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9 August, 2000

John Carter  
Secretary  
Employment, Workplace Relations,  
Small Business and Education Legislation Committee

**Email:** [eet.sen@aph.gov.au](mailto:eet.sen@aph.gov.au)

Dear Mr Carter,

Please find attached the Independent Education Union's submission to the Inquiry into the States Grants (Primary and Secondary Education Assistance) Bill 2000.

I understand the Senate Committee hearings will occur September 21 and 22 in Canberra. The union would like to appear before the Committee and address the issues arising from the changes to the funding of non-government schools.

Many thanks for your assistance.

Yours sincerely,

Lynne Rolley  
Federal Secretary



**INDEPENDENT EDUCATION UNION  
OF AUSTRALIA**

**SENATE ENQUIRY SUBMISSION  
STATES GRANTS (PRIMARY AND  
SECONDARY EDUCATION  
ASSISTANCE) BILL 2000**

**July, 2000**

**SENATE ENQUIRY SUBMISSION  
STATES GRANTS (PRIMARY AND SECONDARY EDUCATION  
ASSISTANCE) BILL 2000**

**RECOMMENDATIONS:**

- 1. The IEU urges Commonwealth and State/Territory governments to be inclusive of all the key stakeholder groups in funding policy development and implementation so that the broad consensus and partnership model built over the past twenty years prior to 1996 is not further undermined.**
- 2. The IEU recommends that a fair and proper approach to needs based schools funding requires an assessment of what should be included in a comprehensive “basket of resources” to provide quality education to all students, thereby representing a community standard or benchmark. Mechanisms should be in place which provide for an ongoing review of what should be in such a basket of resources, in light of changes to education policy and priorities and the challenges confronting schools, and that the elements in the basket should be assigned a proper monetary basis.**
- 3. The IEU strongly supports the recommendation in the Senate Inquiry report "A Class Act" which calls for the Commonwealth, State and Territory governments to jointly establish a Schools Education Costs Committee to undertake consultation and research with the aim of ascertaining the cost of delivering, at the various stages of schooling and in each of the Eight Key Learning Areas, an education which will meet the basic requirements of those Key Learning Areas and the National Goals For Schooling. On the basis of such data and information, overall resource levels, allocative mechanisms and the relative funding shares of the various governments can be determined. The IEU believes that such a Committee should include representatives from key stakeholders from across the industry.**
- 4. The IEU recommends amendment to the proposed legislation which requires that the assessment of a school’s funding level include not only its SES score but also takes account of its existing financial resources and the level of a school’s capacity to generate private income.**
- 5. The IEU recommends that the proposed legislation be amended to require continuation of the annual collection of data relating to the financial operations of Commonwealth funded non government schools through a mechanism similar to the existing Financial Questionnaire.**
- 6. The IEU recommends that the Commonwealth request that MCEETYA, together with non-government schooling authorities, broker a common set of guidelines or a cooperative national framework for a nationally consistent approach to the planning, renewal, funding and operation of new and existing government and non-government schools, and yet which also provides for specific local need and variation. Consistent with MCEETYA practice, negotiation with other key stakeholders should occur.**
- 7. The IEU recommends that the proposed legislation be amended to remove the Enrolment Benchmark Adjustment.**

## 1. INTRODUCTION

- 1.1 The Independent Education Union of Australia (IEU) appreciates the opportunity to put its views to the Senate Legislation Committee on Employment, Workplace Relations, Small Business and Education regarding the States Grants (Primary and Secondary Education Assistance) Bill 2000.
- 1.2 The IEU is the federally registered organisation which represents the industrial and professional interests of education workers in all non-government education institutions across Australia. It has a current membership of approximately 46,000 members.
- 1.3 The union has a strong interest in Commonwealth funding policy with regard to its impact on the operations of non-government schools in that it fundamentally affects the education of students and the professional and industrial lives of education workers in non-government schools.
- 1.4 This submission is concerned with the policy decisions taken by the government in the 1999-2000 federal budget;
  - the introduction of the new socioeconomic status (SES) based funding arrangements for non-government schools
  - improved accountability arrangements for Commonwealth schools programs
  - introduction of a revised structure for Commonwealth programs for targeted assistance for schools
  - additional funding and consequent changes to funding arrangements for the Short Term Emergency Assistance program now renamed the School Transitional Emergency Assistance program
- 1.5 The IEU has made submissions to a substantial number of government reviews and committees of enquiry regarding education and funding policy and programs and related matters. These include:
  - the reference on the Accountability in Commonwealth-State Funding Arrangements in Education 1994
  - the McKinnon Review of the New Schools Policy 1995
  - the Senate Inquiry into the States Grants (Primary & Secondary Education Assistance) Bill 1996
  - Review of the Education Resources Index 1997
- 1.6 The IEU believes that it is fundamentally important in the national interest, that education policy in Australia, particularly in relation to schools funding, should not be fraught by the re-emergence of the state aid debate. The union believes there is strong consensus for this view within the education and broader community.

Elements of current government policy – the Enrolment Benchmark Adjustment and the removal of the New Schools Policy – have caused increased community tensions around public/private education funding issues over the past four years.

**The IEU urges Commonwealth and State/Territory governments to be inclusive of all the key stakeholder groups in funding policy development and implementation so that the broad consensus and partnership model built over the past twenty years prior to 1996 is not further undermined.**

## **2. IEU FUNDING POLICY – KEY PRINCIPLES**

The following reflect the key policy principles which the IEU believes are important in ensuring continuing stability and consensus concerning the policy direction of education funding.

2.1 The IEU believes that the necessity exists, in the public interest, for federal and state governments to fund the dominant public system to cater for all Australian children including those in small, rural, isolated poor and disadvantaged communities, and NESB and ATSI communities. The Australian community expects the education system to be properly resourced and comprehensive and to set the benchmark on the community standard for the provision of education for Australian school students.

2.2 The IEU believes that the history of Australian education is one which reflects the enormous diversity and richness of the Australian society. The Australian community, with its traditions of Irish Catholicism, Lutheranism, Greek Orthodoxy, and those of the Jewish and Islamic communities among others, has long supported the right of these cultures and traditions to establish their own educational institutions and practices.

The IEU believes that the serious acceptance of religious and ethnic diversity reflected in public support for non-government schools and systems which embody traditions and values fundamental to the self understanding of various groups in our society is a strength both of multicultural pluralism and the Australian education system.

2.3 The IEU supports the existence of comprehensive systems of education whereby parents have choice between schools both within and across the government and non-government sectors; however, **the union does not support unfettered choice which increasingly dominates the rhetoric of current public policy in education.**

The union supports planned educational provision which requires that new government and non-government schools should not threaten the viability and stability of existing schools and further that schools should be required to demonstrate initial and continuing financial and educational viability and accountability in order to receive public funds.

The IEU believes the Commonwealth has a central leadership role and responsibility in planning and ensuring that both government and non-government school authorities have the capacity and the resources to

provide educational services of the highest quality, and that rigorous accountability and reporting mechanisms are in place.

- 2.4 Both government and non-government systems and school authorities should receive sufficient levels of federal and state government financial support which guarantee a high quality education to all Australian students, whether they attend a government or non-government school.
- 2.5 The IEU believes it is essential for Australia to have a strong and viable government school system, funded directly by both Commonwealth and State governments and which offers a high standard of educational service to all children, regardless of their background. The IEU has always advocated that the development of one sector should not be at the expense of the other.
- 2.6 The IEU endorses the following principles with regard to the funding of non government schools:
- that stability and security in Commonwealth funding be maintained through legislated quadrennial funding arrangements;
  - that the **principle of need** should determine the assessment and distribution of funds and underpin the accountability mechanisms of funding authorities;
  - that the funding system at both Commonwealth and State/Territory level demonstrates the characteristics of equity, transparency, predictability, and simplicity.
- 2.7 That all schools, both government and non-government, are important social institutions in which Australian children engage with and learn about their fellow citizens and come to acknowledge and appreciate their differences, beliefs and values. The comprehensiveness across both the government and non-government systems is a great strength of the Australian education system and should be preserved.

### 3. FEDERAL AND STATE FUNDING RESPONSIBILITIES

- 3.1 Constitutional responsibility for the provision of education lies with State and Territory governments. The Commonwealth government runs no primary or secondary school in the country and employs no teacher or school support staff .

Its role with regard to the nation's schooling lies principally with funding responsibilities it has undertaken in relation to some of the recurrent and capital costs of government and non-government schools and for targeted programs in both the government and non-government sectors, and the consequent political influence that such funding provision gives to the Commonwealth in terms of policy and program direction.

- 3.2 An issue of considerable concern to the union is the interrelationship of the funding arrangements between the Commonwealth and States/Territories given these major proposed changes to the funding

arrangements for non-government schools. Implicit in this issue is the impact of the GST, given that all GST receipts go to State/Territories under the new tax arrangements. As far as the union is aware there has been no public debate or canvassing of the relative levels of expenditure by respective governments on government and non-government education following the major restructuring of tax arrangements across governments.

In relation to funding non-government schools by State and Territory governments, various models exist. However most take into account the existing ERI scale and questions arise as to how they will now determine their funding arrangements given the introduction of the SES funding model. The IEU has not been party to any discussions with State and Territory governments about this issue.

- 3.3 Nevertheless, the IEU believes that in the assessment of school needs and the allocation of Commonwealth funds, the concept of “partnerships” between the Commonwealth, States/Territories and non government schooling authorities should apply. Broad consensus needs to exist amongst the funding partners and other stakeholders that there is a fair and equitable assessment of need and allocation of funds from all sources consistent with the principles of need, equity, and transparency. Schools with similar socio-economic needs and requirements should be resourced to comparable standards, irrespective of whether they are part of the government or non government sectors.
- 3.4 **The IEU recommends that a fair and proper approach to needs based schools funding requires an assessment of what should be included in a comprehensive “basket of resources” to provide quality education to all students, to a community standard or benchmark. Mechanisms should be in place which provide for an ongoing review of what should be in such a basket of resources, in light of changes to education policy and priorities and the challenges confronting schools, and that the elements in the basket should be assigned a proper monetary basis.**
- 3.5 Resourcing should take account of the needs of schools in regional and remote areas and areas of educational and socioeconomic disadvantage so that they may meet such a standard.
- 3.6 Thus for the non government sector, the combination of the three sources of funding (Commonwealth, State and private) should be adequate to provide all of the essential elements in the “basket” which constitute the basic entitlements for students to quality education. For non government schools whose basket of resources is at a higher level than comparable government schools, then a greater obligation falls upon private inputs for that school.
- 3.7 As a consequence, comparable schools in the government and non government sectors should not in their totality be differently resourced, although the origins and proportional size of the elements of funding

may be different (eg level of private income, size of Commonwealth and State grants).

- 3.8 The funding of schooling in both the government and non government sectors involves quite complex issues, including the difference between the average and marginal per capita costs for the operation of the large education systems. In the non government sector, the efficiencies able to be gained from the economies of scale of running large systems in highly populated urban centres do not exist for small systems, single schools or schools in rural and remote communities. The average per capita costs for educating a student in a government urban school do not reflect the real costs of educating a student in a single non systemic school or an urban rural or regional school in either the government or non government sector.
- 3.9 The proposed legislation continues the existing link between non government school funding and the costs of government schooling as measured by the AGSRC (Average Government Schools Recurrent Costs). The difficulties with this measure is the difference between the average and marginal per capita costs; that it does not include all the costs of educating a government school student, for example superannuation costs; and the fact that the AGSRC represents the resources currently provided to schools rather than the real costs or a measure of what should be provided.
- 3.10 The IEU strongly supports the recommendation in the Senate Inquiry report "A Class Act" which calls for the Commonwealth, State and Territory governments to jointly establish a Schools Education Costs Committee to undertake consultation and research with the aim of ascertaining the cost of delivering, at the various stages of schooling and in each of the Eight Key Learning Areas, an education which will meet the basic requirements of those Key Learning Areas and the National Goals For Schooling. On the basis of such data and information, overall resource levels, allocative mechanisms and the relative funding shares of the various governments can be determined. The IEU believes that such a Committee should include representatives from key stakeholders from across the industry.**

#### **4. THE CURRENT BILL**

##### **SES Funding Model**

- 4.1 In relation to the funding of non government schools, the IEU supports a multi category funding scheme with different mixes of private and public funds for General Recurrent Grants funding linked to the principle of need. The assessment of a school's financial needs should continue to take account of its existing financial resources and the level of a school's capacity to generate private income. The SES model set out in the proposed legislation fails to deliver this.



- 4.2 In its submission to the ERI review in 1997, the IEU acknowledged that a substantial number of problems existed with the ERI mechanism in terms of its complexity, and its capacity to deliver fairness and transparency.
- 4.3 The IEU asserted:
- that the SES based approach, as proposed, may have merit and should be explored further. This view was based on the existing application of an SES model, the 'Ross Farish Index' by a number of Catholic systems at the State level for the disbursement of funds to its schools.
  - that such a model may have the capacity to provide a measure within and across states and systems for a more equitable distribution of funds
  - that schools which service the neediest school communities, according to an agreed range of SES criteria, should be differentially funded whether they are government or non-government.
- 4.4 The IEU continues to hold the view that a model of funding, based on the assessment of a school community's SES score (derived from census information on a range of criteria), has the potential and capacity to meet the criteria of transparency, simplicity and equity, and to deliver a funding regime for non government schools on the basis of need. However, we do not believe that this is achieved in the proposed legislation.
- 4.5 The weakness of the SES model in the proposed legislation is that
- It gives no weight to a school's existing resources or capacity to raise private income. This will compromise the principle of needs based funding both within and across the sectors.
  - It takes no account of the impact that such a major change in non government funding arrangements will have comparatively on the funding of government schools
- 4.6 The proposed legislation introduces a model of funding non-government schools based on socio economic status of school communities. The exception to this are Catholic systemic schools (representing approximately 70% of the sector) even though they participated in the original pilot in 1999. Catholic systemic schools have not participated in the geocoding of student addresses. ACT systemic schools will be funded at 51.2% of AGSRC and all other systems at 56.2% of AGSRC. This represents maintenance of funding at ERI level 11, as per the agreement reached with the federal government in 1998. Questions have been raised by various stakeholders as to the validity of the new funding arrangements given the exclusion of the Catholic systems.

It is worth noting that a substantial number of non systemic Catholic schools have made application to join the Catholic system, to take effect January 1, 2001.

- 4.7 The model also provides for year 2000 funding maintenance (indexed) if a school's SES score produces a cut in funding levels. In the interests of stability and predictability of funding, the IEU supports such funding maintenance.
- 4.8 The union therefore believes that the funding outcomes delivered by the new SES system need close examination to ensure that it is fair and that it meets the accepted and long standing principle of needs based funding. However the union notes that while the process is still being finalised and the funding levels are yet to be gazetted, information currently available indicates that a substantial number of schools currently funded at ERI categories 1-3 will receive funding increases. It is important that this legislation has the support of all the key stakeholders and stands up to the scrutiny of all those with vested interests in education. It will be unacceptable if the model produces funding anomalies within the non-government sector and undermines the need for fairness in funding arrangements across the government and non-government sectors.
- 4.9 The IEU recommends amendment to the proposed legislation which requires that the assessment of a school's funding level include not only its SES score but also takes account of its existing financial resources and the level of a school's capacity to generate private income. This is consistent with the Ross Farish modelling currently used by some Catholic systems for the distribution of government funds to Catholic systemic schools.**
- 4.10 The IEU recommends that the proposed legislation be amended to require continuation of the annual collection of data relating to the financial operations of Commonwealth funded non government schools through a mechanism similar to the existing Financial Questionnaire.**

### **Accountability Requirements**

- 4.11 The proposed legislation provides for new financial and educational accountability arrangements which require a commitment to accountability against MCEETYA's National Goals for Schooling, and a commitment to achieving the performance measures, including the performance targets set out in regulations

The IEU has long supported the need for financial and educational viability, accountability and reporting requirements, and believes that the National Goals for Schooling are the appropriate framework, given they were the subject of wide community consultation and sit within the partnership arrangements of the MCEETYA forum.

### **New Schools**

- 4.12 In its submission to the 1996 States Grants Inquiry the IEU referred to the then recently completed McKinnon Review of the New Schools Policy. That report argued

*“Thus while strong claims can be made for common public schooling, a claim that only those schools can be the legitimate guardians of common universalising and democratic ideals goes too far. Traditional arguments that the establishment of new non-government schools must only be a concession rather than a right because they espouse values that weaken the universalising and democratising importance of public systems, are not well founded. The overwhelming majority of those schools do teach common values.*

*But that conclusion is not simultaneously to argue equivalence of non-government schools for establishment or funding purposes. The roles of the two sectors are not equivalent. Nor does that conclusion mean there are not fundamental reasons for concluding that the availability of government schools is still a central issue, justifying careful planning of the establishment of new non-government schools. To explore those reasons it is necessary to refer to each of the role of the public system and the role of choice in more detail.”*

The IEU believes that this view remains entirely defensible.

- 4.13 As with the previous States Grants legislation, the proposed Bill provides for no regulatory or planning role for the Commonwealth government in relation to the establishment of new schools. The IEU believes that the Commonwealth has a central leadership role and responsibility in planning and ensuring that both government and non-government school authorities have the capacity and the resources to provide educational resources of the highest quality and that rigorous accountability and reporting mechanisms are in place.
- 4.14 Given the current Federal government’s policy stance that the Commonwealth will fund any non-government school which has met the State/Territory criteria for its establishment, the IEU believes that it is incumbent on the Commonwealth government to ensure
- that it funds schools which will be financially and educationally viable and
  - that there exists a rigorous regime of State/Territory registration provisions for new non-government schools.

These should be developed cooperatively by government and non-government school authorities in consultation with key stakeholders.

- 4.15 The IEU believes that it is important that such a regulatory regime governing the establishment of new schools should underpin and support the intent and purpose of the SES funding model.

For example, the public interest will not be served if the new funding arrangements encourage wealthy schools to build and badge campuses in socio economically disadvantaged areas, to accrue an SES score which provides for high levels of government funding, and which can then advantage their overall funding level.

- 4.16 From the union's point of view, an important criteria for registration and receipt of public funding is the employment of properly qualified staff and compliance with the relevant industrial laws. Over the years, the IEU has had to deal with circumstances where a new school has not sustained financial viability and has gone into receivership. Staff have not been paid, and accrued entitlements such as leave and superannuation have been lost. There are also examples of very small schools which operate by virtue of staff not receiving award rates of salary and conditions. Such practices are industrially exploitative and compromise fair competition and choice, principles which the present government argues should underpin private enterprise and the free market.
- 4.17 Consistent with its 1996 submission to the Senate Inquiry into the States Grants, **the IEU recommends that the Commonwealth request that MCEETYA, together with non-government schooling authorities, broker a common set of guidelines or a cooperative national framework for a nationally consistent approach to the planning, renewal, funding and operation of new and existing government and non-government schools, and yet which also provides for specific local need and variation. Consistent with MCEETYA practice, negotiation with other key stakeholders should occur.**

### **The Enrolment Adjustment**

- 4.18 The proposed legislation maintains the unfair and divisive Enrolment Benchmark Adjustment. It is worth noting that in commenting on the Enrolment Benchmark Adjustment in its submission to the 1996 States Grants Inquiry, the IEU criticised the government for its failure to announce it as part of the Coalition's election platform or without any process of consultation or public debate.

In the Inquiry's public hearings, the union predicted that State governments may decide to react to the unfairness of the EBA mechanism by penalising the non government sector and withdrawing state funding from some or all non government schools. This has now happened in NSW where categories 1 to 3 schools have had their state funding reduced, with prospects of this leading to an annual public controversy. This undermines the principles of funding predictability and certainty and has made this historically contentious area of public policy more vulnerable to reactive and punitive responses from the education and broader community.

**The IEU recommends that the proposed legislation be amended to remove the Enrolment Benchmark Adjustment.**