



ASSOCIATION
OF HEADS OF
INDEPENDENT
SCHOOLS OF
AUSTRALIA

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Review of Funding for Schooling Secretariat
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AHISA SUBMISSION IN RESPONSE TO COMMISSIONED RESEARCH

In this submission AHISA expresses a number of concerns relating to the four research papers commissioned by the Review panel and released on 31 August 2011.

MAIN POINTS

- In general the research reports show a lack of understanding of how the components of Australia's school system interact; in particular there is evidence of a lack of knowledge of the regulation and operation of independent schools within that system.
- The tendency in some reports to see non-government schools and/or the exercise of school choice as responsible for the under-achievement of some students has no validity. AHISA is very concerned that such views may inform recommendations in regard to national funding models.
- There is a lack of detail in regard to how proposed funding schemes for disadvantaged students or the proposed use of a National Schooling Recurrent Resource Standard (NSRRS) would affect schools. It is therefore difficult to respond to these proposals. AHISA would be concerned if the Review panel were to recommend any of these proposals without further intensive consultation with school sector representatives.

About AHISA

The membership of AHISA Ltd comprises principals of 390 independent schools with a collective enrolment of some 389,000 full-time equivalent (FTE) students, representing 11 per cent of total Australian FTE school enrolments and 20 per cent of Australia's total Year 12 enrolment.

The primary object of AHISA is to optimise the opportunity for the education and welfare of Australia's young people through the maintenance of collegiality and high standards of professional practice and conduct amongst its members.

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AHISA's response to the commissioned research

There is much to commend in the four research reports issued by the Review panel. The descriptions of federal, state and territory funding mechanisms for government and non-government schools and the students who attend them provide a consolidation of previously difficult-to-access information in readable form. Fresh analyses of OECD and other student and school data also provide further insight into Australian school education.

It is disappointing that the reports were not released progressively to give stakeholders adequate time to fully digest and respond to the claims and proposals in them. For example, the ACER report, which contains significant proposals relating to meeting the needs of students with disabilities in non-government schools, is dated July 2011 yet was only released at the end of August. The Allen Consulting report intimates that some of its preferred options for a NSRRS were 'adopted on advice from the [Review] Panel', indicating that the panel may well be considering a NSRRS to replace the AGSRC, yet non-government sector bodies have been left with only a short time to consult with their members. AHISA is concerned that the short time allowed for response could therefore be prejudicial to our members' communities in regard to the deliberations of the Review panel.

1. The role of non-government schools in Australian education

AHISA is also concerned by several aspects of the research, including the tendency of the researchers to express problems experienced in the government school sector as causally linked to the non-government sector:

- 1.1 Even though only a thin case is made that 'residualisation' is occurring in Australian schools, the tenor of arguments is that residualisation is a result of choice: choice leads to residualisation, which leads to poor schools. This line of causality is tenuous at best, especially given that other evidence offered points to the reluctance of parents to change schools. Lack of choice does not automatically make for good schools. The mushrooming of voucher school choice programs in the United States has been in response to the demand that students should have the right to exit under-performing schools. In other words, there is evidence that under-performance is a trigger for the demand for and take up of choice options, not a result of choice. While there is recognition in the research papers that choice also exists within the government schools sector, by and large the 'problems' in Australian schooling are seen to be a result of the existence of non-government schools and therefore many of the 'solutions' offered appear to be aimed at narrowing the capacity of independent schools to differentiate themselves or respond to their communities. This of course entails a narrowing of the capacity of parents to shape the education of their children.
- 1.2 None of the papers explicitly recognises the prior rights of parents in the education of their children or discusses the extent of the rights of

governments in that education. Instead there is an assumption of benign governments serving the needs of a compliant and complacent citizenry. This is in spite of the fact that it is state and territory governments which own and are responsible for the bulk of under-performing schools as identified in these research reports. It should follow that to address the 'long tail' of inequity in Australian schooling it is the state and territory governments that should be the focus of reform.

Many of our members lead schools that were expressly established to provide an alternative to secular, state-owned schools for either religious, cultural or philosophical reasons (or all three). Some, like the Grammar Schools of Queensland, maintain close links to government as statutory-like authorities. It is important that Australian governments retain and explicitly recognise the valuable democratic freedom evidenced in the right to establish non-state schools.

- 1.3 The bias against non-government schools that is implicit in the research papers is evidenced in the language used. For example, use of the term 'heavy lifting' in regard to the higher proportions of low SES, indigenous students and students with disabilities in the government schools sector is misleading. It infers that non-government schools are not accepting their 'social responsibilities'. While the ACER report briefly acknowledges the link between lack of funding and lower proportional enrolments of students with disabilities in non-government schools (para 309), there is an inference that non-government schools actually choose to avoid their 'responsibilities' through what Nous inaccurately insists are the academically selective enrolment policies of non-government schools.
- 1.4 In regard to lower SES students, there is only very brief reference to the link between independent schools' SES profiles and their level of public funding. It is disquieting, therefore, to read in the ACER report the recommendation that 'school funding and student selection policies which can mitigate any identified social stratification caused or accentuated by school choice may be needed to avoid the education and broader social costs associated with inequity in educational outcomes' (para 283). There is no detailed explanation of what such policies might entail. Given that ACER describes non-government school scholarships as a further 'hollowing out' of high performing students from government schools and therefore contributing to 'residualisation', it is impossible not to read this recommendation as negatively geared to non-government schools.
- 1.5 It is confusing that while non-government schools, particularly independent schools, are seen in these reports as a key contributing factor to the inequity in Australian schooling, the Nous report goes to considerable lengths to prove any perceived advantage in attending an independent school is illusory. The latter position would seem to undermine the former. The self-styled public education lobby has long run two incongruous messages: independent schools are undermining the

education of students in government schools; and, independent schools are no better than government schools, they just cost more. This determination to devalue independent education while at the same time demonising it may be attractive to some media prepared to publish without question the propaganda of ideologues; it is inappropriate in the context of research that aims to inform what should be a serious governmental review.

The 'value added' offered by independent schools has been well documented in research undertaken by ACER using data from the Longitudinal Surveys of Australian Youth. This analysis is based on a comparison of students' Year 9 literacy and numeracy achievement and their Year 12 tertiary entry scores and therefore encompasses levels of schooling not covered by PISA. It shows the Year 12 results of students in independent schools are well beyond those expected given their Year 9 achievement, even after discounting for SES.¹

- 1.6 There is an equity problem in Australian education linked to low SES and indigenous background, and wide agreement that this problem is both serious and urgent. The analyses provided in the research papers indicate this problem resides largely in the government sector yet there is no analysis of how state and territory government policies have contributed to this problem other than to speculate that it may result from support for school choice. These reports in fact bring the public no closer to an explicit understanding of why so many students are not achieving as they should. This is a serious and disquieting flaw and undermines any confidence in the quality of research that the Review has sought.

The inherent bias against non-government schooling evident in the research papers shows that non-government schools, particularly independent schools, are still struggling to be deemed legitimate providers of school education in Australia.

2. Further concerns

Also of concern are:

2.1 ACER's proposals for the funding of students with disabilities

ACER's report proposes the establishment of a standard disabilities entitlement to frame a minimum funding standard for students with disabilities, to apply across the non-government sector nationally through a pooled fund managed by sector authorities at the state and territory level. ACER's recognition that there is a case for more equitable funding of students with disabilities in non-government schools is pleasing. However, the lack of clarity in its funding proposal is concerning. For

¹ Gary N. Marks, G.N, McMillan, J. & Hillman, K. (2001) *Tertiary entrance performance: The role of student background and school factors*. LSAY Research Report Number 22. Melbourne: ACER.

example, it is not clear whether the sector authority is to be responsible for disbursing the full entitlement on a per student basis or whether, like the BGAs and federal capital funding, grants are distributed from the pool according to a further set of criteria, eg school SES score. AHISA's position is that funding for students with disability must follow the student.

ACER does not propose that existing untied recurrent funding for non-government schools should be converted to tied funding for students with disabilities on the grounds that 'this disruption in existing funding levels would be difficult to absorb for many schools and lead to reduced services for some students'. Instead, it suggests that the pooled fund could be replenished through 'a flat value per student contribution ... clipped from the annual increment in per student funding received by all non-government schools through an indexation mechanism (such as the current AGSRC)' (page 77). It is AHISA's position that to quarantine recurrent grant indexation to provide for students with disabilities is to effectively reduce the real value of those grants and will have the same effect as their conversion to tied funding, that is, to impose the cost of educating students with disabilities back on to the individual school community and families rather than the wider community. Further, there is no guarantee that the pooling of a portion of recurrent grants in this manner will provide adequately for the increasing number of students with disability. Only portable, per student funding gives families the certainty they need to determine education provision for their child with disabilities.

The suggestion to fund the increasing resourcing needs of students with disabilities in independent schools from annual indexation of per student general recurrent grants would also have the effect of reducing the value of those grants in real terms and therefore driving increased parental contribution if the level of education provision offered is to be maintained. Harvesting indexation increases to create a funding pool would therefore act as an impost on all families of students in independent schools, when what is required is a funding program that reflects the responsibility of the wider community to ensure the needs of students with disabilities are resourced, no matter which school they attend.

ACER suggests that the non-government sector be given 'adequate time to scale up its service provision for students with disabilities', recommending a period of eight years to move funding for students with disabilities in the non-government sector towards parity with the government sector. In eight years, just one student requiring a full-time teacher's aide could cost an additional \$320,000 in specialist provision. To be equitable, provision for students with disabilities must meet the need where and when it exists.

The Australian Government has moved to introduce programs aimed at helping schools address the needs of students with disabilities. For example, it has provided for additional teacher professional development

to improve classroom support for students with autism. However, the gross inequities in government funding for students with disabilities remain and the ACER report appears to offer no substantive suggestions as to how they might be equitably addressed.

2.2 Allen Consulting's suggestion that a NSRRS could replace the AGSRC

Allen Consulting recommends that its proposed National Schooling Recurrent Resource Standard (NSRRS) be used by the Australian Government to guide its contribution to both government and non-government school funding as a replacement for the Average Government School Recurrent Costs (AGSRC) index. There appears to be no recognition that linking funding of non-government schools to the AGSRC constitutes a rough equity measure, indicating that some parity is desirable between public expenditure on students in government schools and that on students attending non-government schools. As federal funding is the major source of public funding for non-government schools, use of the proposed NSRRS to replace the AGSRC could mean the nexus between public support for students in government and non-government schools would be broken and contribute to further disparities and inequities in the public funding of students in different school sectors.

As there are no examples given of how the NSRRS, used solely as a benchmark, might interact with funding models it is difficult to assess whether it would be more equitable, efficient or effective than the AGSRC.

The lack of analysis in the report of how the NSRRS could be expected to affect individual schools is a further difficulty in assessing the impact of such a proposal.

A further concern is Allen Consulting's proposal that financial data as prepared by ACARA for the My School website be used to inform development and application of the NSRRS. The accuracy of this data and its comparability across sectors has been seriously questioned, as has its comparability across individual schools. Using data in which schools have little confidence as a basis for their public funding cannot be endorsed.

2.3 Possible use of the NSRRS as an allocative tool

If the NSRRS as proposed is considered as an allocative mechanism more detail must be provided to schools to enable assessment of its impact. For example, according to the Allen Consulting report (pp 70-71), under the proposed NSRRS the level of Australian Government funding to a school would be dependent upon: the NSRRS rate; specific school and student characteristics in a school; loadings applied to school and student characteristics; and the percentage of the NSRRS that the Australian Government agrees to fund, which 'may well differ between government

and non-government schools'. It is not clear, however, whether it is proposed that the percentage of the NSRRS funded by the federal government could be varied between schools within the one sector, as currently occurs under the SES model, by a factor or factors unidentified by Allen Consulting.

If the NSRRS is used as an allocative tool, and if the Australian Government percentage contribution of the base rate NSRRS is intended to vary, then according to the multiplier effect of this element of the NSRRS as illustrated in figure 5.16 of the Allen Consulting report (page 71), this would see a commensurate diminution of the value of loadings. It is AHISA's position that certain types of student disadvantage (eg LBOTE, indigeneity and disability) are better addressed by targeted programs where students are eligible for full resourcing under these programs irrespective of the school they attend.

AHISA is also concerned that loadings may be linked to NAPLAN results. NAPLAN results are already used inappropriately for the measurement of school performance and linked to 'reward' payments for the states and territories – and possibly to eligibility for Australian Government teacher bonus payments. To use them, at the same time, as an element in a general recurrent funding model risks further undermining the credibility of the tests as a tool for application beyond student improvement or targeting of professional development for teachers.

AHISA is also concerned by the narrow focus in the Allen Consulting and other reports on measures of 'outcomes' determined solely by academic achievement. Schools provide an education that encompasses far more than literacy and numeracy skills. This is recognised by Australian governments in the National Goals for Schooling. A further concern is that academic achievement appears to be limited to testing of literacy and numeracy up to only Year 9.

2.4 The lack of proposals for capital funding for non-government schools

Allen Consulting notes in its report that 'capital costs are a significant cost of schooling provision, which are often overlooked in analysis of schooling costs' (page 62). AHISA agrees that at least major capital costs are best considered separately to recurrent costs in funding models given the diversity of need depending on ages and stages of schools.

The Deloitte report notes the disparity in aggregate capital funding levels for non-government schools across the jurisdictions (page 80). Deloitte claims that 'uncapped, indefinite' interest subsidy schemes were inefficient, 'dampening the incentives for capital to be repaid' (page 84). In the current financial climate, and taking into account projected increases in Australia's student population and the imperative for schools to adapt their physical environments to cater for digital technologies, AHISA

believes governments should consider mixed funding models to support the capital needs of non-government schools, including low interest loans and interest subsidy schemes as well as direct grants. Interest subsidy schemes help schools to attract loans from commercial providers and provide a stimulus to fundraising effort and private contribution. Capital provisions should also recognise the increasing cost of land acquisition for schools.

2.5 Lack of proper examination of the place of private contribution in funding schemes

Not one of the research reports the Australian National Audit Office's report on the federal government's SES model, which clearly illustrates the link between the SES funding model and private contribution and provides at least one working model of a needs-based funding system reflecting SES and capacity of families to contribute to the education of their children.

The Deloitte paper acknowledges that private funds 'represent an important supplementary source of resources in the school sector', 'contribute to the long term sustainability of the sector' and 'enable public resources to be directed to the highest priority areas' (pp 84-85). It fails, however, to acknowledge that for many independent schools private contribution is the main source of funding and, according to ISCA analysis², accounts for nearly 60 per cent of the recurrent income of the independent schools sector.

While Deloitte lists 'incentive' as one of 10 funding model 'principles', such that funding models should 'not generate disincentives for schools/school systems to procure other sources of funding', or 'inhibit the procurement of private funds in other areas via the undue withdrawal of public resources', it qualifies this principle in such a way that it is clear little attention has been given to the policy implications of private contribution: according to Deloitte, 'optimal funding models incentivise private contributions where this is socially acceptable and not at odds with the underlying philosophy'.

Given that ISCA estimates that to replace private effort in the independent sector would cost some \$3.6 billion per annum³, AHISA believes serious consideration of the role of private contribution in Australian school education is warranted.

² Independent Schools Council of Australia (ISCA), *Snapshot 2011*.

³ *Ibid.*

2.6 Lack of recognition that Australia's schools operate in a quasi market environment

The Nous paper broaches the notion of competition, describing school education in Australia as a 'robust school market' (page 50), and citing OECD data that Australian principals report a higher level of competition for students than principals from other countries (Appendix B.1.4). The Nous report fails to recognise, however, that Australian schools operate in quasi market conditions: fee-charging non-government schools 'compete' for students with government-owned schools that charge no or very small fees; further, non-government schools operate in a 'market' that is regulated by their competitors. The failure of Nous and other research reports to tease out the implications of this aspect of Australian schooling is a serious omission given the tendency in the reports to link educational inequity with school choice policies.

Deloitte lists five additional key funding principles that 'provide an important reference point when examining the interactions between individual funding models', including:

- Neutrality (the extent to which the system creates a level competitive playing field between providers of different ownership structures)
- Fairness (to what extent funding arrangements treat schools and students equally across sectoral or system boundaries)
- Choice (the extent to which funding supports diverse school provision able to respond to the range of parental preferences and student needs).

Such principles cannot be properly assessed – or a balance determined between competing principles – without meaningful analysis of Australia's quasi market in education to provide their context.

2.7 The Nous proposal for regional 'community bodies'

AHISA is also concerned that the understanding of schooling evident across all the research papers fails to capture the emerging trends in schooling and therefore fails to make provision for them. For example, digital technologies are enabling new forms of instruction provision and collaboration between schools that make Nous's suggestion of regional community organisations appear cumbersome and unnecessarily limited to defined geographical regions. Some AHISA members' schools are already lesson sharing or sharing teacher professional development with other schools in their own or other states or with schools overseas. The Nous proposal runs the risk of adding a further level of bureaucratic management to schools, and therefore increasing their administrative and compliance burden, without great gain given the development in digital technologies and the proposed National Broadband Network.

The rapid pace of technological change and the increasing application of brain/mind research to education are creating a shifting landscape of educational challenge and opportunity, calling for innovation and entrepreneurship. One of the greatest challenges faced by all Australian schools is how to ensure each and every student achieves to the best of their ability in a way that prepares them to participate in and contribute to a 21st century, global world. None of the research papers grapples with the implications of this challenge. Allen Consulting's proposal to link NSRRS with NAPLAN numeracy and literacy testing, for example, seems regressive.

The proposed NSRRS also proposes one NSRRS value for primary students and another for secondary students (page 70). It is not clear from the Allen Consulting report whether a lower value for primary students is intended, to help contain costs, but it should be noted that there is now wide agreement on the importance of early childhood learning. The present federal government has invested substantially in early years education and early intervention for under achieving students.

AHISA therefore recommends that the Review panel (a) considers targeted funding programs that are aspirational and which will support the evolution of Australian school education (that is, which take account of what Deloitte refers to as 'dynamic efficiency'), and (b) takes into account the importance of investing in early years education. AHISA has already argued in its submission in response to the Review panel's Emerging Issues Paper, that to adequately address equity issues, governments must look beyond school-age provision to early childhood services.

There is a role for national initiatives such as the Digital Education Revolution program which recognise the impact of social and technological change on schooling provision and which do not discriminate by ownership of the school in the allocation of grants that help schools meet such change. Currently in independent schools, most of the costs associated with innovation and development, and the cost of implementing nationally mandated initiatives such as the Australian Curriculum, are borne by parents through fees.

3. School leadership

The Nour report recommends six areas for policy and funding focus in school education, including improving and supporting school leadership (page 55). The report notes that 'school leadership makes a real difference to student performance, second only to classroom teaching in its influence on student results' (section 7.6) and proposes that the status of school leaders be improved through 'building on the professional networks of school leaders, promoting a professional ethos and providing the right supports'.

AHISA believes school leadership in Australia is of a high standard and that professional networks of school leaders and the professional ethos of principals are already very strong. We ask the Review panel to note:

a. **The proven capacity of professional associations to effectively and efficiently deliver targeted professional development**

Australia's four national principals' associations have been proactive in meeting the demand for professional development and support, and have joined together to establish Principals Australia for this purpose. Principals Australia also effectively delivers two federally funded student wellbeing projects, MindMatters and KidsMatter.

b. **Professional associations foster and support contribution and collaboration among principals**

AHISA supports email networks for its members and their key staff for the in-time sharing of expertise and hosts biennial conferences for members, for their senior staff and pastoral care staff as well as school governors. AHISA's Senior Staff Conference plays an important role in developing aspiring school leaders.

Proceedings of AHISA conferences are publicly shared on its website as are previous issues of its biannual journal, *Independence*, which features innovation and best practice in members' schools.

AHISA also collaborates with the Australian Council for Educational Leaders (ACEL) in its professional development program. In particular, AHISA has partnered with ACEL and the Queensland University of Technology to produce an online leadership appraisal tool for autonomous school leaders. Appraisal is an effective preliminary to targeted professional development.

c. **Existing government support**

AHISA acknowledges the Australian Government's investment in professional development for principals through AITSL. AITSL's work in developing a National Professional Standard for Principals has also been valuable in creating an overarching framework for existing leadership models and a common language for dialogue on school leadership issues. Provision of a national clearinghouse of leadership research also supports the professional development of school leaders.

The sharing of proven practice through professional networks is a powerful 'ground roots' driver of school improvement. Should the Review panel make funding recommendations in regard to school leadership, AHISA urges that any proposal recognise the aspiration and capacity of school leaders to improve their own practice, and the already proven capacity of principals' professional associations to foster leadership quality and deliver professional learning.

Overall, AHISA is concerned by the lack of detail in the proposals for funding models as described in the research reports, especially in regard to the interaction of funding for disadvantaged students with general recurrent funding models, and the interaction of a NSRRS with allocative models. The papers give no indication of how such proposals are likely to impact on individual schools. AHISA would be concerned if the Review panel were to recommend any of these proposals without further intensive consultation with school sector representatives.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S Murray', written in a cursive style.

Simon Murray
AHISA National Chair