





Wycliffe Christian School

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Submission to the Review of the socio-economic status score methodology

I am writing to provide input to the National School Resourcing Board's review of the SES methodology that determines the Commonwealth Government's recurrent funding of non-government schools. This submission is made on behalf of Wycliffe Christian School, which is located in the Lower Blue Mountains, about 60km west of Sydney. This submission will focus on how well the SES reflects a school community's capacity to contribute and also how the current model has impacted our school over the last 10-15 years.

Impact of the current SES model on our school

The objective of the SES methodology is to measure the capacity of non-government school communities to contribute to the operating costs of their schools. The experience of our school, Wycliffe Christian School in Warrimoo, NSW, is that the current SES methodology provides a misleading measure of the capacity of our school community to contribute and indeed the methodology has disadvantaged our school significantly.

Our SES is 108, which is substantially higher than other independent schools within a radius of 20km from our location. This has meant that Wycliffe has received much less government funding than the surrounding schools which has created pressure for us to charge significantly higher fees than other comparable independent schools. Across this period of lower funding and higher fees from 2001 to 2017, we have seen a reduction in students from 730 to 335 from 2001 to 2017.

Our purpose is to provide quality, authentic and affordable Christian education for families in the lower Blue Mountains. We are what many would describe as a low-fee non-government school. We draw almost all students from the Blue Mountains, generally from the middle-to-lower income families of the area however there is a range of families with different incomes.

Also within our area there are some higher-fee schools that ironically all have a lower SES than our school including St Paul's Grammar (SES 102), Blue Mountains Grammar (SES 106) and Penrith Anglican College (SES 104). These schools tend to draw the higher-income families from our area and we tend to draw the middle-lower income families and yet the SES is unable to take this critical factor into account. The SES for these higher fee schools suggests that their school communities are less able to contribute to the costs of schooling but their high level of fees clearly shows their families are more able to contribute to the costs of their children's education.

We also have other low-fee Christian schools in the Penrith area. These schools mainly draw from the Penrith area, which has a lower SES than the Blue Mountains which enables them to charge much lower fees than our school. The two main schools of this type are Nepean Christian School (SES 100) and Penrith Christian School (SES 99). In recent years these schools have actively marketed themselves in the lower Blue Mountains, sometimes quite aggressively. As a result, many families from the Blue Mountains have either moved students from Wycliffe to these schools or, have commenced their family's education at these schools rather than Wycliffe, often because of the lower fees.

We suspect that there may not be a significant difference in actual incomes between the families from each school. However, the current SES methodology only considers the average income/occupation/education of the SA1 area in which each family lives rather than each family's actual situation. This means we end up with a much higher SES and much less funding that then means we need to charge higher fees. This has led to significant reductions in enrolments. Clearly the current practice of basing SES on the SA1 significantly disadvantages our school.

Other problems with the current SES methodology

Another problem with the current model is that there are equal weightings for occupation, education and income. While we understand there may be some rationale for the inclusion of occupation and education, as it may indicate a family's ability to earn more income than it currently earns, surely the most important factor is the income of the family. We believe a more appropriate weighting would be two-thirds income and the remaining third split between occupation and education, although we question why occupation/education should be included at all as capacity of a family to contribute to the costs of education of their children in their current situation is clearly tied to income much more strongly than these two other factors. A higher weighting to income would provide a more accurate measure of a community's capacity to contribute.

The income that is considered in the current SES methodology is also problematic. The 50/50 split between average income and average income for families with children is hard to justify. What relevance is there for including the income of families without children? If the SA1 grouping is still to be used in some form, the focus must surely be on families with children.

Finally, the current model ignores family size which clearly impacts the capacity to contribute, as a family with one child would have a lot more capacity to contribute to the education of that child than a family of five would have to contribute to the education of each of their children. The equalised income concept used by the ABS from the 2006 Census should be incorporated into the SES methodology. This should be used whether the SA1 average income is retained or whether there is a move to using the actual income of each family.

The current SES methodology is flawed and indeed has impacted our school in a significant way. Our school believes it must change. If it does not, there are significant risks to the future viability of our school - all because of the funding model used by the Commonwealth.

An alternative approach

We propose an alternative approach that is both fairer and practical to implement. The guiding principle to test any alternative approach should be the same principle used to assess the current approach and its appropriateness, i.e. does it provide an accurate measure of a school community's capacity to contribute to the costs of running a school? By 'community', we must mean the capacity of the families of the students' families, not the average capacity of families in the suburbs in which those families live. By 'accurate', we must mean that the measure includes enough information about those families from reliable sources to produce a valid measurement of their capacity to contribute.

Clearly, the best measure of income of each school community is the actual income of all families in the school community. Our experience is that there is a wide range of capacity to contribute within the SA1 areas in our area and indeed this was the finding of Baker and Adhikari of the ABS in 2007. It is quite concerning that it has taken over 10 years to review the SES when the core assumption of the methodology, that SA1 income data accurately reflects school communities, has been shown to be invalid.

Indeed, back in 1997, the final two models that were considered to measure 'capacity to contribute' were the SES model and an approach based on the income of actual families whose children attended each school. At the time it was felt that available data for individual family income was not reliable and would cause significant administration difficulties, so the SES model was adopted.

But if the last 10 years has been characterised by one thing it is the explosion of the availability of data, both data available publicly and data available to companies and government departments. For example, the ATO uses data matching for a wide range of purposes to enable it to better understand what tax each taxpayer should be paying. Surely this could be leveraged for the task of assessing each school community's capacity to contribute.

If the school community provided names and addresses of families to the education authority, it could provide that data to the ATO or related government agencies which could use their matching services to return an accurate measure of the actual income of families in the school community. Due to changes of address in families each year, there would inevitably be some families for which a match would not be possible, but as long as say 90% of families could be matched, then that would be sufficient to determine an accurate measure of a school community's capacity to contribute.

We do not believe it would be appropriate for schools to collect TFN details for families to assist in this process as these numbers are highly confidential and there are strict rules about how they are handled. In any case, it should not be necessary in any case as data matching services should mean that name and address details are sufficient to source income details by household.

A question then arises as to what income should be included. Rather than using taxable income, which can be offset by a range of deductions, a measure of total income (or close to it) would be more appropriate so that items such as negative gearing do not artificially lower the measure of each family's capacity to contribute. Further, the new model should use the ABS' concept of equalised income to take into account family size, as was discussed earlier.

The current model only uses three bands to measure household income, which is grossly inadequate, especially considering that the upper band starts at \$156,000 which is less than AWOTE for two people working full-time. Ideally, the income measure would be based on the average/median income for families with children attending the school. However, if income bands continue to be used, there needs to be much more granularity to differentiate between families where each parent is earning AWOTE and those who are on much higher income. Currently there is no such distinction between these two groups that have a massive difference in their capacity to contribute.

It may be more difficult to obtain occupation and education details by family as we understand that there is no reliable data source at the individual family level, so perhaps the SA1 level detail will need to suffice for these measures. This may be another reason to reduce the weightings of these components as there will be less accuracy for these measures. Census data at the individual level could potentially be used for this purpose, but it is not collected frequently enough (only every 5 years) to provide an accurate measure of the occupation and education of a household located at a particular address. An alternative could be to use the data provided by each school for the ICSEA, however there may be an incentive for some misreporting of these details if under-disclosure resulted in significant financial benefit.

In terms of how often these calculations should be performed, given the analysis and data matching would be automated, it could potentially be done annually. However, for most school communities, a triennial review would be sufficient as the income profile of a school community would generally not change quickly. With more accurate data, it is possible that the income measure may change from year to year. To provide more certainty in funding, there may be a provision that annual funding per student does not change by more than say 3% per annum for any school. We would also argue that some variability in funding is preferable to the gross inequities that are present in the current system.

Usefulness of the Current Principles

The current principles are a helpful and necessary yardstick by which we should measure any approach. Unfortunately, the current methodology fails when measured against these principles at several points. It does not accurately estimate a school community's capacity to contribute but rather calculates the capacity of the average family from the SA1 area of each family. While it may be argued that the current methodology is the 'best we could do with the data we had', that situation has changed and government departments now have access to much more data and indeed are able to link data sources from a range of different areas.

Retaining the current SES model would be inconsistent with the principle of drawing on the best possible data. On the other hand, using the income of actual families would fulfil this principle. It would be unusual for the government to have access to information that would provide fairer funding for schools but then choose not to use it.

It is critically important that any provision of data about families from the school community is not burdensome but if all that is required is the name and address of each family (or other simple identifiers), the model should be relatively simple for schools to implement and may not require any additional reporting.

There is also a danger that if the current methodology is retained, the community will lose confidence in its appropriateness and large sections will feel aggrieved that the government is treating them unfairly.

Conclusion

Wycliffe Christian School is not looking for special treatment in the area of government funding. Our community just wants fairness through a model where the capacity of our school community's families is accurately taken into account. The current model does not provide this. However, a model that determines capacity to pay for each household would be much more equitable and would fulfil the goal of a system that accurately estimates capacity to contribute and draws on best possible and relevant national data.

Yours sincerely

A handwritten signature in black ink, appearing to read 'I Fryer'.

Ian Fryer

Chair of Wycliffe Christian School Board