



*everyone's family*

# **Submission to the *Victorian Schools Funding Review***

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## Introduction

The funding schools receive is an important component of building an excellent and equitable education system. Transparency, consistency and accountability of funding arrangements help enhance confidence in the system. These characteristics are particularly important given the increasing demands on government resources.

School funding is a very complex area but current arrangements are intricate and poorly understood by many in the community, including many directly impacted by the issue. Increased efforts by government to enhance public understanding of, and support for, the principles which underpin current and future funding, would be valuable.

This submission outlines The Smith Family's perspectives on:

- Some of the principles which it believes should inform school funding
- The rationale for these funding principles
- Challenges which arise from current funding arrangements
- Potential improvements to current arrangements.

## The Smith Family

The Smith Family is Australia's largest education-oriented charity and delivers programs in 94 communities across all states and territories. In the 2013-14 financial year we supported over 134,000 disadvantaged children, young people and their families. This included over 15,500 from Aboriginal and Torres Strait Islander backgrounds.

In Victoria, we work across 14 communities, half of which are regional, including Ballarat, Morwell and Shepparton. In 2013-14 we supported around 24,000 disadvantaged children, young people and their families in Victoria. Around 1,100 of these young people and their carers/parents were from Aboriginal and Torres Strait Islander backgrounds.

The Smith Family is working to improve three key longer-term outcomes for the young people we support, namely: school attendance, school completion and engagement in employment, education or training post-school. These are in line with the goals of the National Education Agreement.

The Smith Family's annual national revenue in the 2013-14 financial year was approximately \$81 million. Of this, \$26.1 million was from government, with only around \$100,000 of this being from the Victorian Government.

## **Educational outcomes in Victoria**

The educational outcomes being achieved by Victorian students provide important context for this funding review. In 2013, Year 12 or equivalent completion rates for Victorian students were better than most, but not all, other Australian states/territories, (the ACT and South Australia had slightly better rates). Of particular importance, is the 10% difference in Victoria between the completion rates for students of low socioeconomic (SES) background compared to students from high socioeconomic backgrounds (75% compared with 85%).(SCRGSP 2015)

Further, in 2014, there were 13,000 Aboriginal and Torres Strait Islander students in Victorian Schools, or 1.4 percent of all students (ABS 2015). The Apparent Retention Rate for Aboriginal and Torres Strait Islander students from Year 7 to Year 12 in 2013 in Victoria was 55.1 percent, compared to 84.0 percent for non-Indigenous students (SCRGSP 2015).

NAPLAN data across Years 3, 5, 7 and 9 also highlights that students from low SES and/or Aboriginal and Torres Strait Islander backgrounds, in general perform below their more affluent peers. In Year 3, 9.0% of Aboriginal and Torres Strait Islander students and 7.1% of those from low SES are below the national minimum reading standard. In Year 5, 8.2% of Aboriginal and Torres Strait Islander students and 5.8% of those from low SES do not meet the minimum mathematics standard. In Year 9, one in ten students from both groups do not meet the national minimum reading standard. A lack of success in these core areas can contribute to early school leaving.

Importantly, in the area of student gain, Victoria does not perform well. Victorian students in Year 3 in 2008, performed well on NAPLAN in reading, spelling and numeracy, however by Year 9, they had made the smallest gains in NAPLAN scores of any jurisdiction, except Tasmania with respect to a single domain (numeracy) (Need to Succeed 2015: 7).

This data on educational outcomes highlights that there is significant work to be done to close the gap on educational outcomes for young Victorians from disadvantaged backgrounds. The under-performance of particular groups of students should be an important consideration for how funding is allocated across Victorian schools.

## **Victorian schools funding model**

The quantum of funds allocated to schools is not the sole determiner of student outcomes. How the funds are spent, over what period of time, the quality of staff, whether there's a focus on data and tracking student progress, and the engagement of parents, are just some of the other factors which impact on student outcomes.

The amount of funds a school has at its disposal, is however an important consideration. The Smith Family notes that in Victoria there was a decline in the “real school funding per student” between 2008-09 and 2012-13 (Need to Succeed 2015: 7).

While the Victorian Student Resource Package (SRP) which is used to allocate funding to schools takes account of student and school needs, the vast majority of funding (80 percent) is on a per-student basis, with ‘top-up payments’ for equity and to take account of school size and location, making up a quite small proportion. The vast majority of the ‘equity’ funding component relates to disability, with only a small proportion being allocated for socioeconomic disadvantage.

### **Needs based school funding**

The Smith Family has consistently advocated for needs-based, sector-blind resourcing to support disadvantaged students. This is in line with the Review of School Funding (2011). The current Victorian school funding arrangements do not include explicit funding to support the improved educational outcomes of Aboriginal and Torres Strait Islander young people. This is different from other Australian jurisdictions, such as Western Australia, where the Aboriginality allocation per student ranges from \$1,631 to \$2,120.

The Review of School Funding Reform recommended that Indigeneity be included in needs based funding arrangements. While noting the modest proportions of students from Aboriginal and Torres Strait Islander backgrounds in the Victorian school system, the significantly poorer educational outcomes of this group, compared to their peers, warrants consideration being given to including this in school funding allocations.

### **Students from low SES background**

The Smith Family strongly supports the use of additional school funding loadings for students from low SES in order to reduce the link between SES background and educational attainment. It believes an evidence-based application of loadings can narrow the clear achievement gap between students from high and low SES backgrounds.

A low-SES loading recognises the higher average costs of educating children from disadvantaged backgrounds. The educational needs that arise from disadvantage are not uniform and can manifest in ways that require solutions tailored to a local context. The use of loadings recognises this and gives school leaders, who are well placed to assess these needs, the agency to develop appropriate strategies to support low-SES students.

Research has also shown that school-wide concentrations of disadvantage exert an impact on a student’s academic results that goes beyond their individual circumstances. For this reason it is important that extra funding is available to

schools with higher proportions of disadvantaged students. This can help not just low-SES students in such schools, but also those with individually high-SES backgrounds, whom evidence shows, will also face declining academic results as the concentration of disadvantage within a school rises.

The current allocation for school funding in Victoria that is associated with students' socioeconomic background relies only on parental occupation (Student Family Occupation, SFO). There are currently five categories for the SFO, labelled A, B, C, D and N, with parents asked to identify their employment status from these groups. N denotes unemployed or pensioners and A to D represent senior management through to machine operators.

Parents may see the A to N scale as being similar to students' grades which are shown on school reports – with A being the 'best' grade and N the 'worst'. The actual categories are also open to some interpretation by parents. Both of these factors can work against parents providing accurate and consistent information on which important funding allocations are made. One simple way to address part of this issue is to move away from the use of A to D and instead to randomly allocate letters to each of the categories. This would help the categories to be seen as less hierarchical and/or 'value-laden'.

It is also of note that in other jurisdictions, such as Western Australia and New South Wales, characteristics in addition to family occupation are considered when assessing students' level of disadvantage as part of funding allocations. New South Wales for example has recently refined their socioeconomic loading using the Family Occupation and Education Index (FOEI). The NSW Department of Education's research identified that parental education attainment is a strong predictor of student and school performance and if parental occupation is added to this, the predictive power is further enhanced (NSW Department of Education and Communities, 2014). Given this and other research showing the importance of parental education to student outcomes, The Smith Family would recommend that consideration be given to refining how socio-economic disadvantage is assessed in Victoria, taking into account both parental education and employment.

In addition, The Smith Family would also urge that consideration be given to providing additional targeted funding to schools which have significant proportions of students with poor educational outcomes, such as NAPLAN. The use of such funds should be transparent and accountability measures put in place to track the progress of students for whom data suggests this funding is needed.

## **Funding allocations and parental capacity to contribute**

The Smith Family supports highly disadvantaged families in Victoria to support their children's long-term participation in education. The vast majority of parents we support have a Health Care Card or are on a pension. The Smith Family is aware that many of these families struggle to pay voluntary school fees and make other financial contributions to schools. The capacity of parents to both pay school fees and make additional contributions, can have a significant bearing on the overall amount of funding schools have available. This is highlighted by the case study below of two government schools.

### **School A:**

- High school with just over 500 enrolments, located about 16 kilometres from Melbourne's CBD
- ICSEA is above national average at 1064
- Total funding in 2013 was \$7 million (the latest data available from My Schools website)
  - \$ 817,000 from the Australian government
  - \$3.8 million from the Victorian government
  - \$890,000 from fees, charges and parent contributions
  - \$1.5 million from other private sources
  - Average funds per student = \$15,988

### **School B:**

- High school with just under 1,200 enrolments, located in regional Victoria
- ICSEA is below national average at 955
- Total funding in 2013 was \$15.5 million (the latest data available from My Schools website)
  - \$ 2.6 million from the Australian government
  - \$11.6 million from the Victorian government
  - \$890,000 from fees, charges and parent contributions
  - \$360,000 from other private sources
  - Average funds per student = \$13,790

School B is significantly more disadvantaged than school A, but its overall funding pool is less per student, in part because of the greater capacity of school B to secure funds from non-government sources. Data from the My Schools website also indicates that the funding received by school B in 2013 was below what it received in 2010, 2011 and 2012, in part because of reduced student numbers. In combination, however, these funding arrangements can make it very difficult for schools like school B, to meet the needs of a highly disadvantaged student population.

Schools in disadvantaged communities can also struggle to raise additional contributions from families and their local community for physical infrastructure and school enhancements. In combination, the capacity of families and the local community to contribute resources can positively or negatively impact on students.

While there may not be easy solutions to some of these funding issues they are important considerations for this review as they can significantly impact on the educational outcomes achieved by students.

### **Funding of multi-campus schools**

The Smith Family has extensive partnerships with many schools in Victoria. These partnerships are focussed on improving the educational outcomes of disadvantaged children. This experience has highlighted the potential unanticipated consequences of funding sometimes experienced by multi-campus schools, when the 'average' characteristics of the student population are taken into account to assess the funding available.

One of the schools The Smith Family has a partnership with is Kurnai College. The College has a student population of around 1,200 students and is unusual in that it has three campuses across two towns – Morwell and Churchill. The school has an ICSEA of 955 and 50 percent of the total student population are in the lowest quarter of socioeconomic disadvantage. Data from the 2011 Census however highlights the difference in socioeconomic profile of the two towns (and hence the population from which the campuses draw their populations). Morwell was ranked 21 in terms of disadvantage and Churchill was 174.

The difference between the catchment areas is reinforced by examining the ICSEA of Morwell Primary School, which is a feeder school to Kurnai College. The primary school has an ICSEA of 859, with 69 percent of students in the lowest socioeconomic quartile. In the case of schools such as Kurnai College, the 'averaging' out of the student characteristics over multiple campuses can potentially 'mask' the level of disadvantage experienced by some students. This in turn can impact the funds available to support the needs of students.

### **Planning**

The Smith Family is cognisant of some of the challenges of planning, including budgeting, inherent in a large and complex school system. This is particularly the case when student populations can vary from year to year and/or the particular characteristics of that population vary, impacting on the quantum of funds a school is entitled to. The annual planning cycle and the need to project student numbers several months in advance can both create challenges at the local school level. The capacity of schools to plan long-term under these circumstances is particularly challenging.

Changes to school populations, including a decline in student numbers, can result in some unanticipated challenges. For example, a decline in student numbers can result in a decline in funds available under the school allocation formula to non-teaching areas, such as maintenance and school grounds. While there may have been a decline in student numbers, this does not necessarily bring with it a decline in costs for maintenance of schools grounds and buildings, even if there are fewer students using the facilities.

### **Accountability structures related to funding loadings**

Funding loadings alone are insufficient to significantly reduce the link between disadvantage and educational attainment. Resources must be used to best effect by implementing appropriate interventions, supports and pedagogies that are responsive to student circumstances and needs. The evidence of what works should be used to inform what happens in schools.

Autonomy has been the hallmark of Victorian schools for many years, with principals holding significant decision-making power over school staffing and budgeting (Need to Succeed 2015: 7). This can enable those closest to the school community to make key decisions regarding how funds are allocated.

However, there should also be clear accountability measures for both how the funding, particularly that associated with additional loadings, is spent and the resulting impact on the educational attainment of disadvantaged students, to ensure such funding is spent in a manner which will yield the greatest benefit.

The United Kingdom's recent experience in introducing additional funding for disadvantaged students, highlights that a framework of accountability and support is necessary for schools to spend this funding effectively. This accountability must go well beyond ensuring there are audit processes in place to avoid financial mismanagement.

Launched in 2011, the 'pupil premium' saw schools which enrolled disadvantaged students attract an additional per student funding amount. Schools were initially free to pool this money into their general accounts, and were not supported to acquire the skills and knowledge necessary to research, evaluate and make decisions based on the most cost effective means of delivering improvements.

In 2012 the Sutton Trust, a leading UK education charity, surveyed teachers on how they intended to use the Pupil Premium and concluded that schools could have spent the funding more effectively had spending decisions been better informed by evidence<sup>1</sup>.

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<sup>1</sup> <http://www.suttontrust.com/newsarchive/pupil-premium-money-will-limited-impact-poorer-pupils-teacher-survey-suggests/>

In response, a number of accountability measures, support services to facilitate the undertaking and dissemination of education research, and opportunities for collaboration between schools and research institutes, were phased in. Both the English schools inspectorate and the Institute of Education have reported greater engagement with research and a more evidence informed use of the pupil premium funds following these reforms.

The Smith Family would urge that consideration be given to ensuring that appropriate accountability mechanisms and research support for school leaders and teachers be implemented to complement the use of loading funding.

Drawing on the UK's experience, strategies which might be considered include:

- Having loading payments accounted for separately to school general revenue to reflect their specific purpose in addressing the needs of disadvantaged students and requiring schools to publish details of how they used their loading funding .
- Building networks and providing training and support for principals and teachers to assess the needs of disadvantaged students and utilise research to devise effective interventions.

As part of such accountability mechanisms, The Smith Family believe it is important that there be monitoring and public reporting on educational outcomes across Victoria for particular groups of students, including those from low socio-economic backgrounds. Without this, there will be a lack of transparency regarding the educational outcomes of young people, particularly those from disadvantaged backgrounds. The risk is that limited financial resources will be poorly spent, resulting in both a lack of effectiveness and inefficiencies. This is a key platform for public accountability and for monitoring progress on the intent of additional funding aimed at addressing the educational disadvantage experienced by young people.

## **Conclusion**

How schools are funded is an important component for building an excellent and equitable education system. Currently, there are significant numbers of young Victorians who are not achieving the educational outcomes needed to set them up for future social and economic participation. Needs based funding for schools is a key part of addressing this.

There are a number of considerations which could enhance the current application of needs based funding for schools in Victoria. These include how socioeconomic background is assessed, the inclusion of Indigeneity, the funding of multi-campus schools, consideration of parental and community capacity to contribute, as well as planning and accountability arrangements.

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