South Australian Commission for Catholic Schools Funding Mechanism

July 2016

1 Funding Mechanism

1.1 Background

The new Funding Mechanism is based on what is generally known as the Better Schools model, firstly recommended in the Australian Government's Review of the Funding for Schooling in 2011 (the Gonski Report) and then introduced into the Australian Education Act 2013.

The Preliminary Report presented to the South Australian Commission for Catholic Schools (SACCS) in May 2016 analysed the limitations of the previous funding model and outlined the rationale for using the Better Schools model as the framework for the new Funding Mechanism. It presented the Working Party's conclusions from the analysis of the modelling for the new Funding Mechanism.

The rationale highlighted the strong alignment between the purposes and structure of the Better Schools model and the Guiding Principles for the Funding Mechanism that SACCS established:

- Common good
- Shared responsibility
- Equity
- Integrity
- Subsidiarity
- Accountability
- Transparency
- Viability

SACCS endorsed the structure and key components of the Funding Mechanism as presented in the Preliminary Report as the basis for further consultation and engagement with principals and key stakeholders.

The consultation and engagement process following the release of the subsequent Engagement Version of the Funding Mechanism raised issues about grants and subsidies and little disagreement with the proposed structure and components of the Funding Mechanism. There was strong endorsement of the Funding Mechanism's Guiding Principles.

It is not intended to duplicate in the Final Report all of the detailed material presented to SACCS in the May Preliminary Report.

The following sections present the parameters, structure and key components for the new Funding Mechanism.

1.2 Parameters of the Funding Mechanism

a) *Guiding Principles*
The Funding Mechanism Guiding Principles shall underpin the development, operation and review of the Funding Mechanism.

b) *Diocesan schools*
The Funding Mechanism applies only to Diocesan schools in the Archdiocese of Adelaide and the Diocese of Port Pirie.

c) *Better Schools model as theoretical framework*
The Better Schools model provides the theoretical framework for the Funding Mechanism and is not the funding model itself; it is adapted for the new Funding Mechanism to meet the specific circumstances and budget requirements of Catholic Education South Australia.

d) *Funding Mechanism as part of total CESA budget*
The funds available for distribution through the Funding Mechanism are determined according to the other commitments of the total CESA budget, in particular Co-responsibility.

e) *Co-responsibility: out-of-scope*
The allocation of funding through Co-responsibility is out of the scope of the Review of the Funding Mechanism. Co-responsibility funding is subject to other approval and management arrangements through SACCS.

1.3 Structure of Funding Mechanism

The new Funding Mechanism for Catholic Diocesan schools in South Australia is comprised of the following:

a) ***Base amount:*** calculation of the Schooling Resource Standard funding as defined by the Commonwealth *and* as determined by the requirements of the total CESA budget, calculated according to:

- the number of students at the school for the year as calculated in the Commonwealth August census
- multiplied by the CESA Schooling Resource Standard funding amount for the year for a student at the school
- discounted by the capacity of the school's community to contribute financially to the school based on the school's Socioeconomic status (SES) score, capped for Catholic Diocesan schools in South Australia at a SES score of 105, resulting in a maximum 19% discount to a primary school base and a maximum 36% discount to a secondary school base.

b) ***Additional loadings*** added to the base Schooling Resource Standard funding amount to address various types of student and school disadvantage and to supplement the support that schools provide to these students:

- ***students with disability:*** as proposed in the Better Schools model and complemented by Co-responsibility funding for the additional and complex needs of some students with disabilities managed centrally on the basis of the Guiding Principles
- ***Aboriginal and Torres Strait Islander students:*** as proposed in the Better Schools model and complemented by Co-responsibility funding for ATSI programs managed centrally on the basis of the Guiding Principles
- ***students with a low socioeconomic status:*** as proposed in the Better Schools model
- ***students who have low English proficiency:*** as proposed in the Better Schools model and complemented by Co-responsibility funding for programs managed centrally on the basis of the Guiding Principles
- ***schools that are not in major cities (location):*** as proposed in the Better Schools model, with the proviso that the Accessibility/Remoteness Index of Australia (ARIA) scores be capped at 6 for Catholic schools in South Australia.
- ***schools that are not large schools (size)***: as proposed in the Better Schools model.

1.4 Construction of the Funding Mechanism Base Amount

The following section presents more detailed information about the Base Amount for the new Funding Mechanism.

1.4.1 Per student funding amount

The per student funding amount in the Funding Mechanism is based on the per-student Schooling Resource Standard calculated by the Commonwealth Department of Education and is adjusted to accommodate other commitments within the total CESA budget.

1.4.2 Socioeconomic status

The Funding Mechanism accepts the national geocoding methodology for the calculation of the Socioeconomic status (SES) score for a school through the Australian Bureau of Statistics (ABS) national Census. The school's resulting SES is based on the residential addresses of students at the school relative to the collector districts in which they live.

The SES of Catholic schools in South Australia ranges from 79 – 116. SACCS, as the approved authority for CESA as a system, has an average SES of 98 which is lower than the national SES average of 100.

SES scores are generally determined once every four years. The next update of SES scores will use 2016 address data and 2016 ABS Census data. The SES scores from this calculation will take effect from 2018.

1.4.3 Capacity to contribute

The term 'capacity to contribute' reflects the idea that some parents and school communities are more able than others to contribute financially to their school's operating costs.

The capacity to contribute (CTC) mechanism aims to measure the capacity of the school's parent community to financially support the school. It includes a measure of parental income as identified through the Australian Bureau of Statistics national Census.

SES scores are used by the Commonwealth Department of Education to calculate the percentages that determine the amount of discount for the capacity to contribute that is applied to a non-government school's Schooling Resource Standard. The capacity to contribute discount ranges from 10 to 80 per cent.

Schools with a higher SES receive a greater discount to the per student funding base; whereas schools with a lower SES score receive a lesser discount to per student funding base.

In the new Funding Mechanism the capacity to contribute discount for Catholic Diocesan schools in South Australia is to be capped at a SES score of 105 for the following reasons:

- the option is a more realistic recognition of the extent to which Catholic schools can increase their fees to meet the full effects of the discount
- the option provides a more realistic recognition of the relativities between the Catholic school sector and the government school sector
- the modelling demonstrates that the capping at SES 105 for the Funding Mechanism does not have a flow-through impact for low SES Catholic schools
- the use of a cap is consistent with the proposed method for addressing other issues related to the Location Loading in the Funding Mechanism
- the proposed option provides simplicity, consistency and transparency and is readily open to review.

The capping of the capacity to contribute discount at SES 105 for the new Funding Mechanism means that the discount to the school base for primary schools ranges from 10%-19% and for secondary schools it ranges from 10%- 36%.

The updating of SES scores in 2018 following the next ABS census provides an opportunity at that time to reconsider the capping level if necessary.

1.5 Construction of the Funding Mechanism Loadings

The following sections present more detailed information about the Loadings for the new Funding Mechanism.

1.5.1 Students with disability loading

In the new Funding Mechanism, the Students with disability (SWD) loading is paid in respect of each student with a disability.

The disability loading percentage for students with a disability attending a mainstream school is 186% of the respective schooling resource standard (SRS) per student funding amount for that school.

The administration of students with disabilities programs and funding are currently undergoing significant change, in relation to:

- the method of SWD data collection and allocation moving from allocations based on medically diagnosed conditions to allocations based on the resources needed for the school to make an adjustment to address the student's needs related to the disability
- interpretation and application of the Disability Standards for Education
- interpretation and application of the National Disability Insurance Scheme.

In this context it is recognised that the disability loading in the new Funding Mechanism may not take into full account the complexities of students' different disabilities whereby students with higher needs may require additional and differentiated support than that which is provided under the Better Schools model.

The Students with disability loading in the new Funding Mechanism is complemented by Co-responsibility funding for the specific additional and complex needs of some students with disabilities to be managed according to the Funding Mechanism Guiding Principles.

The Co-responsibility funding includes the funding of Special Units.

For the two Catholic Special Schools in South Australia, it is recognised that their circumstances and operating costs do not directly align with student with the disability loading.

The funding for the two Catholic Special Schools in South Australia is based on the recurrent operational costs of the two schools subject to periodic review.

The same principle for funding the two Special Schools applies to funding for Flexible Accredited Meaningful Engagement School (FAME).

The arrangements relating to Special Schools and Special Units are further addressed in Section 2 on the Subsidies Framework.

1.5.2 Aboriginal and Torres Strait Islander student loading

In the new Funding Mechanism, the Aboriginal and Torres Strait Islander student loading is paid in respect of each Aboriginal and Torres Strait Islander student at a school.

It provides extra funding on top of the base schooling resource standard funding amount for each Aboriginal and Torres Strait Islander student.

The amount of extra funding depends on the proportion of Aboriginal and Torres Strait Islander students in the school. At the lowest rate, the loading is 20% of the school's per student schooling resource standard (SRS) funding amount. At the highest rate, it is 120% of the school's per student schooling resource standard amount. A school does not receive the loading if it has no Aboriginal and Torres Strait Islander students.

The Aboriginal and Torres Strait Islander student loading is designed to improve the outcomes of all Aboriginal and Torres Strait Islander students and to progress reconciliation at the whole-school level. It is to be considered as supplementary funding through the provision of additional resources to deliver equity for Aboriginal and Torres Strait Islander students.

The Aboriginal and Torres Strait Islander student loading in the new Funding Mechanism is complemented by Co-responsibility funding for whole-of-system programs for Aboriginal and Torres Strait Islander students to be managed according to the Funding Mechanism Guiding Principles.

1.5.3 Low SES student loading

In the new Funding Mechanism, the low SES student loading aims to give schools with students from low socioeconomic backgrounds, and schools with higher concentrations of these students, the same opportunity to achieve nationally agreed educational outcomes as schools that would not attract the loading.

The measure used to identify students from low socio-economic backgrounds is the socio-educational advantage (SEA) component of the Index of Community Socio-Educational Advantage (ICSEA).

The socio-educational advantage (SEA) scale measures the occupational and educational status of parents and guardians of school students. It includes occupation, completed school education and highest level of post- school education.

Socio-educational advantage quartiles show the distribution of students in a school across four socio-educational advantage quarters, representing a scale of relative educational disadvantage (‘bottom quarter’) through to relative advantage (‘top quarter’). SEA quartiles are based on data collected by schools through the Australian Curriculum, Assessment and Reporting Authority (ACARA).

The measure of low socioeconomic status student concentration – for the purpose of calculating the low SES student loading – is the percentage of students in the lowest two quartiles of socio-educational advantage (SEA).

The low SES student loading (for a year) is based on:

- the number of students at a school who are in the lowest two SEA quartiles,
- the primary, secondary or combined schooling resource standard (SRS) per student funding amount
- a loading percentage rate that reflects the degree of concentration of these students in a school.

The percentage rate of the loading increases as the proportion of students in the lowest two SEA quartiles within a school increases. A school does not attract any low SES student loading (for a year) if it has no students in either of the two lowest SEA quartiles.

1.5.4 Low English proficiency loading

In the new Funding Mechanism, the calculation for the loading for students with low English proficiency involves two key concepts relating to language and to disadvantage.

A student is identified as having a disadvantaged language background other than English if:

- the student comes from a language background other than English, and
- at least one of the student’s parents completed school education only to Year 9 (or equivalent) or below.

This identification is made by the Australian Curriculum, Assessment and Reporting Authority (ACARA).

The loading for students with a low English proficiency comprises 10% of the school's respective schooling resource standard (SRS) funding amount.

The loading for students with a low English proficiency in the new Funding Mechanism is complemented by Co-responsibility funding for whole-of-system programs to be managed according to the Funding Mechanism Guiding Principles.

1.5.5 Location loading

In the new Funding Mechanism, the location loading is based on a school's Accessibility/Remoteness Index of Australia (ARIA) score and applied as a percentage to both the schooling resource standard (SRS) per student funding amounts for a school and the school's size loading. The size loading is calculated first and then applied to the location loading formula.

ARIA is a measure of service accessibility and remoteness derived from road distances between populated localities and 'service centres' - that is localities with populations of greater than 1000 people.

Localities that are more remote have less access to service centres; those that are less remote have greater access to service centres.

Calculating the location loading for a school involves a number of key concepts as set out in the following table.

Concept	Explanation
Major city school	A school with an ARIA index value of less than 1 does not receive a location loading
Inner regional school	A school with an ARIA index value of at least 1, and less than 2.4, receives a locating loading between 0 – 10% according to its index
Outer regional school	A school with an ARIA index value of at least 2.4, and less than 6, receives a locating loading between 10 – 30% according to its index
Remote school	A school with an ARIA index value of at least 6, and less than 10, receives a locating loading between 30 – 70% according to its index

There are three schools with an ARIA index greater than 6: St Joseph's, Pt Lincoln; St Columba's Memorial, Yorketown; St Barbara's Parish, Roxby Downs. Each are distinctive in their size and location and in their access to services.

Based on the analysis of the development modelling for the Funding Mechanism, the ARIA scores are to be capped at 6 for Catholic schools in South Australia.

The use of the cap for the location loading is to be periodically reviewed.

1.5.6 Size loading

In the new Funding Mechanism, the size loading is calculated on the basis of a school's enrolments.

Unlike the other loadings, the size loading takes the form of a dollar amount for the whole school rather than a percentage loading applied to the school's schooling resource standard (SRS) base amount. In 2015 the loading used by the Commonwealth for the calculation of funding to CESA was $155,400 for a primary school and $248,640 for a secondary school.

The following table presents the relationships between kinds of schools, their corresponding enrolments and the loading proportion:

Kind of school	***Primary enrolments***	***Secondary enrolments***	***Loading amount***
Small school	15 - 200	100 - 500	Maximum loading
Medium-size school	200 - 300	500 - 700	Proportional loading based on enrolments
Large school	300+	700+	Nil loading

The size loading for *combined schools* is based on the loadings and enrolment limits for primary and secondary schools and the combined school's proportion of primary and secondary enrolments.

The modelling undertaken in the development of the Funding Mechanism demonstrated that some schools with small enrolments may require funding in addition to that which the Funding Mechanism generates in order to maintain their curriculum and/or financial viability.

This scenario in the modelling occurred for schools in both the metropolitan and country areas of South Australia.

This situation is recognised as a policy issue relating to the footprint of the presence of Catholic Education across South Australia.

The situation is addressed as a policy matter in the *Subsidies Framework* presented in Section 2.

1.6 Implementation of Funding Mechanism

The operation of the new Funding Mechanism is to apply from the start of 2017.

The successful implementation is dependent on the application of the Transition Process outlined in Section 3.

1.7 Review of Funding Mechanism

The Subsidy Framework is to be reviewed as part of the planned review cycle for the Funding Mechanism.

It is proposed that the Subsidy Framework together with the Funding Mechanism be reviewed in its fourth year (2020) of operation so that any revisions or amendments can be incorporated in future years.

2 Subsidies Framework

2.1 Background

The previous model for the funding of Diocesan schools has been accompanied in the past by additional payments to individual schools through a series of grants and/or subsidies.

In the past the grants and subsidies have varied in nature: they could be for salary adjustments; they could be tied to the location of the school; they could be drawn from the 'primary pool' or 'secondary pool' of funds; they could be allocated on a recurrent basis or they could be subject to an application process; they could be linked to specific policies or agreements or they could exist because of historical precedent; some are now inconsistent with current legislation and some are linked to sources of funding to CESA that ceased a number of years ago.

Over the past 20 years, these grants and subsidies have grown to over 40 in number.

The development and implementation of the new Funding Mechanism presents three fundamental issues to be addressed:

- what is the rationale for additional funding to schools through grants or subsidies that should sit alongside the new Funding Mechanism?
- which past grants and subsidies that accompanied the former funding model should be absorbed into the total pool of funding that is to be distributed through the new Funding Mechanism?
- which past grants and subsidies should be maintained and distributed separately from the Funding Mechanism?

It is proposed that the matter is best addressed through the definition and management of a new *Subsidies Framework* that accompanies the new Funding Mechanism and that is used to determine any allocation of grants and subsidies to schools outside the Funding Mechanism.

It should be noted that the *Subsidies Framework* would not incorporate program grants that are centrally managed through Co-responsibility arrangements.

2.2 Purpose and key parameters of Subsidies Framework

The purpose of the *Subsidies Framework* is to provide a comprehensive, consistent and transparent process for the allocation of funds to schools that are in addition to funding provided through the Funding Mechanism.

The *Subsidies Framework* is underpinned by the Guiding Principles that define the *Funding Mechanism:*

- Common good
- Shared responsibility
- Equity
- Integrity
- Subsidiarity
- Accountability
- Transparency
- Viability

The *Subsidy Framework* is defined by the following parameters:

a) it addresses specific *loan, policy or operational* circumstances in a school that are demonstrated to be significantly different from those of other schools

b) the financial impact of the school's specific *loan, policy or operational* circumstances are significantly under-recognised in the Schooling Resource Standard of the new Funding Mechanism

c) any subsidy allocation takes into account that the impact of the school's specific circumstances can have a positive effect for the school as well as place demands on its financial capacity, thus the amount of a subsidy is based on the *net* financial impact of the circumstances and the financial position of the school

d) scheduling arrangements for the allocation of subsidies should maximise the balance between:
   - a school's need for predictability in its financial planning and management
   - SACCS' responsibility and accountability for the most effective use of financial resources across the system of Catholic schools

e) where schools may receive an increase in funding through the new Funding Mechanism, any funding they received previously from grants or subsidies under the former funding model are considered to be covered by the increase in funding.

2.3 Types of Subsidies

Under the *Subsidies Framework,* the term 'subsidies' is used to refer to a funding allocation to a school that is in addition to funding provided through the Funding Mechanism (apart from program grants centrally managed through Co-responsibility arrangements). The term 'subsidies' now subsumes past arrangements that were previously referred to as grants as well as subsidies.

Under the *Subsidies Framework, s*ubsidies to schools outside the Funding Mechanism generally fall within the following three types of subsidies.

1. *Loan Subsidies:*

a) Subsidies for capital projects approved by SACCS

b) Subsidies for major projects approved by SACCS.

2. *Policy Subsidies:*

a) Subsidies where SACCS determines a school should exist as part of the *Footprint of Catholic Education across South Australia*, even though the school's enrolment size may restrict its financial viability - usually schools in country locations with fewer than approximately 100 R-7 students or fewer than approximately 200 Years 8-12 students

b) Subsidies where SACCS determines *Vocational Education and Training* should be provided and where the operating cost varies significantly from the Schooling Resource Standard e.g. Technical Colleges

c) Subsidies where SACCS determines the operation of a *Special School (as well as FAME and St Joseph's Centre, OLSH) or possibly a Special Unit* (their inclusion in the Framework is to be subject to further analysis) and where the operating costs vary significantly from the Schooling Resource Standard

d) Subsidies where SACCS determines a *new initiative or innovation* requires the investment of targeted net funding for a school e.g. a Marine Discovery Centre

3. *Operational Subsidies:*

a) *Reimbursements for System Costs:*
   - Country Establishment Grants
   - Removal Expenses
   - Supernumerary
   - Stipend
   - Jury Duty
   - National Sporting Event
   - Australian Defence Force Reserve Service Leave
   - Staff Stood Down
   - Exceptional legal costs

b) Subsidies to address the net cost for a school where its *physical/organisational structures* are significantly different from those of a conventional school:

- Multiple campuses
- Boarding schools
- Shared Campus

c) Subsidies to address the net cost for a school where the atypical nature of its physical location requires the provision of *additional modes of access for students:*

- Buses in specified locations

2.4 Previous Grants not included in Subsidies Framework

Some former grants are not within the scope of the new *Subsidies Framework*. These grants have operated in the past under the former funding model, but they are superseded by the new Funding Mechanism for the following reasons:

- they are addressed through the new Funding Mechanism in a more systematic and consistent manner
- they are matters that fall within the school's responsibility for management of its resources through the funding provided by the new Funding Mechanism
- they are not consistent with current legislation or CESA's external sources of funding
- they may be addressed through the *Policy Subsidy* relating to the *Footprint of Catholic Education across South Australia.*

The following grants are not included within the scope of the *Subsidies Framework*:

a) *CESANet support*: the grants were previously for small schools and are now addressed through the Size Loading of the Funding Mechanism.

b) *Rural and Remote Funding* and *Country Funding:* these areas are addressed through the location loading of the Funding Mechanism.

c) *150 issue (Primary Schools with enrolments of 150-180):* this issue is addressed through the Size loading of the Funding Mechanism.

d) *No Deputy Loading:* this issue is addressed through the Size loading of the Funding Mechanism.

e) *Preschools:* changes to the Australian Education Act directly preclude CESA from allocating funds for the purpose of schooling to early years programs; the arrangement for the funding of Early Years Services is being addressed through the *Strategy for Leading Catholic Education into New Levels of Excellence.*

f) *School Card Resource loading:* for a number of years CESA has not received School Card funding from the Government; the Funding Mechanism now includes instead a loading for students with a low socioeconomic status.

g) *Other grants:* funds relating to the following previous grants areas are now absorbed into the school funding that is allocated through the new Funding Mechanism:

APRIM Loading
Motor vehicle for Primary Principals
Relocatable Classroom Subsidy
Superannuation Loading
Staffing Support
New to System Claim
LSL Annual Leave Component

2.5 Management of Subsidies Framework

The management of the *Subsidies Framework* occurs through the following responsibility and accountability arrangements:

a) SACCS approves the Subsidy Framework and the total Subsidy budget.

b) The Director CESA, on the advice of the Catholic Education Office (CEO) Leadership Team, approves the allocation of subsidies to schools in accordance with the Subsidy Framework and the total Subsidy budget as approved by SACCS.

c) The School and CEO Finance work collaboratively to determine the school's subsidy level based on the net costs incurred and the financial position of the school. The process is likely to involve an audit.

d) The *Loan Subsidy* allocation is notionally determined for a three year period (to assist the school's forward planning and financial management) and reviewed annually by the school and CEO Finance to take into account changing circumstances arising either in the school or in the banking/finance sector.

e) The *Policy Subsidy* allocations apply for a three year period unless the underlying circumstances for the subsidy level substantially alter in any one year; CEO Finance in collaboration with the school review the Subsidy allocation in the third year to determine the level of subsidy funding to be applied for the next three year cycle.

f) The *Operational Subsidy* allocations for:

- *System Cost Reimbursements:* determined by the specific circumstances
- *Physical/organisational structures* and *Modes of access for students:* these apply for a three year period unless the underlying circumstances for the subsidy substantially alter in any one year;

  CEO Finance in collaboration with the school reviews the subsidy allocation in the third year to determine the level of subsidy funding to be applied for the next three year cycle.

2.6 Review of Subsidies Framework

The Subsidy Framework is to be reviewed as part of the planned review cycle for the Funding Mechanism.

It is proposed that the Subsidy Framework together with the Funding Mechanism be reviewed in its fourth year (2020) of operation so that any revisions or amendments can be incorporated in future years.

3 Funding Mechanism Transition Process

3.1 Background

The successful implementation of the new Funding Mechanism is directly dependent on an effective *Transition Process* to assist the implementation.

The importance of the *Transition Process* arises from the move to the new Funding Mechanism which is more explicitly and transparently based on a school's Schooling Resource Standard and the needs profile of its students.

The move to the new Funding Mechanism leads to an increase in funding for some schools, minimal change for many, and a decrease in funding for some according to the Schooling Resource Standard and students' needs.

The implementation of the new Funding Mechanism is best served by a phased approach for any adjustments in funding that a school may receive.

The importance of the phased approach to implementation has been highlighted in the meetings with Principals, Business Managers, School Finance Officers and the Federation of Catholic School Parent Communities during the engagement process for the development of the Funding Mechanism.

Preparation for the *Transition Process* will begin immediately following the SACCS' approval of the new Funding Mechanism.

From a whole-of-system perspective, it is essential that the financial resources required to support the implementation of the new Funding Mechanism through the phased *Transition Process* in schools with a decreased level funding are balanced by a corresponding retention of funds from those schools whose level of funding increases under the new Funding Mechanism.

It is also important to note that the *Transition Process* for the new Funding Mechanism will cover years for which CESA has not yet received formal confirmation of its budget forward estimates.

The *Transition Process* requires planning and careful management based on good will, transparency, collaboration and communication.

3.2 Purpose of Transition Process:

1) To recognise and respond to the needs of schools as they move from their current level of funding to their adjusted level funding as determined by the new Funding Mechanism.
2) To recognise that the implementation of the new Funding Mechanism is best achieved through a phased process that provides schools with time and assistance in making any associated adjustments.

3.3 Management of Transition Process

a) The implementation of the Funding Mechanism and the associated *Transition Process* will operate from the start of 2017.

b) The *Transition Process* for each school will be based on the calculation of a set ''Transitional Difference Figure" which is the difference between:
   - the funding allocation a school received in 2016 under the previous funding model
   - the funding allocation a school would have received in 2016 under the new Funding Mechanism

c) The ''Transitional Difference Figure" will be used as the set reference point for each school in each year of the school's *Transition Process*.

d) The set ''Transitional Difference Figure" used in the *Transition Process* will be complemented by:

- the subsidies and/or grants the school received in 2016 under the previous funding model (this does not include Co-responsibility program grants)
- the subsidies the school will receive in 2017 as part of the new *Subsidies Framework* to accompany the new Funding Mechanism (this does not include Co-responsibility program grants)

e) For each year of the *Transition Process*, there will be a ''zero sum total'' between additional funding to schools through the new Funding Mechanism and the reduction of funding to schools through the new Funding Mechanism.

f) The provision of funding to support the *Transition Process* will be generated through the application of a cumulative differential between the indexation adjustment CESA receives to its funding annually and the level of indexation passed on to schools for each year of a school's *Transition Process*.

g) In 2017, the differential between the annual indexation adjustments CESA receives and the indexation passed on to schools will be no greater than 0.5 % for those schools that are allocated a reduced level of funding through the new Funding Mechanism.

The purpose of the arrangement is to minimise the initial effects of the new Funding Mechanism to schools in its first year of its operation and to support the budget arrangements that schools will have put in place for 2017.

For schools receiving additional funding under the new Funding Mechanism, the level of the increase for 2017 will be determined on the basis of the amount of funding generated through the 0.5% differential for that year and proportionally allocated to each of these schools. The same principle will apply to the allocation of the additional funding for subsequent years.

h) For schools whose ''Transitional Difference Figure" Is between 0 and +/-5% of their funding, the *Transition Process* will be for 5 years including 2017.

i) The differential between the annual indexation adjustments CESA receives and the indexation passed on to schools with 0 and +/-5% funding difference for the subsequent years of the *Transition Process* (2018-2021) will be equalised across the years.

The arrangements will take into account the Policy Subsidies or Operational Subsidies allocated to the school under the new *Subsidies Framework*.

j) For schools whose ''Transitional Difference Figure" Is more than +/-5% of funding, the *Transition Process* will be for 7 years.

k) For the schools whose ''Transitional Difference Figure" Is more than +/-5% of funding, the differential between the annual indexation adjustments CESA receives and the indexation passed on to the schools will be analysed by Catholic Education Office (CEO) Finance and the school to take into account each school's specific circumstances.

The subsequent arrangements will apply for each of the 7 years, beginning in 2017 with the 0.5% adjustment.

The arrangements will take into account the Policy Subsidies or Operational Subsidies allocated to the school under the new *Subsidies Framework*.

l) If it were to occur that CESA as a system receives a budget allocation from Government that is higher than its predicted forward estimates, then additional funding will be directed towards assisting schools through the *Transition Process*.

3.4 Complementary assistance for Transition Process

The *Transition Process* for the Funding Mechanism is to be complemented by tools and training to assist principals and bursars/business managers in their understanding and use of the new Funding Mechanism.

The strategic purpose of the tools and training is to strengthen the relationship between school leadership and financial management in the achievement of educational outcomes for students.

The tools and training are to be designed so they jointly meet the needs of both schools and CESA as a system.

The tools and training are to include the development of a new funding forecast spreadsheet, budget spreadsheet, and staffing template. It is important that the tools and training specifically relate to and are framed by the perspective of a school.

The tools and training are to build the understanding of principals and bursars/business managers with regards to the respective contributions of the base and loadings to the funding allocation for the school, so that from year to year they are able to make informed decisions as the school's demographics and student profile undergo change.

The tools and training are to be directed towards building the expertise of schools in the effective use of resources to address the needs of the full range of students.