

NSRB Review of the SES Score Methodology

On 20 September, 2018 the Prime Minister, the Hon Scott Morrison MP, and the Minister for Education, the Hon Dan Tehan MP, announced that the Australian Government would be accepting all six recommendations of the National School Resourcing Board's (NSRB) review of the SES score methodology.

The Australian Government's response to the review states that it will, "implement new, improved arrangements to determine the capacity of a school community to contribute to the operation of nongovernment schools."

The response announced that from 2020 SES calculations will be determined using a direct income measure based on the median income of parents or guardians that will be determined through linkage of personal income data and residential address data collections. The Australian Government's response claims this is a more targeted and accurate measure that will ensure funding flows to the schools that need it the most.

The implementation of the new direct income measure will see the government provide an additional \$3.2 billion in funding for the non-government sector during the transition to the new arrangements from 2020 to 2029.

Based on ISCA's current understanding of the new measures announced, the following is a summary of those arrangements:

ARRANGEMENTS FOR 2019

Interim funding arrangements that were in place for 2018 will be extended to 2019. This involves an additional \$170.8 million in funding for 2019 for non-government schools.

Schools will receive funding based on their "best of" 2011 or 2016 SES score. The more favourable year will be calculated and used automatically by the Department of Education and Training.

Funding in 2019 will continue to have a guaranteed three per cent indexation for individual low or negative growth schools.

While the system weighted average SES scores for systems will still ultimately be discontinued, its interim extension will now apply during 2019. It will use the best of 2011 or 2016 SES scores.

PHASED IN PERSONAL INCOME TAX (PIT) SES SCORE METHODOLOGY

By 2022 all schools will be on PIT SES scores.

While the model recommended by the NSRB was based on the use of parental income, the PIT data set that was developed for NSRB deliberations measured median household income rather than median parental income. Many schools in the data set also had relatively low data matching rates when compared to the current SES methodology requirements.

To develop a robust data set measuring parent's income, schools will be required to conduct an annual address collection which will include parents' names and addresses from 2018. Whole-of-government data linkage processes will then link parents' names to personal income tax records.

Implementation of the new arrangements will be phased in over three years from 2020. Schools and systems will be able to choose whether individual schools commence in 2020, 2021 or 2022, depending on the impact of the PIT methodology and the most beneficial funding pathway for schools. Approved system authorities will continue to have the flexibility to redistribute funding between schools according to their own needs-based funding arrangements.

System weighted average SES Score will cease to be used for funding from the beginning of 2020.

The implementation of the new direct income measure will see the government provide an additional \$3.2 billion in funding for the non-government sector during the transition to the new arrangements from 2020 to 2029.

AMENDED TRANSITION PATHWAYS

Schools transitioning up to 80 per cent Commonwealth share of SRS will complete their transition in 2023, while schools transitioning down to 80 per cent Commonwealth share of SRS will complete their transition in 2029, which is an additional two years from current arrangements.

The transition will be applied at the school level, including within systems.

THE CHOICE AND AFFORDABILITY FUND

The Government has announced a fund of \$1.2 billion over 10 years, which will be split between the Catholic systemic and Independent sectors based on the sector share of schools, with \$485 million for the Independent sector and \$718 million for Catholic systems. This fund is an Australian Government initiative and was not a recommendation of the NSRB's review of the SES score methodology.

A key objective of the fund is to support schools and communities in drought affected areas, including regional and boarding schools.

The Choice and Affordability Fund will incorporate the \$40 million National Adjustment Assistance Fund which was intended to provide adjustment assistance to individual negative growth schools during the previous transitional arrangements.

There will be agreed priorities and an agreement with government regarding how funds are to be used to support schools. Funds will be distributed through state and territory Associations of Independent Schools and state and territory Catholic education authorities.

ADDITIONAL WORK

The Department of Education and Training will establish a working group to progress on-going technical work across a wide range of data collection and matching issues. ISCA will be part of this ongoing work.

The Department of Education and Training will also establish a "robust and appropriately resourced" appeals process to be determined in consultation with the sector. This will allow schools and systems to request a review of their SES scores if they believe it does not accurately reflect their school community.

REVIEWS

The Government has also announced it would review the new funding arrangements in 2027 to ensure that they remain consistent with Government policy priorities, including targeting funding to need and support for parental choice, opportunity and diversity in the schooling system. The Government will also review the indexation arrangements of the SRS by 2023 to ensure that funding keeps up with costs.

ISCA's response to the announcement of the measures was to welcome the extension of 2018 funding arrangements to 2019 as it provides immediate certainty for schools planning for the new year.

ISCA also supported the announcement of transitional measures to support Independent schools that could, over the long term, face significant changes in government funding.

However, ISCA also notes that while the new measures for calculating government funding for nongovernment schools may create the foundation for a fair and reasonable resolution to past funding issues, there is still further work that needs to be undertaken on the complex technical issues involved in implementing the new methodology over the next ten years.

Going forward, ISCA will keep the sector up-to-date on developments and will continue to work with the Department on the progress and implementation of the new methodology.

