LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

REVIEW OF AUDITOR-GENERAL'S REPORT NUMBER 4, 1995

Government Secondary Colleges

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Report Number 20

September 1996

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RESOLUTION OF APPOINTMENT

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 9 March 1995 with the following terms of reference:

(a) examine:

  (i) the accounts of the receipts and expenditure of the Australian Capital Territory;

  (ii) the financial affairs of authorities of the Australian Capital Territory; and

  (iii) all reports of the Auditor-General which have been laid before the Assembly;

(b) report to the Assembly, with such comments as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;

(c) inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and

(d) inquire into and report on the implementation of the *Public Sector Management Act 1994* with particular reference to:

  (i) the public interest; and

  (ii) any other related matter.

MEMBERSHIP OF THE COMMITTEE

Mr Bill Wood MLA (From 26 March 1996. Elected Committee Chair 3 April 1996)

Mr Trevor Kaine MLA (Deputy Committee Chair)

Ms Lucy Horodny MLA

Ms Rosemary Follett MLA (To 26 March 1996. Former Committee Chair)

Secretary: Bill Symington

1. INTRODUCTION

Background

1.1. Auditor-General's Report No 4, 1995 was presented to the Assembly on 24 August 1995.

1.2. This is a performance audit which reviewed the efficiency of ACT secondary colleges in providing education services and which examined class sizes, teaching loads, curriculum development, management of the cost and numbers of teachers through the staffing formula, and the use of college infrastructure. It was not an audit of the effectiveness of individual teachers or the quality of the education system.[1]

1.3. The overall conclusion of the audit was that secondary college education could be delivered significantly more efficiently and that the reasons for the audit's more detailed findings reflect long-standing and entrenched practices which became institutionalised when the ACT education system was under Commonwealth control. The audit surmised that if the issues it identified are to be successfully addressed, recognition by the community that existing practices are not now appropriate will be necessary. The audit estimated that some \$3m annually could be saved if its findings were to be addressed.[2]

1.4. The audit was managed by the Audit Office with the assistance of the accounting and consulting firm, Ernst and Young. Advice was also provided by Professor Neil Baumgarten of the Faculty of Education, University of Western Sydney.

2. COMMITTEE APPROACH

2.1. The committee sought and received comment on the audit findings from the Minister for Education and Training and from the ACT Branch of the Australian Education Union. Comments were also received from the Stirling College Board and the Narrabundah College Board. The ACT Council of Parents and Citizens Associations was invited to comment on the report but declined to do so. The committee also discussed the report with the Auditor-General.

2.2. The audit findings and an outline of Ministerial and other comment is given in the following sections of this report.

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[1] Audit Report, p2 and discussion with Auditor-General

[2] ibid,pp2/3

3. AUDIT FINDINGS AND COMMENT

3.1. The audit findings are outlined in pages 4-11 of the Auditor-General's report, and extended discussion is in the relevant sections of the report.

Face to Face Teaching

3.2. The audit found that under current industrial arrangements teachers have a maximum 18 hours face to face teaching per week and are available at school while the school is open. The balance of time at school is to be spent on lesson preparation, marking and other teaching duties. 18 hours per week is 10% lower than other Australian school systems and the audit estimated that the lower teaching load in the ACT involved extra direct staff costs of the order of $2m compared to other States and Territories where face to face teaching hours ranged between 20 and 21 hours.[3] The audit proposed that face to face teaching be increased to 20 hours and that the Department of Education and Training (DET) review the feasibility of colleges carrying out assessment and moderation procedures in college vacations during stand-down time.[4]

3.3. The Minister for Education and Training advised that the Government accepts the thrust of the audit proposals and believes that increasing the face to face teaching hours for all teachers should be explored with the Australian Education Union as part of the 1996 Teaching Enterprise Agreement.[5]

Range of Classes and Class Sizes

3.4. The audit found there is an excessively wide range of courses available. This is resource intensive and there are doubts as to whether a full continuation of current practices is an efficient use of teaching and Departmental resources. The audit noted competition amongst colleges for students, simultaneous offering of highly specialised courses where it is not economical for such courses in more than one college and many courses with small numbers.[6]

3.5. With regard to class sizes the audit found that across the college system the average class size was about 17.5 students although some 34% of classes overall were at or below the level of 15 students. The audit concluded there is scope for reducing the number of classes so as to increase the overall average class size.[7]

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[3] ibid, pp4 and 34
[4] ibib, pp38/39
[5] Minister for Education and Training, letter to committee dated 30 November 1995
[6] Audit Report, pp4/5 and 47/48
[7] ibid, pp 6 and 58

3.6. The audit proposed that DET exercise more control over the range of courses to encourage more efficient and effective use of teaching resources.[8]

3.7. The Minister advised that the Government accepts the need to offer a reasonable range of courses in each college but is also committed to school based management and decision making. However the Minister further advised that individual colleges will be asked to review the full range of their course offerings so that they may be in a position to advise DET if opportunities for improved coordination of curriculum exist. The Minister advised that this review was to be completed by the end of second term 1996.

Non-Teaching Activities

3.8. The audit found that about 10% of teachers' available face to face teaching time is spent on non-teaching activities. Teachers are employed on counselling, student welfare and administration and the audit noted that the time involved was equivalent to approximately 50 full-time teachers (about 10% of all teachers).[9]

3.9. The Minister advised that the Government accepts the thrust of the finding that the use of less expensive non-teaching staff may be more appropriate for non-teaching tasks carried out by teachers. The Minister advised that the Government is committed to enhancing the extent of school based management to enable more resource decisions to be made at the school level and said DET is working in consultation with all stakeholders to implement more school based management arrangements in 1996 and 1997. The Minister advised these arrangements will include increased flexibility in the use of staff resources and that consultation with the respective unions is a key part of the process.[10]

3.10. The Minister further advised that the first stage of enhanced school based management is scheduled for 1996, and that Stage 2 is scheduled for early 1997 and will involve the more complex issues.[11]

Student/Teacher Ratios and Mix of Teaching Resources

3.11. The audit found that the preservation of the long standing student/teacher ratio (introduced in the 1970s) prevents DET from managing overall teaching costs efficiently and may no longer be appropriate. The audit observed that teaching salary costs have mostly been quarantined from Government schooling expenditure reductions, and recommended that the ratio assumptions be reviewed to determine the levels of teaching resources appropriate for the ACT's financial situation.[12]

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[8] ibid, p48
[9] ibid, pp5 and 55
[10] Minister for Education and Training, op cit
[11] ibid
[12] Audit Report, pp6 and 78

3.12. The audit also recommended that DET review administrative policies and procedures for the allocation of resources to colleges in order to enable colleges to identify and manage with the most cost-effective mix of teaching resources.[13]

3.13. The Minister advised that teacher salaries comprise the majority of the Schooling Budget and are largely determined by the staffing formula for the respective school sector. The Minister said that formulae changes usually occur in the Budget context and successive governments have minimised the direct impact on schools of Budget measures. The Minister noted that the 1995-96 Budget reduced college sector resources and college principals are participating in deliberations about implementation on an ongoing basis in the Budget context.[14]

Unused Capacity across the College System

3.14. The audit found a wide disparity in college sizes with enrolments in the nine colleges of between 394 and 928, and assessed the colleges operating at about 82% of capacity with excess capacity of at least 1400 student places. The audit noted that at 30 June 1994 college land, buildings and equipment were valued (at cost or valuation) at $171.6m or approximately $25,000 per enrolled student. The audit estimated the financing costs of a college place at about $2,000 per annum, and concluded that there would be recurrent annual savings of at least $400,000 if the nine colleges were reduced to eight. The audit recommended that DET review the number and location of colleges.[15]

3.15. In response the Minister advised that the Government is committed not to close a school without the support of its community. The Minister said that over the next five years, college student numbers are projected to remain relatively stable although there will be a gradual build-up in Gungahlin student numbers where a college will not be required before 2004.[16]

3.16. The Minister said that a process is in place to assist school communities to consider their alternatives when enrolments decline, and that this process is currently in operation with the Stirling College community. The Minister advised that from 1996, schools and colleges must function with the level of staff resources determined by the staffing formula and there will be no supplementation unless of a short term transitory nature or under a special purpose program. The Minister said the new Ministerial Advisory Council on Government Schooling will consult with the community and provide advice on strategies for managing changing enrolment patterns.[17]

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[13] ibid, p78
[14] Minister for Education and Training, op cit
[15] Audit report, pp92/94
[16] Minister for Education and Training, op cit
[17] ibid

Performance Standards and Information

3.17. The audit found considerable difficulties in assembling useful comparable information on activities and costs and linking this to relevant DET and college functions. The audit observed that the current system provides little if any measurement of a college's performance criteria and there is little connection between operational management and resource utilisation at college level and the budgetary and performance measurement of colleges. [18]

3.18. The Minister advised that the Government's financial management reforms will assist all agencies to concentrate on outcomes, outputs and associated costs; and that Government schooling will be reporting on such outputs (and costs) as the number of college students either obtaining a year 12 certificate, a TER score or taking up vocationally orientated courses of study while at college. These reforms would be ongoing from July 1996 as part of the financial management reforms.[19]

3.19. The Minister advised that paying attention to efficiency is a management imperative which needs to relate to effectiveness. The Minister further advised that measuring the "value added" contribution schools make to student performance is a complex and sensitive issue and the Council of Australian Government (COAG) Review of Commonwealth/State Service Provision, due to report in1995, would provide guidance in this area.[20]

4. VIEWS OF INTERESTED PARTIES

4.1. Comments on the audit report were received from the ACT Branch of the Australian Education Union (AEU) and the Boards of Stirling College and Narrabundah College.

4.2. The AEU[21] criticised the audit report on the grounds that:

- the consultants relied on data which was extremely difficult to interpret without having a detailed knowledge of the ACT system, and they did not acquire an understanding of the ACT assessment and moderation procedures, how curriculum is developed and the educational and legal requirements of student welfare

- the audit does not address the effectiveness of the education system, dealing only with whether college education is being delivered efficiently to students

- the audit did not adequately examine the differences between the ACT system and those operating elsewhere when identifying savings and ignored the educational priorities of the distinctive Canberra community.

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[18] Audit Report, p9
[19] Minister for Education and Training, op cit
[20] ibid
[21] ACT Branch, Australian Education Union, letter to committee dated 17 October 1995

- the rationale for the audit was really to see how ACT expenditure could be cut to the standardised level of expenditure necessary to provide the average level of State type services to the people of the ACT

- no consideration was given of the extra costs involved in running a small [education] system and no costings were made of the suggested changes, such as changes to curriculum development and the employment of non-teachers and out sourcing of much of the colleges' operations

- statistical information in the audit report was down loaded on a day when trimester enrolments were not complete, and allowance had not been made for special needs students and that too much weighting was given to recreational (R) units

- the audit valuation of college buildings is not explained and seems to differ widely from the community's perceived notion of their value. It also seems of dubious value to include these costs against students when the ACT Government has not had to pay for the land or buildings and does not have to make any interest payments

- the cost per student given by the audit is distorted by the inclusion of evening college salaries without including evening college students in student numbers. This has added considerably to the costs of four colleges and, in particular, makes Stirling and Dickson colleges appear much more expensive per student than they actually are. Phillip College appears comparatively expensive because of the inclusion of the Special Needs Unit which has a much higher staff/student ratio. Also the cost of providing staff to teach full fee paying overseas students has been added to costs without deducting the considerable fees these students pay

- the audit consultants were supposed to check their use of the data with college principals and, although this happened, the college data bears no relationship to the audit data

- the audit ignored important industrial realities. Teachers' hours of face to face teaching are determined by the Agreement between the ACT Teachers' Federation and the ACT Schools' Authority on the Second Tier Pay Increases for teachers employed by the Authority under the Schools component of the Commonwealth Teaching Service Act 1972. The audit also treats the college system as a separate entity and not part of a whole system.

4.3. However, the AEU supported those aspects of the audit which highlight the problems created by competition between the colleges (but noted the audit made no recommendation on this matter), and the suggestion that younger teachers should be employed [provided this is achieved by offering voluntary redundancy packages to older teachers].

4.4. The Stirling College Board[22] entered a strong defence of its Evening College program, asserting that its program has been the most efficiently run in the ACT over the past several years. However, the Board's prime concern related to the impact of the removal of evening classes on the college itself, and stated that inaccurate information had been used to provide false economic savings.

4.5. The Board also questioned matters raised by the audit such as operating costs per student, class size numbers and school capacity. But the Board's main concern was that the audit focussed upon economics and not with educational attainment. [23]

4.6. The Narrabundah College Board[24] expressed the view that the audit was superficial and made unsubstantiated assertions and presented cost savings without justification or any consideration of the interaction between the different recommendations. In essence, the Board's position was that the audit said there are too many teachers in the college system and that teachers are overpaid for the hours worked, but that it lacked understanding of college operations and the factors which determine the allocation of resources.

5. AUDIT RESPONSE TO CRITICISMS

5.1. The committee discussed the above criticisms with the Auditor-General and with the consultant involved in the audit.

5.2. The Auditor-General emphasised that the audit concentrated upon efficiency, that it was not a micro check on colleges, but that it was an overall assessment of the effectiveness of the resources which are dedicated to the educational system in the colleges.

5.3. The committee was advised that there was no real and consistent set of data on inputs and outputs of education and the audit was obliged to look at the major areas of class sizes, face to face teaching and the number of colleges. Other issues were caught up in this general examination and reported upon in the audit.

5.4. The Auditor-General advised that while DET systems were lacking, detailed questionaires were put to college principals and principals were kept informed on the data used. Overall the audit was confident that the data provided and its own analysis which went somewhat further in certain cases was sufficient for the conclusions reached.

5.5. The Auditor-General and the consultant responded to the committee on the criticisms and issues raised by the AEU and the two college boards. They said they had been up front with college principals and had fully recognised that the core

[22]Stirling College Board, letter to committee dated 18 October 1995
[23]Stirling College Board, statement to committee received 1 Novemeber 1995
[24] Narrabundah College, letter to committee dated 28 November 1995

management issues are now in the area of non-discretionary expenditure, viz salaries and staffing.

5.6. The Auditor-General advised that the audit had been aware of the sensitivity of the issues and had been very careful in researching the issues and in reaching its findings. The Auditor-General and the consultant expressed confidence that the audit report will stand up to critical review.

6. COMMITTEE CONCLUSIONS

6.1. The concerns expressed by the AEU and the Stirling and Narrabundah College Boards are understood by the committee. It is aware that college staff and the school communities could feel threatened by the audit findings and it is vitally important that issues of reform in public education which affect most people in the ACT community in a very direct and personal way should be handled with sensitivity.

6.2. The committee is, therefore, alert to the sensitivity of the matters raised by this audit and is satisfied that the audit also recognised those sensitivities.

6.3. The committee recognises that no area of public administration should be immune from critical examination at any time and it would be unrealistic to accept that the ACT college system is free of inefficiencies or, as is the case with other areas of public administration, is incapable of improvement.

6.4. Accordingly, the committee accepts the audit report as a necessary review of college practice and administration and supports the need for a rigorous consideration of whether the audit's proposed changes are capable of achieving a cost-effective quality college education system.

6.5. However, the committee is firmly of the view that the Government, in its examination of the audit findings, should ensure there is full consultation with teaching staff and college communities, and especially with those colleges which would be affected by any changes in capacity utilisation. The committee also notes that a number of the matters identified by the audit are being taken up between the Government and the AEU in the context of the 1996 Teaching Enterprise Agreement.

7. RECOMMENDATIONS

7.1. The committee recommends that the Government in responding to this report, advise:

> **(1) in relation to face to face teaching, the outcome of the 1996 Teaching Enterprise Agreement;**
>
> **(2) in relation to class sizes, the outcome of the review to be completed by the end of second term 1996;**

(3) in relation to non-teaching activities, details of the first stage of enhanced school based management, and provide an outline of the more complex issues to be covered by Stage 2 of the process including action proposed by the Government to satisfy the increasing need for resources for counselling and other services;

(4) in relation to student/teacher ratios and mix of teaching resources, progress with and the outcome of the college principals' deliberations on implementation of college sector resource reductions;

(5) in relation to unused capacity across the college system, progress with and outcomes of the Ministerial Advisory Council on Government Schooling consultations on strategies for managing changing enrolment patterns; and

(6) in relation to performance standards and information, the outcome of the 1995 COAG Review of Commonwealth/State Service Provision and an indication of the Government's proposals for measuring performance against criteria.

Bill Wood

Bill Wood MLA
Chair

ADDITIONAL COMMENTS BY MS LUCY HORODNY MLA.

With regard to the efficiency of secondary college operations, this cannot be calculated using only a narrow quantitative analysis, particularly in an area such as education where qualitative considerations are critical to achieving effective outcomes.

I believe therefore that any cost reduction measures which reduce the overall quality of the education system are inappropriate.

Lucy Horodny

Lucy Horodny MLA