



Catholic Education
Diocese of Parramatta

**IPART Review of Local
Government Rating System**

**Catholic Education Diocese of
Parramatta Submission**

May 2016

1 Introduction

Catholic Education Diocese of Parramatta (CEDP) supports the Independent Pricing and Regulatory Tribunal Review of the Local Government Rating System and welcomes the opportunity to make a submission.

CEDP endorses the submission from Catholic Education Commission NSW (CECNSW) and would like to provide additional comments relevant in particular to Catholic schools in western Sydney.

This submission will focus on one of the key issues identified by the Issues Paper: assessing exemptions, concessions and rebates.

CEDP strongly argues that rate exemption for all schools should be retained in their current form.

2 Background

Catholic Education Diocese of Parramatta (CEDP) provides quality learning and teaching for 45,000 students in 56 primary schools, 22 secondary schools, two trade training centres and four early learning centres across western Sydney. CEDP employs approximately 6,000 teachers and staff in an area that reaches from Dundas Valley, west to Katoomba, south to Luddenham and north to Richmond.

CEDP educates approximately 25 per cent of all school age students in western Sydney, however in some areas such as Granville this proportion is as high as 40 per cent of all students.

Catholic schools parents in the Diocese of Parramatta contribute approximately 29 per cent of total recurrent funding through fees and the Commonwealth and State Governments provide 71 per cent.

Catholic education will be an essential part of the development and growth of western Sydney. Over the next 15 years, Catholic Education will need to find places for an additional:

- 7,500 students in the Blacktown area
- 4,600 students in the Hills Shire
- 4,600 students in the Parramatta area
- 3,300 students in the Penrith area

Catholic school parents and the Diocese of Parramatta contribute to more than two-thirds of funding for the building and capital development of Catholic schools.

3 Exemption for schools

This submission argues that schools should remain exempt from council rates and will outline how schools meet the specific tax principles of exemption as outlined in the *Local Government Rating System Issues Paper April 2016* (Issues Paper).

3.1 Efficiency

3.1.1 Impact on economic efficiency

The Issues Paper states: 'rate exemptions have a positive or negative impact on economic efficiency' (p29).

CEDP argues that schools have a positive impact on economic efficiency. Schools make local areas and residential properties more desirable and more valuable. This allows councils to collect higher rates than would otherwise be the case.

Local businesses benefit when schools draw parents and children from other Local Government Areas. An example of this is Catholic Education's Westmead precinct comprised of Catherine McAuley Westmead, Parramatta Marist High School and Mother Teresa Primary. This precinct draws parents and students from a wide range of areas and from which local businesses invariably benefit.

Loyola Senior High School and Catholic Trade Training Centre (CTTC) located at Mount Druitt is another example of a school that draws enrolments from a wide area and therefore benefits local business and increases economic efficiency. Loyola draws enrolments for the CTTC from the immediate local area as well as areas such as Blacktown, Quakers Hill, Eastern Creek, Stanhope Gardens, Penrith, Greystanes and the Hills. Similar to the Westmead precinct, this provides a benefit to local business who have a wider customer base as a result of this school.

Catholic schools also reduce the cost burden on Commonwealth and State governments, which must meet the full cost of educating students in the government school sector in western Sydney but only 76 per cent of the cost in for students in Catholic schools. Catholic schools therefore save the Government \$2,200 per student each year providing clear economic and social benefits.

Schools also share facility use with other community organisations to increase efficient land use.

Schools provide a clear positive impact on economic efficiency through increasing business reach and preventing additional costs for the state and federal governments.

3.1.2 Changing Land Use

The Issues Paper states 'exemptions may also change land use away from what would have occurred without any exemption' (p29).

This submission argues that exemptions for schools have no bearing on whether a school is built in a particular area. Population growth and the imperative to provide education to local students drives the provisioning of schools. Schools are an integral to the social fabric of the community and land must be allocated to them: the exemption status has no bearing on whether a school is built in a community.

The Issues Paper also states 'exemptions provided to organisations may also encourage them to overuse council services, if they are not required to pay for direct costs, such as water and sewerage services' (p30).

This does not apply as CEDP schools do not use council waste services and instead pay for third party services such as SITA.

3.2 Equity

The Issues Paper states 'rate exemptions are subsidised by local ratepayers. This may be equitable when the exempt activity provides a large benefit to local ratepayers, or where the exempt organisation has limited ability to pay' (p30).

This submission argues that rate exemptions for schools are equitable because they provide a large benefit to local ratepayers and have a limited ability to pay.

Catholic schools provide a large benefit to local ratepayers. All Catholic schools are not for profit and therefore all funding is directed to providing quality learning and teaching for students.

Catholic schools serve a diverse range of families and educate students from a range of cultural and socio-economic backgrounds. Catholic schools in western Sydney in particular provide an education for a large number of Indigenous students, refugees, students with a disability and students from an English as an Additional Language Background (EALD). In particular, Catholic Education will build high need support units at a number of schools in the future.

CEDP provides multiple pathways for students, through partnerships and early entry pathways with a number of universities and through its Catholic Trade Training Centres.

Catholic schools in western Sydney are educating children who will go on to make contributions to the local area and become community leaders. They provide students with a strong sense of responsibility to the community and social justice and encourage all students to give back to their community. Catholic schools, throughout NSW and in western Sydney in particular, provide a large social benefit to local ratepayers.

Additionally, Catholic schools have a limited ability to pay rates. If an exemption for schools was removed, Catholic schools would be forced to either divert funds away from learning and teaching or increase fees. Raising fees would be particularly inequitable for parents, who are already local ratepayers and are providing 29 per cent towards the cost of educating their children above government school parents.

Families are already local ratepayers and the imposition of rates on Catholic schools would see councils effectively charging families twice.

3.3 Simplicity

The Issues Paper states 'exemptions should be kept to a minimum to promote simplicity, and only granted, or retained, where there are clear net benefits from doing so' (p30).

This submission has demonstrated that there are clear net benefits from exempting schools from council rates. Retaining the exemption status of schools is not contrary to the principle of simplicity.

Due to the principle of simplicity, this submission argues that all schools should retain their exemption status as all schools are not for profit. Catholic schools have identical land use characteristics and environments impacts to government schools and education students from similar backgrounds. As there are no substantial difference between the Catholic school sector and the Government school sector (with the exception of the source of their recurrent funding), the principle of simplicity would require that all schools maintain exemption status.

3.4 Sustainability

The Issues Paper states 'rate exemptions may especially compromise sustainability if:

- The existing rate base is small
- The exempt institutions impose substantial additional costs in the local government area (p31).'

The reference to small existing rate bases has little relevance specifically to western Sydney and CEDP supports the comments of CECNSW in this area.

Schools do not impose substantial additional costs to local government areas and Catholic schools are currently required to pay local council and state utility charges for new developments. For example, developments to the Westmead precinct in 2014 incurred an additional \$464,000 in charges from Parramatta Council and CEDP was required to fund the cost of local road and infrastructure support.

3.5 Competitive neutrality

The Issues Paper states that 'competitive neutrality requires businesses competing with each other to be treated in the same way... Efficiency losses can occur if this cost disadvantage causes more efficient private providers to reduce, or withdraw, the supply of services' (p31).

As schools are required by Federal and NSW law to be not for profit, the principle of competitive neutrality does not apply to the exemption status of schools. However, it does suggest that all education sectors, Catholic, non-government and government, must maintain the same exemption status to ensure competitive neutrality.

4 Options for exemptions

Section 5.1.2 The Issues Paper outlines a number of options for exemptions including: removing the exemption; narrowing the exemption; giving councils more discretion over the level of exemptions; and, replacing exemptions with rebates (p.31).

This submission argues that these options should not be applied to the exemption for schools and that the exemption should remain as is, for the following reasons:

- All schools are not for profit and any revenue raised is diverted back into the operation of the school to benefit students. There are therefore no activities that could be defined as 'commercial', that is, operating for profit, in educational institutions.
- Giving councils discretion over the level of exemptions may result in schools in different Local Government Areas paying different levels of rates, which would be inequitable and uncertainty for long term planning
- As all schools provide substantial public benefits for the community and are not for profit, there is no need for the use of a rebate as there is already transparency and scrutiny in relation to their activities and use of funds.

5 Conclusion

Catholic schools, in western Sydney and throughout NSW, provide a substantial positive benefit to local ratepayers and to the wider community. It would be inequitable and counterproductive to remove the exemption status for schools when they meet all principles of the tax exemptions as outlined in the Issues Paper and provide such a positive contribution to the community.

This submission argues that the rate exemption for all schools should be retained in their current form because:

- All schools are not-for-profit
- Schools provide an essential service and positively impact on the wider community
- Schools have a limited capacity to pay rates