



## 2015–16 Pre-Budget Submission

6 February 2015

---

### **About the National Catholic Education Commission**

The National Catholic Education Commission (NCEC) is established by the Australian Catholic Bishops Conference through the Bishops Commission for Catholic Education to maintain effective liaison with the Commonwealth Government and other key national education bodies. The NCEC complements and supports at the national level the work of the State and Territory Catholic Education Commissions.

*Learn more at: [www.ncec.catholic.edu.au](http://www.ncec.catholic.edu.au)*

## **Executive Summary**

This submission presents the views of the National Catholic Education Commission (NCEC) on government funding for Catholic schools. It specifically addresses three issues:

- 1. sustainable indexation of school funding beyond 2017;**
- 2. funding for students with disability that follows need;**
- 3. capital funding needs for Catholic schools.**

### Sustainable indexation of school funding beyond 2017

The NCEC believes school funding increases should keep pace with increases in school costs. The imposition of CPI indexation from 2018 onwards is likely to result in a significant decline in funding over time, relative to school costs and particularly staff costs. Without sustainable funding, fees will increase, schools could close and the quality of education will be compromised. This will impose additional pressure on government schools when students transfer out of Catholic schools.

### Funding for students with disability that follows need

Catholic education strongly supports needs-based funding for students with disability. More specifically, the NCEC believes funding for students with disability should follow students between sectors according to their particular needs. Under funding arrangements in operation since 2014, there is a significant difference between the funding new students with disability attract and the funding attracted by students with disability already in the Catholic education system. The differential funding treatment arises as a result of transition arrangements, which calculate marginal funding for new students with disability differently to funding for current students with disability. The current funding shortfall arising from this issue is estimated to be in the vicinity of \$20 million for Catholic schools nationally. This shortfall will affect the resources available for all students with disability in Catholic schools. The Commonwealth Government should address this unintended outcome of current funding arrangements.

### Capital funding needs for Catholic schools

Official Australian Government projections suggest that Australia's school age population will increase by around 23% over the next decade. During this period, government projections show Catholic education growing well above 30% in some states and territories. Current Australian Government capital funding will not support Catholic education systems to meet these needs. Local communities will inevitably have to contribute to the significant shortfall between the available grants and cost of works. In the case of new schools, local communities will not be able to meet these costs. Current plans for new Catholic schools, given financial constraints, are unlikely to accommodate the projected enrolments. Likewise, existing Catholic schools need to maintain their facilities and accommodate additional students. The NCEC proposes the Commonwealth Government should address this declining quantum of funds in comparison to unprecedented enrolment growth.

The NCEC also highlights some additional items as part of this submission.

- The potential costs of moving to online assessment for NAPLAN, which are uncertain at this stage and will be borne by Catholic schools. It is imperative that Catholic schools are not negatively impacted by this cost.
- The issue of remote teacher housing, which is vital for the delivery of quality education in rural and remote Australia. A programme of grant funding for staff housing in remote areas would greatly assist in addressing educational disadvantage.
- Indigenous boarding schools' funding—the \$6.8 million in funding announced in 2014 will benefit a number of Catholic schools. However, there is a need for further funding to support the hundreds of boarding students in these schools when this once-off funding ends.

- Reducing the compliance costs of and regulatory burden on Catholic schools means more time and money can be devoted to enhancing schools and improving student outcomes.

## **Introduction**

The National Catholic Education Commission (NCEC) welcomes the opportunity to provide a submission as part of the 2015–16 Pre-Budget Submission process.

Catholic education has repeatedly welcomed the certainty provided by the Australian Government commitment to needs-based funding for all Australian schools under the *Australian Education Act* through to 2017.

Catholic schools educate more than 750,000 students in more than 1,700 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.

Catholic schools strive to ensure students are not prevented from achieving their potential because of background or family circumstances, or because of the location of their schools. This submission and the three main issues it addresses are consistent with this aspiration.

## **Sustainable Funding**

In December 2009, the Australian Catholic Bishops Conference endorsed and published a set of *Funding Principles for Catholic Schools* (see Attachment A). Based on this document, the NCEC seeks government funding for Catholic schools within the context of three overarching principles:

1. Stable, predictable and sustainable funding for Catholic schools.
2. Needs-based funding, based on robust data, where greater need attracts higher funding.
3. Local system autonomy over funding distribution based on need.

The NCEC believes that it is important that the Commonwealth, State and Territory governments continue to work as partners with Catholic school communities in the funding of the Catholic education sector. Catholic schools make a strong contribution to education in Australia and provide governments and the community with value for money. The characteristics of Catholic schools include accessibility to students from all social backgrounds, high performance, efficiency and accountability.

The NCEC asserts that the ability of Catholic school systems to determine funding distribution on the basis of locally identified need must be preserved. Catholic schools are heavily reliant on grants from governments. *My School* data for 2012 indicates that government recurrent grants account for about 77% of net recurrent income in Catholic schools.<sup>1</sup>

Government funding is critical to Catholic schools and their objectives of equity and accessibility. Catholic schools look to governments to ensure that, through equitable funding arrangements, they have the capacity to serve the broad socioeconomic spectrum of Australian families. Catholic schools need government funding to continue providing a quality education option at reasonable cost for the many communities they serve. Any freeze or reduction in government funding would put this at risk. If government funding for Catholic schools is frozen or reduced, schools would be forced to raise their fees. This will inevitably deny some parents their right of choice in education for their children and put more pressure on government school systems.

---

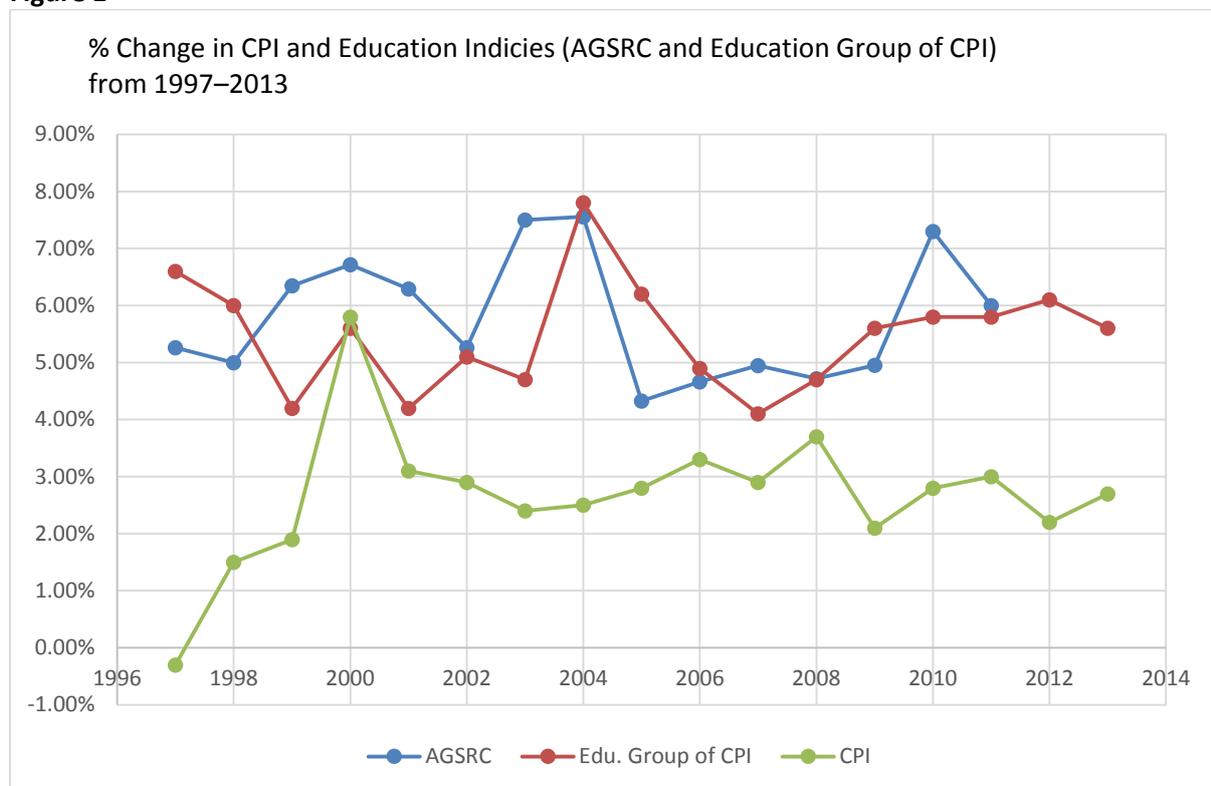
<sup>1</sup> Australian Curriculum, Assessment and Reporting Authority (ACARA), *My School Data Set V5.0.18 R*. [unpublished]

## 1. Sustainable indexation of school funding beyond 2017

A significant concern for Catholic education is to ensure that the indexation of school funding keeps pace with real school costs. The proposal to index recurrent school funding on the basis of the Consumer Price Index (CPI) for 2018 and beyond will not meet this requirement and will have dire consequences over time. Catholic schools have a commitment to supporting all families, no matter their economic or social circumstance. However, the capacity for Catholic schools to maintain this commitment depends on the level of government funding. Without sustainable funding, fees will increase, schools could close and the quality of education will be compromised. This will impose additional pressure on government schools when students transfer out of Catholic schools to government schools because they are unable to afford higher fees.

The NCEC position is that school funding increases should keep pace with increases in school costs, particularly staff costs. Catholic school costs are largely determined by costs in the government school sector, as a result of staff salaries making up the majority of recurrent operating costs. Pressures to maintain comparative employment conditions are a significant factor in driving the need for indexation of school funding to reflect actual school costs. The anticipated outcome for non-government schools, under the *Australian Education Act 2013*, was the same indexation rate for government funding for all schools. The current policy framework beyond 2017 will not achieve this policy objective. Catholic schools need government funding that at least grows with costs in government schools, particularly teacher salary movements. This was an accepted policy principle under the Average Government School Recurrent Costs (AGSRC) Index, which was used as the basis of school funding indexation.

**Figure 1**



Source: Australian Bureau of Statistics and Australian Government Department of Education 2014.

As a comparison, in the past 10 years, CPI has been around half the rate of the AGSRC. Similarly, the Education Group of the CPI has been consistently greater than the CPI for most of the past two

decades. On average, the Education Group of the CPI has increased at a similar rate to the AGSRC. The average annual increase from 2002–2011 was 5.6% for the AGSRC and 5.4% for the Education Group of the CPI. This compares to an average increase of 2.8% per year from 2002–2011 of the aggregate CPI. It is important to note that inflation in the Education Group is measured differently to the AGSRC and—while not the ideal measure of increases in actual schools costs—serves as a basis for comparison. The comparison charted in Figure 1 indicates that the Education Group of CPI is a closer measure to the AGSRC than either the indexation of 3.6% under the *Australian Education Act* until 2017, or the CPI, which has recently averaged 2.8%.

The consequences of the relatively low indexation rate for Catholic schools are profound. For example, if a school has government funding indexed at 2.8% per student per year from 2018 until 2025 while real costs are increasing by 5.6% per year (AGSRC average), by the end of 2025, school costs would grow 54.7% while school funding would have grown by only 24.7%. In this scenario, the school would experience a decline in government funding of about 30% compared to cost increases.

In Table 1 below, the forecast per-student amounts for Commonwealth funding are reported, along with the forecast annual percentage change. The forecast assumes a constant need profile and that future enrolment growth rates will be similar to recent enrolment growth rates. For all states and territories, there are increases for every year from 2014 to 2017. However, the increase in per student funding is different for each state and territory with a maximum of 5.7% in 2015. Although these rates are likely to be higher than the CPI, a significant part of the increase arises from additional funding for loadings such as students with disability, hence the increase in funding available to meet core salary costs will likely be substantially lower. So while it is the case that funding is likely to keep pace with real school costs until the end of 2017, the imposition of CPI indexation will mean a significant reduction in real financial support for Catholic schools over time.

**Table 1: Actual and projected Commonwealth funding (\$) per student in Catholic Schools**

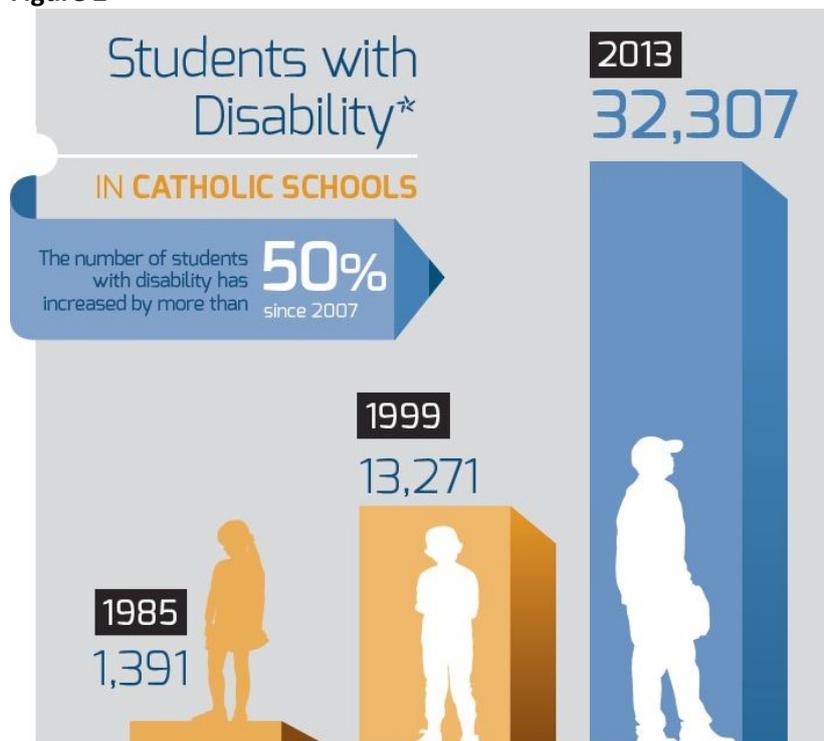
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>NSW</b>	7,521	7,906	8,302	8,759
<b>Victoria</b>	7,502	7,920	8,346	8,778
<b>Queensland</b>	7,393	7,893	8,309	8,735
<b>WA</b>	7,428	7,827	8,232	8,651
<b>SA</b>	7,637	7,995	8,379	8,771
<b>Tasmania</b>	8,085	8,661	9,215	9,808
<b>ACT</b>	6,583	7,000	7,425	7,857
<b>NT</b>	11,394	12,321	13,290	14,260
<b>Australia</b>	<b>7,509</b>	<b>7,934</b>	<b>8,349</b>	<b>8,789</b>
<b>Per student funding—percentage change</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>NSW</b>	3.6%	5.1%	5.0%	5.5%
<b>Victoria</b>	4.1%	5.6%	5.4%	5.2%
<b>Queensland</b>	4.2%	6.8%	5.3%	5.1%
<b>WA</b>	4.2%	5.4%	5.2%	5.1%
<b>SA</b>	3.9%	4.7%	4.8%	4.7%
<b>Tasmania</b>	5.5%	7.1%	6.4%	6.4%
<b>ACT</b>	4.5%	6.3%	6.1%	5.8%
<b>NT</b>	8.6%	8.1%	7.9%	7.3%
<b>Australia</b>	<b>4.0%</b>	<b>5.7%</b>	<b>5.2%</b>	<b>5.3%</b>

Source: Australian Government Department of Education Funding Estimation Tool, October 2014.

## 2. Funding for students with disability that follows need

Students with disability are welcomed into Catholic school communities, which aim to help all young people reach their full potential. The number of students with disability in Australian Catholic schools has increased significantly. Figure 2 indicates that the number of students with disability in Catholic schools across Australia has increased by more than 50% since 2007.

Figure 2



Source: National Catholic Education Commission, 2013 Annual Report (\* full-time equivalents).

The NCEC believes funding for students with disability should follow students between sectors according to their particular needs. The Commonwealth Government endorses this principle.

The funding arrangements under the *Australian Education Act 2013*, which commenced in 2014, treat students with disability who are new to Catholic schools differently to students with disability currently attending Catholic schools. The transition funding arrangements under the legislation pose significant problems for funding for students with disability. The effect of the 'transition' funding arrangements under the *Australian Education Act* is that funding does not follow need for students with disability attending Catholic schools for the first time.

The marginal increase in the public funding attracted by a school system can be much lower than the average public funding received for existing students with disability (as measured by the Schooling Resource Standard in the *Australian Education Act*). This issue arises as a result of the way the 'transition' funding arrangements work under the legislation. The NCEC believes this issue must be addressed.

The 'transition' funding arrangements mean that school systems are financially disadvantaged when they have a net increase in students with above average needs. Conversely, they are financially advantaged when they have a net decrease in students with above average needs. In this way, the transition arrangements provide incentives for schools and systems to enrol low-need students.

Recent enrolment patterns, particularly increases in numbers of students with disability, show that Catholic education is continuing to enrol students with higher needs despite the funding arrangement. Without change to address the funding treatment of these students, this will come under increasing pressure.

The effect of the 'transition' arrangements on funding are detailed in the report from Ernst & Young (EY) commissioned by the NCEC (see Attachment B).

Using the Tasmanian and Queensland cases as an example, the EY analysis estimates the total shortfall in funding for additional students with disability to systemic Catholic schools in 2014. Given there was a net increase in students with disability in Catholic schools of 1,611 in 2014, the NCEC estimates that the cost to ensure each new student with disability attracts similar levels of funding to those already in Catholic schools is in the vicinity of \$20 million.

The EY analysis demonstrates that, for students with disability that are new to school systems, funding does not follow their need. There is a significant difference between the funding new students with disability attract and the funding attracted by students with disability already in the system. The funding attracted for the needs of new students can be less than half of the funding attracted for existing students.

The Commonwealth Government should address this unintended outcome to ensure there is a needs-based funding model for all school sectors. If enrolments of students with disability in Catholic schools continue to grow at similar rates to those observed in recent years, the funding shortfall for the needs of these students in 2015 is likely to increase. This outcome will affect the resources available for all students with disability in Catholic schools.

### 3. Capital funding needs for Catholic schools

Quality school infrastructure positively contributes to student well-being, self-esteem and educational outcomes. Indeed, school communities treasure the tangible and intangible benefits that capital funding delivers to students. Under current policy settings, Catholic education will struggle to meet the rising demands for new schools and new school places.

Current projections suggest that the school age population (5–14 years old) in Australia will increase by around 23% in the next decade.<sup>2</sup> In some states and territories, Commonwealth Government projections assume that Catholic education will grow well in excess of this average growth in the next decade.<sup>3</sup> Within a broader context, Infrastructure Australia has indicated that, by 2050, Australia's population will be 36 million people and, by 2063, the population will double compared to 2013.<sup>4</sup> The challenge for all school sectors to accommodate the additional students will be profound. It will be a significant task to ensure Catholic education is a real option for even 20% of the students.<sup>5</sup>

Current Commonwealth Government capital funding will not support Catholic education systems to meet these needs. Local communities may not be able to cover the significant shortfall between the available grants and cost of works. Current plans for new Catholic schools are unlikely to accommodate the projected enrolments. Likewise, existing Catholic schools may not be able to maintain their facilities and accommodate additional students. The NCEC is working to quantify the forecast shortfall between new enrolment need and new places, particularly in new schools. Based on detailed work under way at state and territory level, it appears that new Catholic schools will not be built because of financial constraints. This work will be published in due course.

The projected enrolment increase in all Australian schools 2011–20 is 668,207—a 19.0% increase.<sup>6</sup> For the Catholic school sector, the projected enrolment increase 2011–20 is in the order of 147,770 students (20.41% increase). If all students were accommodated in new schools, this could equate to as many as 350 new Catholic schools by 2020. The possibility of commissioning 35 Catholic schools each year, as implied under this scenario, is unprecedented. The building of facilities against the backdrop of a decline in Commonwealth capital funding and increasing enrolments is in addition to the increasing cost of land in metropolitan areas in recent years. Without significant government support, new and growing communities will not be able to finance new Catholic schools. This is a profoundly challenging environment for Catholic education. Anecdotally, many Catholic schools are nearing capacity, with limited capital expenditure capacity to create new places.

Currently, Commonwealth capital funding is limited to a targeted programme—the Australian Government Capital Grants Programme. The funding provided under this programme is declining in real terms per student. The NCEC acknowledges the current objective of the programme is to assist the capital funding needs of the most educationally disadvantaged students. The unprecedented enrolment growth expected means that the quantum of funds available for capital expenditure to new and existing schools is not commensurate with the needs of Catholic schools. The NCEC proposes that the Commonwealth Government address this declining quantum of funds in comparison to need.

---

<sup>2</sup> Source: Australian Bureau of Statistics (population projections for 2013 to 2025).

<sup>3</sup> Source: Australian Government Department of Education Projections and Australian Bureau of Statistics, *Schools Australia*.

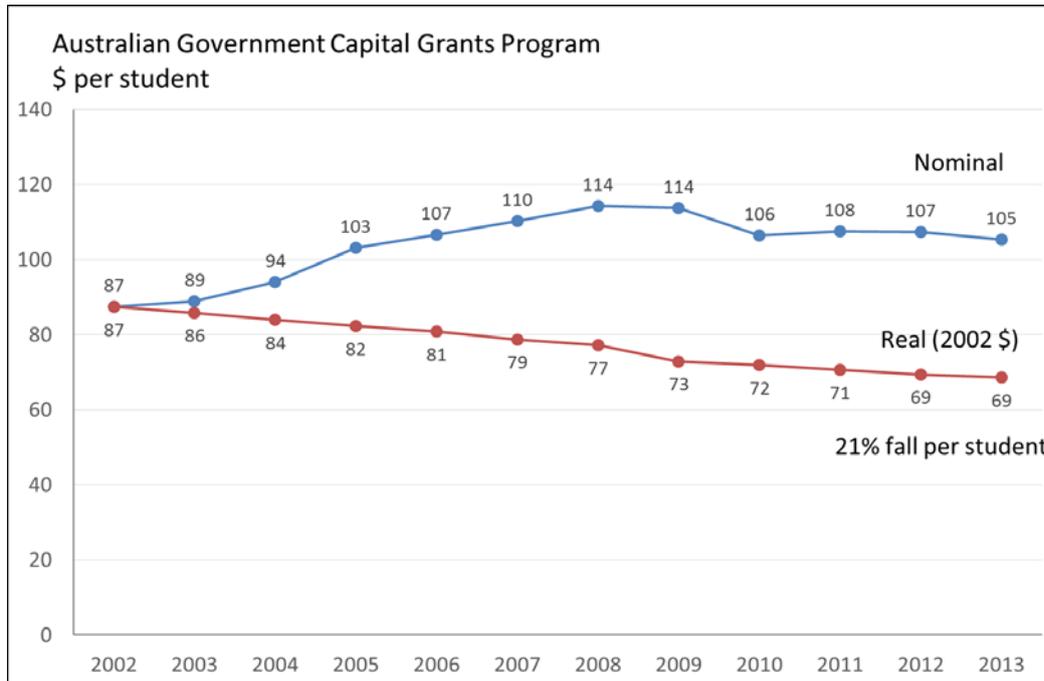
<sup>4</sup> Infrastructure Australia, *National Infrastructure Plan: June 2013 Report to COAG*, 11. Cf. Australian Government, *Australia to 2050: Future challenges. The 2010 intergenerational report: Overview*, 5.

<sup>5</sup> Current enrolment share of Catholic education is around 21%.

<sup>6</sup> Source: Australian Government Department of Education Projections and Australian Bureau of Statistics, *Schools Australia*.

Figure 3 below charts capital grants funding per student for the 12-year period from 2002 to 2013. In recent years, there has not been any substantial increase in nominal levels of funding per student. More importantly, however, adjusting capital funding increases for inflation (measured by changes in non-residential building construction index as published by the ABS), reveals that there has been a real fall in funding of 21% per student from 2002 to 2013. It is important to note that the capital grants programme is not currently based on enrolment growth, only on increases in building costs.

**Figure 3**



Source: NCEC analysis using data from Australian Bureau of Statistics, *Non-Residential Building Construction Index* and Australian Government Department of Education, *Australian Government Programmes for Schools: Quadrennial Administrative Guidelines*.

The combination of significant increases in enrolments and decline in Commonwealth Government capital funding (in real terms) has created a demand for capital works in Catholic education that cannot be met without a significant increase in government support. One option for the Commonwealth to consider is maintaining the capital funding available under the existing programme and creating a new fund to support the rising demand for new schools. The NCEC would welcome an opportunity to discuss this further with the Commonwealth Government.

## **Further Issues**

There are also several items the NCEC wishes to highlight as part of this submission:

- costs of moving to online assessment for NAPLAN;
- remote teacher housing;
- Indigenous boarding schools;
- compliance costs and regulatory burden.

### Costs of moving to online assessment for NAPLAN

It is uncertain how much the move to online assessment will cost. Moving NAPLAN online is an important development that will allow teachers to access the results much sooner to inform their teaching and learning approaches. However, it is imperative that Catholic schools are not negatively impacted by the cost of moving the test online.

Depending on the readiness of infrastructure in Catholic schools, they may require assistance with the relevant costs to ensure they are not disadvantaged in this important area.

### Remote teacher housing

High-quality principals and teaching staff are essential for the delivery of education in remote areas. Remoteness impacts on student outcomes. Attracting and retaining teaching staff to address this factor is made more difficult when suitable housing is not available or when existing housing is unsuitable and is prohibitively expensive to repair. In particular, this makes recruiting principals and teachers with families to remote areas extremely difficult. Capital funding for staff housing in remote areas would greatly assist in addressing the level of educational disadvantage that exists in rural and remote Australia.

### Indigenous boarding schools

The NCEC welcomes the allocation of an additional \$6.8 million (arising from the passage of the *Australian Education Amendment Bill 2014*) to support the education of students attending Indigenous boarding schools. This will benefit a number of Catholic schools and the hundreds of students with particular needs who attend those schools as boarding students. There is a need for a sustainable ongoing funding arrangement to support these students to ensure the continued viability of Indigenous boarding schools.

### Compliance costs and regulatory burden

The NCEC wishes to reiterate the importance of the planned removal of command and control features of the *Australian Education Act*. System implementation plans and school improvement plans are two examples of unnecessary additional regulation of Catholic schools.

The NCEC continues to be concerned about the current and potential further duplication of reporting requirements arising from the regulatory burden created by the Australian Charities and Not-for-profits Commission (ACNC). Catholic schools devote considerable time and resources to meeting these reporting requirements and complying with regulations. All registered non-government schools, including 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's annual Financial Questionnaire and information provided for the *My School* website, which is administered by the Australian Curriculum, Assessment and Reporting Authority (ACARA). Reducing the regulatory burden on Catholic schools means more time and resources can be devoted to enhancing schools and improving student outcomes.

### **Concluding remarks**

Aside from the three central issues this submission canvasses ahead of the 2015–16 Budget, which represent the current priorities for Catholic schools, the NCEC desires further clarity on the evolution of school funding beyond 2017.

Catholic education has repeatedly welcomed the certainty provided by the Australian Government commitment to needs-based funding for all Australian schools under the *Australian Education Act* through to 2017. These arrangements have delivered additional funding to Catholic education to welcome students with additional needs, and to increase the quality of teaching and learning in Catholic schools.

The current assumptions in the 2014–15 Budget, as the NCEC understands them, imply that under the school funding arrangements for 2018, Catholic schools will receive different funding levels from the Commonwealth Government depending on the jurisdiction in which they are located, rather than determined solely according to their need. Further, if the CPI and enrolments are the basis of indexation of school funding beyond 2017, over time, government funding is unlikely to keep pace with school costs. Significant fee increases are a likely result in this situation. To achieve stable, predictable and sustainable funding beyond 2017, it is important that these issues are addressed.

The NCEC welcomes the opportunity to participate in the Commonwealth Government's pre-Budget process and looks forward to providing greater detail to government on the vital areas of school funding policy covered in our submission.