

NSW Department of Education

Stakeholder type: Approved system authority

Jurisdiction: New South Wales

Summary

New South Wales (NSW) distributes funding to government schools through a needs based funding approach, using the NSW Resource Allocation Model (RAM). This is a needs-based funding arrangement consistent with the requirements under s78(5) of the *Australian Education Act 2013* (Cth) (the AE Act) (which is modelled on the Schooling Resource Standard (SRS)).

Needs-based, sector blind funding was at the core of the original Gonski recommendations and this approach underpins both the NSW and Commonwealth funding models. Addressing need is about directing funding to focus on bringing about equitable outcomes. This is best done by targeting funding to areas of greatest need using student characteristics most associated with educational disadvantage such as Aboriginal background, disability, English language proficiency and socio-economic background. This ensures the individual learning needs of all students are met, while understanding that certain cohorts need additional support.

As the largest school system in Australia and one of the largest in the world, NSW has highly diverse student and school characteristics, which require a flexible approach to funding. The RAM meets this complexity and diversity with nuance. Consistent with s78(5) of the AE Act, NSW has a base allocation to provide funding for the core cost of educating each student and operating a school. Loadings are provided on top of the base allocation to support additional need. The NSW RAM also goes beyond the Commonwealth's model, by supporting the unique NSW context and system characteristics, as well as providing funding for central costs and both national and state initiatives and reforms.

NSW supports transparency and makes information about its needs-based funding arrangements publicly available. NSW publishes high level information about the RAM methodology on the NSW Department of Education website as well as total RAM funding by school.

NSW advocates for the Commonwealth Government to continue to provide Approved System Authorities with a high level of autonomy and flexibility, in determining how to distribute Commonwealth funding through their needs-based funding arrangements.

Submission

BACKGROUND AND CONTEXT OF NEW SOUTH WALES (NSW) SCHOOL FUNDING

NSW runs the largest education system in Australia which has complex and nuanced needs

The NSW public education system is the largest in Australia and one of the largest in the world. There are approximately 2,200 government schools and over 800,000 students situated across metropolitan and remote areas. NSW has a nuanced and localised approach to allocating funding, and requires a high degree of flexibility and autonomy to manage funding decisions in such a complex, large-scale and diverse system.

The Commonwealth provides NSW with aggregate funding for its government school students based on the Schooling Resource Standard (SRS). NSW then pools the Commonwealth funding with the State's contribution and distributes it to schools through its Resource Allocation Model (RAM), which NSW has used since 2014. This simplifies arrangements for NSW government schools, as they receive their State and Commonwealth funding as a single amount. It also enables NSW to distribute funding in a locally appropriate way to meet student need.

The NSW and Commonwealth align in their approach to funding need

The NSW and Commonwealth Governments agree on Gonski principles of needs-based, sector-blind funding.

The AE Act does not define 'need', but its objects clarify that a needs-based funding model would provide a base amount and loadings for students and schools that need additional support. Both NSW and the Commonwealth recognise this through their needs based funding approach, targeting funding to areas of greatest need using student and school characteristics most associated with educational disadvantage.

Under section 78(5)(a) of the AE Act, an approved system authority is required to have a needs-based funding arrangement, including a "base" per student amount that represents 'the recurrent resources required to support a student with minimal educational disadvantage to achieve expected educational outcomes'. In addition to this the needs based funding arrangement must have loadings, which align with those in the SRS model, and include funding for students with disability, Aboriginal and Torres Strait Islander students, students with socio-educational disadvantage, students who have low English proficiency. There is also a requirement to have loadings for school size and location.

Through the RAM, NSW funds a base school allocation, equity loadings and targeted student funding. The base school allocation provides funding for the core cost of educating each student and operating a school. This is primarily made up of staffing (teaching/school administrative and support staff) and funding for other operational requirements. Remote and/or isolated schools receive additional funding through the location allocation in the base.

The RAM provides additional funding to meet need through equity loadings:

- Socio-Economic Background – the rate of funding per student is based on a combination of individual student and school need, using the Family Occupation and Education Index (FOEI);
- Aboriginal Background – the loading reflects both the percentage and number of Aboriginal students in the school;
- English Language Proficiency – the loading is calculated using each school's reported level of English as an Additional Language or Dialect (EAL/D) need; and
- Low Level Adjustment for Disability – the loading is based on the number of students in regular classes with additional learning and support needs.

Many students with particular learning needs benefit from targeted individual support. NSW, through the RAM, provides targeted (individual student) funding which is not directly reflected by the model in s78 of the AE Act or the SRS model. This funding is for:

- Refugee students who have been enrolled in an Australian school for less than three years;
- Newly arrived students who speak a language other than English as their first language and require intensive English language tuition; and
- Students with moderate to high levels of adjustment for disability, who access support through the Integration Funding Support Program.

The NSW funding model extends beyond providing base and loadings (such as those in s78(5) of the AE Act), and includes costs that may not be fully captured through a model based on the SRS, but are still an essential part of running schools and large systems. This includes funding for national and state reforms and initiatives, State-wide programs which are targeted at specific initiatives such as literacy and numeracy, unique staffing elements and out of school costs such as central costs (including corporate overheads and administrative costs). NSW has the lowest proportion of out-of-school costs compared to other jurisdictions. This means a greater proportion of funding is going directly to schools.

One NSW public school with a high proportion of LBOTE students is Westmead Public School, which has 1,653 full-time equivalent (FTE) students and a high LBOTE proportion of 98%. Approximately 1,620 students from Westmead Public School have a language background other than English (MySchool 2018). This is one example of the diverse student cohorts in NSW public schools, and highlights the importance of system-level flexibility (e.g. targeted funding) to enable student and school needs are met.

NSW advocates high flexibility in needs-based funding arrangements

The Commonwealth should take a flexible approach towards needs-based funding arrangements recognising that Approved Systems Authorities know the needs of their students and schools best. The NSW student cohort is extremely complex, with diverse and overlapping needs. Funding approaches should recognise that student need is often intersecting and reflected across the range of loadings, and funding should be considered as a total amount.

The SRS, and the formula in section 78(5) of the AE Act based on the categories of the SRS, is a theoretical resourcing model. It was not intended to be a distribution model for systems, and it would be impractical for system's funding allocations to schools to mirror the SRS exactly.

The original *Gonski Review of Funding for Schooling* report in December 2011 (the Gonski report) recommended the development of a schooling resource standard, stating that 'a key principle that has guided the panel is that the schooling resource standard should be a national one, but with some flexibility in how it is applied' (Section 4.2.5).

The Gonski report went on to note that:

The resource standard proposed by the panel is not intended to completely replace the more detailed funding formulas used by state and territory governments to allocate resources to the individual schools they operate... Systems would still be able to moderate the allocation of these funds based on their own localised assessment of funding needs provided the allocation method was consistent with the overall approach of the schooling resource standard (Section 4.2.6).

Autonomy to determine needs-based funding arrangements enables States and Territories to factor in their specific context and system characteristics. NSW has a complex needs profile that differs to other States and Territories. For example, NSW government schools have a higher proportion of students with a language background other than English (LBOTE) when compared to the wider Australian population. Of all students with LBOTE in government schools across Australia in 2017, approximately 40% attended a NSW government school.

The diversity of settings and demographics, means that there is not a 'one size fits all' distribution model for NSW government schools. Not all schools 'fit' into the SRS model including very small schools, very remote schools, students in specialist settings and distance education schools. For example, schools with very low enrolments require more than a pure per capita model to be able to attract a sufficient level of resourcing to operate.

In NSW there are schools with such unique characteristics that funding just according to a base and loading structure would not meet their need. There is great variation in school size, from small schools in remote locations that only have a few enrolments up to the largest NSW public school, Cherrybrook Technology High School with a head count of 1,982 students (Centre for Education Statistics and Evaluation 2018). This is an example of why purely funding on a per capita basis will not meet the needs of students at these schools and why the size loading in the SRS is not sufficiently nuanced to manage these complexities.

Enhancing the harmonisation of non-government school funding between States and Territories and the Commonwealth

In 2018 the NSW Government aligned its funding of non-government schools with the Commonwealth's Gonski needs-based funding formula. NSW is transitioning its funding share of non-government schools to 20% of the SRS by 2029, in alignment with the Commonwealth's funding share of 80% SRS for non-government schools.

Accordingly, NSW also funds non-government school systems in alignment with the Commonwealth by allocating its funding share to the system authority, and allowing the authority to distribute the funds in accordance with its own needs-based methodology.

To enhance the harmonisation of non-government school funding between the State and Commonwealth, and reduce the red tape burden on non-government schools, a harmonisation of compliance arrangements for non-government school systems is recommended. The NSW Government is currently developing options with the Commonwealth.

NSW'S RESPONSE TO THE REVIEW QUESTIONS

1. What are desirable levels of flexibility for needs-based funding requirements – are there different levels of flexibility that could be applied to the per student amount and loadings?

- The Commonwealth should be highly flexible in allowing approved system authorities to make local decisions about distributing funding to address need, in relation to both the per student amount and loadings. Autonomy in determining needs-based funding arrangements enables States and Territories to factor in their specific context and system characteristics. It also enables States and Territories to meet the complex but fundamental requirement that the State must provide universal public provision for every area of the State.
- The NSW public education system is the largest in Australia and one of the largest in the world. With a diversity of settings and demographics, there is not a 'one size fits all' distribution model for NSW government schools. Given the complexity of categorising student need in such a large-scale system, NSW requires a high degree of flexibility and autonomy in spending decisions.
- Systems at different levels of the transition towards their final share of the SRS will also need various degrees of flexibility while they transition. For example, in earlier stages of their transition systems which are currently funded below their final share may require a higher focus on base per student funding to ensure the costs of keeping schools open are covered.
- A determination of funding purely on a base and loadings structure will lead to subjective categorisation of expenditure, where it may not be appropriate. For example:
 - State wide programs, such as NSW's Early Action for Success and Quality Teaching Successful Students, cannot be distilled into base and loadings components.
 - Some staffing elements such as support staff/teacher's assistants/school psychologists cannot easily be split between categories, as these could be viewed as containing both a base and loadings component.

2. What level of prescription by the Australian Government regarding needs-based funding arrangements may reasonably be required and is possible?

- The requirements in s78(5) of AE Act prescribe that funding is to be distributed according to a base and loadings (modelled on the SRS). Section 78(5) does not prescribe the levels of distribution under each of the categories. NSW does not want to see any greater prescription to that already in place.
- Systems know the needs of their students and schools best. The Commonwealth should take a limited role in prescribing needs-based funding arrangements adopted by systems.

- It is valuable to have a formula, such as the SRS and the s78(5) model based on the SRS, to guide jurisdictions and sectors on how they should structure their distribution of funding. However, funding allocations to schools should not have to exactly mirror the SRS, which is a theoretical resourcing model that was not intended to be a distribution model for large and complex systems.
- Funding should be used as a total amount, recognising that student need is often spread and reflected across the range of loadings. Approved Systems Authorities should retain autonomy to use their detailed local knowledge to choose how this distribution happens internally.
- The Commonwealth should not take a purely quantitative, dollar-based approach when assessing compliance with a base and loadings methodology.
- Instead, the Commonwealth should be informed by a qualitative approach when assessing compliance, for example by more broadly considering the loadings a jurisdiction has in place.
- Section 78(5)(a)(ii) of the AE Act states that efficiencies must be accounted for. Due to large economies of scale and superior knowledge of the school system to implement initiatives in an efficient way, NSW is well-placed to realise efficiencies while improving educational outcomes. NSW has the lowest out of school costs for government schools, per student out of all jurisdictions. This means more funding can go directly to schools. (NSW spent \$389 in 2016-17, next highest was Vic at \$639, Aust average was \$724).

3. What additional guidance may be necessary and what form should it take?

- Any additional guidance should be consistent with the approach that approved systems authorities have a high degree of flexibility to distribute Commonwealth funding.
- If any additional guidance is prepared, NSW requests that Approved Systems Authorities be given an opportunity to contribute to its development.

4. What is the right balance of prescription and flexibility for assessing compliance with needs-based funding requirements and why?

- In NSW's view, there needs to be a balance between compliance reporting and onerous red tape.
- Whilst we understand and support a process whereby approved system authorities demonstrate how Commonwealth funding has been spent, the AE Act and Regulations should not be made any more prescriptive.
- Currently, the AE Act requires NSW to demonstrate the use of a needs-based funding arrangement to allocate Commonwealth funding to individual government schools. The Commonwealth portion of each school's funding is currently less than 20% of total government funding they receive.
- Commonwealth funding is not tracked end-to-end as to do so would create a burden on schools. Instead, NSW pools Commonwealth funding with the State's own contribution and distributes it to schools through the RAM. The RAM is the needs-based funding arrangement for the NSW Department of Education.
- NSW allocates Commonwealth funding to staffing, which makes the largest component of the RAM.
- If the Commonwealth becomes any more prescriptive regarding needs-based funding arrangements, this will impede the ability of Approved System Authorities to model their arrangements on local needs. This may result in significant administrative burdens for approved authorities that do not bring commensurate benefits and may lead to cuts to some schools without accounting sufficiently for local needs.

5. What level of transparency is required to effectively enable accountability of approved system authorities?

- NSW notes that there are already a number of compliance mechanisms in place as part of existing reporting arrangements, such as annual reporting under section 22A of the AE Act, block allocation reports and acquittal certificates (see sections 34-35 of the *Australian Education Regulation 2013* (Cth)).

- From NSW's perspective, it is desirable to have transparency in how Approved System Authorities distribute funds. At the same time, the Commonwealth should not create duplication in reporting or onerous reporting requirements.
- School-level Commonwealth and State expenditure is already available on the MySchool website. NSW does not advise the establishment of another publicly available dataset, as this will result in duplication.
- NSW is highly transparent in its distribution of funding. Government schools within NSW receive a breakdown of their funding components and the calculations that underpin them in their Schools Budget Allocation Report (SBAR) report. This includes the 'loadings' that schools receive via the RAM. These reports are about state funding, which are not within the remit of the NSRB's reviews of the AE Act.

6. What are acceptable approaches for approved system authorities to make their needs-based funding arrangements publicly available?

- In NSW's view, acceptable approaches include publishing high-level information about needs-based funding methodology on a departmental website. NSW publishes the loadings component of the RAM funding per government school at <https://schoolsequella.det.nsw.edu.au/file/ca1f29a8-4727-4c34-b6d3-f34c237e9406/1/2019-sbar-funding-table.pdf>.
- In NSW, information on the RAM is publicly available and transparent. See <https://education.nsw.gov.au/our-priorities/work-more-effectively/local-schools-local-decisions/resource-allocation-model>.
- Every NSW public school is required to prepare an annual report, which sets out financial information including the use of equity funding allocations and expenditure received under the RAM. Hard copies are available to the school community. The NSW Department of Education is also required to provide annual school reports to the State Archives.