

Funding for Schooling

The transparency agenda

Bill Daniels reflects that over 40 years, non-government schools in Australia have had the assurance of public funding for their operations, comprising a base per capita amount and a needs-based component. The base grant recognises a community obligation to support the education of all children, and the needs-based component reflects wide differences in parents' capacity to contribute to their children's education..

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IN PROVIDING THIS FUNDING, governments have supported parental choice, allowing for the diversity of values, religious beliefs and attitudes in the community and in the belief that choice will drive improvements in quality. For choice to be effective, parents need sound information about the performance and other attributes of schools. Making such information widely available is an essential underpinning of choice. Making performance information widely available creates an incentive for higher achievement.

This is the reasoning behind the transparency agenda which has been actively pursued in education policy for more than a decade. First came national literacy and numeracy testing introduced a decade ago and now an accepted part of the education landscape, even though it was introduced in the face of fervent objections to the detrimental effects of narrow tests on teaching, learning and school culture, and to the use of standardised testing as a proxy for school quality. Doubts were held also about the possibility of providing accurate and reliable information that was consistent across the nation.

Next came the publication of test results for each school, and the launch of the My School website in 2009. This

led to an outcry about the limitations of using literacy and numeracy results as a measure of school performance, concern about the inevitable simplification of complex datasets for web-based publication accessible to the community, and fears of the insidious effects of the league tables that would be constructed from these data. For the most part, the assessment information made public through My School has been used responsibly and for its intended purpose.

To give context to the test results, they were linked with demographic data, using a purpose-designed statistical measure, ICSEA. And now, in My School version 2, they are also linked with school financial data and show progress on achievement.

This wealth of publicly available data is a blessing and a curse for all schools. For the independent sector and its diverse operations, the push for greater transparency has particular implications. The soundness of the data is paramount. The complexity of the data increases prospects for misunderstandings and misuse. The volume of the data encourages its selective use and makes it easy to lose sight of the big picture. And the comparability of the data between government and non-government schools is critical to achieving the purposes of transparency, so that the public is actually comparing like with like. Once published and put to use, the data appear

unassailable, despite any provisos and riders that are added on publication.

Responsibility for making the government's transparency agenda work rests with the Australian Curriculum, Assessment and Reporting Authority (ACARA), whose remit is to develop a "national curriculum, a national assessment program and a national data collection and reporting program that supports 21st century learning for all Australian students."¹ Set up as an independent agency answerable to Commonwealth and State and territory ministers, ACARA has faced a challenging task to deliver on the broad expectations of governments, in an ambitious timeframe.

The characteristics and makeup of the independent sector have presented the authority with unique problems, many of which are still matters of contention. While supporting transparent reporting, the sector has real concerns about the quality and reliability of the data being collected and released, as well as the processes of data collection.

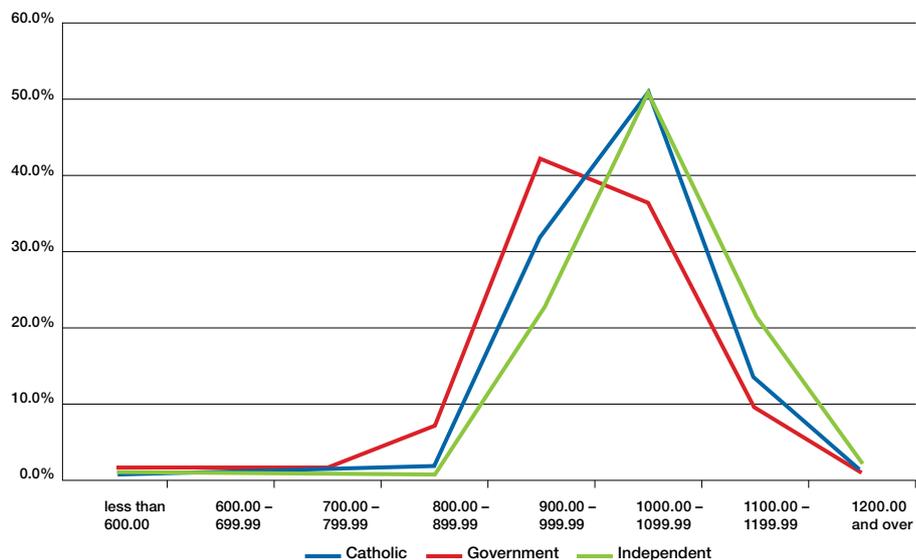
Transparency of financial data

The sector's concerns about the financial data initially collected for My School 2.0 led to a delay in the launch of the new



version of the website from December 2010 to March 2011. The sector identified major reliability issues with the financial data collected during the year. This led to an intensive process of validity checking although by the time the new website was launched in March, some issues remained unresolved and the data for a number of independent schools were therefore not included. ACARA is currently undertaking a further validation exercise with these schools which should lead to the progressive addition of their data to the website, once validated by the school authority.

These issues with the financial data arose for a number of reasons. In part, the method of collection was to blame. The financial data collection relied on the annual Financial Questionnaire for Non-Government Schools administered by the Department of Education, Employment and Workplace Relations (DEEWR). This questionnaire was designed for other purposes, as an accountability mechanism to monitor the income, expenditure and assets of non-governments schools and systems receiving Commonwealth recurrent funding. It was not immediately appropriate for ACARA's purposes, to provide comparable data across school sectors and between schools with different characteristics. Substantial



Distribution of schools by ICSEA score

adaptation of the questionnaire in the light of the requirements of My School 2.0, including clarification of definitions and adjustments to the reporting categories, will improve its suitability as a mechanism for collection for the future.

It is clearly preferable to adjust the existing tool rather than impose an additional collection on schools, although the independent sector continues to have concerns about some aspects of the collection itself and aspects of ACARA's data-gathering and communication processes.

In addition to difficulties associated with the presentation of schools' financial data, the sector is concerned at a proposal that in future iterations the financial collection might be expanded to seek information on assets such as trust accounts, term deposits, investment portfolios and physical assets. The complexity of such an undertaking is daunting and its relevance questionable.

Transparency of school demographic data

The 2009 version of My School applied a socio-educational index, ICSEA, specially constructed for ACARA, to measure the relative advantage of all schools, government and non-government. The purpose of this measure was to provide a base for comparing the performance of schools that were similar in their social mix. The connection between social background and academic achievement has long been demonstrated in education research. ICSEA therefore would enable

schools to be grouped according to the relative advantage of their community, to take the nature of their student body into account in determining how well they were performing. Schools with lower levels of achievement from a similar student population would be able to learn from the good practices of like schools achieving better outcomes.

In its first iteration, ICSEA was constructed from ABS data linked with student addresses. The variables that made up the index included the socio-economic characteristics of Census Districts as well as whether a school was located in a regional or remote area and the proportion of Indigenous students at the school.

In its second iteration, for My School 2.0, ACARA has modified the methodology for calculating the ICSEA scores, using a mix of student-level data on parental education and occupation alongside a modified version of the initial ICSEA methodology.

The independent sector sees real problems with this hybrid methodology. Using parental data supplied by schools is inherently variable and unlikely to lead to consistent application across all schools.

While ACARA has responded to representations and initiated an appeal process for the new ICSEA calculations, the process at present would not meet the transparency test, nor does it address the well-founded concerns of the sector about the imprecision and inconsistency of direct parental information and the need for objective data quality assurance processes. An objective, independently

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collected data source not open to manipulation is an essential foundation for a reliable measure. The sector will continue to press for a genuinely open and public independent audit of the methodology or at the very least, critical academic analysis of the data.

What do the data show?

So much for consideration of the processes of transparency. Of more interest is what the publicly available data show about Australian schools. Much of the published information is surprising and goes some way towards overturning long-held perceptions about the nature of both independent and public schooling in Australia.

The demographic data, for example, show the remarkable similarity of the socio-economic profile of schools in the government, Catholic and independent sectors. Each school sector mirrors the diversity of society in its social composition. Each has a broad spectrum of socioeconomic status, from the lowest ICSEA score of less than 600 to the highest scores of 1200 or more. Using the 2009 index, the average ICSEA value was 1000 with most schools having an ICSEA score between 900 and 1100. There was very little difference between the sectors.

On My School version 1, among the 100 schools with the highest ICSEA scores, 61 were government schools, 21 independent and 18 Catholic systemic. Independent schools also accounted for 13 of the 100 schools with the lowest ICSEA scores. The revised ICSEA for My School 2.0 however produces a different result at the top end, with 38 government schools having among the 100 highest ICSEA scores, and 54 independent schools. Such a variation highlights the

need for independent audit or critical academic analysis of the methodology.

The image of the diversity of the independent sector shown by the distribution of ICSEA scores is borne out by other objective data collected outside the education portfolio, through the Census and surveys of household income and expenditure.

Each school sector caters for families from all income levels. Although a higher proportion of independent school students (43 per cent) come from families with incomes over \$104,000, compared with 31 per cent of students in Catholic systemic schools and 18 per cent of students in government schools, families at all income levels choose to make the investment in private schooling for their children. In making that choice, research studies show that economic factors are not the most important consideration. More important than income and social class are perceptions of the quality of a school, and family values and attitudes, including attitudes about the importance of education achievement.

Confirming the evidence from My School 2.0, family income data dispel the myth that independent schools are the preserve of the wealthy, and government schools cater only for the disadvantaged. In fact, 50 per cent of families in the highest income bracket choose government schooling.

Thanks to the financial data published on My School 2.0, other myths about the level of resources of independent schools compared with government schools can also be put to rest. As a result of parents' contribution through fees, independent schools on average operate at a higher level of per student income than government schools and Catholic schools. The average per

student expenditure for 2008-09 for an independent school student was \$13,700 compared with \$11,100 for a government school student and \$10,000 for a Catholic school student. These averages of course conceal wide differences between schools at the low and high end of the socio-economic spectrum, allowing the selective use of examples to support particular political positions.

The My School data show that there are six independent schools in the 100 schools with the highest net recurrent income, against 94 government schools. The website is a valuable source of information on school costs, assuming the financial data are reliable. The ten schools with the highest net recurrent income per student are all special, small or remote government schools, which cost significantly more to operate and are funded accordingly by the system. After excluding special schools, the first independent school to appear on the list of nine thousand plus schools comes in at number 458.

A significant difference between the sectors that often escapes notice and commentary is that the independent sector relies for more than half its operating income on parental contribution. Fees and other private contributions account for 58 per cent of the recurrent



resources of independent schools, compared with 6 per cent of the resources in government schools. The significance of this private contribution is even more pronounced in the highest SES schools, which receive as little as 15 per cent of their recurrent income from government. For the small minority of independent schools that operate with very high per student income, their resources are not generated from the taxpayer but come from high parental and community contributions.

The distinction between public funding and private income is important, but often overlooked in the education debate. On average, a government school student received \$13,544 in public funding in 2008-09, compared with \$6,100 in public funding for the average independent school student. The readiness of parents to contribute to the costs of their children's education represents a huge saving to the public purse. Based on average government school costs and taking account of the current public resourcing for students in non-government schools, ISCA has estimated that the total savings in government recurrent expenditure from students attending non-government schools in 2008-09 was \$7.9 billion. If all students in non-government schools were to enrol in government schools, it would

Family Income	Independent		Catholic		Government		All Sectors	
	No.	%	No.	%	No.	%	No.	%
<\$25,999	20,178	6.1%	31,828	6.1%	183,544	11.2%	235,550	9.4%
\$26,000 – \$33,799	19,808	5.9%	35,039	6.8%	200,698	12.2%	255,545	10.3%
\$33,800 – \$62,399	63,787	19.1%	121,082	23.4%	492,787	30.0%	677,656	27.2%
\$62,400 – \$88,399	53,529	16.1%	109,599	21.1%	325,416	19.8%	488,544	19.6%
\$88,400 – \$103,999	31,149	9.4%	59,419	11.5%	140,676	8.6%	231,244	9.3%
\$104,000+	144,671	43.4%	161,412	31.1%	298,249	18.2%	604,332	24.2%
Total	333,122	100.0%	518,379	100.0%	1,641,370	100.0%	2,492,871	100.0%

Table 1: School students by family income – Australia 2006

Note: Excludes other territories, educational institution attended not stated, income not applicable, partial income and income not stated

Source: ABS Census of Population and Housing 2006

decrease the average funding for each student from \$13,544 to \$11,250.

For capital funding, the saving to government from independent schools is even more pronounced. Historically parents have contributed more than 80 per cent of the cost of independent school buildings. Apart from the burst of construction activity in all schools which was the welcome result of Building the Education Revolution, the funding that comes from government for capital works in the independent sector goes mainly to those school communities with the least capacity to raise funds.

Discrepancies in the figures on school costs and resources will no doubt persist while data collection processes and approaches are refined and improved. Data from the My School website is not completely consistent with financial data from other sources, including The National Report on Schooling and the Productivity Commission. The greater transparency in available data has however served to inform the ongoing debate about school funding policy, and in particular, the current review of school funding led

by David Gonski which could have far-reaching implications for the sector.

Review of funding for schooling

The intention to review school funding was announced a year ago, in April 2010, as the first comprehensive funding review of all schools, public and private, in over 30 years. The terms of the announcement and the review committee's broad terms of reference, to achieve "a funding system for the period beyond 2013 which is transparent, fair, financially sustainable and effective in promoting excellent educational outcomes for all Australian students" have raised expectations in the education community about the extent of reform likely to follow the committee's report.

The review process has served to heighten this anticipation. The process has been consultative, open and far-reaching. Some of the key considerations for the committee can be distilled from two papers, a discussion paper released in April 2010 and an emerging issues paper released last December. The

	Independent*		Catholic		Government**	
	Schools	Enrolments	Schools	Enrolments	Schools	Enrolments
\$0 – 5K	7	3,029	1	158	11	774
\$5 – \$10K	317	109,558	1,057	360,078	2,358	1,039,067
\$10 – \$15K	430	236,532	492	281,033	2,634	1,050,536
\$15 – \$20K	155	117,252	40	9,195	726	118,958
\$20K plus	122	60,031	43	5,315	984	66,621

Table 2: Net recurrent income per student by sector

* 28 schools' data pending in independent sector

**38 schools have no funded enrolments and therefore no net recurrent income per student amount.

They are environmental education centres and hospital schools in NSW

Source: ACARA Financial Data – February 2011

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emerging issues paper reflected the wide-ranging views of the education community garnered during a “listening tour” from July to August 2010. Submissions were invited by end March 2011. Some 1100 general submissions were lodged, and many thousands of additional submissions categorised as “campaign responses” appear on the review’s website.

Once these have been digested, along with the outcomes of four major research studies the Review has commissioned, on funding for disadvantaged students, the value of a schooling resourcing standard or benchmark, an assessment of existing government funding models and challenges in improving education outcomes across the board, the Review plans to publish a second discussion paper in August 2011. The public will again be invited to respond. A final report is promised for the end of the year. Government decisions on the Review’s recommendations, in this complex, high profile and highly politicised area of public policy, are likely to be somewhat further down the track. These are high stakes decisions for the independent sector.

ISCA’s substantial submission to the Review is founded on the principle that every Australian child should have access to a quality school education, irrespective of family background, location, disadvantage or type of school. It highlights the diversity of the sector, its size and likely future growth, the contribution the sector makes to the common good and to national economic growth and prosperity, and the significant variability of schools within the sector. It proposes a comprehensive set of criteria for assessing alternative funding models:

Equity – Per student funding for schools serving communities with similar attributes should generally be comparable.

Incentive – The funding arrangement should support students in a way that encourages, not discourages, parental investment in schooling.

Flexibility – Schools should not be locked into a particular funding level that impedes them from responding to changes in their school community.

Transparency – Assessment of need should be based on reliable and transparent data.

Simplicity – The funding arrangements should be simple to administer, with low administration costs for government and low compliance costs for schools.

Predictability – Schools should have a high degree of certainty about future funding to facilitate financial planning and management.

Consistency – Funding arrangements should apply consistently to all schools across the non-government sector regardless of organisational arrangement. **Student-based** – The independent sector supports a student-based approach to assessing need for the purposes of a school funding model.

Robust data – Any funding model must rely on reliable, robust, up-to-date data that cannot be subject to manipulation or interpretation.

Appeals processes – Any funding model may produce anomalous outcomes for schools in the application of funding mechanisms. There should be a formalised appeals process for any school that believes it needs special consideration.

Transitional arrangements – Changes to funding arrangements should incorporate appropriate transitional arrangements.

A funding model that met these conditions would indeed be “transparent, fair, financially sustainable and effective in promoting excellent educational outcomes for all Australian students.”

Looking ahead

School enrolments are projected to increase by over 700,000 students in the next decade and this will require around 2000 additional schools. Continuing government support for independent schools is crucial in meeting this demand, and ensuring that the public funding provided for schooling is disbursed efficiently, effectively and equitably.

This projected growth, and the costs involved, point to the benefits that flow from a public-private partnership in school funding. Encouraging private contributions from those who can afford it alleviates pressure on government outlays. Conversely, discouraging private investment could have serious financial implications for the nation, not only adversely affecting non-government students but also disadvantaging public school students who would have fewer resources and suffer from overcrowding, unless a still greater call is to be made on public expenditure.

The independent sector believes that the funding arrangements that will come into effect in 2014 should encourage, not discourage, parental investment in their child’s schooling and should support parental choice. This is the best way to serve the diverse Australian community and provide a significant return on the public’s investment, in terms of quality education, equity and contributions to national productivity and well-being.

