

# Deciles affect only 3% of school funding

**Will the 6 years of work to replace them be wasted?**

**Kathy Spencer**

With all the attention paid to deciles, it would be reasonable to assume they are a major determinant of a school's funding. However, only 3% of the total funding provided to run schools is actually affected by decile rankings.

Schools receive funding for teacher salaries and operating expenses based on the number and ages of children, and school type. The vast bulk, \$6.4 billion or 97%, is not affected by any measures of socioeconomic status or educational disadvantage.

Only \$161 million or 3% of school funding is influenced by deciles.

In 2019, Chris Hipkins advised Cabinet that targeting only 3% of funding was "not providing sufficient additional resourcing to those schools that need it most."

## How deciles work

Deciles measure the extent to which a school draws its students from low socio-economic communities. Decile rankings are based on five factors from the census: low household income; low-skill parental occupations; household crowding; parents with no educational qualifications; and parents receiving income support.

There are around 250 schools per decile, with decile 1 schools being those with children from the most disadvantaged neighbourhoods.

Deciles fell into disrepute for a number of reasons, including that they were wrongly seen as a marker of school quality, they were out-of-date, they had too few bands, moved around too much, and were considered 'blunt'.

Public servants, consultants, and various advisory groups have been working on a new method since 2016 when Hekia Parata announced that deciles would go. The resulting Equity Index was due to be in place in 2021 but is now scheduled to apply from January 2023.

That's right, it has taken 6 years, so far, to decide how to allocate this tiny proportion of school funding.

## How will the Equity Index work?

Instead of 5 factors, the new Equity Index uses 37 socio-economic measures that are associated with poor education outcomes. These include factors like a parent in prison or a youth justice notification, as well as indicators like parents' income and benefit history.

The indicators are measured for individual children from a Stats NZ database. The results are anonymised and averaged over the students in each school for the last 3 years to give an Equity Index score for the school. Index numbers range from 344 to 569, giving 225 possible scores.

At the same time, the amount being allocated will be increased from \$161 million to \$240 million, which will still be under 4% of school funding.

The small amount of funding will be spread thinly, with 95% of schools qualifying for some level of funding based on its Equity Index score.

The Index will improve on deciles by using more up-to-date and individualised data, and being more stable over time.

Unfortunately, it is too complex to be readily understood. On top of that, privacy concerns over the sensitive data being used, will limit what schools can be told to explain their Index value.

Last month, Kathryn Ryan interviewed three school principals about the new Equity Index.

One of them, Richard Gillespie, said that the Index was currently being used to decide which schools would qualify for the Healthy Lunches Programme (this is over and above funding provided for salaries and operating costs). Richard's decile 2 school near Napier, had not qualified.

Richard said: "Nobody has been able to tell me why we sit where we sit". And when Kathryn asked what he had been shown to explain why his school did not qualify, he said: "Honestly...nothing".

This is a big problem. If people can't see how a funding system works, they won't have confidence in it. Effort will go into debating funding – effort that would be much better applied to running successful schools.

How much does it cost to fiddle at the edge of school funding?

This is a hard question to answer as the government's budget figures are as indecipherable as the Index itself. However, the last two budgets alone included \$54 million over 5 years for 'Equity Index System Infrastructure Costs'.

What about perceptions of school quality? It won't take long before word gets around of a school's Equity Index score – the higher it is, the greater the disadvantage of the children attending it. Just like deciles, a school's Equity Index will likely be confused with its quality.

### **What needs to happen**

The Minister of Education and his officials need to decide on a method that is transparent and that has the confidence of those running our schools.

To have a meaningful impact, the money targeting disadvantage needs to be much greater than the \$240 million planned for next year.

There is no point spreading this money so thinly that every school with a child from a disadvantaged background gets something – it needs to be concentrated on the schools that need it most.

*Kathy Spencer held senior management roles in the Ministry of Health, ACC and Treasury. She was heavily involved in developing methods for allocating health funding, including for DHBs and Primary Health Organisations.*