

Submission to the National School Resourcing Board
Review of the Socio-Economic Status Score Methodology
20th February, 2018

Introducing the Australian Association of Christian Schools (AACS)

The Australian Association of Christian Schools (AACS) represents 108 schools/41,000 students across Australia. In the main AACS schools are low fee, low SES schools with an average SES of 97.4. AACS schools have the goal of offering affordable Christian education to Australian parents. Our schools are located in every State and territory and range from very small to large; from urban to regional, rural and remote. Whilst some schools operate in small systems, most AACS schools operate autonomously and are accountable to their parent and school communities.

1. Overview

The following overview captures the main points AACS seeks to make within this submission to the *Review of the Socio-Economic Status Score Methodology*.

1. AACS welcomes the opportunity to provide input to this review of the SES score methodology.
2. AACS applauds the funding model incorporated within the *Australian Education Amendment Act 2017* for its needs-based, equitable, sector-blind, long-term and predictable character. We urge for retaining the core structure of the model established within the Act.
3. At the same time, AACS recognises that the adjustments for some schools and sectors has presented challenges and therefore a *Review of the SES Score Methodology* is timely and appropriate.
4. AACS has a number of concerns:
 - That low fee charging Catholic and other non-government schools are treated the same as high fee charging schools.
 - The experience of an unfair funding position that arises for low-moderate fee schools located in high SES areas. AACS has 10 member schools in this position.
 - That 'Capacity to Contribute' (CtC) determinants do not give adequate consideration to the capacity of parents to afford school fees.
5. One confusion about the SES score methodology relates to what it is actually measuring. Is the SES score methodology measuring the financial 'Capacity to Contribute' - the capacity of parents to contribute financially towards the resource requirements of non-government schools; or is it also using aspects that measure 'Educational Advantage'; or is it seeking to assess/ fund 'need'? It would be helpful if the Review provided clarity on these questions.
6. AACS present recommendations to do with:
 - Using Family Income to Measure Capacity to Contribute
 - Changing the Proportional Weightings
 - Introducing a Specific 'Low Fees – High SES' Loading for NGS
 - Incorporating Fees Charged into the CtC Determination

2. Using Family Income to Measure 'Capacity to Contribute'

AACS is cautious about the proposal that actual family income could readily be used as a more accurate measure of 'Capacity to Contribute'. AACS supports the fairness and greater accuracy rationale that lies behind this proposal, i.e. a focus on a family's capacity rather than a broader focus on the 'suburb'.

However, questions remain regarding: the complexity of this model; administrative burden; privacy protections; complications that might result from the collection of tax file numbers; and public confidence in the model.

Should this model emerge as a viable option for determining 'Capacity to Contribute', AACS would seek the following conditions:

1. That confidence in the overall model is not diminished;
2. That schools would only be required to provide parent names and addresses within the FQ;
3. That total family income is used and not the 'distortion' of taxable income.

3. Change the Proportional Weightings

The current model allows for equal weightings for Occupation, Education and Income. The Education and Occupation weighting of 66% appears to be fairly arbitrary, high and not a measure of a parent's 'Capacity to Contribute'. Higher levels of Education or Occupational Status are not necessarily associated with higher income. A higher weighting to income would provide a more accurate measure of a community's capacity to contribute.

In light of the fact that disposable income is the main determinant of a parent's ability to afford fees we recommend changing the proportional weightings to 2/3 for Income and 1/3 for Education and Occupation. Or, if the objective of the SES score methodology is to measure the capacity of non-government school communities to contribute to the operating costs of their schools then Income should be the only measuring mechanism. In AACS schools, income is the basis on which 'fee relief' (assistance provided to low income families in order that they can access Christian education) is determined.

4. Introduce a Specific 'Low Fees – High SES' Loading for NGS

Every model will have certain unfortunate consequences. AACS schools with low-moderate fees located in high SES areas have experienced considerable financial challenge within the SES funding model. If the Australian educational landscape is to continue providing as much choice for parents as is reasonably possible, then these challenges need to be addressed.

One possible approach will be to shape a specific NGS 'loading' that addresses this specific financial problem. Should this issue not be addressed low-moderate fee schools in high SES areas will either need to adjust and become high fee schools, or that they will slowly disappear from the educational market place. Both these consequences will reduce choice and see the demise of low-moderate fee (Christian) school offerings in these areas.

5. Incorporate Fees Charged into the 'Capacity to Contribute' Determination

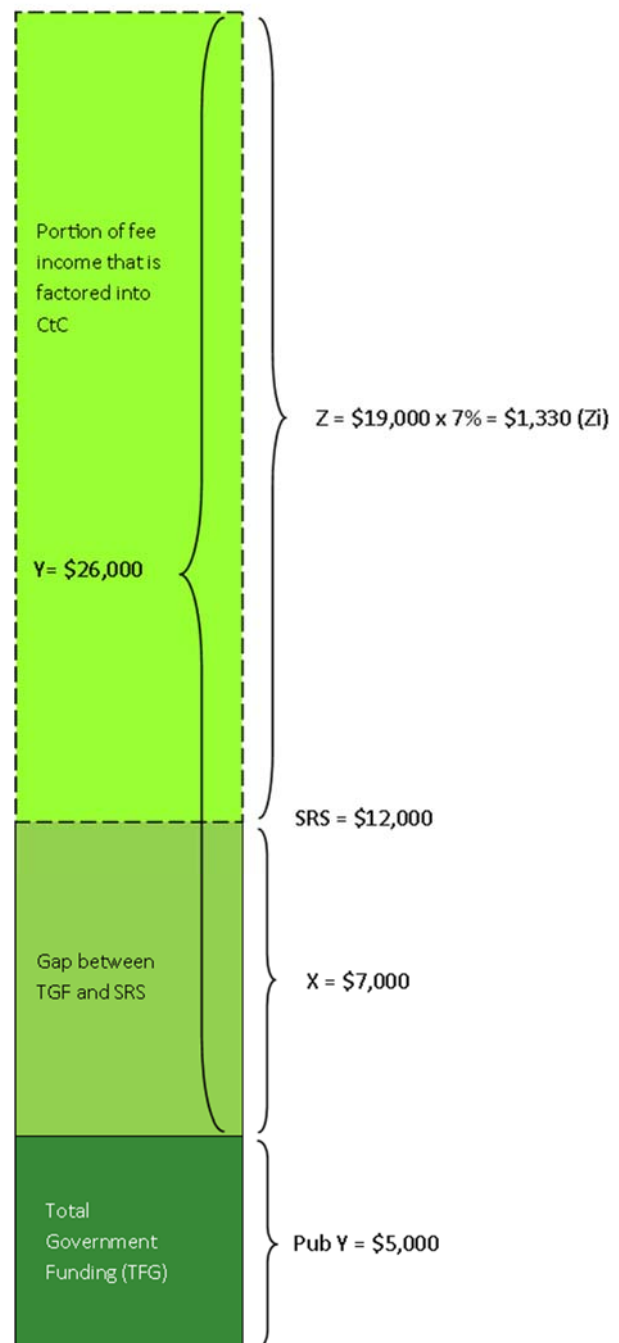
A relatively simple mechanism could be used that incorporates the amount of fees charged, or more accurately the average total private income per student, into the formula for determination of Commonwealth funding assistance to non-government schools. The rationale for this recommendation is that a parent's capacity to pay fees is a reasonable mechanism for measuring a portion of their 'Capacity to Contribute'.

In summary, the proposal recommends that a portion (a percentage between 5 – 10 % inclusive be determined after modelling shows its impact) of the fees charged above the annual SRS per student amount would be deducted off the final amount contributed by the Commonwealth to non-government schools.

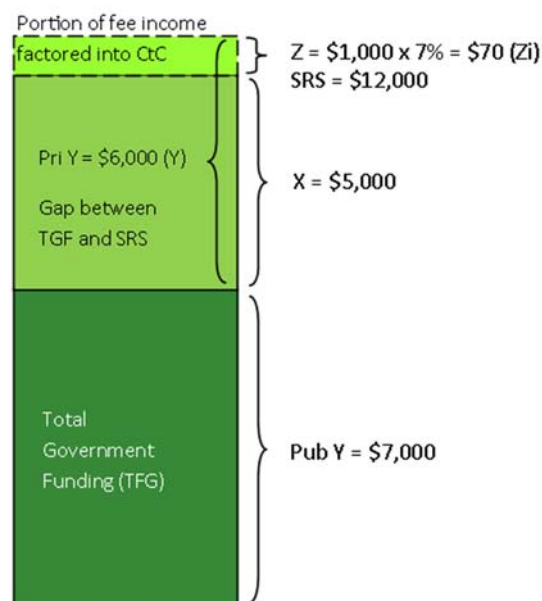
The formula [per student amount] is:

1. SRS subtract PubY (total Government, both State and Commonwealth) = X.
2. Total Private Income (PriY) divided by student numbers = Y.
3. Y subtract X = Z. School per student funds above SRS.
4. Z multiplied by % [to be determined. Between 5 – 10%] = Zi.
5. Zi is then deducted off the Commonwealth income provision for SRS Base per student funding.

Example 2: High fee NGS



Example 1: Low fee NGS



Note: The above example has used 7% as the portion fee income that is factored into the Capacity to Contribute. Our broad modelling has projected that an amount between the two outliers of 5 and 10 % would be reasonable, but would require a political determination.

Funds saved through this mechanism would be re-directed into realising the overall funding goals of the government's educational funding model, and/or provide a stronger measure of support to the SWD loading.

Some notes and/or issues regarding this proposal:

1. The model proposes to use total private income divided by student numbers because any mechanism that used 'fees charged' would run into many anomalies and inconsistencies.
2. The model suggests that guidelines should be established for what is included in total private income for educational expenses. It could be expected that as well as typical tuition fees, fees for camping, sporting, and excursions would all be included, but that fees for individual music tuition, canteen and uniforms and the like would be excluded. It would be important that these figures could not be manipulated. It should be reasonably straightforward to obtain this data via the annual Financial Questionnaire.
3. AACS undertook some rough modelling and estimated that a measure between 5 – 10% might be considered. Below 5%, the measure becomes too small to make the mechanism worthwhile. Above 10% appeared to place too much strain on high-fee charging schools. AACS recommends that further modelling is undertaken to view the implications.
4. In light of the different configurations for separate and joint primary and secondary schools there would be a need to separate private income determinations for primary and secondary students.
5. Deliberation on the model might consider a sliding scale percentage deduction, i.e., a lower percentage for moderate fee schools and higher percentage for high fee schools.
6. Within the explanation of the model, it should be said that the deduction off the Commonwealth funding provision comes off the Base SRS per student amount (excluding loadings). Financially there is no difference here. This is a perception issue, where schools would argue that they are entitled to the full amount of what is attributed to the loading.
7. In order to avoid a circular formula, this calculation should only be applied once at the end of all other calculations.

Thank you for the opportunity to provide input into this Review.

AACS Executive Officer,

Martin Hanscamp
20th February, 2018