive Secretary of the National Catholic Education, Commission before being appointed as Director of Policy in the NSW Ministry of Education and Youth Affairs.

During the 1990s, he served in a number of senior positions in NSW education, culminating in the position of Deputy Director-General, Policy and Planning in the NSW DET. In that role, he coordinated policy and negotiations for the McGaw review of the NSW HSC, the Eltis review of K–10 curriculum, convened the process for implementing the Ramsey Review of Teacher Education; and was a member of a range of Ministerial taskforces, including Chair of the National Report on Schooling and Schools Statistics taskforces. Since retiring from the NSW public service in 2001, he has served as education adviser for the then Deputy-Leader of the Federal Opposition and Shadow Minister for Education, Science and Training, prior to being appointed as inaugural chair of the NSW Institute of Teachers in 2007. He has Master's and PhD degrees in education, after an initial degree in economics.

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