

**QUESTIONS ON NOTICE FOR THE AUSTRALIAN SENATE: EDUCATION AND EMPLOYMENT  
LEGISLATION COMMITTEE – Australian Education Amendment Bill 2017 – Monday 5 June 2017  
Canberra**

**Please note: Answers have been provided to Questions on Notice referencing the page numbering in the Committee Hansard proof.**

**QUESTION**

**p.31**

On notice, I would like to understand, at a jurisdictional level, how each Catholic system allocates and distributes – the methodology that they use – given that it is different in every jurisdiction. I would like to have some understanding and oversight of the methodologies used.

**Answer:**

The eight state and territory Catholic education commissions (the Approved System Authorities) have consultative structures and processes in place for the development and oversight of funding redistribution models within their respective jurisdictions. Typically these involve expert committees or similar consultative mechanisms that develop and recommend funding models to the Commissions for approval.

Funding distribution models also reference the requirements of the *Australian Education Act 2013* and its supporting regulations.

Using the principles of needs-based funding, the state and territory system authority either funds its member schools directly or through Diocesan Catholic Education offices.

The principles of fairness, equity, effectiveness, efficiency, accountability and capacity to contribute are used while catering for specific school characteristics (e.g. size, location) and student educational disadvantage factors such as Indigeneity, disability. These principles are subordinate to the Church's Social principles of human dignity, solidarity, common good and subsidiarity. Together however, these principles have a specific purpose: to inform and guide the design and implementation of needs-based funding distribution models.

The main driver of needs-based distribution funding for schools is staffing (salaries and related costs). At a very basic and fundamental level, when it comes to educating children, the real need is ensuring there is a high-quality teacher in front of every class.

Examples of how the redistribution process applies in the ACT, NSW and Victoria are attached - see attached documents.

Block funding arrangements were explicitly endorsed in the Gonski *Review of School Funding – Final report (2011)* p. 181, which recognised that system authorities are better placed than the Australian Government to determine the most effective allocation of available resources.

This fact was also recognised by the Karmel Report (*Report of the Interim Schools Commission*) in 1973 which essentially led to the creation of Catholic state and territory school systems. The report recognised that the Commonwealth government was not best placed to assess need as the local level - it found that:

“comparative assessment across a school system (government or Catholic) of characteristics such as ‘disadvantage’ was ‘best known to those people who are thoroughly conversant’ with the schools in a system”.

As can be seen in successive funding arrangements, since 1973, Australian governments have formally recognised state and territory Catholic systems.

The direct relationship between Catholic school systems and governments has enabled efficient and effective use of government funds with a high degree of transparency and accountability.

## QUESTION

**p.32**

On notice, could each Catholic system supply details of the redistribution of funding on a per school basis, and how much of the recurrent funding provided to each of your jurisdictions do you reserve for wages and administration of the commissions both at a state and federal level [e.g. levies to support the Federal Commission]

**Answer:**

Myschool.edu.au is a comprehensive website with a tab regarding school finances for every school in Australia. The recording of this data has achieved a consistent financial representation of all schools publicly available for almost a decade.

## QUESTION

**p.33**

Dr Perry, could you give us some sense of how much the QLD Catholic school sector will receive over the next 10 years from these changes to the Australian Education Act.... My understanding is that you will have a funding increase from today of over 54 per cent over that 10 years. Could you take that on notice?

**Answer:**

See *Table 1* below.

## QUESTION

**p.34**

[Victoria] can you calculate how much Victoria will receive over the 10 years.... Could you take that on notice please, using the three per cent as a base?

**Answer:**

See *Table 1* below.

## QUESTION

p.34

Mrs Cronin, on notice I might ask each of your jurisdictions, given that they are not here, to run by the state and territory basis – [i.e. what each will receive on the 3 per cent post 2020 basis]

### Answer:

The Australian Government Department of Education's funding estimator tool (FET) informs the growth rates in *Table 1* below. These growth rates are determined by the parameters, base funding and loading that will apply to each school given proposed changes to current legislation.

As requested by the Chair, indexation has been set at the Government's proposed rates of 3.56% from 2018-20 and 3.0% from 2021-27. Indexation rates have been applied to the Government's 2017 base figures.

Table 1. Catholic schools funding growth, (%) 2017-27: Proposed Funding Model

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total Gain or Loss 2017-27
NSW	3.83%	3.83%	3.83%	3.27%	3.26%	3.26%	3.26%	3.26%	3.26%	3.26%	40.14%
VIC	3.59%	3.59%	3.59%	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%	36.95%
QLD	3.70%	3.69%	3.69%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	38.38%
WA	4.10%	4.10%	4.09%	3.53%	3.53%	3.52%	3.52%	3.52%	3.52%	3.51%	43.71%
SA	3.86%	3.86%	3.85%	3.29%	3.29%	3.29%	3.29%	3.29%	3.29%	3.29%	40.50%
TAS	4.45%	4.44%	4.44%	3.86%	3.86%	3.85%	3.84%	3.84%	3.83%	3.82%	48.35%
ACT	0.09%	-0.03%	-0.16%	-0.84%	-0.99%	-1.15%	-1.33%	-1.52%	-1.72%	-1.95%	-9.22%
NT	6.06%	6.00%	5.94%	5.31%	5.26%	5.22%	5.17%	5.12%	5.08%	5.04%	69.51%
<b>TOTAL</b>	<b>3.73%</b>	<b>3.73%</b>	<b>3.73%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>38.89%</b>

Source: Australian Government Department of Education Funding Estimation Tool (proposed)

# **ACT CATHOLIC EDUCATION SYSTEM – GRANTS DISTRIBUTION PROCESS**

## **Funding Principles**

The ACT Catholic Education System public funding grants distribution process for Commonwealth and ACT Government recurrent grants is guided by the following principles:

1. Fair - ensuring all school communities have adequate resources to meet the varying needs and characteristics of students and schools.
2. Effective - using evidence and sound educational practice to maximise educational benefit for all students.
3. Efficient - using funding as efficiently as possible in accordance with evidence and sound educational practice to maximise educational benefit for all students.
4. Accountable - using easily understood allocation rules and providing clear financial, pastoral and academic reports on schools.
5. Based on the different capacity of school communities to contribute to the resourcing of schools.
6. Develops teachers and leaders and provides working conditions that recognise and promote human dignity.

These principles are subordinate to the Church's Social principles of human dignity, solidarity, common good and subsidiarity. The principles have a specific purpose: to inform and guide the design and implementation of a needs-based funding distribution model.

The funding distribution model also aims to ensure consistency with the *Australian Education Act 2013* (AEA) and its supporting regulations.

## **Primary Schools**

The main basis of needs-based distribution of funding is through staffing (salaries and related costs). Catholic Education, Archdiocese of Canberra and Goulburn (CECG) applies staffing guidelines to allocate annual school staffing levels to primary schools determined by enrolment projections and class groups. The distribution generally favours smaller schools when compared on a per student basis.

The format for distribution of staffing and other resources reflects the Commonwealth Government's (AGDET) public funding model. Staffing and financial resources are allocated as base staffing, reflecting the minimum staffing requirements for an efficient school without particular additional need, and as Loadings reflecting the elements of the National Plan for School Improvement (NPSI). These allocations are, in turn, mapped to the AGDET funding model base and six loadings as detailed in the following table:

NPSI Heading	CEO Program	FTE/\$	DE Funding Model
Base Staffing	Staffing	FTE	Base
Base Staffing - Additional	School-based mandatory training	\$	Base
	School improvement project	FTE	Base
	Early Career Teacher Program	FTE	Base
	Large class allocation	FTE	Base
	School counselling	Hrs/fn	Base
	School Languages Program	\$	Base
	School-based ICT support	FTE	Base
	Wellbeing project	\$	Base
Quality Teaching	School determined professional development	\$	Size
	Outer regional school support	\$	Location
	Library resourcing support	FTE	Base
Quality Learning	Numeracy Intervention Program	FTE	Base
	Student Centred Learning	FTE	Base
Meeting Student Need	ATSI Education Program	Days/pa	ATSI
	ATSI Education Workers	Hrs/fn	ATSI
	English Language Proficiency Program	\$	English Language Proficiency
	Small school support	\$	Size
Empowered School Leadership	In school professional learning community	\$	Size
	Principal administrative support	FTE	Size
	Change Implementation Support	FTE	Base

## Secondary

ACT Colleges determine their own staffing. Public funding attracted by the Colleges is distributed according to the following process:

- 1. Estimated Funding Attracted by the Colleges** – Base funding and loadings attracted by the Colleges under the AGDET funding model is used as the basis for funding distribution calculations.
- 2. Re-Distribute funding on a Proportional Basis to Ensure Base Funding Receives a Minimum Rate of Indexation of 3%** - the base funding for 2014 as calculated in the AGDET model was less than the estimated 2013 recurrent grant funding plus 3% per student. Therefore, in order to increase the base to match the '2013 recurrent grant plus 3%' level and a minimum 3% indexation in each subsequent year, funding is re-allocated on a proportional basis. The overall level of funding is not changed.
- 3. CE Retains ELP, ATSI and SWD loadings for distribution from a central program. Balance of funding to Colleges** – None of the five ACT colleges receives a loading for location or size. The ELP, ATSI and SWD loadings are held within the CEO and distributed to colleges according to program requirements as detailed below. Base funding as adjusted in 2. above and the Low-SES loading are allocated to colleges.

4. **Calculation of Base to Reflect Capacity to Contribute** – the base funding pool was re-distributed in 2014 to reflect a relative capacity to contribute.
5. **Calculation of Low SES Loading**– A relative measure of disadvantage is used to calculate the distribution of the Low SES loading pool attracted by the colleges.
6. **College Distribution Based on Agreed Needs-Based Re-Distribution** – The distribution of Base and Low SES loading as calculated in 4. and 5. above was adjusted in 2014 to ensure no college received less than a 3% per student increase in 2014 over 2013 public funding. The 2014 allocation established a per student allocation to each College for the 2014-2017 quadrennium which is adjusted annually by the indexation rates applied by AGDET and the ACT Education Directorate.

## **Loadings**

### **School Size Loading**

Staffing Guidelines generally favour smaller schools on a per student basis. The value of the loading is calculated and is reported as a 'Small School' loading. This is achieved by:

- a) calculating and costing the staffing level for a school with 300 (p) or 700 (s) students (the point in the AEA where the 'School Size' loading no longer applies);
- b) apportioning that staffing level to all schools with less than 300 enrolments (p) or 700 enrolments (s).
- c) the difference between the staffing level at b) and the staffing level as per the Guidelines is considered a 'Small School' loading.

A direct allocation for small school support is also made determined by school size in the ranges '<= 60', '61-99', '100-150'.

### **School Location Loading**

A range of programs and resources are provided to help reduce the impact of isolation. Criteria is similar to, but slightly broader than, the former Country Areas Program (CAP).

### **Aboriginal and Torres Strait Islander Loading**

A range of support programs are provided to support indigenous students. Allocations are based on the number of indigenous students in a school.

## **English Language Proficiency Loading**

Students eligible for funding must:

- Speak a language other than English as their first language and be in need of intensive tuition.
- Be newly arrived in Australia.
- Be enrolled in an Australian school for the first time.

Funds are allocated according to the above criteria and the student's level of English language proficiency identified using the ACARA Learning Progressions.

## **Students with Disabilities Loading**

Allocations to schools are made on the basis of number of students with disabilities and the level of disability as defined in the ACT Government's SCAN process.



# **Allocating government grants to Catholic schools in Victoria**

OCTOBER 2016



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## Overview

There are 493 Catholic schools in Victoria in 2016. All but two of these are members of the Catholic system. In total, 'systemic' Catholic schools received \$2.1 billion in grants from the Australian and the Victorian governments in 2015<sup>1</sup>. As members of the system, these schools agree to 'block funding' arrangements whereby government grant entitlements for schools are provided to Catholic system authorities for distribution according to internal processes and needs-based funding models.

These arrangements enable the Catholic system to use their deeper knowledge of student needs and school and system costs to better target government grants to students and schools, consequently improving equity and efficiency. They also enable Catholic system authorities to guarantee the financial viability of systemically funded schools. Due to these advantages, block funding arrangements were explicitly endorsed in the final report of the Gonski Review, which recognised that system authorities are better placed than the Australian Government to determine the most effective allocation of available resources.<sup>2</sup>

This guide explains how Catholic system authorities in Victoria allocate government grants, for both recurrent and capital purposes, to systemically funded schools. As detailed in this guide, the key features of these arrangements are that:

- Funding decisions are based on collaboration and consensus between a wide range of representatives and governance structures within Catholic education, with full access to all relevant information including the funding that schools attract from governments.
- Funding models are heavily needs-based, drawing on student 'need' elements of the school funding models used by both the Victorian and Australian governments, plus additional factors that go above and beyond those models.
- Funding models are continually reviewed and refined to ensure they remain aligned to Catholic education and government priorities, and emerging student and school needs.
- Funding models are governed by the Catholic principle of subsidiarity, with key allocation decisions delegated to schools and local-level (rather than state-level) authorities, where appropriate.
- All funding models and processes fully comply with government requirements.

School funding data for 2015 clearly demonstrate close alignment between key indicators of need and the government recurrent grants that schools receive.

This guide also summarises the various ways that Catholic schools and system authorities are accountable for the public funding they receive. These accountabilities are extensive and extend beyond those applied to government schools. For example, Catholic schools must have their financial accounts externally audited every year, whereas government school councils must only undergo an independent financial audit at least once every four years.

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<sup>1</sup> There were also 493 Catholic schools in Victoria in 2015 (of which 491 were systemically funded).

<sup>2</sup> *Review of School Funding – Final Report* (2011), Canberra, ACT: Department of Education, Employment and Workplace Relations, December, p. 181.

# 1. Introduction

## Summary

In 2015, there were 493 Catholic schools educating over 205,000 students across the four dioceses of the Catholic Church in Victoria. These schools receive significant grants each year, from both the Victorian and Australian governments, to help fund their operations (recurrent grants) and capital requirements (capital grants). These grants totalled \$2.1 billion in 2015.

All but two Catholic schools in Victoria are systemically funded. For systemically funded schools, the recurrent funding attracted by schools (calculated according to the school funding models used by the Victorian and Australian governments) is aggregated and provided to the Catholic Education Commission of Victoria Limited (CECV), rather than individual schools. The CECV then allocates government recurrent grants to these schools based on its own needs-based funding models. This practice is known as 'block funding'. There are similar processes for allocating capital grants.

This guide explains the funding models and processes used by the CECV to allocate government grants to systemically funded Catholic schools.

This chapter provides background information on the Catholic education system in Victoria (section 1.1) and government grants to Catholic schools (section 1.2). It then explains the purpose of this guide (section 1.3).

## 1.1 The Catholic education sector in Victoria

In 2015, the Catholic education sector in Victoria comprised 493 schools, over 206,000 students and more than 20,000 staff (Table 1). These were located across the four dioceses of the Catholic Church in Victoria – the Archdiocese of Melbourne, the Diocese of Ballarat, the Diocese of Sandhurst and the Diocese of Sale.

**Table 1: Profile of the Catholic education sector in Victoria (2015)**

	Diocese of Ballarat	Archdiocese of Melbourne	Diocese of Sale	Diocese of Sandhurst	Victoria (all schools)	Victoria (systemic schools)
<b>Schools</b>	<b>64</b>	<b>331</b>	<b>43</b>	<b>55</b>	<b>493</b>	<b>491</b>
Primary	52	259	36	40	387	387
Secondary	11	58	7	10	86	86
Combined	1	9	0	3	13	13
Special*	0	5	0	2	7	5
<b>Students (FTE)**</b>	<b>18,200</b>	<b>151,990</b>	<b>17,712</b>	<b>18,246</b>	<b>206,149</b>	<b>206,052</b>
<b>Staff (FTE)</b>	<b>1,899</b>	<b>14,749</b>	<b>1,686</b>	<b>1,771</b>	<b>20,104</b>	<b>20,061</b>

\*Includes special assistance schools

\*\*Includes 318 full fee paying overseas students in Catholic schools in 2015.



The Catholic school sector operates under a highly devolved model of governance, based on the principle of subsidiarity, under which decisions are taken at the lowest competent level wherever possible.

A local authority (usually a parish priest, religious institute or public juridic person) is responsible for the operation and governance of Catholic schools. In practice, this provides considerable autonomy to school principals and other school staff over pedagogy, curriculum, staffing, facilities and finances. Schools are subject to oversight by the Bishop, who under Canon Law has overall responsibility for the quality of Catholic schools in his diocese.<sup>3</sup> Bishops exercise their responsibilities through their diocesan Catholic education offices (CEOs), which also provide administrative and educational support to the schools in the diocese. Further information on the roles of the CEOs (as well as the Catholic Education Commission of Victoria Ltd) in school funding is provided in section 2.1.

## **1.2 Government funding of Catholic education**

Catholic schools in Victoria receive significant grants each year, from both the Victorian and Australian governments, to help fund their operations and capital requirements. In 2015, these grants totalled \$2.1 billion. Government grants fall into two categories – grants for ongoing school operations (recurrent grants), and grants for capital works (capital grants). Within these categories, government grants to Catholic schools in Victoria are determined using different funding models, as follows:

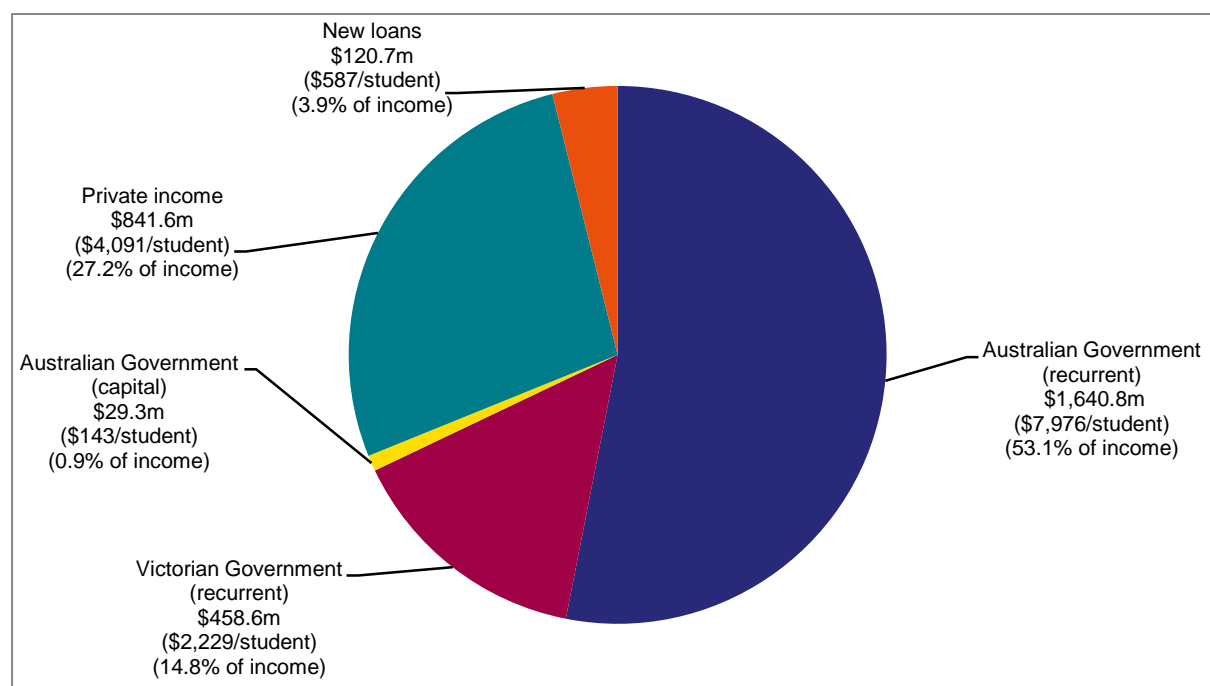
- Recurrent grants from the Australian Government are calculated using the funding model specified in the *Australian Education Act 2013* and regulations. This is referred to in this guide as the Schooling Resource Standard (SRS) model. Catholic education also receives funding from the Australian Government under the Students First Support Fund and as part of the National School Chaplaincy Programme.
- Most recurrent grants from the Victorian Government (State Recurrent Grants) are calculated using its Financial Assistance Model (FAM). Catholic education also receives a number of other smaller, targeted grants from the Victorian Government.
- Capital grants from the Australian Government are allocated according to the Capital Grants Programme (this is currently the Australian Government's only such program).
- There is no regular, ongoing program in which the Victorian Government provides capital grants to Catholic schools. Rather, these are determined on an ad hoc and short-term basis. In the *2015–16 State Budget*, the Victorian Government did however commit \$120 million in capital grants to non-government schools from 2015–16 to 2018–19. The Catholic sector anticipates receiving about \$84 million of these grants.

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<sup>3</sup> Schools that are separate legal entities also have civil governance requirements, which place certain obligations on school boards and directors. This includes a number of schools which are incorporated under the *Corporations Act 2001*.

Catholic schools also have other income sources. These include private income (school fees and charges, interest earned, donations, etc.) for recurrent and capital purposes and repayment of borrowings. The split of government grants and other sources of income in Victorian Catholic schools in 2015 is shown in Figure 1. Government grants accounted for 69% of the total income of Victorian Catholic schools in 2015. The vast majority of government grants to Catholic schools are provided as recurrent grants, mainly from the Australian Government.

**Figure 1: Income sources for Victorian Catholic schools in 2015 (systemic schools only)\***



*\*Notes: There were 491 systemically funded schools in the Catholic system in Victoria in 2015. No capital grants from the Victorian Government were expended by Catholic schools in 2015. Per-student figures exclude full fee paying overseas students. Capital grants received from the Australian Government by schools in 2015 include grants allocated in previous years, so this figure exceeds total funding under the Capital Grants Programme in 2015.*

All but two Catholic schools in Victoria are systemically funded. While government recurrent grants for systemically funded schools are mostly calculated individually<sup>4</sup>, the grants payable are aggregated and provided to the Catholic Education Commission of Victoria Limited (CECV). This practice is known as ‘block funding’. The CECV then allocates government grants to Catholic schools according to its own processes and needs-based funding models. These arrangements were endorsed in the final report of the Gonski Review<sup>5</sup> as enabling the most effective allocation of resources. The Victorian Government also reallocates grants provided to government schools by the Australian Government.

<sup>4</sup> Some grants provided by the Victorian Government are not allocated to individual schools.

<sup>5</sup> *Review of School Funding – Final Report* (2011), Canberra, ACT: Department of Education, Employment and Workplace Relations, December, p. 181.

### 1.3 Purpose of this guide

With greater emphasis on ‘needs based’ funding of schools in Australia, there has become more interest – in both the Catholic sector, and across the broader community – in how government grants are allocated within the Catholic sector in Victoria.

In addition, as part of the *Australian Education Act 2013* and regulations, the Australian Government requires that the funding model used by system authorities to allocate the recurrent grants it provides be publicly available and transparent.

This guide responds to these needs. It provides details on:

- the processes for allocating grants within the Catholic system in Victoria (Chapter 2)
- funding models and factors for allocating government recurrent grants (Chapter 3)
- how capital grants to Catholic schools in Victoria are allocated (Chapter 4).

As will become clear to readers, the funding models applied within the Catholic sector – and the funding outcomes they can generate for schools – are quite complex.

The focus of this guide is to explain how funding is being allocated in 2016, not the amounts that each individual school receives. (This information is shown on the *MySchool* website.) Nonetheless, this guide also includes summary data on grant allocations to schools in 2015 to illustrate what school attributes tend to drive overall funding allocations.

## 2. Grants allocation roles and processes

### Summary

The organisational structure and decision-making processes of Catholic education in Victoria play a critical role in how government grants are allocated to schools. Statewide and diocesan bodies determine the government grants that schools receive, while schools largely decide how funds are spent. There are separate structures and processes for allocating government *recurrent* grants and government *capital* grants to Catholic education.

All government *recurrent grants* allocated to Catholic systemically funded schools are, in the first instance, paid to the CECV. The CECV is a public company limited by guarantee whose members comprise the four Bishops of Victoria. The receipt and allocation of government recurrent grants is one of a limited number of functions of the CECV. Diocesan Catholic Education Offices (CEOs) take on greater roles than the CECV in school operations and oversight, especially for primary schools.

The CECV determines how recurrent grants are to be allocated based on the advice of three separate committees. The committees include representatives of all four dioceses, plus schools and other canonical authorities, who come together to evaluate and decide on competing funding needs across Catholic education. As part of these processes, the CECV maintains funding models which estimate the government recurrent grants that each Catholic school requires. There are separate funding models for primary schools, and for secondary and combined schools – and both models are different to the school funding models used by governments.

The CECV funding model for primary schools does not determine the grants schools actually receive. Rather, the CECV model determines the shares of funding to be allocated to each diocese for primary schools. Diocesan CEOs determine the grants allocated to each of their primary schools from their shares of ‘primary school’ funding calculated under the CECV model, using their own primary school funding models. Thus there are actually five ‘primary school’ funding models operating across Catholic education in Victoria – the CECV model and four diocesan models. For secondary and combined schools, the CECV funding model determines actual school funding amounts and is not subject to modification by the dioceses.

There are parallel processes for allocating *capital grants* to schools. Catholic Capital Grants (Victoria) Limited (CCG), also a public company limited by guarantee, administers capital grants. The members of CCG comprise the four Bishops of Victoria and the Leaders of the Religious Congregations who own schools in Victoria. Capital grants are allocated based on the advice of committees who include representatives of dioceses, Leaders of Religious Congregations, Catholic Regional Colleges, and congregation-owned colleges.

Overall, the way that grants are managed is based on the foundational Catholic principal of subsidiarity, with decision-making occurring at the most localised level that is appropriate. Funding decisions are based on collaboration and consensus between a wide range of representatives within Catholic education, with full access to all relevant information including the funding that schools attract from governments.



This chapter provides details on the structure and the roles and responsibilities of the key bodies with respect to government grants to Catholic schools. As organisational structures are different depending on the types of grants provided, these are discussed separately for recurrent grants (section 2.1) and capital grants (section 2.2).

## 2.1 Government recurrent grants

### 2.1.1 Overview

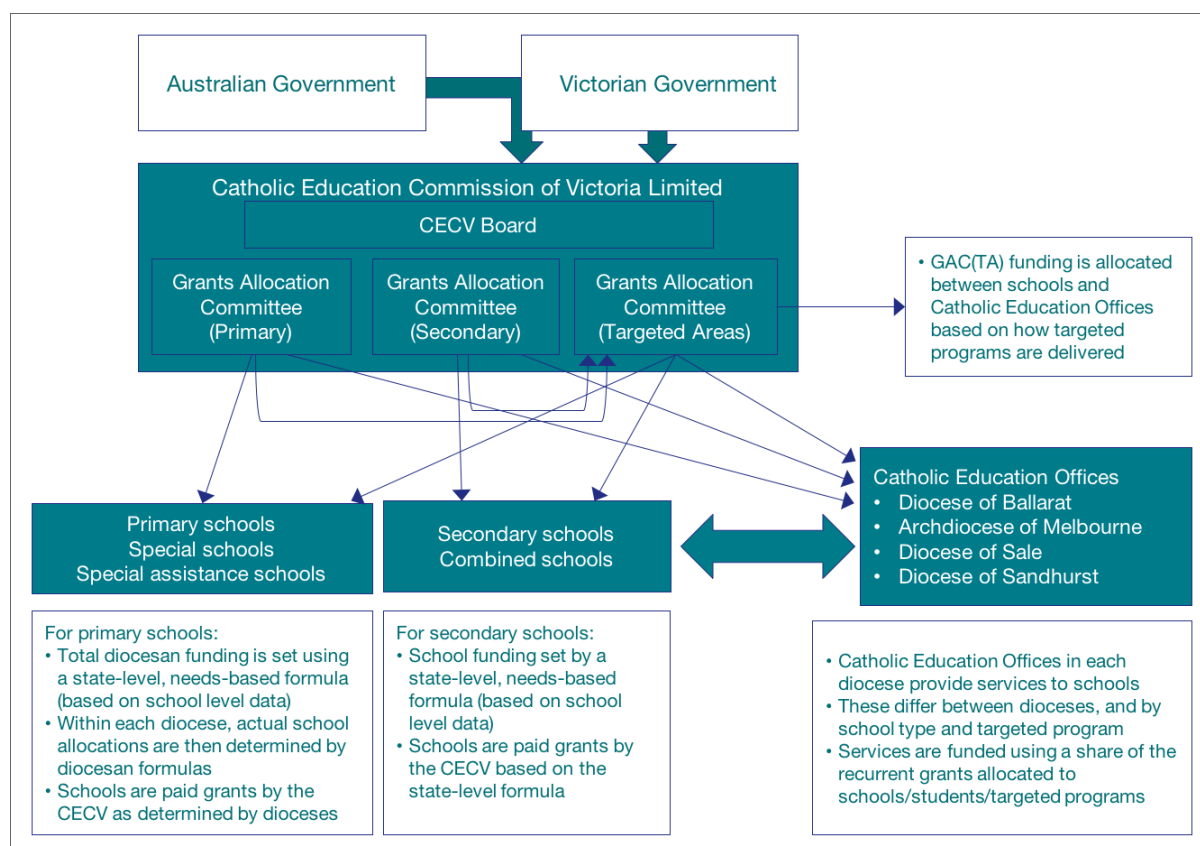
Government recurrent grants are managed within Catholic education at three levels:

- at the statewide level, by the CECV
- at the diocesan-level, by the four Catholic education offices (CEOs)
- at the school level.

Roles and responsibilities assigned to decision-making bodies across these three levels are governed by the principle of ‘subsidiarity’. In practice, in terms of schools funding, this means that schools largely decide how public funds are expended in Catholic education, while the CECV and CEOs determine how public funds are allocated between schools and dioceses. The roles of the CECV and CEOs are briefly described below.

As these roles can differ depending on school type (and also between dioceses) the ways in which government recurrent grants flow to Catholic schools in Victoria become quite complex. Figure 2 illustrates funding flows at a high level.

**Figure 2: Flow of government recurrent grants within Catholic education in Victoria**



### 2.1.2 Role of the Catholic Education Commission of Victoria Ltd (CECV)

All government recurrent grants that are allocated to Catholic systemically funded schools in Victoria are, in the first instance, provided to the CECV. The CECV is a public company limited by guarantee whose members comprise the Archbishop of Melbourne, the Bishop of Ballarat, the Bishop of Sandhurst and the Bishop of Sale. The CECV was incorporated in 2006, and its key roles include receiving government grants provided to Catholic systemic schools, and allocating, distributing, expending or appropriating grants to schools in accordance with government conditions.

Within the CECV, there are three distinct processes for allocating government recurrent grants: for primary schools; for secondary schools; and for 'targeted areas'. Three separate committees make recommendations to the CECV Board about how government recurrent grants should be allocated. These are the CECV Grants Allocation Committee (Primary), the CECV Grants Allocation Committee (Secondary), and the CECV Grants Allocation Committee (Targeted Areas).

- The **CECV Grants Allocation Committee (Primary)** (GAC (P)) advises and reports to the CECV Board on the distribution of government recurrent grants to systemically funded primary schools.<sup>6</sup> For these primary schools, the GAC(P) uses a school-level funding model to calculate funding shares for each diocese (see section 3.3). Dioceses then advise the CECV on how their funding is to be allocated to their schools from their funding shares. GAC(P) also administers government funding of Victorian Catholic special schools and special assistance schools. GAC(P) meets at least four times each year, and has 12 members which are drawn from the four dioceses, and includes the Directors of each CEO.
- The **CECV Grants Allocation Committee (Secondary)** (GAC(S)) advises and reports to the CECV Board on the distribution of government recurrent grants to systemically funded secondary and combined schools<sup>7</sup>, using a statewide school funding model. It meets at least five times each year and contains 18 members, from the four dioceses, schools and other canonical authorities.
- The **CECV Grants Allocation Committee (Targeted Areas)** (GAC(TA)) advises and reports to the CECV Board on the distribution of grants for targeted areas to systemically funded schools. The GAC(TA) is responsible for determining the funding distribution model for each targeted area and/or program (including central costs) and whether the program is statewide or diocesan-based. GAC(TA) meets at least five times each year and contains 16 members from the four dioceses, plus a representative of Catholic Religious Victoria.

As part of this structure, targeted funding support for eligible high-need students in Catholic schools is provided to schools through both the GAC(TA) and the funding models used by the GAC(P) and GAC(S). The targeted funding within the scope of each committee is determined as follows:

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<sup>6</sup> This includes funding for primary students in four combined schools in regional Victoria, which have a majority of primary students (and do not have any students in senior secondary school).

<sup>7</sup> This excludes funding for primary students in four combined schools in regional Victoria, which have a majority of primary students (and do not have any students in senior secondary school).

- Where it is considered that this funding support can flow directly to schools and be used efficiently and effectively without the need for further central office involvement, the support is provided to schools through the GAC(P) and GAC(S) funding models. An example is additional funding targeted to students whose parents hold a Health Care Card.
- Where it is considered that the targeted, high-need students are best supported through a dedicated program, the funding support is provided through GAC(TA). Such programs can involve partnerships between schools and diocesan offices, which work together to determine and meet specific student needs. Diocesan offices often employ specialist resources (speech therapy, psychology, literacy and Indigenous education, for example) and make these available to schools as required. This necessitates diocesan and statewide delivery models, program management and oversight. The targeted areas subject to these arrangements and within the scope of GAC(TA) are discussed in section 3.5.

### **2.1.3 Role of Catholic Education Offices**

A Bishop has oversight of the Catholic schools in his diocese. This means that diocesan CEOs take on greater roles than the CECV in school funding and operations, especially for primary schools.

For primary schools, CEOs determine specific funding allocations to schools, from the diocesan funding shares that are calculated through the GAC(P) of the CECV. CEOs advise the CECV of these determinations, so that funding flows directly from the CECV to primary schools. CEOs also assume a number of costs on behalf of primary schools (such as school audit costs, maternity leave and extended personal leave) and provide primary schools with support in a range of other areas.

CEOs assume lesser roles for secondary and combined schools. These schools are typically funded according to the allocations calculated by GAC(S). In addition, compared to primary schools, secondary and combined schools operate more autonomously with fewer of their costs met centrally by CEOs.

The level of support provided to schools differs between CEOs as well as school type. In general, the country CEOs provide more services and support to schools than does Catholic Education Melbourne. This makes sense because schools in regional areas tend to be smaller and more isolated, and therefore have less opportunity to develop their own expertise in specialised areas.

Schools 'pay' for CEO services and activities through levies. In accounting terms, the levies are recorded as funding allocations to schools, which then pay CEOs. In practice, the CEOs receive funding directly from the CECV. There are two tranches of levies: one at the start of each year, to cover CEO and CECV operating costs (diocesan levies and the CECV levy), and one at the end of the year, for central costs<sup>8</sup> (central cost levies). Schools are advised of diocesan levies and the statewide CECV levy in January each year. These are charged on a per-student basis. Consistent with the differences in CEO services/support provided to schools, these levies are higher for primary students than secondary students, and are higher in country dioceses than in the Archdiocese of Melbourne (see sections 3.3 and 3.4).

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<sup>8</sup> These relate to school costs that are incurred centrally by CEOs.

A key support role, common to all CEOs, concerns the funding of major capital works. All CEOs apply a supplementary capital fund levy (charged on a per-student basis) to their schools, to raise funding to contribute toward new schools and school upgrades and expansions.<sup>9</sup> The cost of these projects can be prohibitive for individual schools. There are differences in levies between CEOs. All CEOs have levies for primary students to fund capital works in primary schools. Levies for this purpose range from \$80 (Sale) to \$95 per student (Melbourne). In addition, the Diocese of Sale applies levies to both primary and secondary students to fund land purchases for new schools.

## 2.2 Government capital grants

Government grants to Catholic schools in Victoria for capital works can be annual and ongoing (for example, the Capital Grants Programme of the Australian Government) or irregular (for example, the Victorian Government's Capital Funding Program for Non-Government Schools).

Although the size, terms and conditions of these grants programs can differ widely, the enduring organisational body with Catholic education in Victoria with responsibility for allocating capital grants is Catholic Capital Grants (Victoria) Limited (CCG).

CCG is a public company limited by guarantee. It serves as the Block Grant Authority<sup>10</sup> (BGA) for the Victorian Catholic sector and administers capital grants from the Australian Government under the *Australian Education Act 2013*, and most other capital grant programs. It is further discussed below.

### 2.2.1 Catholic Capital Grants (Victoria) Ltd (CCG)

The members of CCG comprise the four Bishops of Victoria and the Leaders of the Religious Congregations who own schools in Victoria. There are 11 directors of CCG; seven of whom (including the Chairperson) represent the Bishops of Victoria, three who represent the Leaders of the Religious Congregations in Victoria, and one who is an appointee of the Australian Government. The sole object for which CCG is established is to represent and act for the members by administering the receipt and payment of capital grants pursuant to any relevant Australian or Victorian government programs relating to capital development.

The CCG contains three committees as follows:

- The **CCG Committee (Primary)** makes recommendations to the CCG Board about the allocation of capital grants for primary schools. It has eight members, who represent the Bishops of Victoria.
- The **CCG Committee (Secondary)** makes recommendations to the CCG Board about the allocation of capital grants to secondary and combined schools. It has 12 members, four who represent the Bishops of Victoria, two who represent Leaders of Religious Congregations, three who represent Catholic Regional Colleges, and three who represent congregation-owned colleges.

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<sup>9</sup> In the Diocese of Sandhurst this is known as the Minor Capital Works levy.

<sup>10</sup> Australian Government assistance to non-government schools in relation to capital provided only through BGAs. BGAs are third-party legal entities which have been established to receive and assess applications, make recommendations to Minister for Education about various matters and administer non-government capital grants for participating schools.

- The **CCG Committee (Joint)** makes recommendations to the CCG Board about the allocation of capital grants not allocated by the above committees. Its function is to ensure that the overall allocation of funds in a given year is made to primary and secondary schools whose clienteles are comparably educationally disadvantaged. This Committee meets on an 'as needed' basis, usually when the above committees consider there are borderline projects that should be assessed from a wider perspective.

CCG and its committees are serviced by a secretariat of personnel provided by Catholic Education Melbourne. Under capital grants programs, CCG can use up to 3% of program funds to meet its administration costs.

### 3. Allocation of recurrent grants

#### Summary

There are compelling reasons for Catholic education authorities in Victoria to allocate government recurrent grants to schools using their own funding models and processes, rather than the funding models used by governments. These stem from the fact that Catholic education authorities have deeper knowledge about actual student and school needs across the Catholic sector and therefore can better target resources.

In general, Catholic education authorities do not reallocate government recurrent grants between school types. The funding attracted from governments by primary schools is only reallocated between primary schools. Similarly, the funding attracted by secondary and combined schools is only reallocated between secondary and combined schools.

The CECV funding models for primary schools, and for secondary and combined schools, have similar structures and are heavily needs-based. In both models, amounts are retained to meet school costs paid for centrally (by the CECV and diocesan CEOs). The remaining funding is then allocated to schools based on need, by taking into account the various characteristics of each school (for example, school size, school location) and the students at each school (for example, students with disabilities, students from a disadvantaged socioeconomic background, and refugee students). In assessing school needs, the models include all of the factors in the school funding models used by governments, and add other factors as agreed by Catholic education authorities. Additionally, the funding models take into account the capacity of schools to raise private income (for example, parental fees and charges) based on the socioeconomic level of the school community. Put simply, a school's share of government recurrent funding is calculated as its assessed need for operating income less income that is expected to be raised locally by the school.

When these funding models are applied (plus diocesan models, in the case of primary schools), the key driver of grant amounts to primary schools is school size, and the key driver of grants amounts to secondary and combined schools is the socioeconomic level of school communities. These outcomes are consistent with many other school funding models.

The CECV funding models are regularly reviewed to ensure these remain consistent with school and government expectations. In 2016, for example, following a model review and a survey of schools, the CECV funding model for secondary and combined schools changed significantly to bring this model into closer alignment with the funding model used by the Australian Government. Primary schools were also recently surveyed on funding matters.

Catholic education authorities have extensive financial accountabilities to governments for recurrent grants. Schools must verify that grants are used for their intended purpose. They must follow processes to enable full disclosure of all school receipts and payments, and school financial statements must be audited each year by an external, qualified party. These are submitted to government. In addition, some schools (and the CECV) are public companies limited by guarantee, so must meet the extensive governance and financial reporting requirements of the *Corporations Act 2001*. Grant amounts allocated to individual schools are also shown on the *MySchool* website.



This chapter begins by explaining why the Catholic education authorities in Victoria reallocate government recurrent grants and the benefits (section 3.1). It then outlines:

- how total government recurrent grants to Catholic education in Victoria are split between GAC(P), GAC(S) and GAC(TA) (section 3.2)
- how funding is allocated to schools by the GAC(P) (section 3.3), the GAC(S) (section 3.4) and the GAC(TA) (section 3.5).

Section 3.6 contains summary data on how grants were allocated in 2014, to highlight the key school attributes that tend to drive overall funding allocations. Section 3.7 concludes the chapter by summarising the numerous accountabilities that apply to Catholic education relating to government recurrent grants.

### **3.1 Why redistribute government recurrent grants?**

A fundamental characteristic of the Catholic school sector in Victoria (and Catholic systems interstate) is 'block funding' of Catholic systems. While government recurrent grants for systemic Catholic schools are calculated individually for each school according to government funding models, the grants payable to Catholic schools are aggregated and provided to the CECV. The CECV then allocates government grants within the Catholic sector according to its own processes and funding models, while complying with all government requirements.

These arrangements have several advantages for Catholic schools and for educational outcomes. These stem from various weaknesses in government funding models, which means they do not accurately estimate the 'true' needs of Catholic schools.

A major weakness, for example, is that government funding models can omit key need factors for schools. As these models often need to be relevant to all schools, sectors and jurisdictions, they tend to include the 'lowest common denominator' set of need factors applicable to all. Accordingly, they can be overly simplistic and restrictive in the additional school and student needs they recognise, and the data they include. For example, the SRS model does not provide additional funding to schools for providing Vocational Education and Training, despite this being an important offering in Catholic secondary schools in Victoria, which increases school costs. Similarly, the FAM does not include factors for school size or school enrolments of refugee/new arrival students (which usually have poor English skills and so require more teaching resources).

Even where government funding models do capture key school and student need factors, the additional resources attached to these are estimated crudely. This is because governments can only estimate school needs from general school and student characteristics (size, location, enrolments of different types of students, etc.). In government funding models, each student who qualifies for a 'loading' tends to attract the same amount of additional funding to their school. This approach is based upon 'average' relationships between schools and students, costs and need. But average relationships do not always hold at the student or school level. Not all low-SES students face the same level of educational disadvantage; some may be strong performers. Conversely, there are many students in Catholic schools with challenging behavioural needs and/or specific learning difficulties who do not attract equity/needs funding from governments. Government funding models do not tend to recognise such 'variations' away from average relationships, even though they can have major implications for the resources that a student or school may need.

A good example of this issue is funding for students with disabilities (SWD). The SRS model includes the same loading for all SWD outside of special schools (1.86 times base funding), but the level of additional support required by each SWD differs. The CECV and CEOs operate a centralised program for SWD, through which the individual needs of students are assessed and learning plans are agreed. Through this process, SWD are placed in one of three funding categories. This is a better way to allocate SWD funding to schools, with funding more closely linked to individual student needs, but it requires a reallocation of grants.

A related issue is that national funding models include nationwide parameters that do not recognise that there can be important differences in the circumstances facing each school. For example, the SRS model includes 'capacity to contribute' functions for primary and secondary students that are applied equally to all non-government schools across Australia, even though the competitive pressures facing Catholic schools (and therefore the amount of private income they can feasibly raise) can be quite different depending on their location.

Another reason why government funding models misestimate the needs of Catholic schools is because they do not take into account different delivery models in the Catholic sector, which can lead to differing costs. The Victorian Catholic sector operates centralised and programmatic models of delivery for key services to support disadvantaged students (such as SWD, as stated above). Delivery of such programs within the Catholic sector has evolved over time to reduce costs and increase effectiveness. These delivery models are different to those in other school sectors, meaning that the cost of services can differ. Government funding models do not recognise this, so the loadings provided may not match the actual funding needs of each student in a Catholic school.

A further concern about government funding arrangements relates to timing. Total government recurrent funding attracted by schools is not finalised each year until after August (Term 3), when the Australian Government conducts its school census. This is fair enough since schools should only attract the grants to which they are entitled. Yet schools want to know their annual budgets at the earliest possible time in the school year. This creates a need for Catholic systems to increase funding certainty for schools so they can plan ahead. The CECV responds to this need with funding policies that do provide schools with greater certainty; however, this can require a reallocation of grants.

The above concerns apply to government funding models in general. In addition, in the way the SRS model is being applied from 2014 to 2017 (in its 'transition' phase), the funding that Catholic schools attract from the Australian Government is mostly driven by the grants schools received in 2013, and the Australian Government's share of those grants. The upshot is that the same students within the Catholic system can be treated differently, depending on the funding their school received in 2013. Student needs are not funded equally while the SRS model is in its transition phase. This is not a fair or equitable outcome.

Overall, these issues mean that Catholic schools would face a number of problems if government grants were allocated to schools in the same way they attract grants from governments. Although Catholic schools raise significant private income, they remain reliant on government grants to fund most of their operations.<sup>11</sup> This makes it important that Catholic schools receive the grants they actually need. If grants were allocated to Catholic schools based on government funding models, then some schools would not be viable while

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<sup>11</sup> In 2015, government grants accounted for 69% of the total income of Catholic schools.



others would not be able to provide a quality education to all their students. It would also be more difficult to open new Catholic schools.

Current funding arrangements for Catholic schools address these issues because they enable Catholic systems to use their deeper knowledge on student and school needs to better target resources, therefore improving equity and efficiency. These arrangements provide greater funding certainty for schools and can ensure emerging needs in Catholic schools are quickly and effectively met. They also enable the CECV to guarantee the financial viability of systemically funded schools, and to equitably fund students with the same needs across Victorian Catholic schools. While there have been a number of collapses of non-government schools recently in Victoria – often leaving students and families in the lurch – none of these were Catholic schools. In fact, the Catholic sector has provided significant assistance to the Victorian Government in mitigating the impacts on students from recent, unplanned closures of independent schools.<sup>12</sup>

For these reasons, the current arrangements were explicitly endorsed in the final report of the Gonski Review, which agreed that system authorities are better placed than government to determine the most effective allocation of available resources within their system.<sup>13</sup>

This does not mean that the Catholic system disregards government funding models in allocating government grants. The objectives and outputs of government funding models form a critical input to the deliberations of GAC(P), GAC(S), GAC(TA) and the CECV Board. These deliberations are built on transparency, collaboration and consensus by the various system governance structures.

### **3.2 Allocation of grants between grants allocation committees**

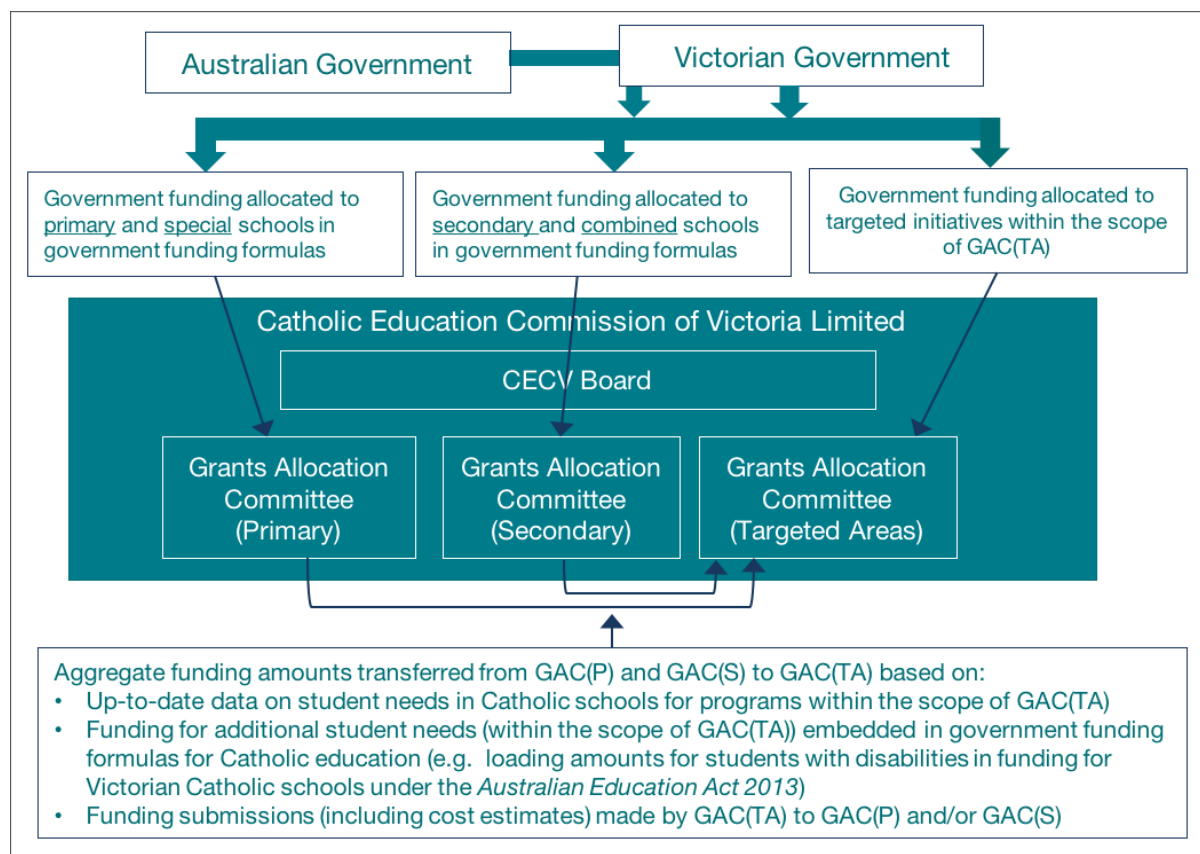
Chapter 2 of this document introduced the three funding committees within the CECV that advise the CECV Board on funding distributions within Catholic education in Victoria – GAC(P), GAC(S) and GAC(TA). Figure 3 illustrates how the size of the funding pools administered by these committees is determined, with further explanatory material following.

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<sup>12</sup> For example, Catholic schools in Victoria took in about 200 students from Mowbray College, and about 150 students from Acacia College, when these independent schools closed abruptly during 2012–13.

<sup>13</sup> *Review of School Funding – Final Report* (2011), Canberra, ACT: Department of Education, Employment and Workplace Relations, December, p. 181.

**Figure 3: Method for determining funding pools for each grants allocation committee**



### 3.2.1 Funding pools for the GAC(P) and the GAC(S)

Government recurrent grants to Catholic education in Victoria are split between GAC(P) and GAC(S) based on the funding provided to each school type in government funding models, except for some minor funding streams that are provided directly to GAC(TA) (see below) or directly administered by the CECV Board.

Specifically, the funding pool overseen by the GAC(P) is calculated as the funding allocated to Catholic systemic primary schools and special schools in government funding models. For GAC(S) this is the respective funding allocated to Catholic systemic secondary and combined schools.

Thus, leaving aside funding for targeted areas administered by GAC(TA), the funding received in aggregate by different school types in Catholic education in Victoria (primary schools and secondary schools) closely aligns with the funding amounts provided by governments in aggregate for these school types.

### 3.2.2 Funding pool for the GAC(TA)

Two sources of funding are directly provided to the GAC(TA). These relate to the National School Chaplaincy Programme (Australian Government) and the State facilitation program for school improvement. Otherwise, the funding administered by the GAC(TA) is transferred from GAC(P) and GAC(S).

Each year, representatives of the GAC(TA) submit to GAC(P) and GAC(S) for funding for in-scope programs. The funding amounts transferred from GAC(P) and GAC(S) depend on

several factors such as the specific funding requests made by program managers (based on student needs and cost estimates) and the amounts provided by governments in related loadings or equity/needs funding.

In some cases, the total amount received by GAC(TA) for a program is the same amount originally received by GAC(P) and GAC(S) for a related purpose. This mostly occurs for Victorian Government funding tied to specific purposes, provided outside of the State Recurrent Grant (for example, Student Support Services and Youth Support Services).

### **3.3 Allocations by the Grants Allocation Committee (Primary)**

#### **3.3.1 The GAC(P) funding model**

The funding model used by GAC(P) calculates funding shares for each diocese to fund their primary schools.<sup>14</sup> Dioceses then determine individual school allocations within their funding shares and advise the CECV of these. Despite this role of dioceses, the GAC(P) funding model is a strong guide to the government recurrent grants actually received by schools.

The GAC(P) funding model matches ‘notional’ income with ‘notional’ expenditures (allocations) across the system and for each diocese. There are three sources of notional income:

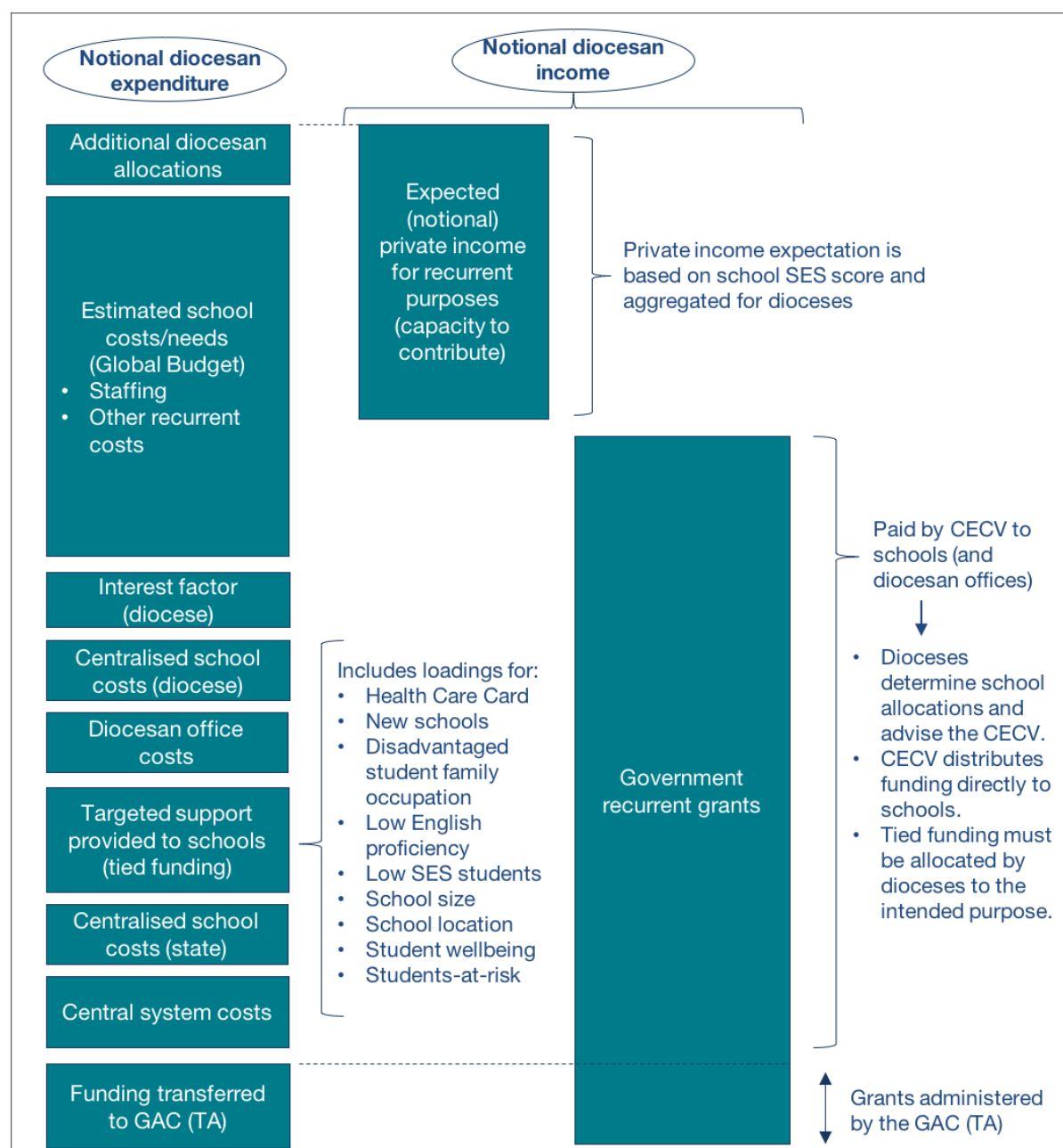
1. Government recurrent grants from the Australian Government
2. Government recurrent grants from the Victorian Government
3. Private income for recurrent purposes. This is calculated for each diocese based on the SES scores of their schools (discussed below).

Notional expenditure estimates combine centralised expenditures (CECV and CEO costs and costs incurred centrally on behalf of schools) and school-level expenditures plus funding for targeted areas transferred to GAC(TA). The overarching model structure is illustrated in Figure 4.

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<sup>14</sup> This includes funding for primary students in four combined schools in regional Victoria, which have a majority of primary students (and do not have any students in senior secondary school).

**Figure 4: Illustration of how government recurrent grants are allocated by GAC(P)**



The notional expenditure items in the GAC(P) funding model are described in Table 2. Indicative allocations for each item are also shown. Appendix A shows these allocations by diocese. The items are numbered in Table 2 to cross-reference against the summary model output in Appendix A.

Table 3 then provides more detail on targeted support provided to schools in the GAC(P) funding model.

**Table 2: Summary of notional expenditures in the GAC(P) funding model**

Notional expenditure	Description	Funding / cost allocation	Funding (2016)
Funding transferred GAC(TA) (Item C3)	Funding for targeted areas within the scope of the GAC(TA) is expended against GAC(P) income and provided to the GAC(TA) for allocation (see section 3.5). Estimated school costs/needs therefore exclude needs of students within the scope of GAC(TA) (see below).	This funding amount is based on submissions made by GAC(TA) to GAC(P) for program funding.	Total funding of \$107.5m
Central system costs (Item C1)	These are general costs incurred (mostly by dioceses) on system-wide items. Cost items include consultancies, leadership, professional and teacher development, and IT systems.	GAC(P) agrees to a budget for each CEO for the in-scope cost items and this is then allocated to each diocese.	Total funding of \$26.3m
Centralised school costs (state) (Item C4)	This relates to a number of state-level programs and cost items, for which it is considered that costs are best shared or service provision arrangements developed at the state level. Costs include copyright, long service leave provision, graduate teacher inductions, IT systems and a strategic partnership program with external entities. The two largest costs are: <ul style="list-style-type: none"> <li>Integrated Online Catholic Network (ICON) – a collaborative project between Victorian Catholic schools and the four CEOs. It will provide core technologies for Victorian Catholic education, as well as system-wide technology to optimise school administration.</li> <li>Catholic Network Australia (CNA) – an Australia-wide, private IT network for the Catholic school community.</li> </ul>	Funding is allocated between dioceses using different methodologies as appropriate for each item. These include on a per-student basis, a per-school basis, or a per-teacher graduate basis.	Total funding of \$43.1m
Targeted support provided to schools (tied funding) (Item C2)	Further information on this targeted support is provided in Table 3. This funding is tied to its intended purpose, meaning that dioceses must allocate this funding to students/schools using the same objectives for which it is provided. Estimated school costs/needs therefore exclude school needs subject to this targeted funding support (see below).	GAC(P) agrees to a level of funding support for each agreed priority. Diocesan funding allocations are then calculated according to the extent their students and schools qualify for each priority.	Total funding of \$153.2m
Diocesan office costs (Item D2)	CEOs provide a number of administrative and support services to primary schools, at regional offices and a central office.	GAC(P) agrees to an operational budget for each diocesan CEO based on a per-school formula.	Total funding of \$16.1m
Centralised school costs (diocese) (Items D7 and D8)	CEOs reimburse maternity leave and extended sick leave on behalf of primary schools, if necessary, and maintain a pool of funding for this. This is due to their size – primary schools generally do not have the reserves to fund one-off, significant and unanticipated payments to staff.	GAC(P) estimates centralised school costs for each diocese on an annual basis and includes these in diocesan allocations.	Total funding of \$8.4m
Interest factor (diocese) (Item D3)	Financial assistance to help schools on a needs basis, to meet their interest expenses on borrowings to fund eligible capital works. Eligibility and funding terms and conditions are governed by the Interest Factor Policy.	Dioceses are allocated funding according to the eligibility of their schools for support under the Interest Factor Policy.	Total funding of \$12.0m
Estimated school costs (Global Budget): <ul style="list-style-type: none"> <li>staffing</li> <li>other recurrent costs (ORC).</li> </ul> (Items D1 and D4)	Estimates of 'base' funding costs for each school. Smaller schools receive higher per student funding than larger schools, recognising that larger schools have greater economies of scale. The estimates exclude costs relating or subject to: <ul style="list-style-type: none"> <li>services provided centrally by the CECV or CEOs</li> <li>targeted support provided to schools</li> <li>funding provided through GAC(TA).</li> </ul>	Cost estimates are drawn from schedules estimating the costs of different school inputs by school size.' Staffing' allowances apply for professional teaching staff, teacher aides, administrative support staff, positions of leadership, student wellbeing and 'additional needs'. There is a general allowance for 'other recurrent costs' and technology maintenance.	Total funding of \$803.9m
Additional (untied) diocesan allocations (Items D5 and D9)	An additional, 'untied' payment to dioceses to enable them to meet local schooling priorities. This serves as a 'balancing item' in the model, to equalise notional expenditures and income.	The funding pool for this item varies each year depending on the remaining funding after other notional expenditures are met. Diocesan shares are negotiated each year based on expenditure requirements.	Total funding of \$21.4m

**Table 3: Targeted support provided to schools (tied funding) within the GAC(P) funding model**

Notional expenditure	Description	Funding / cost allocation	Funding (2016)
Health Care Card (Education Maintenance Allowance) (Item 2-1)	An allocation to schools for each student whose parent holds a Health Care Card. The intent of this payment is to support enrolments of students from disadvantaged backgrounds by enabling schools to provide fee relief to eligible students.	Schools are allocated \$1,088 in 2016 for each student whose parent holds a Health Care Card. To smooth funding changes, this is calculated based on a rolling three-year average of school enrolments of Health Care Card students.	Total funding of \$22.3m
Assistance to new schools (Item 2-2)	Additional recurrent funding is allocated to new schools for the first five years of their operations, while they build enrolments.	The allocation consists of a base and a per-student amount. The payment begins in the first year of school operations and tapers to zero in the sixth year. Eight schools qualify for this payment in 2016 and the highest allocation is \$0.16m.	Total funding of \$1.2m
Educational disadvantage – student family occupation (SFO) (Item 2-3)	Additional recurrent funding is allocated to schools based on their relative enrolments of students from a disadvantaged family background (measured by SFO).	The agreed funding pool for this item is allocated across schools, based on the SFO index score they are assigned in the FAM by the Victorian Government. This index is constructed from student data collected by schools.	Total funding of \$10.7m
Low English language proficiency (ELP) (Item 2-4)	Additional recurrent funding is allocated to schools based on their relative enrolments of students expected to have low English language proficiency, which is likely to add to school resource requirements.	The agreed funding pool for this item is allocated across schools based on the (pure) loading the school attracts for low ELP students in the SRS model.	Total funding of \$2.4m
Low SES (Item 2-5)	Additional recurrent funding is allocated to schools based on their relative enrolments of students from low SES backgrounds, which is likely to add to school resource requirements	The agreed funding pool for this item is allocated across schools, based on the (pure) loading the school attracts for low SES students in the SRS model.	Total funding of \$46.2m
Size loading (Item 2-6)	Additional recurrent funding is allocated to schools based on school size, recognising that 'small schools' have higher costs than other schools on a per-student basis.	Schools attract a size loading as per the SRS model. Note that a size loading is also implicit in the global budget items (D1, D4).	Total funding of \$29.1m
Location loading (Item 2-7)	Additional recurrent funding is allocated to schools in regional and remote areas, due to the extra costs they incur in service provision.	The agreed funding pool for this item is allocated across schools, based on the (pure) loading the school attracts for school location in the SRS model.	Total funding of \$6.7m
Students at risk (Item 2-8)	Additional recurrent funding is allocated to schools specifically to fund initiatives that target students at risk.	Schools are allocated funding based on an agreed scale. This includes per-school funding rates, which differ by school size.	Total funding of \$24.0m
Student wellbeing (Item 2-9)	Additional recurrent funding is allocated to schools specifically to fund student wellbeing initiatives.	Schools are allocated funding based on an agreed scale. This includes per-school funding rates, which differ by school size.	Total funding of \$10.8m
Special schools and special assistance schools – funding maintenance (Item 2-11)	This ensures that special schools and special assistance schools receive a minimum 3% increase in government grants each year (further explained below). (Note that special schools and special assistance schools are also not required to pay levies for central costs.)	The quantum of this funding pool is the amount required to ensure Special schools and special assistance schools receive a minimum 3% increase in government recurrent grants each year.	Total funding of \$9,425

### Levies for primary schools

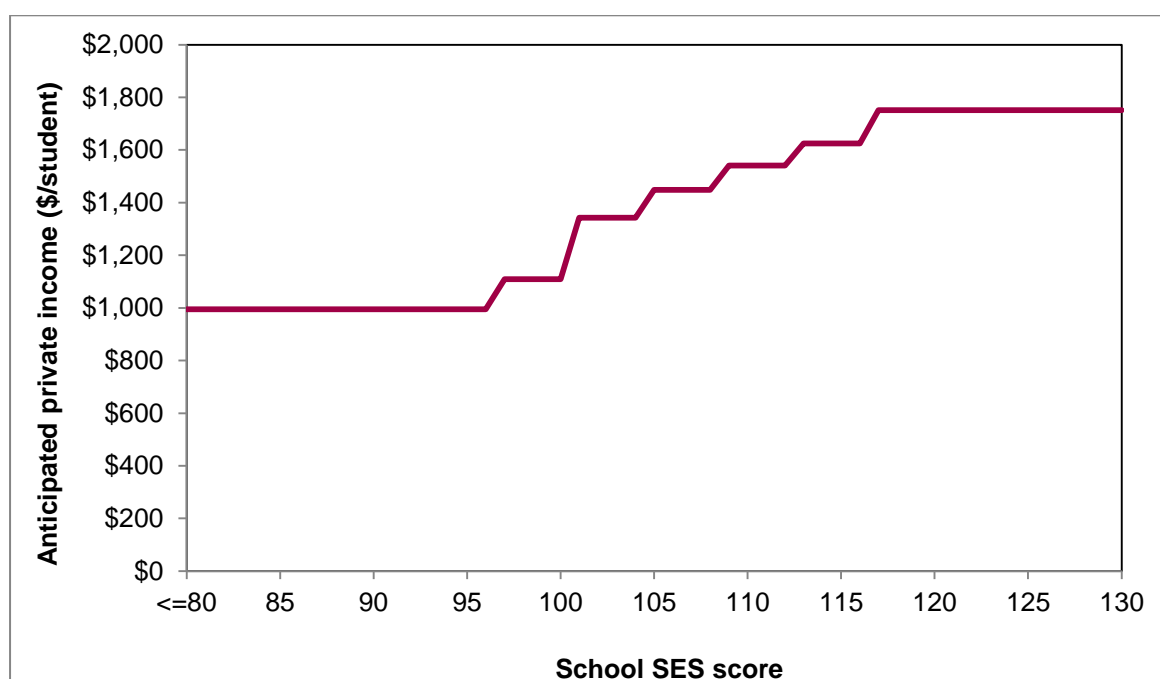
In 2016, the diocesan and CECV levies for primary schools are:

- Catholic Education Office Ballarat – \$206.20 per student
- Catholic Education Melbourne – \$180 per student
- Catholic Education Office Sale – \$198 per student
- Catholic Education Office Sandhurst – \$290 per student
- CECV central costs – \$16.20 per student.

### Capacity to contribute

The GAC(P) funding model includes a ‘capacity to contribute’ component, which represents the amount of private income dioceses are expected to raise for recurrent purposes. The government recurrent funding allocated to dioceses decreases as their capacity to contribute increases. Capacity to contribute is calculated based on the SES score of schools in each diocese. The capacity to contribute function for 2016 is shown in Figure 5. The function applied by GAC(P) has a flatter slope than that in the SRS model and better reflects the capacity of Catholic primary schools in Victoria to charge fees.<sup>15</sup>

**Figure 5: Capacity to contribute function in the GAC(P) funding model – private income for recurrent purposes**



Note that neither the CEOs nor the CECV mandates fee levels to schools. This is a school decision based on local factors. The CEOs do however produce fee policy guidelines for their schools, which emphasise the importance of accessibility. Catholic Education Melbourne’s policy, for example, states that schools should ensure no baptised student is denied a Catholic education because of an inability to pay. In addition, all children from families that hold a Health Care Card should be eligible to apply for a discount in school fees. (This is the intent of the Health Care Card factor in the GAC(P) model.)

<sup>15</sup> There is minimal evidence that Catholic primary schools at the higher end of the SES scale can actually raise the private income expected of them under the capacity to contribute function specified in the *Australian Education Act 2013*.



### ***Funding certainty for schools/dioceses***

The CECV usually distributes recurrent grants in three tranches<sup>16</sup> in January, July and October, within five days of their receipt from governments.<sup>17</sup> Total recurrent funding is not finalised until the October payment, after school enrolments are confirmed in August in the Australian Government's school census. (This follows an earlier Victorian Government census in February.) Initial payments from governments (in January and July) are based on school enrolment data from the previous year.<sup>18</sup>

This timing does not suit schools. Schools value funding certainty; they want to know their annual budgets at the earliest possible time in the school year. This assists school workforce planning.

GAC(P) addresses this need by providing a funding guarantee. Each year, schools (dioceses) are guaranteed a minimum funding allocation, which is calculated from their enrolments in August (in the Australian Government census) of the prior year. If school enrolments grow then schools (dioceses) receive a higher allocation calculated from their higher enrolments. In practice this means that schools (dioceses) cannot receive less funding than is calculated using their enrolments the year prior. This funding guarantee does not apply if school enrolments fall by 20 or more.

This creates funding risks for the Catholic system. With this guarantee, if enrolments decline, then final CECV grant funding receipts may not be sufficient to meet the CECV's funding commitments. GAC(P) therefore includes a 'risk reserve' in its funding model in calculating January and July payments to schools/dioceses. The risk reserve is fully distributed in October, after August enrolments and final CECV grant funding is confirmed.

In the first instance, the risk reserve is used to fund the cost of the 'funding guarantee'. Thereafter, in 2016, residual funds are being transferred to the GAC(TA) for allocation to students with disability.

### ***Survey of primary schools on the GAC(P) funding model***

GAC(P) conducted a survey of primary schools in 2015 to test their support for various aspects of the GAC(P) funding model and diocesan funding models. In the survey, schools strongly endorsed:

- The general view that the CECV and CEOs should reallocate government recurrent grants
- Some of the specific ways that the CECV reallocates grants, such as:
  - Using a capacity to contribute function tailored to Catholic primary schools in Victoria
  - Using internal information and views on the funding needs of Catholic schools and students, where possible
  - Providing additional recurrent funding support to new Catholic primary schools
- The measures used by the CECV and CEOs to increase funding certainty for schools (which also result in reallocations)

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<sup>16</sup> The CECV receives its recurrent grants from the Australian Government as follows – 50% in January, 25% in July and 25% in October. Recurrent grants from the Victorian Government are received as follows – 25% in January, 50% in July and 25% in October.

<sup>17</sup> As required under a service level agreement between the CECV and Catholic Education Melbourne.

<sup>18</sup> The February census conducted by the Victorian Government is not used for funding purposes, except for new schools.



- Efforts to ensure that schools can be accessible to students from low-income families (such as Health Care Card funding support)
- A 'system' approach to capital funding – including capital project levies, recurrent funding support for new schools, and the Interest Factor item.

Overall, the findings endorsed the approach taken by GAC(P) to allocate funding to schools, although schools did identify areas for potential refinement. For example, some schools argued that their SES scores do not accurately reflect their capacity to raise private income. The CECV is reviewing this issue and it appears in some cases these concerns are valid. Potential responses are now under consideration.

### 3.3.2 Funding for special schools and special assistance schools

Government recurrent funding for special schools and special assistance schools is directly provided by the CECV as calculated by governments. There is no redistribution of funding for these schools.

The GAC(P) funding model further includes a guarantee to special schools and special assistance schools that their government grants will increase by at least 3% per annum per student. This guarantee is required because, using the method the Australian Government grants are calculated for Catholic systems in the SRS model<sup>19</sup>, it is possible for these schools to attract less funding to the system than they previously attracted. In addition, the system does not collect contributions to CECV central costs (for example, ICON, CNA) from special schools and special assistance schools.

## 3.4 Allocations by the Grants Allocation Committee (Secondary)

### 3.4.1 The GAC(S) funding model

The funding model used by GAC(S) calculates individual school funding for systemically funded secondary and combined schools.<sup>20</sup>

A new school funding model is being implemented by GAC(S) in 2016. The model will make funding allocations by GAC(S) more equitable, stable, simple and transparent. The new model was developed in consultation with schools, to determine their preferences and priorities.

A school survey conducted for this purpose found that schools would prefer a funding model that, among other things:

- Takes into account the funding that schools attract from governments
- Reallocates funding between schools where there are agreed reasons for doing so<sup>21</sup>
- Includes a 'notional need' for each school
- Is highly transparent – for example, on how funding is reallocated by the system
- Provides incentives for schools to enrol students from low-income families

<sup>19</sup> For school systems, the transition arrangements within this model (including a minimum funding increase of 3% per student) are applied to total system funding – not individual school funding. This means that within school systems, individual schools can experience large funding increases and decreases, provided that overall system funding increases by at least 3% per student.

<sup>20</sup> This excludes funding for primary students in four combined schools in regional Victoria, which have a majority of primary students (and do not have any students in senior secondary school).

<sup>21</sup> Schools strongly supported key factors that are included in the CECV funding models but not government funding models, such as Interest factor (90% support) and incentives for schools to enroll students from low-income families like the Health Care Card loading (83% support).

- Provides a guide on expected private income at each school
- Guarantees to schools a minimum level of funding indexation.

To meet these preferences, the GAC(S) funding model to apply from 2016 will be closely aligned with the SRS model, but will make transparent departures from this as agreed by schools and dioceses through the GAC(S). School allocations will be determined through the following procedure.

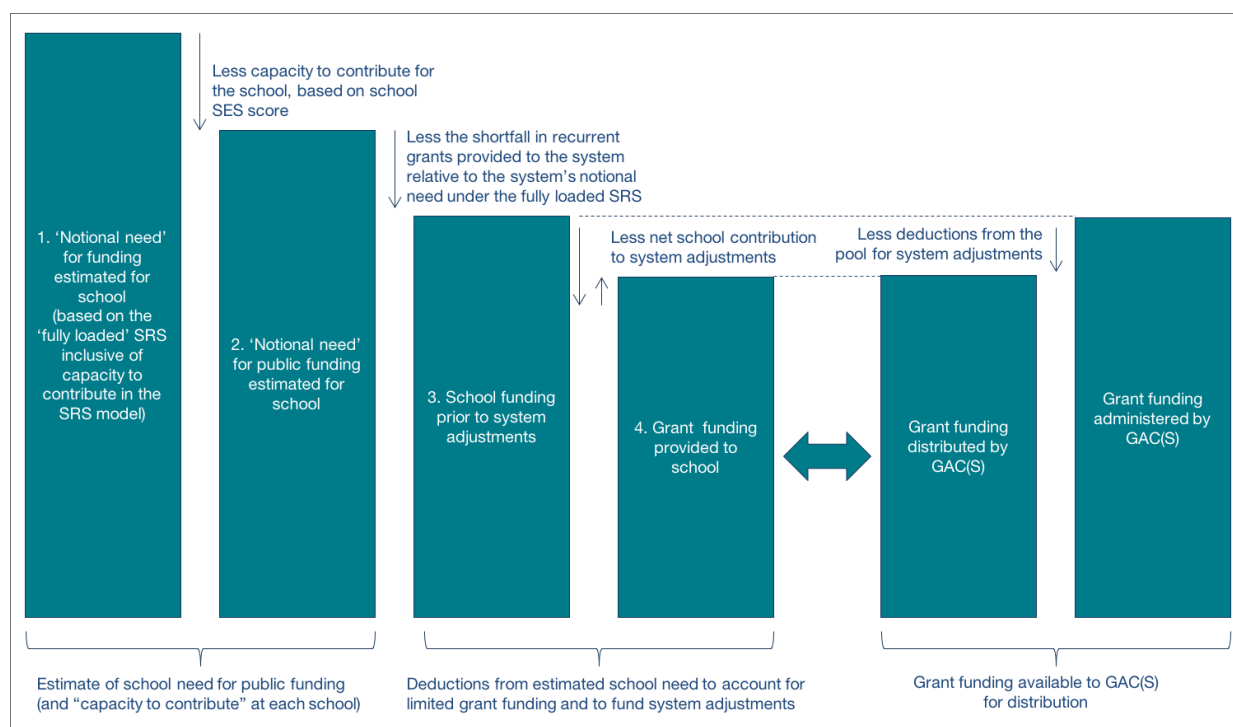
1. Calculate school notional need – A ‘notional need’ for (total) recurrent funding (or operating income) is estimated for each school. This will be taken directly from the Australian Government’s SRS model (calculated as the ‘fully loaded’ SRS, inclusive of school private income). The estimated ‘notional need’ for each school therefore includes needs relating to all loading factors included in the SRS model<sup>22</sup>.
2. Calculate school notional need *for public funding* – A ‘capacity to contribute’ amount is estimated for each school, representing the amount of private income a school is expected to raise. This is deducted from the figure derived in step 1 to calculate each school’s need for public funding. Each school’s capacity to contribute will be based on its SES score (discussed below).
3. Reduce school funding by the shortfall in government grants – A deduction is applied to each school’s notional need for public funding because the Catholic system does not receive enough funding from governments to meet this need. The shortfall mostly arises because the Victorian and Australian governments elected not to fully fund schools to satisfy the SRS model. The shortfall is calculated on a system-wide basis and allocated to schools based on enrolment share.
4. Modify school funding by system adjustments – A further revision is applied to each school’s funding allocation for ‘system adjustments’ (discussed below). These refer to various funding needs and priorities, as agreed by GAC(S), which cause school funding allocations administered by the GAC(S) to depart from the SRS model. These adjustments may increase funding for some schools, depending on their eligibility to various additional funding factors, but overall lead to a decline in the amount of funding distributed to schools (as shown in Figure 6) because they also include some central costs.

This high-level approach to determining school allocations is illustrated in Figure 6.

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<sup>22</sup> There are six categories of disadvantage within the SRS model – school size, school location, students with disability, students from low socio-economic backgrounds, students with low English proficiency, and ATSI students.

**Figure 6: Illustration of the way school recurrent grants will be calculated from 2016 under the new GAC(S) model**



### **Levies for secondary schools**

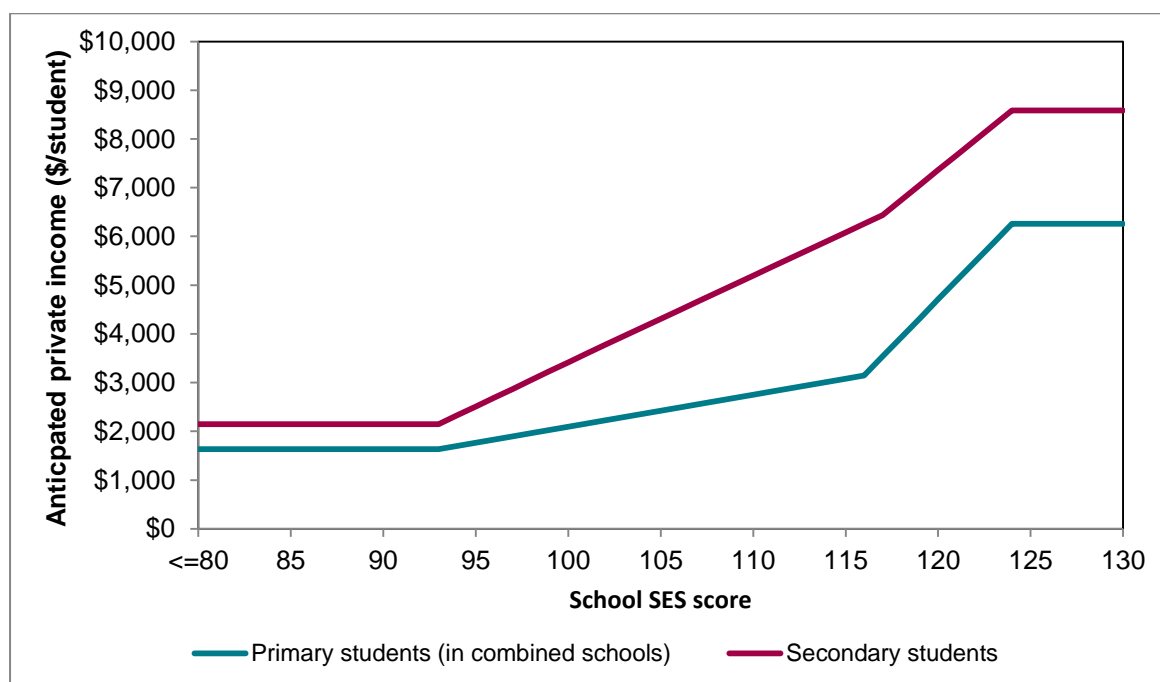
In 2016, the diocesan and CECV levies for secondary schools are:

- Catholic Education Office Ballarat – \$132.50 per student
- Catholic Education Melbourne – \$96.15 per student
- Catholic Education Office Sale – \$160 per student
- Catholic Education Office Sandhurst – \$168 per student
- CECV central costs – \$16.20 per student.

### **Capacity to contribute**

The GAC(S) funding model includes a 'capacity to contribute' factor, which represents the amount of private income schools are expected to raise. There are different functions for secondary students and for primary students (relevant for combined schools) (see Figure 7). As in the SRS model, the expected contribution is calculated as a percentage of base student funding in the SRS model (different for primary and secondary students) based on school SES score. The functions applied in 2016 are shown in Figure 7. These have a flatter slope than the functions in the SRS model and better reflect private income raising capacity in Catholic secondary and combined schools in Victoria.

**Figure 7: Capacity to contribute function in the GAC(S) funding model – private income for recurrent purposes**



Note that neither the CEOs nor the CECV mandates fee levels to schools. This is a school-level decision based on local factors. The CEOs do however produce fee policy guidelines for their schools, which emphasise the importance of accessibility. Catholic Education Melbourne's policy, for example, states that schools should ensure no baptised student is denied a Catholic education because of an inability to pay. In addition, all children from families that hold a Health Care Card should be eligible to apply for a discount in school fees. (This is the intent of the Health Care Card factor in the GAC(S) model.)

### System adjustments

'System adjustments' encompass changes in schools funding for agreed items. These are:

- Deductions for funding transferred to GAC(TA) ('co-responsibility'). Targeted areas and programs administered by GAC(TA) are presented in section 3.5
- Deductions for central costs (ICON and CNA) ('shared services')
- Reallocations between schools for 'targeted areas'
  - The Health Care Card loading (Educational Maintenance Allowance)
  - Interest factor
  - Assistance to new schools.

These items are described in Table 4. In most cases, deductions are made on a per-student basis.<sup>23</sup> Where funding is reallocated, this is done according to the extent each school qualifies for each targeted area. There will also be a reallocation of funding between schools, separate to those above, to smooth funding changes between schools in the transition to the new model (see below).

<sup>23</sup> The one exception is funding for students with disabilities (SWD) transferred to GAC(TA). This is deducted from schools according to their relative proportions of SWD. Schools with higher proportions of SWD have higher deductions (but then receive the majority of funding from GAC(TA) for SWD). Thus the flow of funding is circular (since schools with more SWD are allocated a higher 'notional need' in the first instance given that their notional need is estimated using the SRS model which includes the SWD loading).

**Table 4: Summary of notional expenditures in the GAC(S) funding model**

Notional expenditure	Description	Funding / cost allocation	Funding (2016)
Funding transferred to GAC(TA)	Funding for targeted areas within the scope of the GAC(TA) is deducted from the funding pool distributed by GAC(S) and provided to the GAC(TA) for allocation (see section 3.5).	This funding amount is based on submissions made by GAC(TA) to GAC(S) for program funding.	Total funding of \$61.8m
ICON and CNA	ICON is a collaborative project through the CECV between Victorian Catholic schools and the four CEOs. It will provide core technologies for Victorian Catholic education, as well as system-wide technology to optimise school administration. CNA is an Australia-wide, private IT network for the Catholic school community. It includes an Education Portal; an Education Directory; Contemporary Learning Resources; and Models of Contemporary Learning for use in professional learning programs.	An annual budget for ICON is agreed upon each year and apportioned between GAC(S) and GAC(P). Victoria contributes to the cost of CNA as per its agreement with its partners in dioceses interstate. These costs add to notional system expenditure and are allocated to schools within the School Deduction Factor.	Total funding of \$14.3m
Health Care Card (Education Maintenance Allowance)	A payment to schools for each student whose parent holds a Health Care Card. This continues the 'Education Maintenance Allowance' that was ceased by the Victorian Government at the end of 2014. The intent of this payment is to support enrolments of students from disadvantaged backgrounds by enabling schools to provide fee relief to eligible students.	Schools are allocated \$2,380 for each student whose parent holds a Health Care Card. The total cost of this allocation adds to notional system expenditure. Its cost is allocated between schools within the School Deduction Factor.	Total funding of \$28.3m
Funding maintenance	This guarantees a minimum funding indexation rate for all schools (set at 3% for Australian Government funding and 0% for Victorian Government funding for 2016), upon implementation of the new GAC(S) funding model for 2016.	Schools that are set to receive funding increases above 5.25% per student in 2016 from the new model have their funding increase capped at 5.25% per student, with foregone increases from this cap used to fund the cost of funding maintenance.	Total funding of \$45.6m
Interest Factor	Financial assistance to help schools on a needs basis, to meet their interest expenses on borrowings to fund eligible capital works. Eligibility and funding terms and conditions are governed by the Interest Factor Policy.	Eligibility and funding terms and conditions are governed by the Interest Factor Policy. The maximum allocation to a GAC(S) school in 2016 is \$1.6m, the minimum is \$0, and 86 of 97 schools received "Interest Factor" funding in 2016.	Total funding of \$19.5m
Assistance to new schools	Additional recurrent funding is allocated to new schools for the first five years of their operations, while they build enrolments.	The allocation consists of a base and a per-student amount. The payment begins in the first year of school operations and tapers to zero in the sixth year. In 2016, 3 schools qualify for this payment and the highest allocation is \$0.28m	Total funding of \$0.6m

### ***Transitioning schools to the new funding model***

The new GAC(S) funding model is closely aligned to the SRS model. It represents a significant change from the previous GAC(S) funding model, which applied to 2015. Consequently, some schools are set to experience large changes in funding. To manage this transition, GAC(S) is applying mechanisms to moderate the funding swings schools may otherwise experience.

- Schools that would experience a funding decrease in 2016 under the new model will receive indexation of 3% for their existing Australian Government funding<sup>24</sup> and 0% for their existing Victorian Government funding. This is known as ‘funding maintenance’ and is similar to the treatment by the Australian Government of schools funded ‘above’ their fully loaded SRS.
- Increases in school funding (provided by the Australian Government) are capped at 5.25% in 2016. Foregone increases will be used to fund the ‘funding maintenance’ described above.

In essence, schools set to experience a large funding gain under the new model will have this smoothed over time. GAC(S) holds the view that additional funding payable to schools will be most effective if schools can plan for this and gradually employ extra resources. This is unlikely to be the case if schools are provided with large funding increases in a single year.

### ***Funding certainty for schools***

Similar to the GAC(P) approach, the GAC(S) funding model includes measures to provide schools funding certainty while managing financial risks for the CECV. Schools covered by the GAC(S) model are funded on their confirmed enrolments in February (in the Victorian Government school census).

With government recurrent grants payable to the CECV based on August enrolments, but with secondary schools funded based on their February enrolments, this creates a financial risk for the CECV if students leave between these periods. To manage this risk the GAC(S) model includes a ‘risk reserve’ in calculating the January and July payments to schools. The risk reserve is fully distributed in October, after August enrolments and final grant funding is confirmed.

In the first instance, the risk reserve is used to meet the cost of funding schools based on their February enrolments. Thereafter, in 2016, residual funds are being transferred to the GAC(TA) for allocation to students with disability.

## **3.5 Allocations by the Grants Allocation Committee (Targeted Areas)**

### **3.5.1 Targeted areas and programs administered by GAC(TA)**

The targeted areas and programs administered by GAC(TA) are:

- Aboriginal and Torres Strait Islander
- English as an Additional Language / New Arrivals
- Languages – Finding Your Voice
- Literacy and Numeracy

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<sup>24</sup> This excludes funding for ‘targeted areas’ within the GAC(S) funding model.

- National School Chaplaincy Programme
- Students With Disabilities
- CECV Pathways and Transitions (including Vocational Education and Training)
- Support Services
- Youth Support Services
- Interest subsidy
- Facilitation program for school improvement.

These are each described in Table 5 with their (indicative) funding for 2016 shown. Table 5 also identifies whether each item is statewide or diocesan-based.

- Statewide programs are managed/overseen by state-level working groups (comprising representatives of each diocese) that report to GAC(TA).
- Diocesan-based programs are managed/overseen by parties within each diocese, once the key details of each program have been agreed through GAC(TA).



**Table 5: GAC(TA) programs and funding allocations**

Program	Purpose and eligibility	Funding (2016)
<i>Funded using recurrent grants from the Australian Government</i>		
Aboriginal and Torres Strait Islander (ATSI) (Diocesan-based)	<ul style="list-style-type: none"> <li>Funding is allocated to support ATSI students, to assist schools improve student learning outcomes, increase retention and attendance rates, participate in Koorie Education initiatives and develop teaching and learning strategies for ATSI students.</li> <li>Funding is provided to schools on a per-capita basis, based on advice from each diocese on the number of ATSI students enrolled in Victorian Catholic schools.</li> </ul>	Total funding of \$4,774,498
English as an Additional Language / New Arrivals (EAL/NA) (Diocesan-based)	<ul style="list-style-type: none"> <li>Funding is allocated to EAL/NA students, to employ qualified teachers to support students to develop proficiency with the English language through the settlement phase, and to provide support with trauma recovery and professional learning.</li> <li>Funding is provided to schools based on per-capita basis for eligible students. Student eligibility is based on the students who attract the English Language Proficiency (ELP) loading under the Australian Government's funding model.</li> </ul>	Total funding of \$7,656,856
Languages Program (Statewide)	<ul style="list-style-type: none"> <li>Funding is provided to schools to support languages education programs for students, to provide professional learning opportunities in languages education and to establish languages networks and partnerships within school communities and with other schools.</li> <li>The total funding pool is split into untied (78%) and tied (22%) funding. Untied funding is allocated to Catholic primary schools based on the number of teaching groups they have for languages for Years 3 to 6. Tied funding is allocated to both primary and secondary schools based on an application and selection process.</li> </ul>	Total funding of \$4,600,000
Literacy (Diocesan-based)	<ul style="list-style-type: none"> <li>Funding is provided for system, diocesan or school strategies to improve literacy and numeracy learning outcomes.</li> <li>The funding is split between diocese based on their enrolment shares.</li> </ul>	Total funding of \$24,421,105
National School Chaplaincy Programme (NSCP) (Statewide)	<ul style="list-style-type: none"> <li>Funding is provided to support the emotional wellbeing of students through the provision of chaplains in schools. Schools may receive grants of \$20,000 per annum over 2015 and 2016 to appoint chaplains or procure chaplaincy services. All schools are eligible to apply for funding. A total of 123 Victorian Catholic schools successfully applied for \$20,000 annual funding in 2015–16.</li> <li>The Victorian Government provides funding to the CECV for this program under the terms of the NSCP Project Agreement between the Australian and Victorian governments.</li> </ul>	Total funding available is \$2,460,000
Students with Disabilities (SWD) (Statewide)	<ul style="list-style-type: none"> <li>This funding is to be allocated to projects or initiatives that target SWD with a major disability or impairment to enhance their educational outcomes and/or innovatively meet the needs of these students.</li> <li>Student eligibility is defined according to CECV guidelines.<sup>25</sup> Students are ranked into three categories according to their disability, with different funding rates attached to each category (with different funding rates for primary/secondary students also). Schools receive funding based on their SWD enrolments, whether these enrolments are primary or secondary students, and the rankings each SWD enrolment receives.</li> </ul>	Total funding of \$114,110,322
CECV Pathways and Transitions (Statewide)	<ul style="list-style-type: none"> <li>This funding supports the provision of the Vocational Education and Training, the Victorian Certificate of Applied Learning (VCAL), Auspice Training Industry Partnerships (ATIP) and Pathways and Transition Initiatives in Victorian Catholic secondary schools.</li> <li>Most of this funding is for VETiS. In this case, registration of students entitles the school to funding based on eight bands. These range from \$297/student to \$993/student in 2015. Full funding is dependent on completion of a minimum level of coursework. Schools enrolling large number of students in particular courses may have their funding capped.</li> </ul>	Total funding of \$11,023,862

<sup>25</sup> Under these guidelines, students must be assessed by a relevant professional in order to ascertain the severity of one of the major disabilities and/or impairments that are eligible for funding. These disabilities/impairments are: chronic health impairment; physical disability; hearing impairment; vision impairment; intellectual disability; social/emotional disorder; and severe language disorder. The CECV assessment process is far more rigorous than that used for the Nationally Consistent Collection of Data on Students With Disability.



Program	Purpose and eligibility	Funding (2016)
<i>Funded using recurrent grants from the Victorian Government</i>		
School Support Services (Statewide)	<ul style="list-style-type: none"> <li>This enables provision of support services to students in Catholic schools. These include a range of professional support services from visiting teacher services to psychology services and speech pathology services. Funding can only be used for these purposes.</li> <li>Funding is distributed between dioceses based on their shares of students (excluding students in special schools and special assistance Schools). Most commonly, dioceses use this funding to employ visiting teachers, speech pathologists and psychologists.</li> <li>This program aligns with funding provided by the Victorian Government for 'Student Support Services'.</li> </ul>	Total funding of \$5,695,836
Youth Support Services (Statewide)	<ul style="list-style-type: none"> <li>This enables provision of services and programs in student welfare to students, including suicide prevention initiatives, with an emphasis on primary prevention, early intervention and professional development. Funding can only be used for a designated two-year professional development program, or to employ consultants to improve partnerships between schools and youth services, community agencies and health providers.</li> <li>This program aligns with funding provided by the Victorian Government for 'Youth Support Services' (Suicide Prevention).</li> </ul>	Total funding of \$946,080
Interest subsidy (Statewide)	<ul style="list-style-type: none"> <li>An allocation to offset school interest costs on eligible borrowings. This aligns with 'Interest Subsidy Scheme' funding received by the CECV from the Victorian Government.</li> <li>The funding pool for this item is the same amount provided to GAC(P) for this purpose by the Victorian Government. Diocesan allocations are based on 'need' using estimates of eligible borrowings.</li> </ul>	Total funding of \$723,772
Facilitation program for school improvement (Diocesan)	<ul style="list-style-type: none"> <li>This relates to a State National Partnership (NP) for School Improvement developed by the CECV in line with the Australian Government's (former) Smarter Schools National Partnerships (SSNP) program.</li> <li>The CECV may use the funds to: <ul style="list-style-type: none"> <li>implement system initiatives and/or cross sectoral initiatives aligned with the SSNP Victorian Implementation Plan (VIP)</li> <li>allocate payments to schools to implement VIP initiatives in line with the school selection processes described in the VIP</li> <li>support increased teacher participation in Teacher Quality NP initiatives.</li> </ul> </li> <li>CECV distributes the funding to each diocese based on their enrolment profiles in August 2015.</li> <li>Each diocese determines the programs to be implemented in accordance with the initiatives identified in a Program Plan submitted to the Victorian Government.</li> </ul>	Total funding of \$4,760,000

### 3.6 Recurrent grant allocations in 2015

This section presents summary data on grant allocations in 2015. Allocations in 2016 that result from the GAC(P), GAC(S) and GAC(TA) models and processes outlined earlier will show the same general trends that can be observed from this data.

#### 3.6.1 Allocations to individual schools

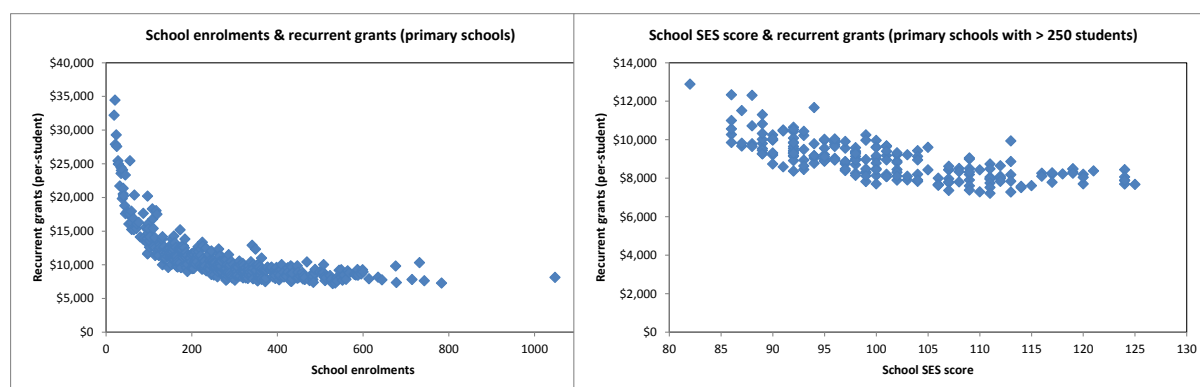
The way in which the funding models outlined above operate can make it difficult to trace government recurrent grants allocated to individual schools. School allocations depend on whether schools qualify for the various loading factors applied in the GAC(P) and GAC(S) models, the apportionment of central costs to schools, and the extent that schools receive additional resources through the programs administered by GAC(TA). These factors can change annually.

Nonetheless, the CECV estimates the recurrent grants that schools receive each year (inclusive of CECV and CEO costs) to ACARA as part of the financial data on schools contained on the *MySchool* website.

This section presents summary data on grant allocations in 2015 to illustrate what school attributes tend to drive overall funding allocations under the current funding models.<sup>26</sup>

Figure 8 illustrates estimated distributions to **Catholic primary schools** across Victoria. These are presented in per-student terms according to school size (left) and school SES score (right – schools above 250 enrolments only).

**Figure 8: Allocation of government recurrent grants to Catholic primary schools in 2015**



The data show that:

- School size is the main determinant of government recurrent grants received by primary schools. This is consistent with national data, including for the government sector, showing that school size is the key cost driver for primary schools.
- Once schools exceed a certain size (about 250 students), the main determinant of their government recurrent grants is their SES score.

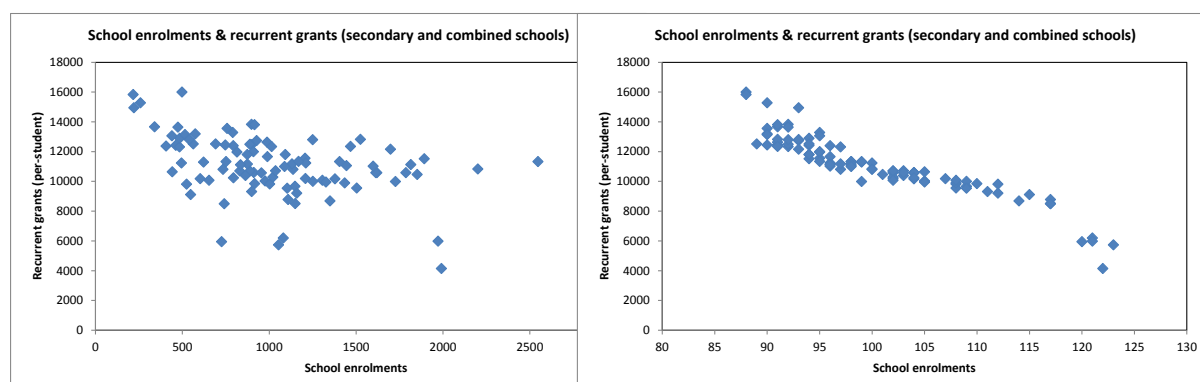
Together, school size and school SES score explain the vast majority<sup>27</sup> of the grants that primary schools are allocated (on a per-student basis). Other important drivers are school enrolments of ATSI students and SWD.

<sup>26</sup> Note that this data has not yet been through ACARA confirmation and validation processes.

<sup>27</sup> These two factors alone explain 91% of the variation in per-student funding that primary schools receive.

Similarly, Figure 9 illustrates estimated distributions to Catholic **secondary and combined schools** also according to school size (left) and school SES score (right).

**Figure 9: Allocation of government recurrent grants to Catholic secondary and combined schools in 2014**



For secondary and combined schools:

- The main determinant of government recurrent grants received is school SES score. School SES scores explain 85% of the variation in grants that schools receive.
- School size – while still important – has less influence overall because most secondary schools exceed a threshold size that enables schools to benefit from economies of scale.

School ICSEA values<sup>28</sup> are less influential than school size and school SES score. This is because ICSEA values are constructed to explain and compare school performance in NAPLAN tests – not school resource requirements. Thus the main driver of primary school costs (school size) is not part of ICSEA. Similarly, even where ICSEA does include factors that impact school costs (for example, school location), the relative importance of these factors within the ICSEA measure has been estimated to predict performance in NAPLAN tests, not their impact on school costs.

### 3.6.2 Allocations to the funding categories of the SRS model

Table 6 presents estimates on how recurrent grants provided to the CECV are allocated according to the funding categories in the SRS model, plus other categories. Additional funding categories are listed because, as should be evident in sections 3.3, 3.4 and 3.5, there are challenges in aligning all the items in the CECV models with the SRS model.

Allocations of this nature are inherently difficult and classifications can be somewhat subjective. Funding allocated to some categories strongly overlaps with others. For example, 'low SES' students are the major recipients of funding targeted to 'students at risk', although these categories are included separately. Similarly, for primary schools, several of the funding categories (for example, base funding, students at risk and student wellbeing) include implicit 'size loadings' such that small schools attract more funding than larger schools on a per-student basis. Accordingly, the estimates in Table 6 understate the importance of some items, especially school size.

With these caveats, Table 6 indicates that 76% of recurrent grants are allocated as 'base' funding to schools while the remaining 24% is targeted to additional needs. In fact, the 'needs' share is somewhat higher since base funding for schools varies with their capacity to

<sup>28</sup> ICSEA is the Index of Community Socio-Educational Advantage, which is constructed by ACARA to model the performance of schools in NAPLAN tests.

contribute, as assessed by the GAC(P) and the GAC(S). If capacity to contribute is also considered to be a 'needs' factor then the share of funding targeted to additional needs grows to 40%.

**Table 6: Allocation of government recurrent grants to the SRS model (and other) funding categories in 2015\***

Funding category	Allocation (Total recurrent grants)	
	\$m	% of pool
<b>SRS model categories</b>		
Base	\$1,594.88	76.15%
Student with Disabilities	\$104.94	5.01%
ATSI students	\$4.82	0.23%
Low SES loading	\$76.89	3.67%
Low English proficiency	\$2.39	0.11%
Location loading	\$18.84	0.90%
Size loading	\$31.74	1.52%
<b>Other funding categories</b>		
Health Care Card (Low SES)	\$45.38	2.17%
Literacy and Numeracy	\$25.12	1.20%
School languages	\$4.24	0.20%
VET / VCAL	\$10.12	0.48%
Refugee support strategy	\$3.68	0.18%
ESL / New arrivals	\$2.84	0.14%
Students-at-risk	\$35.51	1.70%
Student wellbeing	\$8.18	0.39%
Professional development	\$8.75	0.42%
Enterprise system - technology	\$69.81	3.33%
Interest factor	\$31.08	1.48%
Assistance to new schools	\$2.40	0.11%
Maternity Leave	\$6.88	0.33%
Extended Sick Leave	\$1.51	0.07%
Strategic partnerships**	\$1.91	0.09%
Chaplaincy	\$2.46	0.12%
<b>Total</b>	<b>\$2,094.37</b>	

*\*Note that total grants in this table are less than the total recurrent grants received by Catholic systemic schools in 2015, because this table excludes direct payments to Catholic schools by the Victorian Government under the Camps, Sports and Excursions Fund programme.*

*\*\*Includes placed teachers and an arts program*

### 3.7 Accountabilities for government recurrent grants

Catholic education in Victoria is subject to rigorous financial accountabilities to both Catholic education authorities and governments. These provide comprehensive assurances to the community that grant funding is allocated and expended appropriately within Catholic schools in Victoria. Key accountabilities are detailed separately below. Public reporting undertaken by Catholic schools is also highlighted.

### 3.7.1 Catholic system processes and oversight

Catholic schools are required to follow processes to enable full disclosure of all school receipts and payments. Accordingly, the following requirements apply to school transactions:

- All school transactions are to pass through school accounts.
- School monies are not to be banked in non-school accounts.
- All payments relating to school expenditure are to be paid through school accounts.
- Only school staff performing duties specific to the operations of the school are to be included on the school payroll.

School transactions are monitored, assured and reported as follows:

- Schools prepare an Annual Financial Statement (AFS) each year. The AFS is a tailored financial report for schools, underpinned by a Chart of Accounts designed by the Catholic system based on instructions from the Australian Government. This Chart of Accounts allows schools to track their income, expenditure, assets and liabilities consistently and accurately.
- The AFS prepared by schools must be audited by an external, qualified party.
- The audited AFS, Audit Opinion and Conveyance Certificate (CC) are then provided by the external auditor to the school, the local school authority and the CEO in each diocese.
- CEOs and the CECV then report to governments (see below). The CC is provided to the Victorian Government while the Financial Questionnaire (FQ) (which is constructed from school AFSs) is provided to the Australian Government.

The CECV itself is a public company limited by guarantee, so must meet the extensive governance and financial reporting requirements of the *Corporations Act 2001*. As part of these the CECV has an Audit and Risk Committee of the Board, which oversees internal and external audits of CECV operations (including the activities of GAC(P), GAC(S) and GAC(TA)). There are corresponding structures within each diocesan CEO. Many Catholic schools are also incorporated and subject to the *Corporations Act 2001*.

### 3.7.2 Australian Government accountabilities

As part of its funding conditions (established through the *Australian Education Act 2013* and regulations), the Australian Government requires that schools provide the FQ to the Australian Government by 30 June each year. The FQ for each school must be based on an audited AFS. This requirement goes beyond that applied to government schools in Victoria, which must only undergo an independent financial audit at the local school level every four years.

In addition, each year the Catholic system must provide an audited acquittal report to the Australian Government for their recurrent funding and identify how funding was allocated across the various funding categories of the SRS model plus any other funding categories used by the system (see section 3.6). Under the Australian Education Regulations 2013, the CECV is required to have school funding arrangements that are designed along similar, needs-based principles to the SRS model. The Australian Government also applies public reporting requirements on Catholic schools (see below).

### 3.7.3 Victorian Government accountabilities

The Victorian Government applies financial accountability arrangements on Catholic schools through the school registration process (managed by the VRQA) and funding agreements between the Victorian Government and the CECV. In 2016 there are two key, separate funding agreements between the CECV and the Victorian Department of Education and

Training – the *Schools Funding Agreement* (covering State Recurrent Grants), and the *Funding and Service Agreements* (covering the Interest Subsidy Scheme, School Support Services and Youth Support Services). There is a further agreement for the Smarter Schools National Partnership.<sup>29</sup> These agreements and CECV accountabilities are currently under negotiation and will change in 2017.

As part of current arrangements, among other things:

- Catholic schools must have AFSs prepared and audited annually, by an independent auditor.
- The CECV must assure the Victorian Government (through a certificate provided by a registered auditor) that all funds paid to the CECV have been spent (or committed to be spent) for the purposes they were provided.
- The CECV must provide a report to the Victorian Government each year on SWD enrolled and programs provided by Catholic education and each school for SWD, in a specified format.
- Where relevant, the CECV is required to submit performance evaluation and financial statements to the Victorian Government (School Support Services, Youth Support Services, etc.).

#### **3.7.4 Public reporting**

Public reporting by Catholic schools provides a further form of financial accountability over public funds to the community. Under current arrangements:

- Catholic schools must release to the public an annual report (by 30 June each year), including a report of the school's financial activities. This is to specify school income broken down by funding source. This report is available on the school's website and the State Register operated by the VRQA.
- Financial information on Catholic school operations (including the recurrent grants they receive each year from the Australian and Victorian governments) is to be made available for public viewing on the *MySchool* website (along with a range of school performance data).
- The funding model used by the Catholic education system in Victoria to allocate Australian Government recurrent grants must be publicly available and transparent.
- Catholic schools must submit an Annual Information Statement and financial reports to the Australian Charities and Not-for-profits Commission (ACNC), for inclusion on the ACNC Register, which is publicly available.

The level of public reporting undertaken by Catholic schools is therefore extensive. There is some duplication in requirements. For example, the ACNC Register has created a fourth website with public information on Catholic schools (alongside *MySchool*, the State Register and the school's website).

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<sup>29</sup> These cover the Local Solutions Year 12 Retention Fund and the State National Partnership for School Improvement.



## 4. Allocation of capital grants

### Summary

Except in extraordinary circumstances, such as the Australian Government's *Building the Education Revolution* program, Catholic schools fund the vast majority of their capital expenditure through borrowings, donations and parental fees and charges.

The main program that provides capital grants to Catholic schools in Victoria is the Australian Government's Capital Grants Programme (CGP). Catholic schools in Victoria received \$23.2 million in 2015 under the CGP. These capital grants are allocated by Catholic Capital Grants (Victoria) Limited (CCG) through a needs-based, rigorous process in compliance with the requirements of the Australian Government. This process ensures that the allocation of capital grants favours schools that have high levels of educational disadvantage (as measured by the socioeconomic level of the school community) and projects for which schools can demonstrate genuine educational and financial need.

Under its Capital Funding Program for Non-Government Schools, the Victorian Government has committed to provide around \$84 million in capital grants to Catholic schools in Victoria from 2015–16 to 2018–19. Catholic schools in Victoria began to expend these grants in 2016.

As for recurrent grants, there are an extensive set of accountabilities applied to schools and projects that receive capital grants. Schools must demonstrate that they have spent grants (including any interest earned) only on the approved project and certify this upon project completion. They must also allow Catholic education and government authorities to inspect the project upon request. In addition, CCG is a public company limited by guarantee, so must meet the extensive governance and financial reporting requirements of the *Corporations Act 2001*.

This chapter discusses how capital grants are allocated to Catholic schools in Victoria. Section 4.1 describes how grants are allocated under the Australian Government's Capital Grants Program (CGP), which is the only ongoing government program that provides capital grants to Catholic schools in Victoria. Section 4.2 discusses the Victorian Government's Capital Funding Program for Non-Government Schools, which will provide capital grants from 2015–16 to 2018–19. Section 4.3 then summarises accountabilities for these programs.

### 4.1 The Capital Grants Programme

#### 4.1.1 Description and eligibility

The CGP provides funding to assist non-government primary and secondary school communities to improve capital infrastructure where they otherwise may not have access to sufficient capital resources. Its objectives are to:

- provide and improve school capital infrastructure, particularly for the most educationally disadvantaged students
- ensure attention to refurbishment and upgrading of capital infrastructure for existing students, while making provision for needs arising from new demographic and enrolment trends
- pursue the Australian Government's other priorities and objectives for schooling.<sup>30</sup>

<sup>30</sup> Expected outcomes include providing a better learning environment, addressing an area of particular educational disadvantage, responding to new demographic or enrolment trends, supporting teacher quality, supporting parental and community engagement, supporting safety for the school community, supporting the curriculum, supporting educational opportunities for Indigenous students, supporting education opportunities for students with a disability.



The Australian Government specifies several eligibility criteria for the CGP. Among other things, to be eligible for grants, non-government schools should:

- Demonstrate a financial need for the grant
- Demonstrate that the project will contribute to the objectives of the CGP
- Demonstrate that the school has an appropriate maintenance plan in place and is able to meet the ongoing running cost of its facilities (or, for new schools, a proposed maintenance plan)
- Be proposing a project that is consistent with sound educational planning.

Various exclusions also apply to the type of facilities that can receive funds.<sup>31</sup>

A further criterion is that schools be a member of a Block Grant Authority (BGA). The Australian Government then delegates key administrative and management responsibilities to BGAs. BGAs are responsible, for example, for recommending how funds should be expended to the Minister for Education and Training. The BGA for the Victorian Catholic sector is Catholic Capital Grants (Victoria) Limited (CCG (Vic)) (see section 2.2). Total funding under the CGP for all non-government schools across Australia was about \$140 million in 2015. Of this, CCG received \$23.2 million.

#### **4.1.2 Allocations by Catholic Capital Grants (Victoria) Ltd**

This section summarises grant allocations processes for the CGP in Victorian Catholic schools. The processes applied by the CCG comply with Australian Government requirements. As highlighted in section 2, the CCG contains three committees – the CCG Committee (Primary), the CCG Committee (Secondary) and the CCG Committee (Joint).

##### ***Allocations between grants allocation committees***

Capital grants are allocated between grants allocation committees proportionately based on the enrolments of schools within CCG (Vic), after a 3% administration fee has been deducted. An amount is also distributed by a joint committee to promote consistency across school types in the schools receiving grants. Thus, once the administration fee has been deducted:

- The proportion of funds subject to the recommendations of the CCG Committee (Primary) is usually the proportion of enrolments in Catholic primary schools which have joined CCG (Vic) to total enrolments, multiplied by 90%.
- The proportion of funds subject to the recommendations of the CCG Committee (Secondary) is usually the proportion of enrolments in Catholic secondary schools which have joined CCG (Vic) to total enrolments, multiplied by 90%.
- The proportion of funds subject to the recommendations of the CCG Committee (Joint) is the difference between the total amount available to Catholic schools in CCG (Vic) and the sums allocated above. Funding is not always provided to this Committee. It convenes on an ‘as needed’ basis, usually when the above committees consider there are borderline projects that should be assessed from a wider perspective.

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<sup>31</sup> For example, funds are not available for facilities which have religious worship as a principal purpose.

## **Allocations of grants to schools**

The annual allocation of CGP funding to Victorian Catholic schools is determined by the Australian Government Minister for Education and Training based on the recommendations of CCG. CCG makes its recommendations after calling for applications followed by a two-stage assessment process. Schools have the right to appeal against Committee decisions. The processes are summarised below.

### **Call for applications**

CCG (Vic) notifies schools when applications for CGP funding open each year and advises them of project eligibility criteria. Applications are usually required 12 to 18 months prior to CGP funding being allocated, to allow for assessment and approval processes to be completed.

### **Stage 1 assessment**

The first assessment stage involves a short-listing of applications made by schools. The assessment process runs as follows:

1. Committees rank projects according to the level of 'educational disadvantage' of the student population at the applicant school. School SES scores are used for this purpose. When the level of educational disadvantage is comparable between schools, committees distinguish projects according to various secondary criteria.<sup>32</sup>
2. Committees assess the 'educational need' for the project. Need is assessed as high, medium or low. In general terms, committees must be satisfied that the project will bring the level of facilities at the school up to the standard of comparable schools.<sup>33</sup>
3. Committees assess school's 'financial need' for proposed projects. Financial need is defined as the estimated total cost of a capital project less the maximum financial contribution a school authority can make.

This process results in a prioritised listing of projects and their estimated need for capital grants. The committees then apply a cut-off point to this list set by the available funds. Projects above the cut-off point are shortlisted for Stage 2 assessment.

### **Stage 2 assessment**

The second assessment stage involves detailed study of shortlisted projects. Schools that are short-listed in the Stage 1 assessment are asked to produce final sketch plans and estimates for their projects. Committees then reassess applications with this information.

The reassessment involves two main steps:

1. Finalisation of a school's contribution to the project. Schools are asked to agree to a contribution toward the project as proposed by committees. Once a school contribution has been agreed this must be endorsed by the school's owners.
2. Confirmation that the project is within guidelines on cost and area – based on the final sketch plans and estimates, including any variations to the project requested by the school.

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<sup>32</sup> Criteria include the relative contribution of the projects to the objectives of the CGP, the appropriateness of the cost, size and use of the facilities to be funded in relation to sound educational planning, and the condition and suitability of existing school facilities in relation to the level of facilities needed.

<sup>33</sup> This assessment is based on the area and cost guidelines. The overall area guideline applied is 6.13m<sup>2</sup> per student in primary schools and 9.75 m<sup>2</sup> per student in secondary schools. All areas used by the school are included in this measurement, although unenclosed travel areas are excluded. Provided these standards are not exceeded, schools are free to plan the type of functional spaces they require.

Once the Stage 2 assessment is completed, a committee's final recommendations are forwarded to the Board for approval in an annual schedule of proposed projects. This annual schedule is forwarded for approval to the Minister for Education and Training. If ministerial approval is granted, CCG make an initial offer of a grant to the school, advising the school to proceed to tender which allows a final grant to be determined.

### Review and appeals procedure

Applicant schools have the right to appeal against the decisions of the committees under certain circumstances.<sup>34</sup> In the first instance, the application the subject of an appeal is reviewed by the committee which made the original decision and then by the CCG (Vic) Board. If the decision of that review does not satisfy the applicant then the application is reviewed by an independent appeals tribunal. This tribunal reports its findings to the CCG (Vic) Board.

#### 4.1.3 Project List for 2015

Each year CCG submits a schedule of recommended projects to the Australian Government for the CGP (the 'Project List'). Approved projects may receive grants under the CGP over a number of years. For this reason, the Project List in any given year need not match the annual funding received. CCG has the responsibility to ensure over time that the capital grants it receives are sufficient to fund approved projects (including projects approved in previous years) and the timing of cash flows.

The Project List for the 2015 Schedule Year is provided in Table 7. These projects may receive the specified capital grants over 2015, 2016 and 2017. For this reason, total capital grants shown in Table 7 do not equate to the \$23.2 million received by CCG in 2015.

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<sup>34</sup> The applicant school must believe that: the Committee did not accurately assess or apply the data to determine either educational need or financial need and/or; the Committee did not accurately assess the level of educational disadvantage of the students at the school and/or; the school's application was not processed according to the *Capital Grants Programme Operating Manual*.

**Table 7: Project List for the 2015 Schedule Year under the Capital Grants Programme**

School	Suburb	Project description	Project cost	Grant*	School contribution
Immaculate Heart of Mary Primary School	Newborough	Construction of general learning areas, refurbishment of administrative space and associated works.	\$2,100,000	\$1,330,000	\$770,000
MacKillop Catholic Regional College	Werribee	Construction of eight general learning areas and associated works.	\$3,770,000	\$500,000	\$3,270,000
Sacred Heart School	Colac	Reconstruction of staff and administration facilities.	\$1,200,000	\$1,060,000	\$140,000
Sacred Heart Primary School	St Albans	Construction of general learning areas with collaborative learning spaces and associated works.	\$5,800,000	\$2,200,000	\$3,600,000
St Gerard's Primary School	Dandenong North	Demolition of buildings and the construction of flexible, general learning areas and student amenities.	\$2,470,000	\$2,390,000	\$80,000
St Liborius' School	Eaglehawk	Refurbishment of administration space to specialty areas.	\$1,380,000	\$1,300,000	\$80,000
St Thomas Aquinas Catholic School	Norlane	Demolition and the refurbishment of three classrooms. Construction of a resource space and associated areas.	\$1,230,000	\$1,000,000	\$230,000
Mercy Regional College	Camperdown	Construction of eight general learning areas and associated spaces. Demolition of existing science facilities and portable classrooms.	\$2,450,000	\$2,400,000	\$50,000
Holy Eucharist School	St Albans South	Construction of administration facility and associated areas.	\$980,000	\$400,000	\$580,000
Our Lady's Primary School	Wangaratta South	Refurbishment of general learning areas.	\$1,190,000	\$1,100,000	\$90,000
St Dominic's Primary School	Melton	Demolition and reconstruction of student amenities and general learning areas.	\$1,260,000	\$1,250,000	\$10,000
Our Lady's Primary School	Craigieburn	Construction of a Year 5–6 centre and associated works.	\$2,000,000	\$1,000,000	\$1,000,000
Catholic Regional College	Melton West	Construction of a Year 9 Learning Centre.	\$2,500,000	\$1,450,000	\$1,050,000
St Catherine's Primary School	Lalor West	Construction of a learning neighbourhood consisting of four general learning areas and break out spaces.	\$1,500,000	\$1,320,000	\$180,000

School	Suburb	Project description	Project cost	Grant*	School contribution
St Ignatius College Geelong	Drysdale	Construction of general purpose learning areas and associated works.	\$4,200,000	\$2,100,000	\$2,100,000
Good Samaritan Catholic Primary School	Roxburgh Park	Construction of general learning areas, their associated spaces and external works including car parking.	\$1,800,000	\$1,000,000	\$800,000
Penola Catholic College	Broadmeadows	Reconstruction of multi-purpose sports and assembly hall including staff facilities and storage areas.	\$2,620,000	\$1,150,000	\$1,470,000
Thomas Carr College	Tarneit	Construction of a performing arts centre.	\$4,530,000	\$1,000,000	\$3,530,000
Catholic Regional College	Caroline Springs	Construction of a specialist learning area to create a Technology Centre.	\$1,400,000	\$950,000	\$450,000
St Lawrence Catholic Primary School	Derrimut	Construction of a multi-purpose facility, general learning spaces and associated spaces.	\$3,200,000	\$2,000,000	\$1,200,000
St Francis of Assisi Catholic Primary School	Tarneit	Construction of three general learning areas, a central specialist area and student amenities.	\$1,400,000	\$1,250,000	\$150,000
St Joseph's Flexible Learning Centre	North Melbourne	Demolition and the reconstruction of learning spaces, specialist spaces for Hospitality and student amenities.	\$2,250,000	\$750,000	\$1,500,000
St Mary of the Cross Catholic Primary School	Point Cook	Construction of Learning Community, administration facilities and associated site works.	\$2,500,000	\$1,300,000	\$1,200,000
St Thomas the Apostle Catholic Primary School	Cranbourne East	Construction of double storey building comprising of four general learning areas and associated spaces and external works.	\$1,900,000	\$1,300,000	\$600,000

\*Includes CGP interest

## 4.2 The Victorian Government Capital Funding Program

### 4.2.1 Description and eligibility

Under its Capital Funding Program for Non-Government Schools, the Victorian Government has committed to provide around \$84 million in capital grants to Catholic schools in Victoria from 2015–16 to 2018–19.

This funding is directed to two categories of projects:

- New places – building new schools and expanding capacity at existing schools in areas of Victorian experiencing significant enrolment demand
- Facility upgrades – upgrading facilities in existing schools according to need.

The Victorian Government's requirements for the administration of this program are set out in operational guidelines.

As a funding condition, Catholic schools must match the contribution of the Victorian Government to projects (in aggregate, over the life of the program)<sup>35</sup>. To be eligible for funding, schools must have independent costings for the proposed project, including cash flow, and evidence of contingency planning and plans. The project must also have a timing schedule indicating construction can begin within 12 months of the announcement of funding and can be completed within a further 12 months (although extensions and exceptions can be sought).

The assessment criteria for projects include<sup>36</sup>:

- Enrolment demand
- Location
- Condition
- Financial and socio-economic need
- Project outcomes
- Project readiness.

Applications are assessed against these criteria and those which best meet the criteria are prioritised for funding. The criteria carry equal weighting in this assessment.

Under program conditions, the capital grants are not available for:

- Retrospective assistance
- Places of worship
- Purchase of cars, buses and other vehicles
- Staff salaries and training
- Ongoing administration costs
- Playground equipment
- Toys, consumables and appliances
- Routine maintenance
- Purchasing land, with or without existing buildings.

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<sup>35</sup> Note that in-kind contributions, land costs (for new schools) and other government grants) are excluding from the calculation of the co-contribution by Catholic schools.

<sup>36</sup> Some criteria are only relevant to a specific project type – for example, “enrolment demand” is only relevant to projects that create “new places” in Catholic schools.

The program is divided into three rounds of funding:

- For Round 1, applications opened in October 2015, successful schools were announced in June 2016 and funding agreements were signed by August 2016
- For Round 2, applications opened in October 2015, successful schools will be announced in November 2016 and funding agreements are due to be signed by January 2017
- For Round 3, applications opened in October 2016, successful schools will be announced in November 2017 and funding agreements will be signed by January 2018.

#### **4.2.2 Role of the Catholic Capital Grants (Victoria) Ltd**

CCG administers the Capital Funding Program for Non-Government Schools in a very similar way to the CGP, and it has analogous roles and responsibilities. CCG is responsible for advising Catholic schools about the program, coordinating submissions by Catholic schools, reviewing submissions and recommending funding to the Victorian Department of Education and Training (DET). After each round CCG submits a business case to the Victorian DET outlining recommendations for funding. The business case includes:

- A list of all applications
- A brief description of the projects associated with each application
- The level of assistance recommended for each successful applicant
- The reasons for the recommendation
- A summary of the total co-contributions for all recommendation projects and the total amount of funding allocation for building new places.

The Victorian DET then assesses the business case and provides advice on funding allocations to the Minister for Education. The Minister determines the successful projects and the grant funding allocated.

As for the CGP, CCG is permitted to deduct a 3% administration fee for its role administering the project within the Catholic sector.

#### **4.2.3 Project List for Round 1**

To date, successfully projects have been announced under Round 1 of this program. These projects related to election commitments made by the Victorian Government during the 2014 election (which also satisfy all eligibility and assessment criteria for the program). The successful projects are listed in Table 8.



**Table 8: Project List for Round 1 of the Victorian Government Capital Funding Program for Non-Government Schools 2015–16 to 2018–19**

School	Suburb	Project description	Project cost	Grant*	School contribution
St Ignatius College	Drysdale	Construction of a multi-purpose hall	\$4,000,000	\$2,000,000	\$2,000,000
St Martin of Tours Primary School	Rosanna	Refurbishment of 10 classrooms and art room	\$3,000,000	\$1,500,000	\$1,500,000
Applied Learning Centre, Nazareth College	Noble Park North	Stage 2 works: Refurbishment of the VCAL centre, food technology rooms and toilets	\$1,000,000	\$1,000,000	\$0
St Francis Xavier Primary School	Montmorency	The refurbishment of the main building including 7 general purpose learning areas and associated works	\$1,700,000	\$850,000	\$850,000
Our Lady of Lourdes	Prahran East	The reconstruction of classrooms	\$1,200,000	\$600,000	\$600,000
St Patrick's Primary School	Stawell	The demolition of portable buildings and the construction of general learning areas	\$1,200,000	\$500,000	\$700,000

### **4.3 Accountabilities for government capital grants**

Accountabilities under the two capital grants programs are described below. In addition to these program-specific accountabilities, CCG is a public company limited by guarantee, and therefore must meet the extensive governance and financial reporting requirements of the *Corporations Act 2001*.

#### **4.3.1 Capital Grants Programme (Australian Government)**

In the terms and conditions of its membership, CCG requires schools which receive grants under the CGP to comply with a number of requirements (consistent with those set out by the Australian Government). These ensure that funds are expended for the purposes they are allocated. Key requirements include that schools must:

- spend the grant (including any interest earned) only on the approved project, as soon as possible during the program year in which funds are provided
- obtain prior approval for any amendments to the approved project
- enter into a legally binding contractual arrangement to proceed with the project before the end of the year in which the first instalment of the grant is payable (unless approved by the Australian Government)
- contribute at least the amount specified as the school contribution
- certify upon project completion (through documentation from architects and accountants) the total expenditure and grant received for the project, that the project is completed in accordance with the approved project description, and that the grant monies were spent only on the approved project
- allow CCG and/or the Australian Government to inspect the project.

The relevant documentation provided by schools to CCG (Vic) must ultimately be submitted to the Australian Government. Each year the CCG (Vic) must submit a Financial Accountability Report to the Australian Government. This consists of:

- An audited statement of income and expenditure in relation to all CGP grants received by CCG and total expenditure by CCG
- Details of all accounts operated by CCG in which CGP funds are held
- A list of payments made to schools
- A schedule of completed projects
- The certifications for projects provided by architects and accountants— certifying that the project is completed in accordance with the approved project description, and that grant monies were spent only on the approved project.

#### **4.3.2 Victorian Government Capital Funding Program**

The Catholic sector has significant accountabilities for this program. These are similar to those for the CGP, and ensure all grants (including interest) are only expended on approved capital projects and that these projects are delivered as approved.

Under this program:

- CCG must establish a separately identifiable account for the program, with all grant amounts received from the program paid into this account
- CCG must provide reporting updates to DET on a monthly basis. These reports must include information on the progress, schedule, scope, financial status and risks and issues of each approved project
- Approval must be sought from the Victorian DET for material changes in the project scope or any extension in the project end date by more than 2 months
- CCG must provide annual reports to DET, including:
  - an audited statement of income and expenditure in relation to all grants distributed through the program and total expenditure
  - details of all accounts operated by CCG in which funding for the program is held and copies of account bank statements
  - a list of payments made to schools
  - a schedule of completed projects
  - confirmation that for each completed project the school has provided a declaration by the project supervisor or architect that the project is completed in accordance with the approved scope
  - reconciliation of undisbursed funds
  - an explanation of the status of un-acquitted projects
  - a certificate by a Qualified Accountant stating whether an amount equal to the grant paid to CCG by the Victorian Government for that program year has been spent (or committed to be spent) for that program year and for the purposes for which it was granted.
- Staff from the Victorian DET has the right to inspect facilities for which capital assistance was provided.

CCG imposes corresponding requirements on Catholic schools which receive grants through legally binding agreements for each project. The agreements include a list of minimum clauses provided by the Victorian DET.

## Appendix A GAC(P) funding model output summary

CECV Grants Allocation Committee (Primary) Victorian Primary Budget 5th Version 2016				Updated 16/05/2016		
A	Victorian Notional Systemic Draft Budget	Total CECV	Melbourne	Ballarat	Sandhurst	Sale
B	Victorian Systemic Notional Income					
B1	Australian Government Recurrent Grants	835,216,434	594,370,358	83,432,064	79,741,327	77,672,685
B2	Students First Support Fund	1,937,809	1,426,411	170,994	167,682	172,722
	Total Australian Government Funding	837,154,243	595,796,769	83,603,058	79,909,009	77,845,407
B3	State Government Recurrent Grants	222,508,564	156,908,733	23,282,031	22,574,987	19,742,813
B4	Total Government Recurrent Grants	1,059,662,807	752,705,502	106,885,089	102,483,996	97,588,220
B5	Q/C - Private Income for Recurrent Purposes	133,052,407	102,373,308	10,190,957	9,846,088	10,642,054
	VICTORIAN SYSTEMIC NOTIONAL INCOME TOTAL	1,192,715,214	855,078,810	\$117,076,046	\$112,330,084	\$108,230,274
C	Victorian Systemic Notional Expenditure					
C1	Central Systemic Costs					
C1-1	Consultancy Budget	17,595,613	11,670,560	2,423,885	1,885,244	1,615,924
C1-2	Leadership, professional and teacher development	4,704,526	3,462,975	415,132	407,091	419,328
C1-3	Accrual Accounting Transition	400,000	100,000	100,000	100,000	100,000
C1-4	Recurrent Technology Needs - SLA and dioceses	3,613,168	3,168,571	148,199	148,199	148,199
	Total	26,313,307	18,402,106	3,087,216	2,540,534	2,283,451
C2	Direct GAC(P) Targeted Support to Schools					
C2-1	Health Care Card	22,253,223	15,725,223	2,317,799	2,368,565	1,841,636
C2-2	Assistance to new schools	1,172,044	849,317	0	0	322,727
C2-3	Educational Disadvantage (SFO)	10,670,800	7,680,699	936,071	950,870	1,103,160
C2-4	Low English Proficiency loading (LEP)(LBOTE)	2,414,916	2,279,260	43,798	25,045	66,813
C2-5	Low SES (including SSNP schools - cc150)	46,151,728	30,671,423	4,847,739	5,158,598	5,473,968
C2-6	Size Loading - Recurrent	29,084,232	16,487,412	5,893,026	3,832,625	2,871,169
C2-7	Location loading	6,713,351	304,781	3,989,785	1,275,661	1,143,124
C2-8	Students at Risk (Column S)	24,007,742	17,216,433	2,391,385	2,185,082	2,214,842
C2-9	Student Wellbeing (Column W)	10,756,158	7,622,797	1,133,562	1,026,630	973,169
C2-11	Special and Special Assistance School "systemic subsidy" (SWD)	9,425	0	0	9,425	0
	Total	153,233,619	98,837,345	21,553,165	16,832,501	16,010,608
C3	Targeted areas support approved by GACP & administered by					
C3-1	Indigenous (ATSI)	2,553,879	950,043	664,009	603,644	336,183
C3-2	Student Services (CC 221 only)	2,853,855	1,141,545	570,770	570,770	570,770
C3-3	SWD-LNSLN	72,700,000	52,336,802	7,148,590	6,637,686	6,576,923
C3-4	Literacy and numeracy - diocesan share	20,495,247	15,030,036	1,821,099	1,774,784	1,869,328
C3-5	Refugee Strategy	2,124,600	1,783,896	95,704	149,296	95,704
C3-6	New Arrivals	2,982,382	2,147,020	293,257	272,299	269,806
C3-7	Youth Support (suicide prevention - State)	0	0	0	0	0
C3-8	Languages - Finding Your Voice Strategy 2015-2016	3,758,334	2,756,146	333,946	325,453	342,790
C3-9	Facilitation Program for School Improvement (State) - low SES	0	0	0	0	0
	Total	107,468,297	76,145,488	10,927,374	10,333,932	10,061,503
C4	School-based Central Costs					
C4-1	Copyright	2,514,806	1,844,215	223,452	217,769	229,370
C4-2	Recurrent Technology Needs includes C.N.A (CC 217)	15,851,926	8,637,881	3,008,217	2,264,677	1,941,151
C4-3	ICON Budget - Primary Contribution (CC 225)	12,000,000	7,979,540	1,626,598	1,289,003	1,104,859
C4-4	Long Service Leave provision (CC 207)	10,700,306	7,793,904	1,021,107	991,350	893,944
C4-5	Demountables (CC 219)	200,000	55,944	46,154	0	97,902
C4-6	Teacher development - graduate induction (CC 215)	800,000	586,674	71,084	69,276	72,966
C4-7	SCIS web bulk subscription (CC 221)	91,868	67,371	8,163	7,955	8,379
C4-8	Strategic Partnerships (CC 213)	954,935	700,294	84,850	82,693	87,098
	School-based Central Costs Total	43,113,841	27,665,823	6,089,625	4,922,723	4,435,670
C5	Central Systemic Costs - prior year unexpended	810,686	593,564	73,065	70,625	73,432
C	TOTAL SYSTEMIC CENTRAL COSTS	\$330,939,750	\$221,644,326	\$41,730,445	\$34,700,315	\$32,864,664
C6	FUNDS AVAILABLE TO DIOCESES	\$861,775,464	\$633,434,483	\$75,345,601	\$77,629,770	\$75,365,610
	FUNDS AVAILABLE TO DIOCESES	Total CECV	Melbourne	Ballarat	Sandhurst	Sale
		\$861,775,464	\$633,434,483.3	\$75,345,601.4	\$77,629,769.5	\$75,365,609.7
D	Diocesan based expenses					
D1	Other recurrent costs	162,926,689	118,602,167	15,075,887	14,387,112	14,861,523
D1-1	Net ORC (less fees and ORI factor)					
D2	Diocesan needs based requirements - 'below the line'	16,129,843	7,663,971	1,571,623	3,083,938	3,810,311
D3	Interest factor	12,000,000	9,708,315	799,972	618,394	873,319
D4	Global Budgeting Schedule	640,976,002	469,072,733	57,659,466	56,074,358	58,169,445
D5	Additional diocesan allocation (below the line)	13,358,664	9,899,505	1,226,992	1,179,076	1,053,090
D6	Current risk adjustment in global budgeting schedule	0	0	0	0	0
D7	Paid maternity leave funded by Dioceses	6,828,900	4,999,947	615,472	594,921	618,560
D8	Extended sick/carers leave replacement costs - Diocese funded	1,544,382	1,130,757	139,191	134,544	139,890
D9	Funds distributed according to diocesan share	8,010,984	5,865,438	722,011	697,902	725,633
	Total Diocesan based expenses	861,775,464	\$626,942,833	\$77,810,614	\$76,770,245	\$80,251,772
E	Total expenses	1,192,715,214	\$848,587,160	\$119,541,059	\$111,470,559	\$113,116,436
F	Diocesan Share - Victorian Primary Budget 2016					
B4	TOTAL GOVERNMENT GRANTS AVAILABLE	\$1,059,662,807	\$752,705,502	\$106,885,089	\$102,483,996	\$97,588,220
C2	LESS CENTRAL SYSTEMIC COSTS	\$330,939,750	\$221,644,326	\$41,730,445	\$34,700,315	\$32,864,664
G	AVAILABLE FOR DISTRIBUTION - TOTAL	\$728,723,057	\$533,552,513	\$65,678,060	\$63,484,968	\$66,007,589
H	Diocesan share %		73.2175%	9.0128%	8.7118%	9.0580%

## Appendix B GAC(S) funding model output summary

CECV Grants Allocation Committee (Secondary) Funding Formula 2016		
FUNDING MODEL ITEM	TOTAL CECV \$	
→ <b>System notional need for funding (extracted from the SRS model)</b>	<b>1,525,600,361</b>	
Base funding	1,287,994,191	
ELP Loading	3,674,263	
ATSI Loading	1,900,420	
Low SES Loading	118,975,419	
SWD Loading	100,099,143	
Size Loading	4,495,114	
Location Loading	8,461,811	
→ <b>Capacity to contribute (total)</b>	<b>364,650,266</b>	
<b>System notional need for public funding</b>	<b>1,160,950,095</b>	
<b>Total estimated government recurrent grants</b>	<b>1,093,704,537</b>	
Estimated Australian Government grants (less risk reserve)	886,951,498	
Estimated Victorian Government grants	-8,411,114	
Estimated shortfall in grants relative to notional need	<b>67,245,558</b>	
→ <b>System adjustments</b>	<b>124,469,890</b>	
Funding transferred to GAC(TA)	61,798,989	
Students with Disabilities	44,393,312	
Literacy and numeracy	3,935,857	
English as second language / new arrivals	421,875	
Refugee Support	2,018,000	
Aboriginal and Torres Strait Islander	2,220,619	
Languages	841,666	
VET/VCAL	7,967,660	
Health Care Card (targeted area)	28,250,600	
Interest Factor (targeted area)	19,505,174	
Assistance to new schools (targeted area)	598,846	
ICON (central costs)	7,000,000	
CNA (central costs)	7,316,281	
→ <b>Funding for distribution to schools by GAC(S)</b>	<b>1,017,589,267</b>	
School notional need funded by government	969,234,647	
Health Care Card (targeted area)	28,250,600	
Interest factor (targeted area)	19,505,174	
Assistance to new schools (targeted area)	598,846	
Transition realignment embedded in distributions	<b>45,639,097</b>	

Estimate of system "notional need" for funding is taken from the Australian Government's SRS model

This is calculated using school SES scores and tailored CECV formulas

Adjustments to school allocations and the GAC(S) funding pool for targeted areas, central costs and to fund programs administered by GAC(TA)

This is the total amount of funding allocated by GAC(S). This includes some targeted areas

# The needs-based funding arrangement for the NSW Catholic Schools system

The Catholic Education Commission of New South Wales (CECNSW) is the Approved System Authority (ASA) for the NSW Catholic Schools System educating 218,000 students in 545 schools.

## Background

From 2014, as the Approved System Authority for the largest non-government system in Australia, the Catholic Education Commission NSW, was necessarily required to transit slowly and carefully from its pre-2014 model for distributing Commonwealth and NSW Government grants across all 545 schools in the NSW Catholic system. The introduction of the *Australian Education Act 2013* and the associated *Regulation* provided an unprecedented specification of the elements required for any system grants distribution methodology, especially through *Regulation 61*. Following the Commonwealth legislation, the *NSW Education Act* was amended to align both Commonwealth and State grants mechanisms for NSW non-government schools and the Catholic system. Accordingly, there was no time to implement any significant change for the 2014 school year, but the process of analysis, deliberation and decision-making was undertaken in 2014 and into 2015.

As now publicly known through the Senate Estimates hearing of 1 June 2017, the NSW bishops commissioned a former member of the Gonski Review Committee, Kathryn Greiner, in July 2015 to undertake a review of the administrative structure of Catholic schooling in NSW including the development of a new government grants distribution model for the Catholic system. This work was undertaken in conjunction with a major international accounting firm (Deloitte) and her report presented to the NSW Bishops in April 2016. Meanwhile, the CECNSW had progressively introduced a new grants distribution model in 2016, which was further, refined for 2017. Following the Greiner report, the NSW Bishops established a Taskforce that led to the development of a new body called *Catholic Schools NSW* (CSNSW), which will become the Approved System Authority for government grants from 1 January 2018. One of the immediate tasks of CSNSW will be to finalise the NSW Catholic system's grants distribution model for the foreseeable future in line with current Australian and NSW Government legislation.

## Summary of the needs-based funding arrangement - the “system methodology”

The needs-based funding arrangement under which CECNSW, in its capacity as ASA, distributes government recurrent grants to schools in 2017 is summarised below.

Total recurrent funding grants from both the Commonwealth and NSW State governments are considered as one pool of funds.

Funds are distributed to schools in a two –stage “cascade” system. In the first stage, the Approved System Authority distributes funds to the eleven constituent dioceses within the NSW Catholic school system. In the second stage, the Catholic Schools office (CSO) or Catholic Education Office (CEO) in each diocese deploys the funds it receives from the CECNSW for the benefit of its own schools.

## Stage One: Distribution of grants from the Approved System Authority to diocesan CSO/CEO

The first stage of this cascade process, the distribution to dioceses, is based on a funding allocation model approved by the NSW Bishops with a structure closely resembling the AEA model, albeit with different values for some key parameters. The elements of this model are:

- A Student Resource Standard (SRS) amount per student is specified for Primary and Secondary schools. The value of these SRS parameters have, in the years up to and including 2017, been set at higher values than the SRS used in the AEA because they need to be related to actual school costs. For 2018, the values have yet to be specified but are likely to be closer to AEA values because the SRS values in AEA have been revised upwards.
- These SRS amounts are reduced by an estimate of the capacity-to-contribute of each diocese's community of schools. The CTC% curve for secondary schools is the same as that used in the AEA but the Primary school curve is lower at higher SES values than that used in the AEA. While this primary-school CTC% curve requires a greater effective contribution of school fees from higher SES primary schools as compared to lower SES schools, the differential is not as great as in the AEA. This is because the NSW Bishops have taken the view that a Catholic primary school education should be affordable regardless of SES and the fact that significantly higher fees may result in a significant loss of enrolments, which would generate further costs for the State system.
- Loadings for disadvantage are then determined for each type of loading under the AEA. Loadings for SWD have been increased to approximate the level of AEA SWD loadings. Other loadings are calculated in a similar fashion to those in the AEA, with one major exception. The sum of the SRS less CTC plus loadings, excluding the Low SES loading, is calculated and compared with the Total grants received. The difference is then applied as the Low SES loading – in other words, the Low SES loadings acts as the required balancing item to ensure distributions to dioceses equals the grants received.

The total funds calculated as above are then provided as cash grants to the 11 dioceses.

Note that allocations to dioceses have evolved considerably since the first year of introduction of the AEA in 2014, reflecting a progressive realignment of funding following the principles specified in the AEA and Regulation 61.

## Stage two: Diocesan CSO/CEOs deployments of funds for schools

The dioceses then deploy the funds apportioned to them by CECNSW for the benefits of their schools. Please note:

- The term “deploy” is used rather than the term “distribute” because the dioceses typically spend the funds centrally for the benefit of schools.
- The diocesan grant amounts are expended primarily on teachers' and other staff salaries,
- Grant “allocations” to schools are provided through the mechanism of a staffing allocation methodology, based on an allocation of teacher full time equivalents (fte) to each school.

Base cost amounts for schools are based on the following parameters:

- Teaching fte allocations are based on the number of students at the school and the student-teacher ratios defined in the NSW Catholic Schools Enterprise Agreement.
- Non-teaching staff resources are based on student enrolments with reference to appropriate industrial agreements.
- Salaries costs are based generally on average historical staff costs adjusted by salary increases specified in the NSW Catholic Enterprise agreement.



Extra funding resources are provided in the form of direct and indirect loadings. Direct loadings are the loadings for SWD, ATSI and ESL students where, extra teaching staff time is provided based on the number of these SWD, ATSI and ESL students respectively. Indirect loadings include the Low SES, Size and Location loadings where these loadings depend on adjustments of the total overall staff resources applied to meet the disadvantage at that school.

Diocesan allocations of fte's to schools are often very complex, reflecting decisions by panels of education experts in dioceses responding to particular perceived needs of student groups or school communities. For example, a recent initiative has been to provide extra resources to address matters of student well-being that have surfaced across all socio-economic groups.

In relation to the policies for Private source income, the following applies:

- School fees vary widely across dioceses. In four dioceses, schools set the tuition fees locally while, in the remaining dioceses, tuition fees are set by the diocesan CSO/CEO. The degree of differentiation of fee levels varies considerably across dioceses with a trend to greater differentiation in line with the principles of the AEA.
- The characteristics that generally apply are reductions in fees for families who cannot afford the fees or are experiencing financial hardship and for sibling discounts. These reductions appear in the financial figures in the form of the collection rate for fees.

As a result of these funding arrangements, at the detailed level, there are eleven different, but broadly comparable, distribution methodologies reflecting the differing needs and priorities of different school communities across the eleven dioceses.

## Other Key points of the methodology:

Government general recurrent grants funds, from both the Commonwealth and the State, as well as any interest earned on those funds prior to their expenditure are regarded as one pool of funds and expended accordingly. For the purposes of this document, that pool of funds is referred as the Total GRG.

The Total GRG for any year is entirely expended within the year on eligible school related items. None of the Total GRG is retained as surplus funds. This means that any surplus funds that are retained are derived solely from private income sources, which are predominantly school fees from parents. A signoff by the NSW CEC is provided to the Commonwealth government to that effect and that signoff is externally audited.

CECNSW, as Approved System Authority, effectively receives a lump sum for the Commonwealth and separately from the State of NSW. These sums are expended entirely for the benefit of school students at schools within the system.

Funds are not provided as cash grants to individual schools but rather, the CSO/CEO in each diocese expends the funds on the schools behalf mainly through paying for staff salaries centrally at the diocese.

The reporting of government grants for individual schools is carried out following the guidance of ACARA and its auditors.

Schools fees and other income from private sources are only spent or committed to be spent on school related activities. In addition, private income is generally not all spent in the year in which it is received because it is necessary and prudent to reserve some of these funds for future non-recurrent needs.

## The need for reserves

Given that there appears to be some misconceptions regarding cash reserves, the following comments address the need for reserves.

The Australian Charities and Not-for-Profit Commission has publicly stated that charities, (including the NSW Catholic Schools System), need to maintain a sufficient level of reserves to ensure their financial viability and to plan for future activities. The Financial viability requirements in both Australian and NSW legislation strengthen that position.

More specifically, the need for funds to be retained for reserves includes:

- Provision for long-service leave and other leave entitlements, which are generally provided for in cash within the not-for-profit sector
- Amounts of income used to cover depreciation and amortisation expenses which are non-cash expenses but are nonetheless necessary to cover future capital replacement and refurbishment cost
- Funds for new and expanded school facilities to meet enrolment demand from population growth and other factors.
- Working capital reserve is required in every organisation to ensure financial viability in the event of delays in receipt of payments or other risks. Note that for the NSW Catholic schools system, expenditure is approximately \$3 billion per year or about \$250 million per month. Therefore, a reasonable reserve amount might be three months of expenditure, which equates to approximately \$750 million.

### Financial data collections by school.

CECNSW provides detailed information to the Australian Department of Education and Training (AGDET) each year for each school in the form of the Financial Questionnaire and the Block Allocations under the Financial Accountability process. Detailed audited financial statements and reconciliations support this data.

This data is then used to create the data reported by ACARA on the publicly accessible Myschool website and also the data reported on publicly available website of the Australian Charities and Not-for Profits Commission (ACNC).

The data for the previous year 2016 is currently being prepared for submission to AGDET before the due date of 30 June 2017. Consequently, the most recent data set available is that for the 2015 year, already available on the MySchool website.

~~~~~end~~~~~