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The Association of  
Independent Schools of  
New South Wales Limited

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## Inquiry by the Senate Education and Employment Legislation Committee into **Australian Education Amendment (Direct Measure of Income) Bill 2020 [Provisions]**



Submission from the

# **Association of Independent Schools of NSW**

12 March 2020

## ***Inquiry into Australian Education Amendment (Direct Measure of Income) Bill 2020 [Provisions]***

The Association of Independent Schools of New South Wales (AISNSW) makes this submission as the state’s peak body for almost 500 independent schools, who educate 209,000 students or one in six NSW students.

Independent schools reflect the rich cultural, social and economic diversity of Australian society. Australian and State Government funding of non-government schools enables all Australian families to exercise real choice in their children’s schooling, particularly families on low to medium incomes.

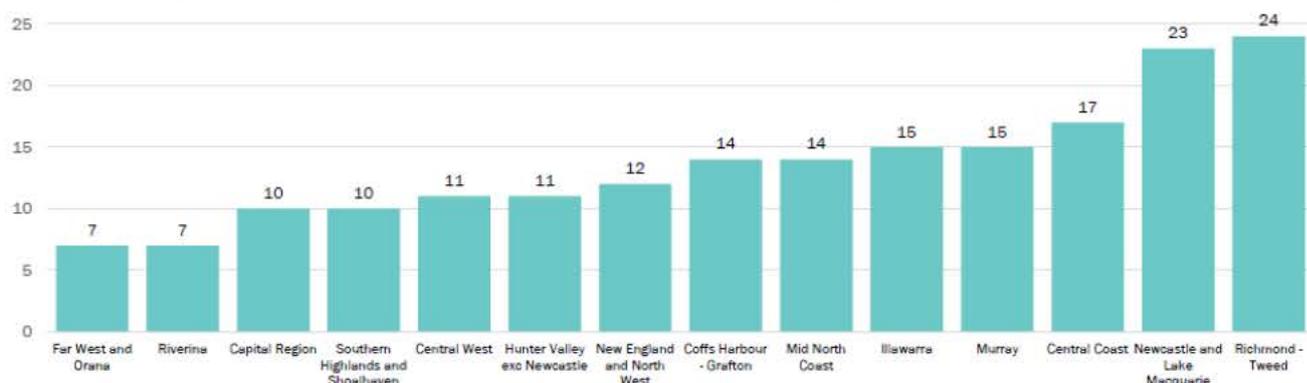
Almost two-thirds of NSW independent schools are in low to medium socio-economic status communities. Almost 20 per cent of NSW independent schools are special schools for students with a disability or special assistance schools for students at risk of disengaging with education.

In addition to charging low fees, many independent schools are small, with almost half (40 per cent) educating fewer than 200 students.

More than 10 per cent of NSW independent schools offer boarding as an option to students.

AISNSW is strongly committed to a fair school funding model and acknowledges that a majority of independent schools in NSW will receive similar or more government funding support as a result of the new Direct Measure of Income (DMI) methodology in the *Australian Education Amendment (Direct Measure of Income) Bill 2020 [Provisions]*.

However the application of the new methodology, which relies solely on parent or guardian income, has created unintended consequences because it fails to acknowledge the particular circumstances of many independent regional and boarding schools. There are almost 150 NSW independent schools and campuses in the state’s regional and remote areas, as the following chart illustrates:



AISNSW supports, and shares the concerns detailed in, the submission from the Independent Schools Council of Australia (ISCA) regarding the application of the DMI methodology to create new Capacity to Contribute (CTC) scores for all non-government schools.

Many independent regional and boarding schools will be unfairly impacted by the large and unexpected increase in their CTC scores - in some cases, by more than 10 points. Of the 40 NSW independent boarding schools, 32 have had their CTC scores increased (of these, 22 will have their funding reduced; the remaining 10 had scores of 125 or more under the previous model and therefore were already attracting the lowest government funding possible).

The Committee is reminded that independent schools operate autonomously from each other; unlike government and other ‘system’ schools, such as Catholic diocesan schools, funding from one

independent school cannot be redistributed to make other schools more affordable, or to retain their affordability.

Many regional independent schools will be negatively and unfairly impacted by the new funding methodology for the following reasons:

### Higher concentrations impact non-metropolitan schools

AISNSW analysis of the new CTC scores shows that in areas where only one fee-paying school operates, that school is impacted more greatly by the new DMI funding methodology than fee-paying schools in areas where a choice of such schools is available.

This is because students from higher income families are concentrated through a lack of choice in a community's sole fee-paying school, intensifying the impact of the new DMI funding methodology.

As a result, the CTC scores of five independent schools in regional NSW has risen by 10 points or more, with a corresponding reduction in government funding.

### Median income shortcomings

The use of median income alone to calculate CTC scores is problematic owing to the potential for distortion in school communities where fewer households reside and income profiles vary across a much wider spectrum.

The new funding model presumes all families in a particular school are on broadly similar incomes and can therefore afford fees commensurate with that income. This may be the case in some urban areas where a wider choice of independent schools and fee levels are available to more families, ie families can more easily find an affordable school.

Many rural and regional communities, however, have only one fee-paying school whose CTC score is now based on median income alone. In communities where income disparities are widest, the median cannot adequately reflect the community's capacity to contribute, particularly those families at the lower end of the income spectrum.

### Narrow measure of advantage

The highest increases in CTC scores have occurred among non-government schools in rural and regional areas.

Analysis by AISNSW indicates this is due to 2020 CTC scores being calculated using only one measure, family income, and discarding other indicators of advantage used previously such as educational attainment and occupation.

The use of family income alone overestimates the level of advantage in rural and regional areas, where tertiary educational attainment tends to be lower.

It is therefore unsound to base the distribution of government funding across thousands of diverse schools and regions on a single variable - family income - particularly one that is prone to severe fluctuation in rural and regional communities.

Incomes outside in rural and regional areas are more volatile than those in urban areas due to the vagaries of the rural economy which are vulnerable to natural disasters. In a severe downturn, regional families' incomes would be impacted immediately – several years before a school's 'rolling average' can be adjusted to adequately reflect the change.

An alternative measure therefore needs to be developed for regional and boarding schools that responds sooner to income volatility and restores educational attainment and occupation to the measure of advantage.

### Matching rates and missing data

The existing funding methodology requires a data matching rate of 95 per cent to produce a valid SES score. No such threshold is applied in the DMI methodology. One NSW independent school whose current SES score is increasing by seven points, has a data matching rate of only 57 per cent.

This creates potential for significant under-reporting of disadvantage in schools serving communities where accurate records are missing or difficult to locate, such as among some Aboriginal and Torres Strait Islander communities.

### Lack of transparency

While the Minister for Education has agreed on a review process for schools whose CTC scores have increased by four points or more, there is no capacity for schools to scrutinise the income data used to determine their new score. This makes it virtually impossible for schools to create a case for review based on data. Other review criteria will need to be developed to assist with this process.

### Lack of trialling and modelling

Many, if not all, of these issues may have been identified and addressed previously if the Technical Working Group had been provided with modelling of the impact of the new measure on schools.

### Conclusion

The new DMI methodology needs to undergo rigorous and transparent trialling and validation prior to its implementation to ensure confidence among independent schools, almost all of which are stand-alone schools.

Aspects of the DMI methodology need to be reviewed to ensure sustainable funding for school communities that will otherwise be severely affected.

AISNSW requests that consideration be given to the following initiatives:

- Capping CTC increases
- A significant increase in the rural and regional loading to offset funding losses
- Other permanent measures to mitigate the unintended impact of the DMI methodology on rural and regional independent schools and boarding schools
- Extending the transition period for negatively impacted schools beyond 2029
- Extending schools' choice of "best of" arrangements by at least two years to allow for trialling and validation.

AISNSW looks forward to your consideration of these points and is happy to meet with you to discuss these matters in more detail.

**Dr Geoff Newcombe AM**

**Chief Executive**

**Thursday 12 March 2020**