

VINCENT BLACKBURN'S SUBMISSION TO THE NEW SOUTH WALES GOVERNMENT 'REVIEW OF FEDERAL FINANCIAL RELATIONS':- "AN INNOVATIVE AGENDA FOR DEVELOPING BEST PRACTICE MONITORING, EVALUATION AND EFFICIENCY FRAMEWORKS IN AUSTRALIAN FEDERAL GRANT PROGRAM FUNDING GOVERNANCE"

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Introduction

A critical Australian National Audit Office (ANAO) Performance Audit Report of 6 December 2017 **"Monitoring the Impact of Australian Government School Funding"**, focused on the deficient role of the Commonwealth Department of Education (CDET), since 2013 in monitoring Federal School funding to Non - Government schools **(1)**. The **Joint Committee of Public Accounts and Audit Report, (JCPAA)** in February 2019 reinforced these criticisms of CDET **(2)**. In responding to the absence of any Federal Program Grant Impact modelling, **SEMETRICA** supports the creation of an adjunct **ANAO 'Evaluator General's Office'** to evaluate all Federal grant impacts. Adoption of a **GRANT EFFICIENCY REPORTING MODEL** could use **SEMETRICA'S** proven Network Data Envelopment Analysis, DEA methodology to evaluate all grant impacts. **SEMETRICA'S** Grant Evaluation Programs would measure the **Efficiency, Effectiveness, Economy and Equity (4E)**, Good Governance policy dimensions as outlined in recent publications **(3), (4), (5),(6)**.

A recent Evaluation study by **SEMETRICA** focused on measuring School Technical and Allocative Efficiency as well as Malmquist Productivity metrics for Government schools in Australia. For example such detailed DEA modelling analytics including all SAS Machine Codes are contained in the book **"Nonparametric Estimation of Educational Production and Costs using DEA"**, **Springer, Operations Research and Management Sciences Series, 2014, (4)**. A more recent collaborative school efficiency modelling approach is contained in the comprehensive **"A Two Stage Cost and Learning Efficiency Driver Network DEA Model of Australian Schools"**, **Applied Economics, 2016, (5)**. This was the first such study to use the innovative **Network DEA Efficiency Analytics** method in the International School Finance Efficiency, Productivity Monitoring and Evaluation literatures.

An expanded Evaluator General's Unit in the ANAO could undertake yearly Program Finance Policy Monitoring and Evaluation investigations to inform robust future Parliamentary Committee program grant policy debates. It could also encourage a continuous evaluation cycle to measure the efficiency and effectiveness of existing or newly legislated Government Program Funding. The usefulness of these detailed evaluation analytics could also foster needed changes in Federal Grant Guidelines thereby upgrading the Annual ANAO Program Evaluation cycle by using fit for purpose Efficiency Metrics Applications. Such robust and persuasive 4E internationally recognised research methods could underpin substantial Public Sector finance and governance reforms across Australia.

This focus could also be broadened to include needed reporting upgrades in recipient State and Local Government funding impact evaluation activities in the eight centralised State and Territory Treasuries and Government Policy and Program Departments. Such renewed grant oversight activity would complement the ANAO and JCPAA's recent critical focus on the lack of Health Grant evaluations, as well as the Non-Government School Sector Monitoring activities by CDET. Much Improved Evaluation Impact studies could utilise and expand the methodologies contained in **(4-6)**.

ANAO criticisms of the Commonwealth Education Department School Grant Monitoring activities

In 2014/15, 72 per cent (\$38.1 billion) of total recurrent public funding for schools (\$53 billion) was provided by State and Territory Governments. The Australian Government provided \$14.9 billion over the same period. The majority of State and Territory Government funding (91 percent) was provided to government schools. Conversely, the majority of Australian Government funding (64 percent) was provided to non-government schools, ANAO Report, **(1)**, p7.

The main ANAO conclusions

This recent ANAO Report provides a timely 'stocktaking' review of the existing approach by the Commonwealth Department of Education and Training to monitoring the impact of Australian Government School funding arrangements, in accordance with the **Australian Education Act 2013**. The full ANAO Report is in reference **(1)**. A summary of the main ANAO conclusions are below.

"(1) The arrangements do not provide a sufficient level of assurance that funding has been used in accordance with the legislative framework, in particular the requirement for funding to be distributed on the basis of need.

(2) Further the department has not used available data to effectively monitor the impact of school funding and to provide greater transparency and accountability.

(3) As such the department is not well placed to determine whether the current policy settings are effective in supporting the achievement of educational outcomes.

(4) The department is yet to establish sufficiently robust arrangements to ensure system authorities have in place, and make publicly available, compliant needs based funding arrangements.

(5) There are also weaknesses in the arrangements established by the department to collect and validate the information provided by approved authorities to account for funding.

(6) These weaknesses have reduced the level of assurance the department has that funding is allocated in accordance with the needs-based principles established under the legislative framework.

(7) The Department has not effectively monitored the requirement for system authorities to have in place needs-based funding arrangements and, therefore, is not well positioned to determine whether the basis on which authorities are distributing Australian Government funding is in accordance with legislative requirements.

(8) Further, in the interest of reducing the regulatory burden on the sector, the department has not monitored whether approved system authorities' funding models are publicly available and fully transparent as required.

(9) Such weaknesses in the current monitoring arrangements have undermined the department's ability to appropriately verify reported schools' data in order to assess progress against established policy objectives and to support accountability, transparency and analysis. This adversely impacts the level of assurance that the department has in relation to the use of Australian Government funding to progress agreed education policy objectives.

(10) Overall the arrangements established by the department have not delivered the level of transparency and accountability envisaged under the Act and the department has not fully utilised available data to inform the development of current and future education policy".

The ANAO focuses more critically on the insufficiency of, (11), "Monitoring the implementation of and progress against policy objectives". In this context "The department has not established robust arrangements to monitor the implementation plans that are required to be developed, published and maintained by authorities

participating in the National Education Reform Agreement (NERA), or used the plans to measure progress against reform directions”.

Further, the department, (12), *“Has not conducted bilateral discussions, prepared annual progress reports or conducted a comprehensive review, as required under relevant bilateral agreements. As a consequence, the department is not well placed to determine the extent to which reform directions established under the NERA have been progressed by authorities. The department has made limited use of the available data to build its understanding of the impact of funding on school educational outcomes.”* SEMETRICA’s bold and practical evaluation upgrade proposals are outlined below.

In an apparently belated sign of forced renewal the ANAO acknowledged that, (13), *“The department is, however, working to build its data and evidence capability, including through the establishment of a branch tasked with helping the department to better manage its data assets”.*

The Context for future Reform in Evaluating Commonwealth Grants to State / Local Governments

Future reform of current Australian Government Grant accountability methods should also focus on a more robust evaluation of the efficacy of Commonwealth funding levels using clearly defined Efficiency, Effectiveness, Economy and Equity protocols. Such 4E determinants of Good Funding Governance will promote effective Monitoring and Evaluation outcomes. The approaches used by SEMETRICA in (4-6), indicate the steps needed in this urgent Policy renewal task. The “Gonski 2.0” Report and recently enacted school grant increases by the Commonwealth for both Government and Non-Government sector schools from 2019-2026, also requires improved Evaluation capabilities.

No comprehensive and rigorous CDET evaluation reports exist of the 4E “impact” of past school funding by both Commonwealth and State Governments from 2011-2019. This inadequate situation has been clearly identified in both the ANAO and JCPAA reports. School Funding Metrics should incorporate Evaluation studies which focus on determining the impact of existing and future Grant Funding levels. Such robust 4E Efficiency, Effectiveness, Economy and Equity Logic Model Frameworks, would enhance Federal-State School Grant Governance and Performance outcomes.

Current Governmental 4E Audit standards for evaluating the spending of all Federal grants by both State and Commonwealth agencies are either unknown or being ignored. ***Such shortcomings could be eliminated by authorising an expanded ANAO EVALUATOR GENERALS OFFICE' to oversight all Commonwealth Funding Programs.*** This move to seek a robust Commonwealth/State Agreement to Monitor and Report such an agreed 'Joint Reform Agenda' has been proposed by the Australian Productivity Commission on a biennial basis, to be included in its '5 Yearly Productivity Reviews'.

Detailed potential new directions in Non-Government School Grant Evaluations and Governance

The need currently exists for such an Evaluator Generals' Office or an Australian Productivity Commission Grant Governance Unit to initiate rigorous 4E School and Health Governance Monitoring and Evaluation reporting standards. Such upgrades are clearly needed to improve the current deficient monitoring work undertaken by CDET, as documented in the ANAO School Sector Funding Monitoring report of 6 December 2017.

This ANAO report was buried in the rush to Christmas 2017, but now needs to be revisited in assessing any upgrades in CDET school grant monitoring procedures. Also upgraded School Grant Monitoring and Evaluation reports need to be developed to determine the impact and efficacy of past Commonwealth school grants, as well as meeting the future needs for detailed, meaningful upgraded Commonwealth legislated monitoring and evaluation reporting requirements.

The response of the Australian Government to belatedly set up the National School Resourcing Board, (NSRB) in 2017 to provide greater independent research into the determination of Commonwealth recurrent school funding is welcome. Further Network DEA Modelling however is needed to ensure greater compliance with funding accountability standards for all Australian Non-Government schools and systems.

Such requirements were originally intended in the recommendations of the 2011 'Gonski 1' *Review of Funding for Schooling*. Also the report of the "Review to Achieve Educational Excellence in Australian Schools", the "Gonski 2.0 Report," emphasised the need to better evaluate the distribution of non-government grant funding in parallel with their revised needs-based school funding model. The New Zealand Productivity Commission recently advocated similar studies (8).

Upgrading Commonwealth School Grant Evaluations by State Departments of Education.

Additional upgraded School Grant Monitoring and Evaluation frameworks are also required in assessing the usage and impact of Commonwealth Grants allocated to State and Territory Government Education Departments. Parallel well-specified Government school Network DEA models could also inform future Governance ,Monitoring and Evaluation assessment upgrades in each State and Territory. Such work could be informed by a recent well-crafted policy relevant contribution to this extensive debate on School Governance by Professor Rodney Maddock, (7).

Professor Maddock's article, "**Why Education Departments should be broken up**", describes their current shambolic decision making environments as "All State Government Education Departments across Australia make policy, allocate funds, build schools, operate the largest players in the field, (public schools), and act as regulators as well". "This bundle involves multiple conflicts of interest because the Departments operate the Public Education system but also regulate the Public, the Catholic and the Independent School systems,"(page 2 of (7)

However clear directions for change in all State government school agencies are contained in the recent Productivity Commission, (PC) "Competition Policy Review" headed by Professor Ian Harper which indicated that "Governments should retain a stewardship function separating the interests of policy (including funding), regulation and service delivery," (page 2 of (7).

Professor Maddock also draws the following conclusions from this Productivity Commission Review as "the implication is that State and Territory Education Departments need to be **BROKEN UP**. Responsibility for the operation of public schools needs to be separated from the policy making and regulatory functions and put into a separate authority".

"Having a single entity responsible for the delivery of public school education would also open up the way for other avenues of review, with the Auditor Generals (both Commonwealth and all State and Territory Audit Offices), being able to assess the value being delivered by benchmarking each State system against the others and also the non-government school systems, using PC-ROGS Data".

Other positive proposals that Professor Maddock identified were "the creation of an Office of the Education Ombudsman for all school systems, thereby increasing transparency and accountability. Also in their role as stewards, policy makers could be assessed with PISA, NAPLAN and other school level finance and staffing data for the overall performance of the system without distractions from operational considerations". These could be initial tasks for an upgraded **ANAO "Evaluator General's Office."**

Professor Maddock also makes reference to a follow up **Australian Productivity Commission** Review into the "Delivery of Human Services" which focused on education and health functions which

reinforced the messages from the prior Professor Harper **PC** 'Competition Policy Review'. "Such deliberations should result in Australia having a sensible Governance model for its School Education system" Professor Maddock concluded.

CONCLUSION

SEMETRICA'S above support for the creation of an **ANAO Evaluator General's Office** or an **Expanded Australian Productivity Commission's** Federal School and Health Grant Impact Monitoring role, indicates that a robust Commonwealth Government Performance Measurement, Benchmarking, Evaluation and Governance system is 'now within our grasp'. These reforms will embed 'Good Public Governance' protocols into Australian Government School and Health Grant Funding Impact Assessments.

The recently re-elected Commonwealth Government now has a clear rationale for developing a once in a in a generation creation of an **ANAO Evaluator General's Office**, or an **extended Australian Productivity Commission Oversight role**, in utilising robust Efficiency and Productivity protocols for evaluating the sustainability of the Australia wide School Education and Health Grant Funding systems.

Similar Evaluation Performance reporting analytics could also upgrade the assessment of the 4E's of State Health functional budgets. To accelerate such policy research a new Governance Program of Efficiency Metrics modelling could closely follow the successful Research Agenda pioneered by SEMETRICA in Australia. SEMETRICA's detailed 'Logic Model' Framework was first presented to the Australian Productivity Commission's, **PC**, 2016 Inquiry into "The Australian Education Evidence Base", **(8A)**.

An updated version of such methodologies was also presented to the New Zealand Productivity Commission's 2018 Inquiry into "Measuring and Improving State Sector Productivity" **(8B)**. SEMETRICA has also provided its 5 published School Efficiency Journal Articles and Springer book to the UK Department of Education for their recent upgrade of UK School Finance Efficiency Modelling.

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