

AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS

PRESS RELEASE 649#

Victorian Catholic Education Commission :

A Self-Regulated System

Favouring High SES Schools in Funding Allocations

Trevor Cobbold Comments:

As noted in Press Release 647, at <http://www.adogs.info/press/state-auditor-general-finally-blows-whistle-public-funding-private-schools> a [new report by the Victorian Auditor-General](#) shows that Catholic education authorities and other private schools are failing to properly account for the use of taxpayer funding. It found that there is little evidence that private schools are using their government funding for their intended purpose and are achieving intended outcomes.

Nationally, Catholic schools receive at least \$2 billion from taxpayers in direct grants alone. In 2013, 72% of the gross income of Catholic schools was provided by the Commonwealth and state governments in direct grants alone. In Victoria it was 71%.

If there is not even basic accountability for this level of public funding, and, if, as the Auditor General has found, the Catholic authorities are diverting public moneys given to disadvantaged pupils to wealthy schools, something is wrong with the State of Victoria – and Australia at large. We are dealing with high levels of lack of transparency and possible corruption. Yet the Chief Administrator, of the Victorian Catholic Education Commission, Stephen Elder, believes that the church can get away with it if he bad-mouths the Auditor General and his office.

DOGS have been blowing the whistle on this problem for half a century. Lack of Accountability for Public Money is a basic reason why State Aid should not be provided for private schooling in the first place.

Trevor Cobbold, of Save our Schools has the following analysis of the Auditor General's Report:

The Catholic Education Commission of Victoria (CECV) is failing to direct state government funding to students most in need according to a [new report by the Victorian Auditor-General](#). The report shows that the CECV is directing state government funding away from the lower socio-economic status schools to schools with a higher socio-economic status. There is also evidence that Catholic education authorities are favouring high SES schools in re-allocating Commonwealth funding.

The Auditor-General's report compared the state funding entitlement for high and low SES Catholic schools as calculated by the Department of Education (DET) according to its Financial Assistance Model (FAM) with their funding as distributed by the CECV. It found that some Catholic schools receive substantially more than they would receive under DET's allocation and some substantially less. In particular, the funding received by schools in the three highest SES categories in 2014 was much higher than they would receive under DET's allocation. For example, the highest socio-economic status schools, with an SFO index below 0.1, gained an additional 75% in student funding and the 2nd highest gained an increase of 38% (see Chart 1 & Table 1 below).

In contrast, schools in the medium and lowest SES categories received much less than they were entitled under the DET allocation. Schools with an SFO index of between 0.4 and 0.7 lost between 11% and 63% of their funding entitlement while schools in the three lowest SES categories lost between 25% and 63% of their DET allocation.

The report found that one Melbourne metropolitan secondary school had lost \$1.74 million compared with its DET allocation. Eight Melbourne metropolitan schools had more than \$1 million allocated away from them, and 16 schools had between \$1 million and \$500 000 reallocated away from them, compared to the DET allocations.

The highest amount reallocated to a school was \$966,724 to a Melbourne metropolitan secondary school. Fifteen schools had more than \$500 000 reallocated to them above the DET allocations.

The reason for this significantly different allocation to Catholic schools compared to the DET's allocation is that government grants to Catholic schools are not provided directly to individual schools, but provided as a block grant to the CECV for distribution to schools. The CECV uses its own methodology to allocate state funds, in contrast with other system authorities which pass on state grants in full to schools as allocated by the Department. The same process applies with Commonwealth funding.

The CECV appears to have ignored the requirements of the Victorian Non-Government Schools Funding Agreement 2010–2013 which was extended for one year in 2014 and again in 2015. The Agreement implements the funding arrangement between the state and non-government schools and sets out the conditions that apply. According to the Auditor-General's report, one of the purposes specified in the Agreement is "improving the equity of funding by targeting need" [p. 15]. However, the report also points out that the 2016 funding agreement does not include any specific goals such as targeting funding to need [p. 24].

The Department allocation is determined by its [Financial Assistance Model](#) which includes a per capita component and a needs-based component. The needs-based component is determined by student and school characteristics. Schools attract additional funding based on the number of low SES, Indigenous and disability students. This needs-based component accounts for about 60 per cent of state recurrent funding of private schools. The per capita component makes up about 40 per cent of state funding of private schools.

The CECV refuses to divulge its distribution formula. The Department of Education advised the Auditor-General that it is not aware of the methodology used by CECV to reallocate state funds to schools.

There is also prima facie evidence that the CECV is not fully distributing funds from the Commonwealth Government according to the Commonwealth's needs-based funding formula. Chart 2 shows the difference between Commonwealth recurrent grants as calculated by the Commonwealth Department of Education and the amount of Commonwealth funding received in 2014 for the highest and lowest SES Catholic secondary schools in the metropolitan region. Most high SES schools received more Commonwealth funding than they would have received under Commonwealth Department's allocation. Most of the low SES schools also received more than their Commonwealth allocation, but the high SES schools got a larger average re-allocation than the low SES schools – 3.6% for the high SES schools compared with 2.3% for the low SES schools. Three of the low SES schools had their Commonwealth allocation reduced.

The Catholic Education Commissions of each state also refuse to divulge how they distribute their Commonwealth funding. Both the Australian National Audit Office (ANAO) and the Gonski review of school funding have criticised the lack of transparency and accountability of how private school systems distribute government funds to member schools.

[An ANAO report in 2009](#) found that private school systems, of which Catholic systems are by far the largest, were not fully distributing taxpayer funds according to need:

ANAO analysis found that systemic schools with low SES scores (that is, schools servicing low socioeconomic communities) receive less Australian Government general recurrent grants per student from their school systems than if they were directly funded under the SES arrangements (as are non-systemic schools). [p. 22]

...school systems appear to give less weight to individual school SES scores when distributing Australian Government general recurrent grants to affiliated schools. [p. 85]

The report also found that the Commonwealth Department of Education did not have information on the funding formulae that private school systems use to distribute funds to their affiliated schools, including whether and how these formulae account for need. It said that to better inform program management and broader policy advice, the department should take steps to identify whether school systems distribute general recurrent grants funding according to needs-based funding principles. It recommended that:

...the department request from school systems, information on their funding formulae used to distribute general recurrent grants to their affiliated schools, to assess whether:

- distributions are made according to need within overall Australian Government policy guidelines... [pp. 87-88]

The Department agreed to this recommendation and undertook to consult with school systems by the last quarter of 2009 and request that they provide details of how they distribute Australian Government funding to their member schools [p. 88]. However, it was never revealed whether the Department obtained this information.

Nearly three years later there was still very little information available on how private school systems distribute their block funding. The Gonski report on school funding found that only “limited information is collected on these methods” [p.47]. It said that smaller private school systems are known to distribute funding according to the SES score of their member schools, but it could not say what the largest system – the Catholic system – does.

The report on school funding expressed concern about the lack of transparency of funding allocations in school systems (including government systems). It recommended that school systems should be transparent about the basis on which they allocate funding to member schools:

...block funding of systems does raise issues about the transparency of funding allocation by systems and their accountability for the allocation and use of all their resources. Assessment and payment of funding to systems on a consistent basis should be accompanied by a responsibility and obligation on them to disclose the basis on which public and private funding is allocated to individual member schools. In particular, there should be an obligation on systems to report publicly when the allocation of total resources to schools deviates significantly from the principles in the schooling resource standard. [p.181]

Nationally, Catholic schools receive about \$2 billion from taxpayers. In 2013, 72% of the gross income of Catholic schools was provided by the Commonwealth and state governments and in Victoria it was 71%. However, as the new report by the Victorian Auditor-General shows, Catholic education authorities and other private schools are failing to properly account for the use of taxpayer funding. It found that there is little evidence that private schools are using their government funding for their intended purpose and are achieving intended outcomes.

There is significant variation in the management practices of different schools and overall they lack policies and procedures to demonstrate the effective use of state government grants. With some exceptions, they cannot adequately track and demonstrate how grant funds have been spent. [p. 27]

The Auditor-General found that there is insufficient oversight of private schools by the Department of Education, and this has resulted in a lack of transparency and accountability for the use of state government grants. It is largely a self-regulated funding system.

In some cases, DET relies on system authorities to administer and oversee grants made to schools. In effect, this means that the system authorities oversee themselves, because they receive the grant funding from DET, manage the allocation of grants to schools, and provide acquittals to DET on expenditure. DET has only assessed these acquittals from system authorities to ensure that expenditure matched the payments provided. DET does not oversee or monitor system authorities to assure itself that grants are used for their intended purpose or achieving the intended outcomes. [p. xiii]

The report concluded that there is a need to strengthen guidelines and funding agreements, and the associated accountability for the use of all grants to non-government schools. It made a number of recommendations to DET focused on improving funding agreements, clarifying record keeping and reporting requirements, and strengthening its oversight and monitoring of private schools.

However, Catholic education authorities continue to ignore calls for them to be more accountable for how they use taxpayer funds. Typical of their high-handed attitude is the belligerent response by the CECV to the Auditor-General's report. It went so far as to accuse the Auditor-General's office of conducting the audit in bad faith in that the evidence, the findings, the conclusions and recommendations were pre-ordained. In response, the Auditor-General said:

These inferences are utterly without foundation or measure and as a commentary, it is quite unworthy of the administrative head of an important system of education.

Aside from citing a comment made by the former Auditor-General, the executive director has proffered no evidence to support his conclusions about this audit's apparently confected purpose. In this regard, rather than raise this fundamental issue at any point during the audit, he has chosen the very conclusion of the audit to impugn the integrity of this office. [p. vii-ix]

The report asserts the fundamental principal that: "Every citizen is entitled to transparency around the use of state government funds" [p. ix]. In contrast to the CECV, Independent Schools Victoria said in response to the report that "'government and the public have the right to know how all government funding is being used" [p. 55].

Catholic education authorities continue to thumb their noses at the taxpayer and, remarkably, the Commonwealth and state governments have allowed them to get away with it. It says something about the power of the Catholic church. However, this may be changing as the Victorian Department of Education has accepted the recommendations of the Auditor-General, but it remains to be seen whether there are practical improvements.

Catholic education authorities should come clean about their funding formulae. It is not good enough that they get billions of dollars in taxpayer funds and not have to account for how they distribute this funding to member schools.

See Trevor Cobbold of Save our Schools at <http://www.saveourschools.com.au/funding/victorian-catholic-education-commission-favours-high-ses-schools-in-funding-allocations>

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