

Education and Employment Legislation Committee

Inquiry into the Australian Education Amendment Bill 2017

May 2017

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Executive Summary

The National Catholic Education Commission (NCEC) is established by the Australian Catholic Bishops Conference to represent the 1,737 schools across Australia, which educate one in five students and have been part of the nation's education story for over 200 years. Catholic schools support more than 765,000 students, including over 20,000 Indigenous students and 35,000 students with disability. In some remote areas, Catholic schools are the sole providers of education for communities.

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The NCEC submission to the Senate Education and Employment Legislation Committee welcomes the ambition of a common needs-based grants model for all Australian schools. The NCEC supports the provisions of the *Australian Education Amendment Bill 2017* (the Bill) that affirm the need for transparency and accountability for the allocation and expenditure of school funding.

However, the NCEC submission to the Committee will canvass a number of issues with the Bill and argue for the amendment of specific clauses:

1. Continued use of the SES methodology. The Bill continues to use the existing SES methodology in the Commonwealth's school funding model, despite the fact that the 2011 *Gonski Review of Funding for Schooling* and 2013 *National Education Reform Agreement* recommended that a more precise measure of capacity to contribute should replace the existing SES methodology. The NCEC argues that the SES should be reviewed as a matter of urgency.

2. System-weighted SES scores and capacity to contribute. The Bill removes the power of the Minister to determine a single SES score for a group of schools by legislative instrument. The NCEC believes that assessing need at the system level remains a rational way of treating systems within the model and is consistent with the original Gonski model. To this extent, a student-weighted, system SES score for individual systems should remain while the SES methodology continues to be used.

The Bill also changes the capacity to contribute calculations for non-government primary schools. The proposed changes to the primary school line, combined with the removal of the system average from the model, have the effect of setting fee expectations at an individual school level and suggesting unrealistic fee increases in many primary schools.

3. System autonomy. The Bill will create a misleading juxtaposition between Commonwealth funding allocations for each school and system distribution of Commonwealth funding by requiring the Minister to publish school-level federal funding. The confusion this will cause has been illustrated by the Government's recent actions whereby the Minister published funding expectations for individual schools, via letter and the School Funding Estimator website. This information has caused great concern and led to misinformation at the school level as it ignored system redistribution. It has had the effect of directly undermining system autonomy over the distribution of funds to schools based on locally assessed need. Catholic education is accountable and transparent in relation to the funding it receives and redistributes to schools through various mechanisms – including the annual Financial Questionnaire, My School, annual reports and the Australian Charities and Not-for-profits Commission.

5. Indexation. The Bill defines indexation—initially as 3.56 per cent and then as a floating rate with a floor of 3 per cent. The NCEC acknowledges the minimum 3 per cent guarantee after 2020 as a sensible measure that will provide greater certainty for schools, however it should be based on a more targeted index that more closely reflects actual school costs.

6. Transition Arrangements. Under the Bill, schools will now transition to a new Commonwealth share of the Schooling Resource Standard (SRS). According to the Commonwealth Government's own calculation, a number of schools and school systems will receive reduced funding for their students under the proposed changes. The NCEC has undertaken analysis that shows the Bill will reduce the funding of 617 systemic Catholic schools in 2018. These schools receive an immediate reduction in funding in one year before funding slowly increases in subsequent years.

7. Nationally Consistent Collection of Data on Students with Disability (NCCD). Clause 17 amends section 36 of the Act, changing the way the disability loading is calculated by making the NCCD the basis for new calculations. The NCEC believes this is premature and should not happen until the NCCD is robust. Only data that are accurate at the school level should be used in the current funding model in the Act.

8. Conditions of Funding. As a condition of funding, the Bill requires approved authorities of non-government schools to cooperate with States and Territories in relation to the implementation of national policy initiatives and agreements, which are as yet unknown and will presumably be developed through the COAG Education Council. However, as the non-government school sector is not directly represented in the COAG process, the Commonwealth must ensure each State and Territory consults closely with the non-government sector so that it can represent the interests of all schools within its jurisdiction in forthcoming negotiations with the Commonwealth at the Education Council.

The NCEC also makes the following general observations:

Consultation—the Turnbull Government’s reforms and the Bill were announced and tabled without sufficient lead-time to enable adequate consultation. Many of the issues the NCEC submission will canvass could have been resolved earlier had the Government undertaken meaningful discussions on the substance of its reforms. It is unprecedented for the Commonwealth not to meaningfully engage with stakeholders on reforms of this magnitude.

Current Act and Regulations – The level of detail in the *Australian Education Act 2013* and Regulations has exacerbated the complexity of current funding arrangements. The level of detail and the duration of the proposed arrangements in the current Bill underline the need for ongoing evaluation of the arrangements over the life of the legislation. It would be appropriate for a periodic review process to be built in to the legislation.

“Special Deals” – Assertions that the Catholic sector has “special deals” are without merit. All current arrangements, across all sectors, are based on agreements with the Commonwealth entered into in good faith. The claim that the system-weighted SES is a special deal is particularly erroneous given that any non-government system is able to have a weighted average apply to their schools. Catholic education is not seeking special deals under the new Government policy; it is seeking a fair and equitable deal for all Australian school students.

About the NCEC

The National Catholic Education Commission (NCEC) is established by the Australian Catholic Bishops Conference to maintain effective liaison with the Commonwealth Government and other national education bodies. The NCEC was established in 1974, partly in response to the vastly increased activity of the Commonwealth Government in school education policy and funding from the early 1970s.

The National Catholic Education Commission is the representative body for all Catholic schools in Australia – both systemic and non-systemic.

In relation to school funding, the NCEC operates from an endorsed set of Funding Principles for Catholic Schools (available at www.ncec.catholic.edu.au). Based on these principles, the NCEC seeks government funding for Catholic schools that is based on:

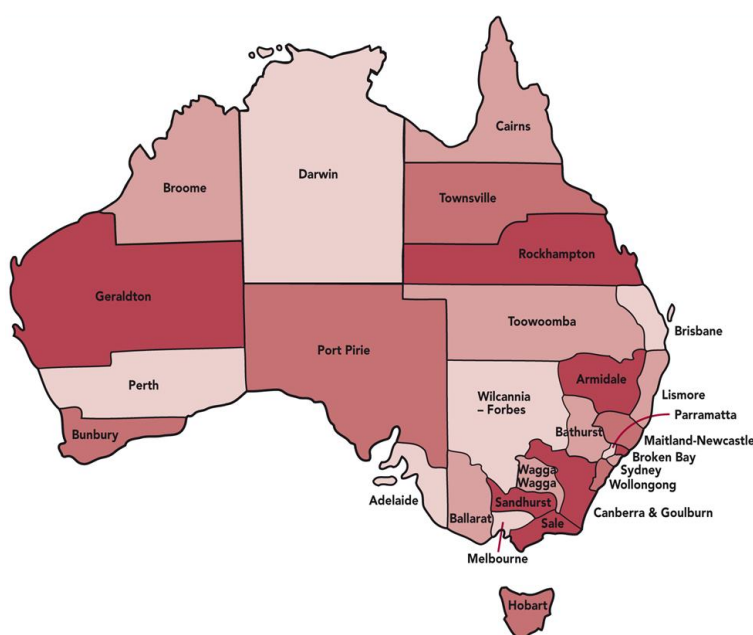
- parental choice
- religious freedom
- an educational partnership
- a fair allocative mechanism
- funding equity and certainty
- accountability and transparency.

The governance arrangements of Catholic schools in Australia

Catholic schools have been part of Australia's education landscape for 200 years. The principle of subsidiarity is a core principle guiding the administration and operation of Catholic education. Decision-making is delegated to the most appropriate level under this principle. As a result, the governance structures are devolved and reflect local contexts.

Operational responsibility for Catholic schools lies with the 25 diocesan employing authorities (Catholic Education Offices), as well as the education authorities (for example Good Samaritan Education, Edmund Rice Education Australia) and the boards and councils of the 63 "independent" Catholic schools. These authorities are supported by state, territory and national representative bodies (Commissions). The eight state and territory commissions are the system funding authorities for the receipt of State and Commonwealth government funds.

Figure 1. Australian Catholic Dioceses



The diversity of the eight state and territory Catholic school systems across Australia is a strength of Catholic education. Each jurisdiction has unique characteristics and operates in a particular context.

While the aspiration for a simple one-size-fits-all funding model is attractive, the NCEC contends that the diversity of school education in Australia cannot be easily accommodated by a single overarching model.

About Catholic Schools

Across Australia, Catholic schools educate more than 760,000 (or more than 1 on 5) students in more than 1,700 systemic and non-systemic schools, making Catholic education the second-largest provider of school education in Australia.

Catholic education runs several systems that are large and broad-based, much like government school systems. Indeed, several of the state-based Catholic system authorities are significantly larger than a number of state and territory government systems. The Catholic education system in New South Wales, for example, is larger than the government systems in Western Australia, South Australia, Tasmania, Northern Territory and the ACT.

Current funding arrangements treat Catholic systems in a similar way to Government systems, whereby they receive block funding, which the system then redistributes according to locally assessed need. There are several other non-government systems, including the Lutheran system, which also receive and redistribute funding in a similar way.

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 in remote communities. Figure 2 shows the spread of Catholic schools across Australia and Table 1 shows the distribution across geographical regions. Almost 40 per cent of Catholic schools are outside major cities and metropolitan areas.

Figure 2. Catholic schools by location and size.

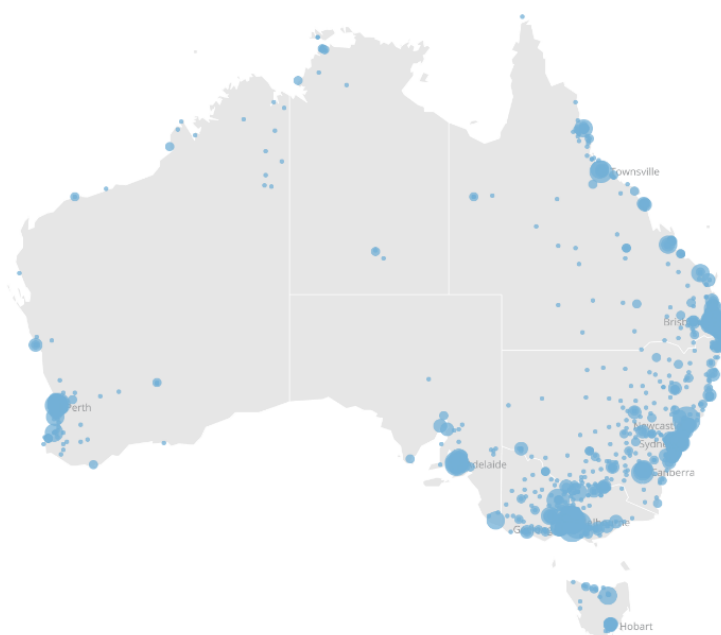


Table 1. Catholic schools by Geographical Region (2016)¹

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia	%
Metropolitan	384	322	146	106	82	0	30	0	1070	62%
Regional	193	170	130	37	17	36	0	9	592	34%
Remote	11	1	24	21	3	2	0	8	70	4%
Australia	588	493	300	164	102	38	30	17	1732	100%

Much like the government sector, Catholic education is predominantly a primary school system, with over 70 per cent of its schools being primary-only schools. This contrasts with the independent sector, which has much larger proportions of combined schools.

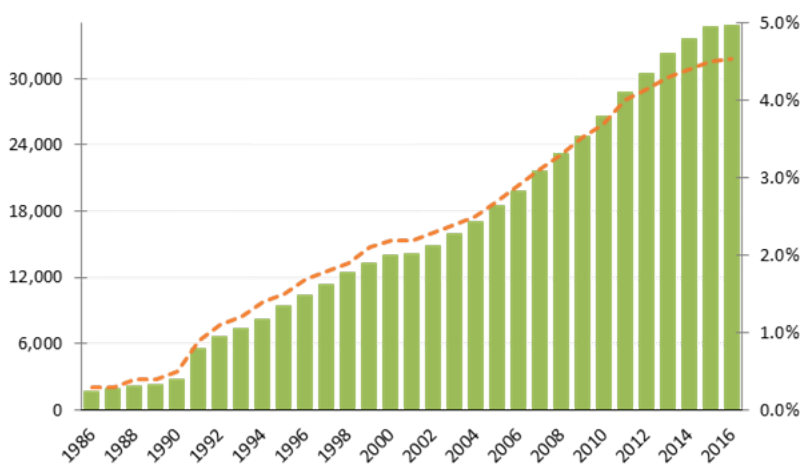
Table 2. Australian Schools by School Type and Sector (2017)²

	Catholic Schools		Government Schools		Independent Schools	
Primary	1238	71.3%	4780	72.1%	214	20.5%
Secondary	321	18.5%	1035	15.6%	48	4.6%
Combined	138	7.9%	490	7.4%	688	66.0%
Special	40	2.3%	329	5.0%	92	8.8%
Total	1737	100%	6634	100%	1042	100%

As part of their educational and pastoral mission, Catholic schools in Australia have been educating students with disabilities since the 1870s, long before comparable provision was made in Government schools³. Catholic education continues to be committed to expanding educational access for students with disability.

Since the mid 1980s the number of students with disabilities in Catholic schools has grown significantly. In 2016, Australian Catholic schools were catering for 35,803 students defined as students with disabilities (SWD)⁴. The percentage increase in enrolments over time is also significant. Students with disabilities now represent 4.5 per cent of students in Catholic schools, compared with 0.2 per cent in 1985. The reality of this expanded access is illustrated in Figure 3.

Figure 3. Increase in students with disability in Catholic schools 2000-16



¹ AGDET Schools Census 2016.

² Australian Bureau of Statistics 2016 and State and Territory Catholic Education Commissions 2017.

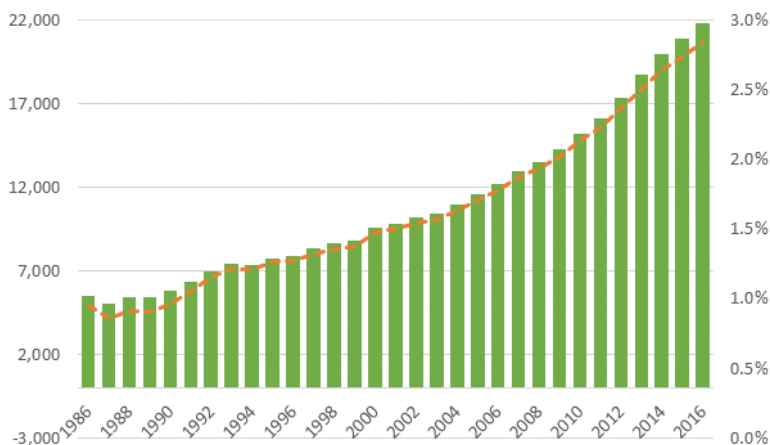
³ See <http://www.mn.catholic.edu.au/catholic-identity/diocesan-history> and <http://www.mayfieldsd.catholic.edu.au/history.html>

⁴ As defined by various state and territory legislation for Commonwealth and state funding purposes and reported in the annual schools' census to the Commonwealth Department of Education and Training.

It is anticipated that there will be a serious disjunction between the criteria that currently identify students for funding purposes as compared to the criteria that identify students requiring adjustments pursuant to an application of the DDA definition of disability, which is the methodology of the Nationally Consistent Collection of Data for Students with Disability (NCCD). The role and impact of the NCCD is discussed in more depth later in this submission.

Indigenous student enrolments also continue to grow. As Figure 4 shows there were 21,798 Indigenous students in 2016 compared to 17,349 in 2012 (a 29.3 per cent increase).

Figure 4. Indigenous students in Catholic schools in 2016.



The great diversity of Catholic schools across Australia is a strength of our national schooling system, which serves the needs of students in a variety of geographical, social, multicultural and multi-faith contexts.

A Commitment to accessibility and affordability

The continuing affordability and accessibility of Catholic schooling are crucial. Catholic schools are affordable for most parents because of a commitment to reasonable tuition fees.

Currently, Catholic school parents contribute approximately 30 per cent of the cost of their child's schooling. Annual growth data show that parental contributions to Catholic schools are already outstripping the growth in government contributions: from 2014 to 2015, parental contributions per student grew by 6.4 per cent while government contributions grew by 4.0 per cent (My School data). The NCEC does not wish to see this trend intensified. Government funding that fails to keep pace with schooling costs could lead to disproportionate fee increases, affecting the ability of many families to choose a Catholic education for their child.

Australian Education Amendment Bill 2017

General Comments

Equitable needs-based funding allocation remains a goal for all Australian Catholic schools.

While the Schooling Resource Standard (SRS) is the most comprehensive measure currently available and is able to compare schools and students in all sectors, the NCEC believes it remains an imperfect measure of the needs of schools and students. Perceived deficiencies in the treatment of need within the model must be addressed.

The NCEC contends that, as the base grant for all students, the SRS needs to be defensible. To that end, transparency and reduced complexity are important.

The NCEC further contends that the base grant should represent the common cost of educating students at any school. In the current model, costs are derived from artificial, not real, costs—meaning that the SRS is an artefact that no school actually resembles.

The NCEC has previously expressed its reservations about the calculation of the SRS. These concerns relate to:

- an over-reliance on NAPLAN data as the sole measure of schooling excellence;
- the selection of reference schools for the original calculation. The NCEC believes the 80 per cent benchmark is arbitrary and was biased towards urban Victoria and New South Wales (where average costs are not typical) rather than being an objective, educationally sound and nationally valid standard. It also risks being unstable over time; and
- aspects of the regression equation used to estimate the SRS are questionable, including the use of Net Recurrent Income Per Student (NRIPS).

The NCEC also has continuing concerns about the relationship between the SRS's base grant and loadings for need; that is, the proportion of funding accounted for by the base is set artificially too low and the loadings relatively too high. However, the diversity of Catholic school systems across Australia, where each system has unique characteristics and operates in a particular context, needs to be recognised.

The NCEC considers that currently the precise loadings values are not strongly supported by evidence and are not related to the real cost of education. In this sense, the loadings do not reflect the real cost of the disadvantage they target.

For example, the socio-educational advantage (SEA) component of the Index of Community Socio-Educational Advantage has a number of limitations including that it is limited to parental education and occupation to the exclusion of other variables. There is also concern regarding the size loading, which does not adequately assist smaller schools with the real cost of education. There are deficiencies in the measures inherent in the students with disability and students with a low socioeconomic status loadings which also need to be addressed.

The NCEC has consistently argued that key elements of the SRS model need review and refinement. Data should be demonstrably valid, reliable, rigorous and fit for purpose and on this basis NCEC has argued for a holistic review of the model.

The NCEC's position is consistent with the existing *National Education Reform Agreement* (NERA) commitment to review the students with disability, English language proficiency and the low socio-economic status loadings and socio-economic status score methodology.

Elements of the SRS model involve complex dependencies that require comprehensive analysis and review in a holistic way especially as there are distributional consequences when any one of the elements is altered.

It is disappointing that the current proposal to refine the SRS model has taken a piecemeal and rushed approach. Had a more robust process been undertaken, many of the schooling sector's concerns could have been addressed.

Specific Issues Relating to the Bill

Continued use of the SES methodology

The Bill continues to use the existing SES methodology in the Commonwealth's school funding model, despite the fact that the 2011 Gonski *Review of Funding for Schooling* and 2013 *National Education Reform Agreement* recommended that a more precise measure of capacity to contribute should replace the existing SES methodology.

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Under the *Australian Education Act 2013* (the Act), the level of Commonwealth funding that a non-government school or school system attracts is determined by the SES methodology. The SES underpins the "capacity to contribute" measure in the model.

The NCEC clearly articulated its position on an SES-only measure of capacity to contribute in its submission to the *Review of Funding for Schooling* in 2011. The NCEC continues to advocate this position:

NCEC does not support a school funding model in which a socio-economic indicator is the only, or a major determinant of base funding (e.g. a pure-SES model). A pure SES model effectively determines base funding using a single score to determine the capacity of parents to pay school fees (or otherwise contribute to school finances). It effectively assumes a homogeneous population with each parent having the same capacity to pay. It consequently penalises non-government schools that set low fees to encourage accessibility – these can receive similar grants to other schools that have much higher private resources (depending on student populations). This concern is particularly relevant for the Catholic school sector which strongly promotes accessibility to its schools.

(NCEC Submission to the *Review of Funding for Schooling*, March 2011)

The *Review of Funding for Schooling Final Report* agreed that SES is subject to "a potentially large degree of inaccuracy as the students attending a particular school are not necessarily representative of the socioeconomic averages of the areas in which they live" (2011, p177). By underestimating how much higher-income families can contribute, while overestimating how much lower-income families can contribute, the NCEC contends that SES scores likely disadvantage schools serving lower- and middle-income families, many of which are Catholic.

A recent detailed review of the SES methodology by the Catholic Education Commission of Victoria (2017) underscores these concerns with the methodology highlighting that measures included in the current SES calculation (namely, education and occupation) lack validity as proxy indicators of capacity to contribute.

This analysis was provided to Minister Birmingham in March 2017. The Minister is yet to respond formally to the paper, but Catholic education is aware that the paper has been referred to the Commonwealth Department of Education and Training and the Australian Bureau of Statistics for analysis and advice. The full CECV report can be found here:

<http://www.cecv.catholic.edu.au/getmedia/2f706a07-58a6-4acc-a3c6-b4ce10c5b72f/Capacity-to-contribute-and-school-SES-scores.aspx?ext=.pdf>

The architect of the current methodology, Professor Stephen Farish, has also stated recently that the model is now out-dated and needs to be reviewed (Sunday Telegraph, 28 May 2017).

A review process needs to be undertaken as soon as possible to ensure maximum confidence of the Parliament, the community and the school authorities in the mechanism used to assess the capacity to contribute of non-government schools.

Student-Weighted, System Average SES Scores and Capacity to Contribute

The Bill removes the power of the Minister to determine a single SES score for a group of schools by legislative instrument.

Clause 30 repeals section 52(2) of the Act, which allows the Minister to—by legislative instrument—determine the SES score for one or more schools. The NCEC believes this clause should be removed from the Bill, retaining the Minister’s ability to determine a non-government system’s SES score. The weakness of the current SES measure means that assessing need at the system level is an important way of ameliorating the deficiencies and bias in the current SES methodology.

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Catholic, and some other non-government, school systems are “block funded” using a student-weighted average SES score for the system to determine their capacity to contribute.

The *Review of Funding for Schooling Final Report* not only endorsed block funding for systems, noting that “school systems provide assurance to the Australian Government that Australia has an effective and efficient schooling effort” (p46), it also recommended that given the primary responsibility of government and non-government system authorities for the funding and operation of their schools, Australian Government funding for all systems should be assessed and calculated at the system rather than the school level (p181). It further states that the “enrolment weighted average SES score of all the schools” in a system should be used as the basis for estimating the quantum of the private contribution that should count towards meeting the resource standard in non-government systems (p177).

Minister Birmingham has said (11 May 2017, ABC News) that the Turnbull Government's education funding model was “truly applying what David Gonski recommended” and that “the Turnbull Government's reforms are fair, they're transparent, they treat schools as David Gonski recommended.”

Catholic education believes the system-weighted approach was part of the original Gonski model and on that basis should be supported by the Government, especially in light of its aspiration to make school funding more consistent with the original Gonski panel recommendations.

Furthermore, it is erroneous to define the student-weighted average SES for systems as a “special deal”—rather it is a rational way for funding school systems within the model. The importance of the system average within the model is further underlined by its legislative basis in the current Act.

It is also incorrect to claim that a student-weighted average undermines consistency—all schools funded within non-government school systems are funded on the same basis.

The Government appears to have compartmentalised the Australian schooling sector, making the point of comparison for Catholic systemic schools, stand-alone independent schools. The more appropriate comparison is with government system schools. Simply comparing a systemic Catholic school with a standalone independent school distorts the relative funding picture and the intent of a student-weighted average. Rather than undermining consistency, a student-weighted average provides for greater consistency in the treatment of systems, which was its intent.

As stated above, a system-weighted SES approach also helps to ameliorate the deficiencies and potential bias in the SES methodology. If the SES methodology is to continue, a system-weighted approach to SES for affordable, inclusive and broad-based systems like Catholic education is essential to avoid those schools being unduly disadvantaged by a flawed measure.

Furthermore, the Bill also changes the capacity to contribute calculations for non-government primary schools. Clause 36 amends the capacity to contribute figures that appear in section 54 of the Act.

The student-weighted average SES score is used for determining the anticipated capacity to contribute (CTC) for primary and secondary schools. This systemic approach results in a notional figure rather than an actual figure for anticipated CTC for a school or system. This approach is similar to the public funding contribution of the base grant of the SRS.

The removal of the system average has the effect of setting fee expectations at an individual school level for all Catholic systemic schools rather than providing an average fee expectation for the system. Combined with the proposed changes to the primary school line, the effect will be increased fee expectations for all Catholic primary schools in Australia. Catholic education authorities believe this will result in unrealistic fee increases in many Catholic primary schools. This directly results from the government's new schooling resource standard defined in the Bill.

Any changes to the primary school CTC curve must consider the present reality and history of primary school provision in Australia. The reality is that at least three tiers exist in the primary schooling sector:

1. no fee schools—predominately government primary schools
2. lower fee schools—predominately Catholic systemic primary schools
3. higher fee schools—predominately independent primary and combined (primary/secondary) schools.

Catholic primary schools constitute a significant proportion of the primary school sector. Catholic primary schools account for 20 per cent of all primary schools and 85 per cent of non-government primary schools. This equates to 19 per cent of all primary school enrolments and 62 per cent of all non-government primary enrolments.

Without acknowledging the above, changes to the current primary school CTC model could drive a significant change to the accepted landscape of education provision in Australia, leading to some families facing significant fee increases and the removal of the middle (lower fee) layer. This is not a policy outcome desired by parents or the NCEC. The NCEC holds that governments should not pursue policies that drive this outcome either.

This issue is rightly considered in the context of the concerns raised above in relation to SES scores and the need for a review of the flawed SES methodology.

System Funding and System Autonomy

The Bill creates a misleading juxtaposition between system distribution of Commonwealth funding and Commonwealth funding for each school.

Clause 103 will amend section 127 of the Act to specify that the Minister's annual report must address specifics of funding allocations for individual schools, as well as the application of that funding by the operators of individual schools. If the intention is that the Minister will publish details of each school's share of Commonwealth funding, the Government will be creating a misleading juxtaposition between the Commonwealth's calculations of school-level funding and actual funding that individual schools receive through system arrangements.

Despite the fact the Bill has not passed the Parliament, the Turnbull Government has launched a website detailing Commonwealth funding levels per school and student under its proposed new model. The Minister for Education and Training has also written to individual schools with funding details apparently reflecting the website information.

The website pre-empts the legislative basis for the new funding levels and bypasses systems and system redistribution. The result is a misleading juxtaposition, which is already creating concern in Catholic, other non-government and government systemic school communities about their actual funding levels in 2018 and beyond. The School Funding Estimator website launched on 8 May purports to show how much Commonwealth funding is allocated to each school. However, it includes the disclaimer: "Please note that if your school is part of a system, Commonwealth funding is paid to the system as a block. The system will determine the amount your school receives." The NCEC questions the worth and usefulness of this exercise, which has only led to confusion for school communities.

Detailed, audited information about school funding—from state and Commonwealth Governments and private sources—is already available on *My School*. It is unclear what this new website will achieve other than to confuse parents, principals and others by providing incomplete and misleading funding data.

The NCEC believes that system funding is central to Catholic schools' capacity to operate effectively and efficiently. Catholic school systems do this in the following ways:

- Distribution of Government funding across systemically funded Catholic schools according to need can occur using detailed local-level and school-specific information, and more up-to-date information, than is available to the Australian Government. Catholic systems are best placed to assess the financial condition and resource requirements of their individual schools, improving outcomes in terms of financial viability and educational equity.
- Catholic systems are able to use needs-based distribution to address need in relation to particular school characteristics (e.g. size, location, remoteness and the socio-economic status of the community). In relation to new schools, which suffer from a lack of economies of scale as they progressively grow to their full enrolment, block funding of the system and redistribution of funds enables the operation of the school to be appropriately supported as it develops. There is also a greater capacity for systems—through economies of scale—to address growing infrastructure needs, which government funding cannot always alleviate.
- Catholic systems are able to cross-subsidise to address perceived shortfalls in government funding arrangements for certain students with high needs (e.g. students with disability, Indigenous students, ESL students including new arrivals and refugee students).
- Catholic systems also use needs-based distribution to assist students whose particular educational needs are not directly funded through the loadings of the model, e.g. students with challenging behavioural needs and specific learning difficulties and refugees/recent humanitarian arrivals..

Indeed, a significant feature of Australian schooling is that all government schools, most Catholic schools (96 per cent) and 18 per cent of independent schools are members of systems. Despite the conceptual appeal of a “simple” national model, applied at a student or school level, a one-size-fits-all formulaic approach would undermine the benefits that currently arise from funding systems rather than individual students or schools.

A recognition of the benefits and efficiencies of systems, including system autonomy over funding distribution and expenditure, must be maintained under future iterations of the Schooling Resource Standard model.

Indexation

The NCEC publicly acknowledged the decision to adopt the NCEC position of a minimum indexation rate of 3 per cent from 2021 to reduce volatility in the model and provide greater funding certainty for all schools. This was an important change to the proposed model.

The NCEC supports a composite index to calculate the indexation rate for the period 2018-2020. This index is calculated using a weighted combination 75 per cent Wage Price Index (Education) and 25 per cent Cost Price Index (Education). The Department's own 2016 advice states that “this measure provides a viable method to setting a rate that reflects the ‘true’ cost of education provision” (Departmental advice dated 5 August 2016) and the Government has publicly supported this approach.

However, the new composite index proposed for 2021-2027 reverts to the broader economy-wide (non-education-specific) measure of 75 per cent Wage Price Index and 25 per cent Consumer Price Index. In order for funding to keep pace with actual school costs, this proposed index raises concerns for the funding of schools beyond the forward estimates.

Similar to the composite index proposed for 2018-2020, the index for the period 2021 to 2017 should be targeted to more closely reflect actual school costs. The Bill should also recognise the need for monitoring of the annual link between costs and funding to ensure funding keeps pace with education sector costs.

Transition Arrangements

Under the Bill, schools will now transition to a new Commonwealth share of the Schooling Resource Standard (SRS).

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A key issue is the transition arrangements the Bill establishes. Schools will move to their adjusted allocation amounts over the next decade. All existing schools will be classified as transitioning schools, with a transition period set for 2018 to 2027 (clause 6). The Bill establishes a 10 per cent transition rate per year (clause 16). This transition process will impact upon the actual funding outcomes for schools over coming years. However, the amounts payable and/or the calculation methodology for the transition adjustment funding will be set out in regulations.

According to the Commonwealth Government's own calculation, a number of schools and school systems will receive reduced funding for their students under the proposed changes. Changes leading to this reduced funding include:

- the reduction in funding for non-government school primary students under clause 36;
- the removal of the Minister's ability to determine an average SES score for a group of schools for funding purposes (repeal of subsection 52(2));
- a different methodology for calculation of students with disabilities support funding (clause 17, which is discussed below).

The NCEC has undertaken analysis that shows the Bill will reduce the funding of 617 systemic Catholic schools in 2018. That equates to 37 per cent of systemic Catholic schools across the country. These schools receive an immediate reduction in funding in one year before funding slowly increases in subsequent years. Almost 200 of those schools will be allocated less Commonwealth funding in 2027 than they receive in 2017.

Based on data available to Catholic education, it appears that if these 617 schools were standalone schools, the model would transition them more evenly over the 10-year transition period. It is currently unclear to Catholic education whether this sharp change in funding levels for systemic schools has been intentional.

The impact of these cuts is not evenly spread across Catholic systems. For example, 75 per cent of schools in the Broken Bay diocese will see their funding cut in 2018 – by almost 70 per cent in some cases. Such large funding cuts in a single year, combined with the relatively small share of schools with increased allocations, impede the ability of Broken Bay diocese to redistribute funding in a way that can make up for the cuts in funding elsewhere. Similarly, proposed cuts in funding to regional schools in the Northern Territory would need to be offset under the proposed schooling resource standard by redistributing funds from remote Indigenous communities.

The ACT Catholic system faces real cuts in funding (both nominal and real) over the 10 years of the proposed funding model. The NCEC contends this funding outcome does not reflect the needs of children in ACT Catholic schools. The Commonwealth Government cannot ignore such a significant issue.

Although Catholic systems have some capacity to redistribute funding, the burden of responsibility for subsidising very large funding cuts in a single year should not fall unfairly on the parents whose children attend different schools.

To neutralise 2018 funding cuts and keep schools running, the NCEC believes some Catholic primary schools will be expected to raise private income of up to approximately \$8,000. This excludes additional amounts required for capital purposes.

The Minister has commented publicly, and written to individual school communities, in relation to Catholic school funding outcomes. He has set the expectation at the school level that all systemic schools will receive increased funding under the government's proposed model and that no Catholic school should face fee increases.

In order for this to be true, in 2018, the Catholic sector will have to redistribute funding away from schools set to receive increased funding under the model. It will necessitate redistributing away from some lower SES schools to higher SES schools and/or increasing fees substantially in many schools. By publicly suggesting, however, neither of these two remedies is acceptable, the Government has left Catholic schools in an untenable position.

The transition adjustment fund established under the Bill is not available to all schools receiving reduced funding. Rather, the possibility of accessing transition funding will be limited to a smaller subset of schools.

When funding models change, there should be a transition to support a system or school assessed to be receiving more funding than intended. Government must not impose immediate funding changes that will compromise a system or school's ability to maintain educational services and standards.

The NCEC believes that the transition arrangements in the Bill do not consider the existing funding levels and relativities between school types and jurisdictions in the current provision of school education.

A further concern relates to the transition of those jurisdictions whose current funding falls well below the SRS. Taking 10 years to achieve equalisation of the Commonwealth share of the SRS compounds their disadvantage, and for states such as South Australia this has significant consequences. The funding that has not been received over previous years is never made up, and this circumstance is extended for a further 10-year period.

The NCEC believes that a transition period for systems and schools should be applied in a manner that is appropriate for each system and school.

Nationally Consistent Collection of Data (NCCD) for students with disability

The Bill enshrines the NCCD in the Australian Education Act.

Clause 17 amends section 36 of the Act, changing the way the disability loading is calculated. The NCEC believes this is premature and should not happen until the NCCD is robust. Only data that are accurate at the school level should be used in the current funding model in the Act.

The NCEC is a member of the Education Council's Joint Working Group on Students with Disability and is aware of the implementation and data issues associated with the data collection. The NCEC's concerns relate to the quality of the data and the persistent variability across states and territories as well as sectors. A further concern relates to the fact that the data is vulnerable to manipulation whereby there might be an incentive to overstate the count of students or their level of adjustment if funding allocations are linked to individual school level information.

The original intent of the NCCD was to provide a nationally representative evidence base for reporting on students with a disability that can inform policy and programs at the school and education authority level in a robust, reliable and systematic way. The aim was also to reinforce the existing obligations that schools have with respect to students under the Commonwealth Disability Discrimination Act and the Disability Standards for Education.

While the NCEC strongly supports the broad intention of the NCCD and the process that underpins its objectives, it remains concerned that the data is not reliable enough to use for funding purposes.

The Minister for Education and Training is also on the record stating his concerns about the quality of the data. On 16 December 2016, he said the NCCD "fails a basic credibility test" and on 16 February this year in an ABC news report he said "[t]his data ... hasn't come to a credible landing point just

yet...[t]here's much more work to be done by the states and territories to ensure that (the NCCD data) truly is nationally consistent."

The NCEC notes too that the Government engaged Price Waterhouse Coopers (PwC) to undertake quality assurance for the implementation of the NCCD. Based on the evidence provided in the 2016 PwC report, it is clear the NCCD is of insufficient quality to inform school and/or system funding for students with disability.

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The PwC report also concluded that the sample size was not sufficient to inform, at a statistically reliable level, an assessment of data quality at the school level. Doubts about the accuracy of disability loadings for individual schools in the proposed funding model is therefore a major concern. If the NCCD data is not suitable for use at the school level, it brings into question the degree to which specific targeting of the additional support to students with need will be effective. Additionally, the difference in funding levels across the three new categories of students with disabilities adds an additional complexity dimension to the task of ensuring that appropriate support and funding is provided for each student with a disability, as consistency in assessment cannot be guaranteed.

Further clarity and consultation is needed in relation to the methodology proposed by the Government and in particular how the Government proposes to ensure the collection becomes more robust. The NCEC believes significant investment in ongoing teacher professional learning, moderation and quality assurance will be needed. It is an open question as to how this would be supported and funded by the Commonwealth government.

Under the current model, the value of the disability loading equates to approximately 8 per cent of total Catholic sector funding. Such a radical change in the way the loading is calculated will have a material impact on Catholic sector funding. Current modelling suggests it will result in a significant negative impact.

Conditions of Funding

The Bill repeals the current subsection 22 of the Act and replaces it with a new subsection 22 setting out changed conditions of funding for States and Territories. The changed conditions of funding include that States and Territories implement national policy initiatives as agreed by Education Council and be party to a national agreement relating to school education reform.

The current section 22 of the Act states that States and Territories have responsibility for implementing agreed national policy initiatives for school education. In a legislative note, it states that, in fulfilling this obligation, the State/Territory may have responsibility for the management of the education system in their jurisdiction overall, and in this sense must work cooperatively with non-government school authorities.

In relation to non-government school authorities, the Bill inserts a new subsection 77 (2) (2A) requiring these authorities to "cooperate with the States and Territories" in relation to the implementation of national policy initiatives and agreements (which are as yet unknown), and makes this a condition of their funding. This shift in onus moves the obligation to cooperate from the State or Territory to the non-government school authority. Depending on the attitude of the State or Territory to consultation about new policy initiatives to come before Education Council, and the nature of the national policy initiatives eventually agreed to, this is an area of potential ongoing uncertainty for schools and authorities.

It is proposed that the Regulations will be amended to require States and Territories to have signed the national agreement on school education by 30 June 2018. It is intended that this agreement will set out evidence-based reforms for national implementation and a revised national performance framework. Additionally, the Regulation will specify that States and Territories have signed a bilateral reform plan with the Australian Government by 30 June 2018, dealing with actions and milestones for delivery of reforms in both government and non-government schools.

Reporting requirements for these bilateral reform plans are to be set out in the Regulations. This will include an annual report to the Australian Government against the milestones and actions in the bilateral agreement, verified by the relevant State Auditor-General or another agreed independent third party.

As noted above, under section 77 of the amended Act, non-government school authorities will be required to cooperate with States and Territories to implement national policy initiatives and agreements. Therefore, under the Regulations, non-government school authorities will be required to have agreed with their relevant State and Territory on “actions and milestones for delivery of reforms” by 30 June 2018. These actions and milestones are not known at this stage. Additionally, there will also be reporting against these unspecified actions and milestones.

Given that all of these matters will need to be resolved within the first six months of the new funding arrangements, the NCEC believes that should the Australian Government not be in a position to provide greater details and guidance to school authorities that are to be bound by any new conditions, the Bill should provide a longer timeframe for their resolution.

Conclusion

All systems and schools need funding certainty. Lack of funding certainty, as currently still exists in relation to funding in 2018 and beyond, means systems, schools and families are unable to adequately plan for their educational, administrative and financial needs.

Delivering certainty as soon as possible allows the greatest opportunity for schools and systems to undertake considered and strategic planning rather than the short-term planning necessitated by funding uncertainty.

The current Bill has some worthy aspirations. However, there are some fundamental issues that need to be addressed in relation to the funding model it seeks to give effect to. Some of these issues affect the non-government sector specifically, such as the SES methodology, and others affect all schools, for example the base funding index to be applied after 2020.

If these matters cannot be resolved within the short timeframe available, current funding arrangements should be rolled over so that the appropriate policy work and consultation can occur.

A 10-year funding model should not be locked into legislation until there is a high degree of confidence among the Parliament, the community and all school authorities in the measures that underpin the model so that fair and equitable outcomes for all Australian schools can be realised.

Because of the issues outlined above and as raised by other respondents to this important Inquiry, it is clear that no such confidence currently exists.

The NCEC recommends the Committee also read the NCEC’s submission to the *Review of Funding for Schooling* which can be found here: <http://www.ncec.catholic.edu.au/resources/publications/70-ncec-submission-to-the-review-of-funding-for-schooling-31-march-2011/file>

The *Review of Funding for Schooling Final Report* can be found here: <https://docs.education.gov.au/documents/review-funding-schooling-final-report-december-2011>