Choice and Affordability Fund Annual Report 2021

catholic education commission of victoria ltd
ACN 119 459 853

Summary of 2021

The Catholic Education Commission of Victoria Ltd (CECV) welcomed the opportunity to receive the Choice and Affordability Fund (CAF) to assist in fairer funding for standalone primary schools, providing for parental choice in specialist school settings and the transitioning of secondary schools to the new Schooling Resource Standard (SRS). The CAF funding has been allocated based on the priorities identified in the CAF agreement with the Australian Government.

The current CECV CAF funding distribution arrangements support parental choice and diversity in schooling by enabling more families to have the choice of attending a low-fee, inclusive non-government school. This allows for greater diversity within Catholic schools because middle-income and high-income families are still able to attend low-fee schools (alongside low-income families).

Funding is better targeted to provide more to schools that require it to reach their resource standard and less to those that don't. This is because the CECV funding allocation takes into account the extent a school needs government funding to reach its resource standard.

The CAF has been allocated to three priority objectives following the CECV CAF agreement:

1) special and special assistance schools – choice and affordability with system transition rates changed to individual school transition rates
2) primary schools – choice and affordability with capacity to contribute (CtC) settings
3) secondary schools – transition assistance.

A total of 117 schools were allocated funding from the CAF in 2021. This included:
- 92 primary schools
- 5 special and special assistance schools
- 20 secondary schools.

Each of these priority objectives has achieved the goals outlined in the CAF agreement.

These objectives present all Catholic schools in Victoria with the opportunity to be supported through CAF funding, with each school reviewed and assessed independently and based on the unique characteristics of the school, its families and community.

The full allocation of the CAF has been distributed to schools as outlined in the CAF agreement. There has been no centralised spending from the CAF.

Financial Report

2021 budgeted funding and actual expenditure

Expenditure by activity for 2021 is outlined in the table below. Expenditure by school for 2021 is outlined in *Attachment A – CAF 2021 School Level Data Report*.

Activities/initiatives	Expenditure type	Budgeted for 2021	Actual spend in 2021
A – Choice and Affordability			
Special and special assistance schools	Centralised	–	–
	Distributed	$3,475,889	$4,528,596
Primary schools	Centralised	–	–
	Distributed	$6,654,197	$9,963,946
Primary schools – regional	Centralised	–	–
	Distributed	–	$138,455
Total for Priority A	Centralised	**–**	**–**
	Distributed	**$10,130,086**	**$14,630,997**
B – Transition Assistance			
Secondary schools	Centralised	–	–
	Distributed	$6,654,197	$2,054,431
Secondary schools – regional	Centralised	–	–
	Distributed	–	–
Total for Priority B	Centralised	**–**	**–**
	Distributed	**$6,654,197**	**$2,054,431**
C – Special Circumstances Funding			
Total for Priority C	Centralised	**–**	**–**
	Distributed	**–**	**–**
D – Strengthening outcomes for schools and educationally disadvantaged schools and students			
Total for Priority D	Centralised	**–**	**–**
	Distributed	**–**	**–**
E – Student wellbeing and support			
Total for Priority E	Centralised	**–**	**–**
	Distributed	**–**	**–**
	Administrative costs	**–**	**–**
	Total expenditure	**$16,685,428**	**$16,685,428**
	Deferred funding	**–**	**–**

Other funding sources in 2021

No funding was contributed from other sources towards the delivery of CAF activities.

Interest earned that is being carried forward to 2022

Interest earned but not spent since the last annual report	$9,030

Schools' use of distributed CAF funding

The CECV hereby confirms it has met its obligations under section 49 of the CAF Guidelines and certifies that schools have used the distributed funding for the purposes for which it was provided.

Expenditure profile for 2022–2029

This table reflects the Non-Government Representative Bodies' (NGRB) planned expenditure over 2022 to 2029, consistent with the CAF agreement and, where applicable, the CAF Work Plan, with any variations outlined below.

	2022	2023	2024	2025	2026	2027	2028	2029
NGRB's total estimated funding allocation, as advised by the department	$17,185,990	$17,701,572	$18,232,618	$18,779,596	$19,342,984	$19,923,274	$20,520,972	$21,136,602
NGRB's estimated Regional Transition Assistance funding allocation, as advised by the department	–	–	–	–	–	–	–	–
Accrued deferred funding from 2020 and 2021 to be carried forward to 2022	–							
Accrued interest earned on funds held in 2020 and 2021 to be carried forward to 2022	$10,813 (2)							
NGRB's planned expenditure for the relevant year	$17,196,803	$17,701,572	$18,232,618	$18,779,596	$19,342,984	$19,923,274	$20,520,972	$21,136,602
NGRB's planned regional transition assistance expenditure for the relevant year (1)	–	–	–	–	–	–	–	–
NGRB's planned deferred funding for the relevant year to be spent in a future year	–	–	–	–	–	–	–	
Accrued deferred funding from the relevant year and previous years to be spent in a future year	–	–	–	–	–	–	–	

(1) The CECV to determine future allocations relating to regional transition assistance for 2023 to 2029 during 2022.
(2) Accrued interest in 2020 and 2021 to be expended during 2022.

Activity Report

Activity/initiative	**Special and special assistance schools – choice and affordability with system transition rates changed to individual school transition rates**
Priority	A – Choice and Affordability

Activity description

The CECV allocated CAF funding to special and special assistance schools to allow a greater choice for parents of children who would benefit from special or special assistance education. Funding was allocated equal to the Australian Government's share of their Schooling Resource Standard (SRS), being 80% of their SRS. The allocation for special and special assistance schools was higher than estimated due to increased enrolments which were originally funded at a lower CECV system transition rate.

The CECV Grants Allocation Committee (Primary) (GAC(P)) administers funding for Victorian Catholic systemic special and special assistance schools. Each year the CECV publishes its Allocating government grants to Catholic schools in Victoria report, which sets out funding for special and special assistance schools.

Outcomes achieved

Outcomes	Indicators of success
The CAF funding should enable special and special assistance schools to manage their costs, eliminate reductions in Australian Government funding based on 80% of the SRS and provide a low-cost education option for students with significant special needs.	Special and special assistance schools were funded during 2021 at 80% of their SRS. Without CAF support, this would not have been achieved.
Due to increased enrolments of these students with high needs in special and special assistance schools from when the CAF priority split was budgeted in 2019, the allocation of CAF funding for special schools was increased to ensure choice and affordability for children with high needs and support. This avoided any reduction of per-student Australian Government recurrent funding based on 80% of the SRS.	This was attributed to the following schools: • Mackillop Specialist School – enrolments increased by 64% (87 in 2019 to 143 in 2021) • St Joseph's Flexible Learning Centre – enrolments increased by 20% (384 in 2019 to 461 in 2021). The CAF funding achieved its priority of ensuring that parents of special needs students would have greater choice in accessing a Catholic special or special assistance education facility and not experiencing a per-student reduction in Australian Government funding.

Risk management

Risk	How the risk will be managed
The move to individual SRS transition rates until 2023 for those funded below the 80% benchmark would have resulted in Australian Government per-student funding cuts to special and special assistance schools. This would make it difficult for these schools to continue to provide the same level of education and care currently provided to students. Over time, it is not sustainable to run special and special assistance schools on lower levels of funding.	The CECV monitors the annual SRS funding level for all special and special assistance schools. These schools take first priority when distributing grants to ensure appropriate levels of funding are allocated. The CECV has used the 80% of the schools' SRS score as the appropriate level of funding the schools require to continue operations and to minimise unexpected fluctuations outside the control of these schools.

Key stakeholders

Stakeholder	Engagement work
GAC(P) The activity assists special and special assistance schools in maintaining their current operations during their transition to 80% SRS by 2023. The activity ensures stakeholders are kept informed about critical information concerning the SRS and that these special and special assistance schools are supported to adjust to the change in individual schools' transition rates per student when it replaced the previous system-wide SRS transition rate.	The GAC(P) convenes to consider CAF priorities, discuss resource needs, and communicate to impacted special and special assistance schools.

Activity/Initiative	**Primary schools – choice and affordability with capacity to contribute (CtC) settings**
Priority	A – Choice and Affordability

Activity description

The CECV allocated CAF funding towards Catholic primary schools to support parental choice and the opportunity to provide primary school students with affordable Catholic school education. In addition to struggles with access to and affordability of Catholic education, in 2021 there were periods of extended COVID-19-related lockdown imposed in Victoria. Schools were also in positions of significant financial strain, and school communities, including staff and students, experienced a severe impact on wellbeing. However, in 2022 we envisage a return to a more normal operating model within Victorian schools.

The CECV GAC(P) administers funding for Victorian Catholic primary schools. Each year, the CECV publishes its Allocating government grants to Catholic schools in Victoria report, which explains how the Catholic system authorities in Victoria allocate government grants, for both recurrent and capital purposes, to systemically funded schools.

As detailed in this guide, the key features of these arrangements are that:

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

Outcomes achieved

Outcomes	Indicators of success
The GAC(P) allocation funds primary schools based on an adjusted CtC, reflecting realistic fee levels. The allocation is based on a per capita amount for schools over the designated CtC scores. This enables schools to manage their fee structures to provide low-cost education alternatives to parents.	The allocation in 2021 was higher than initially budgeted as fee levels at many of the CECV's standalone primary schools were frozen due to financial hardship caused by COVID-19-related factors and extensive lockdowns that occurred within Victoria during 2020 and 2021.
Funding is allocated based on an adjusted CECV CtC, allowing schools to provide parental choice and reflect realistic fees that can be charged for these schools.	A larger proportion of CAF funding was available to CECV primary schools as a direct result of increased recurrent funding to CECV secondary schools than originally planned and the shortening period of its own committee's funding transition arrangements. As a result, school fees were not required to increase dramatically to cover the shortfall of government funding.

Risk management

Risk	How the risk will be managed
Despite the positive change to the Direct Income Measure (DMI) from the previous SES area-based measure, the capacity to contribute (CtC) for standalone primary school settings has little correlation to actual private income collected by Catholic primary schools for recurrent purposes. The CtC relates only to recurrent purposes and not the private income required by parental contributions to meet capital works projects and repayment of borrowings on capital works. This function of CtC significantly influences the estimated 'resource needs' of non-government schools in the SRS model – and thus the funding they receive from the Australian Government. For most non-government schools, CtC is the single most important factor in the SRS model (after base funding). The expectation of raising private income applies only to non-government schools. Current CtC settings arrangements impact school choice and diversity for many Catholic primary schools. They make it difficult for many standalone Catholic primary schools to operate in a lot of communities and provide a genuine choice of schooling and affordable access to a faith-based education. In 2012, the CECV reviewed CtC primary school settings for its own GAC(P) funding formula. The outcomes of this review were deferred for 2021 due to the significant impact of COVID-19 on primary school operations in Victoria. The transition of these settings also aligns with the transitional period of the Australian Government's transitional arrangements for 'overfunded schools'. The CAF has been used to assist these schools with having affordable fees to avoid significant immediate fee increases.	The CECV monitors the funding level for all primary schools distributed yearly through the GAC(P). Funding distributed to each school is reviewed annually to ensure funding amounts do not move dramatically. This allows Catholic primary schools with funding certainty and time to adjust to the change in funding gradually and adjust their fee and charges structures from parental contributions if required. The CECV also supports the National Catholic Education Commission's funding commitment to advancing the Australian Government review of the CtC formula to 2024 to ensure fairer parent contributions.

Key stakeholders

Stakeholder	Engagement Work
GAC(P) The activity assists Catholic primary schools in maintaining their current operations during their transition to the Direct Measure of Income arrangements (DMI). The activity ensures stakeholders are kept informed about critical information concerning the DMI and that schools are supported to adjust to the new funding arrangements.	The GAC(P) convenes to consider CAF priorities, discuss resource needs and communicate to impacted primary schools.

Activity/Initiative	Secondary schools – transition assistance
Priority	B – Transition Assistance

Activity description

The CECV allocated CAF funding to secondary schools that are currently funded more than 80% of the SRS, and introduced a year-on-year decrease in funding due to increased CtC scores due to the new direct measure of income (DMI). This has ensured that the most affected schools are able to transition to their new funding levels in a staged and planned manner. Additionally, secondary schools that were funded less due to a DMI of higher than 106 received funding assistance in 2021 to ensure schools with a CtC score below 106 received a minimum 3% increase in base funding per student. This support was evident due to the extended COVID-19-related lockdown imposed in Victoria. Several schools were also in positions of significant uncertainty with their operations, financial strain and experienced severe impacts on wellbeing.

The Schooling Resource Standard (SRS) is an Australian Government estimate of how much total public funding a school requires to meet its students' educational needs. By 2029, all schools will be funded on a consistent share of the SRS by the Australian Government. In line with this transitional timeline, a transition pathway methodology was approved by the Grants Allocation Committee (Secondary) (GAC(S)). This was to ensure that GAC(S) member schools that were 'overfunded' would reach their target funding share by 2029.

Following the release of various iterations of the Australian Government's Funding Estimation Tool (FET), an updated GAC(S) transition pathway projection was performed. The modelling revealed that 38 schools are expected to be deemed 'transitioning schools' and would be allocated additional funding to assist with the transition to their 'target funding share' in 2029. Out of the 38 schools:

- 33 schools are projected to get a lower rate of increase in their per-student funding
- five schools are projected to experience an actual decrease in their per-student funding.

The analysis also showed that the Australian Government's estimated transition support would cover most of the transition funding required for 2021. This means that there is only a minor shortfall in the transition amount required, which can be funded through the use of the CAF. Therefore, the committee has approved the elimination of the GAC(S) formula transitional realignment (TR) pool at the end of 2021. This is earlier than the current timeline of the end of 2022. GAC(S) member schools that are expected to be 'transitioning schools' were provided a transition pathway projection, where available.

It should be noted that these projections were estimates only and were based on the currently available data, assuming that each school's funding factors (enrolments, CtC scores, loadings, etc.) will remain consistent.

The GAC(S) administers funding for Victorian Catholic systemic secondary and combined schools. Each year, the CECV publishes its Allocating government grants to Catholic schools in Victoria report, which sets out funding for secondary and combined schools.

Outcomes achieved

Outcomes	Indicators of success
The CECV allocates funding from the CAF to assist secondary schools in transitioning to the new DMI score used to determine CtC.	These were allocated to schools with the largest transition amounts, with this funding expected to reduce over subsequent years. In addition, funding was provided to secondary schools to smooth out the transition when moving from a CtC score based on an SES score to a DMI score. The CtC scores within the CECV GAC(S) formula matches the *Australian Education Act 2013* (Cth) and applicable regulations and CtC settings for all Victorian Catholic secondary and combined schools. The allocation ensured that schools with a CtC score below 106 received a minimum 3% increase in base funding per student. The total amount allocated reflected the transition funding needs of the schools in 2021.

Risk management

Risk	How the risk will be managed
Some secondary and combined schools were impacted by the GAC(S) transition pathway review (until 2029) and/or higher DMI scores, and this resulted in government funding cuts. This would make it difficult for schools to continue to provide the same level of education and care currently provided to students. These schools are not able to transition to new funding levels without continued support over a period of time. This support is provided through the CAF transition arrangements.	The CECV, through the GAC(S), monitors the yearly SRS funding levels for all secondary and combined schools. The 2021 funding allocation ensures that schools with a CtC score below a DMI score of 106 receive a minimum 3% increase in base funding per student. The total amount allocated reflected the transition funding needs of the schools in 2021.

Key stakeholders

Stakeholder	Engagement Work
GAC(S) The activity assists secondary and combined schools in maintaining their current operations during their transition to the DMI arrangements. The activity ensures stakeholders are kept informed about critical information concerning the DMI and that schools are supported to adjust to the new funding arrangements.	The GAC(S) regularly convenes to consider funding requirements, including CAF priorities and discuss resource needs relating to the transition to DMI.

NGRB Annual Report Sign Off

This annual report is submitted in fulfilment of the annual report requirements in sections 50, 51 and 52 of the CAF Guidelines.

Names and positions of the persons signing off on behalf of the NGRB:

Jim Miles
CECV Executive Director

David Wilkes
Chief Financial Officer of CECV Operations

Date: 19/08/2022