

Circular

Number: 281/20 9 pages

FOR INFORMATION

To: Board of Management
Executive Directors / Chief Executives

From: Caroline Miller

Date: 6 October 2020

Subject: **Federal Budget 2020-21**

Below is ISA's analysis of the Federal Budget 2020-21.

Quality Schools funding

In 2020-21, the Australian Government will provide \$21.9 billion in Quality Schools funding to government and non-government schools in all states. This includes recurrent funding, capital funding, funding for non-government school reform funding, Choice and Affordability funding and other prescribed purpose funding.

The Government estimates that it will invest \$309.9 billion in schools to the end of 2030. The Government's recurrent annual funding for schools has grown 58 per cent since 2014, from \$13.8 billion in 2014 to \$21.8 billion in 2020, and will grow to \$34 billion in 2030.

Summary of expenses – education

Below is the breakdown of sector specific school funding provided in the 2020-21 Budget.

	Actual		Estimates		
	2019-20	2020-21	2021-22	2022-23	2023-24
Schools	\$m	\$m	\$m	\$m	\$m
Non-government schools	13,918	12,844	14,657	15,450	16,132
Government schools	8,387	9,067	9,748	10,447	11,027

Source: Budget Paper 1, p 6-17

- Aggregate schools funding expenses are expected to decrease by 2.3 per cent in real terms between 2019-20 and 2020-21 and increase by 18.5 per cent in real terms from 2020-21 to 2023-24.
- Expenses in non-government schools are expected to decrease by 8.2 per cent in real terms between 2019-20 and 2020-21 and increase by 20.1 per cent in real terms from 2020-21 to 2023-24.

Expenses in government schools are expected to increase by 7.6 per cent in real terms between 2019-20 and 2020-21, and by 16.3 per cent in real terms from 2020-21 to 2023-24.

- The decrease in expenses in non-government schools in 2020-21 reflects the July Update measure *COVID-19 Response Package —support for non-government schools*, which enabled non-government schools to bring 2020-21 recurrent funding forward into 2019-20.
- The increase in expenses for schools funding over the forward years is primarily due to the funding arrangements implemented under the *Quality Schools* package and increased funding for non-government schools in the Government’s response to the National School Resourcing Board’s *Review of the Socio-Economic Status Score Methodology*.

A detailed breakdown of Quality Schools funding by sector and state and territory is below at Attachment A.

Economic Outlook and Parameters

Budget Paper No 1 includes information on the following major economic parameters including forecasts and projections.

The table below is an extract from Budget Paper No 1, p 1-8.

Table 2: Major economic parameters(a)

	Outcome		Forecasts		
	2019-20	2020-21	2021-22	2022-23	2023-24
Real GDP	-0.2	-1 1/2	4 3/4	2 3/4	3
Employment	-4.3	2 3/4	1 3/4	1	1 3/4
Unemployment rate	7.0	7 1/4	6 1/2	6	5 1/2
Consumer price index	-0.3	1 3/4	1 1/2	1 3/4	2
Wage price index	1.8	1 1/4	1 1/2	2	2 1/4
Nominal GDP	1.7	-1 3/4	3 1/4	4 1/2	5

(a) Real GDP and nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; and Treasury.

Budget Paper 1 also notes the following in relation to the economic outlook.

The COVID-19 pandemic represents the greatest economic challenge since the Great Depression. Outbreaks are continuing to occur across most countries, even in those countries that were relatively successful in containing the virus in the first half of 2020. The spread of the virus and the restrictions implemented to contain it led to historic falls in economic activity and employment globally over the first half of 2020.

Australia’s economic and health outcomes compare favourably with those of most other countries. Australia experienced a smaller fall in GDP than every major advanced economy over the first half of 2020. Nevertheless, the Australian economy is currently in recession as a result of the COVID-19 pandemic, its first in almost 30 years. Travel restrictions and other containment measures affected the ability of consumers and businesses to undertake their usual activities and led to the largest fall in GDP on record in the June quarter 2020. At the peak of the restrictions, 10 per cent of the labour force lost their job or were stood down on zero hours.

The staged easing of containment measures has resulted in a noticeable pick-up in activity in most states and territories. However, the outbreak of the virus in Victoria has set back the

recovery in that state. Looking forward, Australia’s recovery is expected to be driven by a further easing of containment measures, along with improving business and consumer confidence. Activity will also be significantly supported by the Government’s economic support, including new initiatives announced in the 2020-21 Budget that support spending and investment. In calendar year 2020, real GDP is expected to fall by 3¼ per cent, before growing by 4¼ per cent in calendar year 2021.

New Measures - Education

Students Support Package

Payments (\$m)	2020-21	2021-22	2022-23	2023-24
Department of Education Skills and Employment	16.6	25.0	42.0	44.0
National Indigenous Australians Agency	1.3	3.8	2.6	-
Total - Payments	17.9	28.8	44.6	44.0

The Government will provide \$146.3 million over five years from 2020-21 for a package of initiatives to improve education outcomes of young Australians, particularly disadvantaged students, and those most impacted by the COVID-19 pandemic, and to contribute to social cohesion. The package includes:

- \$39.8 million over four years from 2020-21 for the Clontarf Foundation to expand and extend its existing program, which supports the education, discipline, life skills, self-esteem, and employment prospects of young Aboriginal and Torres Strait Islander men
- \$38.2 million over four years from 2020-21 for The Smith Family to support around 76,000 disadvantaged young Australians to acquire the knowledge, skills and behaviours needed to complete Year 12 and move into work, training, or further study
- \$5.8 million over four years from 2020-21 for Good to Great Schools Australia to develop a pilot program to support up to 10 remote and very remote schools to expand their Direct Instruction literacy program to include numeracy and science
- \$3.0 million over four years from 2020-21 to the Islamic Museum of Australia to develop educational resources and online learning platforms to support social cohesion, multiculturalism, and community harmony
- \$3.0 million over four years from 2020-21 to the Anti-Defamation Commission to create a Holocaust education platform to support inclusiveness, civility, and respect
- \$0.5 million over five years from 2020-21 to increase the Government’s funding of Fulbright scholarships to Australian citizens to take part in an academic and cultural exchange in the United States of America
- \$25.0 million over five years from 2020-21 to establish a fund to enable the Government to respond flexibly and quickly to emerging priorities and educational challenges presented by COVID-19.

The package also includes \$27.3 million over five years from 2020-21 to enhance the science, technology, engineering, and mathematics (STEM) skills of young Australians, including:

- \$9.6 million over five years from 2020-21 to the Australian Academy of Science to deliver curriculum resources and professional learning for Foundation to Year 10 teachers
- \$5.7 million over five years from 2020-21 to expand the *Early Learning STEM Australia* program to Foundation to Year 2 classrooms
- \$4.8 million over five years from 2020-21 to enhance teaching practices through partnering teachers with STEM professionals
- \$4.4 million over five years from 2020-21 to support approximately 120,000 disadvantaged 3 to 5-year olds through The Smith Family’s *Let’s Count* program

- \$2.8 million over five years from 2020-21 to Froebel Australia to build the skills of early learning educators to deliver STEM learning in preschool and childcare settings.

Vocational Educational and Training

JobMaker Plan — Skills Reform Package

Payments (\$m)	2020-21	2021-22	2022-23	2023-24
Department of Education Skills and Employment	75.8	88.1	40.3	33.8
Australian Taxation Office	1.5	6.1	2.6	1.1
Department of Finance	0.1	0.1	0.1	-
Office of the Commonwealth Ombudsman	-1.6	6.0	4.6	-
Total - Payments	75.8	100.2	47.6	35.0

The Government will provide \$263.0 million over four years from 2020-21 to continue to improve the quality of the Vocational Education and Training (VET) system and to respond to the *2019 Expert Review of Australia's VET System*.

The package includes:

- \$91.6 million over four years from 2020-21 (and \$1.8 million per year ongoing) for a new Apprenticeships Data Management System to better support Government service delivery through the operation of the Australian Apprenticeship Support Network and administration of apprenticeship programs.
- \$52.3 million over three years from 2020-21 to expand the *Skills for Education and Employment* program to support additional places for basic foundational language, literacy and numeracy skills training. A scoping study would also be undertaken to inform development of a new national framework for foundational skills.
- \$29.6 million over four years from 2020-21 to support the ongoing role of the National Careers Institute to simplify and strengthen career information, promote VET pathways, and enhance partnerships between industry, employers, schools, and tertiary providers.
- \$1.7 million over four years from 2020-21 for the development of a National Skills Priority List for Apprenticeships to replace the current three lists with a single list based on a skills shortage methodology.
- \$75.9 million over four years from 2020-21 in additional resourcing for the Department of Education, Skills and Employment to support the implementation of the *Skills Reform Package*.
- \$11.9 million over three years from 2020-21 to continue the VET FEE-HELP (VFH) Redress measure in 2021 and 2022 to support students who incurred debts under the VFH loans scheme due to inappropriate conduct of their private VET provider. This remedy measure will close for new applicants on 31 December 2022.

Funding for this measure will be partially met from within the existing resources of the Department of Education, Skills and Employment.

The measure further builds on the July 2020 Economic and Fiscal Update measure titled *Skills Reform Package* and the 2019-20 Budget measure titled *Skills Package — delivering skills for today and tomorrow*.

Early Childhood Education

COVID-19 Response Package – childcare – Victorian recovery payments and other support measures

Payments (\$m)	2020-21	2021-22	2022-23	2023-24
Department of Education Skills and Employment	365.9	-	-	-
Services Australia	5.7	0.5	0.4	0.4
Total - Payments	371.6	0.5	0.4	0.4

The Government will provide \$314.2 million in 2020-21 to support Victorian Early Childhood Education and Care (ECEC) services to remain viable as COVID-19 restrictions ease in the state. Support will be in addition to Child Care Subsidy (CCS) payments and continue from 28 September 2020 until 31 January 2021, and includes:

- \$269.0 million in recovery payments of 25 per cent pre-COVID revenue for all Victorian ECEC services (except Outside School Hours Care (OSHC) and Vacation Care services)
- \$8.6 million for existing support arrangements for Victorian OSHC and Vacation Care services to be extended until school returns to normal
- \$36.6 million in recovery payments of 40 per cent of pre-COVID revenue for Victorian OSHC and Vacation Care services after school returns to normal, with Vacation Care services to receive payments for the number of weeks they operate over the period.

The recovery payments follow \$51.7 million provided by the Government in 2020-21 for services during the stage four lockdown restrictions. Under the stage four restrictions, only vulnerable children and those of permitted workers could attend childcare in metropolitan Melbourne for eight weeks until 27 September 2020. To assist services to stay operational and keep workers employed over this period, the Government provided:

- \$21.7 million to fund a higher Transition Payment of 30 per cent of pre-COVID revenue for childcare services in Melbourne
- \$21.3 million to fund an additional top up payment for eligible services in Melbourne that receive low CCS payments, and which experienced very low attendance
- \$8.7 million to fund OSHC and Vacation Care services 15 per cent of their pre-COVID revenue, when they experienced low attendance.

The Government will also continue the easing of CCS activity test requirements until 4 April 2021, to support eligible families across Australia whose employment has been impacted by COVID-19. Further information can be found in the joint press release of 5 August 2020 issued by the Prime Minister and the Minister for Education and in the press releases of 7 July, 30 July and 20 September 2020 issued by the Minister for Education.

New Measures – Other portfolios

School Pathways Program

Payments (\$m)	2020-21	2021-22	2022-23	2023-24
Department of Treasury	1.2	1.2	-	-
Department of Defence	-1.2	-1.2	-	-
Total - Payments	-	-	-	-

The Government will provide \$2.4 million over two years from 2020-21 to support the continued delivery of the *School Pathways Program* in South Australia and Western Australia, which aims to enhance work and career pathways in the defence industry sector.

The cost of this measure will be met from within the existing resources of the Department of Defence.

Building an Active Australia — implementing Sport 2030 — continuing the Sporting Schools program

Payments (\$m)	2020-21	2021-22	2022-23	2023-24
Australian Sports Commission	19.8	19.8	-	-

The Government will provide the Australian Sports Commission with \$39.6 million over two years from 2020-21 for an additional calendar year of funding for the *Sporting Schools* program, to increase children’s participation rates in sporting activities across 6,000 schools.

This measure builds on the 2019-20 Budget measure titled *Implementing Sport 2030*.

Safer Communities Fund – round six

Payments (\$m)	2020-21	2021-22	2022-23	2023-24
Department of Home Affairs	-	-	-	-

The Government will provide \$35.0 million over four years from 2020-21 to extend the Safer Communities Fund (SCF). The SCF provides grant funding to local government and community organisations to address crime and anti-social behaviour and to protect schools and community organisations that are facing risks from racial or religious intolerance.

The cost of this measure will be met from within the Confiscated Assets Account under the *Proceeds of Crime Act 2002*. This measure builds on the 2019-20 MYEFO measure titled *Election Commitment — Safer Communities Fund — additional funding*.

These measures are detailed in Budget Paper No 2.

National Partnerships

In 2020-21, the Australian Government will provide \$544.8 million through National Partnerships, some of which are ceasing, as detailed below.

National Partnership Payments (\$m)

	2020-21	2021-22	2022-23	2023-24
MoneySmart teaching	1.3	-	-	-
National School Chaplaincy program	61.4	61.4	61.4	61.4
NT Remote Aboriginal Investment - Children and schooling component	30.2	29.3	-	-
School Pathways Program	1.2	1.2	-	-
Universal access to early childhood education	450.6	317.2	-	-
Total	544.8	409.1	61.4	61.4

Further information on these National Partnerships is available in Budget Paper No.3.

Department of Education, Skills and Employment Budget Portfolio Statement

The Portfolio Statement notes that *Program 1.4 Non-Government Schools National Support*, will be delivered through the following delivery strategies:

- Administer recurrent funding entitlements under the *Australian Education Act 2013* (the Act) based on the Schooling Resourcing Standard that provides a base amount for every student and loadings to target disadvantage.
- Monitor the compliance of approved authorities with requirements under the Act and ensure the accuracy and integrity of payments.
- Continue to implement the new direct measure of capacity to contribute, including a process for the review of individual school scores and a program of further refinement work.
- Support the National School Resourcing Board in undertaking reviews of the Australian Government's school funding model under the Act and implement the Australian Government's response to the board's reviews of the loading for students with a disability, reporting of section 22A obligations and the review of needs-based funding requirements.
- Provide funding for capital infrastructure for non-government schools, particularly for the most disadvantaged.
- Provide funding under the Choice and Affordability Fund for non-government representative bodies as a flexible means of driving government priorities including supporting parental choice and affordability of schools and assisting schools in regional, remote, and drought-affected areas.
- Monitor the impact of COVID-19 on the financial viability of non-government schools.
- Provide funding to non-government representative bodies to support implementation of national reforms in non-government schools.

Program expenses 1.4 Non-Government Schools National Support

	2019–20 Estimated actual \$'000	2020–21 Budget \$'000	2021–22 Forward estimate \$'000	2022–23 Forward estimate \$'000	2023–24 Forward estimate \$'000
Annual administered expenses:					
Other services (Appropriation Bill No. 2)					
Non-Government Representative Bodies	40,013	40,013	40,013	14,004	-
Special Circumstances Funding (a)	31,511	-	-	-	-
Adjustment Assistance (b)	3,115	9,131	1,676	491	-
Choice and Affordability Fund	-	156,045	107,682	110,912	114,240
Special appropriations:					
<i>Australian Education Act 2013</i>	13,843,303	12,639,164	14,507,409	15,324,689	16,017,433
Total program expenses	13,917,942	12,844,353	14,656,780	15,450,096	16,131,673

(a) Previously published as Short Term Emergency Assistance, known as Special Circumstances Funding, as per the *Australian Education Act 2013*.

(b) In 2019–20, \$12.458 million was paid for Adjustment Assistance, with \$3.115 million from Administered funds and \$9.343 million from Departmental funds.


Source: Department of Education and training Budget Portfolio Statement p 31

Budget Paper 1 also notes that increases in payments relating to the Non-Government Schools National Support program, which are expected to increase by \$101.8 million in 2020-21 (\$762.9 million over the four years to 2023-24), largely reflect higher than expected enrolments, including for indigenous students and students with a disability, and the opening of new non-government schools.

Further information

The Budget Papers are available at <https://budget.gov.au/2020-21/content/documents.htm>.

The Department of Education, Skills and Employment's Portfolio Budget Statements and media releases are available at <https://www.dese.gov.au/budget-2020-21>.

A handwritten signature in black ink, consisting of a stylized 'C' followed by several loops and a horizontal line.

Caroline Miller
Director Policy and Research

Attachment A: Quality Schools Funding

Budget Paper 3 notes that the Australian Government has implemented a new needs-based funding model for schools which delivers a consistent national approach for all schools in all states.

Quality Schools funding (\$million)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2020-21									
Government schools (a)	2,807.6	2,126.2	2,034.3	920.3	616.5	217.1	130.1	217.3	9,069.4
Non-government schools (b)(c)(d)	3,852.7	3,485.2	2,788.7	1,263.4	789.0	290.0	224.8	150.4	12,844.4
Total	6,660.4	5,611.5	4,823.0	2,183.7	1,405.5	507.1	354.9	367.7	21,913.8
2021-22									
Government schools (a)	2,993.3	2,307.0	168.7	1,016.6	671.4	226.0	142.6	224.2	9,749.9
Non-government schools (b)(c)(d)	4,464.0	3,803.5	3,118.7	1,486.0	1,043.5	312.3	236.5	192.3	14,656.8
Total	7,457.3	6,110.5	5,287.4	2,502.6	1,714.9	538.3	379.1	416.6	24,406.7
2022-23									
Government schools (a)	3,184.6	2,494.3	2,303.8	1,118.1	728.9	235.5	155.6	227.9	10,448.7
Non-government schools (b)(c)(d)	4,719.3	4,018.2	3,278.7	1,560.1	1,098.9	327.7	245.2	201.9	15,450.1
Total	7,904.0	6,512.6	5,582.4	2,678.2	1,827.8	563.2	400.8	429.8	25,898.8
2023-24									
Government schools (a)	3,348.9	2,652.7	2,419.4	1,196.5	769.6	243.8	166.5	231.1	11,028.5
Non-government schools (b)(c)(d)	4,933.6	4,205.2	3,417.7	1,624.3	1,146.5	341.0	253.7	209.7	16,131.7
Total	8,282.5	6,857.9	5,837.1	2,820.8	1,916.1	584.8	420.2	440.7	47,160.2

(a) Includes funding for the Northern Territory to accelerate evidence-based reforms to improve outcomes for vulnerable students and includes Literacy support for Tasmanian students.

(b) Includes capital funding.

(c) Includes prescribed circumstances funding.

(d) Includes funding for non-government school reform support, and the Choice and Affordability Fund.

Source: Budget Paper No 3, p 32