

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into Commonwealth Funding for Schools

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Chief Executive

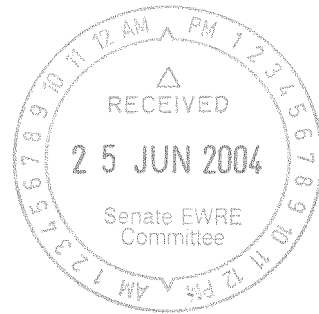
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25 June 2004

Mr John Carter
Secretary
Senate Employment, Workplace Relations
and Education References Committee
Suite SG.52, Parliament House
CANBERRA ACT 2600

Dear Mr Carter,

Please find attached AISV's submission to the Senate Employment, Workplace Relations and Education References Committee Inquiry into Commonwealth funding for schools.

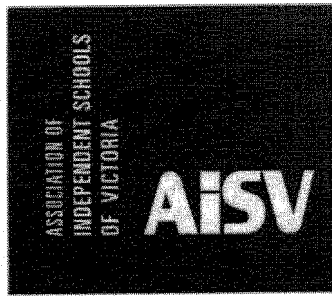
AISV is pleased to contribute to the Committee's work on this important issue and would appreciate the opportunity to further detail our submission at the Public Hearing located in Melbourne on Monday, 5 July.

AISV acknowledges that the Independent Schools Council of Australia (ISCA) and the Associations of Independent Schools representing other States and Territories have also contributed to this Inquiry. We endorse the principles espoused by each of these submissions and provide the attached as a Victorian perspective to add to the Committee's deliberations.

Should you require any further detail in relation to the attached, please do not hesitate to contact me on (03) 9825 7200.

Yours sincerely

Michelle Green
Chief Executive



Association of Independent Schools of Victoria

**SUBMISSION TO THE SENATE EMPLOYMENT,
WORKPLACE RELATIONS AND EDUCATION REFERENCES
COMMITTEE INQUIRY INTO**

COMMONWEALTH FUNDING FOR SCHOOLS

25 June 2004

Executive Summary

Government support for students at independent schools helps maintain a balance in education funding for students at all schools.

The SES funding formula, and the principles behind it, represent a significant step in advancing toward fairer, student based funding for all schools.

Within the independent sector, Federal funding is allocated to schools according to a sliding scale based on the needs of students. The gap in funding between students in schools with high SES scores and those with low SES scores is substantial; per capita grants range from \$830 to \$5,615. This arrangement ensures that greater funding is not allocated to school communities that have the capacity to invest in their school but choose not to.

Government funding models for schools, whether State, Territory or Federal, must be based on student need and must not penalise the private efforts made by families.

The attached submission tests the current funding arrangements against the Terms of Reference offered by the Committee and the principles set out by the independent sector, the Australian Government, the State and Territory Governments and the National Goals.

It does so by examining both the Federal and Victorian government funding to Victorian independent schools. Without consideration of the total public funding pool for all schools, and of the shared constitutional obligations on Federal, State and Territory governments, it is impossible to arrive at a reasonable and realistic picture of current funding arrangements. When these figures are assessed it becomes obvious that no independent school student receives more total public funding than a student in a government school.

AISV is pleased to see recognition of the partnership between State and Federal Governments. While this shared responsibility often seems ambiguous, funding for student learning is the responsibility of all governments. The independent sector contends that this partnership between governments should also be extended to parents. Quality education for students in the independent sector is achieved through the tripartite relationship that exists between parents, schools and governments.

AISV also uses this submission as an opportunity to test the policy indications of the Australian Labor Party, Australian Greens and Australian Democrats against the principles espoused in this submission. It finds that, while the detail of these policies vary, each would ultimately penalise private investment in education by allocating funding according to the resources of a school, rather than the needs of its students.

The attached also highlights that funding alone cannot drive quality outcomes for students. The current Federal funding model provides support for the schooling of students but also allows schools a workable degree of autonomy and flexibility. Through balanced funding arrangements that promote equity, efficiency and effectiveness, the SES funding model supports the sector in achieving quality outcomes for students.

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1. Introduction

- 1.1 AISV has long held the principle that funding for students at school should be determined by the needs of students.
- 1.2 Recent debates surrounding “needs based” funding models for schools have failed to recognise that a needs-based funding model is already in place. The difference between what the ALP, the Australian Greens and the Australian Democrats are proposing and what is actually in place is important. The alternative models offered thus far have argued for a formula that considers the fees charged by a school and the facilities offered by the school. They see the schools’ buildings, fundraising achievements and private income as a measure of need. Conversely, the SES funding formula concentrates on the most important resource a school has – its student body.
- 1.3 “Student need” is referred to regularly throughout this submission. In using this term we refer to the educational and financial needs of students within the school community. At present, the SES funding model determines student need by assessing their parents’ level of income, education and occupation.
- 1.4 Government funding models for schools, whether State, Territory or Federal, must be based on student need and must not penalise the private efforts made by families. These private efforts amount to significant investment in the school community through fundraising achievement, personal financial sacrifice to pay fees or the donation of various skills and talents. Victorian independent schools receive, on average, 28 per cent of their income from the State and Federal governments, the remaining 72 per cent is paid for by parents.¹ This contribution is made over and above the taxes already paid as Australian citizens and represents a “private investment” into education.
- 1.5 In addition to the many and varied private efforts made by Australian families, this submission also considers the current public contributions made to independent schools. In doing so, it considers the Federal funding formula in tandem with the State and Territory funding provided to all schools. Without consideration of the total public funding pool for all schools, and of the shared constitutional obligations on Federal, State and Territory Governments, it is impossible to arrive at a reasonable and realistic picture of current funding arrangements.
- 1.6 Too often, critics of the SES funding formula consider the funding allocations of the Federal Government exclusively and ignore the substantial funding allocations made by State and Territory Governments to government schools. Government support for students at independent schools helps maintain a balance in education funding for all students. Implementation of the SES funding formula represents a significant step in advancing toward fairer, student-based funding for all schools.

¹ Ministerial Council for Education, Employment, Training and Youth Affairs, *National Report on Schooling in Australia 2001*, Curriculum Corporation, Melbourne

1.7 This submission tests the current funding arrangements for independent schools against the Terms of Reference offered by the committee's Inquiry. It finds that the Federal Government's funding allocations to non-government schools are an increasingly important and necessary education investment and that the SES funding model is the best mechanism offered thus far, for achieving fair, student-based funding.

2. Clarifications

2.1 It is important to make a clear distinction between capital, targeted and recurrent funding at this juncture. When we refer to the SES funding model, we refer to the recurrent funds provided by the Federal government. The use of these funds is restricted, in that they must be applied to the day-to-day operating costs of the school, such as salaries, utility costs and maintenance.

2.2 Capital funding is quite different and very separate. While capital funding is an important source of government assistance to the independent sector, it represents a very small portion of the total investment into independent school infrastructure. The Australian National Report on Schooling 2001 shows that in that year, the Federal Government provided less than 5 per cent of all capital expenditure in Victorian independent schools. This Commonwealth assistance is the only form of capital funding available to Victorian independent schools apart from the \$256,000 made available under the Interest Subsidy Scheme for Non-Government Schools in 2004. The Victorian Government Needs Based Capital Assistance Program was a one-off initiative, which allocated \$15 million to non-government schools from 2001-02 to 2002-03. This was the first time that a Victorian government provided capital funding assistance to non-government schools. Victorian independent schools were allocated a total of \$3,540,000 over the three years of the program. The program finished in 2003 and has not been reinstated.

2.3 Targeted funding is also an important source of public support for independent schools. This funding supports special purpose programs such as literacy and numeracy initiatives, anti-bullying programs, LOTE and special needs support. In the main, this submission examines the recurrent funding available to schools. It, does however, briefly examine the current inadequacies in targeted funding for students with disabilities in independent schools in section 5.3.

3. Principles

3.1 The Inquiry is investigating the "principles of the Government's school funding package and the effect of the principles" on a number of considerations. This submission will first identify the traditional principles that the independent sector has considered important when assessing the viability of proposed funding formulae and will then examine the principles that influenced the development of the SES funding model.

3.2. *Independent Sector Principles:* The socio-economic status funding formula represents a significant step toward funding for students at all schools based on

student need. It is in line with a number of principles that underpin the independent sector's work. These are as follows:

Choice. The principle of educational choice is enshrined in Article 26 of the Universal Declaration of Human Rights, stating that, "parents have a prior right to choose the kind of education that shall be given to their children." Parents choose schools for a broad range of individual reasons. Parents often seek to provide schooling that is compatible with religious beliefs, some wish to keep all siblings in the one school and in other cases parents choose a smaller school or assess the learning environment as being most conducive to the development of their child's skills both socially and academically. These factors hold significant weight for the parents of students with disabilities.

Independence. Within existing legislative requirements, independent schools are autonomous in their operation, determining their own curriculum and co-curricular programs, discipline policies, employment of staff and management of resources.

Accountability. Independent schools are accountable for Government funding and services. For example, independent schools are accountable to parents, corporate regulators, the Commonwealth Government and the Registered Schools' Board (a full list of the accountability arrangements for Victorian independent schools is provided in appendix one).

Diversity. Victorian independent schools include a range of school types including primary schools, secondary schools and schools providing education from kindergarten to Year 12. There are also a range of school types in terms of co-education and single sex schools; religious schools from a variety of denominations, boarding schools and special schools.

- 3.3 *Australian Government Principles:* Those opposed to the SES funding formula often forget that there has already been an extensive review into school funding. That review preceded the introduction of SES and found it to be the best and fairest way to fund schools. As part of this review, the Department of Education, Training and Youth Affairs (DETYA) identified the principles it considered important as the basis of any future funding formula for non-government schools (ultimately the SES funding formula). As will become obvious, there are significant parallels between the AISV principles (as outlined above) and the principles that DETYA proposed as "essential characteristics of any future funding system" in its 1997 publication, *Schools Funding: Consultation Report* (October 1997). They are quoted below:

"Equity: Resources should be distributed in a fair and consistent way, that does not restrict choice.

Transparency: Funding is best based on independently formulated and reliable indicators. The way a funding system works should be clearly and easily understood, and relationships between data and indicators within the funding mechanism should be obvious. The integrity of data and indicators is of paramount importance, and opportunities to manipulate data should not exist.

Predictability: Schools need a high degree of certainty about future funding, for planning and management decisions.

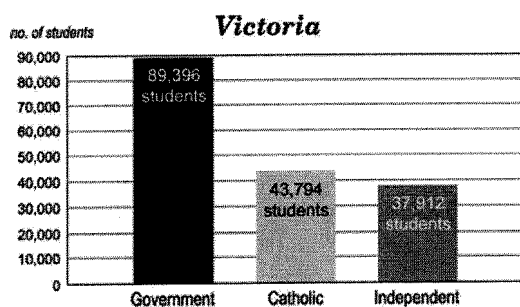
Simplicity: A funding mechanism should be as simple as possible while still retaining its validity and capacity to differentiate between the relative needs of schools.

Flexibility: Flexibility is desirable to allow timely responses to changed circumstances².

Each of the above listed factors was important in addressing the inequities imposed by the former funding model, the Education Resources Index (ERI). The independent school sector endorses these principles and has considered them closely in responding to the Inquiry's Terms of Reference. AISV will also use this submission as an opportunity to test the policy indications provided by the Australian Labor Party, the Australian Greens and the Australian Democrats against the principles outlined above.

- 3.4 *Principles as opposed to stereotypes:* Unfortunately, a number of these important principles are lost or misunderstood as a result of the constant application of damaging stereotypes. The stereotypes, particularly that independent schools are "bastions of the wealthy", are not supported by fact. ABS data show that one in five children who come from families with an income of less than \$20,900 a year attend a Catholic or independent school and almost half of families who choose independent schools have an income of less than \$78,000 a year. Furthermore, ABS data also prove that there are more children from families on an income in excess of \$78,000 a year attending government schools than Catholic and independent schools combined³. Governments meet the full cost of educating students at government schools, regardless of their family income.

Graph 1: The number of students in each sector whose family income is above \$78,000 a year



² As cited in a report by the Steering Committee for the Simulation Project on a socio-economic status (SES) – based model for recurrent funding of non-government schools, *Schools funding: SES Simulation Project Report*, Department of Training and Youth Affairs, 1998

³ Australian Bureau of Statistics, *2001 Census of Population and Housing*

- 3.5 AISV would argue that it is the right of every child to receive some public support for the costs of their education, regardless of the sector in which they are educated. All governments should recognise that parents, as Australian taxpayers, have a basic entitlement to some measure of government support for their children's education, even if they choose to forego their entitlement to access a free, publicly funded state education system. These parents should feel proud of their contribution to the overall funding of education in Australia.

4. AISV's Response to Term of Reference D: The application of the framework of principles for the funding of schools that has been endorsed by State and Territory governments through the Ministerial Council on Education, Employment, Training and Youth Affairs.

- 4.1 In testing the current funding arrangements against the Terms of Reference set by the Committee, this submission will first respond to Term of Reference four by addressing how the principles outlined in *Resourcing the National Goals for Schooling: An agreed framework of principles for funding schools* relate to the current funding arrangements.
- 4.2 It is imperative that *"the total level of resources available for schooling is adequate so that achievement of the National Goals for Schooling is a realistic objective for all students"*. If governments are to mandate standards within schools, then it follows that they must provide some support for these students.
- 4.3 The SES funding formula ensures that, *"Public funding across different schools and sectors is distributed fairly and equitably through a consistent approach to assessing student needs"*. As will be further discussed in section eight, funding based on the resource levels of a school cannot accurately fund "student needs" as stated in this MCEETYA principle.
- 4.4 The SES funding formula's *"regard to the total level of resources available for students"* needs to be explained. To the extent that the SES funding formula is based on the constitutional understanding that State governments fund government schools and Federal governments support non-government schools, it takes account of the total level of public resources available for students. By funding student learning according to the needs of students within a school community, the SES funding model allocates funding fairly, equitably and consistently based on student need. AISV strongly opposes any move to fund schools according to resource levels rather than student needs. Such an approach penalises (much-needed) private investment in education.
- 4.5 By funding the non-government sector, the current arrangements ensure that *"the total level of funding for government schooling is adequate to ensure access to high quality government schooling for all"*. This is further detailed in relation to "efficiency" as part of section 6.3.
- 4.6 Similarly, *"public funding for schooling supports the right of families to choose non-government schooling and supports non-government schools on the basis of need, within the context of promoting a socially and culturally cohesive society and the effective use of public funds"*. By allocating funding to non-government

schools based on the school community's capacity to support the school, the SES funding arrangements ensure that *"resourcing for all students is adequate for meeting the National Goals, notwithstanding the school or sector they attend.* AISV Members believe that education is the key to Australia's future. Instead of arguing about which school gets what, let's make sure all our schools have the money they need to provide the best possible standards and values for students.

5. AISV's Response to Term of Reference A: The capacity of all schools to meet current and future school needs and to achieve the Adelaide Declaration (1999) on National Goals for Schooling in the Twenty-First Century.

- 5.1 This submission responds to the two components of this Term of Reference separately; first by examining school need and then by assessing the needs associated with meeting the National Goals for Schooling.
- 5.2 *School needs.* "School needs" within the independent sector vary significantly from school to school. The needs of a small community school such as Coonara Community School in Upper Ferntree Gully differ greatly to the needs of a larger, multi-campus Christian school such as Flinders Christian Community College in Carrum Downs. The needs of Lutheran school students differ from the needs of Islamic, Jewish and Seventh Day Adventist school students. Similarly, the needs of independent special schools differ greatly; Mansfield Autistic Centre in Mansfield and The Currajong School in East Malvern each tailor their responses to student needs differently, based on their particular approach to school education.

In order to encourage and support the diversity of the sector, governments should equip schools with the necessary tools to respond to the "school needs" that are specific to their student community. Flexibility, and the capacity to respond to certain educational needs within a community, is an integral factor in the independent sector's success. It has enabled educators to tailor their education programs to specific student needs. Autonomy has fuelled the sector's diversity and has enabled parents to choose schools that match their child's unique learning needs, talents and pursuits. Autonomy ensures that independent schools can respond to educational needs, cultivate talents and realise individual potential in a flexible manner appropriate to the specific communities that they serve. The importance of independent school autonomy is further discussed in section 7.7.

- 5.3 *National Goals:* Independent schools are committed to the National Goals and note that, whilst the National Goals provide a guide for school educators, they are not prescriptive. Independent schools have committed to these goals without compromising the principles of the particular educational philosophy on which their school is founded. Governments expect all schools to meet the national goals and must play some role in funding the learning of all students. The SES funding model supports student learning in a socially and culturally cohesive society by enabling families to choose a learning environment that complements their particular values and beliefs.

Whilst funding facilitates a school's capacity to meet the National Goals, other, significant benefits are accrued due to the very nature of independent schools. For example, in ensuring that schooling "*develops fully the talents and capacities of all students*" the independent sector draws on its important partnerships with parents. Parents are, after all, the best judges of which school is best able to help their child reach his or her full potential.

The National Goals also state that, "*In terms of curriculum, students should have attained high standards of knowledge, skills and understanding through a comprehensive and balanced curriculum in the compulsory years of schooling encompassing the agreed eight key learning areas...*" The independent sector's record in quality curriculum speaks for itself. Research carried out by the Australian Council of Educational Research found that,

"Non-government schools, particularly independent schools, do have a positive effect on academic achievement that cannot be explained by the SES of their students. Students attending independent schools achieved tertiary entrance scores 11.5 points (out of a possible 100) higher on average than government school students. Catholic school students achieved scores 6 points higher on average than government school students. The effect is reduced when SES is controlled, but a substantial and significant effect remains. The study also found that achievement growth among low achievers was greater in independent schools".⁴

The retention rates at non-government schools are also impressive. While non-government schools educate 34 per cent of Victorian students, the proportion of enrolments increases to 41 per cent in years 11 and 12⁵.

In requiring schooling to be "*socially just*" the National Goals set the standard for an Australian education where "*all students have access to the high quality education necessary to enable the completion of school education to year 12 or its vocational equivalent and that provides clear and recognised pathways to employment and future education and training.*" In the case of students with disabilities, independent schools are going well beyond the expectations of the National Goals and of the Disability Discrimination Act. Students with disabilities are an integral part of the independent school community; 160 schools covering 171 campuses educate over 1,400 students with disabilities. Working alongside the government and Catholic sectors to provide the best education for all students, the independent sector relishes its shared responsibility for educating students with special needs.

Current targeted funding policies (particularly at the State level) inhibit the capacity of the independent sector to fully meet the needs of students with disabilities. In 2004 the number of applications for State Support Services funding in mainstream schools rose by 21.2 per cent from 2003 (1,156 students in 2003 to 1,402 students in 2004) while the amount of funding increased by only 0.77 per cent. Similarly, though to a lesser extent, applications for Australian Government targeted funding have risen by 9.6 per cent this year

⁴ Jennifer Buckingham, "Valuing Education: A response to the Australia Institute Report 'Buying an Education'", *Issues Analysis*, No. 43, 21/01/04, page 3

⁵ Australian Bureau of Statistics, *Schools Australia 2002*, Catalogue No. 4221.0

while funding has risen by 5.6 per cent. As a result, the funding has been spread across an ever-increasing number of students. Further compounding the decrease in per student funding assistance is the rapidly increasing costs of these support services.

Unlike government schools where the cost of support is fully met by governments, independent school communities must absorb the costs associated with implementing the principles of the Disability Discrimination Act. Parents are often shocked to learn of the independent sector's lack of government assistance for students with disabilities. This is especially obvious for parents who move their children from the government sector to the independent sector. While their child may have been receiving between \$4,001 and \$30,536 in additional support at a government school, he or she will lose almost all of this State Government funding upon enrolment in the independent sector. The low level of funding available hinders the independent sector's capacity to educate students with disabilities.

While the United Nations has described educational choice as a right, "choice" is often relegated to a "last resort" for many families. Due to the costs involved, these parents often exhaust a range of options before making the decision to choose an independent school. In some cases, the independent school is the only option left! This is made obvious by the experience of one parent whose child ultimately enrolled in a special independent school. The Currajong School is the largest service provider in Victoria in the area of social, emotional and behavioural disorders of students aged between 5 and 13. 60 per cent of The Currajong School's current enrolments are students who originally attended government schools.

"We approached 32 schools from Doveton, Dandenong, Kilsyth, Mooroolbark, Croydon, Ringwood, Boronia, Mitcham, Box Hill, Collingwood, Richmond, Heathmont, Vermont, Heatherdale, Brandon Park, Malvern and Burwood. We managed to get three interviews out of 32 schools and then we were unable to get a placement into a school."

In this case, funding policies significantly inhibit the "access" demanded by the National Goals. AISV has devoted considerable time to raising the awareness of governments and other authorities of the need for more equitable funding for students with disabilities whose families choose independent schools. The above presents a brief overview of what is a very complex issue. While a detailed examination of this issue is not strictly within the purview of this inquiry, additional information is readily available from the "Latest News" section of AISV's website, www.ais.vic.edu.au

6. AISV's response to Term of Reference B: The role and responsibility of the Australian Government, in partnership with State and Territory governments, for quality and equity in public funding for government and non-government schools across Australia and for promoting efficiency and effectiveness in the allocation of public funds for schooling, including effects on enrolment trends in the government and non-government sectors.

6.1 AISV is pleased to see recognition of State and Territory responsibility, along with the Commonwealth, to fund students at independent schools. The following responds to the above Term of Reference in three parts. First we address the State and Commonwealth partnership, then we evaluate the results in terms of equity, efficiency, effectiveness and quality and, finally, we look at the impact on enrolments.

6.2 *The partnership:* While this shared responsibility is often ambiguous, all governments have a role and responsibility to fund student learning. Questions surrounding the Commonwealth/State constitutional responsibilities for funding schools have loomed large for years but have never been adequately resolved. In AISV's 1997 submission to the DETYA Review of the ERI we stated,

"At every point at which there has been a review of public resourcing of schooling in Australia, the issue of funding partnerships and the role of the Commonwealth and State Governments has failed to be resolved or even adequately addressed.

"On the grounds of efficiency alone the Commonwealth and State governments have an obligation to the Australian taxpayer to give serious consideration to this issue ...

"... Dispute about whether funds are derived from State or Commonwealth government sources serve to obfuscate the fact that all funds are derived from the taxpayer."

More than six years later, we still find ourselves debating the constitutional obligations of the States, Territories and the Federal Governments. This shared constitutional responsibility often causes significant confusion among policy makers, lobbyists, media commentators and the public at large. Attacks against the SES funding formula often use Federal data exclusively and neglect the significant investment made by State governments in government schools. This approach leads to an unfair and incorrect comparison that does not represent the actual funding arrangements that are in place.

Unfortunately, erroneous arguments suggesting that funding to students at non-government schools is delivered at the expense of funding for government school students have achieved significant exposure in the public domain. This proclamation is simply untrue. The SES funding model was not merely a re-allocation of pre-allocated education funding, it represented an enormous injection of new money into education. Additional funding to non-government schools as a result of the SES funding formula did not occur at the expense of government school students. Increases to the education budget, particularly when it results in increased funding to both sectors, should be applauded. The following outlines the current State recurrent funding arrangements for students

attending Victorian independent schools. It is followed by a discussion of the current Federal recurrent funding arrangements and how these impact Victorian independent schools.

State Government funding arrangements for Victorian independent schools: In Victoria, State government funding to non-government schools is especially low. The following chart demonstrates the low level of Victorian funding to independent schools by comparing state recurrent grants to independent schools across Australia.

Table 1: Per student State Government Funding for Independent Schools 2001⁶

NSW	\$1,255
VIC	\$ 780.58
QLD	\$1,346
SA	\$1,257
WA	\$1,413
TAS	\$1,371
NT	\$2,408
ACT	\$1,062

The Victorian government has also failed to provide indexation that keeps pace with the annual movement in average government school recurrent costs (AGSRC). In 2000 indexation was 2.5 per cent and in 2001 it was lowered to 0.4 per cent. In 2002 schools in the former ERI categories from one to seven received no indexation and those in categories eight to twelve received 1.5 per cent. In 2003, schools in categories one to seven once again received lower indexation (0.6 per cent) than schools in categories eight to twelve (1.5 per cent) while all schools received 0.75 per cent indexation this year (2004).

The inequitable level of State funding to independent schools necessitates the current Federal funding formula. While opponents of the SES funding formula often claim that 70 per cent of Federal funding for Australian schools goes to the 30 per cent of students who attend non-government schools⁷, the non-government sector could also fairly argue that 92 per cent of State government funding for schools goes to the 68 per cent of students who attend government schools⁸. Since neither claim represents a true picture of funding allocations to schools, it is necessary to examine total funding. This shows that Victoria's non-government school students make up 34 per cent of the school student population and receive 22 per cent of the total government funding allocated to Victorian schools⁹.

⁶ *National Report on Schooling in Australia 2001*, Table 26, Page 31

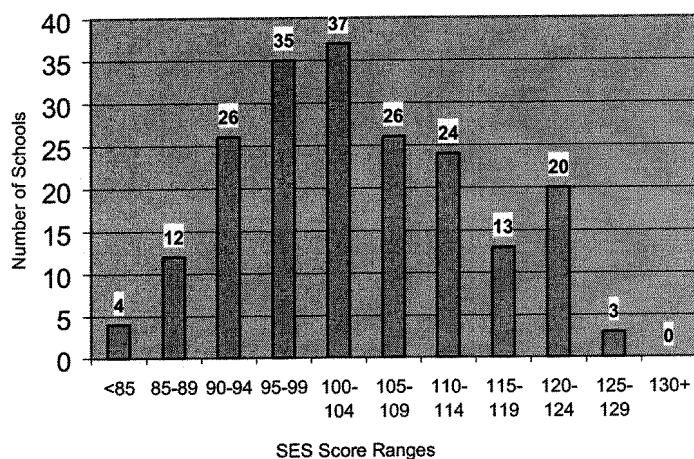
⁷ A petition presented to the Senate by South Australian Senator Geoffrey Buckland provides the most recent example of how these figures are used, see *Senate Hansard*, 23/06/04, page 24174

⁸ As noted by the Commonwealth Minister for Education, Science and Training, the Hon Dr Brendan Nelson, *HoR Hansard*, 22/06/04, page 30295

⁹ Derived from the Steering Committee for the Review of Government Services, *Report on Government Services 2004*, Productivity Commission, 2004

Federal SES funding for Victorian independent schools: The Federal Government's socio-economic status funding model measures "student need" based on three factors: parental income, parental occupation and the level of parental education. Schools are given an SES score, which is the average SES score of its students. The SES model provides a sliding scale of entitlement. Students attending schools with the highest SES score of 130 are eligible for only the basic entitlement, which is 13.7% of the average government school recurrent cost, known as the AGSRC. Students attending schools with the lowest SES score of 85 are eligible for the maximum grant of 70% of the AGSRC. As a result, school communities most able to invest in their school receive the least funding and those least able to invest in their school receive the most funding. The following graph demonstrates the diverse SES range of Victorian independent schools.

Graph 2: Distribution of Victorian Independent Schools by SES Score



The SES funding model recognises that all students are entitled to some funding support for their school education. While commentary against the SES funding model highlights the funding increases it provided for particular high-fee schools, it is important to note these students still receive the least Federal government funding for their schooling. The gap in funding eligibility between students in schools with high SES scores and those in low SES schools is substantial; per capita grants range from \$830 to \$5,615. There is also a substantial gap in the maximum level of funding under the SES model and the AGSRC; which is \$8,021 at secondary level. As demonstrated in the table below, the latest Productivity Commission data show that in 2001-02 the average government expenditure for a secondary student in a government school was almost \$10,000. Contrary to the claims made by many opponents of SES funding, students in non-government schools do not receive more funding than their friends at government schools.

Table 2: SES funding 2003 (2004 Commencing)

SES Score	% of AGSRC	Primary \$	Secondary \$
2003 AGSRC	100.0	6,056	8,021
85 or less	70.0	4,240	5,615
90	63.7	3,858	5,110
96	56.2	3,404	4,508
100	51.2	3,101	4,107
110	38.7	2,344	3,105
120	26.2	1,587	2,102
130	13.7	830	1,099
2001-02 Total Government Recurrent Expenditure for Government School students		\$7,561	\$9,856

Minister Nelson recently unveiled the recalibrated data for all schools in the next funding quadrennium from 2005 to 2008. Indexation across all three sectors will be relatively equal; the government sector will receive indexation of 28 per cent and the independent sector will receive indexation of 27 per cent. Catholic schools will receive a greater level of indexation (32 per cent) due to their inclusion in the SES funding arrangements. Allowance was also made for the projected change in student enrolments over the next quadrennium; the Government predicted that Catholic sector enrolments would increase by 7 per cent and independent school enrolments would increase by 20 per cent.

- 6.3 *How does the shared responsibility between the Commonwealth, State and Territory governments promote equity, efficiency, effectiveness and quality in public funding for schools?* While the Federal government funds students at independent schools according to the SES funding formula, the Victorian Government funds students at independent schools according to the ERI funding formula. These State arrangements are under review with a view to implementing a new funding model in 2005. With this in mind, it is difficult to properly assess how the current relationships between State and Federal governments promote equity, efficiency, effectiveness and quality in public funding for schools. The following evaluates the Federal government's funding arrangements in relation to the criteria provided as part of this Term of Reference.

Equity. The SES funding model is more equitable than its predecessor, the Education Resources Index (ERI). SES is a significant improvement on ERI, which lacked transparency and penalised private education investment. By funding student need the SES funding model represents a significant step forward in student-need-based funding for schools. The SES model funds schools according to the "capacity" of a "school community" to support it. It provides lower funding to those with a greater capacity to invest in their school. This arrangement ensures that greater funding is not allocated to school communities that have the capacity to invest in their school but choose not to. By funding according to "capacity", the SES funding model maximises the level of private investment into non-government schools.

Efficiency. The SES funding formula promotes the efficient use of public money and frees up taxpayer money for government schools. The overall health of the government school sector is dependent on the existence of a strong Catholic and independent schools sector. Australian education is supported by families who choose to pay school fees, spend their spare time fundraising and make the necessary sacrifices to do so. Victoria's non-government schools actually save taxpayers \$1 billion annually. That's the amount the Commonwealth and State Governments would have to find if all the students currently enrolled in Victorian non-government schools moved to government schools instead. Private effort is an increasingly significant component of education funding for both government and non-government schools and any penalties to private investment in education are contrary to the national interest.

Effectiveness. The SES funding model is effective because it has been demonstrated to encourage (as opposed to penalise) private investment in education. The independent sector's growth is testament to this fact. Parental perceptions of sector outcomes are demonstrated by their willingness to pay fees even while there exists a free, publicly funded alternative.

Quality. The equitable, efficient and effective funding of non-government schools drives quality outcomes for all students. Quality education for students in the independent sector is achieved through the tripartite relationship that exists between parents, schools and governments. Parental involvement and partnership with schools has a strong impact on the quality of education received by individual students. Government funding for students supports the autonomy that is necessary for a school to respond specifically to individual needs. This is demonstrated by the case study provided below:

CASE STUDY: *The Erasmus School in Hawthorn has provided the following:*

"One guiding principle of Erasmus Schools is that a child's potential can be used by the child in any way. The way of use depends on education or company. Good education makes good use of potential. Education and company is met in home, school and in society. If all have the same point of view, a unified message is produced.

We follow this principle by encouraging significant parent involvement. For example:

- Parental involvement in preparation of the daily lunch for the whole school together encourages unity of the school in many ways. It is significant for children to observe their parents serving, both from the point of view of an example and also nourishing of the children.
- Parents are also involved in cleaning, gardening, working bees, remedial education and assisting specialist classes.
- Parents willingly attend social occasions and many treat the schools as their second home with their extended family.
- Parents make generous contributions of time for fundraising events and the money raised partly meets the school's capital equipment replacement costs."

- 6.4 *Enrolments.* It is difficult to measure the direct relationship between government funding for students in independent schools and independent school enrolment increases. Parents were choosing independent schools and making the necessary financial sacrifices to do so many years before the socio-economic funding formula was implemented. Enrolments in Victorian independent schools have increased by at least 3 per cent each year since 1999.

While opponents of the SES funding formula have often argued against government funding for students at independent schools because of its suggested impact on government school enrolments, this runs counter to other arguments used to criticise the sector. The same groups suggest that the funding formula has had little impact in making the sector more accessible!

7. AISV's response to Term of Reference C: The effectiveness of accountability arrangements for State, Territory and Federal governments' funding of government and non-government schools.

- 7.1 The independent sector welcomes accountability arrangements that ensure public and private money is being used efficiently, effectively and is producing quality outcomes.
- 7.2 Victorian independent schools operate within a range of comprehensive regulatory frameworks and self-regulatory mechanisms. Each school is accountable to a range of stakeholders, including parents and students as well as the agencies listed below. The keen interest of stakeholders in how independent schools educate students and how they use funds ensures that schools maintain a strong focus on their various responsibilities and accountabilities.
- 7.3 Independent schools, like government and Catholic schools, must also commit to the National Goals for Schooling for the Twenty-First Century. Most importantly, independent schools are accountable to parents and students.
- 7.4 The current reporting arrangements for Victorian independent schools include:
- Registration;
 - Management;
 - Financial reporting;
 - Teacher quality;
 - Curriculum provision;
 - Student achievement;
 - Reporting to parents; and
 - Governance.
- 7.5 Independent schools are accountable to, and efficiently regulated by, local, State and Federal governments. Through a range of statutory and administrative requirements, independent schools are also accountable to external authorities such as:

- The Victorian Institute of Teaching;
- The Victorian Qualifications Authority;
- The Victorian Curriculum and Assessment Authority’;
- The Australian Securities and Investments Commission; and
- The Australian Taxation Office.

7.6 A detailed description of accountability arrangements for Victorian independent schools is provided in appendix one. The list includes:

- *Trade Practices Act 1974*
- *Racial Discrimination Act 1975*
- *Sex Discrimination Act 1984*
- *Family Law Act 1975*
- *Income Tax Act 1986*
- *Privacy Act 1988*
- *Disability Discrimination Act 1992*
- *Workplace Relations Act 1996*
- *Equal Opportunity for Women in the Workplace Act 1999*
- *State Grants Act 2000*
- *Education Services for Overseas Students 2000*
- *Australian Investments and Securities Act 2001*
- *Corporations Act 2001.*

Victorian independent schools also report under, or comply with, the provisions of state legislation and regulations, including:

- *Education Act 1958*
- *Health Act 1958*
- *Association Incorporations Act 1981*
- *Occupational Health and Safety Act 1985*
- *Dangerous Goods Act 1985*
- *Health Services Act 1988*
- *Food Act 1984*
- *Emergency Management Act 1986*
- *Children and Young Persons Act 1989*
- *Vocational Education and Training Act 1990*
- *Disability Services Act 1991*
- *Equal Opportunity Act 1995*
- *Taxation Administration Act 1997*
- *Fair Trading Act 1999*
- *Information Privacy Act 2000*
- *Racial and Religious Tolerance Act 2001*
- *Victorian Institute of Teaching Act 2001*
- *Health Records Act 2001.*

As Incorporated Associations, Companies Limited by Guarantee or Cooperatives, all schools must meet the financial reporting standards set down by the Australian Securities and Investments Commission (‘ASIC’). Financial

statements and reports are prepared and independently audited in compliance with ASIC requirements.

- 7.7 As has already been noted throughout this submission, autonomy has contributed to the independent sector's success in delivering quality outcomes for students. AISV has repeatedly called on Governments to ensure that any new measures of accountability work to inform school improvement overall, and do not inhibit the autonomy that is currently valued by the sector. Our autonomy has fuelled the sector's diversity and enabled individual schools to develop programs that specifically respond to community demand. Unnecessary regulation that constrains independent school autonomy has the potential to irrevocably damage Victorian school education. Policies that inhibit the capacity of independent schools to cater specifically to the needs of their communities have the potential to negatively impact more than 100,000 students attending over 200 Victorian independent schools.

8. How do the alternative funding models proposed thus far meet the principles outlined in this submission?

- 8.1 While the policies offered by the ALP, Australian Greens and Australian Democrats vary in detail; each represents a significant departure from student-based funding and a move toward school resource based funding. AISV contends that these policies would penalise private investment into school education, for reasons outlined below.
- 8.2 While the full details of the ALP's policy on funding for non-government schools are yet to be disclosed, various media comments have provided some insight into the direction the Party intends to take. The ALP has proposed to redirect funding from "wealthy" non-government schools to "needy" non-government schools according to a "national resource standard". The lack of detail on the ALP's national resource standard has left independent schools uncertain as to what the future might hold.
- 8.3 The Australian Greens also plan to reduce funding to particular independent schools and would do so based on their former ERI categories. According to their policy, some independent schools would receive no Federal funding at all.
- 8.4 The Australian Democrats also wish to fund schools according to school resources, not student need. In a recent speech to the Australian Council of State School Organisations Annual Conference, Senator Lyn Allison stated that "non-government school funding should be based on criteria that include: the extent to which the school is exclusive, the extent to which the school is secular, the capacity of parents to pay fees and of the school to raise other funds"¹⁰.
- 8.5 These approaches risk a return to the problems that were endemic under ERI, namely, penalty for private effort. Furthermore, this approach fails to

¹⁰ Senator Lyn Allison, *Address to the Australian Council of State School Organisations Annual Conference: Public Education, the best choice*, 19/05/04.

recognise that needy students attend well-resourced schools. Parents often make enormous sacrifices to send their children to the schools of their choice. Funding policies that seek to lower government support to schools present a “domino effect” that would directly impact on these students, as demonstrated by the case study detailed below.

CASE STUDY: A metropolitan independent school with a high SES score derives 87% of its recurrent income from private sources (fees) and the rest from government recurrent grants. Of the government support, 9% is derived from the Australian Government and 4% from the State. This particular school operates from buildings owned by other entities and has no capital assets apart from a small staff facility in need of refurbishment.

In addition to the vagaries produced by the Federal funding policies detailed above, this independent school (like many others) cannot be assured that its current level of State funding will continue.

Any loss of government funding would produce a corresponding increase in fees, as this is their only source of private recurrent funding. If the school is forced to increase its fees, then some parents will need to withdraw their students from the school. Any corresponding decrease in enrolments would place further pressure on the school budget necessitating further fee increases.

The school already provides assistance to a number of parents through fee remission, scholarships and bursaries and cannot budget for significant increase in this area.

8.6 While it is recognised that the socio-economic status funding model is not perfect, it is viewed as a forward step in the advancement to fairer, student-based funding. AISV welcomes constructive discussion and debate about funding models that further progress toward this goal, but cannot support policies that present a backward step for the sector. In the lead up to the Federal election and the full disclosure of school funding policies, AISV will be asking the following questions of all political parties:

- How will your policy encourage private investment in school education?
- Will your funding model recognise that all students deserve some government funding support for their education by virtue of the fact that their parents are taxpayers?
- Will your Party seek to introduce a new schools policy?
- Will your Party’s funding model fund students with disabilities at the same level across all sectors?
- Under your funding model, which students at which schools will lose funds and which students at which schools will gain funds? How would any transition between funding levels be managed?

9. Conclusion

9.1 In the lead up to the Federal Election we have already seen significant debate about “need” and how it should determine funding for schools. What is often overlooked is the fact that the SES funding model is already allocating recurrent grants according to need; student need.

9.2 Government support for students at independent schools helps maintain a balance in education funding for all schools. The SES funding formula, and the principles behind it, represent a significant step in advancing toward fairer, student based funding for all schools.

9.3 The focus of any education funding debate should not be on how to divide limited resources for education, but on how much is needed overall to develop and maintain a world class education system. This may mean an increase in the amount of funding all students receive for their schools education, and we should not rule this out of our discussions. The current Federal funding model encourages parents to take some responsibility for their child's education. It provides a funding level which is related to the resources of the family, not the resources of the school. All Australian governments should reward those parents who invest in their child's schooling and by virtue of their private investment into education, free up the public dollar to support children who attend government schools.

9.4 We cannot allow stereotypes and ideology to get in the way of equitable, efficient and effective funding of schools. If we do, our capacity to provide quality outcomes for all students is severely curbed.

9.5 AISV recommends that:

- 1. The Committee's deliberations focus on the needs of students rather than schools;**
- 2. That the Committee's report recognises the need for government funding policies that encourage, rather than discourage, private investment into education; and**
- 3. That the Committee considers the important partnership that exists between State, Territory and Federal governments when it comes to funding all Australian schools.**

Appendix One

Accountability

The Principle of Accountability: Independent schools are accountable to, and efficiently regulated by local, state, and federal governments. Any changes in the legislative and regulatory framework must demonstrably enhance the quality of education provided by schools to their students.

The Association and its Member Schools appreciate that independent schools are accountable to their students, parents, the community, and the government. Any changes to existing accountability requirements must not detract from the ability of independent schools to meet the needs of their students.

Independent schools are subject to extensive regulation and accountability measures, beyond those of the Registered Schools Board. Through a range of statutory and administrative requirements, independent schools are also accountable to numerous external authorities, including:

- the Victorian Government;
- the Commonwealth Government;
- local governments;
- various agencies including the Victorian Institute of Teaching, the Victorian Qualifications Authority, and the Victorian Curriculum and Assessment Authority;
- the Australian Securities and Investments Commission; and
- the Australian Taxation Office.

Victorian independent schools operate within a range of comprehensive regulatory frameworks and effective self-regulatory mechanisms. Each school is accountable to a range of stakeholders, including parents, students, state and commonwealth governments and numerous government agencies. The keen interest of stakeholders in how independent schools educate students and how they use funds ensures that schools maintain a strong focus on their various responsibilities and accountabilities.

The accountabilities of Victorian independent schools can be categorised under the following broad headings:

- Registration
- Management
- Financial reporting
- Teacher quality
- Curriculum provision
- Student achievement
- Reporting to parents
- Governance.

Registration

In order to become registered as a school in Victoria, independent schools must meet legislative requirements related to the following:

- Student enrolments;
- Teacher registration;
- Building certification;
- Curriculum and resource provision; and
- Standard of instruction.

Continuing registration of an independent school is reliant upon a school's capacity to satisfy the requirements of the cyclical review process undertaken by the Registered Schools Board.

Management

Independent schools are required to comply with the statutory requirements as set down in legislation. For example:

- As employers, independent schools must comply with legislation and regulations covering equal employment opportunity, occupational health and safety and employment;
- In dealing with parents, students and other members of the public, schools are required to act in accordance with health, safety, child protection, anti-discrimination and privacy laws; and
- Independent schools are required to meet relevant local government planning requirements related to ongoing occupancy and operation as a school. All capital development works are subject to local planning schemes and building code requirements, which do not apply to Victorian government schools.

Victorian independent schools are subject to legislation and regulation covering all areas of their operation. Schools are required to report under, or comply with, the provisions of federal legislation, including:

- *Trade Practices Act 1974*
- *Racial Discrimination Act 1975*
- *Sex Discrimination Act 1984*
- *Family Law Act 1975*
- *Income Tax Act 1986*
- *Privacy Act 1988*
- *Disability Discrimination Act 1992*
- *Workplace Relations Act 1996*
- *Equal Opportunity for Women in the Workplace Act 1999*
- *State Grants Act 2000*
- *Education Services for Overseas Students 2000*
- *Australian Investments and Securities Act 2001*
- *Corporations Act 2001*.

Victorian independent schools also report under, or comply with, the provisions of state legislation and regulations, including:

- *Education Act 1958*
- *Health Act 1958*
- *Association Incorporations Act 1981*

- *Occupational Health and Safety Act 1985*
- *Dangerous Goods Act 1985*
- *Health Services Act 1988*
- *Food Act 1984*
- *Emergency Management Act 1986*
- *Children and Young Persons Act 1989*
- *Vocational Education and Training Act 1990*
- *Disability Services Act 1991*
- *Equal Opportunity Act 1995*
- *Taxation Administration Act 1997*
- *Fair Trading Act 1999*
- *Information Privacy Act 2000*
- *Racial and Religious Tolerance Act 2001*
- *Victorian Institute of Teaching Act 2001*
- *Health Records Act 2001.*

Financial Reporting

As Incorporated Associations, Companies Limited by Guarantee or Cooperatives, all schools must meet the financial reporting standards set down by the Australian Securities and Investments Commission ('ASIC'). Financial statements and reports are prepared and independently audited in compliance with ASIC requirements.

All independent schools must demonstrate that funds received from the Australian Government have been expended appropriately. Extensive data on the expenditure of Australian Government funding is provided through the Financial Questionnaire for Non-Government Schools. Data collected relates to recurrent grant funding and targeted or priority program funding.

Funds received for capital development are subject to criteria as set down by the Australian Government. Strict financial accountability requirements exist for funds received through the Block Grant Authority.

Many independent schools receive funding for Vocational Education and Training programs. Accountability requirements are set by Australian National Training Authority ('ANTA') and administered through the State Government.

Teacher Quality

Teachers employed in Victorian independent schools are required to be registered with, or to be granted permission to teach by, the Victorian Institute of Teaching.

Curriculum Provision

As part of the ongoing registration and review cycle, all independent schools are required to meet the curriculum provision standards set by the Registered Schools Board. These standards ensure that the curriculum of a school prepares students for participation in society, encourages continued participation in education, includes procedures for reporting to parents, is adaptable to meet changing needs, and ensures student safety and well-being, in addition to providing a comprehensive curriculum.

As a condition of Australian Government funding, Victorian independent schools must commit to the National Goals for Schooling for the Twenty-First Century

established through MCEETYA in 1999. In broad terms, the National Goals require that schools fully develop the talents of all students, provide a comprehensive and balanced curriculum and that schooling should be socially just.

Student Achievement

As part of the National Numeracy and Literacy Plan, all Victorian independent schools are required to report to the Australian Government on student achievement against the National Benchmarks. As part of this process, all students in Years 3, 5 and 7 are expected to undertake the AIM or LANNA tests of Literacy and Numeracy in August of each year, unless parents seek exemptions.

The Victorian Government publishes the performance data of all Victorian education sectors, including Victorian independent schools, in relation to the Victorian Certificate of Education ('VCE') and the Victorian Certificate of Advanced Learning ('VCAL'). Similarly, the On Track post-school destination data for independent schools is published alongside that for the other two Victorian education sectors

Reporting to Parents

As part of their legislative requirements, schools report to parents via their Annual Report and provide regular updates on student achievement, usually in the form of portfolio reporting, and development in a variety of ways.

Schools report to their communities in a range of other ways, including:

- Newsletters and information sheets,
- Parent information evenings,
- Parent/teacher interviews, and
- School magazines.

Parent involvement in independent schools is promoted and celebrated through a variety of activities, including performances (e.g., music/drama), sport and other special events.

Governance

Under the relevant ASIC legislation, Incorporated Associations and Companies Limited by Guarantee must satisfy the requirements of the relevant act with respect to governance structures and procedures.