National School Resourcing Board

Review of the **socio-economic status score methodology**

Issues paper

Issues Paper

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Disclaimer

As this is an independent review, the issues paper does not necessarily reflect the views of the Australian Government.

This document must be attributed as the *Review of the socio-economic status score methodology – Issues paper*.

National School Resourcing Board

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Review purpose

The National School Resourcing Board has been established to provide greater independent oversight over Commonwealth school funding. This includes reviewing different parts of the school funding model under the *Australian Education Act 2013*.

On 31 October 2017, the Minister for Education and Training, Senator the Hon Simon Birmingham, announced terms of reference for the review of the socio-economic status (SES) score methodology, which is used to determine the Commonwealth's recurrent funding contribution for individual non-government schools. The terms of reference are available at www.education.gov.au/national-school-resourcing-board.

The Board, chaired by Mr Michael Chaney AO, will:

- consider the appropriateness of the use of SES scores in assessing the capacity of a non-government school community's ability to contribute to the recurrent costs of their school
- make recommendations on alternative measures and/or changes to ensure confidence in the methodology used.

The final report and recommendations will be provided to the Australian Government Minister for Education and Training by the end of June 2018.

Review scope

In line with the terms of reference, the review will consider, provide findings and make recommendations relating to:

- the strengths and limitations of the current SES measure in determining the capacity of a school community to contribute to the recurrent costs of the school
- possible alternative methodologies or refinements for calculating the capacity of a school community to contribute or for calculating the SES, including the use of more direct measures
- how frequently measures should be updated into the future
- timeframe for possible implementation (including staged implementation) from the 2019 school year.

This review will not affect the calculation of the socio-educational disadvantage loading or funding entitlements for schools that are defined under the *Australian Education Act 2013* as having zero capacity to contribute. Section 52(6) defines these schools as: government schools; special schools; special assistance schools; majority Aboriginal and Torres Strait Islander schools; and sole provider schools.

Context

On 23 June 2017, amendments to the *Australian Education Act 2013* passed through Parliament to give effect to the Australian Government's *Quality Schools* package. The Australian Government will deliver around $250 billion in total school recurrent funding from 2018 to 2027.

The *Quality Schools* reforms will deliver Commonwealth schools funding that is needs-based, transparent and equitable so students with the same need in the same sector will attract the same level of support from the Commonwealth.

As the majority funder of non-government schools, the Government is committed to supporting parental choice and diversity in the schooling system.

Commonwealth funding to non-government schools takes into account the capacity of parents and school communities to contribute to their school's operating costs, for example the ability of parents to pay school fees. This is called the 'capacity to contribute' assessment and is based on the SES score of the school.

SES scores provide a relative ranking of all non-government schools based on the income, education and occupation characteristics of the areas in which students at each school reside. This information is used to generate a number representing the socio-economic status of one student cohort relative to other cohorts, with 100 being the Australian 'average' SES score.

Issues

The objective of the SES score has remained unchanged for 20 years – that is, to measure the capacity of non-government school communities to contribute towards the operating costs of their schools. However, over this time its application in recurrent schools funding has changed.

From 2001 for Independent schools, and 2005 for Catholic systemic schools, the SES score determined the percentage of the Average Government School Recurrent Costs (AGSRC) that non-government schools received from the Australian Government. The actual funding by schools was also influenced by 'funding maintained' and 'funding guaranteed' arrangements.

Since 2014, and following the 2011 Review of Funding for Schooling, the SES score has been used to discount the base Schooling Resource Standard (SRS) per student amount received by non-government schools.

To inform the work of the Board, the Department of Education and Training commissioned Victoria University's Centre for International Research on Education Systems to undertake a desktop review of development activities since the SES score was conceived in 1996 and to summarise known stakeholder issues and views on the SES score methodology.

The report *'The Socio-economic status score methodology used in recurrent school funding arrangements'* is available at www.education.gov.au/national-school-resourcing-board.

The Victoria University report identified a range of issues and concerns that have been raised by stakeholders, but does not attempt to assess the significance of any of the matters that have been raised by stakeholders. The report has categorised issues into three broad themes of design, accuracy and timeliness, as summarised below.

Design

- The extent that the SES score methodology meets its purpose and objective in measuring the capacity of parents to contribute financially towards a school's resource requirements.

Accuracy

- The extent that the SES score methodology and data used to generate SES scores provides an accurate estimate of the relative capacity to contribute of individual schools.
- The extent to which the methodology is sufficiently responsive where the characteristics of certain individuals, or a sub-population, differ markedly from a population.
- The extent that the data is transparent, reliable and provides a strong relationship between the indicator and the capacity to contribute of the target community.

Timeliness

- Whether the SES score methodology is able to capture relevant and timely economic and demographic change that can occur within a particular community.

Principles

The Board has developed a set of principles to guide the development and assessment of alternative approaches to the SES score methodology. In the Board's view, the methodology should be:

Fit for purpose

- Clearly articulated purpose so the public can have confidence in the measure.
- Can accurately estimate the relative 'capacity to contribute'.
- Draws on best possible and relevant national data.
- Can be implemented without significant administrative reporting burden on a school or a system.

Transparent

- Calculation of the measure and data used can be clearly explained.
- Can be formulated through independent, established, high quality and trusted data.

Reliable

- Recognised by the public as robust, up-to-date and reliable.
- Is sufficiently responsive to account for economic and demographic change over time.
- Provides stability and certainty as a measure for a defined time period.

Submissions

The Board is calling for written submissions to inform their consideration of the SES score methodology and seeks comments on issues and concerns, and potential alternatives or improvements, to the 'capacity to contribute' assessment.

The submission process is open to all interested parties. The Board invites you to put forward your ideas and provide the evidence and insights that underpin them.

This issues paper is focussed on three key questions. Submissions are not limited to these questions alone and may address any issue relating to the appropriateness of the current SES score methodology and any suggested alternatives.

Submission questions

1. What are the strengths and limitations of the current SES methodology that is used to determine the capacity of a school community (school, family, parent) to contribute to the recurrent costs of the school? Please provide any supporting evidence.
2. What refinements or alternative methodologies could be considered to improve on the current SES measure, including how frequently should measures be updated?
3. Are the guiding principles appropriate to assess alternative approaches or are there other principles that should be considered?

Making a submission

Submissions are to be made through an online form. Each submission is limited to 3300 words and should include a summary (up to 300 words) of the key points of your submission.

To find out how to lodge your submission, and for more information on the review and the board, please visit www.education.gov.au/national-school-resourcing-board.

Please note that the Australian Government Department of Education and Training will not treat a submission as confidential unless it is specifically requested that the whole submission, or part of the submission, be treated as such. Publication of submissions in whole or in part will be subject to Board approval.

Submissions will close at 5.00 pm (AEST) on **Tuesday 20 February 2018.**

This consultation paper and the Victoria University report can be viewed at www.education.gov.au/national-school-resourcing-board.