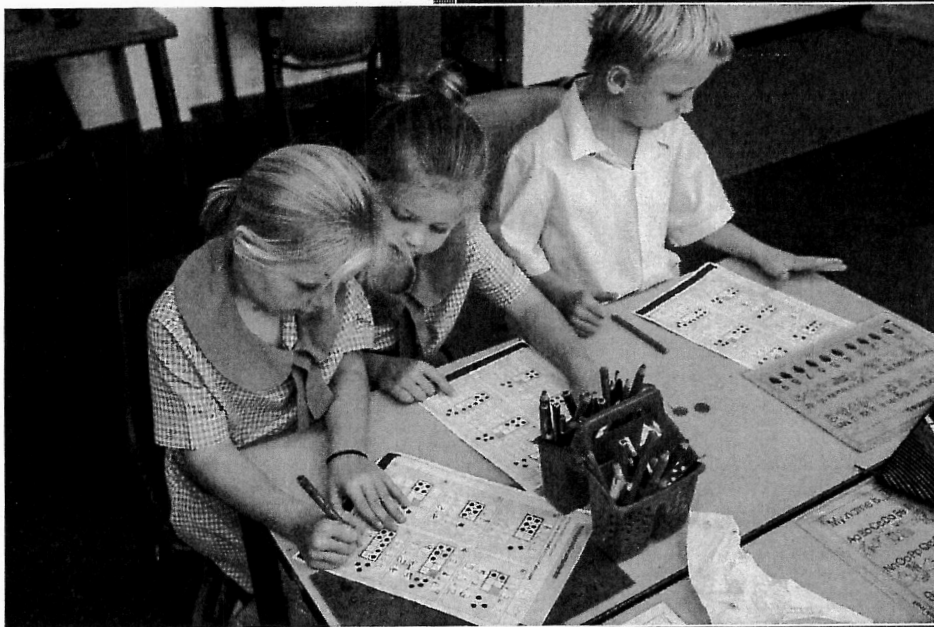


2016

Review of Governance Structures and Funding of Catholic Schools in NSW and the ACT



Kathryn Greiner AO
March 2016

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Dear Bishop Comensoli and Bishop Kennedy,

I am delighted to present to you my Review of the System of Catholic Schools in New South Wales. This Review encompasses the Catholic Education Commission NSW and its Secretariat, as well as the governance structures and, also, a review for your consideration of the funding model for 2018 and beyond.

It is a report cognisant of the canonical roles of the Bishops of NSW and the ACT and the effective governance required in the 21st Century to administer quality education for students and families in Catholic schools. Allied to the provision of this education in non-profit schools are legislative requirements from both the Commonwealth and NSW Governments that the funding be needs-based, transparent and accountable.

Quality Education for all children in NSW Catholic schools is without doubt a goal all wish to see achieved. It is not possible to retain a 40-year-old governance model with associated systems into the 21st Century. Of the many stakeholders with whom I have consulted, this was a universally desired outcome. Parents and communities need to ensure their children receive the best education possible to empower them to take their place in the modern world. To achieve this, all must have access to the resources appropriate for their schooling needs.

I submit this report for your acceptance and implementation.

Yours sincerely

Kathryn Greiner AO

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Introduction

In July 2015, I was commissioned by Bishop Peter Comensoli and Bishop Michael Kennedy on behalf of the Catholic Bishops of NSW and the ACT ('the Bishops') to conduct a review of the organisational structure and funding mechanisms for Catholic systemic schools and the operation of the Catholic Education Commission (CEC). The Bishops sought an interim report prior to Christmas 2015 and for a final report to be tabled at their meeting in April 2016. The interim report was provided to the Bishops at their meeting on 27 November 2015.

Catholic schools in Australia are operating in an environment of unprecedented national reform driven by the Australian Education Act (AEA) and related initiatives such as the Australian Curriculum, the Australian Professional Standards for Teachers, the National Assessment Programme, the My School Website and the Gonski Review.

Legislative agreement between commonwealth and NSW state governments on the delivery of government funds for education has created an alignment of requirements for education expenditure to non-government schools. In his second reading speech to the Education Amendment (Not for Profit - Non Government School Funding) Bill 2014, the Minister noted that its amendments are "designed to give the community greater confidence that the significant financial investment in non-government schools by both the government and parents is not directed to schools that operate for a profit." Catholic schools across Australia have consistently operated on a non-profit basis and will continue to do so, and must join other non-government schools in reflecting higher governance standards in the 21st Century.

To address these issues, Catholic education requires contemporary governance standards, and operational structures that reflect and assist in the application of this governance. The scope and depth of these issues is significant, with implications for schools relating to expectations of contemporary standards of corporate governance, compliance with new legislation as well as political realities that must be managed effectively. Within this context, Catholic education must also preserve overarching imperatives relating to Catholic social teaching and its evangelising mission.

The scope of the review

The Bishops at their June 2015 meeting determined that a project be undertaken that would encompass the following three substantive matters:

1. Review the Catholic Education Commission NSW and its Secretariat and propose a new model for the operation of the Commission and its Secretariat.
2. Analyse and review the existing governance structures and systems of Catholic schools in NSW and the ACT, and recommend a preferred new model.
3. Develop a government grants distribution model for 2018 and beyond.

The full terms of reference are provided as **Attachment 1**.

The process for this review

The relatively short time frame for the review has informed the process by which I have engaged with key stakeholders, and necessarily, the nature of this review document. I have attached for

your reference a list of stakeholders (**Attachment 2**) that I have engaged with, as part of this process.

While I have outlined where further consultation might take place in the implementation of key recommendations, this report identifies the following primary issues for the Bishops' consideration:

- To deliver the evangelising mission of Catholic schooling as expressed by the Catholic Bishops of NSW and the ACT.
- The need for an accountable, efficient and transparent governance structure, responsible for the delivery of Catholic education across NSW and the ACT.
- The use of government funds in accordance with the principles of equity and need that comply with federal and state policy and legislative requirements.
- Establishment and development of a corporate service model that enhances efficiency and effectiveness across all schools.
- The desire to see greater connections between schools, students, their parents and parish communities.
- The need for a coherent statewide strategy utilising comparative data with consistent practices and the elimination of duplication.

Options and models considered

Over the course of this review, a multitude of proposals and views have been put to me by various stakeholders. The statements below are just a few examples of some of these views and my brief response to them, explored further within this report:

'Catholic Education/Schools Offices must retain full autonomy and control over education within their Diocese.'

This is in effect the status quo and would result in little or no change to the current challenges confronting Catholic education.

'CDFs must continue to manage education funds.'

If current CDF arrangements within each Diocese can withstand the relevant legislative compliance standards this should not be an issue; conversely, it will be a major cause of concern if the opposite is true.

'Shared corporate services are a good idea as long as Dioceses can choose which services and on what basis they participate.'

This is the current approach to shared services, which has created inconsistency, waste and sub-optimal outcomes in areas I will further highlight in the findings of this report.

'The CEC needs to be far more effective regardless of what changes are made.'

This assertion is doubtlessly applicable to all Catholic organisations within the education space. Any organisation will rely on its board of management (the current Commissioners) properly discharging its governance role by taking responsibility for performance of the organisation and actively seeking change, where necessary, through formal motions and other board processes.

'There needs to be better governance in all organisations.'

It is universally recognised that in order to operate at standards of governance required in the 21st Century, changes need to be made.

Further detail on the models proposed and considered is provided as **Attachment 3**.

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Recommendations

1. That the Bishops of NSW and the ACT delegate to a single overarching entity the delivery of Catholic education in NSW and the ACT, including the distribution of funding and current functions performed by the 11 Catholic Education/Schools Offices.
2. That the single overarching entity, nominally titled the Catholic Schools Commission (CSC) is created as an incorporated entity, (a company limited by guarantee) which will not intrude upon the Episcopal role of the Bishops.
3. That the board of the new entity is comprised of three Bishops (with at least one regional representative), an independent Chair and five other members selected for their expertise in areas that would include education, finance, administration, change management and law.
4. That the CSC be accountable to the Bishops for the leadership and management of the system of Catholic education in NSW and the ACT. The CSC will immediately assume all functions currently performed by the Catholic Education Commission and over time, assume full strategic governance, leadership and managerial responsibilities currently performed by 11 Catholic Education/Schools Offices.
5. That the Bishops will at the time of creating and appointing members to the board of the CSC also appoint the Executive Director of the CSC who will immediately assume all functions currently performed by the current Executive Director of the Catholic Education Commission and over time assume full leadership and managerial responsibilities currently performed by the 11 Diocesan Executive Directors.
6. That the CSC be responsible for developing a new structure for the delivery of Catholic schooling in NSW and the ACT that ensures efficient, accessible and needs-based allocation of resources to all schools, regardless of geographical location or current resource levels.
7. That the allocation of government grants to the state-wide system of schools is needs-based, equitable and based on key school improvement principles, in accord with state/federal legislation.
8. That over the next three years, the new Catholic Schools Commission applies the principles and methodology for funding allocation to individual schools outlined in the Deloitte report (**Attachment 4**).

The process for change

While not exhaustive, the following timetable outlines the key steps for implementation of these recommendations:

April 2016

The Bishops agree to the above recommendations and engage Makinson d'Apice Lawyers to draft a constitution for the Catholic Schools Commission. This advice will need to include Canon Law advice to ensure that the new entity preserves the Episcopal control of each Bishop. The CSC Constitution and a timetable for its promulgation will be provided to the Bishops by September

2016.

September 2016 – June 2017

The Bishops promulgate the Constitution and engage a highly reputable executive search firm to assist in the appointment of members to the new CSC and its Executive Director for an initial period of five years.

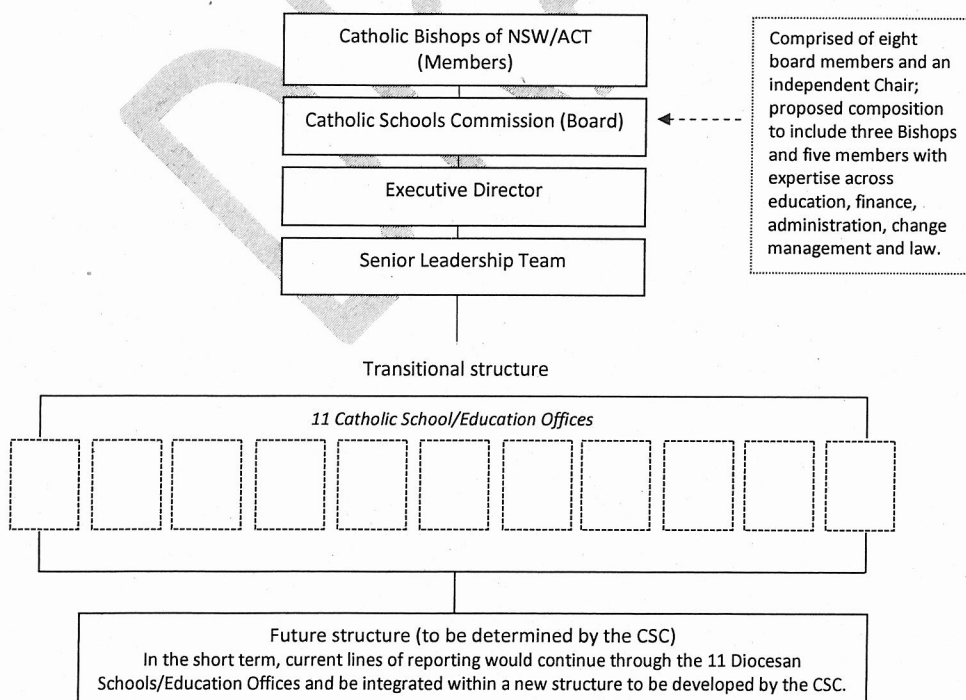
The dissolution of the Catholic Education Commission (CEC) will take place at the time of the legal creation of the CSC with all pre-existing CEC functions transferring at that time.

July 2017 – July 2018

During this time the CSC will:

- create a new governance structure that allows for the orderly transition of the 11 Diocesan offices into the new entity;
- establish a clear and comprehensive strategic change management and implementation framework including consideration of how any changes will be communicated to Parish Priests, Principals and staff as well as parishes and school communities;
- establish the selection of educational and other advisory groups to determine performance parameters, benchmarks, policies and guidelines; and
- establish processes for formal reporting to each Bishop no less than three times a year, including an annual report and any matters determined by each Bishop in regard to religious education and evangelisation.

The proposed transitional governance structure for Catholic Education



The Context for this Review

a) The impetus for change

Much has been said and written about the evolution of Catholic education in NSW and the ACT over the last 40 years. The model upon which a successful Catholic education system has served the Church and its communities has created a history of goodwill and achievement that is unprecedented around the world.

The Australian Schools Commission was established in 1972 and implemented a needs-based funding program. Catholic Education Commissions were established in each state as the vehicle for distributing funds to the respective schools. As difficult as it was to determine 'need' without reliable data, it was decided in 1976 to temporarily institute a per-capita distribution, which effectively remains to this day.

Increased funding to support educational programs for disadvantaged children led the then Minister for Education, the Hon Julia Gillard, in 2010 to commission the Gonski Review of funding of all schools in Australia. Its recommendations centered on the development of a nationwide Schooling Resource Standard determined by the amount of money required to educate a child in a state school to a high standard. Differing amounts were to be allocated to primary and secondary education; with loadings for children with individual disadvantages; or school geographic or size disadvantage. Each child was to receive some government funding in the non-government schools, and the report acknowledged that in these schools, there would be the recognition of a capacity to contribute, i.e. fees were to be paid.

The current impasse in the NSW Catholic system has been created due to the difficulty of moving from per-capita based funding to a needs-based funding system in keeping with the requirements of both the Commonwealth and NSW State Government, the latter of which has adopted elements of the Gonski model of funding.

Contemporaneously, the governance structures by which the NSW Catholic systems and schools have been run since 1974 were created at a very different time both legislatively and operationally. The need to ensure equity in distribution of government grants across the system has revealed the inadequacy of the current structures; moving from a per capita system to a needs-based system with loadings has been a challenge and a range of reports and inquiries have occurred. For no doubt many reasons, the Catholic Education Commission, in essence a committee of 21 people, has not been able to resolve the issue in a way that is satisfactory to the Bishops or indeed the government. No matter where one might sit in regard to the specifics of this issue, the inability of the current structure to deliver a final outcome suggests that the governance structure itself is a major contributing factor.

Catholic schools are not immune to market forces in education. They are in a contestable market space, with an increasing willingness of Catholic parents to place their children in those schools they believe will provide the best education, regardless of religious affiliations or lack thereof.

Parents make choices in the best interest of their children, and seek information directly from a school, and/or its website, and/or results of NAPLAN testing on the My School website. Contemporary education systems require the availability of solid data for parents and the community. In the Catholic statewide system of 11 Dioceses, there is a paucity of data on

comparative effectiveness or, indeed, an agreed set of standards. As I will come to further within this report, this is an inconsistency which is unsustainable in today's education landscape.

b) The urgent call to action

i) Operation of the CEC Secretariat

Major changes are required to continue to maintain and grow Catholic education in NSW and the ACT. However these changes cannot be addressed by the CEC, an organisation whose own charter limits its ability to act as anything but an advisory body for the 11 Diocesan Catholic Schools/Education Offices.

In the CEC's 2014 Annual Report, this major flaw in governance is highlighted in this description of the CEC Charter:

"CECNSW has no authority to become involved in the administration of NSW Catholic Schools, except in relation to funding contract management. Responsibility for the direct management of NSW Catholic schools rests with the relevant Diocesan Catholic Schools Authority (under the canonical authority of the respective diocesan Bishop) for systemic schools and with the religious institutes or their agents for congregational schools."

The lack of authority highlighted here seriously undermines the CEC's ability to implement its objectives. Page 11 of the same report then presents a confusing picture:

"CECNSW fulfils its objectives by developing state-wide education policies and commissioning/publishing research materials, which contribute to the betterment of education in all NSW Catholic schools, the maintenance of the Catholic ethos in education and the enhancement of the quality of education generally."¹

As I will outline further within this report, the structure and governance limitations of the CEC prevent it from operating in any real capacity to set the strategic direction for the system of Catholic education in NSW and the ACT.

ii) The need for clear and effective governance

As this report will demonstrate, the major changes required to address the crucial issues currently facing Catholic education are best implemented through the creation of a company limited by guarantee that functions on the basis of clear accountabilities, lean administration and a reallocation of funds to school based initiatives. Most importantly, the single governance structure will be responsible for setting and achieving a statewide plan for quality education in NSW and the ACT.

The single governance structure must be created in such a way as to ensure the Bishops continue in their Canonical role as stewards of Catholic education in NSW and the ACT, with delegated authority to the new entity for governance, legal issues and to operate under the requirements of the Corporations Act. The continued operation of the body would be determined by the Bishops, and there will be no change in ownership of the schools themselves, which will remain vested in the Dioceses/Parishes.

¹The NSW Catholic Education Commission Annual Report 2014, p.11

Among other things, a new governance structure will mitigate a risk the Bishops are currently exposed to, the requirement under the NSW Education Act 1990 ('the Act') for the Bishops to be named as 'Responsible Persons' for the purposes of the Act. Makinson d'Apice Lawyers outlined this risk and the opportunity for a new entity to absolve it in a letter to Bishop Peter Comensoli on 14 September 2015 and a follow up letter of 22 February 2016 confirming the previous advice. These letters are provided in full as **Attachments 5a and 5b**. The letter of 14 September stated:

"Governance issues within organisations including not-for-profit organisations such as CEC and dioceses have become more critical in recent times. The general approach by the community, government and funding authorities generally is to require greater levels of governance and require higher regulation of non-profits."

It continued:

"Responsibility under the Education Act flows to the Bishops and consultants of a diocese because they are the equivalent of directors of the proprietor of the school, being the diocesan corporate trustee."

"If the structure were changed such that another entity was registered as the proprietor of a school or system of schools, then the Bishop and consultants would not be Responsible Persons for the purposes of the Education Act."

The Makinson d'Apice letters further outline the role of the Board of Studies, Teaching and Educational Standards NSW (BOSTES) to make recommendations to the Minister about the registration of individual non-government schools. In the administration of this role, BOSTES guidelines set out requirements for Responsible Persons to have structures in place for governance, leadership, authority, decision-making, accountability and transparency. They also require the Responsible Persons (i.e. the Bishops), inter alia, to complete a minimum four hours of professional learning with regard to governance issues delivered by a BOSTES-approved training provider. It is important to note that a breach of provisions outlined in the Act may, in the extreme, result in deregistration of schools.

These letters outline for the Bishops legislative requirements that would cause them to be responsible on a micro level. While it is preferable for the Bishops to continue to provide strategic guidance to the new corporate entity, the entity will be the "proprietor" of schools for the purposes of the Education Act and its directors will be "Responsible Persons" under the Act. This mirrors governance structures in other Catholic schools, where an independent board of governors is named the "Responsible Persons" for the purposes of the Act. Therefore, under the proposed structure, corporate governance risks to the Bishops are ameliorated.

iii) Implementation of a new funding allocation model

The case for a new needs-based funding allocation model in NSW and ACT Catholic schools appears to be clearly understood, in that Dioceses are generally reconciled to the expectations of governments and the concomitant legislative obligations. As such, I anticipate that while this report's recommendations on the issue of funding will be accepted, it will require management of predictably differing views about the timing of funding changes, a more coherent approach to setting school fees and capital funding allocations aligned to an overall plan that has each Bishop's ongoing input.

In the first instance, should the recommendations of this report be accepted, it will mean less

money directed to certain Dioceses, however it is the belief of the author that those issues can be addressed by achieving efficiencies in Catholic Education/ Schools Offices. How this occurs is a matter for the new entity to determine, however it is assumed that the total administration budget of all Diocesan offices (and the existing CEC) would progressively decrease and be significantly less over time. As I will expand on in the findings of this review, community and government expectations in relation to efficient resource allocation for schools means that a reduction in resource directed to administration is vital and non-negotiable.

c) The evangelisation imperative

The issue of the Church's thriving ministries in Education and other areas such as Health, Aged Care and Social Services sits in stark contrast to the overall decline in the participation of Catholics in parish life. This issue arose frequently during the review, and it was clear that stakeholders within the Church genuinely wished for a revival in parish life where school students and their parents regularly attended and actively contributed to weekend Mass. Despite this, there seemed to be no clear direction from Diocesan offices about how to address such a perplexing problem.

The recommendations in this report are intended to strengthen the Bishops' Canonical role in religious education and evangelisation and the routine involvement of students and parents in Sunday liturgies.

They seek to strengthen the important sacramental involvement that schools have with their Diocese and Bishop while providing a sense of renewed mission through a collective approach to Catholic leadership in education.

Review Findings

1. Review of the Catholic Education Commission NSW and its Secretariat

a) The historical context

The Catholic Education Commission and its Secretariat has served Catholic education since its establishment in 1974. Over this time, Catholic schooling and the Diocesan, state and national structures that support it have experienced rapid growth.

As the Catholic Education Offices were established in the early 1970s to help manage schools in the transition from religious to lay staff, it was recognised that a coordinated response was required to address the industrial matters and state legislative interventions that would follow. Similarly, as state and federal government funding became more complex, collaboration was required at state and federal level and across systems.

The CEC was formed in response, and since then has played a lead role in working with governments on changing funding models for non-government schools. The CEC's work has led to significant improvements in Catholic school funding and resulted in state legislation enshrining funding formulae.

The CEC has successfully lobbied for representation on state government policy-making committees, and as a result, now has representation on the NSW Board of Studies, NSW Institute of Teachers (NSWIT), the new non-government education committee and more. The CEC is recognised as a Catholic voice in education in this state.

Over its life the CEC has undergone regular reviews, all of which have affirmed the work of its Secretariat. In the course of its tenure there have been changes made to the membership of the Commission, its strategic priorities and in particular, reflection on the challenges for Catholic schooling articulated in the Bishops' pastoral letter *"Catholic Schools at a Crossroads"*.

However over this time and despite these changes, there has been no major review of either the Commission or the Secretariat, its structure, charter and remit from the Bishops of NSW and the ACT, and ultimately how it can best serve contemporary Catholic schooling within its jurisdiction. There are very few industries that have survived the same period without ongoing change, redefinition and renewal.

b) Today's external authorising environment

Unlike the CEC itself, the landscape in which it operates has changed constantly since 1974. Increased regulation, scrutiny and expectations from a multitude of external sources means that the Bishops must be confident that an informed, clearly responsible entity has the authority to act in their interests, under their direction and as one voice for Catholic Diocesan Education. This entity must have the authority and the expertise to ensure responsibility and accountability in the face of increasing legislative and community expectations, some of which I have outlined below.

i) The Australian Education Act 2013

The Australian Education Act 2013 ('AEA') has established a national framework that imposes a range of obligations on those entities that receive government funds for the purposes of running schools, whether they are Catholic systemic schools, schools operated by other religions, or independent schools.

While many of the AEA's requirements are clear and non-negotiable, it allows for systems and schools to retain their uniqueness, particular educational approaches and for Catholic schools, their charism and evangelising essence. When dealing with the Australian Government on educational matters, including those concerning the AEA, it is important that the Church speaks clearly, assertively, with one voice and absolute certitude about the outcomes it seeks.

The review I have undertaken suggests that given the independent Diocesan structures across Australia, and despite the National Catholic Education Commission, this voice is muted. This issue is not confined to matters of funding and educational policy but also goes to foundational issues concerning religious freedom and the ability of the Church to retain authenticity and fidelity to its core teachings and beliefs within Catholic schools. Examples that illustrate this point include Catholicity and lifestyle requirements of staff members in particular roles or circumstances and the variable way in which these matters are handled within and between Dioceses.

ii) Commonwealth and NSW State Governments, BOSTES, NSW Ombudsman, Children's Guardian

The Catholic Church is held in high regard by governments (and their agencies) of all political persuasions and will continue to have opportunities to contribute to policy-making processes. Making the most of these opportunities relies upon the Church having a coherent and unified voice that can speak with authority in a timely and professional manner.

The CEC has performed this function, but at times without the necessary support or authority. A contributing factor to this situation is that the Commission itself is comprised of stakeholders who may withdraw from supporting any particular matter if they believe it is appropriate, regardless of whether hard evidence supports an objection or abstention. The time and energy expended in navigating through this authorising environment makes decisive and timely policy advocacy difficult, and at times, impossible to achieve.

iii) Parents and broader communities

The expectations placed on schools by parents and the community continue to grow. It is generally believed that 21st Century parents are more demanding and assertive in their expectations of schools. While this can be a positive indication of parents' engagement with their child's education, it also places greater pressure on schools to reference objective data and evidence that will inform and drive the collaboration between parents and schools. Unfortunately, the metrics used to measure school and student performance to inform these conversations are not consistent across Dioceses, making it extremely difficult for Catholic schools to speak with any authority on the performance of the Catholic system or individual schools within it.

A related issue concerns the increasingly complex matters schools now deal with in terms of single parents, family break ups, domestic violence, drug and alcohol and mental health issues. Feedback that I have received during this review process and elsewhere indicates that school leaders often

find themselves devoting significant time and resources to managing these issues and that policy direction and support in these matters can be variable and at times scarce.

Clear and consistently expressed professional standards and expectations in these areas have the capacity to prevent a range of problems escalating and allow schools to focus on their core work without fear that they have neglected their pastoral responsibilities.

iv) Media and lobby groups

Media and lobby groups perform an important role that can increase accountability and transparency within schools and systems. Strong, ethical journalism and interest group advocacy can assist schools and systems to improve their performance and to become aware of issues that would otherwise not attract attention. Conversely, unfair allegations or unreasonable claims necessitate strong rebuttal and require professional responses that are timely and consistent with the overall message and ethos of the Church.

The issue of advocacy and increased scrutiny is of particular relevance in matters concerning the Church's teachings on core moral and ethical issues. Catholic education leaders have an important role to play here, but have been largely silent in such matters – the role has fallen almost exclusively to the Bishops who should not be left alone in this regard.

Leadership at a school and system level is required if the Church is to remain relevant and active in a range of matters, which necessarily involves those leaders working with and alongside the Bishops within the public square.

Given the widespread coverage of the Royal Commission into the institutional response to child sexual abuse, the community at large needs to regain their trust in Catholic entities through a strong, responsive and unified voice and education leaders need to play a key role in this process.

c) The Commission vs. Secretariat – structural issues within the CEC

As a body representing Catholic education in NSW, the CEC should have the ability to meet the demands of this complex external environment, but its work is consistently undermined by the limitations of its own structure.

The distinction between the "Commission" and the "Secretariat" of the CEC is not always clear. The Bishops appoint the Commissioners, who form the "Commission". They are a group currently comprised of 21 individuals from the following pool of representatives:

- a Chairman;
- 2 Catholic Bishops of NSW and the ACT;
- 11 Diocesan Directors of Education;
- 2 representatives from the Association of Catholic School Principals;
- 2 representatives from CLRI;
- 2 nominees of the Australian Council for Catholic School Parents;
- an indigenous representative; and
- additional members as required from time to time.

It is not possible for a group as large as this to shape education policy for Catholic schooling in the state and nationally. By definition, a governing board of this size does not meet current competent governance guidelines.

The charter of the CEC Secretariat (**Attachment 6**) is to respond to this policy making body. In reality, the Secretariat leads the Commission and its Commissioners because the Secretariat sets the agenda. Despite voiced concerns about the functioning of the Secretariat, Commissioners have not (to my knowledge) routinely put formal motions to overcome the Commission's deficiencies, as one might expect of a board in any process of good governance.

This lack of reflection on the CEC's structure has brought about a major flaw in its work, which is the crucial gap between policy development and policy implementation processes. The Commissioners are charged with developing policy for the Secretariat to respond to, however, the Secretariat has no power to implement a state-wide policy. The Diocesan Directors of Education have the ability to determine policy within schools, however they can effectively ignore any recommendation that the Commission makes. This flaw has been further highlighted with the current federal and state approaches to funding non-government schools.

The below excerpt taken from the CEC's 2014 Annual Report² illustrates an instance in which the CEC is monitoring system performance, specifically, High School Certificate outcomes, but without a planned approach to address the worrying trends the analysis reveals:

"Each year since 2000, CECNSW has sponsored the analysis and reporting of HSC data by Dr John DeCourcy for the purpose of improving teaching and learning and to better inform schools' and systems' planning. Issues highlighted in the 2013 report included:

- *a 'dip' in mean percentage difference between students in Catholic schools and the whole-of-state on the TES scale compared to 2012*
- *the probability that a student undertaking English (Standard) is less than half as likely to gain a Band 5 or 6 than in other courses*
- *the continuing trend of below-average participation in some higher-level courses*
- *the discrepancy between results of boys and girls with gender having a bigger effect on student performance than SES."*

The CEC does not have the authority or charter to address this sort of issue in an ongoing way, such as in the creation of further reports on initiatives or school plans for ways in which such trends can be halted and reversed.

² The NSW Catholic Education Commission Annual Report 2014, p.43

2. Analysis of Existing and New Governance Structures

a) A flawed governance model

As outlined above, the charter of the CEC prevents the CEC Secretariat from any role in policy implementation and relies on the Commissioners to bring this understanding to their deliberations. This is a basic issue of governance that has rendered the CEC unable to function in the capacity it needs to today.

A fundamental tension exists between the understandable wish for each Diocese to maintain the ability to independently govern, while still reaping the benefits of a collective approach in various matters, such as the allocation of funds. This tension has led to indecisive action on a number of recommendations from the Commission and independent committees, such as the current impasse on funding allocation. It is a tension that is becoming irreconcilable with both a contemporary understanding of good corporate governance and basic compliance with legislative obligations across not only funding distribution, but also a range of other areas including privacy and child protection.

Another example of the result of the inadequacy of the current structures is the decision of the Commission not to take on the governance of the CEnet initiative, a collective approach to addressing the pressing information and communication technology (ICT) needs in schools. In the absence of policy and implementation processes from the CEC to respond to these needs, each Diocese came together to form its own governance model with no strategic link to the Commission.

Within this vacuum, other bodies such as the Catholic Commission for Employment Relations (CCER) and the Conference of Diocesan Directors (CDD) have been formed, creating further duplication, fragmentation and inefficiencies across the system.

b) Inherent structural inefficiencies of the current model

The duplication of a range of corporate and administrative functions, the proliferation of unaligned policies covering the same issues across 11 Dioceses and the investment of time into negotiations on matters between Dioceses that ultimately do not reach consensus, all militates against the efficient, effective and economic distribution of resources to enhance quality learning. While the education sector is increasingly data-driven, the current governance structure provides no mechanism for comprehensively collecting or benchmarking agreed relevant comparative data in relation to school and system performance or expenditure.

Catholic schooling now operates in an environment that demands transparency and is asking hard questions about the use of funding from governments. Governments of all political persuasions have put education sectors on notice that they are looking to ensure that funding provided to school systems goes to where it is intended - the school and its students. Funding guidelines now insist on complete separation in financial matters between schools and parishes, putting further strain on the tension between Diocesan independence and the need for a central, empowered body that can ensure the Bishops are compliant with legislation in this regard.

An example of this is currently being played out in the public arena, as the Catholic education

system in Victoria faces intense media scrutiny in the wake of a critical report³ from the state's Auditor-General on funding for non-government schools.

The basis of what has been described as an 'attack' on the Catholic Education Commission Victoria is a perceived lack of transparency and accountability for the use of public funds, as well as the finding that some wealthier Catholic schools received substantially more in government grants than they would have under the department's own funding arrangement, while poorer schools received less.

While the findings of the report have been rejected by the CEVC on the grounds that the report was predetermined and limited in scope, the resulting public dispute has contributed to increased negative media reporting.⁴

The perception of greater inequity and less accountability in the use of public funds as compared to the public system presents a significant risk to the reputation and community standing of the Catholic education system.

As part of the report, the Auditor-General has delivered a series of recommendations to the Department of Education for an increase in formal recording keeping, reporting, and audit programs for greater oversight and scrutiny of non-government schools.

This example highlights a need to challenge the status quo in NSW and the ACT. Are there opportunities for greater efficiencies? Will all our systems stand up to the sort of scrutiny currently being experienced in Victoria? Are there areas of waste that can be eliminated? These questions can only be addressed if the structures that govern our schools do not rely upon the continued proliferation of committees, bodies and structures that ultimately have no authority.

Conversely, a primary concern among stakeholders is the belief that any type of unitary system for schools in NSW and the ACT would result in the formation of a large centralised bureaucracy that would become increasingly out of touch with schools, their work and ongoing needs. While I acknowledge this concern is genuine, I would counter that lean, transparent and accountable organisations of this nature deliver more focused outcomes, are rapidly responsive to the changing needs of staff and children and, like all organisations in the 21st Century, need to be innovative and agile. The system of Catholic education must evidence best practice in this regard.

c) A new model for Catholic education

The work of this review has led me to the strong view that the future prosperity and growth of Catholic education in NSW and the ACT will depend upon the creation of a single authority that is accountable for, and expert in, the running of a complex, devolved system of Catholic education in NSW and the ACT.

The authority would be formed as an incorporated entity, nominally titled The Catholic Schools Commission ("CSC"), with an independent board comprised of an independent Chair, three Bishops (with at least one representing a regional Diocese) and five other members selected for their expertise in areas that would include education, finance, administration, change management and law. My experience in populating boards would suggest that a highly reputable

³ Victorian Auditor-General's Report, Grants to Non-Government Schools, March 2016

<http://www.audit.vic.gov.au/publications/20160309-Grants-to-NG-schools/20160309-Grants-to-NG-schools.pdf>

⁴ <http://www.theage.com.au/victoria/most-private-schools-cant-prove-they-spend-government-funds-appropriately-watchdog-20160309-gnekbj.html> & <http://www.abc.net.au/news/2016-03-09/victorian-schools-grants-a-g-rejects-bad-faith-accusations/7233068>

executive search firm be engaged to fill these positions to ensure appointments are of the highest quality, and possess the right board skills.

The Bishops' role would continue as stewards of Catholic education but in a slightly different entity, delegating to the CSC the statewide administration and funding distribution for Catholic education in NSW and the ACT.

The new entity would be responsible for ensuring that current stakeholders in Catholic education have a voice within the new organisation. This includes, but is not limited to current CEC board members such as representatives from CLRI, the Australian Council for Catholic School Parents, The Association of Catholic School Principals and Indigenous representatives.

Congregational schools have remained independent to the Catholic systemic structure for a variety of reasons. It is hopeful that with better governance structures in place, Congregational schools may see their way to joining the NSW system.

i) Key outcomes of a new model

Importantly, the CSC must be seen as much more than an administrative body, it must be seen as the centre of high-level strategic leadership for all Catholic schools in NSW. Key responsibilities of the CSC would include the following:

1. To ensure that the evangelising mission of Catholic schooling as expressed by the Catholic Bishops of NSW and the ACT in *Catholic Schools at the Crossroads*, is controlled by each Diocesan Bishop and delivered while honouring legal obligations to state and federal funding bodies.
2. In close consultation with the Bishops, Dioceses and other key stakeholders, and using comparative data as a basis, to develop and implement a coherent strategic framework to set the direction and policy framework of Catholic schooling and support the day to day operations of Diocesan schools in NSW and the ACT.
3. To determine a structure for Catholic education in NSW/ACT that enables subsidiarity in operational matters, allowing schools to function with appropriate levels of autonomy with clear and measurable accountabilities to the CSC and the Bishops.
4. To ensure school funding is being specifically directed to the education of students and for no other purpose, on the basis of need and in compliance with the Australian Education Act 2013.
5. To develop, integrate and deliver a comprehensive array of shared administrative services and redirect resources to teaching and learning.
6. To consider the creation of structures to provide pedagogical leadership while allowing individual or groups of schools the independence to demonstrate innovation, agility and local problem solving.
7. To be the Bishops' representative and contracting authority in regard to dealing with government and all other external bodies that relate to education matters affecting all Catholic schools - including negotiating with governments for educational grants.

8. To work with each Bishop to provide clear evidence-based analysis of system performance and performance of schools in their Dioceses in regard to financial, academic and evangelisation activities.

9. To encourage further cooperation with Congregational schools in the Catholic education landscape and be mindful of accommodating, over time, services currently provided to Catholic Independent Schools by the CEC and the Association of Independent Schools.

ii) How the new model will strengthen the Bishops' role in Catholic schools

A critical issue cited throughout this report is to ensure that the Bishops maintain their Episcopal authority over their Diocese and that any new system should preserve and strengthen the Bishop's role as chief teacher and pastor within their Diocese.

I make no presumption of how connected schools are to their local parishes and understand this can be situated along a broad spectrum, ranging from schools that are highly connected through to those that might be distant and largely uninvolved. It will be the responsibility of the Executive Director of the new structure to work with each Bishop to determine the CSC's role in regard to evangelical imperatives, which will always be at the Bishops' discretion and ultimate direction.

There is also now a need for some thinking about quality parish life, particularly in communities where there may be no Priest. Is there a role for the school in those communities to enhance parish life? This is a complex area that does not lend itself to easy answers and yet the current approach in schools appears overall to be having little impact on declining involvement in parish life and communities. I believe this is a critical issue for the future of both Catholic schools and the broader Church in Australian society.

Improving religious literacy of teachers is essential and young teachers should be included in the faith formation of World Youth Day, immersions and outreach programmes that are grounded in Catholic theology. However, absent a real and ongoing connection with parish life, these initiatives can become programmatic and disconnected from students becoming adult disciples of Jesus.

It is for these reasons that I propose that a new unified Catholic Schools Commission works under the close direction of the Bishops to create structures and accountabilities in regard to the connection between parishes and schools.

I acknowledge the complexity of achieving this in regard to secondary schools where students are likely to be coming from multiple parish communities that can be geographically dispersed. Debate in regard to these sorts of issues can easily lead to inertia and resignation and if current trends continue, we will almost certainly see the continued decline of parish life despite ongoing strong demand for Catholic Diocesan schools.

The following framework is proffered as one example of how a new CSC would work with the Bishops to renew parish life through closer connections between Catholic schools and parishes.

With the assistance of a new Catholic Schools Commission, the Bishops might determine to convene joint meetings twice year of School Principals and Parish Priests (for those parishes that have them). The meetings could examine data provided prior to the meeting by Principals and Parish Priests in regard to:

- each school's current involvement with its local parish or parishes including weekend, school and class masses;
- how enrolment policies and interviews articulate the expectations of parents in terms of their child's faith formation and their own involvement in parish community ministries;
- barriers to increased participation of school communities with parish community life; and
- collaborative initiatives for renewing parish life that could be jointly led by school leaders, Parish Priests and parish communities.

The data that would be provided at the meeting by Principals and Parish Priests could look at innovative ways of engaging between the school and parish community, for example an integrated music program, liturgical participation in the mass, parental engagement as catechists and faith formation in rural communities.

While this is merely a suggestion for consideration it is important to acknowledge that Catholic education is a primary opportunity for evangelisation and that school and education system leaders need to think differently and innovatively by working more closely with the Bishops, clergy and Parish communities. I see a key role of a new Catholic Schools Commission under the direction of the Bishops being the creation of structures and processes that will actively lead to parish life renewal through increased school and family participation.

iii) Reporting to the Bishops on educational school and system performance

There is an increasing recognition that data drives quality education. However, currently there is no mechanism that exists by which the Bishops can access clear, comparative data about the performance of schools within and between Dioceses.

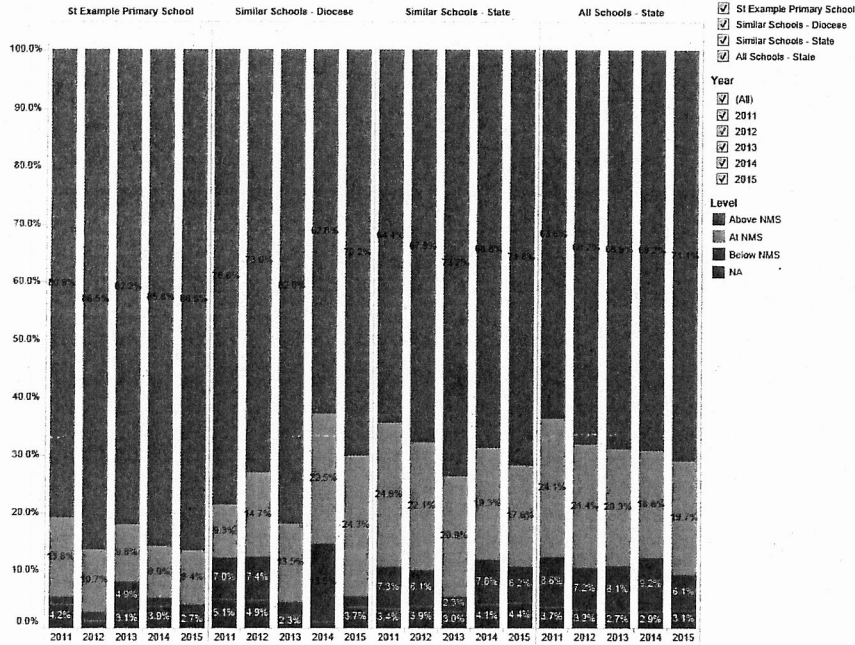
An important outcome of the proposed system must be consistent school and student performance monitoring and evaluation, with schools and Dioceses working from standardised data acquired through a shared software platform.

This would provide the Bishops with access to regular, comparable data in regard to the performance of schools in both their Diocese and all others in NSW and the ACT. It would allow for a comparison of like schools and Dioceses, and monitor the performance of a unified, comprehensive pedagogical policy across the system as a whole.

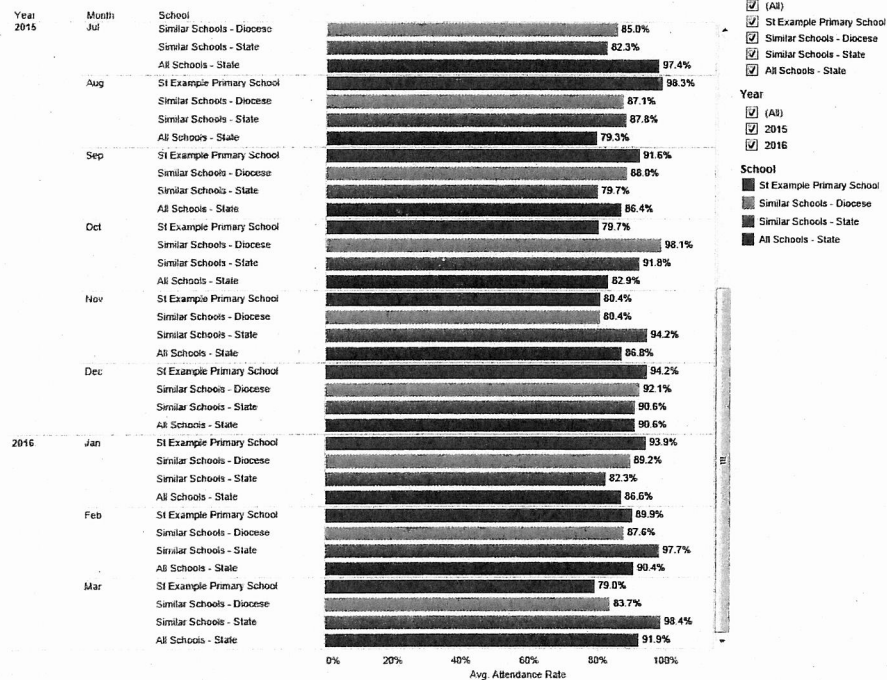
Under the proposed system, Principals from each school within the Diocese could meet with the Bishop or his representative on a quarterly basis to report on a range of school performance KPIs. The following tables are provided as examples of the type of data that the new entity could deliver to the Bishops over a period of time, given the necessary authority and governance structure.

Please note, the following is not real data and is provided for illustrative purposes only. It is given as an example of the type of data that can be collected for comparisons of performance within and across Dioceses. This type of data will allow for informed decisions and policies to be made and implemented. These following examples look at trends in areas as diverse as reading, student attendance, fee collection, religious literacy and student wellbeing.

NAPLAN Year 3 Reading Distribution of Students relative to National Minimum Standard

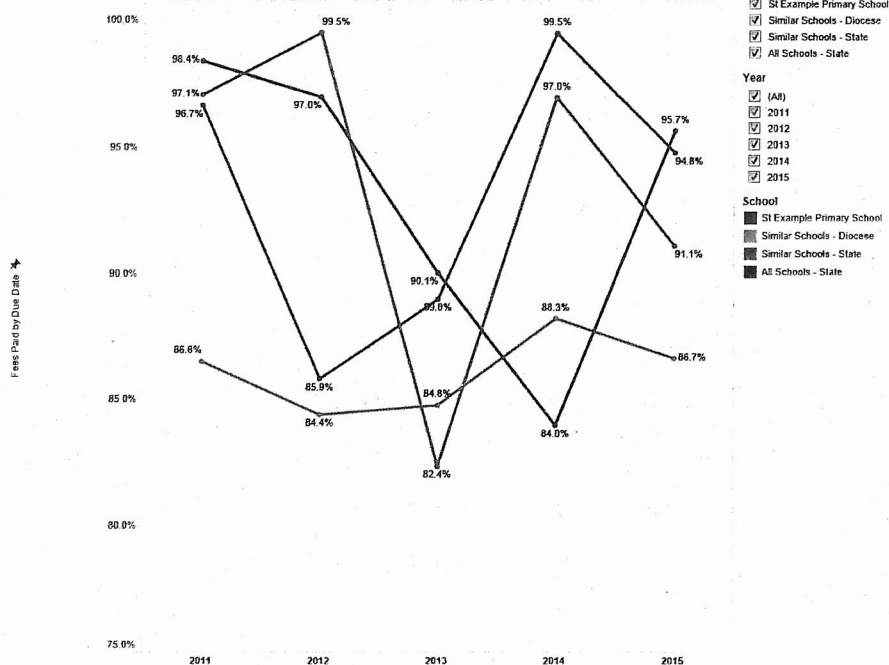


Attendance Rates



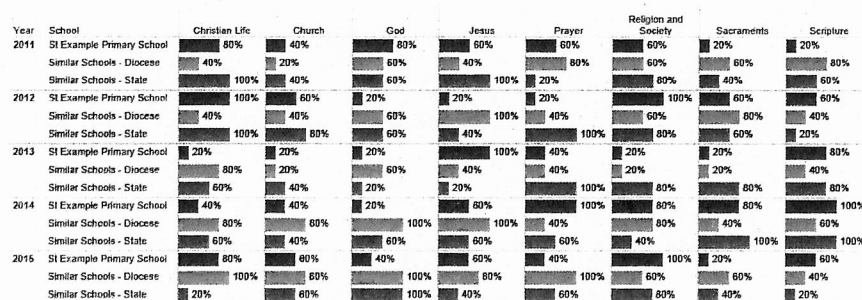
Fee Collections

Percentage of Students Paying Fees By Due Date

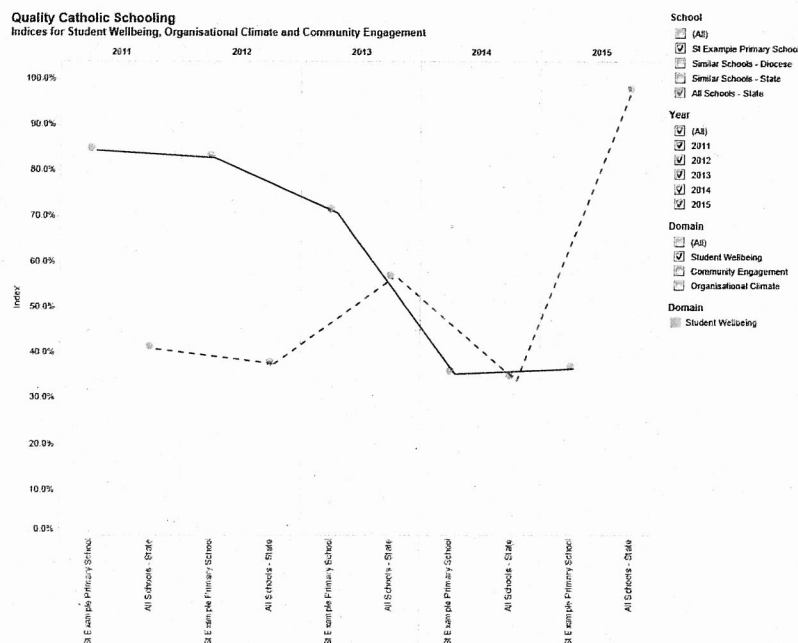


Religious Literacy Assessment

Percentage of Correct Responses By Domain



School
 ■ St Example Primary School
 ■ Similar Schools - Diocese
 ■ Similar Schools - State



The availability of such clear, measurable data sits in contrast to the current situation where no agreed and easily understood baselines exist from which to measure and compare either school or system performance.

iv) The role of the Executive Director within the new model

Given the scope of the CSC Executive Director role as described in this report's recommendations, the Bishops may have concerns about how it could be performed by one person and specifically, what professional relationship they could have with an Executive Director charged with such a huge responsibility.

These concerns would exist across many large organisations including the Church itself, where leaders must manage complex operational and authorising environments while attending to fundamental relationships and the mission of the organisation. While the Executive Director will need to have considerable skills in managing the relationship with and expectations of each Bishop, the skill and capabilities to do so clearly exist both within and outside the Church.

The following are some brief comments on the key relationships of the Executive Director and how they would be managed.

Relationship with each Bishop

The Executive Director will need to have a close and ongoing relationship with each Bishop whose Episcopal role in no way changes. In essence, the new Executive Director will over time, assume the role of the current Executive Director with the additional responsibilities of the Catholic Education Commission. As is outlined elsewhere in this report, clarity around reporting and

responding to each Bishop's concerns and initiatives will require excellent planning and administration and highly structured mechanisms that are tailored to each Bishop's needs. The issues of evangelisation are addressed in this report by acknowledging that each Bishop will continue to determine in accordance with Canon Law, how Catholic schools within his Diocese grow faith communities and help students, staff and families become disciples of Jesus.

Relationship with the CSC Board

Highly effective organisations are almost always characterised by a strong relationship between the Chair of the Board and the Executive Director/Chief Executive. My recommendation is that the Bishops in the first instance appoint the Executive Director and that this appointment occurs in tandem with the appointment of the Chair. It is important that the relationship between these two leaders is highly effective and productive. In a similar way, the membership of the board must be determined on merit, skill and a capacity to collaborate.

Relationship with central offices

There are currently 11 offices responsible for the running of Catholic education and in the case of Sydney, three additional regional offices. When the CEC is included, Catholic Diocesan education in NSW and the ACT runs 15 separate offices. Under a leaner more unified structure, it is unlikely that so many offices will be required.

It is likely that the new structure will function with a number of regional offices that are located in current Diocesan offices or facilities suited for that purpose. It is important that the location of these be determined solely on the basis of where they are best placed to service the schools and Dioceses for which they exist.

In determining this, the Executive Director and the CSC will work closely with the Bishops, school leaders and current Diocesan staff to work through the detail of how to create a system that directs more resources to the 543 schools and ensures that regional offices exist to support them in the most efficient and effective way. These regional offices, or hubs, will provide the local point of contact for the Bishops and will augment the relationship each Bishop will have with the Executive Director.

Relationships with school and parish communities

As with any large system, including the NSW public school system, the relationship between the overall system leader and schools is determined by size and practicality. An effective Executive Director will know and build relationships with school leaders and will regularly visit schools across the state. Innovative approaches to networking that include technology, pre-existing gatherings and different ways of connecting can all contribute to a more coherent and unified system which has the capacity to have a school leader in Bourke, Griffith and Maroubra working together on a particular issue or project.

v) What would success look like?

The formation of a new corporate entity is a chance to renew not just structures but also the sense of mission and ambition in all areas of Catholic education. Should the recommendations of this review be actioned, below are examples of indicators of success into the future:

- Aggregated non-school administrative costs would be reduced and redirected to school initiatives.
- Administration and other essential school services would be streamlined so that schools and their staff can increase efficiencies and concentrate on improving every child's learning.
- Policies would exist across Dioceses to ensure consistent practices and eliminate duplication.
- Catholic Dioceses in NSW and the ACT would have a strong, united voice in government and other forums to ensure equitable access to funding, religious freedom and independence for Catholic schools.
- Risk management would be conducted on the basis of best practice and be a key accountability of the new authority, rather than individual Dioceses and schools.
- NSW and ACT Catholic schools will become acknowledged leaders in educational innovation and excellence, with every child learning to the best of their ability.
- The Bishops would be assured that schools within their Diocese fully comply with the provisions of the Australian Education Act and in particular the allocation of funds to eligible education activities.
- The new CSC would commit itself in policy and actions to a renewed evangelisation partnership under the Bishops' direction that at its core aims to strengthen relationships between schools and parish communities.

While by no means exhaustive, the following are concrete examples of specific changes that are likely to emerge from a new structure:

- Consistent employment relations' policies and guidelines, adapted for particular geographic and other unique requirements, as done in the public school system, health, defence and in the corporate sector.
- Contemporary software for payroll, staff entitlements and human resources benchmarking data to make administration easier and allow schools and their leadership to concentrate on student learning.
- A shared sound foundation for professional learning and staff formation that aligns to the National Standards yet allow for additional local arrangements.
- A single and comprehensive approach to curriculum which would allow schools to concentrate on innovation in learning and make collaboration with other Catholic teachers and schools across the state both easier and more possible.
- The development of a highly accountable and qualified body to oversee a shared ICT infrastructure that can reduce costs and risk to individual Dioceses and schools.
- A collective approach to Catholic leadership in education that aims to directly address the decline in faith practice within our school communities.

d) The role of other agencies and resources

As mentioned above, a number of other agencies have emerged to fill particular needs on behalf of Catholic education. Apart from the CEC, the CEnet and CCER provide services that may or may not be better situated within a new Catholic Schools Commission.

In the case of CEnet, its formation was understandable in the circumstances but its current governance structure would not meet any reasonable standard of diversity, expertise or strategic capacity. In this regard I refer specifically to its board, which consists solely of the 15 Catholic Directors of Education who are the Directors for the 15 member Dioceses. It is the author's view that CEnet should have at least some directors external to Catholic education, who have

knowledge of design and implementation of IT. The current model is a classic example of Diocesan education control at the expense of quality expertise. In the event that it was decided to retain CEnet as a stand-alone entity, this issue of diversity would need to be addressed.

CCER is unusual insofar as it operates across Church agencies and Dioceses. In a Church that tends to operate in silos, CCER is an exception and while there may be compelling reasons for transferring educational functions from CCER into a newly created CSC, the advantages would need to be weighed against the consequences for both schools and the broader Church. In the event that CCER remains a stand-alone entity, more formalised accounting for its services to schools will be necessary to satisfy the requirements of the Australian Education Act.

A new educational entity would need to examine the case for and against changes in these and other areas on the basis of objective data. These are matters best left for a new entity to determine under the guidance of a properly constituted board of governance.

DRAFT

3. Government Funding Distribution

a) Issues with current funding distribution

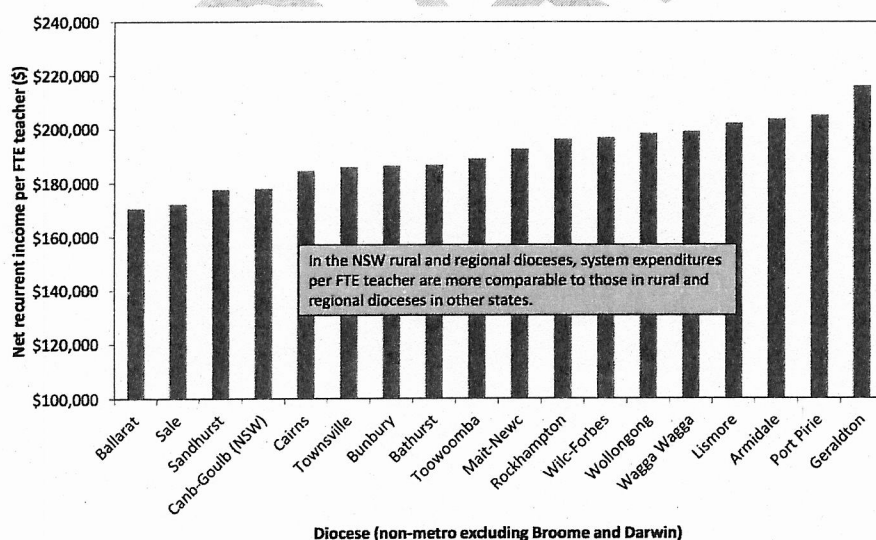
Up to and including 2011, funds were allocated to each Diocese on a population basis. In 2012, this was changed to a base plus loading approach, with base funding comprising around 90% of total funding. For 2016, an agreement has been reached between the Bishops that the allocation of funds will be based on a model that more closely aligns with the Australian Education Act, focusing on school/student needs and the socio-economic status (SES) of each Diocese.

A report by Stephen Elder, commissioned by the CEC in 2015, provided an analysis of the current issues of funding distribution, most notably the evidence that resources for quality education are being captured in the more populous Dioceses (which generally have a greater capacity to contribute), to the detriment of the greater need in the rural and remote Dioceses.

"The implications of the CECNSW Model for rural and regional Dioceses are mixed. Some of these Dioceses benefit significantly while others do not... Wilcannia-Forbes is by most measures the most disadvantaged of the Dioceses, yet the long term model delivered a funding decrease."⁵

As illustrated in the three graphs below, while Dioceses such as Wilcannia-Forbes are under-performing, system income per FTE teacher is much lower than the metropolitan Dioceses. (Note, the below also includes comparative data from Catholic systemic schools in Victoria).

Figure 1: System income (expenditure) per FTE teacher in Catholic Systems



⁵ Elder, Stephen, Review of the CECNSW Recurrent Grant Distribution Model 2015-17 p.7

Figure 2: System income (expenditure) per FTE teacher in Catholic Systems (metropolitan)

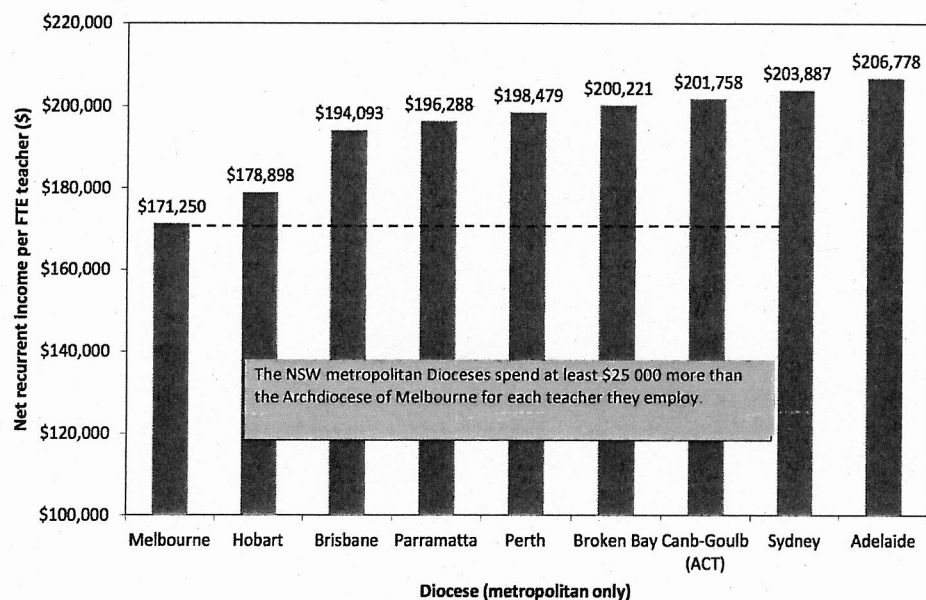
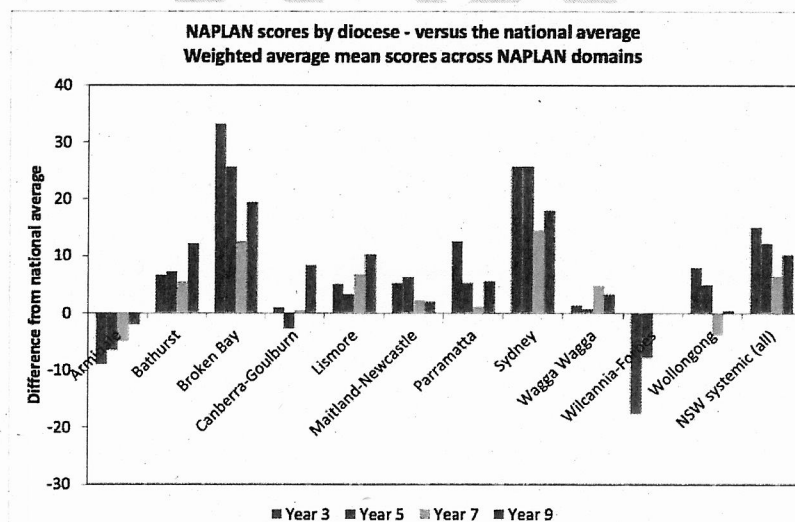


Figure 3: NAPLAN scores by Diocese, versus the national (all schools)* average



*Scores are weighted average scores within each diocese, based on the average of mean scores in all of the NAPLAN domains.

Further, there is a legislative requirement for distinct clarity between school fees and any state and commonwealth funding to be quarantined from any parish/diocesan work.

The commonwealth legislation, under the Australian Education Regulation 2013 ('the Regulation') states that:

"an approved authority for a school must spend, or commit to spend, financial assistance that is payable to the authority in accordance with:

- (a) Division 2 or 5 of Part 3 of the Act (recurrent funding for participating schools); or*
- (b) Part 4 of the Act (recurrent funding for non-participating schools);*

*for the purpose of providing school education."*⁶

The Regulation further states:

*"Any interest earned on financial assistance mentioned in subsection (1) or (4) must be spent, or committed to be spent, in the same way as the financial assistance."*⁷

The *Not-for-Profit Guidelines for Non-Government Schools (Attachment 7)* outlines similar requirements under NSW legislation, expressed within Section 83C of the Education Act 1990, in relation to spending, or committing to spend, financial assistance:

"To be eligible for NSW Government funding under the Act, registered non-government schools must:

- a) only use school income and school assets for the operation of the school."*⁸

This demonstrates the complete alignment between commonwealth and state legislation.

While the work undertaken by Deloitte for this review provides specific modeling to resolve the funding allocation crisis for 2018 and beyond, the issue of accountability and prudent resource allocation remains unresolved from the perspective of governments that now demand funding allocation based on objective criteria and data.

I acknowledge that simply reallocating money will not, of itself, change the educational outcomes referred to in Figure 3. As has been seen in Australia over the last 10 years, education has seen unprecedented levels of funding increases in education while at the same time our educational performance against international assessments has declined.

These tables demonstrate the types of measurements governments will expect from Catholic schools if they are to continue to receive government funds. Under the current 11 independent systems, different policies, approaches and practices make it impossible to cost effectively deliver on these expectations.

⁶ Australian Education Regulation 2013 Section 29(1)

⁷ Australian Education Regulation 2013 Section 29(8)

⁸ The Not-for-Profit Guidelines for Non-Government Schools, 23 September 2015, p.6

b) Comparative system expenditure within Dioceses and equitable resource distribution

With 11 systems each determining their own criteria for success (the specifics about which I do not have a view) educationally, administratively, financially and in terms of evangelisation, it becomes difficult for the Bishops of NSW and the ACT to make clear determination as to whether resources are being efficiently allocated within their own Diocese.

It is the opinion of the author that the efficiency of the system of Catholic schools in NSW at the ACT can be best tested by a comparison to other Catholic school systems in Australia, particularly the CEC Victoria, which provides the most direct comparison to NSW in regards to school and enrolment numbers, the number of high SES schools and the proportion of regional to metropolitan schools.

An analysis from Ernst & Young for the CEC Victoria in 2015 provides such a comparison, highlighting some key indicators of a need for greater system efficiency. Note that these findings take into account the important differences between metropolitan and regional schools, and ensure a comparison between like Dioceses:

Figure 4: Student-teacher ratios and system income (systemic schools)

The NSW system has a similar average income (calculated at \$/student) as the Victorian Catholic Education System, but much higher average student-teacher ratios, particularly in metropolitan Dioceses – indicating that relatively less system income is being directed to schools.

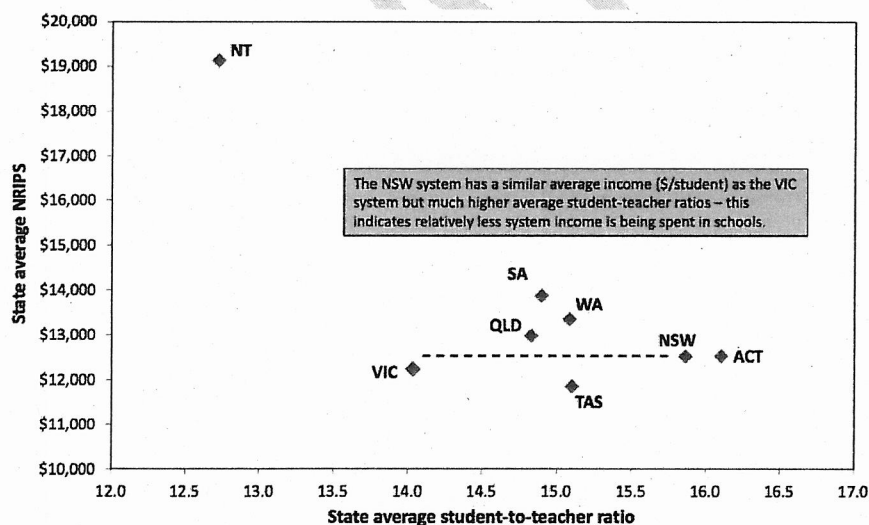


Figure 5: System income (expenditure) per FTE teacher in Catholic systems

For each teacher that it employs, the NSW system spends \$27,000 more than the Victorian system. This is again primarily reflected in the metropolitan Dioceses, with expenditure in NSW rural and regional Dioceses comparable to like Dioceses in Victoria.

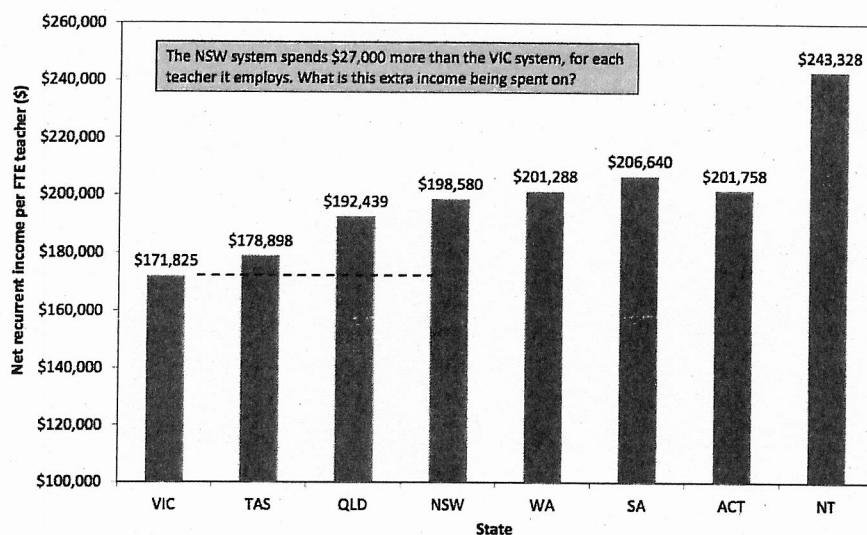


Figure 6: Average recurrent grants in Catholic secondary schools (metro Dioceses)

Secondary and combined schools in the NSW metropolitan Dioceses receive a very high level of government recurrent grants, as compared to other metropolitan Dioceses in Australia.

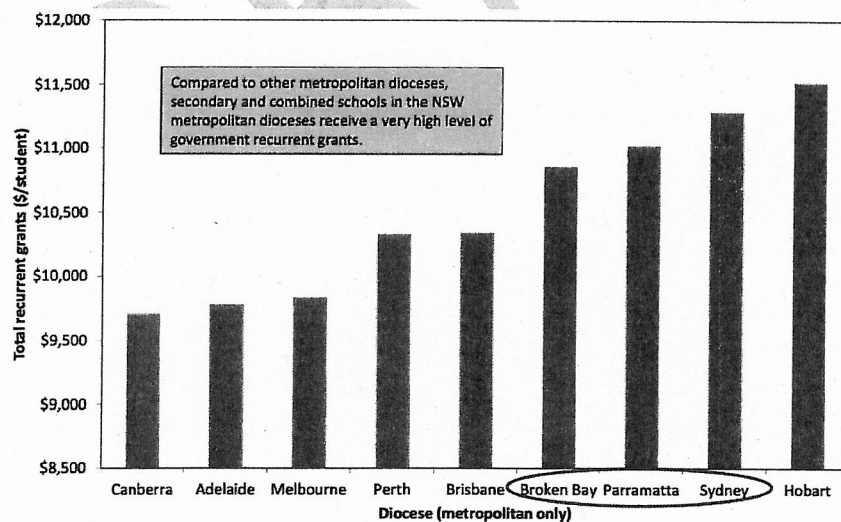
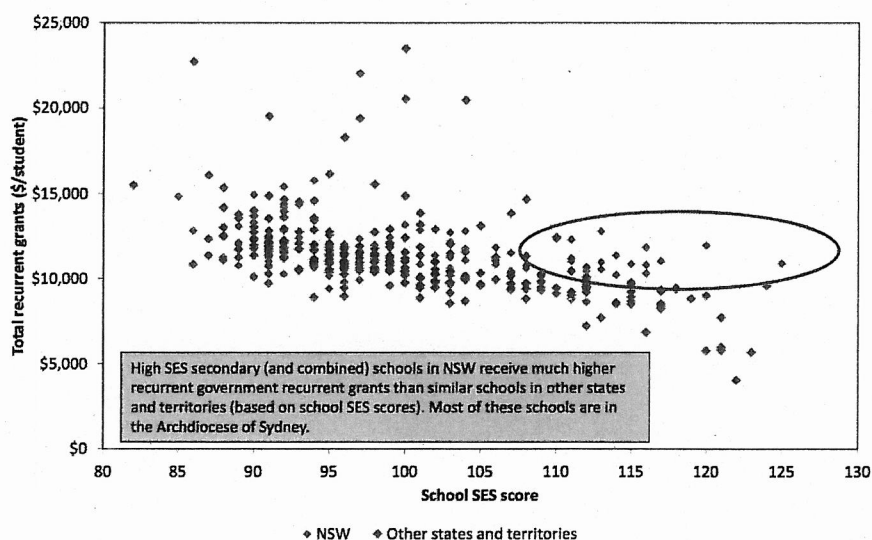


Figure 7: Recurrent grants in Catholic systemic schools (secondary and combined)

More specifically, high SES secondary (and combined) schools in NSW raise much less private income and receive much higher recurrent government grants than similar schools in other states. Most of these schools are in the Archdiocese of Sydney.



The point of including the data in this report is to model the kind of data that should be at the system's disposal to ensure transparent accountability to the Bishops, schools, parents and funding authorities.

c) The principles for future funding distribution

Deloitte was asked to develop a funding model that is consistent with the needs-based approach required under the Australian Education Act. The government funding distribution arrangements in Catholic schools in NSW are grounded in this methodology but will require further modification if they are to fully meet the Act's increasing expectations and requirements.

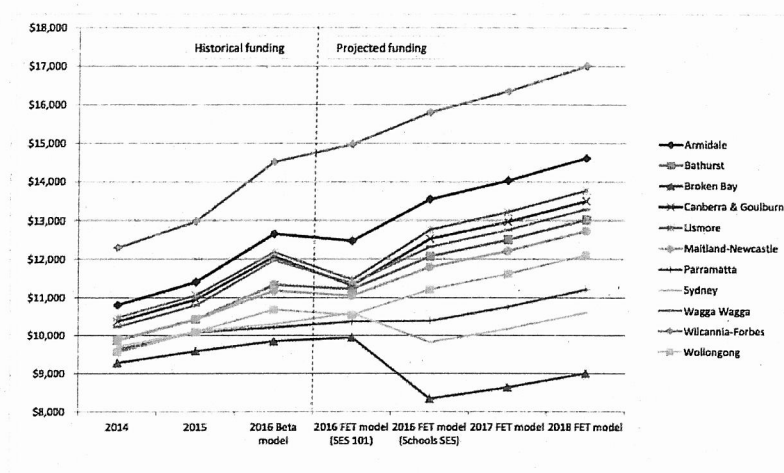
The needs-based approach relates in the first instance to allocation of funds to Dioceses on individual student need. Broadly speaking, the 2016 allocations are provided on this basis, however data in regard to how those allocations then flow through to each school on the basis of individual student need is only available for 2014. The individual school data in relation to funding allocations for 2015 will not be available until August this year.

The Deloitte report indicates the progression of funding to 2018. It highlights the rationale of needs-based funding and sets out the Commonwealth government requirements, the data utilised and the current CEC distribution model. It reflects on the wide variability in student performance that may exist in just one classroom and therefore why needs-based funding is an important component of teacher performance and improved learning. It is not the money, per se, which brings improvements; it is how it is utilised.

The following charts indicate the differences in the current CEC funding formula and one that is based on a model more closely aligned with Australian Education Act.

Please note the Funding Estimation Tool (FET) is used to estimate the Commonwealth funding expected to enter the NSW Catholic school system, with the CEC NSW estimating the state funding contribution. The BETA model referred to below and in the Deloitte report is the new approach to the distribution of funding amongst Dioceses, which was approved by the Bishops and adopted in 2016.

Chart 3.5: Estimated per student funding by Diocese, 2014-2018



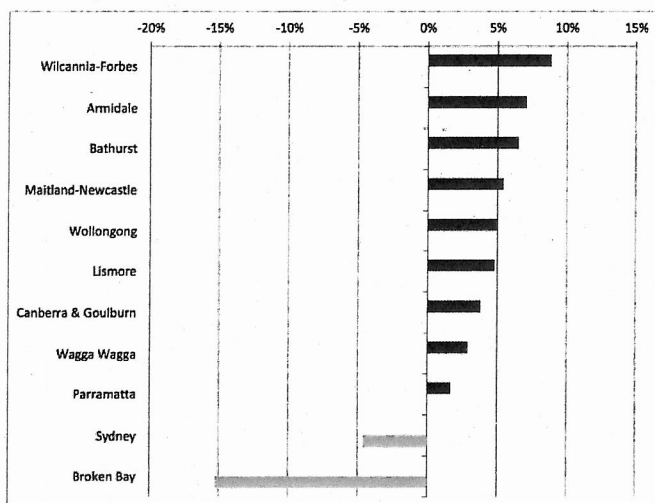
Source: Deloitte Access Economics

Chart 3.5 shows that the per-student funding across each Diocese increases from 2014 to 2016 under the approved funding models. As a basis for comparison, projected funding from 2016 to 2018 is included. The comparisons include the following:

- Projected funding under the FET model for 2016 using the Catholic schools average SES score of 101, and
- Projected funding from 2016 to 2018 using individual school SES scores. □

Both of the comparisons involve the same funding envelope as the BETA model. □ The estimated funding allocation in 2016 under the BETA model is higher for eight Dioceses and lower for two Dioceses – Sydney and Broken Bay. The difference in estimated funding allocated to Dioceses between the FET and BETA models for 2016 is that the FET projections are based on allocating funds based on the characteristics of each school and its student profile, as determined by the methodology under the AEA. The difference is more pronounced when using funding based on individual schools' SES scores as opposed to the average SES score of 101.

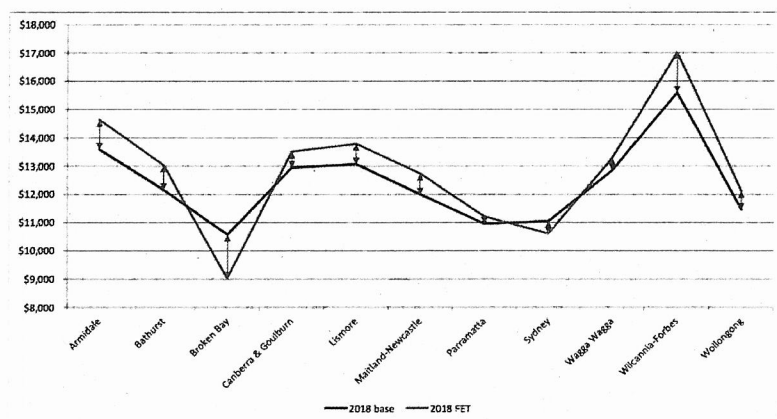
Chart 3.6: Difference in 2016 funding – FET model (Schools' SES) relative to BETA model



Source: Deloitte Access Economics

Chart 3.6 shows the difference in funding levels at the Diocesan level, comparing the 2016 BETA model and the FET model using the schools' SES score. The average difference in funding across Dioceses is around 1.0%, ranging from a decrease for Broken Bay of 15% to an increase of 9% for Wilcannia-Forbes.

Chart 3.7: 2018 estimated funding levels by Diocese



Source: Deloitte Access Economics

Chart 3.7 shows the difference in estimated funding per diocese in 2018. The estimates are based on the FET model results for 2018 using individual schools' SES scores, with the base funding assuming the 2016 per student funding increases by 4.8% per annum, similar to the increases in per student funding seen from 2014 to 2016. The largest variance in funding is seen in Broken Bay with projected funding under the 2018 FET model 16% or \$1,740 per student lower. The second largest difference is in Wilcannia-Forbes, which sees a 7% or \$1,150 increase in funding per

student.

It is understood that presently, Dioceses determine how funds are distributed on the basis of many factors, including the level of current funding, the particular needs of Dioceses and their local communities and various cultural factors that contribute to decision making within and between Dioceses.

In the short term, funding would continue to be distributed on the basis outlined in the tables above as determined by the BETA model. In the medium and longer term, the proposed new education entity would continue to allocate resources on a more targeted, transparent and objectively determined student needs basis.

Comment [RS1]: Kathryn, you might wish to change this concluding statement now that we have the data however I have made some small changes to adapt what was already there.

Transition for those Dioceses to receive less funding

The transition to the FET (schools SES) model for is significant for Sydney and highly significant for Broken Bay as indicated in Chart 3.5. The specifics of that transition will take change management skills not necessarily required over the last 10 to 15 years when funding has flowed through from Government at rates significantly in excess of the inflation rate. In this environment, the tendency to maintain the status quo and allocate the money became primary functions and from what I have seen major reforms to when and how work was done did not generally occur.

The evolution of needs-based funding for schools is not new and system leaders have been well aware of its coming for many years. I expect that money has been set aside so that the transition can be eased, allowing for schools in those Dioceses to continue to thrive. A key leadership skill for the new entity and its Executive Director will be a capacity to challenge current structures in education and to move away from century-old models of teaching and learning that are neither financially nor pedagogically sustainable.

As the Deloitte report points out, recent Australian research has shown that achievement levels can be spread over five to eight year levels within a single classroom. A significant financial constraint may provide an opportunity to challenge traditional, unsustainable approaches and pave the way for innovation and staff generated solutions to deal with these issues. Such a challenge requires leaders who are unafraid to have discussions about these difficult issues with all staff. The job of doing so is multi-faceted and must involve a root and branch examination of every part of the system's operations - from the head office to the learning spaces and everything in between.

d) Structural changes and funding

The recommendation from this review to have a single Catholic Schools Commission to replace the current 11 Diocesan Schools offices and the CEC is intended to redirect subsequent savings into individual schools. As indicated elsewhere in this report, the new entity will need to establish how it will manage the changes so that essential services are maintained and in many cases, significantly improved.

It is apparent to me from this review that there is a proliferation of operational silos within and between Dioceses and a distinct lack of integrated thinking when it comes to service delivery of both administrative services and even pedagogical support to schools. This is far more prevalent in the larger Dioceses, some of which have numerous consultants who assist schools but who are not necessarily part of a coordinated support service. One example cited to me concerned a teacher's

difficulty in managing the well meaning interventions of separate literacy, numeracy and religious education consultants who all arrived at the school without coordinating among themselves the services they were offering. In this instance, absent a holistic approach from her colleagues to assisting frontline staff, the teacher felt overwhelmed rather than supported.

While anecdotal, this story illustrates the capacity of schools and the system to improve school performance and the wellbeing of both staff and students by challenging longstanding structures that are clearly not assisting contemporary student needs and outcomes.

e) Lessons to be learned from other models

In the NSW Department of Education (NSW DEC), the NSW needs-based resource allocation model (RAM), whilst very successful, has been implemented across a three-year period. Catholic education in NSW will require a period of similar time to embed new processes. These processes focus on the financial impact of student funding, with particular emphasis on loadings to assist the less advantaged children in the community. Schools will discern how they can best use their loadings to improve the learning outcomes for all their students.

Figure 8: NSW DEC school and system accountability model

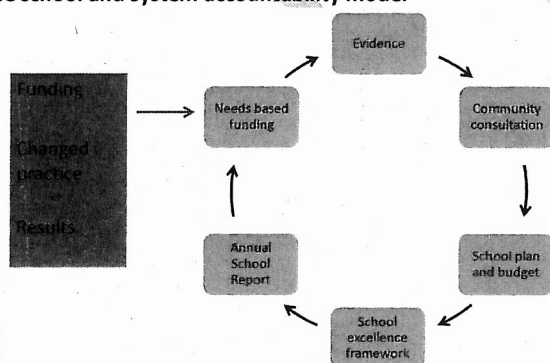


Figure 8 is the model of school and system accountability from the NSW DEC that all state schools follow to define school excellence. The left hand column indicates the results of changed practice as a consequence of additional funding. These improvements come from the circular resolution of individual boxes in the graph i.e. needs-based funding is received by the school to assist the learning journey of all students; evidence is required by staff via their community consultation on the efficacy of programs implemented; these programs inform the school plan and budget. This is heavily reliant on good quality data and KPIs relating to the school excellence framework being met, which, in turn, are reported annually. The needs of the children are then reviewed and the cycle starts again. It should be noted that the school plan and budget are a public document.

f) System performance and evaluation

The DEC model illustrates the importance of clear, comparable data on school and student performance and its role in determining how resources should be allocated, and in the ongoing evaluation of these resource allocation models. The inability for the Catholic school system to reach consensus with regard to distribution of funding is directly related to this question around the criteria by which success is measured. It is not simply a matter of distribution of funds, but a deep systemic problem with the lack of consistency around what standard of quality education all

children should receive.

A core function of any educational system is to ensure that school performance and evaluation is connected to credible, measurable and common professional standards. While all Dioceses and the CEC hold data in regard to student, school and individual system performance, what has emerged in this review process is that there is no overarching agreed basis upon which the Bishops could collectively determine success.

All Dioceses would assert that they provide a high standard of education, however, I could not identify any common criteria that was broadly accepted and by which all Dioceses could be compared and measured. In some circumstances, the range of views about school and system academic performance were profoundly different, a fact which must be of concern to the Bishops.

Debates abound in regard to what should be considered relevant metrics e.g. individual student growth vs. aggregated outcomes for a student cohort or HSC results vs. a holistic approach to a students' post school progress.

These are complex matters where educational philosophy, contemporary pedagogical research and Church teachings intersect with government policy and internal political considerations. Under the current structures, developing a coherent approach is virtually impossible. In this age of increased scrutiny and transparency, this cannot remain unaddressed, not only for compliance reasons, and to determine appropriate allocation of resources, but for the benefit of students and Church communities.

There is ample data available relating to external measurements such as the HSC and NAPLAN results. It is generally agreed that while useful, these are relatively crude measures of success and not the final word on what a school should do and where it should go in policy terms. As the drive for more individualised learning gains momentum, the software requirements and data analytics capability of schools will become more pronounced, again emphasising the importance of unity of purpose and execution to get better and more cost effective results.

John Hattie is Professor and Director of the Melbourne Education Research Institute. A highly regarded thought leader, Hattie's work has focused on teaching, learning and improving teacher professional development. He has often highlighted that increasing funding alone for school education will not automatically lead to learning improvement.

Hattie draws attention to the development of collaborative expertise within schools with an emphasis on collaboration. In his report, *What works best in education: The Politics of Collaborative Expertise*, he encourages school leaders to ask two questions;

"1. What is the evidence that each student is gaining at least a year's progress for a year's input in every subject?

2. What is the school doing right in light of this evidence?"⁹

The use of objective, evidence-based data will drive the quality education experience in the future, however this raises the question of strategic direction and leadership; whether a conversation

⁹ Hattie, J (2015) WHAT WORKS BEST IN EDUCATION: The Politics of Collaborative Expertise, London Pearson p.24

about performance can take place without an overarching strategy to benchmark and determine success or failure.

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4. 21st Century Leadership of Catholic Education

There have been numerous reports into the workings of Catholic education in NSW over recent years. Each has highlighted different aspects requiring change, but without prompting fundamental root and branch renewal. The review in 2016 allows NSW Catholic education to establish mechanisms to meet 21st Century operational requirements.

a) Systematic approaches to strategic directions and operational priorities

Throughout the review process, stakeholders raised concerns in regard to the potential absence of subsidiarity and about out of touch centralised bureaucracies. While these are valid concerns, problems typically arise in this regard where the governance structures and genuine accountability for current and future outcomes are unclear.

This review suggests that at least some stakeholders already harbour such concerns about either the CEC or their Diocesan schools office and while I make no judgement in this regard, it does highlight the need for good governance, clearly understood criteria for determining and measuring performance and iterative processes for ensuring that what is relevant and successful currently or in the past is also appropriate for the future.

If there is a lack of criteria for the CEC itself, how can a Diocese be expected to have relevant criteria measuring accountability and success? How do you possibly set a strategic direction without measurable goals? Agreement on what these goals might be and how they can be measured at a system level is essential for any structure moving forward.

b) The school leadership imperative

I am aware that much of what appears in this report is likely to meet with objection for a number of reasons. It should be noted that Catholic education has over the last forty years been the beneficiary of bipartisan public policy that has increased funding to presently unprecedented levels. Catholic schools and systems have been competent stewards of this public funding which has been borne out by historical academic performance, steady enrolments and an expectation that Catholic schools will be part of any urban expansion. However, the rapidly changing landscape in which schools operate will not afford the same assumptions experienced over the last forty years.

While no doubt challenging, in this current climate, change and agility are a necessity for survival and growth. Perhaps the greatest challenge will be with teachers and school leaders. The drive for transparency, collaboration and accountability will demand changes to some of the most basic ways schools arrange and manage staff, students and resources. Central to this is the importance of Principal autonomy.

"Research has found that school leadership is second only to teaching in its impact on learning, and has the greatest impact in those schools where the learning needs of students are most acute (Leithwood et al. 2004).

Studies have shown that school leaders who are able to make decisions, including decisions about hiring staff and over the school budget, do well in terms of student achievement, providing there are measures of school accountability (Woessmann et al. 2007)."¹⁰

¹⁰ Gonski Review of Funding for Schooling p.219

While these changes could be met with resistance, the massive pressures placed on these same teachers is driving the need for change, as we continue to see the inadequacy of existing approaches to deal with these pressures. A new governing body and structure will enable new ways of viewing problems and require a leadership cohort that is resilient and innovative enough to renew and build.

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Closing Remarks

Changes of the magnitude proposed in this report require careful planning and intelligent execution. They also need to be formulated on the understanding that resistance to change is normal and that a preference for the status quo despite the evidence in support of change is to be expected. While there is a general agreement that changes should be made, it can be anticipated that where those changes directly affect the autonomy or existence of particular entities, a deft change management strategy will need to be implemented to guide the transition to a new structure.

My recommendations form a process of renewal that sits firmly within the Catholic tradition and comes at a time when most Church leaders have expressed a genuine desire for change. Ultimately, the system of Catholic schools in NSW and the ACT needs to unite in a way that creates coherence without conformity. Tomorrow starts today.

Attachments

Attachment 1: Terms of Reference for this review

Attachment 2: List of stakeholders consulted with in the creation of this review

Attachment 3: Alternative governance models proposed and considered

Attachment 4: Deloitte Report

Attachment 5a: Letter from Makinson d'Apice Lawyers dated 14 September 2014

Attachment 5b: Letter from Makinson d'Apice Lawyers dated 22 February 2015

Attachment 6: Charter of the NSW Catholic Education Commission

Attachment 7: The Not-for-Profit Guidelines for Non-Government Schools, 23 September 2015

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