

SCHOOLS' OPERATIONAL FUNDING **REFERENCE GROUP**

NZEI Te RIU ROA POSITION PAPER

Introduction

Within the compulsory education sector NZEI Te Riu Roa (NZEI) represents teachers and principals in the primary sector and support staff and kaiarahi i te reo throughout the sector.

NZEI believes that schools' operational funding is no longer at a level that enables schools to fully meet their operational needs. Accordingly, NZEI submits that the current level of operational funding is compromising the ability of schools to:

- achieve their full potential in regard to the effective delivery of the curriculum to students;
- employ the level of support staff they require while still meeting their industrial obligations;
- keep pace with technological change and maintain an effective IT network within their schools; and
- meet the extra curricular expectations of the community.

In this paper, NZEI has set out to provide background information explaining the key areas of concern which we believe are common to schools throughout the sector.

Primarily, this information is provided from the perspective of staff as employees of Boards of Trustees. However, we have also sought comment from the NZEI Principals' Council to provide a perspective from principals as part of the management team of schools in the primary sector.

History of concerns with the level of operational funding

NZEI believes that the level of schools' operational funding has been inadequate from the inception of Tomorrows' Schools. From their first day of self management under Tomorrows' Schools, schools were confronted with a range of expenditure items that had not existed under the previous central funding regime – none of these were adequately accounted for in the “formula” developed in 1989 to determine each school's level of funding.

Through the period 1990 – 1996 the failure to increase the level of operational funding further exacerbated a funding shortfall that had existed from day one. The result has been that an ever increasing proportion of school funding comes from non-governmental sources (i.e. locally raised funds). An NZEI commissioned report undertaken by Economic and Social Research Associates Ltd (ESRA) and delivered in March 1999 found that government funding as a proportion of primary schools'

total income fell from 93% to 90% in the period 1993 – 1997. In the secondary sector for the corresponding period the decline was from 91% to 85%.

The recent NZCER update report (commissioned by NZSTA) confirmed that this trend has continued and there is an ever-present pressure on schools to further increase the level of locally raised funds in order to cover their operational imperatives.

Further confirmation of this can be found in the final report of the NZEI Support Staff Funding Working Party which identifies that 41% of schools are having to use locally raised funds to enable the employment of the level of support staff needed to meet schools' operational needs.

However, the NZCER study also reported a growing community resistance to paying school fees (donations). The reliability of locally raised funds is also jeopardised by the volatility of the foreign fee paying student "market". The NZCER report found that revenue from international students accounted for around 30% of the non-government funded income of secondary schools.

The adjustments to the level of operational funding during the Tomorrows' Schools era are inaccurately referred to as "inflationary" adjustments. In fact these increases have been at a rate determined by the Minister which may take inflation into account but are not indexed to CPI. Notwithstanding that issue, inflation is only one of a range of budgetary pressures schools face.

Key cost factors impacting on schools' operational capability

Schools are very different places in 2006 to those that operated in 1989 when the formula that determined the level of operational funding was developed. In 1989 schools were state-run with most administration and management carried out by Education Boards. School committees had narrow, clearly defined and restricted levels of responsibility.

Schools today are, effectively, small to medium sized autonomous businesses. They are now fully locally managed. They all strive to provide the best possible learning environment for their students while coping with the challenges and opportunities created by the rapidly changing social and technological landscape of this country.

They must also operate within the fiscal constraints of a level of funding dictated by the state – a level of funding which has not taken into account the speed or level of change that has occurred externally.

To be effective and to have validity in the eyes of practitioners and Boards, this review will need to analyse schools' expenditure comprehensively. In the following list, NZEI has identified the five major financial pressure points for schools. This is not intended to be an exhaustive list.

1. Employment of support staff

Prior to the inception of the Tomorrow's Schools reforms and the move to self-managing schools in 1990, all non teaching staff employed in schools were centrally funded. The amount of such staffing to which schools were entitled was determined by formulae developed by the Department of

Education and administered and monitored by Education Boards. These formulae took into account such factors as school roll and type and, in the case of caretakers and cleaners, school size and configuration.

With the introduction of Tomorrow's Schools, the cost of the employment of all staff other than teachers and principals was transferred into schools' operations grants.

From that point the size of the school's operations grant has been primarily determined by roll size. From 1990 to 1996 there was no inflationary adjustment to schools' operations grants – the grants were effectively frozen while schools' operational costs continued to grow.

While there have been inflationary adjustments since 1996, and in particular in the past six years, these have neither compensated for the six years of funding stagnation in the early nineties nor have they addressed the growing needs of schools in the area of support staff.

Wage increases

Most support staff receive two wage increases each year – one through the negotiated increases to the rates in their collective agreement and one that is service-based.

The annual adjustment to the level of the operations grant the school receives does not fully take these increases into account. While the negotiated increase is generally in the same ball park as the ops grant percentage increase, the service based increases are not accounted for at all. This means that while support staff are gaining skills and experience and therefore enhancing their value to their schools through their service, they also become an increasing cost liability to the schools because of the current funding regime.

Changes to Schools' Support Staff Needs 1990 – 2005

- **Administrative staff** – The move to self managing schools automatically changed and broadened the roll of school administrative staff. From being largely secretarial / clerical staff employed in schools operating under the administration of Education Boards, they became the administrative staff in what became the equivalent of businesses employing anywhere from three to three hundred staff.

Over the past fifteen years there has been exponential growth in the compliance requirements schools must meet and on which they must report to the Ministry and other government agencies. Examples of this include planning and reporting and health and safety compliance.

To be effective and to build and maintain the links with the school community the amount and necessary quality of the communications with schools parent / whanau community has increased significantly.

Included within this group of staff are finance managers, executive officers, office managers and principals' secretaries. These are all high level, demanding functions in the schools of 2005. They are all necessary

functions in today's schools and bear very little resemblance to the role of the school secretary that existed prior to 1990.

Schools are now required to operate as small to medium sized businesses. There must be recognition of the need for schools to employ the staffing infrastructure to operate as such.

- **Classroom Teacher Aides** – There has been enormous growth in the number of teacher aides employed in schools over the past 15 years. Given the tightness of schools' budgets, it is safe to assume that these are all positions that are deemed necessary for the effective operation of each school and the effective delivery of the curriculum. Any funding mechanism needs to reflect the key role that teacher aides now play in the operation of schools.

While it is difficult to generate actual figures on the issue, there is overwhelming anecdotal evidence that there has been a significant increase in student behavioural difficulties which now confront teachers and schools. For the curriculum to be effectively delivered to a class, schools have to have strategies both for coping with students with behavioural issues and addressing an increasingly complex range of student learning needs.

These issues are most commonly addressed through the employment of teacher aides. Teacher aides are an indispensable and growing component of the staff of every school in New Zealand, which parallels overseas trends such as in the UK and Australia.

The loosening of NZ immigration policy has also seen a huge increase in the number of students with little or no English. Again, in order to cope adequately with the demands such students place on the classroom, additional teacher aide support is necessary.

NZEI believes that funding for teacher aides employed solely or substantially to support students verified under the ORRS scheme should be dealt with in a separate funding investigation exercise.

However, the breadth of special needs categories and the corresponding range of funding sources (e.g. SEG, GSE behaviour support, ACC, RTLB identified learning support and ORRS) further complicates the teacher aide employment issues. In practice, schools will commonly employ one teacher aide to work with a variety of students who attract different levels of funding delivered at a variety of different rates depending on the funding source. NZEI submits that a standardised rate of funding, tagged to the actual industrial entitlements of the staff concerned, must be developed to support students with special needs

Special needs teacher aides are, arguably, the most vulnerable and least appropriately remunerated staff employed in schools. The insecurity of their employment and the low rates of pay attached to the positions mean that these are high turnover roles in schools. The costs of recruiting and retraining new staff to fill these important positions in schools are an ongoing burden for schools.

- **Librarians** – The school library is the hub of each school’s information resources. ERO has stated that an effective school library is fundamental to the development of student information literacy. Operating an effective school library is a skilled and specialised task. Each school must have the capacity and funding to employ a specialist in this role.

The role of the school librarian has expanded, in many cases into also managing what is effectively a media centre for the school.

The role of librarians in the secondary sector has been further expanded with the introduction of NCEA. This has led to significantly increased demands being placed on librarians to source appropriate research resources and assist with the development of student research skills.

- **ICT Staff** – Essentially, none of these roles existed in 1990. While there was, according to the Associate Minister, a one off 5.2% increase to operational funding to assist schools to employ the necessary specialist personnel to support their expanding ICT networks, this comes nowhere near meeting the actual costs. ICT staff include those employed to provide technical support and maintenance through to roles in larger schools such as web developers and programmers.

In order to employ staff with the necessary skills, schools have to pay the relatively high rates of pay dictated by the market.

- **Health Professionals Employed in Schools** – These include occupational therapists, physiotherapists and school nurses. Rates of pay elsewhere in the public sector for these roles have now increased significantly. There has been no corresponding adjustment to school budgets to enable schools to match the rates now applicable outside the school sector.

Some therapists employed in schools have remained centrally funded pending the outcome of separate analysis being undertaken by the Ministry into the provision of therapy in education.

- **Kaiarahi i te reo** – Kaiarahi i te reo are specialist support staff who are fluent in te reo and have an in-depth understanding of tikanga Maori. Initially these positions remained centrally funded but they have subsequently become bulk funded through the operations grant. It is incongruous that while the number of kura kaupapa Maori and full immersion classes has grown and evidence accumulates that Maori student achievement increases with students taking this path, the number of kaiarahi i te reo employed in the education sector has fallen. These are salaried specialist roles providing support to students being taught in te reo.

With the funding of the positions having to now be found from the operations grants, many schools or kura are opting for the cheaper alternative of employing kaiawhina or teacher aides on lesser rates. We submit that this is to the potential detriment of Maori students.

- **Science Technicians** – This is a core role in many schools, mostly in the secondary sector. The requirements placed on these employees have expanded even further with the introduction of NCEA.

The expansion of the science curriculum and the increased compliance requirements in relation to health and safety and handling of hazardous substances have also impacted on science technician roles.

- **New Roles** – In addition to the core roles referred to above, NZEI has identified that there are a number of new job titles falling under the umbrella heading of support staff that did not exist in 1990. At that time there were no more than around 10-15 distinct support staff roles in schools. The NZEI Support Staff Funding Report identified 225 distinct support staff job titles. While a number of these titles do refer to the same or similar generic jobs, many others are new roles.

Some of these “new roles” that have become or are becoming increasingly common in schools include sports co-ordinators, arts co-ordinators, truancy officers, social workers and security officers.

- **Caretakers** – As with many other roles, that of the caretaker has expanded with the move to self managing schools. The term caretaker was appropriate when these were employees looking after property that was managed and maintained by Education Boards. Today the role is that of a property manager.

Managing and hiring out facilities, organising and assessing maintenance quotes from trades people and managing cleaning contracts are all roles that many caretakers perform. This is a much higher level of responsibility than simply contacting the Education Board whenever any maintenance was required. To employ appropriately skilled and experienced staff to carry out these functions, schools often have to offer higher rates of pay.

NZEI believes that, ultimately, the solution to these support staff issues is to provide separate tagged funding to schools to cover some or all of their support staff costs. Unless and until that happens, the ever increasing costs associated with employing an adequate level of support staff will continue to be the major pressure point on schools’ operations grants.

2. **Information and Communication Technology (ICT)**

ICT costs for schools are increasing at a disproportionately high rate. ICT is an essential tool for all schools and it is of value only if the ICT the school uses is up to date and appropriate. To achieve that, schools must regularly and routinely update both hardware and software and ensure that their ICT is effectively maintained. The costs of software and consumables, hardware and ICT service contracts have increase at a rate far in excess of the rate by which operations grants have increased.

As an example one small primary school reported that their budget for software and consumables had increased from \$4000 in 2002 to \$5000 in 2005

(25% increase). Over the same period the cost of their service contract had increased by 30% from \$4000 to \$5200.

Ongoing updating or purchase of new hardware is an unavoidable cost for all schools – students and school communities expect that the ICT available for use at school is up to date and meets student needs. Administrative hardware for schools must be able to accommodate the latest versions of software as they come on line.

One school reported that it still operates on the basis of one to two computers per class. Operating at this level is effectively creating a significant barrier to developing the research and information skills students need in the 21st century - at least 6 – 8 per class are needed. It also means that the school is not meeting the expectations of its community. However, there is no capacity within current operational funding to enable the school to meet those expectations.

This school's ICT suite was established when the school had a roll of 320. The roll has grown to 500 and despite significant investment in new computers and other ICT the ratio of computers to students has actually decreased. The same challenge faces many schools with growing rolls.

A further significant cost for schools is the professional development required for principals, teachers and support staff to be able to make effective use of the ICT available to them. These costs include course registration fees, reliever cover and remuneration for ICT curriculum leadership and responsibility.

While it is acknowledged that there has been some adjustment to operational funding in recognition of ICT costs, those increases have fallen a long way short of the increased ICT costs schools now face

3. Implementing the revised curriculum and community expectations

In addition to the costs involved in constantly having to upgrade ICT resources, schools are also expected to implement the revised curriculum. This involves funding new ways of facilitating curriculum delivery including updating and/or developing new resources, ongoing professional development for teachers and, in many cases, property development to provide spaces to accommodate such activities as dance and drama, and technology related subjects.

Extra-curricular activities are often driven by the expectations of the school's community and / or in order to meet government initiatives, such as enhancing in school PE and sports programmes. In many instances this places high demands on schools to provide additional funding for staff, resources and facilities to enable cultural, sporting and learning enhancement programmes to be offered and implemented.

A further budgetary pressure confronting schools is the employment of additional (over entitlement) teaching staff, both to effect a reduction in class size and to provide increased specialisations. These teachers are employed because schools are under community pressure to address these factors and want to be able to provide what the community demands. To fail to do so

would be contrary to the goals and objectives of the Schooling Strategy. Yet schools receive no additional funding to enable them to meet the associated costs without further compromising other areas of school expenditure.

NZEI supports the Ministry of Education's Schooling Strategy goal to provide excellence and equity of outcomes for all students through effective teaching and involving families and whanau in the education of their children/tamariki.

In order for schools to achieve these outcomes they must be provided with sufficient funding to create the infrastructure that will best support student learning.

4. Compliance costs

As new legislation is introduced, this can commonly create additional compliance costs for schools. Examples of legislation that have impacted on schools in recent times are the changes to the Health and Safety in Employment Act, the Holidays Act and the Health Practitioners Competency Assurance Act (HPCAA). Of these, the compliance costs associated with the health and safety legislation are those most often cited by schools as having had significant impact.

The health and safety legislation has required schools to budget to:

- employ additional staff to provide release time for elected health and safety representatives to undertake training;
- provide on site training for staff;
- establish health and safety committees (with associated staffing costs) and hazard registers;
- employ additional staff to ensure appropriate staff : student ratios for school camps, field trips and after school activities; and
- undertake significant additional maintenance to ensure that identified hazards have been eliminated or isolated. This has commonly required such actions as replacement of broken paving, purchase of ergonomically designed work stations, arranging further electrical safety checks and installation of night lighting;

While many of these are costs the school would likely have faced over time, the introduction of the legislation has made them into immediate costs for schools.

The move to four weeks annual leave from 2006, introduced as one of the changes to the Holidays Act, automatically increases the wage bill for most non teaching staff by 2%.

The HPCAA has particularly impacted on special schools and schools with units for students with special needs where various health professionals must be employed. All health professionals, such as school nurses, occupational therapists and physiotherapists, must now demonstrate their competency annually to retain their practising certificates. Schools face increased costs in contracting in other health professionals to attest to the competency of these staff.

Schools have also had to meet other unfunded costs imposed on them such as local body pan taxes.

Each of these and other legislative changes carries a cost for schools. Schools have received no reimbursement or funding increase to cover any such additional costs.

5. Increased maintenance / tradesperson costs

As self managing businesses, schools must cover the maintenance costs for school property, despite the fact that the owner of the property is the Ministry of Education.

The funding formula makes no distinction based on the age of school property – those Boards administering older properties are faced with significantly higher costs keeping their school property up to standard. The costs of materials and tradespeople continue to increase at a rate which, again, is not reflected in the adjustments that have been made to the operations grants.

In addition, increasing numbers of schools are having to employ security guards to protect staff, students and school property from growing levels of vandalism and other anti social behaviour within their school communities.

As a more overt and obvious cost item, it is acknowledged that Ministry have undertaken a number of initiatives to assist the sector with the costs of maintenance of school property, including providing additional financial assistance to schools with an established problem with vandalism. Despite this, the sharp increase in maintenance costs, exacerbated by the significantly higher rates available to tradespersons in the current climate of low unemployment, mean that this is a major cost pressure for many schools.

Summary

The 1999 ESRA report (*The Vicious Cycle: Income Volatility and New Zealand Primary Schools*) referred to earlier in this paper concluded by stating that:

“Volatility of income leads to caution in spending which results in living within income. Because primary schools are living within their income, government deems their income to be adequate and the present operations grant system effective in delivering school funding.

Primary schools are then locked into a self perpetuating vicious cycle in which the funding system generates and magnifies volatility of income, which leads to more caution and avoidance of spending, which results in confirmation by government that funding levels are adequate and no changes are required to the funding system or the levels of government funding.”

NZEI submits that those statements are as accurate an assessment today as when they were written seven years ago. While that report focused on the primary sector, the findings can equally validly be applied to the secondary sector.

The overall impact of the increased financial pressure imposed by the factors listed above is that the evidence to hand suggests that inevitably the level of spending by

schools on learning resources and curriculum delivery continues to decrease as a proportion of total school expenditure.

In this paper we have set out to identify the factors causing the most significant budgetary pressures for schools. It is by no means an exclusive list.

Ministry has produced a paper for this reference group outlining adjustments that have been made to the level of operational funding in the past 15 years, with a focus on the period since 1998.

This paper does not comment on that report – that will be a matter for separate analysis. However, the key issue is not about how the level of funding has been adjusted in relation to CPI but how that level of funding has been adjusted in relation to the actual needs of schools.

NZEI is in no doubt that the financial pressures confronting schools are more severe than at any previous point in the Tomorrow's Schools era. This has been reinforced by the recent NZCER study commissioned by NZSTA. NZEI members – principals, teachers and support staff – are witness on a daily basis to the compromises schools must make to retain financial viability.

This reference group must make two determinations:

- Is the level of operational funding appropriate and reflective of the real needs of schools? and, if not
- How will the formula be adjusted to ensure that it is.

There is unlikely to be a simple solution. NZEI is quite clear that, while operational funding must be increased, it is not the only answer. To effectively address the issue surrounding the employment of support staff, alternative funding mechanisms must be developed.

However, this review provides an opportunity to undertake a sector-wide audit of the way schools are funded. Through this audit government can act to ensure that operational funding is delivered at a level which enables schools to provide the best possible environment and thus ensure that learning opportunities for all New Zealand students are being enhanced.

Neil Hammond
Executive Officer