



# LOSING THE GAME

REPORT

*State of our schools in 2017*



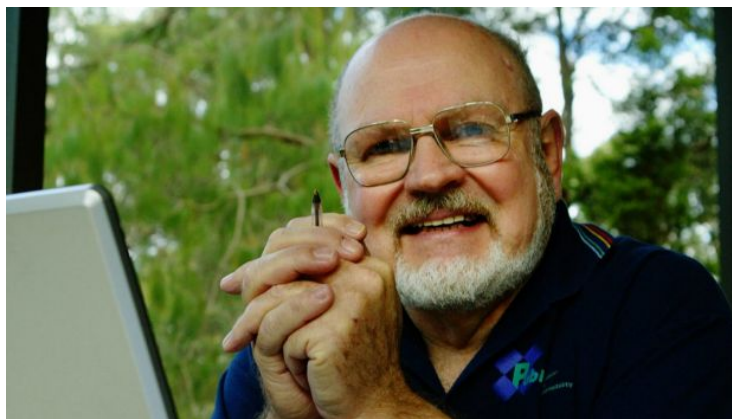
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JUNE 2017

Chris Bonnor & Bernie Shepherd

## *Dedicated to Bernie Shepherd*



**30 May 1944 – 23 June 2017**

Public educator, school leader, scientist, researcher and writer.

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## ACKNOWLEDGEMENTS

CPD is indebted to the authors for their expertise, dedication and unrivalled industriousness in producing this report. This report is part of CPD's Effective Government program. The principal focus of this program is to examine the role of an active government in addressing 21<sup>st</sup> century public policy challenges. We are interested in several issues that flow from this, including the role of education in a democratic society.

This report has been subject to internal and external review. The authors extend their appreciation to all those who assisted with this process including external reviewers Lyndsay Connors and Dean Ashenden for their valuable comments and insights. CPD Policy Director Rob Sturrock also assisted with completing the report.

The ongoing work in Effective Government is possible because of contributions from CPD's program and organisational donors, including the Community and Public Sector Union (CPSU), the Susan McKinnon Foundation, Brian and Diana Snape, the Garry White Foundation and nearly fifty individual Ideas Sustainers.

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## ABBREVIATIONS

FOI	Freedom of Information
ICSEA	Index of Community Socio-Educational Advantage
NAPLAN	National Assessment Program - Literacy and Numeracy
NRIPS	Net Recurrent Income Per Student
OECD	Organisation for Economic Co-operation and Development
PISA	Programme for International Student Assessment
SEA	Socio-Educational Advantage
SEG	Socio-Educational Gradient
SRS	Schooling Resource Standard

# EXECUTIVE SUMMARY

Australia is losing the education game. We will not return to the winner's list until we address inequity in our schools. Funding lies at the core of that inequity.

The 2011 "Gonski" Review of Funding for Schooling ('First Gonski Review') found, among other things, that an increased concentration of disadvantaged students in certain schools has a negative impact on educational outcomes overall. To address this, it called for a needs-based model that would direct resources to where they were most urgently required.

This recommendation won near unanimous political, public and professional support, but was not implemented to any meaningful extent. Although limited extra money was put into some schools, there was insufficient change to the way funds were allocated. As a result, the problems in our school system have compounded and educational outcomes have worsened.

Six years of *My School* data support this claim. The most recent statistics, released in March 2017, confirm the deteriorating trend apparent in previous years, and throw new light on the changing nature of our school system. Our analysis reveals that:

- We are no more 'funding the need' than we did six years ago.
- Equity between schools is plateauing or deteriorating.
- Larger and more advantaged schools are growing; smaller and more disadvantaged schools are shrinking.
- School intakes are becoming more polarised, with the strugglers especially left behind, literally in a class of their own.
- Overall student achievement continues to drift.
- The gap in outcomes between advantaged and disadvantaged students is not narrowing.

- Schools are becoming more hierarchical, less representative of local communities and less connected to them.

Despite the promise of Gonski, resources have not been shifted to where they are most needed. It remains true that the most-needy students are enrolled in government schools, and the least needy in independent schools, with Catholic schools in between. The First Gonski Review's primary aim was to improve educational quality by prioritising increases in support for the most disadvantaged students, but this isn't happening in the way intended. In the years since the First Gonski Review panel began its work, combined state and federal funding for non-government schools grew by around 6 per cent per annum, while funding for government schools grew at only half that rate.

This means much funding since Gonski has been ineffective, because it has gone to where it will have the least impact – to students who are already relatively advantaged and achieving well. It also means that the distinction between "private" and "public" schools is disappearing – at least in financial terms – while unsustainable differences remain in their operation, accountabilities and especially their obligations.

Yet this report should not be read as another salvo in the unedifying contest between government, Catholic and independent schools. The overarching problem exists within as well as between the sectors and is much more insidious: it is that we are tilting the playing field in favour of those who need the least help and against those who need the most.

In our 2016 report, *Uneven Playing Field: the state of Australia's schools*, we urged for the First Gonski Review findings and recommendations to be revitalised and put once again at the centre of schools' reform. In May and June this year, the Turnbull

Government announced initiatives to support national implementation of needs-based funding, providing renewed hope that we may see the creation of the equitable funding model for which we have long advocated. More recently (mid-June) it has reportedly agreed to the creation of a National Schools Resourcing Body to audit and monitor funding and expenditure, and review the funding mechanism.<sup>1</sup> Failure to establish such a body in the past lies behind much of the inequity and inefficiency of current school funding. It has also proposed accelerating its current funding commitment.

The Government also announced that David Gonski AC would chair a new inquiry, the Review to Achieve Educational Excellence in Australian Schools ('Second Gonski Review'). This Second Gonski Review will examine the most effective teaching and learning strategies and initiatives that can be deployed in our schools to improve student performance across the board. In order to fulfil the terms of reference successfully, the panel will need to understand why our national performance has declined, and that involves examining the deteriorating state of equity in our schools right now.

The First Gonski Review produced solutions that could have worked if they had been adopted. This new window for long-term education reform is too important to fail on the mistakes of the past. It should

build on the findings and recommendations of Gonski 1.0, while addressing new and increasingly evident problems.

We propose that, after delivering on the terms of reference, the Second Gonski Review conduct a further investigation on barriers in our current school's framework that risk preventing the implementation of both Gonski Reviews. This should include barriers such as:

- ongoing inefficiencies in the way schools are provided and resourced; and
- inconsistencies in the obligations on all schools that are substantially publicly funded.

The Second Gonski Review should then develop a further set of recommendations aimed at removing such barriers.

As such we also propose that a task force be established to monitor progress being made against the recommendations of both Gonski Reviews and the commitments of federal and state governments, and to report publically on them at regular intervals. These initiatives are crucial to ensure that this second opportunity to establish consistent needs-based funding is not squandered, and that our policymakers truly deliver on the promise of a more equitable and effective future for Australia's school system.

# INTRODUCTION

Over the last few decades we have seen cycles of debate over the purpose of school education. Who should the system serve? How should we provide and resource our schools? How do we ensure schools deliver personal and collective achievement?

In answering these questions consensus has been difficult to achieve and even more difficult to sustain. We have routinely gathered together disparate interest groups, only to see agreements fall apart soon after the parties leave the room. Consensus on school funding and how to lift the most-needy students in our community never seems to endure.

The importance of equity in schools funding has long been acknowledged, but debate frequently rages as to what this means: should all students be entitled to the same level of funding, or should the most-needy students get the most money? In place of progress Australia has muddled through with opaque and messy compromises that achieve neither position.

After decades of half-measures, policy reversals and neglect, the commitment to needs-based funding was reborn with the 2011 Review of Funding for Schooling (the 'First Gonski Review'). For a time, it seemed the First Gonski Review had delivered the elusive consensus on education policy. The education sector, media and politicians endorsed its push to lift student performance by directing resources to where they were most needed in order to reduce the concentration of disadvantage that is dragging down results. At last we would see, in the words of one of its architects

“...a fundamental re-imagining of Australian education ... a change from a funding allocation system that for forty years has been top-down, politically-driven, sector-based and needs-blind, to one that is built from the bottom up, educationally-driven, sector-blind and needs-based”.<sup>2</sup>

But the consensus did not last. The past few years have seen more top-down, politically-driven, sector-based and needs-blind approaches to school funding. The evidence for this is very clearly displayed in this report. Not enough of the First Gonski Review's recommendations were adopted. Some extra needs-based money, labelled 'Gonski funding', found its way to schools in some parts of Australia. A version of the schooling resources standard (SRS) was established, but fully achieving it remained a distant dream. It seemed that we had missed a singular moment for long-lasting, sustainable and equitable schools reform.

The dynamic of the reform debate changed once again with the Turnbull Government's recent promise to revisit needs-based funding and establish a second Gonski Review. It's not before time. In May 2016, we wrote that the Australian schools system remained an 'uneven playing field' with growing disparity between schools and increasing inequity between student cohorts. This year we argue, with even greater urgency, that Australia is still losing the education game. We have now analysed the most recent *My School* data, released in March 2017, to not only update our 2016 findings, but to provide new perspectives on the system.





This report provides the context within which the Second Gonski Review starts its work. It is divided into four parts, each with its own focus:

**Part A: Compounding the problems identified by the First Gonski Review.**

We are still not funding student need properly and we have not moved to a sector-blind funding model. Those who can continue to move to advantaged schools in all sectors — government, Catholic and independent — while struggling students are abandoned in a class of their own.

**Part B: The state of Australia's schools in 2017.**

Student achievement continues to drift, with little sign that the gap is closing between those with advantage, and those without. Socially, schools are further apart from each other and more disconnected from their local communities. Our equity measures are plateauing, if not getting worse.

**Part C: Creating new problems.**

Our failure to fully implement the First Gonski Review has created new challenges. The *public* funding gaps between the sectors have narrowed — that is, more government money is going to non-government schools — while the playing field on which they operate remains tilted. Overall funding priorities are so confused that billions of dollars each year are wasted and need to be redirected to where they will make the greatest impact.

**Part D: Rebalancing the uneven playing field**

Whilst there are some shards of light breaking through the grey clouds over our schools, overall our report offers a sombre analysis of a system buckling under its sheer unsustainability. The problems that we asked the First Gonski reviewers to solve, and are now asking for the second time, are now accompanied by challenges that will be even harder to resolve. New announcements and reviews are a welcome start, but they will only succeed if they are accompanied by the courage, commitment and funding needed for success.

# PART A: COMPOUNDING THE PROBLEMS IDENTIFIED BY THE FIRST GONSKI REVIEW

When the First Gonski Review reported to the Gillard Government almost six years ago, it addressed the need to set a desired level of student achievement (expressed as a schooling resource standard), a fairer and more transparent funding framework, better coordination of infrastructure, a National Schools Resourcing Body and stronger governance and accountability. In other words, it set out clear goals, and identified the funding and coordination needed to achieve them.

In the euphoria that followed, no one imagined that we would actually make matters worse. Yet our analysis of new data shows that we have compounded old problems.

Understanding what has gone wrong helps us see the First Gonski Review's original recommendations in a new and more urgent light – and offers a rationale as to why the Turnbull Government eventually decided to revisit them.

## 1. Follow the money: are we funding the need?

The First Gonski Review's central proposition to fund schools on student need was widely accepted on the understanding that students in disadvantaged schools require diverse support services, such as individualised learning packages, that come at an extra cost. Since skilled teachers are central to student success, disadvantaged schools also require more specialist teachers and additional investment in staff development.

Schools have always had different needs, even their location means that they attract different levels of funding. The average per student cost of government schools increases with distance from urban centres: it is around \$11,400 in major cities, \$13,000 in nearby regional areas, around \$21,000 in towns more distant and \$24,500 in very remote areas.

Such funding enables schools to function and incrementally improve, but without making the breakthroughs needed for the most disadvantaged. A core recommendation of the First Gonski Review was to increase funding to needy schools more generally, based on identifiable levels of disadvantage. Given federal and state governments' oft-stated commitment to equity, we should be able to identify a commensurate funding boost for these schools and their students. The disappointing reality is that we cannot.

The *My School* website tells the story. The relative level of advantage of school enrolments is shown on the website by an Index of Socio-Educational Advantage (ICSEA). The mean ICSEA value is around 1000 - schools below that number enrol more disadvantaged students than do schools above. Between 2009 and 2015, average public funding of schools with students below ICSEA 1000 increased by 3.5 per cent each year. The average annual increase to those above ICSEA 1000 was 3.7 per cent each year. Despite all the rhetoric, it has been the more advantaged who have ended up ahead.

### Advantaged and disadvantaged schools

Our analysis has to take into account that, over time, some schools close and others open. To enable a consistent analysis of features such as school funding, student enrolment and achievement we have identified two large groups of Australian schools, one with a clearly more advantaged and one with a clearly less advantaged enrolment. They were selected on a sector-blind basis using the following criteria:

1. the schools in each group appear on the *My School* website in each of the years between 2010 to 2017 and have full data for enrolment, National Assessment Program – Literacy and Numeracy (NAPLAN) averages and ICSEA; and
2. each school's ICSEA in 2013 should fall in one of two ranges: lower SEA schools (with an ICSEA between 800 and 950) and higher SEA schools (between 1050 and 1100).

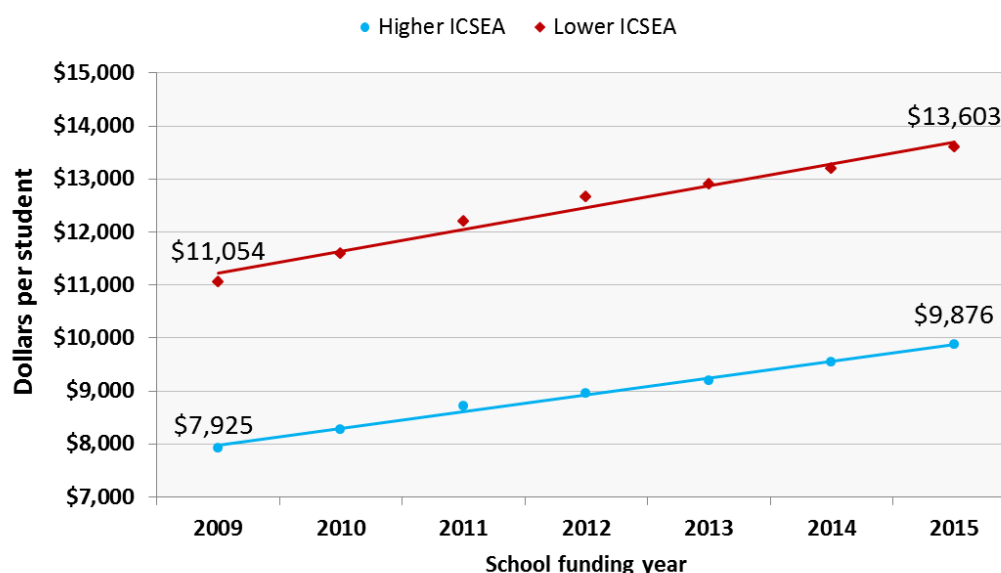
This means we have the same schools, in two distinct groups, being compared across a number of years.

ICSEA measures the relative socio-educational starting point of school enrolments through an assessment of non-school background qualities (advantages) known to have a predictive value on school outcomes. A relative lack of those advantages, from whatever cause, generates our concept of need throughout this analysis.

We should caution that there is not, nor do we imply, a one-to-one connection between this and the notion of "need" that flows from the calculation of the existing SRS. That said, some of the same parameters used in constructing the SEA measures on which ICSEA is based are also used in the calculation of SRS. Further, there is a very high statistical correlation between ICSEA and the SEA measures that are a major determinant of funding for many non-government schools.

Figure 1 shows the pattern of government funding (state and federal) for our identified groups of more advantaged (higher ICSEA) and less advantaged (lower ICSEA) schools. The funding lines for the two groups of schools are almost parallel. In dollar terms (not accounting for the effect of inflation), government-sourced funding per student rose by about \$424 each year for low ICSEA schools and by about \$325 per year for advantaged schools. By any measure the \$99 additional per-student money each year for low ICSEA schools is underwhelming.

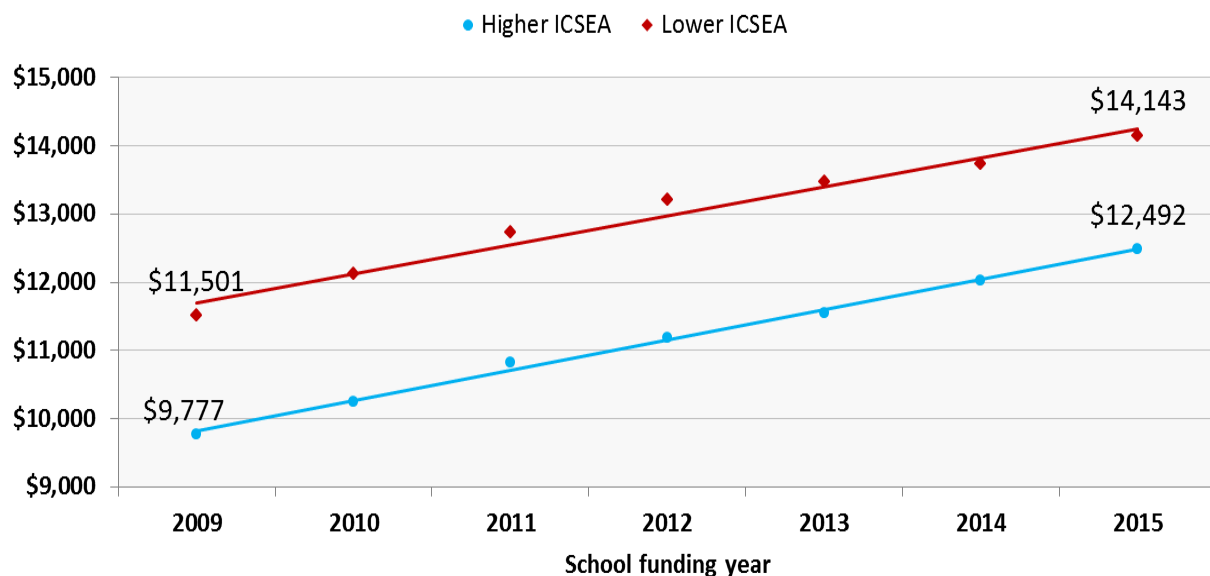
**Figure 1: Government-sourced income per student, sample schools 2009-2015**



In proportional terms, the public funding to students in advantaged schools actually increased at a higher rate than funding to students in less advantaged schools over the period shown — by 24.6 per cent compared to 23.0 per cent. Even though a funding boost has been delivered to some disadvantaged schools (like in New South Wales, for example), the graph shows that the situation elsewhere must be very different. The sorry story is that on average there has been no decisive shift of priorities and resources to disadvantaged schools.

The next graph, Figure 2, shows net recurrent income per student from all sources, for these same two groups of schools. The amounts shown include government funding and other income such as fees paid by parents

**Figure 2: Average Net Recurrent Income Per Student (NRIPS), sample schools 2009-2015**



The resulting pattern is overwhelmingly regressive: the increase in net recurrent funding to the lower ICSEA schools is 23.0% for the period shown, but the increase going to the higher ICSEA schools is a far more substantial 27.7%. It has long been known that, while government funding is supposed to have an equity focus, total school funding (from all sources) undermines this priority by favouring advantaged schools. It certainly has done this over the years shown on this graph.

We are no more ‘funding the need’ than we did six years ago. There is almost no compensatory difference between the funding growth of the two sets of sample schools relative to their measurably different circumstances. Indeed, our later analysis of the changing composition of school enrolments clearly shows that the relative circumstances of the lower ICSEA schools are worsening.

We also have to keep in mind that these figures are averages. When we consider that low ICSEA schools in some states were already receiving some needs-based funding by 2015, the situation in other states is a story of neglect. The Turnbull Government stated in May 2017 that it now accepts the fundamental premise and recommendations on needs-based funding delivered by the First Gonski Review.<sup>3</sup> Whilst we wait for implementation of the newly announced reform agenda, the data will continue to demonstrate the inequities in our present school funding arrangements.



## 2. Follow the money: funding the sectors

The funding of schools by sector is still debated in Australia, in part a legacy of our failure to achieve a settlement between government and non-government schools, most recently after the First Gonski Review. The debate generates more heat than light, with protagonists using different data sources and comparing schools and school populations which, on average, are significantly different. In this report, we not only use *My School* data but, as far as possible, use consistent measures such as dollars per student and ICSEA comparable sets of schools.

But first, a word about other data. Many statements about school costs use Productivity Commission figures. But the Commission's expenditure figures for government schools are inflated by the inclusion of the user cost of capital. As explained in Appendix 3 of *Uneven Playing Field*, this is generally considered to add around 15 per cent to the apparent cost of government schools.<sup>4</sup> The Productivity Commission is not comparing apples with apples in terms of actual running costs. In contrast, the finance data on the *My School* website is consistent across all sectors – and should be used when comparisons are made between them.

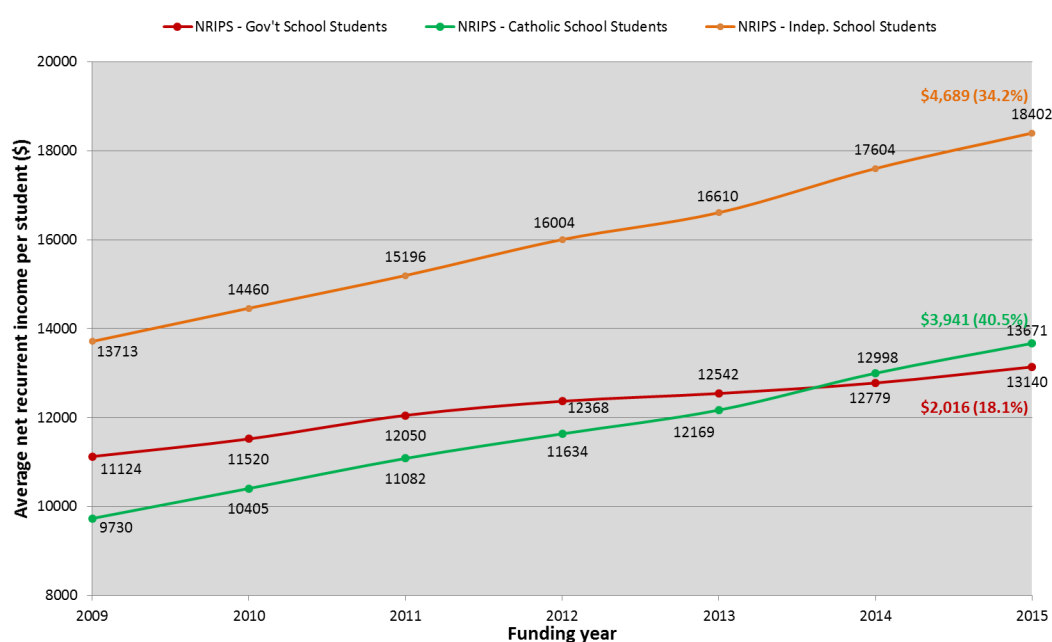
We also treat sector averages with caution. While there is diversity within each sector, they enrol overlapping but significantly different slices of the student population. As we illustrate in Part B, ICSEA values on *My School* show this difference very clearly. Both advantaged and disadvantaged students are quite asymmetrically distributed in schools across (and within) the three sectors. The most-needy students are enrolled in government schools, the least in independent schools, with Catholic schools in between. As we are about to show, schools and students have been, and still are, subject to sectoral funding arrangements that do not bear any clear, transparent and consistent relationship to needs.



### The total funding picture

To what extent does funding from all sources align with what are demonstrably different needs? As shown in Figure 3, independent school income is much higher, per student, than it is in the other two sectors. Three years ago average net recurrent income per student for Catholic schools began to exceed that for government schools and, as Figure 3 shows, it now consistently tracks above, government schools. Keep in mind that Figure 3 compares average expenditures in each sector; these averages show little relationship between funding levels and the educational needs of their students.

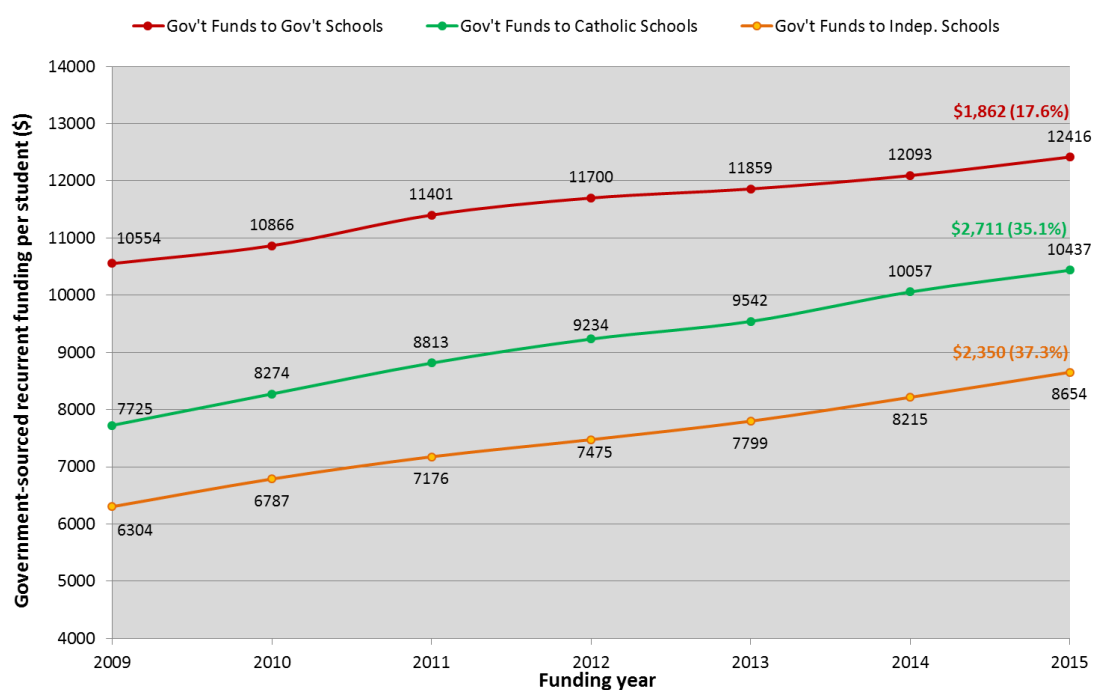
**Figure 3: Net recurrent income per student by sector 2009-2015**



## The government funding picture

If the oddities in the total funding are a concern the recent pattern in government funding of the sectors is quite extraordinary. Figure 4 shows the changing level of funding by governments (state and federal combined) to students in the three sectors. As one would anticipate: on average, governments fund government schools at the higher levels, something which clearly reflects, for example, the primary responsibility of state governments as well as the identifiable higher needs of students enrolled in government schools.

**Figure 4: All government recurrent income per student, by sector, 2009-2015**



But as Figure 4 shows, the increases in public funding vary considerably across the three sectors. Over the period since the First Gonski Review panel began its work, each government school student has seen a public funding increase of \$1862. The figure is \$2711 for each Catholic school student and \$2350 for each independent school student. The average rate of public funding increases to government schools has been just under 3 per cent per annum, which is comparable with inflation. Over the same period, however, government funding to non-government schools increased by around 6 per cent per annum, twice the rate to government schools. As a consequence, the public funding difference between government and non-government schools has narrowed – but as we show later, the socio-educational advantage gap has widened.

What are some of the implications of these findings? In short, the resourcing gap continues apace. The increases in total funding for students in independent schools show no sign of slowing, a legacy of increases in both public funding and income from fees. There has always been an income gap between independent and Catholic schools – in part a legacy of different fee levels – and this gap is still widening. Importantly, the significant difference between government schools and the two non-government sectors is gradually increasing.

Compared with other countries this is an unusual situation, a legacy of the way non-government schools in Australia receive substantial public funding, while also being able to charge unregulated fees. Historically, fees were charged, on top of government funding, to bring the total resourcing of non-government schools up to the level in government schools. But in 2017 the story is now very different: even on the average figures the effect of private-sourced income is to increase the total resourcing gap between the sectors. The surprising additional problem is that the distribution of public funding has strongly favoured the sectors which quite clearly enrol students who are more advantaged, which we will explore in the next section.

### 3. Chasing advantage and avoiding the strugglers

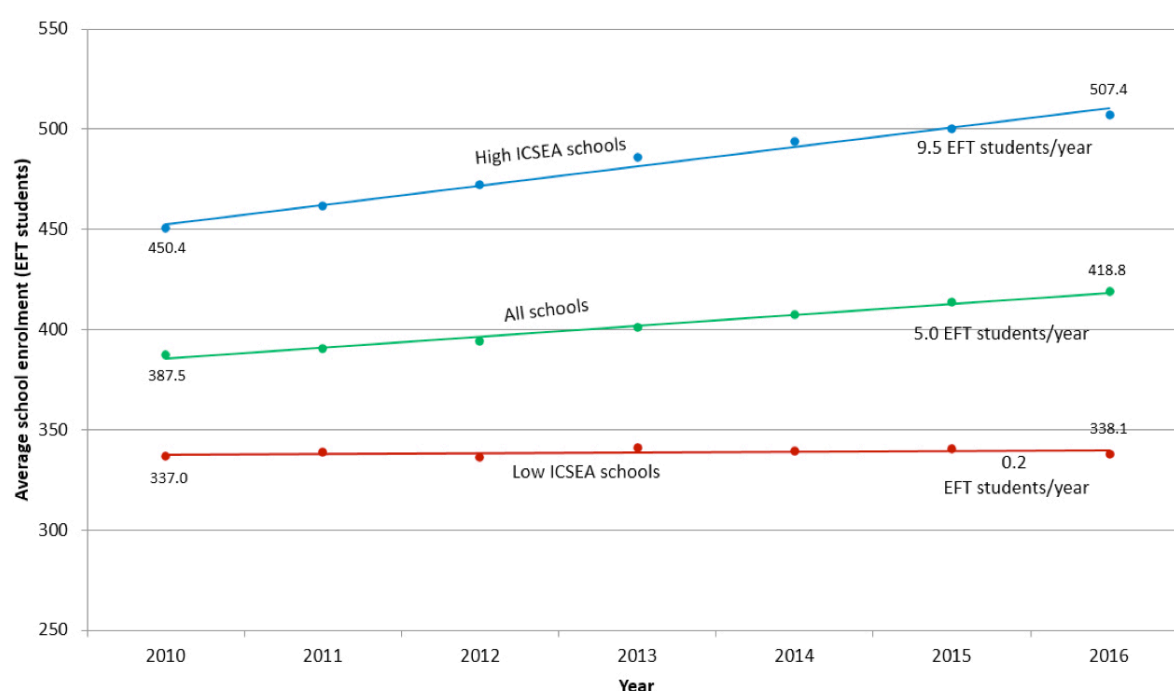
One of the most significant findings of the First Gonski Review was that increased concentration of disadvantaged students in certain schools is having a significant impact on educational outcomes, particularly, but not only, in the government sector.

The key question is whether this concentration of disadvantage is worsening. We find that it is.

Data from *My School* can help us find out where students go to school, who with, and how this might be changing over time. Much is written about the shift of student enrolments out of some schools and into others. Reports often refer to ‘the drift to private schools’, suggesting a clear movement in one direction. But the shift of student enrolments between schools is rather more complex. What we are about to show takes place within as well as between sectors. And the implications are significant.

A closer look at the same sample groups of high and low ICSEA schools identified on page 10 will tell more about where students go to school and, if there is movement, which students are moving. When student enrolment in each group of schools is compared over time, as indicated in Figure 5, clear trends start to emerge.

**Figure 5: Average school enrolment growth 2010-2016**



Enrolment in the lower-ICSEA schools (red) has remained largely unchanged. At the same time, the higher-ICSEA schools (blue) increased their enrolment at a steady rate of almost ten students on average each year over this period. There has been an average net shift in prospective enrolments from the lower-ICSEA to higher-ICSEA schools during the period 2010 – 2016.

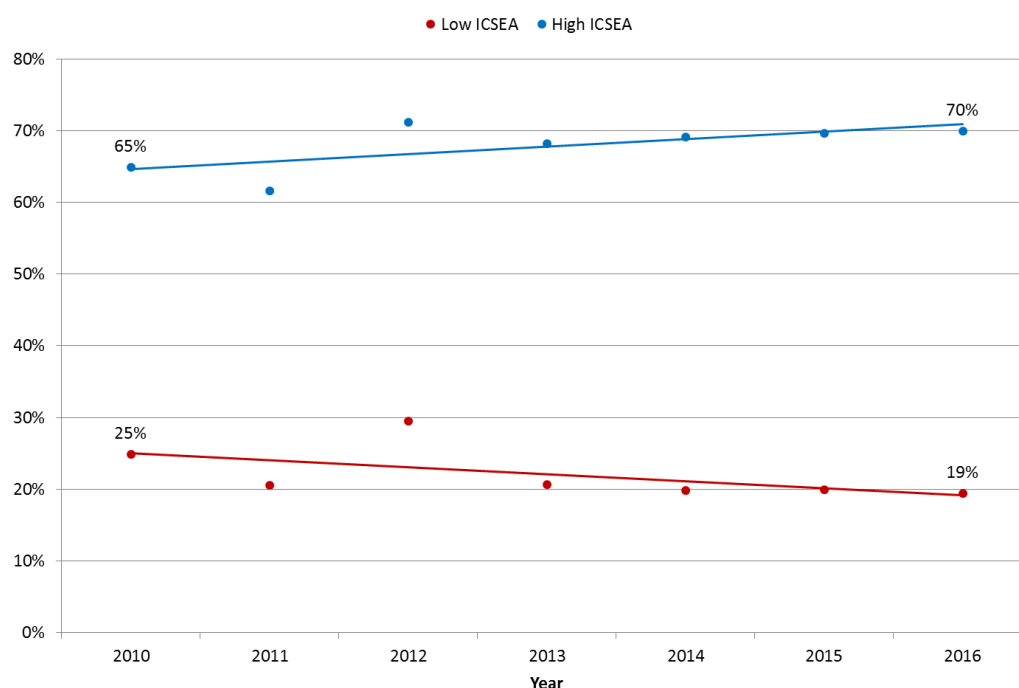
Not only do the sample groups show this pattern; it is confirmed by data for all schools above and below ICSEA 1000. Five years ago 456 students, on average, were enrolled in schools above ICSEA 1000. By 2016 the average enrolment in these schools had grown to 511. The schools below ICSEA 1000 averaged 325 and this number had barely changed by 2016. The percentage of students attending schools below ICSEA 1000 fell from around 41 per cent to around 36 per cent.

Which students are moving? *My School* doesn't directly tell us, but each year it shows the level of advantage of each school's enrolment. In particular it shows the percentages of students in the four socio-educational 'quarters', Q1 to Q4, of the nation that are represented in each school's enrolment. Q1 is the percentage of students from families in the lowest quarter of socio-educational advantage. Q4 is the percentage from the highest quarter, with Q2 and Q3 in between. These SEA quarters – and how they might be changing over time – can give us a numerical view, albeit a fairly coarse-grained one, of the spread of advantage within each school.

We can also calculate the SEA quarter percentages for our two sample groups of high and low ICSEA schools mentioned previously and ask whether there has been any change over time. In Figure 6, the Q3/Q4 categories have been combined for clarity. Notwithstanding the fluctuating data, it seems clear that the proportion of students from higher-SEA families rose in the case of the higher-ICSEA schools, from 65 per cent to 70 per cent. Over the same time, the proportion of these students in the lower-ICSEA schools declined from 25 per cent to 19 per cent.



**Figure 6: Percentage of Q3/Q4 families in sample schools**



It is possible that this shifting enrolment profile might reflect other demographic changes, such as spatial differences in population growth. But given the widening enrolment gap between the two groups of schools, it is likely that the shifting profile is predominately about more advantaged students moving to schools with higher achieving students. This leaves the remaining schools with a higher proportion of disadvantaged students. Those who can are chasing advantage; the strugglers are increasingly in a class of their own.

The shift of students from school to school is something everyone sees. Higher ICSEA schools, the schools with an already advantaged enrolment, are growing in size. Lower ICSEA schools aren't growing. If current trends continue, our lower ICSEA schools will, in relative terms, be even smaller.

It is a concerning scenario for lower-ICSEA schools. The Organisation for Economic Co-operation and Development (OECD) confirms the strong impact of the social composition of schools on student outcomes – yet in Australia we still concentrate our strugglers together in disadvantaged schools. It is unsurprising then that our overall achievement doesn't seem to improve. It also has implications for school planning and provision and goes to the efficiency and effectiveness – not least the dollar cost – of the way we provide schools.

The fact that parents with the opportunity and resources are moving their children to what they regard as better schools will hardly be a surprise. They are exercising the choice presently on offer to them. But the trends shown are consistent, ongoing and easily noticeable over just a handful of years. They have wider impacts: the concentration of disadvantage, something that so worried the First Gonski Review panel, is increasing. In the next section we'll see if this trend is associated with levels of student achievement.

# PART B: THE STATE OF AUSTRALIA'S SCHOOLS IN 2017

Almost all of the data in this publication comes from the *My School* website. Along with so many others we have mixed feelings about *My School*. By itself, it certainly isn't a one-stop shop for people wanting to compare schools, and in no way do NAPLAN scores alone signify individual school quality.

On the positive side, the website improves transparency, especially by publishing new and valuable data about schools every year. It enables an annual health check on the state of our schools: by level of advantage, geo-location, state, sector, school level and much more. We can group schools in ways that enable accurate comparisons of things like money in, results out, enrolment, staffing and student attendance. Its data is deeper, richer, more direct and more current than anything else on offer. It provides a new lens through which we can examine what schools are doing – and, just as important, what we are doing to schools. We can ask better questions and check the answers. We can now test claims and counter claims about schools.

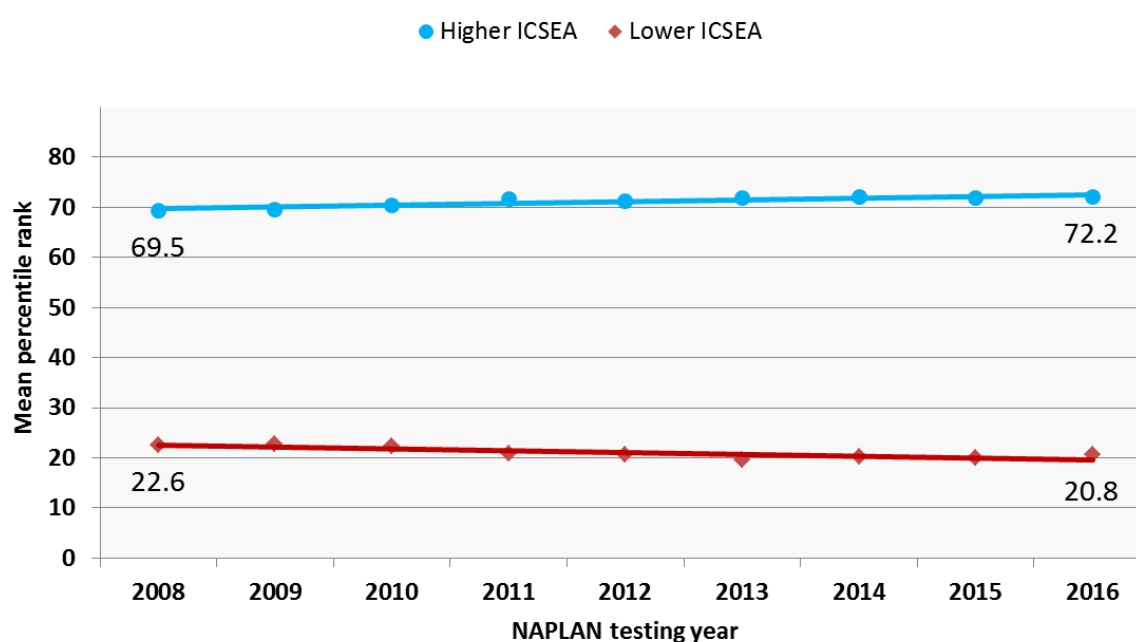
In this section we look at more of the most recent data to update what we know about the achievement gap between those with and those without, and what it means for overall equity.

## 1. Doing the sums on student achievement

We've now been through almost a decade of recurring panics about the levels of student achievement in Australia. Reservations have been expressed about the narrowness of various performance measures, but there is no doubt that what these measures show has a substantial impact on policy. Every year we like to rank the test scores: school against school, state against state and nation against nation. Progress, or the lack of it, becomes big news, each time evoking standard responses, especially from politicians. Indeed, the announcement of the Second Gonski Review was framed around improving student outcomes.<sup>5</sup>

Less obvious, but far more meaningful, is the research which shows the widening gap between high and low achievers.<sup>6</sup> *My School* data now adds to what we already know. To monitor student achievement, in our analysis we have tracked the changing ranking of schools on their NAPLAN performance, in particular comparing our large group of advantaged and disadvantaged schools. In each case, the percentile ranking of each school within the national dataset of schools is calculated and the average rankings for each group are compared. We can find out which groups of schools are rising or falling in their ranking. The results of this process for our two sample school groups are illustrated in Figure 7.

**Figure 7: Trends in the percentile ranking of mean NAPLAN indices for schools in each sample**



The trend lines illustrated in Figure 7 are not likely to create headlines, but they are quite consistent and reinforce our previous finding that the gap between advantaged and disadvantaged schools is widening over time. The extent of this widening varies according to the level of schooling and location. The gap is very noticeable, on average, between metropolitan schools and for primary schools.

The data for metropolitan schools is especially significant. Most schools are in our cities and the divergence between advantaged and disadvantaged metropolitan schools is even more evident. The mean percentile rank of the advantaged metropolitan schools rose from 69.2 to 72.6, while the rank for the disadvantaged schools fell from 19.7 to 17.2.

Viewed in isolation the overall trends might be explained in a number of ways, but the wider context is very important. When we combine the findings on student movement between schools with the findings on changing Socio-Educational Advantage (SEA) profiles in enrolment, we find that the students that are moving to the higher ICSEA schools show a bias towards the more advantaged families.

*My School* data suggests, under current circumstances, that there is little chance that the gap between our high and low SEA students will start to close. The implications are clear: while there are gains for some students in shifting from school to school there is no net gain in measurable student achievement across Australia's schools. This is worse than a 'zero sum' game because, as our declining international standing indicates, losses outweigh gains overall.

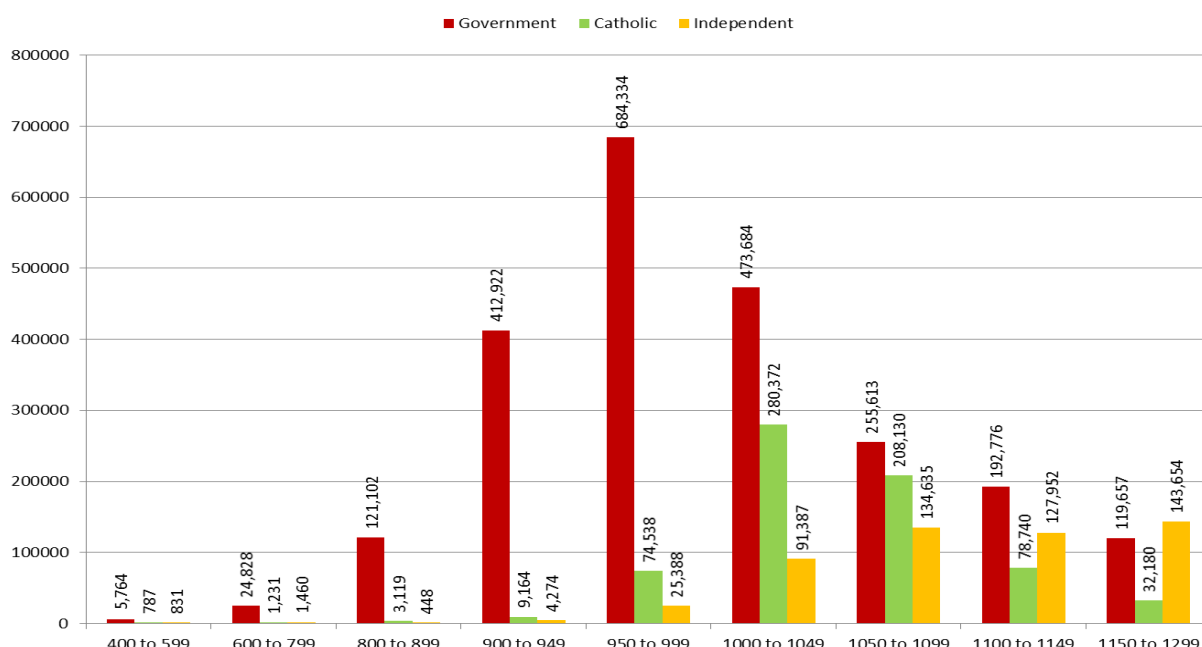
The First Gonski Review panel was acutely aware of this net decline in performance. They found that Australian schooling needs to lift student performance at all levels but argued that we should prioritise struggling students in particular. Our analysis demonstrates that the problems are still not being addressed. The Second Gonski Review will need to pick up exactly where the first left off. The task is still to improve outcomes across all cohorts of students.

## 2. Separating students and schools

Australia has always had a variety of schools, reflecting differences created by location, religion, wealth and social class. This has been variously presented on the one hand as a healthy diversity that enables parental choice, and on the other as a system that hinders access and comparable opportunity for all. What has become increasingly evident in recent decades is that the basis of this diversity lies in family income and socio-economic advantage — and we can now see more clearly how this plays out in most parts of Australia.<sup>7</sup>

*My School* data shows a growing hierarchy of schools characterised by levels of advantage and disadvantage. The enrolment pattern by sector is illustrated in Figure 8. It provides a useful 2016 summary of the distribution of students in the government, Catholic and independent sectors in a range of ICSEA categories. In broad terms government schools enrol students at all SEA levels, most noticeably in the 900- 1049 range. Catholic and independent schools don't enrol significant numbers of students below ICSEA 950.

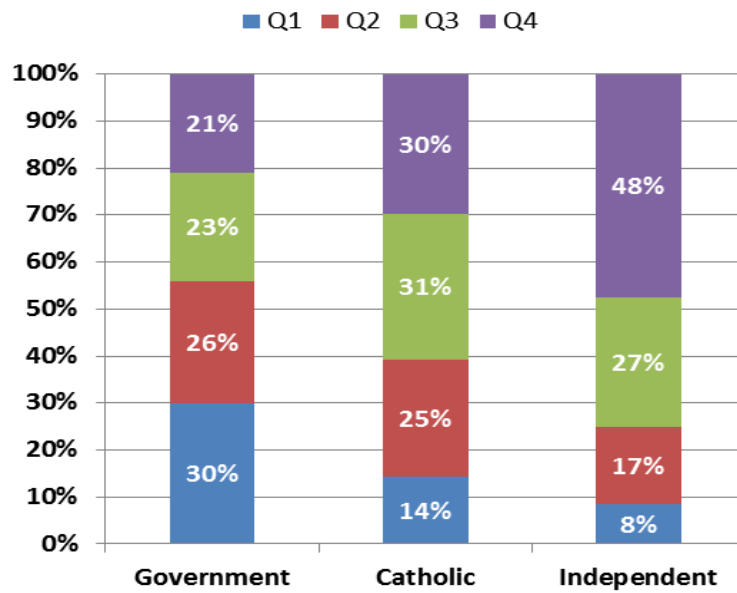
**Figure 8: School population by sector and ICSEA division, 2016**



We can also show what is taking place within each sector. Given the higher average ICSEA values for non-government schools we would expect to see a substantial proportion of Q3 and Q4 students, the more advantaged cohorts, in their enrolment. This is indicated by Figure 9 which shows the distribution of students by quarter.



**Figure 9: SEA Quarters distribution - AUS: 2016**



In 2016 government schools had the largest, and independent schools the smallest, portion of Q1 students in their enrolment, with Catholic school's in-between. Longer term trends indicate that the two non-government sectors have slightly increased their proportion of advantaged students (Q3 and Q4), in their enrolment. This is especially apparent in non-metropolitan areas where there has been a widening choice of schools in recent years.

The growing diversity between schools (and decreasing diversity within them) is, in no small measure, determined by who walks in through the front gate each day, and certain schools in our system have greater control over this than others. Some schools are required to enrol any local students, others set an entry test, charge fees or have a range of enrolment discriminators. The highest-ICSEA schools include government selective schools and independent schools charging the highest fees.

Entry tests are a big discriminator, but the way in which the sectors are 'stacked' in ICSEA order is mostly explained by fees. independent schools enrol the most advantaged students (average ICSEA around 1070), then Catholic schools (around 1040), then public schools (around 980). Such socio-educational differences are considerable, given that two-thirds of Australia's schools fall between ICSEAs 950 and 1150.

Many schools have fee discounts or exemptions – or actively seeking to enrol students with identified disadvantages. But there is no evidence that this alters the overall picture. Even in low income communities 'low' annual fees have the effect of sorting school enrolments according to socio-educational advantage.

The SEA hierarchy of schools is more complex than generalisations, for example, about a 'two-tier' system, or 'rich and poor schools' might suggest. Hierarchies are evident not just between the school sectors, but within them. It also varies in intensity between places and levels of schooling. It reaches into every Australian community where there are co-located and competing schools.

### 3. Separating schools and communities

Less than a third of our schools have enrolments that resemble the cross-section of people in that school's local area. For two-thirds of Australia's schools, the local community is increasingly not the community of the local school. More than ever before, students go elsewhere to school, or the local school's enrolled students come from somewhere else. Schools are increasingly detached from their immediate communities and so less representative of them.

The differences between school enrolments and the make-up of the local community are more noticeable in secondary schools than in primary schools, partly because each secondary school draws from a wider area. Students travel great distances to attend specialist, selective and many private schools. As a consequence, such schools in outer western Sydney, for example, seem very socially detached from their localities. In general, enrolments in middle and higher ICSEA government schools seem to be more representative of their localities than are similar non-government schools.

We found this out by about comparing the composition of school enrolments, indicated by ICSEA, with what the Australian Bureau of Statistics reveals about the socio-economic profile of people who live in each school's locality.<sup>8</sup> With new census data becoming available in 2017 there will be many ways to broaden this research, including looking at trends since 2011.

The link between schools and their local communities is something we need to safeguard. Our local schools can facilitate closer social and cultural bonds in immediate neighbourhoods. Schools offer not only learning centres for students, but places where the local community, students and parents alike, can come together through shared experiences. If the local school is increasingly detached from, and unrepresentative of, its surrounding area, then our communities lose another avenue for building social connection and social exchange, and become less cohesive overall. The irony is that, all other factors being equal, which they aren't at present, families prefer to have the choice of a quality local school.<sup>9</sup>

### 4. The slippery equity slope

Schools should be front and centre in our efforts to lift low achievers. Ideally our educational outcomes should be created by the things that schools do, by the effort and expertise of teachers and by school leadership, all supported by the right policies about how we provide and resource schools.

But these outcomes are also created by something else. Students bring to school the benefits or baggage created by their personal background. The level of SEA of families – and of schools – has a significant impact on student achievement. We've long known this, and the Programme for International Student Achievement (PISA) now routinely displays the evidence for all to see.<sup>10</sup>

The First Gonski Review also considered the influence of family background on educational outcomes. The extent of this influence can be shown by 'social gradients', sloping lines on graphs which relate educational outcomes to social or socio-economic indicators. The steeper the slope, the greater the impact of social conditions on a student's performance. The First Gonski Review panel was concerned that the impact of social conditions was much greater in Australia than in comparable countries. This suggests that our school system is less effective in overcoming a child's prior level of disadvantage. Six years after the First Gonski Review we can show that this is still the case.<sup>11</sup>

My School data also shows a strong link between student advantage and achievement, and how this might be changing over time. We created a socio-educational gradient (SEG) by using ICSEA as the measure of advantage and NAPLAN scores as the measure of achievement.

**Figure 10: Socio-educational gradient, Australian schools**

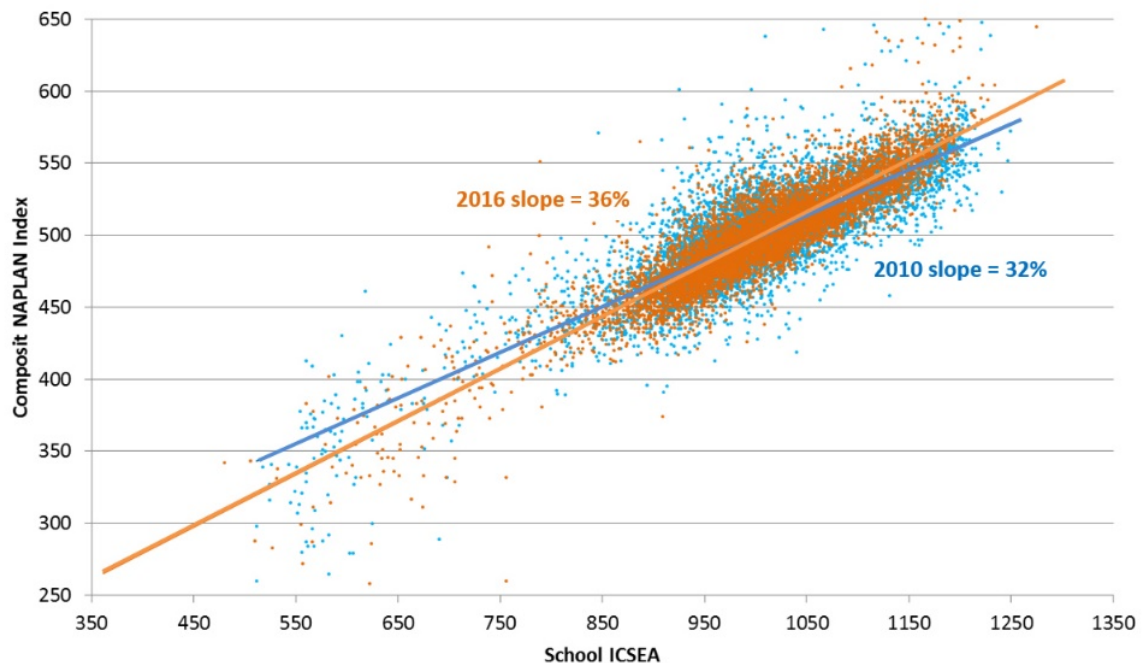
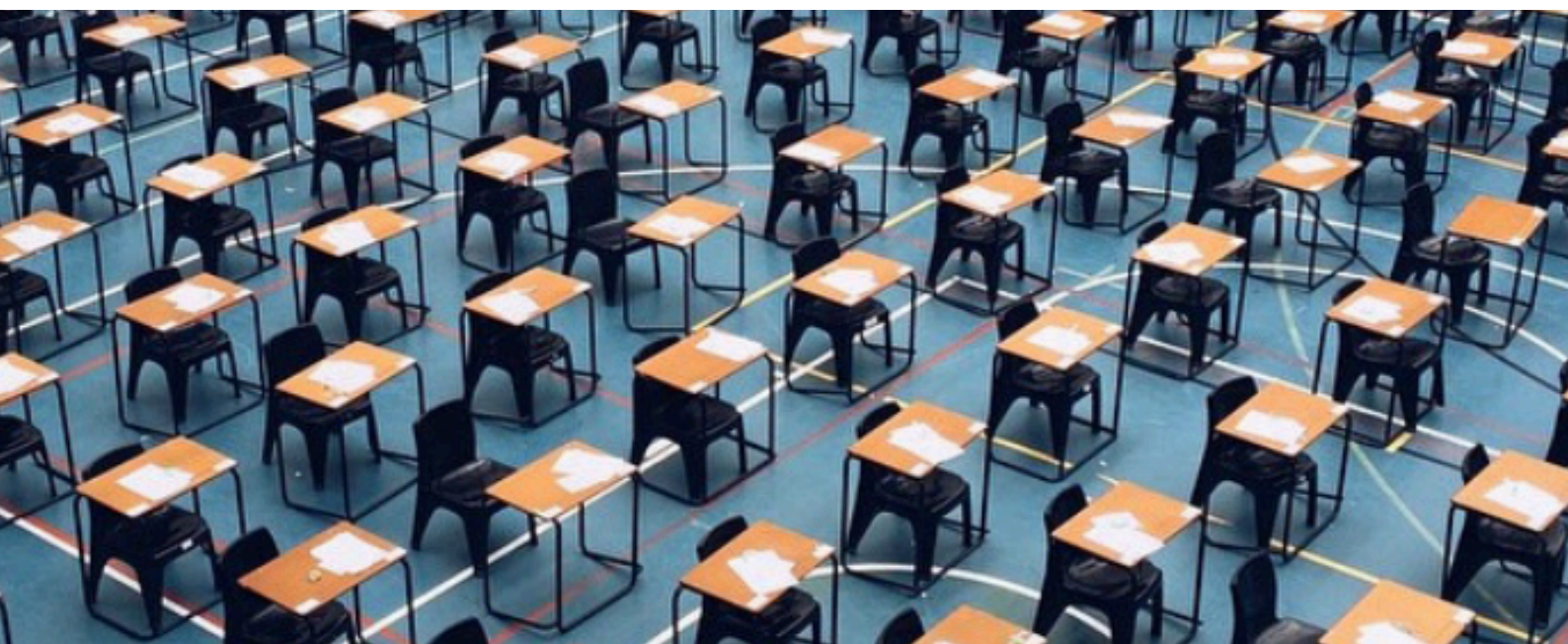


Figure 10 shows the 2016 NAPLAN data for schools around Australia plotted against the schools' ICSEA values. Our schools are distinctly aligned from the bottom left (low-ICSEA, low-NAPLAN) to top right (high-ICSEA, high-NAPLAN). High performance is clearly associated with high levels of socio-educational advantage.

The orange SEG trend line, showing the strength of this association, forms a slope of around 0.36. This figure is the ratio of the rise of the slope (the vertical distance) divided by the run (the horizontal distance). Gradients are often expressed as a percentage, hence in this case the gradient is 36%.

The blue line on this graph shows the socio-educational gradient for 2010. It is evident that Australia's equity slope today is steeper than it was six years ago. In other words, in 2016, socio-educational conditions are having a stronger net impact on school performances than they were before the First Gonski Review. School-to-school equity appears to have declined measurably over a relatively short period.

The most recent year-by-year trend suggests that this decline in equity might be slowing. This would be welcome news if the slowing continues, but it is too early to tell. The steepness of our socio-educational gradient also varies from place to place. There is a greater school equity problem in metropolitan areas than in regional Australia. In 2016, for example, the SEG for New South Wales metropolitan schools was much steeper than for non-metropolitan schools. We also have a greater equity problem in the secondary years of schooling. It seems that the equity gradient is steepest in places and levels of schooling where choice of schools is more commonly available and exercised; there are more schools from which to choose in urban areas and choice is most commonly exercised in the secondary years of schooling.



When it comes to school equity, we have a problem we have known about for years. The First Gonski Review wanted to reduce the impact of differences in wealth, income, power or possessions on educational outcomes. We haven't achieved this. Steepening equity gradients, created from *My School* data, suggest we have gone backwards. Since 2011, while we failed to implement the First Gonski Review's most important recommendations, our school equity problem has worsened.

Equity gradients are a measure of the capacity of our framework of schools to deliver fairness and across-the-board achievement. We need to seriously and urgently review all those features of our school framework that contribute to inequity. Unfortunately undertaking that task is no longer enough, because during our time of inaction we have also accumulated new problems to overcome.

# PART C: CREATING NEW PROBLEMS

A range of new problems have emerged in the last few years, in part because we didn't 'do' the reforms as the First Gonski Review panel intended. School funding was supposed to be needs-based and sector blind. It didn't happen to a sufficient extent. In fact, public funding of non-government schools has increased to such a degree that they are now, in dollar terms only, becoming government schools.

We were supposed to have much greater co-ordination of funding rolling out from federal and state/territory governments – but the time-honoured school funding games played by governments became worse. We were supposed to base funding around a schooling resource standard, but the overall funding pattern reveals funding increases still going to schools where the extra money seems not to be making much difference. Billions in extra funding are going each year to relatively advantaged schools and their better-performing students – with little measurable impact, and representing a poor investment of taxpayer money.

The Australian Government has now acknowledged some of these issues. The Second Gonski Review will shortly give attention to the effective and efficient use of funding to improve student outcomes.<sup>12</sup> Our revelations in this section demonstrate that the present resourcing of schools is neither effective nor efficient, and poses a suite of new challenges to the Second Gonski Review.

## 1. The great public funding convergence

Issues around funding effectiveness and efficiency arise out of the way we fund the sectors. In Part A, we showed that, on average, resources are not going to where the need is greatest. This is true whether we look at government funding in isolation, or consider total school income per student (including fees). It is also evident that funding, from all sources, is far from sector-blind.

We need to take a closer look at funding because average figures only tell some of the story. *My School* enables parents to compare schools enrolling similar students. When it comes to money going into schools we should do the same.

In the following analysis, we initially show the futility of sector averages by examining the funding of schools in the ICSEA range 1000-1049. This ICSEA range contains around 19 per cent of government schools, 35 per cent of Catholic schools and 21 per cent of Independent schools. The cross-section of students in these schools share backgrounds that are on the advantaged side of average, but most importantly, they have similar levels of socio-educational advantage and thus similar degrees of educational challenge.



**Figure 11: Government-sourced recurrent funding per student for schools in the ICSEA range 1000-1049**

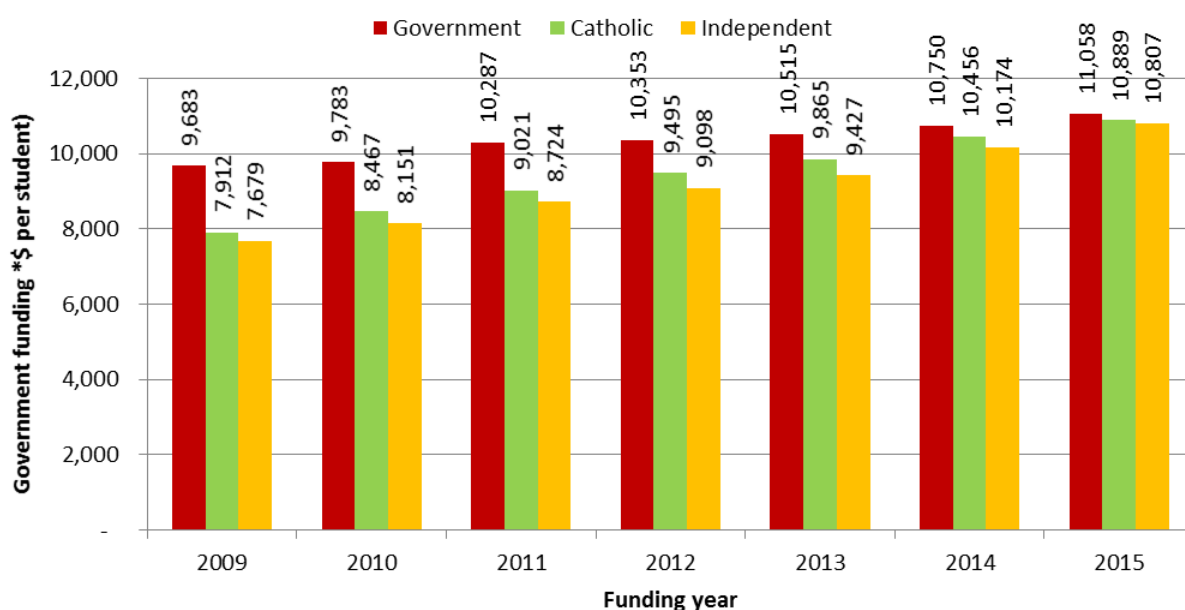


Figure 11 shows the changing amounts funded by governments for these schools. The public funding of non-government schools is progressively catching up with the public funding of government schools enrolling similar students. In 2015 students in the public and independent sectors were separated by just \$251 per student in government funding. This is the different story that emerges when sector averages are set to one side and schools enrolling similar students are compared. Amidst all the other widening gaps between schools, the public funding gap is clearly narrowing.

The trends comparing the funding for the three sectors across all the ICSEA ranges are equally revealing.

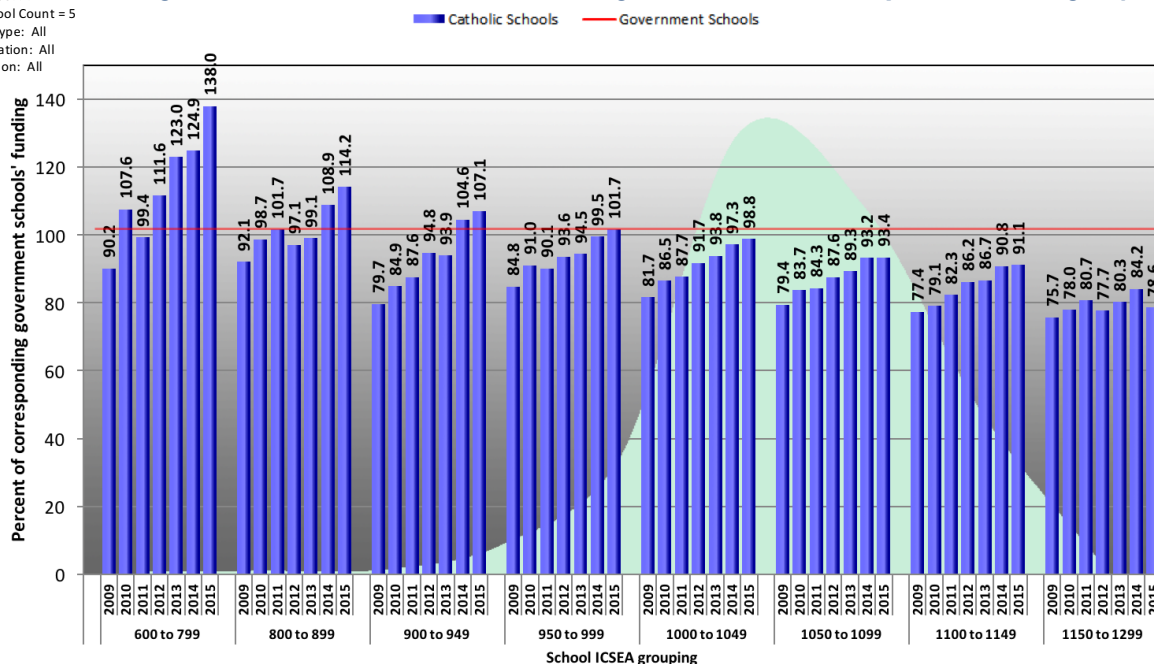
First let us compare funding to Catholic and government schools. As depicted in Figure 12 the most recent funding figures from 2015 show that, in comparison with government schools enrolling similar students, Catholic schools up to ICSEA 999 received more than 100 per cent of the public funding received by comparable government schools; in the 1000-1049 ICSEA range the percentage was 98.5 per cent; in the 1050-1099 range it was 92.8 per cent; in the 1100-1149 range it was 90.5 per cent and in the top ICSEA range of 1150-1299 it was 84.8 per cent.





Max School FTE = 20000  
Min School FTE = 1  
Min School Count = 5  
School Type: All  
Geo-Location: All  
Jurisdiction: All

**Figure 12: Government recurrent funding of Catholic schools by school ICSEA group**

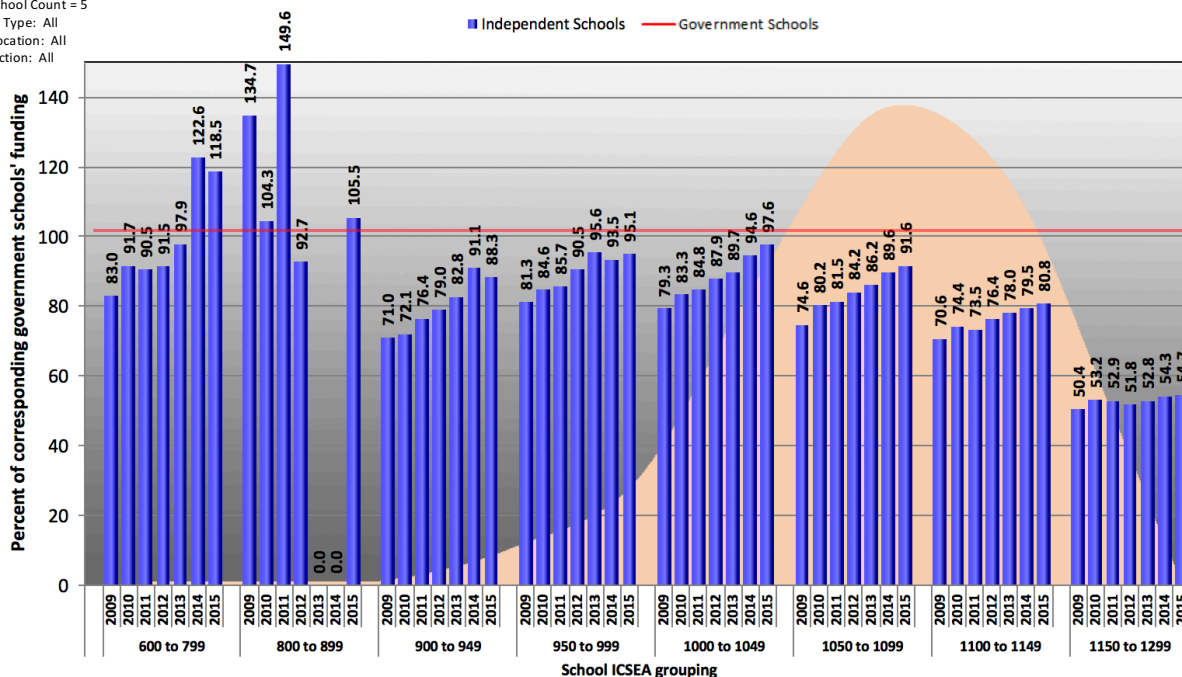


The coloured background indicates the relative concentration of enrolments in all Catholic schools nationally.

Secondly, as indicated in Figure 13, the vast majority of independent schools are between 54.7% and 97.7% publicly funded in comparison with ICSEA comparable government schools. Repeated claims, as recently as April 2017, that independent schools are funded at half the rate of government schools look more deficient with each passing year.<sup>13</sup>

Max School FTE = 20000  
Min School FTE = 1  
Min School Count = 5  
School Type: All  
Geo-Location: All  
Jurisdiction: All

**Figure 13: Government recurrent funding of independent schools by school ICSEA group**



The coloured background indicates the relative concentration of enrolments in all independent schools nationally.

In each graph the shaded bell curve is most significant. These curves (green for Catholic schools; orange for independent schools) indicate the distribution of students in each sector. Trends in the lower ICSEA ranges, while apparently dramatic, are not of great moment because there are very few Catholic or independent schools in these ranges. The more significant trends are shown where most students are found, that is, in the ICSEA groups between 950 and 1150.

In *Uneven Playing Field* we noted that, if recent increases continue, public funding to the non-government sector will overtake public funding in government schools which enrol similar students.<sup>14</sup> This is clearly happening, with variations between the sectors, between ICSEA ranges and between the states. The graphs show that the per-student public funding of Catholic against government schools above ICSEA 1050 has levelled in the most recent year. On the other hand, the funding of most independent schools showed little sign of tapering off.

The contrasts between the states seem to defy explanation. The schools in the ICSEA range 1000-1049 tell the story most acutely. In South Australia the per-student public funding of Catholic schools in this range is 88.6 per cent of the amount going to government schools. This figure rises to 99.2 per cent in New South Wales and to 115.9 per cent in Victoria. The equivalent figures for independent schools are 86.1 per cent for South Australia, 98 per cent for NSW and staggering 125 per cent for Victoria.

These major discrepancies lead to two key questions:

1. Given that non-government schools have a lesser range of public responsibilities and obligations, why are their schools publicly funded at anywhere near - let alone above - the levels in government schools?
2. Even within the non-government sector, why are Catholic and independent school students in some states deemed to require much higher levels of government funding than students with similar needs in other states?

The argument for having three separate school systems offering the same service in the same market is built around parental choice. But we need to know a lot more about the effectiveness and efficiency of governments equivalently funding all three systems. If student outcomes are as important as we claim then current arrangements don't improve effectiveness – given that students with similar backgrounds achieve at similar levels regardless of the school sector.<sup>15</sup> On the efficiency side there is an opportunity to analyse what *My School* tells about the cost of duplicated provision of schools in Australia – and a strong need to find where the balance should lie between choice and cost.

## 2. The vanishing private school

For years we have been told that private school funding is an efficient investment for governments because they save on the government outlays that would be required if private school students attended public schools. But in the light of their record-breaking public funding, how much of a saving do non-government schools really represent to the public purse? If the answer is 'not much' then should we reduce the funding - or should we reshape the rules so that the schools become 'public' enough to justify their funding? Or should we do both?

The annual savings to government by funding non-government schools is variously claimed to be \$4.3 billion just for independent schools<sup>16</sup> and anything up to \$9 billion for all non-government schools.<sup>17</sup> We've shown, on page 12, the likely reasons for such claims.

But what does *My School* data show? We divided up schools into ICSEA ranges of 100. In each range, the total government-sourced recurrent funding was tallied for government, Catholic and independent schools. The picture that emerged is shown in Figure 14.

**Figure 14: Combined government funding per student by sector and ICSEA range**

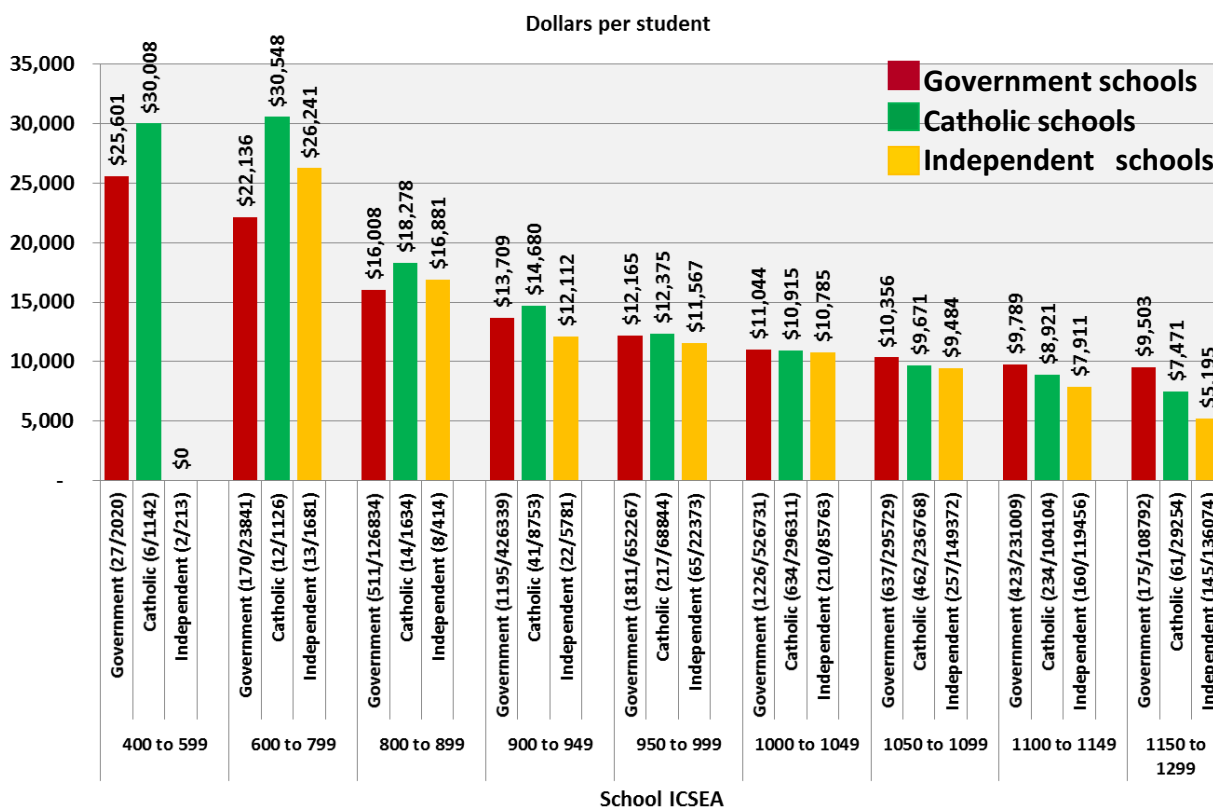


Figure 14 enables anyone to calculate the amount needed, in each ICSEA range, to lift the public funding of non-government schools to the level of funding going to government schools enrolling similar students – in other words, the amount needed to fully fund all students. To cut a longer story short the extra cost to governments would be around \$1.3 billion in recurrent funding each year. This is around 3.3 per cent of existing expenditure. We first raised this issue two years ago<sup>18</sup> – and the amount needed just keeps falling each year.

The calculations from *My School* reveal more than a few ironies. We looked closely at Goulburn, New South Wales – the place where state aid to non-government schools symbolically began when Catholic schools shut their doors and sent all their students to the local government schools. If this happened today, it would now cost only one per cent more to educate all Goulburn's Catholic school students in government schools. There would be capital costs in expanding accommodation at the public schools. But \$14.4 million was spent by the Australian government on capital improvements in the three Catholic schools between 2009 and 2015. That sort of money would purchase quite a few extra classrooms in the government schools.

Such calculations are conservative as they don't take into account potential economies of scale in what would be larger schools. Leaving aside various arguments around school size, diversity and choice, economies of scale are important in any discussion about school costs. As Connors and McMorrow have indicated, claims of cost savings under current arrangements ignore the savings that could accrue from economies that would apply if one authority ran schools in each state.<sup>19</sup> Notwithstanding any reasons for not doing this, the total school education bill across Australia could be much less than it is now.

The implications of having most government and non-government schools publicly funded at similar levels are substantial. Despite some convergence in such areas as curriculum, assessment and teaching standards, government and non-government schools still operate under very different rules and conditions. The biggest difference relates to enrolment and is largely (though not entirely) created by the charging of fees. Non-government schools are able to set their own fees, as well as impose other criteria for admission or exclusion of students, on grounds that aren't (and shouldn't be) permitted in the government school system. The charging of fees significantly sorts (and distorts) enrolments between schools and sectors.

Other rules and procedures vary between the sectors. Non-government schools are able to apply additional discriminators in the form of entry tests, previous school reports, test results and other restrictive (including religious) criteria. As a general rule, they also have a statutory exemption from Freedom of Information (FOI) legislation and a range of anti-discrimination provisions. They can hire and fire staff, and refuse admission to students based on their disability status, sexual orientation, sex, age, marital or domestic status.

In short: non-government schools now come at a considerable public dollar cost but the circumstances in which they operate have changed little. They receive large amounts of government funding with few of the responsibilities, accountabilities and obligations that are attached to government schools. The people who work in non-government schools didn't create these differences, and many work hard to minimise the problems. Some government schools also select their enrolments, adding to the segregation and differentiation among schools. But the institutionalised differences between the sectors remain significant. In the light of dramatic funding shifts, they are far less able to be justified.

The Second Gonski Review is being asked to propose related transparency and accountability measures that support the effective monitoring, reporting and application of investment in our schools.<sup>20</sup> On these grounds alone we should be creating far better alignment of the obligations and operation of schools across all three sectors.

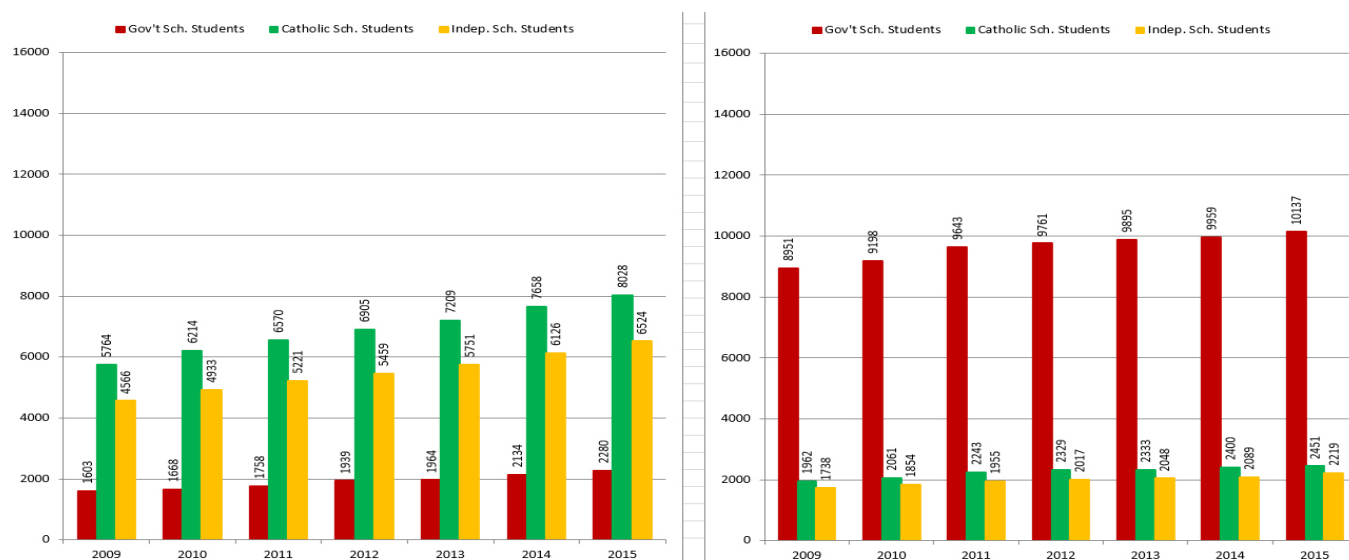
### 3. States of disarray



As well as focusing on efficiency and effectiveness to improve student outcomes, the Second Gonski Review is to provide advice on related institutional and governance arrangements. It is certainly the case that schools are poorly served by current structures. As Figure 15 indicates, Australia has continued the odd arrangement whereby the funding of the non-government sector is mainly undertaken by the Australian Government – and the funding of the government sector by the states. If that fact alone makes little sense then the lack of consistency between levels of government and between the various states makes even less.



**Figure 15: Australian and State/Territory Government funding per student**



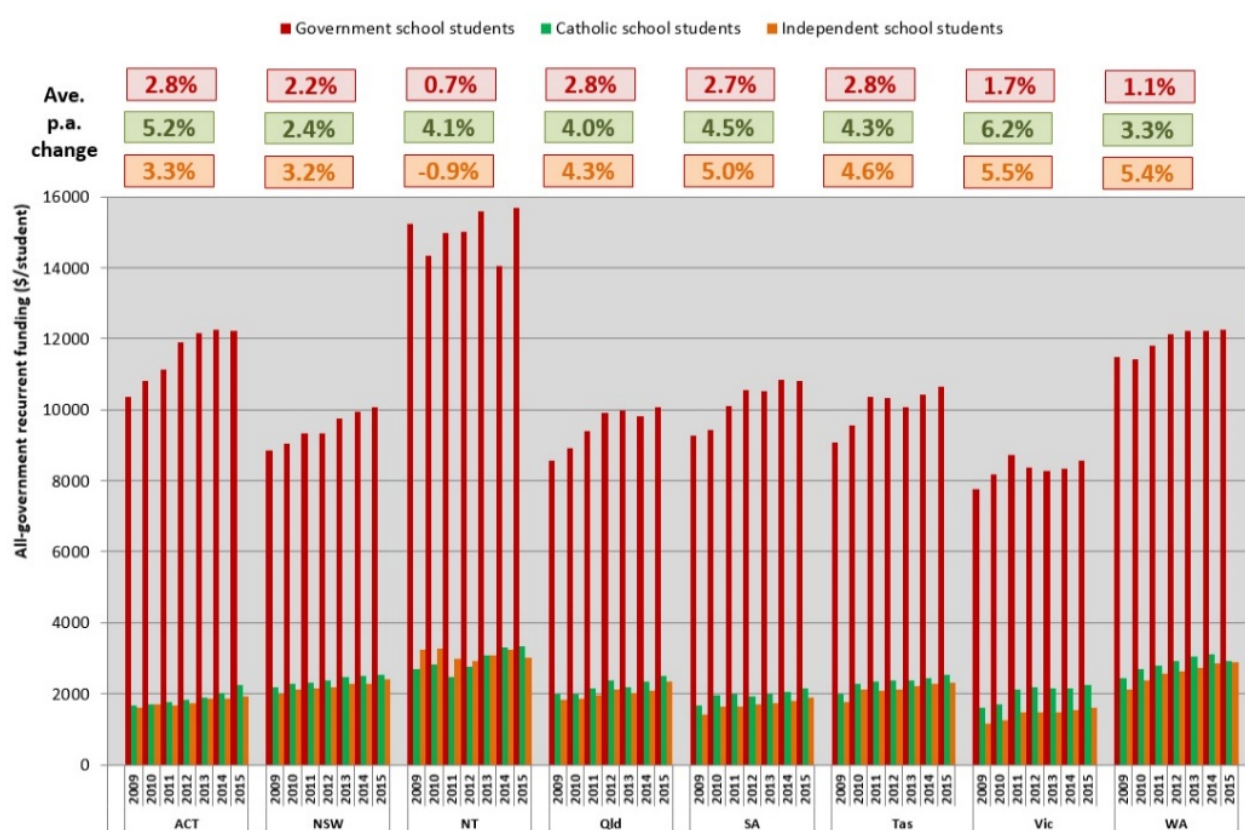
The two graphs in Figure 15 tell many stories. Over six years, while the Australian Government has increased funding to all schools by 41.8 per cent, the states' funding has gone up by just 14 per cent. The increases in Australian government spending has generally gone evenly to government (42.2 per cent), Catholic (39.3 per cent) and independent (42.9 per cent) school students. The states on the other hand have increased funding to government schools by just 13.2 per cent, to Catholic schools by 24.9 per cent and to independent schools by 27.7 per cent – the latter two figures off a low base.

Federal funding increases to government schools may appear to be significant investments at first glance, but the increases are off a much lower base. In contrast, state government increases to government schools are not remotely adequate, let alone sufficient to meet the needs of more disadvantaged students. The states are letting the Australian Government carry an increasing responsibility, yet have generously increased funding to non-government schools, something that looks odd alongside their assumed prime responsibility for government schools.

What about the contrasts in school funding by the states and territories? If a picture can tell a thousand words then Figure 16 is the best picture we can show.



**Figure 16: State recurring funding per student, 2009-2015**



In fairness, the amounts funded by different states and territories will always vary from each other to some extent, if only because of factors such as location and distance. But that's as far as fairness seems to stretch. Across the past seven years the average increase in state and territory funding of government schools has fallen below the rate of inflation. While some jurisdictions such as New South Wales have steadily increased funding, in most other places it has fluctuated and periodically levelled or decreased.

In 2013 the then Federal Education Minister, Christopher Pyne boasted that he would remove the red tape and command and control features and treat the states and territories like adult governments. At the time there were warnings that the reduction in restrictions would free up state and territory governments to cut their own contribution to school funding, which is exactly what happened to government schools.<sup>21</sup>

There are countless stories about how differences between the states plays out on the ground. Last year we demonstrated the impact of state government funding differences on schools in some border towns.<sup>22</sup> Albury Public School, on the NSW side of the Murray River received \$8110 per student from its state government, while Wodonga Primary School on the Victorian side received \$6173. It is a big difference, even more so given that schools' ICSEA values show that the Wodonga students are less advantaged than their counterparts across the river. The 2015 funding data shows that the funding gap is starting to narrow – but improving funding equity, state-by-state, has a long way to go.

In describing school funding the First Gonski Review pointed to arrangements that were complex, confusing, opaque and inconsistent among jurisdictions, and obscured educational goals and accountability.<sup>23</sup> Clearly this situation hasn't improved, in part because we didn't create Gonski's proposed National Schools Resourcing Body. We now have a second chance to get this right. Once again, the data which lies behind *My School* will eventually reveal what actually happens.



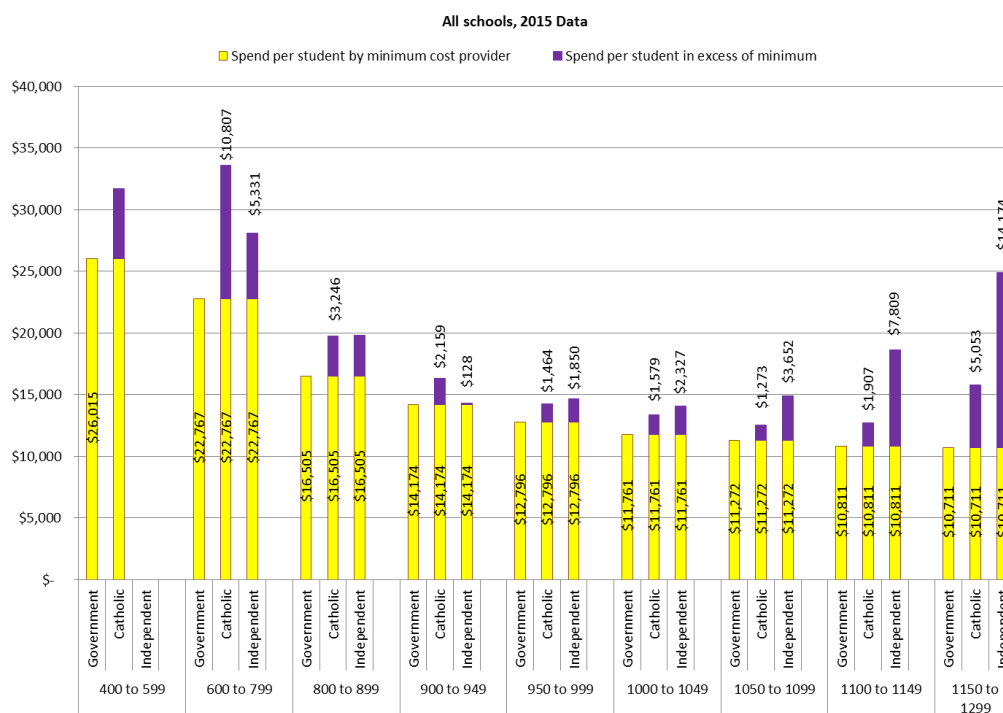
## 4. When more money just doesn't deliver

A critical need is to determine whether and where the money invested in schools makes a real difference. That priority is strongly evident in the terms of reference for the Second Gonski Review.

Increases in spending on schools should always be accompanied by effective targeting and accountability. But our current problem is that we already spend large amounts on some schools which are neither high need nor remote, and where the money is not delivering improved results. We estimate that each year \$5 billion is over-invested in schools that are already comparatively advantaged and where high expenditure makes little or no difference to measureable outcomes. Which schools, and how do we know?

We know how much money is needed to deliver the results that students are currently achieving (as an aside, we don't necessarily accept that current levels of achievement are good enough, but that is another issue.). This is shown by the yellow columns in Figure 17. In the ICSEA range 1000-1049, for example, the funding to support students to achieve at current measurable levels is \$11,761 per student. Catholic schools in this range are spending \$1579 more than this amount, and independent schools are spending \$2327 more.

**Figure 17: Total funding per student in excess of minimum cost providers**



We know that in each ICSEA range the similar students are achieving similar NAPLAN results, regardless of sector.<sup>24</sup> As we have previously shown, other measures of student achievement reveal little differences between the sectors.<sup>25</sup> PISA 2015 also reminds us that students with similar backgrounds achieve at similar levels, regardless of whether they are enrolled in public or private schools.<sup>26</sup>

But there is a problem. Much more money is spent on some students than on others. This extra money is also shown in Figure 17 by the purple extensions to some columns. In almost all cases this extra expenditure is on

students in non-government schools, as well as small numbers in government schools that have high fee income.<sup>27</sup> The impact of this additional spend is certainly not seen in better measurable results.

This suggests that the money is not going into effective improvements in teaching and learning. So where is it going? *My School* shows that large amounts are spent on capital improvements – in some schools far more than in others. In the six years to 2015, capital expenditure on high ICSEA (over 1150) independent schools greatly exceeded the capital expenditure on similar ICSEA government and Catholic schools combined.

This large capital expenditure is mainly privately sourced, and some recurrent funding is diverted into capital projects and debt servicing. But it raises many questions about priorities. It may fund projects that parents value, and there may be benefits which are harder to measure. But student achievement is the 'bottom-line' business of schools, and the primary purpose of government funding. Do they need large additional large amounts of recurrent funding from government, as well as from parents?

The additional recurrent funding of non-government schools, the purple column extensions in Figure 17, added up to around \$5 billion in 2015, much of which is provided by governments.<sup>28</sup> If reallocated, even a portion of this amount would provide extra for schools where the investment would make a measurable difference. There is an abundance of research which shows that, subject to targeting and strict accountability, additional investment in low-SEA schools is an investment with real achievement dividends.<sup>29</sup>

There are a host of questions arising as a consequence of this overspend. If a 'black hole' is a place where things disappear without leaving much of a known trace, then does it describe these schools and the money they receive? To what extent should public funding contribute to this problem? In its focus on the effective and efficient use of funding to improve student outcomes will this matter be further explored by Second Gonski Review?

The current school funding regime, quite unique to Australia, makes governments a willing participant in arrangements which create, sustain and worsen a well-researched inequity. Governments should be concerned about the effectiveness of our total investment in schools, including at the advantaged end. If the money needed for students at the disadvantaged end cannot be properly funded then shouldn't existing public funds be redirected to where they make the greatest difference? The choice appears to be stark: we either invest to lift the disadvantaged or we continue to top up the advantaged. It seems we cannot do both.

# PART D: RESHAPING THE UNEVEN PLAYING FIELD

In 2016, we described Australia's schools' system as an uneven playing field. Our analysis of the most recent *My School* data as outlined in this report demonstrates this 'playing field' is more uneven, and overall Australia falls further behind in the education game.

During our careers as teachers and school principals, we have seen a myriad of well-meaning initiatives launched without compelling evidence identifying the problem or justifying the proposed solutions. Today's situation is the reverse – there is compelling, even overwhelming, research on the problems in our schools as well as the best solutions. Yet we have not really considered the evidence nor properly implemented the solutions.

The Federal Government's revitalisation and renewed commitment, in principle, to significant findings of the First Gonski Review provides hope of finally achieving equitable and sustainable schools funding reform. Given that the recommendations of the First Gonski Review remain as critical now as they were in 2011, the Second Review needs to address additional and connected issues regarding the equity and operation of our schools' framework. We still need to create an equitable, sustainable high quality schooling system.

A strong focus of the second review is to spend money better. But properly targeted, sustainable needs-based funding is still an essential precondition that must be met if the specialised, evidence-based strategies to lift the performance of our most disadvantaged students are to be implemented. This must happen as a priority if we are to achieve improved efficiency and effectiveness of our investment in schools. Otherwise, the problems we have identified in this report will continue to diminish our chance of success.

These problems become more evident with each passing year. We are incrementally growing social class hierarchies amongst our schools and students. The social diversity which previous generations witnessed within schools is increasingly evident between them. Our advantaged schools are booming, while our less advantaged schools are shrinking, and left with an increasing share of the strugglers. The results of students in advantaged schools drift higher, and those in disadvantaged schools drift lower. Meanwhile, families with the required means continue to seek schools up the socio-educational ladder. As a result, for two-thirds of our schools the local community is increasingly not the community of the local school. This state of affairs will not change without focused action.

This report shows that not only are longer-term trends worsening, new problems are emerging as well. The first is the convergence of public funding of government schools and public funding of similar ICSEA non-government schools, a problem which will loom larger as the two sectors continue to have quite different obligations to the taxpayer who increasingly pays the bill. This new problem has caught everyone unawares and the response to date has been disbelief – in defiance of the data – and a reluctance to search for solutions. The do-nothing solution won't work, especially as the realities seep through to the public debate about funding.

We also have an emerging issue about money and school results. There are bound to be many instances in all sectors where a funding boost, where it has happened, has not delivered the much-anticipated lift in student outcomes. But systemically the biggest problem seems to be in advantaged schools, mainly in the non-government sector, where a massive investment doesn't deliver a measurable improvement. Public funds need

to be redirected to where they make the greatest difference. As we highlighted in Part C, the choice is stark: we either invest to lift the disadvantaged or we continue to top up the advantaged. We cannot do both.

Similarly, we have long been told that funding non-government alongside government schools creates a saving on the public purse. In recurrent funding terms those savings have all but vanished. Along with other emerging problems this poses extra challenges to the Turnbull Government, given its determination to seek greater effectiveness and efficiency in the funding of schools.

In the Turnbull Government's Quality Schools Initiative and Second Gonski Review we may have the required breakthrough to disrupt a failing system. We can lift student achievement by finally breaking the cycle of compounding disadvantage. We can strengthen the position of struggling schools, predominately in the government and Catholic sectors. Improved resources to needy schools enable them to perform better, and in turn give local parents greater confidence in the quality of learning on offer locally for their children. In the long-term, communities may even see improved social cohesion as 'the local school' re-emerges as a place where local residents truly come together.

Many of the problems described in this report have been around for decades, now joined by new challenges which have emerged out of our failure to understand the findings and implement the recommendations of the First Gonski Review. We will fail yet again if we don't address all the unresolved problems and again allow well-considered recommendations for change become victims of the vagaries of politics and self-interest. The Second Gonski Review must understand why performance has declined, and that involves understanding the extent of the inequity in our schools.

Accordingly, we propose that, after delivering on its terms of reference, the Second Gonski Review conduct a further investigation on barriers in our current schools' framework that risk preventing the implementation of both Gonski Reviews. This should include barriers such as:

- ongoing inefficiencies in the way schools are provided and resourced; and
- inconsistencies in the obligations on all schools which are substantially publicly funded.

The Second Gonski Review should then develop a further set of recommendations aimed at removing such barriers.

As such we also propose that a task force be established to monitor progress being made against the recommendations of both Gonski Reviews and the commitments of federal and state governments, and reports publically on them at regular intervals.

In the long run, everyone loses when the game is played on an uneven playing field. We still have it in our grasp to fix our schooling system and ensure Australia is built on an equitable, high-performing education foundation. The future will be brighter and more prosperous for more Australians if we do.

## ENDNOTES

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- <sup>27</sup> For example, there are sixteen NSW selective schools over ICSEA 1150. They collect an average of \$4000 per student more than the minimum cost average for schools over 1150. About one per cent of government schools (excluding Special schools) collect fee income in excess of \$2000
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