

Submission to the National School Resourcing Board, inquiring into the development and assessment of alternative approaches to the SES score methodology for the funding of Australian non-government schools, from **Brigidine College, St Ives**, a Catholic secondary school operated under the authority of the Trustees of Kildare Ministries, a Public Juridic Person.

## Introduction

Thank you for the opportunity to make this submission to the National School Resourcing Board to aid its investigation of alternative approaches to the SES score methodology.

A civil society needs to provide for those in need in many areas, and it is widely held that education is an important cornerstone of a country's growth potential, both socially and economically. A good education for a child not only benefits the individual, but also society as a whole.

Freedom of choice in education, on religious grounds or otherwise, has helped to build a robust learning framework in Australia over many years, and this choice should continue to be available across the socio-economic spectrum. It is feared that the use of SES in its present construct and application is increasingly limiting such choice only to the wealthy, in some parts of Australia.

Capacity to contribute, strictly applied with reference to the calculation of socio-economic scores (SES) within census collection districts (CCD), has the effect of universally lowering government funding entitlements in higher socio-economic areas, thus requiring schools to raise fees, and thereby marginalise families of lesser financial capacity within those census collection districts.

This submission provides;

- commentary on the history of government funding in Australia since 2000,
- comments upon the uncertainty of funding from state governments,
- concerns about the methodology used in calculation of SES,
- concerns about the methodology used in the application of SES to schools,
- concerns about the need to fund required building works from recurrent sources,
- concerns about the impacts of changes in SES and the potential immediacy of funding losses, and,
- recommendations for changes to the calculation and use of SES.

## Commentary on the History of Government Funding in Australia since 2000

### *ERI Funding*

Prior to 2000, an Education Resource Index (ERI) was used to determine levels of funding for non-government schools. It classified schools within categories from 1 to 12. In essence, the ERI formula determined that schools with the lowest per capita income (category 12) received the highest level of Commonwealth Government funding per student, and schools with the highest per capita income (category 1) received the lowest funding. Brigidine College, St Ives was a category 8 school as its fees

were modest at that time and remain so relative to other non-government schools in its area.

ERI was simple and transparent, as it mostly relied upon data drawn from the audited financial reports of schools, subject to audits by departmental officers.

This meant that each family could choose a school, taking into account family preferences, including religious affiliation. Choices may have included government schools, lower-fee non-government schools or higher fee non-government schools.

Families of modest means living in a higher socio-economic area could choose a school that they could afford. Lower fee schools that did not have the facilities and other resources of higher fee schools could compete, remaining sustainable and therefore able to support the communities that chose them.

ERI-based funding did not take any account of the socio-economic positions of a school's families and was therefore not financially or politically sustainable.

### *SES Funding*

The introduction of the socio-economic score (SES) system of school funding from 2000 shifted the basis of funding from a measure of the schools' wealth to measuring the deemed socio-economic characteristics of the families of students attending schools. The calculation of the SES score for a school was, and remains, the average of the SES calculations for each census collection district (CCD) within which each family lived. It is important to note that it is not the same as the average of the SES calculations for each family within the school.

SES is based upon information from the Australian Bureau of Statistics that is robust, relatively independent from school-sourced data and quality assured. While it is intended to estimate the capacity of a school's community to contribute to costs, it fall short of this objective due to the socio-economic diversity of families within each particular CCD.

Following the introduction of SES in 2000, many high-fee schools received extra Commonwealth funding, despite the significant wealth of those schools and the facilities that they were already able to provide their communities. This received public attention that was relatively short-lived.

From 2000 to 2013, Brigidine College, St Ives was amongst many Catholic and other schools whose calculation of SES-based entitlement would have seen significant Commonwealth funding reductions, but for "funding maintenance". Like most Catholic schools, Brigidine sought to provide an education at a cost that a broad range of families could afford. By doing this over many years, it has not sought to compete with more expensive schools that might offer superior facilities at a higher cost.

"Funding maintenance" ensured that levels of funding for schools such as Brigidine, that would otherwise have stood to lose funding under SES, were maintained.

However, the continuation of funding maintenance for 14 years has given rise to a hybrid of entitlements for school funding that was politically divisive and therefore not sustainable.

### *SRS Funding*

The introduction of the Education Act 2013 (the Act) saw a model that, with some changes from the direct SES model, still relied upon SES in an attempt to determine the capacity for families to directly contribute to education costs. The Schooling Resource Standard (SRS), measured annually for each school is a combination of base amounts for each primary and secondary student, reduced by a “capacity to contribute” percentage based upon the school’s SES. Added to this is a series of loadings to assist with addressing a number of factors.

The SRS relies heavily upon SES and therefore the above comments on the previous SES model, with regard to efficacy and relevance, still hold for the SRS.

The maintenance of per capita Commonwealth funding with indexation of at least 3% per annum over the period 2014 to 2017 effectively continued the principle of funding maintenance which, as mentioned above, was divisive and not sustainable.

### *ICSEA and Its Use*

The Australian Curriculum, Assessment and Reporting Authority (ACARA) was established in 2008. ACARA’s functions include development of national curriculum, administration of national assessments and associated reporting on schooling in Australia. It publishes a range of data upon individual schools, including NAPLAN results benchmarked against statistically similar schools, being those with similar ICSEA scores (Index of Community Socio-Educational Advantage). These scores range from 0 to 1300 around a mean of 1000 with most schools falling in the range of 800 to 1200. For 2016, the ICSEA score for Brigidine College, St Ives was 1133.

ICSEA is calculated using data provided to schools by each family including the parents’ levels of education, their occupation groupings and indigenous status. The geographical location of the school is also taken into account.

While ACARA initially indicated that ICSEA scores would not be taken into account for funding purposes, the Act provides for a socio-educational advantage loading as a component of each school’s SRS. This loading is calculated with reference to the number of students from households that are in the bottom two quartiles of ICSEA. This would represent 50% of households in Australia and 10% of this College’s families. The loading accounts for 9.3% of Commonwealth recurrent funding in 2018.

ICSEA data is provided by schools from information mostly provided to them by parents. It lacks independence and quality standards in its collection and processing by school personnel, and its use by ACARA seems complex and lacks transparency.

## **Uncertainty of State Contributions to School Funding**

The above background and outline provides information about, and comments upon, the changes that have impacted Commonwealth funding.

Over the period from 2000 to 2018, the NSW Government has broadly maintained the funding categories that were historically determined by the Commonwealth using the ERI, and has indicated that it will announce a new funding model shortly, to take effect from 2019.

Many would expect that funding will be tied to SRS and will transition to 20% of SRS over time. For this reason, the above comments upon SRS, SES, ICSEA and other factors are assumed to impact both Commonwealth and State funding.

## Concerns about the Methodology Used in Calculation of SES

It is understood that SES is calculated for each CCD, based upon the following factors:

- 33% - Education Levels of Adults in a Household
- 33% - Occupation Groupings in a Household
- 17% - Average Household Income
- 17% - Average Family Income

At a school level, it is difficult to fully understand the exact calculations of SES, nor how this may change over time, and for this reason there is a problem with transparency. Over the past 18 years, since the introduction of the SES, there have no doubt been many changes in the degrees to which these factors have contributed to socio-economic advantage, including in employment markets, in links between education and employment outcomes, in earnings of different occupation groups and in the numbers of people undertaking post-graduate study.

## Concerns about the Application of SES to Schools

Within any CCD there will be a range of incomes, occupations and education levels, contributing to an average SES, with this average being applied to all families of students in a particular school who live in that CCD regardless of their individual socio-economic circumstances.

Within the one CCD, some households may be occupied by sole-parent families, who are not home owners, with low incomes and several children. Others may have a number of householders contributing high incomes to SES calculations, with fewer children and with properties being owned by the occupants. The former will suffer the disadvantage of averaging. There is expected to be some correlation within a CCD between individual socio-economic circumstances and the schools that families may be able to afford or choose. Particularly in higher socio-economic areas, the more advantaged would be inclined to choose higher-fee schools.

## Concerns about the Need to Fund Required Building Works from Recurrent Sources

The growth and renewal of school building stock is an important issue that needs to be addressed so that non-government schools may continue to play their parts in serving growing educational needs.

While many low-fee schools obtain some benefit from the contributions of Commonwealth and NSW capital grants, many high-fee schools enjoy philanthropic support from families and former students, providing donations for major building projects. Other schools benefit from neither of these sources and must rely upon recurrent income and borrowings to fund necessary capital works. This issue has been accentuated by the phasing out of NSW interest subsidies since 2007.

## Concerns about the Impacts of Changes in SES and the Potential Immediacy of Funding Loss

A small number of non-government schools, including Brigidine College, St Ives will lose Commonwealth Government funding in absolute terms each year until 2027. While the future direction of NSW per capita funding is not known at this stage, it is likely that this will also occur at the state level.

During May 2017, the College was advised of the estimated Commonwealth share of per capita funding for each year from 2018 to 2027, with reductions phased over this period so that expenditure and fee adjustments could be made over time.

Revised estimates were provided during November 2017, and while minor changes in loadings were expected, due to the number and extent of students with disabilities for example, we learnt that the estimates of the Commonwealth's share each year would be calculated by the phased reduction in percentage of SRS.

Current funding estimates should not change materially, subject to SES not changing, but should a school's SES score increase for 2019, based upon the address details provided to the department during 2017, the SRS would cause Commonwealth funding to decline significantly and immediately. In light of already declining funding for a number of schools, this would cause additional difficulty.

### In Summary

To address the concerns outlined in this submission, it is recommend that:

- An index, based upon each school's per capita income, be used to determine one-third of a school's SRS. This would provide some moderation for schools that have not previously enjoyed high levels of fees to accumulate superior levels of facilities and funds over the very long term. It would also ease the financial burden of needing to borrow for necessary capital works.
- Base funding, adjusted for capacity to contribute, and loadings be used to determine the remaining two-thirds of SRS.
- Research be undertaken to determine the ongoing relevance of the components of SES and their weightings to better assess their impacts upon socio-economic advantage. This should include analysis of changes in the correlations between higher education, employment opportunities and earnings potential.
- Weightings of average family income and average household income be increased from 17% each to 25% each.
- Data be drawn from the incomes and family circumstances of parents or carers of the families of students who are actually enrolled in each school. In determining income for this purpose, a reduction against taxable income should be made for the number of school-aged children in each family.
- Education levels and occupation grouping data, to the extent that they remain components of SES calculations should continue to be drawn from the averages of the CCD's in which families of a school reside. This remains the most reliable means of measuring these factors.
- Socio-educational advantage loadings for schools be based upon revised SES data, instead of ICSEA for reasons of reliability.

- Capacity to contribute tables be proportionally adjusted after taking account of the above changes, to achieve cost neutrality.
- Reductions in funding arising from a change in a school's SES be phased in over a period of ten years. This would remove the immediacy of such an impact that would be particularly necessary for those schools already experiencing funding losses over 2019 to 2027.

For clarification or elaboration on any of the matters raised in this submission, please contact Mr Greg Smith, the College's Business Manager on 0405 191 905.

Thank you for your interest and the work that you are committing to the development of a fairer, more transparent and robust system of funding for Australian schools.

Yours sincerely

Kathleen Guerin  
Chair of the Board  
Brigidine College, St Ives

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