Submission to the Review of Funding for Schooling

National Catholic Education Commission

A. Summary comments

NOTE: NCEC commentary on the four research reports is based on Funding Principles for Catholic Schools (2009), www.ncec.catholic.edu.au

1. Data and definitions

The National Catholic Education Commission (NCEC) notes that all four reports propose that major decisions about government funding for schools will be made on relatively thin, restricted data.

National Assessment Program – Literacy and Numeracy (NAPLAN)

With specific regard to the development of a national resource standard for schooling, NAPLAN data cannot of itself be the foundation stone of any resource standard. NAPLAN results are still in their relative infancy as a dataset. They are limited to the basic skills of literacy and numeracy and are available in selected years only. NAPLAN data is also uneven, with only three years of data applicable to primary school (Years 3, 5 and 7), effectively only one year applicable to secondary school (Year 9) and none at all applicable to senior secondary school. NAPLAN test results represent a minimalist approach to student learning outcomes reporting; they do not reflect the wide-ranging aspirational goals outlined in the Melbourne Declaration on Educational Goals for Young Australians (2008).

NCEC does not argue for an unnecessary extension of the NAPLAN testing ambit. This would run the risk of reducing education to a series of narrow national tests. It would also ignore the fact that student learning outcomes strongly depend at school level on factors such as teacher quality, school leadership and the quality of pastoral care that still defy national measurement.

Index of Community Socio-Educational Advantage (ICSEA)

A number of the reports make reference to the ICSEA scale as a proxy for socio-economic status (SES). The ICSEA scale was developed by the Australian Curriculum, Assessment and Reporting Authority (ACARA) for the sole purpose of ranking schools according to NAPLAN results on the My School website and cannot be used to identify low SES student groupings as proposed in the Allen report (page 83). ICSEA is not a measure of socio-economic status, rather it is based on parent information provided at the time of a student’s enrolment and is collected by schools. ACARA has not validated this data and it is incomplete. In addition, ICSEA is not fit for a funding purpose, does not contain any financial data and its data is a relative score valid for one year only.
NCEC believes that a great deal of further work would need to be done to generate a transparent and stable methodology for determining any socio-economic status component for the purpose of a national schools resource standard for all schools.

NCEC supports, with one significant proviso, the use of the My School net recurrent income per student (NRIPS) data as a reasonable approach to gaining a fair cross-sectoral view of the resources available for teaching and learning at school level. The proviso is that the caveats currently outstanding on the My School NRIPS data, identified by Deloitte, are addressed and satisfactorily resolved. A major limitation at present is that government school data is expenditure and non-government school data is income. The data must be standardised for all schools before any National Schooling Recurrent Resource Standard (NSRRS) is developed for schools.

Definitions

Problems with definitions also abound. Finalising workable functional definitions for students with disability is an obvious case in point. NCEC is pleased to see the progress during 2011 in this area. There are also problems with language background other than English (LBOTE) definitions. Less obvious, but equally important in the funding scenarios advanced in several reports, is the need to clarify the definitions for operational parameters (for example, “autonomy”, “simplicity” “effectiveness”, and the descriptors used to describe funding models (see, for example, the Deloitte report, pages 33-36). There is a need to clarify definitions for operational purposes.

2. Benchmarking and Indexation

The research reports appear to concentrate on the use of a standard for benchmarking and not indexation. Both are essential to any dynamic school funding system. At the moment, the one index – the Average Government School Recurrent Costs (AGSRC) – serves both functions. While each function may be based in the new funding model on a different scale or index, understanding the interplay between the two is crucial.

Irrespective of the proposal in the Allen report for the development of a NSRRS as the benchmark, balance must be found between benchmarking and indexation.

NCEC argues strongly that schooling needs to have a school education specific cost indexation model that has a direct relationship to actual costs in government schools.

The Allen report canvasses a number of options regarding indexation, but specifically excludes cost increases caused by quality changes (page 88). NCEC does not agree with this proposal. Quality improvements in schooling reflect community standards for all Australian students, reinforced by industrial award requirements, and thus drive student learning outcomes for all schools. They must be included in any indexation measure.
3. **Addressing social and economic disadvantage**

The reports overemphasise the role that the distribution of school funding has in supporting schools to ameliorate socio-economic advantage. NCEC acknowledges the important role of other major social policy areas (housing, health, family) in addressing the needs of the most disadvantaged school communities. The recently released Australian Early Development Index (AEDI) data shows that primary age NAPLAN results closely mirror the “developmentally vulnerable” social geography of pre-schoolers.¹

Research shows that improving teachers’ instructional practices is a singularly effective way of improving student learning outcomes.² School autonomy is one of the crucial organisational factors promoting these outcomes.³

The *My School* data shows the important and effective role that systems play in addressing social and economic disadvantage. NCEC argues that the Catholic system block funding methodology enhances equity, guarantees school viability, provides reliable and substantial governance structures and also enables prompt and accurate accountability and reporting.

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B. Detailed comments

1. The Allen Consulting Group

*Feasibility of a National Schooling Recurrent Resource Standard*

1.1 Philosophical basis

The philosophical basis of the NSRRS arises from the recent “adequacy” funding debate in certain states in the United States. The Allen report gives no other international supporting evidence for the current use of such a price-based resource standard for schooling. The adequacy funding debate in the US has been driven by legal claims made against school districts to redress inadequate government funding.

The adequacy concept, based on principles of public administration, is not easily applicable to school education which is extremely dynamic and complex. The use of such a price based resource standard for school funding is untested in Australia. The genesis of the adequacy funding debate in the US is different financially, politically and culturally from the debate about school funding in Australia. The NSRRS as outlined by the Allen report does not maintain any continuity with current or past funding models for schooling in Australia.

1.2 Complexity and difficulty

The development of a NSRRS may be attractive to governments, given the intention implicit in a resource standard to improve efficiency and effectiveness. It has high face-value simplicity, although as the Allen Consulting Group acknowledges (pages 12-13), it could be extremely difficult to calculate in practice.

NCEC shares the Allen concerns that the development of the NSRRS, whilst technically feasible, will be both complex and difficult.

NCEC believes that the NSRRS will be equally difficult to implement in a fair and transparent manner across state and territory government school systems, and non-government schools and systems.

1.3 Lengthy lead time

The report points out that developing the NSRRS is at least a two-year project, and will require a great deal of work. Indeed, the report speaks about the feasibility of the NSRRS (which was its brief) but does not give the government any clear advice about how to proceed, except in general terms.
NCEC is concerned that the construction, validation and testing of an NSRRS still needs to be undertaken. This is clearly a medium- to long-term research and modelling project. Such a project would possibly lead to a hiatus and uncertainty in school funding from 2014. Catholic schools need funding certainty over time to be able to plan effectively.

1.4 Reference schools

The challenge in identifying reference schools with existing data would be to determine “efficient” costs from any sample of schools that would be indicative for schools across the country. A whole complex range of factors contributes to schools meeting targeted standards. Some of these factors are outside the control of the school or the school system. NCEC is also mindful of the fact that research consistently demonstrates that the differences in student learning outcomes within schools are greater than those between schools.4

The report proposes the use of “professional judgement” for validating reference schools. This approach could in some way take into consideration other factors contributing to schools meeting the standards. However, the professional judgements could also be open to personal value judgements that would colour the assessment of the selected reference schools.

NCEC believes that the identification of reference schools at the 80% NAPLAN success rate, combined with some sort of “professional judgement” to validate the identification process, is unworkable. If the NAPLAN results represent, as we have noted above, a minimal level of student achievement, the success rate for use in identifying average schools should be around 95%. This in turn provides no usable parameters for differentiation between schools, let alone for the identification of schools to be used as reference schools.

1.5 Regressive effect

A new efficiency-based school resource standard should not penalise schools for being efficient. Nor should it assume that the cost efficiency of one school is automatically applicable to other schools. A potential difficulty with such a model is

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the risk that it will have the regressive effect of reducing investment in schools. If a school can be shown to be efficient and effective at a lower per capita rate of funding, then this reduced level of funding could tend to become the norm. The downward trend to an efficient price standard would be accelerated. Schools increasing their efficiency and effectiveness would thus be subject to a disincentive.

1.6 Students with disability

Currently the Allen Consulting Group report excludes students with disability because of a lack of definitional coherence between states and territories.

NCEC maintains that the exclusion of these students would vitiate the integrity of an NSRRS. The NSRRS cannot be a valid standard if it does not include students with disability.

NCEC has argued in its March 2011 Submission to the Review of Funding for Schooling that students with defined disability should be funded equally wherever they are enrolled. Only on this basis can they be excluded from a NSRRS calculation.

1.7 System and sector costs

The Allen Consulting Group report recommends (page 61) that system and sector overheads be excluded from the calculation of the NSRRS. These costs are a legitimate and integral cost of schooling and should be included. These costs are essential to supporting the quality of educational outcomes in systemic schools, particularly for disadvantaged students.

School and system overhead costs are included in the current My School NRIPS data. NCEC supports this position. NCEC notes that My School data proves that Catholic school systems enhance equity and learning outcomes, and also provides effective accountability mechanisms.

1.8 Loadings

The report does not outline the factors to be used in the determination of loadings. The determinants of the loadings, their weightings and how the loadings are to be applied are critically important to Catholic schools. For example, NCEC believes it is impossible to define the determinants for a loading for socio-economic disadvantage as there is no common measure for both government and nongovernment schools. Individual student SES loadings and weightings are neither feasible nor desirable. NCEC argues that a school-based socio-economic loading is appropriate, provided that a reliable measure can be agreed that avoids the use of unreliable and invalid proxy data.
1.9 **Indexation**

The Allen report briefly mentions indexation. As outlined in our summary above, NCEC believes that indexation should be linked to the annual movement in the actual cost of educating students in government schools.

NCEC also does not agree with the Allen position that indexation should exclude quality changes in schooling (page 88). We do not accept the argument that the AGSRC is a disincentive to efficiency.

NCEC argues strongly that indexation must include both annual price and quality expenditure increases in government schools. There must be a school education specific cost index for Australian schools based on government school expenditure.

1.10 **Interaction between NSRRS and schools’ local financial resources**

Whilst the interaction between a NSRRS and local school resources is a later step in the development of any funding model, the report makes reference to this interaction without any clear indication of how it is conceptualised, except for a passing reference on page 7.

NCEC argues that this interaction is significant in Catholic schools. How will the NSRRS be adjusted to recognise state/territory government grants, private income of government schools and income from tuition fees and other sources for nongovernment schools? Will Catholic schools be divided into groups (as in the case of the Education Resources Index) or placed on a scale (as with the SES model) and be given some percentage of NSRRS? Will loadings be subject to the same percentage allocation?

1.11 **Average costs**

There is, the Allen report admits, the need to temper a NSRRS based on cost differentials with an eye to the average cost of provision (page 49 and page 60).

NCEC agrees that this is essential in the development of any resource standard.
2. **Australian Council for Educational Research**  
*Assessment of current process for targeting of schools funding to disadvantaged students*

2.1 **Data**

The Australian Council for Educational Research (ACER) report uses out-of-date macro-level data. The report should have used primary datasets wherever possible including the most recent *My School 2.0* data.

2.2 **Methodology**

The ACER report acknowledges (pages 1-2) that the survey methods used during the research were inadequate. Analysis was often premised on incomplete or inadequate data with inferences drawn from anecdotal evidence.

2.3 **Conceptual framework**

The report is framed around a government versus non-government sector divide rather than focused on the needs of students. The report’s conclusions are based on the highly-contestable term “residualisation” which is used in an unnecessarily pejorative manner. No evidence is provided in the report to support the residualisation assertion.

2.4 **Definitions of disadvantage**

The report emphasises an unhelpful “silo” view of disadvantage. Significant differences in the operational definitions across jurisdictions for students with disability and “Low SES” students are acknowledged as a problem. ACER does not include discussion of the needs of refugee students, gifted and talented students, nor size of school – all aspects of relative disadvantage.

2.5 **Measures of socioeconomic disadvantage**

The limitations of using ICSEA as an SES measure to calibrate the differences in schools is noted (page 18, paragraph 63). ICSEA is designed simply to correlate with NAPLAN scores, not to measure SES (page 18, paragraphs 63-64).

2.6 **Students with disability funding**

NCEC considers that funding the proposed “Standard Disabilities Entitlement” for students with disability in Catholic schools “clipped” from AGSRC indexation is totally unacceptable (page 77, paragraph 329).
2.7 **Low SES**

The term “Low SES” is poorly defined in the report (page xiv and page 17). The proposal to allocate large amounts of “front loaded” additional funding over a ten year period to “residualised” schools is not explained and appears to be ill-considered. To presume an increase in enrolments over time and therefore a lowering of unit cost as a result of this initiative seems far-fetched.
3. Deloitte Access Economics

*Assessing existing funding models for schooling in Australia*

3.1 Limitations

The Deloitte Access Economics report provides quite generalised comments about funding models and does not attempt a discrete assessment of the different funding models.

3.2 Funding outcomes

NCEC believes that it is important to note the report’s assertion that “funding models should be held to account for funding outcomes rather than student outcomes” (page 64).

3.3 Performance indicators

Performance indicators of effective funding models (page 34) (and similarly the Allen Consulting Group report’s resource standard components (pages 9-10) are severely limited, restricted to “indirect” measures such as student attendance, NAPLAN results and the like.

3.4 Taxation exemptions and concessions

Attention is drawn in the report to the “indirect funding to schools” through taxation exemptions and concessions connected with the education sector (pp. 19-21). These concessions are of no material benefit to Catholic schools in terms of the benefit derived in comparison with direct government funding and parent contributions.

3.5 AGSRC

The claim (page 71) that the AGSRC does not measure increased efficiencies in costs is wrong. The AGSRC does measure increases in efficiency combined with other changes in costs in government schools where increased cost efficiencies are present. Comparison between the AGSRC and the Labour Price Index (Education and Training) is also misleading (page 71) as this last index also includes the unit costs of tertiary and post-secondary education and training employees.
4. **Nous Group**  

*Schooling challenges and opportunities*

4.1 **The report lacks coherence**

The Nous Group Report provides a great deal of information, unfortunately presented in an undeveloped form with a very expansive but nonetheless misdirected analysis and few recommendations for action.

4.2 **Australia’s schools are doing well**

Schooling outcomes for Australian students are "very strong" (page 82). This judgment does not square with the balance of the report which seems to be at pains to point to poor schooling outcomes.

4.3 **Selective schools**

The claim (page 6 and page 28) that variation in student outcomes is almost entirely accounted for by high performing schools selectively enrolling students is hard to sustain, given other evidence in the report.

4.4 **Over-regulation is not the answer**

The inescapable conclusion to be drawn from the report's arguments (for example, for school collectives or clusters, moderating competition between schools, limiting parental choice, reducing funds from schools already well-resourced), is that there is a one-size-fits-all solution (for example, introducing a quota system, a style of student "zoning").

4.5 **Residualisation**

NCEC agrees with the report (page 187) when it says that residualisation is a "problematic" term as it implies social engineering practices that do not in fact occur.

4.6 **Regional councils/boards**

The paper argues for the establishment of a community council or board which might set regional targets and recommend funding between schools (page 65). Creating another level of bureaucracy outside of education authorities is highly problematic, potentially wasteful, creates conflicting loci of responsibility and accountability and thus is not supported.