



2018–19
PRE-BUDGET
SUBMISSION



NATIONAL
**CATHOLIC
EDUCATION**
COMMISSION

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EXECUTIVE SUMMARY

The National Catholic Education Commission (NCEC) welcomes the opportunity to make a submission in the context of the Commonwealth Government's 2018–19 pre-Budget submission process. Catholic education acknowledges the longstanding commitment successive governments have made to support Catholic schools and recognises the need to ensure that government funding is used effectively and efficiently.

Catholic schools and systems see themselves as partners with families, with government, with the broader community and with other schools in providing excellence in educational choice in almost every part of the country. For decades, Catholic schools have been a high-quality, affordable and accessible option for Australian families who deeply value and regularly exercise that choice. Almost 40 per cent of Catholic schools are outside major metropolitan areas and in many remote Indigenous communities, a Catholic school is the only local school.

Commonwealth Government's \$1.1 billion transition penalty for Catholic schools

The Turnbull Government's *Quality Schools* reforms create inconsistent transition pathways for Catholic systemic schools, imposing a \$1.1 billion financial penalty on Catholic schools compared to independent schools. The Government's reforms will allow for "overfunded" independent schools to be overfunded for a ten-year transition period and will also allow for systems with SRS shares above 80 per cent to be overfunded for the whole of the decade. However, "overfunded" schools in a system will not enjoy the benefits of the ten-year transition the reforms afford standalone schools. These systemic schools will be forced to transition in six years. The NCEC asks that the Commonwealth Government remove the \$1.1 billion penalty on Catholic schools and families.

Needs-based funding for Catholic schools

Catholic schools and systems are strong advocates of policies that deliver sustainable and equitable support for Catholic schools. The NCEC developed a set of funding principles in 2015 that outline the funding imperatives for Catholic schools across Australia. This section of the NCEC pre-budget submission expands on each of these principles to show how government funding must reflect the needs of students, families and school communities, allowing systems to keep fees affordable and Catholic education to remain a realistic option for families. This section also raises the issue of the flawed SES methodology, which is a limited and potentially erroneous measure of need. Until the National School Resourcing Board completes its review and recommends an alternative measure of need, the Education Minister should determine a system-weighted average SES score to allocate funding for school systems. This was recommended by the *Review of Funding for Schooling* and was enshrined in the *Australian Education Act 2013*. Once the National School Resourcing Board has completed its review, the Commonwealth Budget should make provision for the needs-based funding implications that emerge from the recommendations of the review.

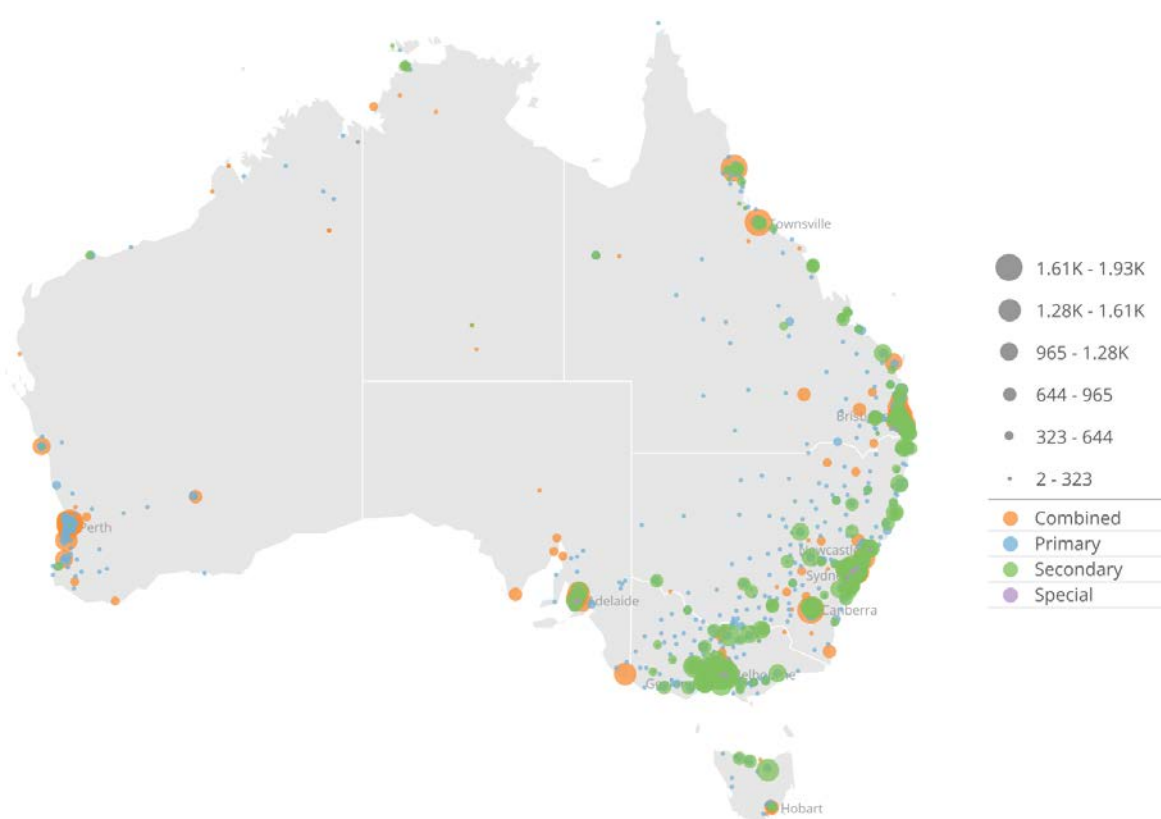
Catholic system funding and autonomy

A significant feature of Australian schooling is that all government schools, most Catholic schools and some independent schools are members of systems. Indeed, the Gonski *Review of Funding for Schooling* (2011) regarded the benefits of school systems as a strength of the Catholic sector. The NCEC submission argues that Catholic school system autonomy over funding distributions is critical for Catholic education in advancing the objectives of equity and accessibility. The benefits of school systems—non-government and government systems—effectively and efficiently ameliorate any shortcomings that an abstract econometric model may display. School systems are best placed to respond to the specific needs of schools and their communities.

CATHOLIC SCHOOLS IN AUSTRALIA

Catholic schools educate more than 766,000 students in a diverse yet unified network of more than 1,730 systemic and non-systemic schools across Australia. Catholic school communities are geographically, economically and socially diverse: they are located in all states and territories, in metropolitan through to very remote communities, and they educate students from all socioeconomic backgrounds. Catholic schools also include a diverse range of school types, including special schools, majority Aboriginal and Torres Strait Islander schools and sole-provider schools. They have increasing numbers of Indigenous students and students with disability. Figure 1 shows the proliferation of Catholic schools across Australia, by density and type.

Figure 1—Full-time equivalent students by Catholic school: Density and school type, 2017



The mission of Catholic education, since its inception, has been to serve students from a range of socioeconomic backgrounds, with a particular responsibility for the disadvantaged and marginalised. A cornerstone of Catholic education has been that all children have an inalienable right to education. Catholic schools strive to ensure that all students are supported in achieving their potential, irrespective of background or family circumstances, or location of their schools. This submission and the three main issues it addresses are consistent with this aspiration.

\$1.1 BILLION TRANSITION PENALTY ON CATHOLIC SCHOOLS

On 6 July 2017, the NCEC wrote to the Commonwealth Education Minister, raising concerns about the transition pathways of Catholic systemic schools and the \$1.1 billion financial penalty that will be imposed on Catholic schools compared to independent schools. Under the Turnbull Government's *Quality Schools* reforms, Catholic school systems will see a \$1.1 billion disadvantage over the next decade because of inconsistent treatment of systemic and independent schools.

“Overfunded” schools in a system will not enjoy the benefits of the ten-year transition the reforms afford standalone schools. “Underfunded” schools with an SRS percentage above the system-average will also be disadvantaged as their SRS percentage will be recalculated to equal that of the (lower) system-average SRS. This will mean lower funding for these schools over the six years of transition. “Underfunded” schools with an SRS percentage below the system-average are advantaged under current arrangements as their SRS percentage will be recalculated to equal that of the (higher) system-average SRS. This will mean higher funding for these schools over the six-year transition. The \$1.1 billion disadvantage is the net effect of the inconsistent treatment of system and standalone schools. It is the difference between all Catholic schools transitioning on their school-level SRS and all Catholic schools transitioning at their system-average SRS.

System schools currently funded above the Commonwealth share (80 per cent of the SRS) will effectively have their funding allocation reset to below 80 per cent of the SRS in 2018 to allow for a six-year transition at the system-average, while the same school would transition down to 80 per cent over 10 years if it were treated as a standalone school. Compared with a systemic school, a standalone school will experience a significant financial benefit over the next decade. While systems maintain the ability to redistribute funding, this does not remedy the \$1.1 billion financial penalty. Systems will have \$1.1 billion less to distribute than would be the case if all schools were allocated their school-level SRS percentages. As a result, systems can only address the Government's immediate 2018 cuts to “overfunded” and “above system-average” schools by distributing funds away from schools that will be allocated higher funding in 2018. This is a perverse outcome. Indeed, the financial disadvantage of the Government's inconsistent funding model will affect all systems with schools deemed to be “overfunded” in 2018.

In providing information via the website estimator in early 2017 and sending letters to schools informing them of their Commonwealth allocation in 2018, the Turnbull Government has created perverse incentives for schools to leave systems and access their full Commonwealth allocation. To overcome these perverse incentives, the Turnbull Government will stipulate that schools leaving systems will exit on the system-average SRS as of 27 July 2017. This is an explicit acknowledgement that the Government intends to prevent “overfunded” system schools from accessing the financial advantages of standalone transition. The Government's argument against funding schools according to their individual SRS shares appears to be that no system should be “overfunded” during transition. This would be the case under school-level transition as all underfunded schools would reach 80 per cent by 2023 while all overfunded schools would remain above 80 per cent until 2027. This would result in all systems with overfunded schools being overfunded during transition.

To argue that no system should be overfunded as a result of school-level transition is a further acknowledgement by Government of its inconsistent treatment of non-government schools. The Government's reforms will allow for overfunded independent schools to be overfunded for the whole transition period and will also allow for systems with SRS shares above 80 per cent to be overfunded for the whole of the decade.

The NCEC asks that the Commonwealth Government remove the \$1.1 billion penalty on Catholic schools and families.

NEEDS-BASED FUNDING FOR CATHOLIC SCHOOLS

Driven by the *Funding Principles for Catholic Schools*, published in 2015 by the National Catholic Education Commission and the Australian Catholic Bishops Conference, Catholic schools and systems are strong advocates of policies that deliver sustainable and equitable support for Catholic schools.

Those principles are:

- Parental choice
- Religious freedom
- Educational partnership
- A fair allocative mechanism
- Funding equity
- Funding certainty
- Accountability and transparency.

Parental choice

All families should be able to choose the education that best meets the needs of their children. Indeed, government policy should ensure a Catholic education is affordable for families who seek one. That is why recurrent government funding must reflect the needs of students, families and school communities, allowing systems to keep fees affordable and Catholic education to remain a realistic option for students, parents and families.

A related issue to recurrent funding is capital funding. Catholic school communities pay more than 80 per cent of the capital costs in their schools, taking pressure off governments. Governments should provide greater levels of capital funding for Catholic schools, easing the significant burden families in those schools are facing as enrolment demand continues to grow. Over the next decade, the Catholic sector will need to invest more in new schools and early childhood services than ever before. Based on current projections, more than 70 new Catholic schools will be needed in the next five years to provide enrolments for families seeking a Catholic education. However, as the NCEC has consistently argued in previous pre-budget submissions, the Commonwealth Capital Grants Program will not meet the growing demand for places in non-government schools. The current system of capital funding for non-government schools needs to be updated to support long-term planning that will meet the needs of the growing numbers of students in Catholic schools.

Religious Freedom

Through their teaching and their employment and enrolment practices, Catholic schools must be able to provide an education that reflects their mission and identity. Several international human rights treaties uphold the legal principle of religious freedom but in the context of same-sex marriage legislation, this freedom needs to be reaffirmed domestically. The Commonwealth Government must uphold Catholic schools' ability to teach and foster a school environment that reflects the mission and identity of the Catholic Church and its schools, which Catholic school parents have chosen for their children.

Educational Partnership

As the educators of one in five Australian students, Catholic schools, in solidarity with state and territory governments and independent schools and systems, should work together for the benefit of all students. Governments must recognise the significant contribution of Catholic school systems and engage in meaningful consultation on education policy in a spirit of partnership and shared aspirations. The tradition of strong partnership between Catholic schools and the government of the day has delivered strong outcomes for schools and the government.

A Fair Allocative Mechanism

Catholic schools have a long history of supporting, and implementing at the local level, funding that reflects the needs of students, families and school communities. Funding to support students with additional learning needs must be based on credible relevant and reliable school-level information on the needs of students, families and communities, while recognising the important role of school systems in delivering funding to those with the greatest need. Australian education legislation is complex and should be reviewed in a way that allows for meaningful consultation with key stakeholders.

If SES scores are to continue to be used to calculate funding for non-government schools, the Education Minister should determine a system-weighted average SES score to allocate funding for school systems, as recommended by the *Review of Funding for Schooling* and as was enshrined in the *Australian Education Act 2013*. This is necessary until the National School Resourcing Board completes its review and recommends an alternative measure of need. Once the National School Resourcing Board has completed its review, the Commonwealth Budget should make provision for the needs-based funding implications that emerge from the recommendations of the review.

In relation to funding for students with disability, the NCEC reiterates its concerns about the premature use of the Nationally Consistent Collection of Data to determine funding. The NCCD is still not reliable and robust and therefore its premature use as the determinant of funding for students with disability is concerning. The Commonwealth Government should provide additional support to schools to ensure any inaccuracies or inconsistencies in the data are addressed.

Funding Equity

While there is an understanding that parents in non-government schools are expected to contribute to school costs, school funding should be sector-blind. The way schools transition to a new funding model should be consistent across sectors. The *Australian Education Amendment Act 2017* embeds in legislation transition paths that are inconsistent and unfair for Catholic schools. As argued above, that inconsistency will cost Catholic systems \$1.1 billion over the next decade.

Funding Certainty

For schools and families, a child's education is a long-term proposition. The Government's commitment to students and schools should similarly provide medium- and long-term certainty. The stability and ongoing provision of funding is critical to support quality teaching and learning in all schools. Catholic education and families who choose Catholic schools rely on that stability and predictability of education provision. A 10-year school funding plan must be reviewed and renegotiated with school systems and authorities regularly to ensure the model continues to be fair and meets the needs of schools and students. Funding certainty should be guaranteed in legislation and explicit in the Forward Estimates.

Accountability and Transparency

All schools should transparently account for their use of government funding in support of educational outcomes. However, accountability and transparency measures should be reasonable, should not require duplication of reporting and should be geared towards minimising red tape. Catholic schools are subject to the same reporting requirements as government schools, including *My School*, annual reports, the Financial Questionnaire and state accountability mechanisms. Catholic schools and systems also report to the Australian Charities and Not-for-profits Commission.

SYSTEM AUTONOMY

A significant feature of Australian schooling is that all government schools, most Catholic schools and some independent schools are members of systems. The *Australian Education Act 2013* (Part 6) provides for approved system arrangements that underpin system-based funding to Catholic systems. Catholic education believes that system funding is central to its capacity to operate effectively and efficiently.

The Gonski *Review of Funding for Schooling* (2011) regarded the benefits of school systems as a strength of the Catholic sector. Catholic school systems use this autonomy to address student need in relation to school characteristics. An overall national allocation is limited in its interpretation of the extremely complex and multifaceted interactions between student and school characteristics. Catholic school systems are best placed to allocate resources in ways that are responsive to the specific needs of schools and their communities.

Other benefits of system arrangements include the ability of Catholic systems to ensure the financial viability of member schools or support developing schools and to redistribute and allocate funding to focus on issues such as supporting students with specific needs. Systems are also able to access economies of scale unavailable to individual schools, which enables them to achieve various efficiencies.

However, as the *Review of Funding for Schooling* acknowledged, the benefits and virtues of continuing to enable Catholic systems to make decisions around the redistribution and allocation of resources at the local level should not diminish the accountability of Catholic schools. System authorities play a crucial role in meeting the compliance and accountability demands on Catholic schools and partially mitigates the regulatory burden on individual schools.

Catholic education welcomes accountability for the funding it receives. All Catholic schools are subject to a high level of accountability through Commonwealth, state and territory funding arrangements and school registration requirements. This includes the provision of comprehensive school financial reporting, which is required through the Commonwealth Department of Education and Training's Financial Questionnaire and information provided for the *My School* website.

System autonomy also has implications for schools in rural and regional areas. Without the additional funding Catholic systems provide through a needs-based redistribution of government funding, Catholic schools in rural and regional areas would operate with substantially fewer resources. This would undermine the viability of these schools and the outcomes for rural and regional students. Catholic school systems are best placed to support the unique characteristics of each of their systemic schools and enrich the learning of students with special needs, thus enhancing the accessibility of their schools and improving the outcomes of their students.

The ability of Catholic school systems to determine funding distribution and expenditure based on locally identified need is a fundamental funding principle. The NCEC maintains that the autonomy of Catholic systems to distribute funds according to locally identified needs enhances equity, guarantees school viability, provides reliable and substantial governance structures, and enables prompt and accurate accountability and reporting. The Commonwealth Government should continue to recognise the virtues of systems in the Australian education system.