



## Senate inquiry into school funding investment

March 2016

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### 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

The National Catholic Education Commission (NCEC) welcomes the opportunity to make a submission to the Senate Select Committee's inquiry into school funding investment. The NCEC submission canvasses three themes: Catholic schools in Australia; rising school costs and needs-based funding; and capital investment needs. Additional issues are raised on page 11.

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### **Catholic schools in Australia** (pp. 3–5).

Catholic education sees itself as a partner with Commonwealth, State and Territory governments and Catholic school communities, working to realise the aspirations of children and families. Catholic schools contribute significantly to education in Australia, providing governments and the community with quality service and value for money. The mission of Catholic education, since its inception, has been to serve students from a range of socio-economic backgrounds, with a particular responsibility for the disadvantaged and marginalised. Government funding is critical to Catholic schools and their objectives of equity and accessibility. Catholic schools look to governments for the equitable funding arrangements they need to serve the broad socioeconomic spectrum of Australian families.

In November 2015, the Australian Catholic Bishops Commission for Catholic Education endorsed a set of Funding Principles for Catholic Schools (see Attachment A). Based on these principles, the NCEC seeks government funding for Catholic schools that is stable, predictable and sustainable. Funding should follow need—where greater need attracts higher funding—and be underpinned by robust data.

### **Rising school costs and needs-based funding** (pp. 6–7)

The Commonwealth funding policy assumed in budget papers since 2014 is to increase school funding after 2017 by enrolment growth and CPI. This is well below historical rates of funding indexation from the Commonwealth. For example, Average Government School Recurrent Costs (AGSRC) have increased at more than 5% per annum over the past decade; CPI has increased at an average of 2.5% over the same period.

If CPI indexation is adopted, funding increases for Catholic schools are unlikely to keep pace with growth in school costs, leading to a 'real' funding decrease. Funding increases for Catholic schools will not take into account changes in student needs. As more high-need students enrol in Catholic schools, fewer resources would be available for other students. The NCEC submission argues that school funding must reflect school costs and student need.

### **Capital investment needs** (pp. 8–10)

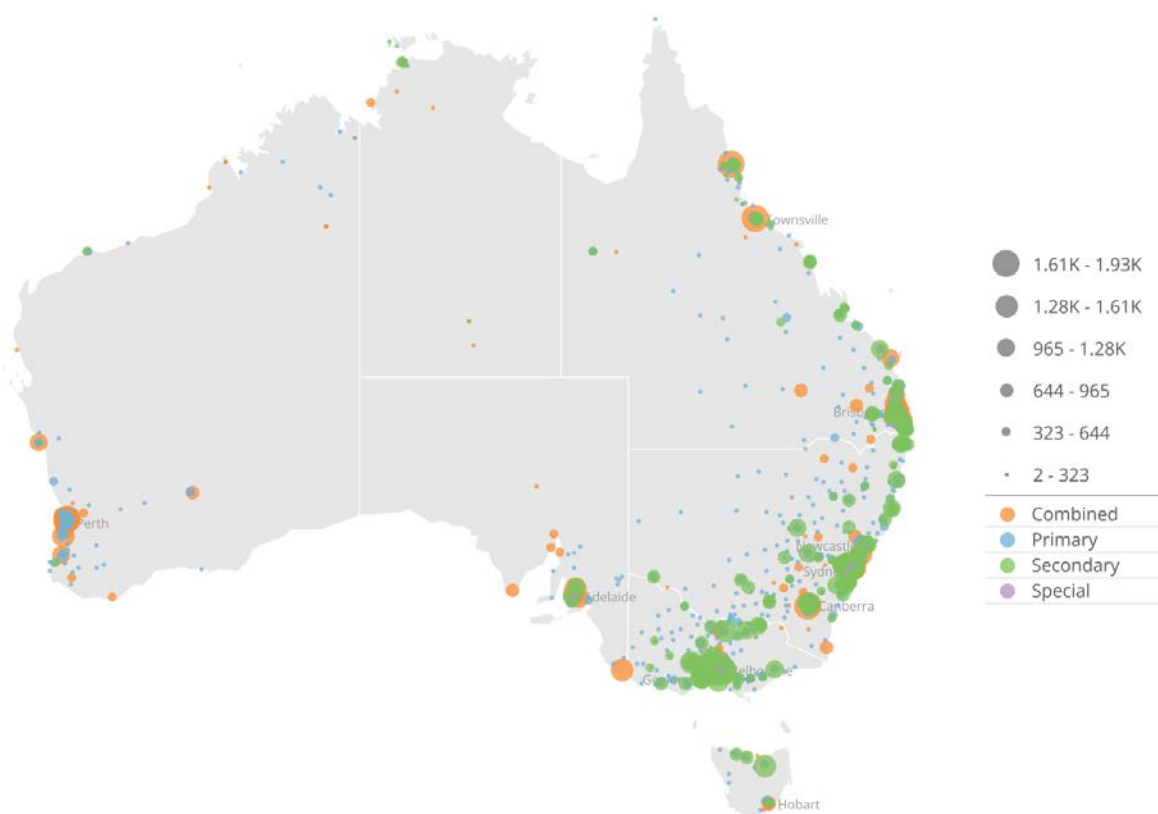
Catholic education values Commonwealth support for capital works but this support will not meet the increasing capital needs of existing schools and the demand for new schools as overall school enrolments increase with population growth. The value of the Commonwealth Capital Grants Programme (CGP) has been declining per student. Although Catholic school communities fund the majority of their capital expenditures, future investment requirements will greatly exceed the capacity of school communities to self-fund.

Current projections suggest that within 10 years, if Catholic education maintains a share of new enrolments, the additional capacity required is almost as large as Catholic education in Western Australia today. This is in excess of 60,000 students. 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 tens of thousands of additional students that are forecast to enrol in Catholic schools.

## CATHOLIC SCHOOLS IN AUSTRALIA

Catholic schools educate more than 760,000 students in 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. Figure 1 shows the proliferation of Catholic schools across Australia, by size and type.

**Figure 1—Full-time equivalent students by Catholic school: Size and school type, 2014**



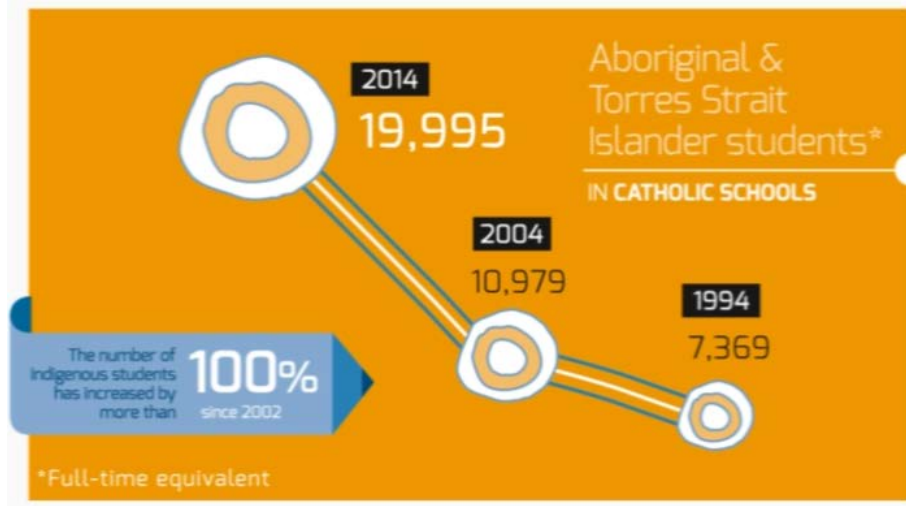
The mission of Catholic education, since its inception, has been to serve students from a range of socioeconomic backgrounds, with a particular responsibility for the disadvantaged and marginalised. A cornerstone of Catholic education has been that all children because of “their dignity as human persons, have an inalienable right to education,” adapted to their ability.<sup>1</sup> 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.

Australian Catholic schools are committed to expanding educational access for Aboriginal and Torres Strait Islander students and students with disability. In 2014, Catholic schools were educating 19,995

<sup>1</sup> *Gravissimum Educationis*, Declaration on Christian Education (October 28, 1965), [http://www.vatican.va/archive/hist\\_councils/ii\\_vatican\\_council/documents/vat-ii\\_decl\\_19651028\\_gravissimum-educationis\\_en.html](http://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_decl_19651028_gravissimum-educationis_en.html), viewed 4 December 2015.

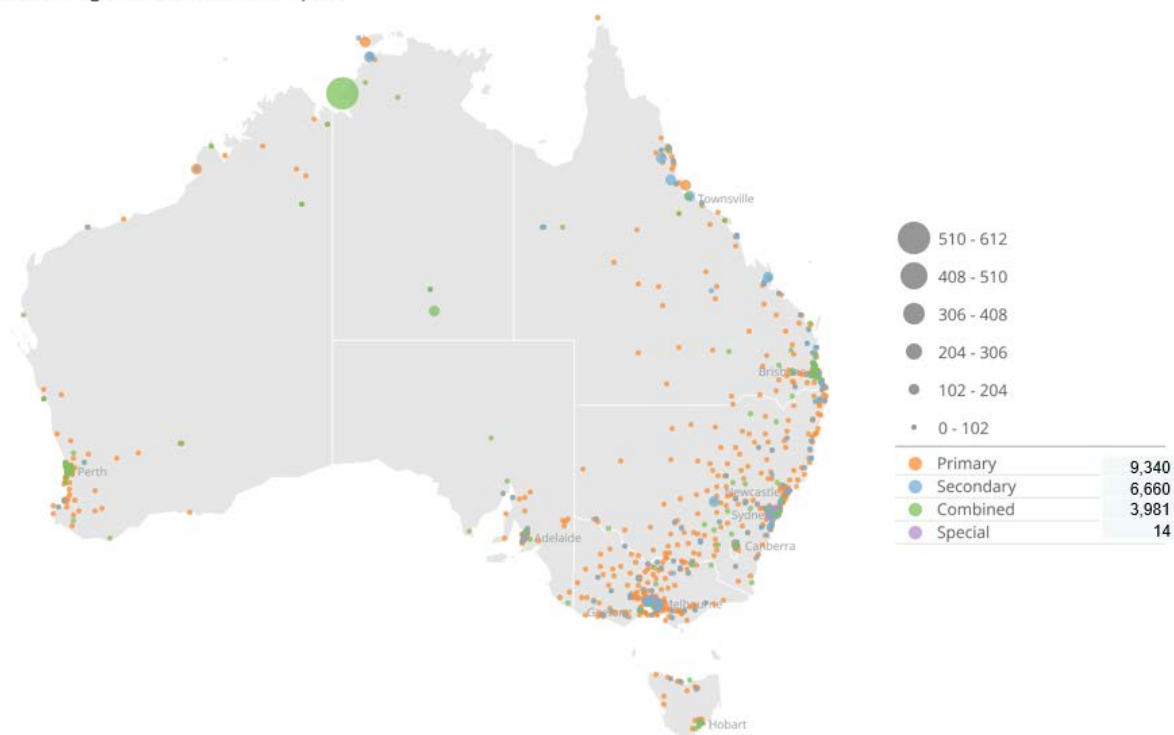
Aboriginal and Torres Strait Islander students across Australia. Since 2002, the number of Indigenous students in Catholic schools has more than doubled. Figure 2 shows the increase in Aboriginal and Torres Strait Islander students and Figure 3 charts the location of these students in Catholic schools across Australia.

**Figure 2—Indigenous students in Catholic schools**



**Figure 3—Indigenous students in Catholic schools by location, 2014**

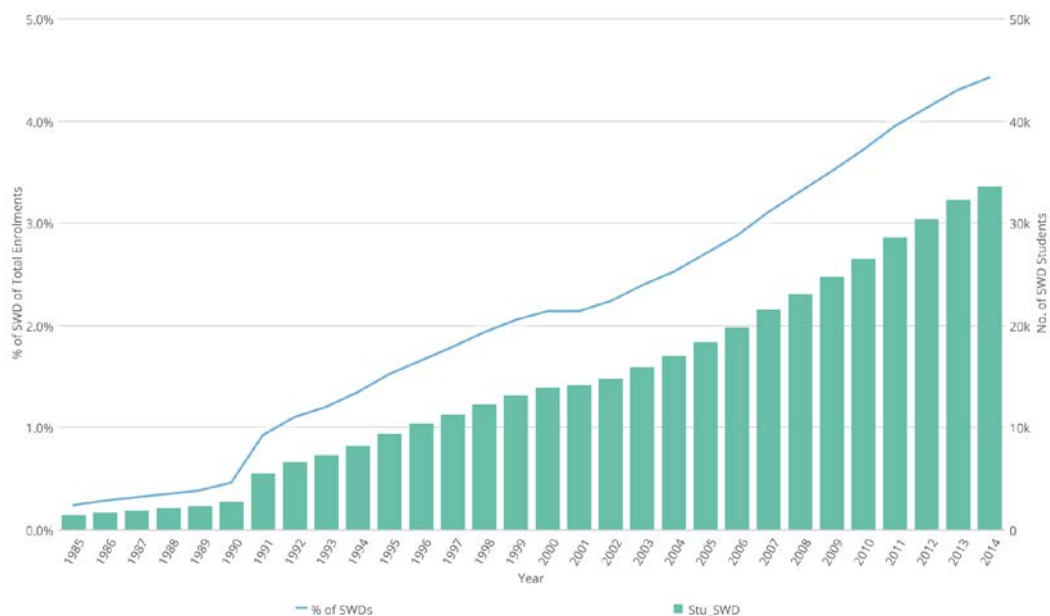
Total Indigenous Students- 19,995



Source: Australian Government Department of Education School Census Data and geo-location data retrieved from the Australian Catholic Education Statistics Database.

Since the early 1990s the number of students with disabilities in Catholic schools has grown significantly. In 2014 Australian Catholic schools were catering for 33,655 students defined as students with disabilities (SWD)<sup>2</sup> including 768 students in Catholic special schools. The percentage increase in enrolments over time is also significant. Students with disabilities now represent 4.4% of students in Catholic schools, compared with 0.2% in 1985 (see Figure 4).

**Figure 4—SWD enrolments in Catholic schools: 1985 to 2014**



Although Catholic schools strive to serve students from a range of socioeconomic backgrounds, they look to governments for the equitable funding arrangements needed to serve the broad socioeconomic spectrum of Australian families. According to *My School* data, Catholic schools have lower average net recurrent income per student than do government schools and parents provide 29 per cent of Catholic school recurrent funding. Parents continue to make a significant contribution to support the option of a Catholic education for their child. NCEC advocates for equitable funding for Catholic schools based on a set of principles endorsed by the Australian Catholic Bishops Commission for Catholic Education (see Attachment A).

<sup>2</sup> 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.

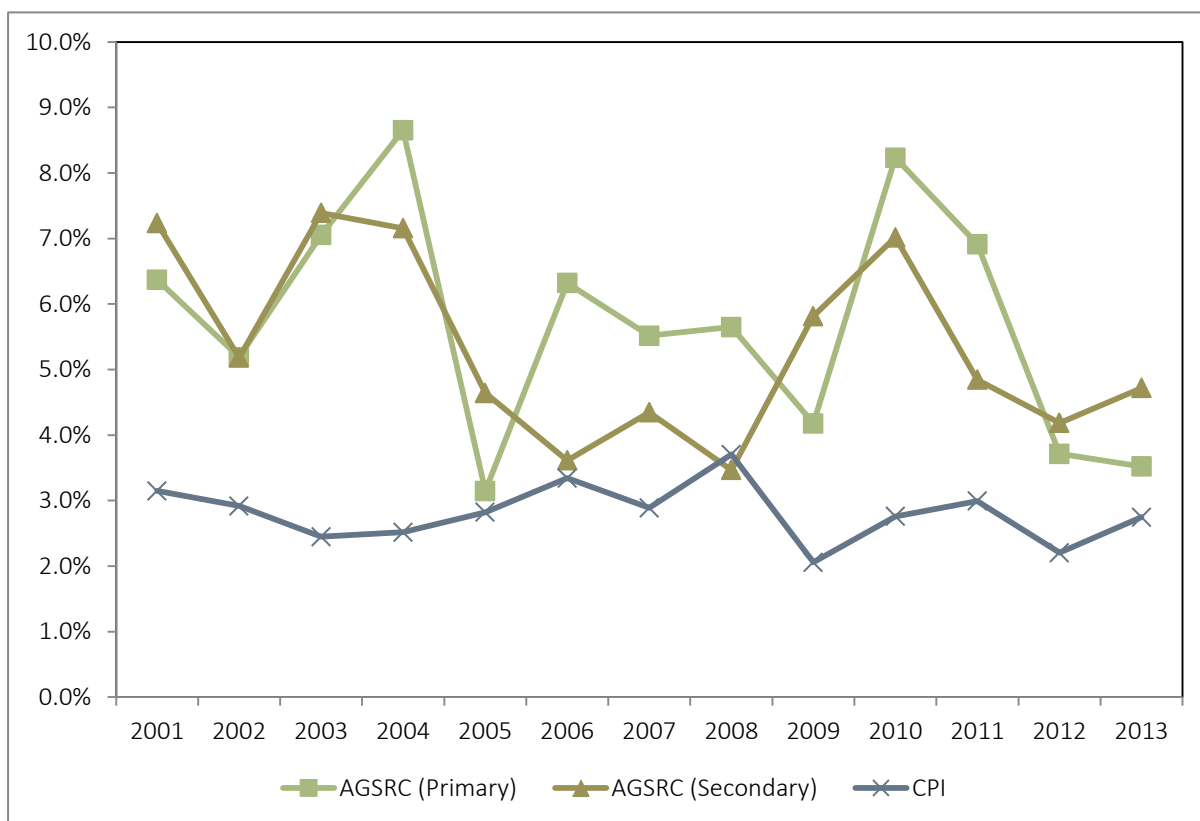
### RISING SCHOOL COSTS AND NEEDS-BASED FUNDING

Commonwealth funding for Catholic schools is a bipartisan demonstration by successive governments that parental choice of schooling and the equitable provision of school funding is supported and valued. Catholic schools across Australia efficiently deliver high-quality school facilities tailored to local needs. However, as Catholic education continues to welcome more high-need students and experience increases in operating costs, the extent to which funding arrangements reflect need and cost increases is emerging as a significant issue.

A significant concern for Catholic education is to ensure that the indexation of school funding keeps pace with real school costs. Currently, under the *Australian Education Act 2013*, the Schooling Resource Standard is indexed each year by 3.6 per cent. The imposition of indexation based on the Consumer Price Index (CPI) from 2018 onwards would represent a substantial deviation from the current indexation arrangements in the *Australian Education Act* and is likely to result in a significant decline in funding over time (relative to school costs and particularly staff costs).

CPI over the past 10 years has been around half the rate of the Average Government School Recurrent Costs (AGSRC), which has been around 6 per cent. Figure 5 illustrates the movement in CPI, and AGSRC (primary and secondary) indexation since 2001.

**Figure 5—% change in CPI and Education Indices (AGSRC) from 2001 to 2013**



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

CPI indexation has not kept pace with cost increases experienced by schools. Although Catholic schools are committed to supporting all families—no matter their economic or social circumstance—the capacity for Catholic schools to maintain this commitment depends on the level of government funding. Without sustainable funding, this capacity will be significantly compromised.

The NCEC assumes that Commonwealth school funding over the next quadrennium will continue to be calculated using the Schooling Resource Standard (SRS) model. The SRS model is intended to:

- apply to all school sectors—government, Catholic and independent
- apply across Australia to all states and territories
- be a cost-based model insofar as it estimates the cost of the resources a school requires to provide a quality education.

In the SRS model, ‘indexation’ refers to the annual change in per-student base funding for primary and secondary students, which is currently fixed at 3.6%. There are historical reasons for this rate and its inclusion in the *Australian Education Act*. However, with regard to how funding might be calculated in the longer term at the end of the current quadrennium, the indexation rate should ideally reflect the average increase in base operating costs experienced by schools/systems across Australia. Changes in school operating costs over time provide a reference point for future indexation.

The NCEC position on equitable funding arrangements is that government funding should reflect the real increases in the costs of education (see principle 5(c) in Attachment A). An important part of reflecting the real increases in the costs of education is recognising school operating costs into the future and the cost profile of schools, in which about 75% of costs are salaries—especially teaching staff—and 25% are non-staffing costs, such as technology maintenance and utilities. A future arrangement for school funding should account for these factors. If indexation based on CPI is imposed post-2017, funding will decrease in real terms and schools will not be funded to meet the needs of educationally disadvantaged students.

Finally, it is worth noting a related issue—the significant complexity in the present funding model. Multiple assumptions and calculations underpin the Schooling Resource Standard and the nature of the loadings in the *Australian Education Act*. It is difficult to explain this funding model in simple terms. Catholic schools account publicly for the allocation and expenditure of government funds. This ensures accountability for the system autonomy Catholic education enjoys. However, it is desirable to simplify the current funding model in a way that ensures transparency and maintains accountability. This is likely to be difficult but should be addressed over time.

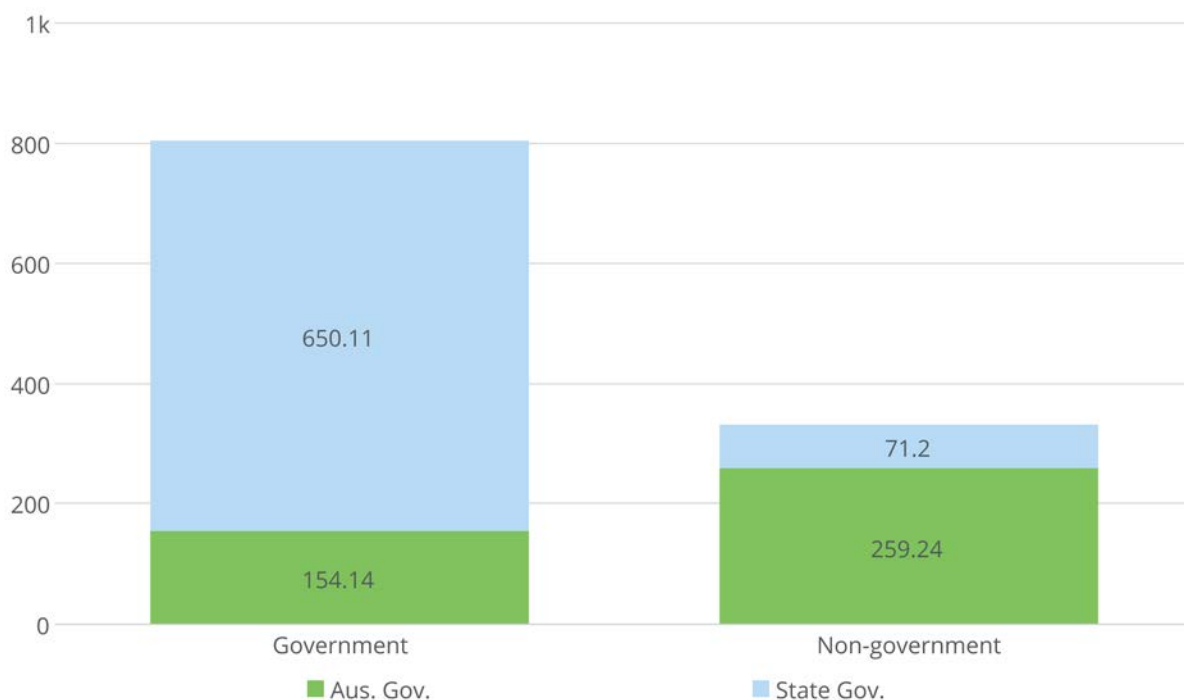
### CAPITAL INVESTMENT NEEDS

The sustainable funding of capital works for Catholic schools is emerging as a vital issue. If this issue is not addressed, the Catholic sector will not be able to keep pace with enrolment growth and provide schools for the nation’s growing population. The Catholic sector complements the government school sector to enrol and educate every child. If Catholic schools cannot meet their increasing capital demands, this will place more reliance on government schools and their infrastructure, at significant cost to Australia’s governments and taxpayers.

Capital funding is also an important consideration for Catholic schools as they strive to meet the needs of their increasing proportion of students with disability and Indigenous students. Students with disability and Indigenous students are the fastest-growing student categories in Australian Catholic schools. Accessibility and equity are key principles for Catholic schools, which strive to ensure students are not prevented from achieving their potential because of background, family circumstances, or the location of their schools. To remain equitable and accessible, Catholic schools rely on capital funding from the Commonwealth.

Government schools receive a substantially higher level of funding for capital per student than non-government schools. In 2013, government-funded capital expenditure in non-government schools was 40% of government schools. Figure 6 reports capital expenditure per student sourced from government funding for government and non-government schools.

**Figure 6—Capital expenditure (government-funded), government and non-government schools, per student, 2013**



Source: ACARA My School Data Set



### **The Capital Dilemma**

Catholic school parents have an expectation that Catholic schools will be able to provide the school facilities that students will need into the future. Over the next decade, the Catholic sector will need to invest more in new schools and existing schools than ever before, with the school-age population growing rapidly. This is reflected in recent enrolment growth observed in Catholic schools.

Capital expenditure requirements in Catholic schools across Australia are set to increase considerably. Although Catholic school communities fund the majority of their capital expenditures, future investment requirements will greatly exceed the capacity of school communities to self-fund. Current projections suggest that within 10 years, if Catholic education maintains a share of new enrolments, the additional capacity that would be required is almost as large as Catholic education in Western Australia today. This is in excess of 60,000 students.

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### **The value of the Capital Grants Programme continues to decline**

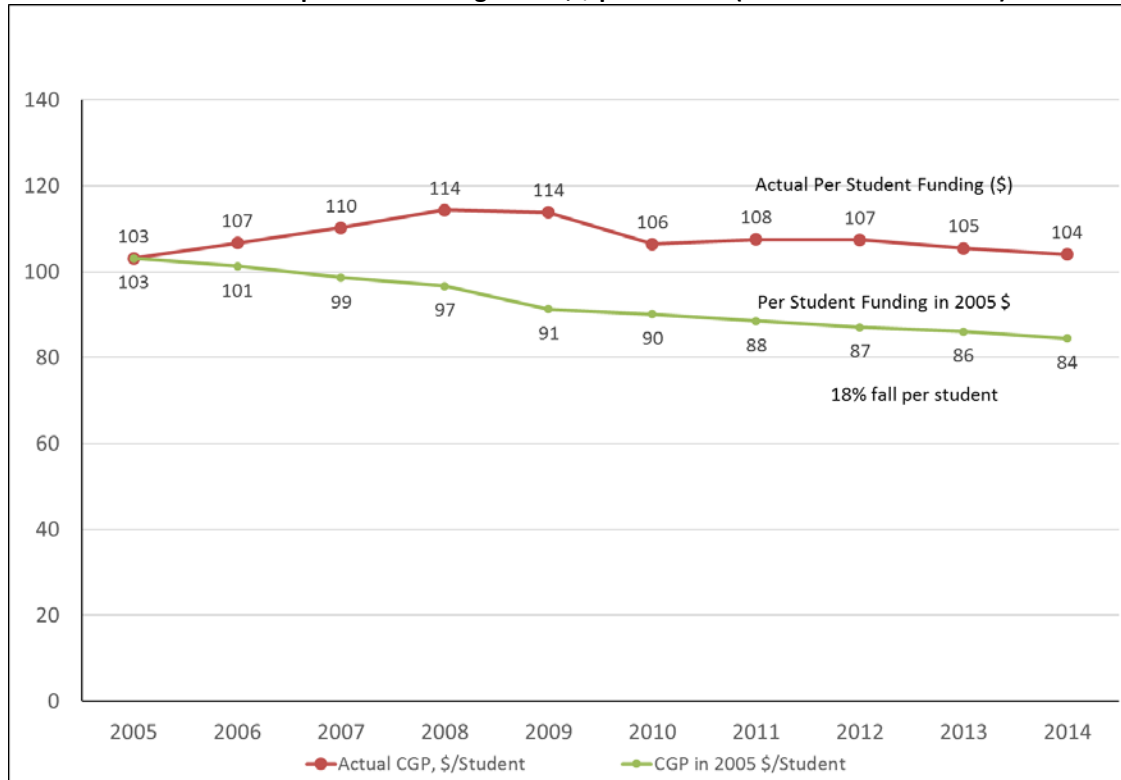
The Commonwealth Capital Grants Programme (CGP) funds non-government primary and secondary school communities to improve capital infrastructure where they otherwise may not have access to sufficient capital resources. It is the only ongoing Australian Government programme that supports Catholic schools to meet capital expenditure requirements.

The CGP was valued at \$133.8 million in 2014 and \$137.6 million in 2015 for all non-government schools. Its value is indexed by the annual movement in the Australian Bureau of Statistics' Producer Price Index—Non Residential Building Construction (the NRBC index) each year. Despite its importance to Catholic schools, the CGP continues to decrease in value in per-student terms.

The current parameters of the programme mean that the CGP only grows with estimated price changes for school construction works. Indexation of the CGP does not account for changes in enrolments in non-government schools. Enrolment growth in non-government schools in recent years has been strong at around 1 to 2% per annum since 2005. Meanwhile, the NRBC index has been volatile.

Figure 7 shows the value of the Commonwealth CGP in per-student terms since 2005. The actual funding per student under this programme has been effectively stagnant over this period. Calculated in 2005 dollars, using the NRBC index as the deflator, the per-student value of the CGP has fallen by 18% from 2005 to 2014.

**Figure 7: The declining value of the Commonwealth Capital Grants Programme in per-student terms Australian Government Capital Grants Programme, \$ per student (actual and 2005 dollars)**



Source: Commonwealth Department of Education and Training; NCEC; Australian Bureau of Statistics

Under the Commonwealth Department of Education and Training’s forecasts, the value of the CGP, in real per-student terms, could fall by a further 24% by 2025. The actual per-student value of the CGP has also declined since 2009 when it peaked at \$114 per student, to \$104 per student in 2014. Indexation of the CGP using the NRBC index also fails to recognise the increasing standards that school planning and facilities must meet, which are adding costs to capital works. Moreover, land costs account for a significant proportion of the cost of new schools. In extreme cases (inner-city areas) land acquisitions can account for over one-third of total costs of a new school.

**A new approach to capital funding**

The current system of capital funding for non-government schools needs to be modernised and improved to support long-term planning that will meet the needs of tens of thousands of additional students forecast to enrol in Australian schools, including Catholic schools. A new approach could provide fairness, transparency and certainty over the medium and long term for non-government schools.

## ADDITIONAL ISSUES

As well as raising the above issues, the NCEC submission believes the Committee should note that, according to the current Budget papers, the Commonwealth Government has not made provision for the Students First Support Fund to continue. This funding, which represents around \$13.7 million per annum for the Catholic sector, assists Catholic education in improving the quality of teaching, supporting school autonomy and improving education outcomes. In 2014 this funding equated to around \$19 per student in Catholic schools.

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The Students First Support Fund represents approximately \$54.7 million over four years (2014–2017) for Catholic schools and approximately \$110 million over the same period for independent schools. The genesis of this funding was the 2013 initiative known as the ‘National Plan for School Improvement implementation fund’—\$82 million over six years (2014–2019). The previous Commonwealth Government enshrined this funding in the *Australian Education Act 2013* as ‘funding for non-government representative bodies.’ However, the funding was a discretionary grant that stood apart from the overall funding model that the legislation enacted.

Under the *Australian Education Act*, the Minister for Education may determine funding for non-government representative bodies (Catholic education commissions or the equivalent in the independent school sector). This enables the Commonwealth Government to provide funding under the Act for activities relating to education that is not provided directly to schools. Following the 2013 federal election, the Coalition Government reaffirmed the funding initiative but in the form of the Students First Support Fund.

Catholic education has welcomed the Students First funding and supports its continuation after the 2016–17 financial year on an equal basis for all students in non-government schools.

## CONCLUSION

Catholic education has welcomed the certainty provided by the Commonwealth Government's commitment to needs-based funding for all Australian schools under the *Australian Education Act* through to 2017. While the complexity of the funding model is not desirable, the model has delivered additional funding to Catholic education to welcome students with additional needs, and to increase the quality of teaching and learning in Catholic schools.

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Beyond 2017, Catholic education will need Commonwealth funding that keeps pace with rising school costs, reflects student need and meets the capital investment requirements of Catholic schools across Australia.

The NCEC thanks the Senate committee for the opportunity to make this submission and would be pleased to provide further information to the Senate committee on the contents of its submission.