

20 February 2018

Mr Michael Chaney AO
Chair
National School Resourcing Board

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Dear Mr Chaney,

Review of the SES score methodology

The Association of Heads of Independent Schools of Australia (AHISA) welcomes the opportunity to contribute to the National School Resourcing Board's review of the socio-economic status score methodology ('the Review').

AHISA supports the submission of the Independent Schools Council of Australia (ISCA) to the Review. AHISA affirms ISCA's description of key characteristics of the current SES score methodology and its application to the SES model:

- It is widely accepted by independent schools
- It provides stability in federal funding arrangements
- The administrative burden on schools is manageable
- It encourages private contribution to Australian school education
- It is 'fit for purpose'.

AHISA is grateful to ISCA for its detailed analysis of Census and schools data to show that many of the concerns canvassed in the Review's research paper, prepared by the Centre for International Research on Education Systems (CIRES), lack substance. AHISA agrees with ISCA that 'the fundamentals of the SES methodology remain the most appropriate methodology to determine capacity to contribute' for the purpose of allocating federal general recurrent grants to non-government schools.

In this submission we do not replicate ISCA's evidence and arguments; instead, we raise general issues and concerns relating to defining and describing the intent of models for allocating Commonwealth general recurrent grants for schools and to public discourse on the funding of non-government schools.

We draw attention to the need to articulate clearly the many factors that are or which must be balanced in current or future funding models. These factors include equitable treatment of students, families and schools, the privacy of family and student data and the efficiency of government programs.

AHISA believes establishing the credibility of the SES score methodology is the immediate priority for the Australian Government as new funding arrangements are applied to non-government schools from this year. We commend the Government for instituting the Review.

We would welcome any inquiries you may have about this submission. These may be addressed to AHISA's Chief Executive Officer, Ms Beth Blackwood, telephone (02) 6247 7300, email ceo@ahisa.edu.au.

Yours faithfully,

Dr Mark Merry

AHISA National Chair
Principal of Yarra Valley Grammar, Victoria

KEY POINTS

AHISA supports the submission of the Independent Schools Council of Australia (ISCA) to the Review. AHISA affirms ISCA's description of key characteristics of the current SES score methodology and its application to the SES model:

- It is widely accepted by independent schools
- It provides stability in federal funding arrangements
- The administrative burden on schools is manageable
- It encourages private contribution to Australian school education
- It is 'fit for purpose'.

AHISA suggests that the independent sector's support for the SES model reflects the understanding that the SES score is, first and foremost, a ranking mechanism for determining per student general recurrent grants for schools. As a ranking mechanism it reflects individual student background data but also protects the privacy of students and their families.

The opportunity for schools to appeal their SES score if there has been a dramatic change in their operating environment has served to maintain confidence in the use of the SES score for ranking purposes.

ABOUT AHISA

AHISA Ltd is a professional association for Heads of independent schools.

The primary object of AHISA is to optimise the opportunity for the education and welfare of Australia's young people through the maintenance of collegiality and high standards of professional practice and conduct amongst its members.

AHISA's 430 members lead schools that collectively account for over 430,000 students, representing 11.5 per cent of total Australian school enrolments and 20 per cent of Australia's total Year 12 enrolments. One in every five Australian Year 12 students gains part of their education at an AHISA member's school.

AHISA's members lead a collective workforce of over 40,000 teaching staff and some 25,000 support staff.

The socio-economic profile of AHISA members' schools is diverse. Over 20 per cent of our members lead schools serving low- to very low-SES communities.

AHISA believes that a high quality schooling system in Australia depends on:

- Parents having the freedom to exercise their rights and responsibilities in regard to the education of their children
- Students and their families having the freedom to choose among diverse schooling options
- Schools having the autonomy to exercise educational leadership as they respond to the emerging needs of their communities in a rapidly changing society.

THE SES MODEL

The purpose and objective of the SES score

As noted in the Review research paper prepared by CIRES, assessing whether the current SES methodology is fit for purpose must begin with ‘clarifying the purpose and objective of the capacity to contribute measure’ (page 38).

The SES funding model has attracted wide and sustained support from the independent sector. As pointed out in the CIRES paper, since 2007 only 20 schools have appealed their SES score, with 11 appeals being successful. (Concerns relating to the impact of distortions to the SES model caused by funding maintenance arrangements do not relate to determining actual SES scores.)

AHISA believes the independent sector’s support for the SES model reflects the understanding that the SES score is, first and foremost, a **ranking mechanism** for determining per student general recurrent grants. Although it is the ‘capacity to contribute’ of schools’ parent communities that informs the calculation of SES scores, the focus of the SES score remains on the school’s eligibility for a given per student recurrent funding grant relative to the eligibility of other schools, not on identifiable parents. The SES score, as a ranking mechanism, effectively serves to de-personalise and therefore protect parent communities and individual families from constant and intrusive examination or speculation.

While the SES score aims to measure ‘capacity to contribute’, because the same method of calculating the SES score is used for all independent schools and because data is drawn from one reliable source (Census data), the lack of fine-grained data regarding individual families’ capacity to contribute to their child’s education is less concerning than it might otherwise be. The SES score methodology is seen as balancing the need for data about individual students’ backgrounds against a range of other factors such as families’ privacy, the administrative burden on schools in collecting data, shifts in accuracy of the score over time as student cohorts change, and stability in funding arrangements for the purposes of schools’ (and families’) forward planning.

The opportunity for schools to appeal their SES score if there has been a dramatic change in their operating environment has served to maintain confidence in the use of the SES score for ranking purposes.

It must also be recognised that, not only has the SES score proved a workable means of ranking independent schools for the allocation of federal general recurrent funding, it has allowed Australian governments to ‘harvest’ considerable private contribution to the costs of school education, worth some \$4.4 billion in the form of recurrent savings to government in 2014-15 from the independent sector alone.¹

AHISA is concerned that if the purpose of the SES score as a ranking mechanism is not affirmed, it will be difficult for the Review to properly assess it. As can be seen in the CIRES paper, once the context of the SES as a ranking mechanism is no longer foremost, focus rapidly shifts to issues relating to measurement of individual families’ income and assets, which must inevitably lead to consideration – at least in principle – of means-tested vouchers and whether these should, for equity reasons, then apply to all students in all school sectors.

It is therefore also vitally important that the purpose and objective of the funding model itself be clarified.

The purpose and objective of the SES funding model

AHISA is concerned that consideration of the SES score mechanism has been made unnecessarily complex by recent advocacy for a funding model that is based on the level of fees set by a school – that is, the lower the fees the higher the funding and vice versa. This represents a quite different underlying principle than the SES model, which is based on ‘capacity to contribute’, not on the commercial decisions of education providers in the setting of fee levels.

The Review’s terms of reference are clear that the focus of the Review is measuring capacity to contribute. AHISA believes that maintaining a singular focus on the SES score methodology, far from making the Review a ‘phony’ or ‘sham’², is important for ensuring the near-term stability of the non-government schools sector.

Non-government schools are in the process of adjusting to the introduction of loadings for student disadvantage. Many independent schools are also adjusting to changes in their base grants for 2018-2027 introduced under the *Australian Education Amendment Act 2017*. It is one thing for schools and families to accommodate the possibility of further uncertainty should there be a recalibration of the SES score; it is quite another to attempt forward planning in an environment in which radical change in the funding model is also mooted for the near future.

Balancing equity considerations

Already mentioned above are several factors that must be taken into account when appraising any mechanism for ranking schools to determine per student general recurrent grants, including: relative accuracy of methodologies to calculate ‘capacity to contribute’; reliability of data sources; families’ privacy; the administrative burden on schools; and stability in funding arrangements.

AHISA invites Board members to consider two further factors in their review of SES score methodology:

- 1. The community’s expectation that children will be treated the same under government legislation, that is: Are the grounds on which governments discriminate between Australian children for the support of their school education equitable within and across school sectors?***

Currently, Australian governments may be said to provide equity in education provision through the guarantee of a place for every child at a government-owned school. Guarantee of a place does not automatically translate to a funding entitlement for students educated at home or with another provider. Instead, failure to access a place at a government-owned school entails a reduction in access to government support for education and, in some jurisdictions, related services for students. There is acknowledgement, however, of the need for governments to support the education of all school students by setting a minimum funding entitlement.

It can be argued that the differential in government support according to education provider operates as a rough balance between the equity considerations of equal treatment of children by governments and of equitable treatment of children whose families are not in a position to

purchase what may be seen as educational advantage at a non-government school. (This view does not account, however, for the failure of state and territory governments to then address equity differences in educational opportunity between government-owned schools across different suburbs and regions.)

In other words, current school funding arrangements represent a form of social compact – one that is not articulated but nonetheless generally accepted, at least by those willing to pay fees in non-government schools and whose choice of a non-government school for their child may entail not only a reduction in government support for the cost of their child's education but also loss of access to government-supported services such as transport to school or disability support such as speech therapy.

AHISA believes the strength of this compact must be taken into account in appraising the SES score methodology in the first instance and in any future consideration of school funding models. It is possible that the more invasive SES variables are in terms of families' individual circumstances, the greater the risk of weakening this compact.

2. The community's expectation that parents are free to educate their children in non-state schools, that is: Does the SES score methodology aim to support or penalise parent choice?

Following on from the previous point, it could be argued that families suffer a financial penalty for not opting to take up the opportunity of their child's guaranteed place at a government-owned school. That some parents are willing to suffer that penalty indicates broad acceptance of the 'social compact' suggested above. The question then arises when considering alternative variables for calculating SES scores (such as introduction of finer differentiation of income levels for high-income families), as to whether there is a point at which families will find the financial penalties on choice too high. High-income earners already lose a substantial proportion of their income in personal taxation and there may be a point at which they not only consider the financial penalty of school choice as an unwelcome further form of taxation but as inherently unfair.

For example, one media personality has written that the savings her family generated by sending their children to a government-owned school rather than to a non-government school enabled the family to take two overseas trips, purchase computers, pay for tutors and then HECS fees and also allowed the family to buy an 87-hectare country retreat.⁴ None of these purchases was subject to the choice penalties applied to expenditure on school education.

It is AHISA's view that if Australian governments wish to preserve funding models – and the SES score methodology – as instruments of social equity, consideration must be given to how social equity is balanced against other equity concerns.

A further aspect of this point is whether the financial penalty on parents is also a penalty or 'handicap' on the capacity of schools to remain viable in an operating environment where government-owned schools are 'free' or their fees are either low or voluntary in nature. The question arises as to whether there is a point at which per student grants to independent schools are so low as to represent a form of commercial discrimination by governments against non-government schools as education providers in an environment dominated by – and also regulated by – government providers.

The quality of public debate on schools funding

There has been persistent misinformation about the funding of independent schools promoted in the public arena by those in ideological opposition to independent schools or by those who have a political purpose in distorting the public's perception of the nature of federal schools funding arrangements.

During passage of the Australian Education Amendment Bill 2017, and in the lead up to this Review, public debate on school funding issues has been undermined by comparing the infrastructure and fee levels of schools with similar SES scores. Misleading comparisons between independent schools and government-owned schools or Catholic systemic schools have been further exacerbated by the use of school funding quanta. School funding quanta (as opposed to per student amounts) – particularly for schools with large student populations – can obscure the level of per student funding amounts and give a false impression of the way in which federal funding of schools operates.

As the Board will be aware, the operational or recurrent costs of schools do not necessarily relate to schools' infrastructure legacy or capital development. Further, how capital development is resourced differs markedly in each sector. In the independent sector, school infrastructure is typically resourced from school communities. In 2015, parents and donors were the source of 90 per cent of capital expenditure in the sector.³ That is, the extensive facilities of some independent schools represent generations of parental contribution and fundraising effort.

It is also important to note that fees at independent schools may reflect the costs of delivering the co-curriculum and repayment of debt for capital development and are not directly comparable between sectors or even within the independent sector.

It has also been claimed that the SES score of regional independent boarding schools does not reflect the true socio-economic status of attending students. In its submission, ISCA demonstrates why this misrepresentation is without foundation.

Given the compromised nature of public discourse on schools funding, AHISA welcomes the Board's appraisal of the SES score methodology. It is important to address serious accusations such as that the current methodology has a systematic bias favouring independent schools – or, perhaps even worse, any accusation of sectarian bias favouring Catholic systemic schools – as much for reasons of collegiality among educators from different sectors and wider social harmony as for the sake of the equitable distribution of public funds and the credibility of the Government's funding model.

Heads of independent schools also want to be able to give confident assurances to their Boards, staff and parent communities about the fairness of the calculation of per capita recurrent grants under the federal funding model.

It is therefore AHISA's hope that any communications from the Board or the Australian Government in regard to the Review assist in restoring integrity to public debate by clearly explaining funding arrangements for non-government schools, affirming the focus of the Review and articulating the purpose of the SES score. ■

NOTES

¹ ISCA (2017) *Independent Schooling in Australia: Snapshot 2017*. Accessed at <http://isca.edu.au/publications/snapshot-2017-independent-schooling-in-australia/>.

² As reported in Urban R (2018) Catholics slam schools inquiry as 'a sham'. *The Australian*, 22 January 2018, page 4.

³ ISCA, op cit.

⁴ Reported in Elliot, T (2011) Private v public – an educated guess. *The Sydney Morning Herald*, 13 April 2011. Accessed at <http://www.smh.com.au/money/private-v-public--an-educated-guess-20110412-1dbok.html>.