

# School Governance

## Position Paper

**The governance of parish  
and diocesan schools in  
the Archdiocese of  
Melbourne**

August 2020

**School Governance  
Steering Committee**

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## From the Chair of the Steering Committee

Dear Archbishop Peter

On behalf of the Governance Steering Committee, I am pleased to present this Position Paper to you and to the wider Catholic community concerned with the mission of Catholic schooling in the Archdiocese of Melbourne.

Strong consultation with parish priests, principals and other key stakeholders has been pivotal in the development of the positions and recommendations articulated in this Position Paper. I wish to acknowledge the active participation of the many people who have come together as we have reflected on the issues associated with the governance of schools owned by parishes, associations of parishes or the Archdiocese. The passion of so many for our schools and their future flourishing has been a strong feature of the engagement that has occurred in the development of this Position Paper.

The initial round of consultations with clergy and principals undertaken late last year led to the identification of a number of threshold issues, which were canvassed in four Discussion Papers circulated for comment earlier this year. A second round of consultation occurred in March just before the pandemic restrictions were introduced. We were fortunate to be able to meet face to face to discuss the threshold issues so that the Steering Committee was then able to oversee the development of the positions and recommendations included in this Position Paper.

We believe that the proposed governance model and associated frameworks and agreements that are recommended in the Position Paper will enable us to achieve the objectives of Catholic schooling in the Archdiocese. These objectives are outlined clearly in the constitution of the company that we are recommending is established to govern the 294 schools currently governed by parishes, associations of parishes or delegated canonical administrators. We have been guided by the vision articulated in the constitution where, first and foremost, the Catholic school is envisaged as 'a place to encounter the living God who in Jesus Christ reveals his transforming love and truth'. Our future governance arrangements will need to continue to be grounded in this purpose, just as they have been in the past.

I am confident that the vision, principles, structures and recommendations presented in this Position Paper represent a diligent and authentic response to the issues which have been raised by clergy and school leaders. I am also confident that they provide a sure trajectory for the months ahead, where we set in place the agreements that will allow our schools to be governed effectively once the new arrangements begin in 2021.

In closing, I want to acknowledge again the commitment and passion that were so evident in the active participation of clergy, principals and many others in so many ways over the process of developing this Position Paper. I also want to thank the Steering Committee, the Governance Secretariat and the Project Management Team for their skilled and dedicated work to date, and I know that we will continue to work effectively together for the remainder of the year as we establish the company's board and set the company up for success in 2021.

Gerard Dalbosco

Chair, Governance Steering Committee

# 1. Executive Summary

## 1.1 Governance of schools in the Archdiocese of Melbourne

Catholic education has a rich history in Victoria and in February 2020 there were 499 Catholic schools in Victoria with over 210,000 students, employing more than 22,000 staff. From a governance perspective, 335 of these schools sit within the Archdiocese of Melbourne with, as of 1 January 2021, 294 schools owned by the Archdiocese, its parishes or associations of parishes. The remaining 39 schools are owned and governed by religious institutes (RIs) or ministerial public juridic persons (MPJPs).

The governance arrangements for the 294 schools owned by the Archdiocese, its parishes or associations of parishes will change in 2021 and are the principal subject of this Position Paper.

### *What is the governance change?*

The governance arrangements for parish and diocesan schools in the Archdiocese of Melbourne are being changed in a process which will see schools transferred into a corporate entity that is responsible for the governance and operations of the schools. Changes need to be made by 1 January 2021.

All 294 schools owned by the Archdiocese and its parishes will be directly affected by this change, including 261 parish primary schools, 26 secondary colleges that belong to associations of parishes and seven schools that belong to the Archdiocese.<sup>1</sup>

### *Why is the change happening?*

The changes meet with the Australian Catholic Bishops Conference (ACBC) acceptance of Recommendation 16.6 from the Royal Commission into Institutional Responses to Child Sexual Abuse: that bishops ensure parish priests are not the employers of principals and teachers in Catholic schools.

The changes also align with the Victorian Government acceptance in 2014 of the recommendations of the *Betrayal of Trust* Parliamentary Inquiry, which included a requirement for organisations providing services to children to be appropriately insured and operated under an incorporated body. This requirement is scheduled to take effect in funding agreements for Catholic schools from 1 January 2021.

While the ACBC commitment and the Victorian Government funding requirements provide visible and obvious drivers for the current change process, the impetus for governance reform has a much longer history in the Archdiocese. Various governance and management models are discussed in documents written since 2003, with the main driver being the significant increase in accountability, compliance and reporting requirements of both state and federal governments. The governance changes also seek to lessen this compliance burden, which has become increasingly onerous for a single individual who is being asked to be responsible for the increasing breadth and complexity of legislation and regulation associated with school governance.

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<sup>1</sup> Further details regarding the types of schools and their governance and ownership are provided in Section 2. It should be noted that all but seven of the 294 schools are owned by a parish or an association of parishes. Five of the seven schools that are owned by the Archdiocese are secondary or combined schools, with the remaining two schools providing services to students with disabilities. Two of the seven diocesan schools are owned by the Archdiocese, but governed by an incorporated entity.

### *Archdiocese response*

Following an extensive consultation process with key stakeholders, which commenced in October 2019, the Steering Committee identified four threshold issues and prepared four papers for further discussion:

- Threshold Issue 1: Catholicity
- Threshold Issue 2: Governance, Leadership and Management
- Threshold Issue 3: Incorporation
- Threshold Issue 4: Transfer of Assets and Liabilities.

The papers were published for discussion and feedback at four regional gatherings of clergy and principals in March 2020. Further feedback was also received via the Governance website, the School Governors and Principals Briefing, and the focus group meetings that took place after the regional gatherings of clergy and principals. This consultation shaped the Steering Committee's conclusions that ultimately informed the design of a governance model.

## **1.2 Proposed governance model – the company**

### *Type of company*

The establishment of a not-for-profit company limited by guarantee has been identified as the most appropriate civil vehicle for fulfilling the requirements of both incorporation and ministry. The company name is proposed to be Melbourne Archdiocese Catholic Schools Ltd (MACS).

### *The company constitution*

A constitution will be developed that details key aspects of the company's objectives, relationships, roles and responsibilities.

A key feature of the constitution will be the Statement of Mission that expresses the company's mission and purpose and is designed to protect the Catholicity of the company, as well as being robust enough to last for the long term.

The constitution will detail the member's rights and reserve powers, and outline the role of the board of directors that will take responsibility for the fiduciary and strategic aspects of the company. It will also define the role of the executive director. The constitution will create checks and balances in the relationships between the layers of the company: from the member to the board, and to management through the executive director.

### *The member*

To establish structures that comply with canonical and governance requirements, it is proposed that the Archbishop is the sole member of the not-for-profit company limited by guarantee.

### *Reserve powers*

The member has no direct role, right or responsibility in governance matters, other than to keep the board faithful to the mission of the company. This is achieved via reserve powers which will include, but not be limited to, such matters as appointing board members, ratifying the appointment of the board's executive director, and approving the closing and opening of new schools.



## The Statement of Mission

The following Statement of Mission is proposed:

Catholic schooling seeks to provide the young with the best kind of education possible, one that fosters a formation of the whole person that is deeply and enduringly humanising.<sup>2</sup>

*Education is integral to the mission of the Church to proclaim the Good News. First and foremost every Catholic educational institution is a place to encounter the living God who in Jesus Christ reveals his transforming love and truth. This relationship elicits a desire to grow in the knowledge and understanding of Christ and his teaching. In this way those who meet him are drawn by the very power of the Gospel to lead a new life characterized by all that is beautiful, good, and true; a life of Christian witness nurtured and strengthened within the community of our Lord's disciples, the Church.*<sup>3</sup>

With parents and parishes, Catholic schooling seeks to fulfil this mission by providing an environment in which students are enabled to:

- encounter God in Christ and deepen their relationship with him
- pursue wisdom and truth encouraged by a supportive academic culture
- grow in the practice of virtue, responsible freedom and serving the common good.

A Catholic school:

- is actively embedded in the life of the faith communities of the local Church, which in turn is tangibly manifest in the life of each school
- is an essential place for the evangelising of children and young people
- exists to assist students and their families to integrate faith, reason, life and culture<sup>4</sup>
- is conspicuously Christian in outlook, explicitly Catholic in faith and practice, and intentionally missionary in orientation
- cultivates spiritual, social and emotional growth in a safe and protective environment
- provides a learning environment in which the whole educational community is formed to embrace life in all its fullness<sup>5</sup>
- offers a human formation that has the intellectual, practical and moral excellence of learners at its heart
- forms consciences, fosters peace and develops respectful dialogue at the service of intellectual charity
- encourages the discovery of Catholic cultural heritage, especially in art, music, literature and architecture.

*Catholic schools, which always strive to join their work of education with the explicit proclamation of the Gospel, are a most valuable resource for the evangelization of culture.*<sup>6</sup>

The good work of educating the young, undertaken in the light of the Gospel, is a co-responsible task led by every member of the Catholic school community. Modelled by parents, principals and teachers, in prayer and with wisdom, through witness and by example, Catholic schooling is at the service of the integral human formation of children and young people in Christ.

A Catholic school is *eucharistic* in character. The sacramental and prayer life of the local Church, especially in the gathering of God's People in Sunday Mass, is integral to the mission of a Catholic school and indispensable to its richness. A fruitful sign of the living witness of faith with parents and parishes is the participation of students and families in the life, mission and work of the local faith community, especially in the call to worship God and to serve the poor and marginalised (Acts 2: 42–47).

By cultivating a maturing of faith and the intellectual life through the modelling of good relationships, Catholic school students are prepared for living fruitfully in the world.

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<sup>2</sup> Pope Francis, [\*Christus Vivit\*](#), Libreria Editrice Vaticana, Rome, 2019, n. 223.

<sup>3</sup> Pope Benedict XVI, [\*Address to Catholic educators\*](#), Libreria Editrice Vaticana, Rome, 2008.

<sup>4</sup> Pope Francis, [\*Christus Vivit\*](#), Libreria Editrice Vaticana, Rome, 2019, n. 222.

<sup>5</sup> John 10: 10.

<sup>6</sup> Pope Francis, [\*Evangelii Gaudium\*](#), Libreria Editrice Vaticana, Rome, 2013, n. 134.

### *Board of directors*

The board of directors will be responsible for ensuring the objects of Catholic education as set forth in the company's constitution are enacted faithfully and effectively. It will be responsible for the fiduciary and strategic aspects of a highly complex company that operates the largest Catholic education system in Australia.

Given the fiduciary and strategic characteristics of the role, highly skilled and knowledgeable directors will need to be appointed. A core competency of all directors will be Catholic culture/experience and board members will need to receive ongoing formation so that they are equipped for the very significant role they will play in the Archdiocese.

### *The company operating model and management team*

An executive director is appointed by the board to manage the company, with the managerial powers delegated to the executive director subject to specific limitations and powers specified in the company constitution and other specific authorities and delegations developed by the board.

The executive director will develop a strategic plan, operating model and management team to operate and manage Catholic education in the Archdiocese to ensure that the operations of the company are aligned with its mission and purpose in fulfilment of ecclesial, legal and statutory requirements, and board policies and directives.

The company will utilise the existing infrastructure and resources of Catholic Education Melbourne (CEM) to effectively create the operating model and management team of the company.

The management team will be responsible for the 294 schools that will be governed and operated by the new company. Currently these schools are governed and managed by either a parish priest, an association of parish priests, delegated canonical administrators or an incorporated body. Under the new governance model, this role will be assumed by MACS, with management becoming the responsibility of MACS' management team.

A critical element of the company operating model will be the overarching policies and procedures framework. New policies will be created to manage the organisation's new corporate status and obligations, while a number of operational policies will be transferred from current CEM policies, particularly those surrounding regulators, as the requirements will not have changed.

Appropriate 'Authorities and Delegations' schedules will be an important aspect of the policies and procedures framework and will need to be carefully calibrated so that the board is able to fulfil its governance responsibilities, while at the same time ensuring that the principle of subsidiarity is honoured.

## **1.3 Local operating model – the schools**

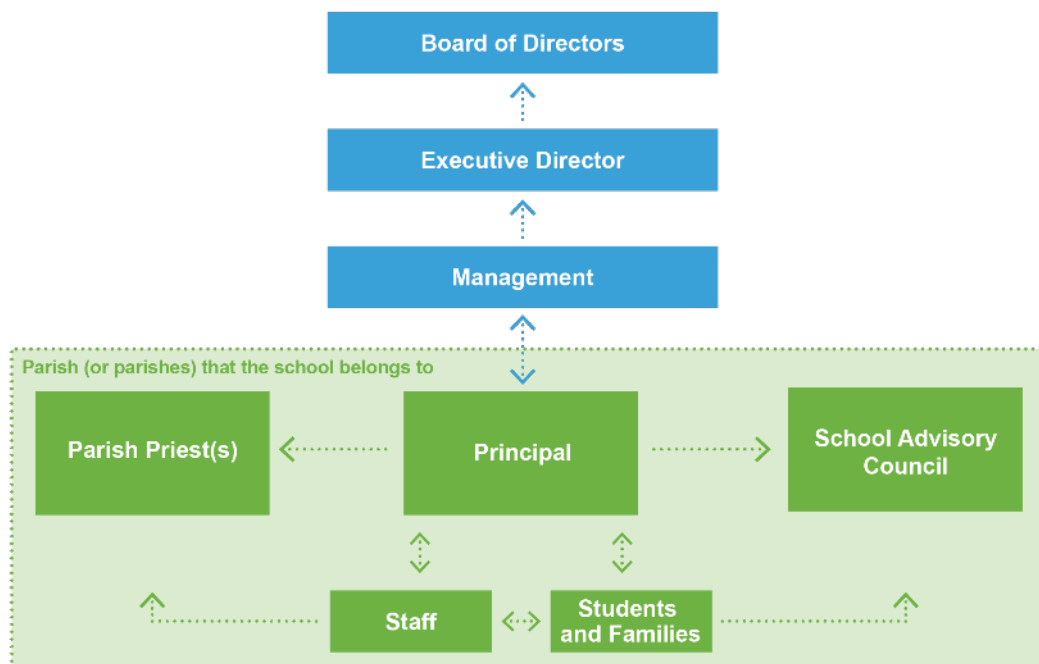
The 294 schools of the Archdiocese are different in many ways and each school community presents a unique context for the exercise of the school's mission. A key strength of any education system is respect for leadership at the local level that, true to the principle of subsidiarity, allows decisions to be made at the right level by those most affected.

An overarching school operating model should still be discernible in each school environment that reflects solidarity in a common mission of Catholic education and a fidelity to meeting the governance requirements of the board.

The overarching model will typically comprise the key elements outlined in the following diagram, which is an initial representation of the relationships between a parish and its school and the

wider company. The same principles with local variations will apply to regional secondary colleges which are owned by an association of parishes or the Archdiocese.

### ***The local operating model***



The good work of educating the young is a co-responsible task led by every member of the Catholic school community. This requires strong leadership, particularly from priests and principals, who are mandated to lead their respective parishes and schools in drawing young people and their families into the knowledge and understanding of Christ and his teaching, which motivate them to become actively involved in the mission of the parish and Church at large.

A *Working Together in Mission* document will need to be developed in partnership with key stakeholders to articulate the features of the relationships between parishes and their schools that are essential for fidelity to mission.

### ***Parish priests and canonical administrators***

Catholic education is a key ministry of the parish, and the parish priest/canonical administrator is the key evangeliser and educator in faith within the parish. The responsibilities of the parish priest/canonical administrator for providing strong pastoral support and effective Catholic leadership of the parish, which includes the school community, are unchanged.

The parish priest/canonical administrator's leadership and support are necessary to ensure the school is faithful to its distinctive Catholic identity and spirituality. For example, this will be expressed in the priest celebrating and leading the liturgical and sacramental life of the school.

The principal must ensure that the school provides opportunities and forums for the pastoral ministry of the parish priest. He will be included in school gatherings such as information events, the celebration of special liturgies, along with scheduled opportunities to visit classes.

The parish priest/canonical administrator has a key role with the principal in the faith formation of staff and will continue to participate in the principal selection process through membership of the selection panel. He should also be part of the selection process for the deputy principal and the Religious Education leader in the school.

The parish priest/canonical administrator will continue to represent the parish as the beneficial owner of the land and buildings occupied by each school. Clear protocols and agreements will be



developed that recognise reciprocal matters such as the use of shared school and parish spaces, proposed master planning and building developments, and how any recompenses might be handled.

### *Principals*

The principal is the educational leader of the Catholic school and works most closely with the parish priest/canonical administrator in leading the Catholic identity, religious dimension and faith formation of the school and school community. Both the principal and the parish priest/canonical administrator have key faith leadership roles in building God's Kingdom – positively building the capability of teachers in enabling the growth and learning of all young people and the school community, with the strong hope that this encourages full participation in the worship and broader life of the parish or associated parishes in the case of secondary colleges.

The day-to-day leadership and management of the school are the responsibility of the principal. Principals exercise their leadership across a complex web of financial, regulatory, industrial and human resource requirements. The principal is witness to a wide network of relationships, including staff who share in the responsibility for contributing to the effectiveness and enactment of the school's mission and vision.

The new governance structure will see the principal have direct, delegated authority from MACS to lead schools, responding to local circumstances and aligned with broader policies and directions issued by MACS. These intents will be mediated to principals by MACS through its management team and by the vision of the parish as developed by the School Advisory Council, Parish Council and other parish forums.

The principle of solidarity that encourages diversity and system alignment, together with the principle of subsidiarity that reflects competent, local decision-making are features of this leadership model. Accordingly, the existing autonomy of school principals that enables them to competently lead school communities needs to be respected and maintained.

### *School Advisory Councils*

School Advisory Councils are an important expression of the educational partnership that exists between parents, schools, parishes and the wider community. They provide a structure and a process for shared leadership and collaborative decision-making, where 'many gifts, one Spirit' facilitates a climate of good governance that supports 'the effective development of the strategic direction of the school'.<sup>7</sup>

Guidelines for the creation of School Advisory Councils will need to be sufficiently flexible to allow for local configuration according to need and capability. For example, some parishes and schools may decide to join together to establish a common council, whereas a larger school may feel that it has resources which enable it to establish a council in its own right.

The principal and parish priest will be ex officio members of the School Advisory Council.

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<sup>7</sup> Victorian Registration and Qualifications Authority (VRQA), [Guidelines to the Minimum Standards and Requirements for School Registration](#), VRQA, Melbourne, 2019, p. 9.

## 1.4 Recommendations

The Steering Committee makes the following recommendations in respect of the governance model for schools in the Catholic Archdiocese of Melbourne:

1. That a company limited by guarantee be created to govern and operate the schools that currently are owned by parishes, associations of parishes or the Archdiocese of Melbourne.
2. That the company be called Melbourne Archdiocese Catholic Schools Ltd (MACS) and be established by the Archbishop of Melbourne.
3. That the Archbishop be the sole member of the company.
4. That a constitution be developed for the company that clearly articulates its purpose and mission and defines the relationship between the member and the board of directors, including the reserve powers of the member to ensure that the board remains faithful to the purpose and mission.
5. That the board of directors be appointed by the member in a manner that recognises not only their commitment to the mission and values of Catholic education in the Archdiocese, but also the skills necessary for the proper discharge of the required fiduciary duties.
6. That the executive director of the company, under delegated authority from the board of directors, develop a strategic plan, an operating model and management team to operate and manage Catholic education in the Archdiocese in fulfilment of ecclesial, legal and statutory requirements, and board policies and directives.
7. That a *Working Together in Mission* document be developed in partnership with stakeholders to articulate the features of the relationships between parishes and their schools that are essential for fidelity to mission. This document will be informed by canonical advice and will articulate the roles and rights of parish priests, principals and associated structures, such as an Advisory Council for each school to provide a forum for the realisation of transparency, accountability, consultation and participation associated with contemporary governance and management practices.
8. That a policies and procedures framework, based on the principles of solidarity and subsidiarity, be developed in consultation with key stakeholders. The framework should cover appropriate delegations, roles, structures and protocols, and be designed to ensure that board requirements in respect of leadership, stewardship and management of the company and the education, care and welfare of its students are met.
9. That *School Transition Agreements* and *Right to Use Land and Buildings Agreements* between the parish and the company be developed in consultation with key stakeholders. Further, that arrangements for the use of shared facilities at each parish and school be formalised as part of the *Right to Use Land and Buildings Agreement* using the *Key Principles for the Use of Parish and School Facilities* developed by CEM and the Catholic Archdiocese of Melbourne (CAM) as the foundation.
10. That dialogue take place between MACS and key partners to assess and address the impact of the governance change on current relationships and services provided. The dialogue will include partners such as the Catholic Education Commission of Victoria Ltd, the Catholic education offices of other dioceses, the Catholic Religious Institute and Ministerial Public Juridic Person Victorian Schools Limited, Catholic Capital Grants (Victoria) Limited and the Catholic Education Long Service Leave Scheme.

## 1.5 Next steps

There are a range of actions required to implement the proposed governance model outlined above, including finalising a company constitution, incorporating a new company and establishing a board of directors. The executive director will also be required to develop a strategic plan, company operating model and management team.

In addition, there are a number of critical actions that will require detailed consultation. Four reference groups of parish priests, primary principals, secondary principals and CEM staff will be established to provide input on a number of significant documents that will shape the nature of the relationships between key stakeholders and the transition of schools to the company. These include:

### *Working Together in Mission*

Recommendation 7 of the Position Paper is that a *Working Together in Mission* document be developed in partnership with stakeholders to articulate the features of the relationships between parishes and their schools that are essential for fidelity to mission. This document will be informed by canonical advice and will articulate the roles of parish priests, principals and School Advisory Councils.

### *Policies and procedures framework*

While the board will have fiduciary responsibility for strategic direction and oversight of the management of MACS' operations, a range of powers and functions will be delegated to the executive director who in turn will develop an operating model within the company for the delegations to be exercised.

A critical element of the operating model will be the overarching policies and procedures framework (including authorities and delegations) that not only seeks to make the mission manifest and meet governance and business objectives, but also fulfil legislative and regulatory requirements.

### *School transition, 'right of use' and shared facilities*

#### *School Transition Agreements*

A *School Transition Agreement* will need to be developed between each parish and MACS to facilitate the transfer of the school to the company. This agreement will record the transition of all assets (except land and buildings) such as bank accounts, accounts receivable, refundable parent deposits, inventory and equipment, furniture and fittings, and intangible assets such as contracts with third parties, enrolments, school records and documentation, domain names and school crests. It will also record the assumption of all liabilities by the company that relate to the school operation, such as employee entitlements, accounts payable and bank loans.

#### *Right to Use Land and Buildings Agreements*

The ownership of land and buildings will remain unchanged and the parish priest(s) will provide a right to MACS to use the land and buildings that relate to school operations. This is required legally for the purposes of school regulation, so that MACS can show certainty of access to the land and buildings where school operations are conducted.

The agreement will document a right of use arrangement on a long-term basis, under which MACS will effectively be a tenant that assumes all obligations and responsibilities ordinarily imposed on the landlord. All responsibilities and liabilities relating to the school land and buildings will transfer from the parish priest to MACS for so long as MACS continues to operate the school. This will

include all costs associated with maintenance, insurance, capital works and all other costs that the parish priest will ordinarily be liable for as the owner of the land and buildings.

This agreement will also address the arrangements for those school sites that have shared use of facilities and will record the terms agreed between the parish priest and MACS. CEM, in collaboration with CAM, has developed the *Key Principles for the Use of Parish and School Facilities* to guide the development of a local memorandum of understanding for the shared facilities.

## 2. Catholic Education in Victoria and Governance Reform

### 2.1 Vision and mission of Catholic education

Make your home in me, as I make mine in you.  
As a branch cannot bear fruit all by itself,  
but must remain part of the vine,  
neither can you unless you remain in me (Jn 15: 4).

Catholic schools are grounded in the Church's rich intellectual tradition in faith and morals, and they strive always to open up spaces for students to encounter the God who is revealed in Jesus Christ. These encounters aim to bring faith, culture and life into a meaningful, grace-filled and life-giving synthesis. Catholic schools are faithful to their reason for being when their Catholic mission is expressed in each classroom with every student in each and every day of their operations. Catholic schools not only strive to be excellent in their pastoral care, they seek the best educational outcomes for each student and ensure that every aspect of the educational experience is illuminated by the light of the gospel.

Catholic schools welcome the children of families who are open to an educational experience that is illuminated by the light of Catholic faith. Students come to Catholic schools from diverse family backgrounds and with a wide variety of dispositions and abilities. The outcomes from the educational process vary accordingly across the religious and academic domains. While students must always be given the space to respond freely to the invitations they receive in a Catholic school, the Catholic experiences offered by the school need to be cogent, life-giving and culturally plausible.

The encounter with God's transforming love and truth that can be found in the relational nature of Catholic schooling reveals, in a tangible way, the eucharistic character of life at a Catholic school. The various forms of prayer and ritual celebrated in the school, along with communal interactions that acknowledge God's presence, serve to familiarise children and their families with communal parish worship with the parish priest leading the school community in liturgy, especially in the celebration of the Eucharist and Penance. School and parish jointly strive for a lively sense of community, above all in the shared celebration of the Sunday Mass, for it is especially at the table of the Eucharist, the source and summit of Catholic faith,<sup>8</sup> that Christ's Church is made visible and unity is expressed.

Catholics cannot be Catholic by themselves and Catholic schools cannot be Catholic by themselves. If they are to be authentic, Catholic schools must make a home for themselves in the wider Church. They bear fruit by being joined to the vine and drawing life from the vine. Governance arrangements for Catholic schools need to facilitate the relationships that are essential if the school is to be in communion with and draw life from the wider Catholic community of faith.

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<sup>8</sup> [\*Catechism of the Catholic Church\*](#), 2nd edn, Libreria Editrice Vaticana, Rome, 1997, n. 1324.

## 2.2 Catholic education in Victoria today

### 2.2.1 Catholic education in Victoria

Catholic schools are a major provider of education in Victoria. In February 2020, there were over 210,000 students in 499 Catholic schools in Victoria. These schools employed over 22,000 staff and the latest figures available\* are presented in the table below.

**Table 1: Catholic education in Victoria, 2020**

	Melbourne	Ballarat	Sale	Sandhurst	Victoria
<b>Schools (2020)</b>	<b>335</b>	<b>64</b>	<b>44</b>	<b>56</b>	<b>499</b>
Primary	263	52	37	42	394
Secondary	59	11	7	9	86
Combined	9	1	0	3	13
Special**	4	0	0	2	6
<b>Students (2020, FTE)</b>	<b>153,386</b>	<b>18,426</b>	<b>19,652</b>	<b>19,401</b>	<b>210,865</b>
<b>Staff (2019, FTE)</b>	<b>16,127</b>	<b>2,117</b>	<b>2,042</b>	<b>2,074</b>	<b>22,360</b>

This can be further broken down across diocesan schools, and religious institute (RI) and ministerial public juridic person (MPJP) schools as follows:

**Table 2: Catholic education in Victoria, 2020 – by governance type**

	Melbourne	Ballarat	Sale	Sandhurst	Victoria
<b>Diocesan schools</b>					
Schools (2020)	296	57	42	52	447
Students (2020, FTE)	113,483	11,979	17,596	15,672	158,730
Staff (2019, FTE)	11,153	1,310	1,802	1,648	15,913
<b>RI/MPJP schools</b>					
Schools (2020)	39	7	2	4	52
Students (2020, FTE)	39,903	6,447	2,056	3,729	52,135
Staff (2019, FTE)	4,974	807	240	426	6,447
<b>All schools</b>					
Schools (2020)	335	64	44	56	499
Students (2020, FTE)	153,386	18,426	19,652	19,401	210,865
Staff (2019, FTE)	16,127	2,117	2,042	2,074	22,360



**Notes:**

*\* Student enrolment data for both tables are taken from the February 2020 school census, while staff data are from the August 2019 school census.*

*\*\* Enrolment data for one school (St Paul's College in Balwyn) are from August 2019.*

The Archdiocese of Melbourne is, by some margin, the largest provider of Catholic school education in Australia.<sup>9</sup> Within the Catholic Church in Victoria, it is the largest education provider and accounts for 67% of Catholic schools and 72% of students in Catholic schools across the state. In 2020, with the opening of two new schools in Melbourne (one primary, one secondary; both being diocese owned),<sup>10</sup> there were 335 schools in the Archdiocese which educated over 153,000 students. Various governance arrangements are in place for the 335 Catholic schools in the Archdiocese:

- 262 parish primary schools are governed by parish priests and one primary school is governed by an RI<sup>11</sup>
- of the 68 secondary and combined schools, 27 are governed by associations of parishes, five are governed by the Archdiocese and 36 are governed by RIs or MPJPs
- of the four special schools, two are owned by the Archdiocese – one governed by the Archdiocese and one by Villa Maria Catholic Homes,<sup>12</sup> while two are governed by RIs.

Of those 335 in February 2020, there were 296 schools owned by the Archdiocese or its parishes or associations of parishes.<sup>13</sup> It is these schools that will be directly affected by this governance change. Due to the closure of St Benedict's School in Burwood and the amalgamation of St James College in Bentleigh East with St Bede's College in Mentone at the end of 2020, the number of schools owned by the Archdiocese and its parishes will return to 294.

The governance arrangements for the 39 schools in the Archdiocese that are owned by RIs or MPJPs will not be impacted by this governance change. Notwithstanding this fact, the Steering Committee is committed to engaging with RIs/MPJPs as the new governance model is developed to ensure that the partnerships and collaborative arrangements so central to the identity as a sector are preserved and assured in the new governance model.

### 2.2.2 Catholic Education Melbourne

Under canon law, each bishop has oversight of all the Catholic schools in his diocese. Catholic Education Melbourne (CEM) is an unincorporated entity, which acts as an agency of the Archdiocese of Melbourne to assist the Archbishop in carrying out this responsibility within the Archdiocese. In that capacity, the Archbishop delegates to the Executive Director of CEM various responsibilities in respect of all Catholic schools in the Archdiocese, regardless of ownership or governance, including schools governed by RIs/MPJPs.

CEM provides these services in partnership with schools, as part of its mission 'to serve and lead' all Catholic schools in the Archdiocese. CEM's role is similar to that played by Catholic education offices in other dioceses and its key responsibilities include:

- supporting schools to maintain an identity that is distinctively Catholic through a rigorous Religious Education curriculum and faith development program

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<sup>9</sup> The next-largest Archdiocese is Brisbane, which had 170 schools in 2019.

<sup>10</sup> These are St Catherine of Siena in Armstrong Creek (primary) and Iona College in Charlemont (secondary).

<sup>11</sup> The only primary school not governed by parish priests is Resurrection House in Essendon.

<sup>12</sup> The latter is St Paul's College in Balwyn.

<sup>13</sup> This includes St Paul's College in Balwyn and Mount St Joseph Girls' College in Altona, each of which is governed by a company limited by guarantee that is owned by the Archdiocese.

- quality assuring and participating in a rigorous process of succession planning as well as the selection of principals across the system to ensure the best quality leaders for the schools
- developing system-wide tools for gathering school performance data and enhancing evidence-based accountability for school outcomes in the development, implementation and review of school improvement plans
- providing pedagogical tools, professional learning, online resources and onsite support to build the capability of the teaching workforce particularly in the areas of Religious Education, Literacy, Numeracy, Languages and STEM
- monitoring and supporting compliance of government accountabilities and legislation incorporating children with disabilities and diverse learning needs, child safety, student wellbeing, incident management, expulsion and suspension of students
- explicitly promoting the Catholic Education Commission of Victoria Ltd (CECV)/CEM child protection programs in schools including the delivery of professional learning on a frequent basis
- planning and supporting the establishment of new Catholic schools across the Archdiocese
- assigning business managers to assist and support schools to manage their financial responsibilities
- supporting schools to deal with employee relations matters, legal issues, human resources management, and occupational health and safety obligations
- supporting principals and teachers with their accreditation to teach in a Catholic school and to teach Religious Education in a Catholic school.

While some of the above services will only be relevant to the 294 schools owned and operated by the new company, Melbourne Archdiocese Catholic Schools Ltd (MACS),<sup>14</sup> some services are also relevant to RI/MPJP schools across the Archdiocese and Victoria.

The new company will continue in its engagement with the RI/MPJP schools to assist the Archbishop to carry out his responsibility within the Archdiocese. Although there is no intention to change the nature of the services being offered, the services will be provided via a company rather than an unincorporated entity acting as an agency of the Archdiocese of Melbourne. The changed governance arrangements may affect the relationships between the new company's management layer (previously CEM) and the RI/MPJP schools. It is recommended that dialogue between the new company, RI/MPJP schools and the Catholic Religious Institute and Ministerial Public Juridic Person Victorian Schools Limited (CRMV) takes place to assess the impact of the change.

### *2.2.3 CEM will continue to serve Victorian Catholic education*

As well as providing the above services to Catholic schools in the Archdiocese, CEM provides services under service level agreements to the CECV, Catholic Capital Grants (Victoria) Limited (CCG) and the Catholic Education Long Service Leave Scheme. Due largely to its size and resulting depth and breadth of resources, CEM also provides services to the other Victorian dioceses.

The changed governance arrangements may affect the relationships between the new company's management layer (previously CEM) and the Catholic education offices of other dioceses, the CECV, CCG and the Catholic Education Long Service Leave Scheme. It is recommended that dialogue between the new company and these groups takes place to assess the impact of the change.

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<sup>14</sup> See 4.1.5 Company name.

For a broader picture of CEM's role in Victorian Catholic education and its relationships with the CECV, other Victorian dioceses and RIs/MPJPs, please refer to Appendix 1.

It should be noted that the CECV is likely to undertake a review of its current operations at some stage in the future. This review is outside the scope of the governance change process and will not be completed within the timeframe of this process. As a result, the impact of any potential change that may occur has not been considered by the Steering Committee.

A key objective of the governance change is to maintain the positive characteristics of the current system, including the need to safeguard and strengthen the unity and shared purpose that have characterised Catholic education in Victoria for many years. The Steering Committee is committed to making every effort to ensure that this sense of unity and shared purpose is preserved. We may have different voices, but we work together in a powerful shared mission and vision.

While CEM's existing operations and people will be transferred into the new company as part of the governance transition, this will not affect the services that are currently provided by CEM to the CECV, the other Victorian dioceses and the schools governed by RIs/MPJPs. The new company will continue to serve Victorian Catholic education in the same way that CEM does today.

## 2.3 Governance changes required

### 2.3.1 *What is the governance change?*

The governance arrangements for parish and diocesan schools in the Archdiocese of Melbourne are being changed in a process that will see schools transferred into a corporate entity that is responsible for the governance and operations of the schools.

As of 1 January 2021, all 294 schools owned by the Archdiocese and its parishes will be directly affected by this change including 261 primary schools owned by the parishes, 26 secondary colleges owned by associations of parishes and seven schools owned by the Archdiocese.<sup>15</sup> The governance arrangements for the 39 RI or MPJP schools in the Archdiocese are not impacted by the process being undertaken by the Archdiocese.

While the change process has been designed to meet certain government requirements, an overriding objective is that the new governance arrangements provide a foundation for the schools to flourish into the future and this flourishing expresses a Catholic mission that is shared with the wider Church. The schools will only be authentically Catholic when they are appropriately connected to their parish or diocesan community of faith. This change needs to be made in accordance with civil and canon law and needs to be completed by 1 January 2021.

The governance change will also impact CEM, which today is an unincorporated agency within the Archdiocese of Melbourne. All of CEM's existing operations and people will transfer to the new corporate entity, including those relating to the service level agreement (SLA) with the CECV and those relating to other dioceses and schools governed by RIs/MPJPs. This transfer of CEM's existing operations and people will effectively provide the management team and operating model for the new company. The board will determine if CEM retains its name considering the addition of management responsibilities to its role as service provider.

The transfer to a corporate entity provides a real opportunity to revitalise current partnerships, review and update a variety of system policies and procedures, search for and embrace efficiencies, and strengthen reporting and accountability measures. This builds on what CEM and schools in the Archdiocese have already done to create a safe and supportive environment for

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<sup>15</sup> It should be noted that by 1 January 2021, five of the seven schools that are owned by the Archdiocese are secondary or combined schools, with the remaining two schools providing services to students with disabilities. Two of the seven diocesan schools are owned by the Archdiocese, but governed by an incorporated entity.

children and young people, highlighting the moral imperative and overarching commitments that underpin the drive for improvement and cultural change through the increase of transparency, accountability, consultation and participation.

The Archdiocese of Melbourne is not the first diocese to incorporate its schools. The dioceses in Western Australia as well as the Sydney and Sale dioceses have undertaken similar governance changes. The dioceses of Ballarat and Sandhurst are also undertaking processes that are similar to the one that is unfolding in the Archdiocese of Melbourne.<sup>16</sup> The fact that Catholic schools all around the nation are governed at a diocesan level gives us every reason to believe that the same positive outcomes can be achieved in Melbourne.

### 2.3.2 Why is the change happening?

The most visible and immediate drivers for the change process arise from the Royal Commission into Institutional Responses to Child Sexual Abuse and the *Betrayal of Trust* Victorian Parliamentary Inquiry. In August 2018, the Australian Catholic Bishops Conference (ACBC) accepted Recommendation 16.6 from the Royal Commission, which was for the bishop of each Catholic Church diocese in Australia to ensure that parish priests are not the employers of principals and teachers in Catholic schools. Another driver for change arose in 2014 when the Victorian Government accepted the recommendations of the *Betrayal of Trust* Parliamentary Inquiry, which included a requirement for organisations providing services to children to be incorporated. Funding agreements for Victorian Catholic schools now have a clause that requires each school to be appropriately insured and operated under an incorporated body and this requirement takes effect on 1 January 2021.

While the ACBC commitment and the Victorian Government funding requirements provide visible and obvious drivers for the current change process, the impetus for governance reform has a much longer history in the Archdiocese. A file review shows that governance discussions were occurring at the highest levels between the Catholic education office and the Archdiocese from at least 2003 onwards. Various governance and management models are discussed in documents written in 2003, 2004, 2010 and 2011 with the main driver being the significant increase in accountability, compliance and reporting requirements of both state and federal governments.

The heavy compliance burden on parish priests is acknowledged, as are the significant challenges presented by a governance model that relies on a single person being responsible for an increasing breadth and complexity of legislation covering areas of practice that lie outside any one person's primary area of training and professional formation. Examples of compliance and liability areas affecting schools include employee relations and workplace health and safety. Another factor highlighted is the increasing preference of governments to engage with a central body rather than individual parishes in relation to accountability, compliance and reporting matters in schools.

The governance change process needs to meet these various imperatives without compromising the Catholicity of the schools, which means that the bonds of communion that currently join them to their parish and diocese must be maintained – even if a variety of other management and governance responsibilities relating to the operation of the schools transfer to an incorporated entity.

Parish priest/canonical administrator responsibilities remain unchanged in providing strong pastoral support and effective Catholic leadership of the parish, which includes the school community, even though they will no longer hold the governance, administrative and employer roles for schools in the Archdiocese. The experience of dioceses around Australia is that the ecclesial relationships required for an authentic Catholic identity can remain just as strong as they have been in Victoria, even though governance and management responsibilities rest with

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<sup>16</sup> References to 'dioceses' in this Position Paper are to Latin Rite dioceses, unless specified otherwise.

diocesan entities beyond the parish. This national experience gives us great confidence that the change process can be managed canonically, authentically and effectively in the Archdiocese of Melbourne.

## 2.4 Archdiocese of Melbourne response

### 2.4.1 *Who is leading the change process?*

Archbishop Peter A Comensoli established a Steering Committee in late 2019 to develop, provide and implement an incorporated school governance model for the Catholic primary, regional secondary and diocesan schools in the Archdiocese of Melbourne.

The terms of reference for the Steering Committee require it to:

- maintain the faithful alignment to our dual moral purpose, evangelisation and quality learning, and the strategic intent of our system and schools
- affirm and structurally ensure the role of priests and canonical administrators as pastoral leaders in the school environment of their parish community
- undertake a broad consultative phase and seek stakeholder engagement in which all stakeholders have an opportunity to express their view and make recommendations
- produce a constitution(s) in consultation with appropriate professional assistance to support the realisation of civil regulatory requirements for approval by the Archbishop
- provide recommendations to the Archbishop for a framework for board(s) nomination, selection and formation
- hear advice and make considered recommendations on what is appropriate and enables best practice and achievable objectives for Catholic education in Melbourne.

A range of guiding priorities are also highlighted in the terms of reference that require the Steering Committee to:

- hold focus on the mission
- consider the role of pastoral leadership
- listen to stakeholders' concerns
- formulate guiding principles for the new governance model
- identify key risks and appropriate risk mitigation strategies
- issue and maintain guidance on using processes to assist making governance of Catholic schools more consultative, participatory and transparent
- ensure the new structures enhance Catholic identity and focus on mission
- promote recommendations that reflect the collaboration between CEM, the Catholic Archdiocese of Melbourne (CAM), parents and families, parish priests and principals
- retain values, systems and processes that successfully improve outcomes for all students and can continue to operate successfully in the new model
- provide a model that meets all regulatory requirements
- articulate a rationale for operating as a 'system'.

In addition to the terms of reference and guiding priorities detailed above, the Steering Committee has been very mindful that the proposed school governance model must:

- not only sustain Catholic education in the Archdiocese, but enhance it
- ensure that child safety remains a central focus of schools in the Archdiocese
- preserve the unity and shared purpose that are such valued characteristics of Catholic education across Victoria
- meet the requirements of both civil and canon law.

The Steering Committee was designed to be representative of key stakeholder groups, so as to be able to engage effectively with stakeholders and to consider the impact of the governance changes from their perspective. In addition to being representative of stakeholder interest, we would seek and receive the best possible advice so as to draw on a range of skills and appropriate professional assistance to support the realisation of a new governance model. The Steering Committee members are as follows:

- Gerard Dalbosco (Senior Partner, EY), Chair
- Tracy Connors (Catholic School Parents Victoria), parent representative
- Rev. Michael Gallacher (Parish Priest, Glen Iris), clergy representative
- Jim Miles (Executive Director, Catholic Education Melbourne)
- Tim O’Leary (Executive Director Stewardship, Catholic Archdiocese of Melbourne)
- Rev. Mark Reynolds (Parish Priest, Surrey Hills Wattle Park), clergy representative
- Julie Ryan (Regional Director, Marist Schools Australia), CRMV representative
- Paul Sharkey (Director, Catholic Leadership and Governance, Catholic Education Melbourne)
- Christina Utri (Principal, Catholic Regional College, St Albans), secondary school representative
- Paul Velten (Director – Finance & Corporate Services, Catholic Archdiocese of Melbourne)
- Victoria Wissell (Principal, St Brigid’s School, Healesville), primary school representative
- Nigel Zimmermann (Principal Advisor to Archbishop, Catholic Archdiocese of Melbourne).

Anna Rados (Company Secretary, Catholic Education Commission of Victoria Ltd) also attends meetings of the Steering Committee as an observer to provide direction and guidance on the minimum standards for school registration. The Steering Committee is supported by a secretariat and has engaged widely with clergy, principals and many others involved in Catholic education. The Steering Committee has also drawn upon the skills of experts in ecclesiology, governance, and civil and canon law, as well as senior staff in the Archdiocese, including CEM.

#### *2.4.2 Progress to date*

The change process was actually launched prior to the establishment of the Steering Committee on 4 October 2019, when Archbishop Peter addressed clergy to highlight the governance changes that were necessary for the 296 schools owned and operated directly by the Archdiocese or its parishes. Regional governance forums were also held for clergy on 22 and 29 October and 7 and 20 November, and for principals on 11, 13 and 28 November 2019. The civil context and possible structures of governance arrangements were outlined and discussed at all of these forums.

Since then, the Steering Committee has overseen a range of processes to engage with stakeholders. Earlier this year, governance consultations for clergy and principals were held over



four regional sessions in March. These consultations focused on a series of Discussion Papers that examined four threshold issues that had been identified from the first consultation round with clergy and principals. The threshold issues are as follows:

1. Catholicity
2. Governance, leadership and management
3. Incorporation
4. Transfer of assets and liabilities.

Closely following these consultations, focus groups were developed comprising: parish priests, primary and secondary principals, parents, and CAM and CEM staff representatives who met on 18 and 19 March to provide further input for the development of the Position Paper.

Other procedures used to engage with key stakeholders have included:

- regular updates for clergy and principals on the Governance website  
<https://governance.melbourne>
- online surveys and questionnaires also on the website
- personal visits to parishes to address questions/concerns raised by parish priests.

### 2.4.3 Next steps

The first six recommendations in the Executive Summary are concerned with establishing a company limited by guarantee, including the development of a strategic plan, operating model and management team to operate and manage parish and diocese-owned Catholic schools. The remaining four recommendations include the development of a *Working Together in Mission* document, and a policies and procedures framework, both of which will specify roles, structures and protocols that clarify the relationship between the company, the schools and the wider Catholic education community.

Reference groups will be established to ensure stakeholders are consulted appropriately as these instruments are developed. Much of the work associated with implementing the model will be undertaken in the following seven workstreams:

1. Catholicity, mission and governance
2. Stakeholder identification and engagement
3. Transfer of assets and liabilities
4. Risk management
5. Legal
6. People/human resources
7. Finance.

Further engagement will need to occur with each parish and school to implement 'local operating models' that will ensure the governance arrangements are tailored to meet the particular needs of each community. While this paper makes a series of recommendations in respect of the proposed governance model, the Steering Committee is determined to avoid a default approach in establishing the new governance arrangements. At all points, the change process will be seeking to ensure that the model fosters success for each student in their learning and the full flourishing of their young lives.

### 3. Threshold Issues

Following an extensive consultation process where much valuable input has been provided and the collective voice of stakeholders has been heard, the Steering Committee arrived at a number of conclusions in respect of four threshold issues. These conclusions are summarised in this section of the paper and have played a critical role in the development of the proposed governance model that forms the basis of the recommendations in this paper.

The Discussion Papers responded to the top four issues the Steering Committee identified in the consultation meetings with clergy and principals that took place in October and November 2019. Each of these issues was further discussed and developed by the Steering Committee, and the papers were published for discussion and feedback at four regional gatherings of clergy and principals in March this year. Feedback has also been provided via the Governance website, the School Governors and Principals Briefing, and the focus group meetings that took place after the regional gatherings of clergy and principals.

#### 3.1 Catholicity

It is not surprising that the mission and identity of Catholic schools was a most significant and recurrent theme throughout the consultation process. Catholic schools only exist because they are Catholic in their mission and identity. The vitality of the mission of the Catholic school is enlivened when the school is embedded in the life of the local Church through the fostering of close and life-giving relationships with families and parishes. Authentic governance arrangements facilitate these relationships and, therefore, the right relationships between family, school and the wider Church need to be a central consideration as the governance model is developed.

Catholic schools are faithful to their mission when they are gospel-centred communities, planted deep in the soil of the Church's intellectual tradition and when they impart the Church's teaching in faith and morals. It is never enough, however, to simply impart doctrine to students because 'being Christian is not the result of an ethical choice or a lofty idea, but the encounter with an event, a person, which gives life a new horizon and a decisive direction'.<sup>17</sup>

One of the priorities for authentic governance in a Catholic school is the formation of staff so that they are equipped for their mission as Catholic educators. In an address to Catholic educators, Pope Francis reflected that educating is not just a profession but an attitude, a way of being where students are given hope and optimism for their journey in the world, where they are taught to see the beauty and goodness of creation.<sup>18</sup> Education must respond 'to the desire for the infinite which abides in every human heart'. The education provided in a Catholic school 'should not impose the truth but appeal to freedom; it should be marked by joy, encouragement, liveliness and a harmonious balance which will not reduce preaching to a few doctrines which are at times more philosophical than evangelical'. All this demands that Catholic educators adopt 'certain attitudes which foster openness to the message: approachability, readiness for dialogue, patience, a warmth and welcome which is non-judgmental'.<sup>19</sup>

The Sacred Congregation for Catholic Education expressed the purpose of Catholic education succinctly and cogently in a seminal document in 1977, when it stated that Catholic schools realise their educational mission by bringing together culture, faith and life. Culture and faith are brought

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<sup>17</sup> Pope Benedict XVI, [\*Deus Caritas Est\*](#), Libreria Editrice Vaticana, Rome, 2005, n. 1.

<sup>18</sup> Pope Francis, [\*Address to the students of the Jesuit schools of Italy and Albania\*](#), Libreria Editrice Vaticana, Rome, 2013.

<sup>19</sup> Pope Francis, [\*Evangelii Gaudium\*](#), Libreria Editrice Vaticana, Rome, 2013, n. 165.

together by illuminating the curriculum with the light of the gospel. Faith and life are brought together when students engage with a Catholic understanding of the human person and a vision of human society that is inspired by the Kingdom that Jesus proclaimed.<sup>20</sup> In more recent years, the Congregation has reflected deeply on the multi-faith and pluralised context of school communities, and has challenged Catholic schools to respond realistically, creatively and respectfully to the diverse families in their care.

Ideals such as these seem ambitious, in an age when strategies of evangelisation and catechesis no longer seem as effective with students. Pope Francis, however, provides the following challenge: 'If we see any number of problems, these should be ... a summons to revive our hope and to make it the source of prophetic visions, transformative actions and creative forms of charity.'<sup>21</sup>

Following a similar trajectory, the future governance models should not merely seek to preserve key elements of past approaches. Our new structures must offer new wineskins for the new wine that is being poured into them, as the next generation of families entrusts its children to our care.

For parish primary schools, the wider Church is experienced in the first instance through the parish, whereas the formal link with the wider Church for most Catholic secondary colleges is the association of parishes that founded the school. A small number of diocesan schools were not founded by parishes, but have links of various kinds with surrounding parishes and the wider Archdiocese. Authentic governance arrangements in a Catholic school are deeply grounded in these relationships, and the relationship between the priest and the principal was cited often during the consultation gatherings as a potent witness to the wider network of relationships that need to be healthy if the school's Catholic mission is to be vital and vibrant.

A key recommendation in this Position Paper is the development of a *Working Together in Mission* document which presents the mission of the Catholic school and its implications for governance. This document will consider how the mission is realised by those in key roles such as priests and principals as they work in partnership with school staff, students, parents and the wider parish community. The rights, responsibilities and authorities associated with each of these partners will be explored in *Working Together in Mission*. As new models for mission emerge in the life of the broader Church, the document will provide a structure for responding agilely to those models, ensuring that the Catholic school continues to play a vital role in realising the Church's mission of evangelisation in future years.

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<sup>20</sup> Sacred Congregation for Catholic Education, [The Catholic School](#), Libreria Editrice Vaticana, Rome, 1977, n. 37.

<sup>21</sup> Pope Francis, [Amoris Laetitia](#), Libreria Editrice Vaticana, Rome, 2016, n. 57.

### 3.1.1 A summary of conclusions

The Steering Committee believes the following principles should inform the governance change process:

- that the change process is driven by the mission of Catholic education
- that the objects of the company's constitution are clearly grounded in a Catholic mission
- that appropriate processes of formation are undertaken for those occupying positions of responsibility in the new company
- that a *Working Together in Mission* document is developed which situates each school in the mission of the wider Church, articulating the relationships, roles, rights and responsibilities that are necessary if that mission is to be realised authentically.

## 3.2 Governance, leadership and management

A range of issues were canvassed in the Discussion Paper associated with governance, leadership and management. In many ways, these issues reflected the principles of subsidiarity and solidarity which have become hallmarks for the governance model.

School governance responsibility is currently derived from one of the three broad categories of canonical arrangements for schools owned by parishes or the diocese:

1. *Parish primary school:* The parish priest is the Church authority and employs the principal.
2. *Catholic regional college:* An association of canonical administrators (CAs) is the Church authority. The association typically comprises the parish priests of the parishes that founded the school and has a president who is appointed by members of the association from among their membership. The president typically signs the employment contract for the principal.
3. *Diocesan school:* Delegated canonical administrators (DCAs) can be drawn from both clergy and laity, and are appointed by the Archbishop to form the governing body of a school. The president is one of the DCAs and is appointed by them, and typically signs the employment contract for the principal.

Consequently, in this Position Paper, references to parish priests and parishes include the various types of Church authorities – parish priest, association of CAs or DCAs – and the multiple types of sites – primary, secondary or multiple campus – that reflect the current arrangements.

The Discussion Paper also referred to the processes applied in other Australian dioceses that have moved to an incorporated model of governance in which the Archbishop retains certain reserve powers and formally delegates day-to-day governance of schools to a board of directors that he appoints and in so doing entrusts with the mission of Catholic education in the Archdiocese. The principles of subsidiarity and solidarity have been significant in the development of the governance model.

The shift in governance centres on a shift in the roles that the Church authority plays within a school. In the current situation, the Church authority has two roles: faith leadership and school management/administration. In undertaking the new model, the shift in the role of Church authority will highlight that the former will be celebrated and strengthened, while the latter will

become the responsibility of the new company, MACS. This shift will provide a foundation for the schools to flourish; express a Catholic mission that is shared with the wider Church; and create a safe and supportive environment for children and young people through the increased transparency, accountability, consultation and participation of all.

Many things will stay the same. The local parish will still play a key role in faith leadership. Indeed, its pastoral engagement with the school is strengthened in the new governance model. As priests and CAs spend less time on compliance and management, the intention is that they will have more time to demonstrate their leadership through active involvement in promoting and developing the school's Catholic mission. The development of a framework that specifies the roles and responsibilities associated with this pastoral engagement will provide an important element of the governance model.

The change in governance means the priests or CAs will no longer have administrative responsibility for the schools. The management and leadership of the schools will be delegated to the principal, who will now report to the management team of the company, which in turn reports to the board of directors that has been charged with the responsibility for the fiduciary and strategic aspects of the whole company. It is envisaged that although the authority to which the schools report to has shifted, they will still be governed by those requirements that exist now.

Other things will change. These include developing a consistent model for School Advisory Councils, and affirming the role parish priests play in supporting principals and School Advisory Councils as they ensure the schools remain Catholic in their identity by sharing in the Church's life and mission. In delicately approaching the balance between subsidiarity and solidarity, the board will also need to establish a consistent approach for effective governance and risk management through a list of financial and non-financial authorities and delegations to be followed by schools and by the management layer within the company.

### 3.2.1 Governance

A commonly referenced definition for corporate governance was included in the Discussion Paper: 'the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations'.<sup>22</sup> The hallmarks of good governance referenced by the Royal Commission into Institutional Responses to Child Sexual Abuse include transparency, accountability, consultation and participation. In the context of Catholic schooling, governance has been defined as 'the legal and moral responsibility for, and overall stewardship of, the school: deciding its mission, vision and values and determining the overarching policies about how it operates'.<sup>23</sup> The importance of culture is also emphasised in the governance literature, where boards are counselled not to rely on mere compliance, but to ensure that they create 'their own measures of ethical practice, good culture and effective leadership'.<sup>24</sup>

The ethical standards applicable in civil corporate governance apply in the Church context, but more is required. Our tradition encourages local churches to develop pastoral plans, continually emphasising the 'primacy of grace', grounding strategic planning in prayer and discernment, rather than thinking that the results depend solely on our ability to act and to plan. Pope Francis affirmed the importance of action grounded in prayer, collegiality and discernment: 'Ideas can be discussed but vital situations have to be discerned ... our primary duty is to foster a shared spirit of discernment, rather than to seek the relative calm resulting from compromise'.<sup>25</sup> With this

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<sup>22</sup> ASX Corporate Governance Council, [\*Corporate Governance Principles and Recommendations\*](#), 4th edn, Australian Securities Exchange, Sydney, 2019, p. 1.

<sup>23</sup> C Leavey, 'Governance', draft copy of paper for Principals' Conference, Diocese of Sandhurst, July 2001, p. 1.

<sup>24</sup> R Bryant-Smith, '[Culture eats compliance for breakfast: Why team culture is the key to risk management](#)', *Governance Directions*, 2018, 70 (7).

<sup>25</sup> Pope Francis, [\*Lettera Vescovi\*](#), Libreria Editrice Vaticana, Rome, 2019.

sentiment as inspiration, the new governance model will encompass rules, systems and processes set within relationships, mission, vision, values and culture, and grounded in vocation, prayer and discernment.

### 3.2.2 Leadership

Leadership in a Catholic context is only authentic when it is expressed within a community of faith. 'School leaders are more than just managers of an organization. They are true educational leaders when they are the first to take on this responsibility, which is also an ecclesial and pastoral mission rooted in a relationship with the Church's pastors.'<sup>26</sup> One view of the distinction between management and leadership is that management is primarily concerned with producing 'order and consistency', whereas leadership enables 'change and movement'.<sup>27</sup> Exemplary leadership and management in a Catholic school is currently illuminated by Catholic beliefs and values, and this will need to continue in any new arrangements that are set in place.

The importance of developing an agreed statement regarding the roles, rights and responsibilities of priests and principals has been a recurring theme in the engagement thus far. Therefore, a *Working Together in Mission* document is recommended to be developed to provide the clarity and assurance that are being sought by stakeholders at the local level.

Alignment and diversity are held in creative tension and are not mutually exclusive in any functional system.<sup>28</sup> The new governance model seeks to promote a shared purpose and common structures and processes that support the work of Catholic school communities, and at the same time allow for the variation in practice that is necessary if local needs are to be served.

The scope and limits of the new governance model will accord with the principle of subsidiarity so that responsibility is taken by MACS as necessity dictates, and local agency is preserved for school communities as appropriate. The framework of systems and processes by which authority and autonomy are exercised will be established through a process of discernment and dialogue predicated upon the primacy of respect, dignity and right relationships. Importantly, the new governance model will enable the enactment of the shared mission of Catholic education, while promoting and protecting the distinct charism and unique identity of each Catholic community.

### 3.2.3 Management

The Discussion Paper proposed that, while each school will retain its strong local identity and vision, all schools will report via the principal into MACS' management team, which will be accountable to the board. The transfer of responsibility for governing and managing the schools to the company is where the change will be felt most by parish priests and principals in their professional practice. The new model will respect and preserve the canonical responsibilities of the parish priest, and the quality of the relationship between the principal and the parish priest will be pivotal to its success. Role clarity and the necessity for subsidiarity to be recognised and respected will be the key aspects of this relationship.

The principal, while reporting to the management team of MACS, will continue to have responsibility for the prudent and effective management of the school and its finances. MACS will provide clear financial and non-financial delegations to the principal who will ensure that all funds provided for the education of children such as government grants, school fees, private donations and interest on investments are used for the education of students.

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<sup>26</sup> Congregation for Catholic Education, [\*Educating to Intercultural Dialogue in Catholic Schools: Living in Harmony for a Civilization of Love\*](#), Libreria Editrice Vaticana, Rome, 2013, n. 85.

<sup>27</sup> JP Kotter, *A Force for Change: How Leadership Differs from Management*, The Free Press, New York, 1990.

<sup>28</sup> N Johnson, *Sustaining and Building a Teacher Learning Culture: Success Factors*, Association of Independent Schools of Victoria, Melbourne, 2004.



Given that the company will oversee a complex system of schools, it will need to know that funds are distributed by the CECV in a manner that ensures all schools can adequately respond to the unique educational needs of their community in a just and balanced way. Providing this assurance and oversight will be a key task of the company's management team and its accountabilities back to governments through the CECV.

In practical terms, school finance practices will largely operate as they have. Each school will be considered a sub-entity of the company. It is envisaged that each school will retain its current ABN, along with current bank accounts, loan servicing, etc. Accrual accounting will be required of all schools to produce reports for the year ending 31 December 2021 and it can be expected that all schools will shift to bank with the Catholic Development Fund (CDF) if not already doing so. Post 2021, formal signing-off of the Annual Financial Statement will be undertaken by the finance arm of the company on behalf of the board. Operating as a sub-entity means parents will still be able to view their school's financial statements in a transparent manner on the Australian Charities and Not-for-profits Commission (ACNC) Charity Register, which shows the separate details for each school. Other financial matters needing approval and oversight by the board through its management layer include the opening of bank accounts, appointment of school auditors, and payroll approval and subsequent payment. The company will ensure that schools have sufficient internal controls in place so that school property and assets are not distributed or used for the profit or gain of another person or entity.

A current reality is that each school and its Church authority (parish priest, association of CAs or DCAs) has its own approach to authorities and delegations and, with the exception of financial delegations for primary schools, there is no consistent approach and very little formal documentation. For this reason and for effective governance and risk management, the company will establish a list of financial and non-financial authorities and delegations to be followed by schools and by the management layer within the company. Such delegations are well-established for primary schools and it is anticipated that, while there will be some revision of the current operating manual, there will be little change. An operating manual for archdiocesan and regional secondary schools and their principals will need to be developed which will include delegations approved by the board. These delegations will initially be to the executive director of MACS who would then delegate authorities to other levels of the management layer such as current directors, regional general managers and principals. The default setting in this Position Paper is that arrangements that are working successfully in the current context will remain unchanged unless there is a compelling reason to do otherwise. Some examples of delegations and authorities are considered in Section 4 to provide a basis for further discussion before they are finalised. A number of local school operating models are also considered to illustrate how subsidiarity will be respected and a centralised, micromanaging approach avoided.

### 3.2.4 A summary of conclusions

The Steering Committee believes the following principles should inform the governance change process:

- that the governance model is shaped by the principles of subsidiarity and solidarity as well as the contemporary governance hallmarks of transparency, accountability, consultation and participation
- that leadership is illuminated by Catholic beliefs and values
- that the governance model respects the roles, rights and responsibilities of the priest, principal and the parish that are essential for the school to realise its mission and communion with the wider Church.

## 3.3 Incorporation

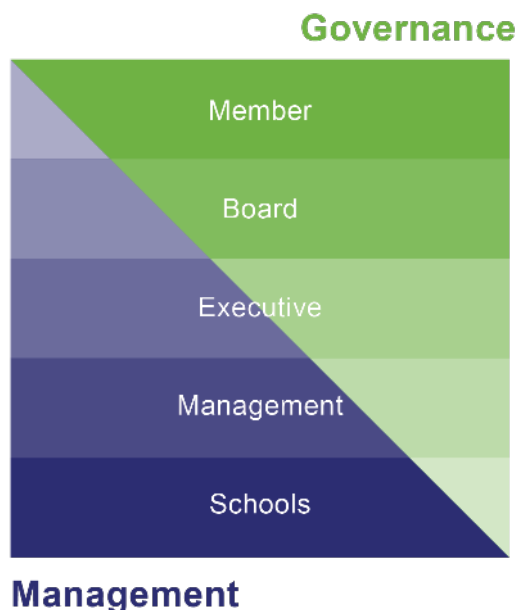
The Incorporation Discussion Paper aimed to articulate key features of a transparent and contemporary governance model for Catholic schools owned and operated by parishes and the Archdiocese. The paper acknowledged the need to do this in a manner that meets the requirements of the Royal Commission and the Victorian Government, but also with due regard to the longstanding mission of Catholic education and the provisions of canon law.

The paper outlined legal advice that has suggested, as in other dioceses, a not-for-profit company limited by guarantee is an appropriate legal entity for governing Catholic schools with the Archbishop as the member of the company. The possibility of the company having more than one member was reviewed but dismissed due to canonical considerations. Incorporation under the *Corporations Act 2001* (Cth), while prescriptive in many aspects of incorporation and administration of public companies limited by guarantee, provides much flexibility in the structuring of membership and the board, which makes it very suitable for establishing and operating Church ministry bodies consistent with canonical structures.

Through the process of incorporation, a constitution for the company will be created which specifies the role of the company's member, its board and its executive director. The member will have reserve powers to hold the board to account for pursuing the company's objects as specified in its constitution and registered with ASIC, but the member is not directly involved in 'running' the company as these responsibilities have been entrusted to the board and, through the executive director, the company's management team.

The diagram below represents the level of governance that is exercised through the company: in the layers at the top of the company, the emphasis is on governance functions and the emphasis increasingly shifts towards management in the lower layers.

**Figure 1: Balance between governance and management**



One of the major considerations in any school governance model is the creation of a safe and supportive environment for children and young people to flourish. The *Annual Progress Report 2019* by the Catholic Church in Australia to the National Office for Child Safety noted that the implementation of the recommendations from the Royal Commission requires cultural change to increase transparency, accountability, consultation and participation. The Discussion Paper suggested that incorporation, with its checks and balances would enable such a shift.

Initial feedback established that the necessity for incorporation was valid, but concerns revolved around the nature of incorporation and what it would mean to align the mission of Catholic education with a civil process. Would Catholicity be lost to corporate governance? There was the issue of what type of company and then if more than one company was preferable. There was a range of commentary about the make-up of the board of directors, and their selection either as representatives of groups in Catholic education or based primarily on their ability to be effective governors.

A number of stakeholders questioned whether the Archbishop would be assisted by having other members. At some points, this questioning was motivated by a belief that the governance arrangements needed to reflect the principles of participation and partnership at the highest level in the model – the level of the company’s membership. Some of the responses demonstrated, however, a lack of understanding of the limitations that are typically placed on the powers of a member by the company’s constitution and other responses may have not considered the nature of the Archbishop’s proper ecclesiastical role. The merits of sole membership and multi-membership were evaluated with sole membership being deemed most appropriate to the Archbishop’s proper ecclesiastical role. As member, the Archbishop will have reserve powers which at times will mean that he must consult the Council of Priests or College of Consultors. In addition, the Archbishop has a myriad of structures and processes that the Church has at its disposal to be a truly synodal Church and from whom the Archbishop may also take advice.

While the requirement to incorporate has been acknowledged in the stakeholder engagement, some of the challenges associated with reconciling the requirements of corporate and canon law have been noted. Corporations law is not always easily reconciled with canon law and a variety of issues need to be carefully and sensitively considered as the new arrangements are formulated. For example, corporations law takes a ‘top down’ approach to governance with the attribution of reserve powers to a member and fiduciary duties to a board that are then pushed down through the management layer. A governance model is sought that respects the principle of subsidiarity;

the authority, rights and responsibilities of parish priests; and the leadership and management that must be exercised at the local level by principals and staff in schools. The reconciliation of the 'top down' and 'bottom up' approaches is sophisticated but entirely possible, given the experience of other dioceses over many decades around Australia. The model articulated in Section 4 of this Position Paper seeks to achieve this reconciliation and synthesis.

### 3.3.1 Type of company

The suitability of the not-for-profit company as a civil vehicle for a Church ministry has been affirmed in the literature and canon law, as the Corporations Act requires the company to set forth its mission as the cause of its existence.<sup>29</sup> In this way MACS' purpose, or its mission, becomes the driving force of the work of MACS. A company limited by guarantee is the civil entity that has been created by those archdioceses that have become incorporated with the Archbishop as the single member of the company. This kind of civil entity is not unusual in Victoria as the CECV is a company limited by guarantee and it was the first state commission to do so in 2005. Further examples include CCG, which manages capital grants for schools. It should be noted that schools owned by RIs or MPJPs are also typically governed by such companies.

The establishment of a company under the Corporations Act creates a constitution that must be consistent with the Act, which in turn provides the governance and administration framework for companies. As such, there are further relevant checks and balances to ensure that effective governance principles of transparency, accountability, consultation and participation come into practice through incorporation. The fact that the Archbishop will establish a company with a board is itself the symbol of collaboration that aligns with contemporary governance standards. The governance change process currently underway in the Archdiocese is an appropriate response to this call for cultural change; meets Recommendation 16.6 of the Royal Commission and recommendation 26.1 of the *Betrayal of Trust* Victorian Parliamentary Inquiry; and ensures that there is a safe and supportive environment for children and young people through effective governance principles that create relevant checks and balances.

### 3.3.2 Number of companies

The possibility was raised at various points in the consultation that more than one company could be created, thus allowing schools greater freedom to develop arrangements more suitable for their local context or region. As has been noted in Section 3.2, many of these concerns for subsidiarity to be exercised can be met through the development of appropriate delegations and authorities at the local level. These local arrangements are presented in Section 4 in the exploration of local operating models.

The rich possibilities of local operating models in sustaining the balance between subsidiarity and solidarity, or diversity and alignment, through the customisation of arrangements for local circumstances can be handled by delegations or the recognition of particular local structures and operating models.

The benefits of clarity of purpose and efficiency of policy, strategy and risk management that are facilitated by one company make the preference for one company clear.

### 3.3.3 Number of members

The members of a company 'own' the company. This does not entitle the member to any income or property of the company, as such would be precluded in a not-for-profit company. The member does not exercise operational decision-making at a local level and does not usurp the responsibilities that are proper to the board for the ordinary governance of the company. The

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<sup>29</sup> B Lucas, 'The not-for-profit sector: a Roman Catholic view', *The Canonist*, 2019, 10 (1), 47–71.

member's role is to set the mission of the company by prescribing its objects and to determine the company's governance framework within parameters set by the Corporations Act. All these matters are stated in the company's constitution on incorporation.

A company's constitution is the contract between the company and the member, and the company and each director and secretary, with all involved agreeing to abide by the rules of the constitution which creates checks and balances in those relationships. The constitution establishes a board of directors as a governing body of the company to take responsibility for the fiduciary and strategic aspects of the whole company.

A governance structure that is contrary to canon law that would inhibit or in any way deprive the relevant canonical authority of the capacity to freely exercise his duties – as canon law steward of the mission of the Church within his ecclesiastical authority – is not a structure that we could adopt.

The experience with some other companies is that multiple members have usurped the role of the board, creating confusion and complexity in the governance of the company and detracting from the responsibilities that were proper to board directors. While there are many instances where multiple membership has not had this effect, the reality of it having occurred was raised during the consultations conducted to develop the model. A decision was taken for the company to be created without multiple members to avoid the complications that would arise with their combined reserve powers and the canonical role of the Archbishop. For sole membership, the reserve powers will be codified clearly to avoid confusion between the duties and responsibilities that were proper to the member and the board's role in governing the schools and ensuring their effective management.

#### 3.3.4 Nature of member's reserve powers

Members in Church ministry companies are typically given reserve powers relating to certain decisions of the board in order to ensure that the board does not undertake anything contrary to the mission. Reserve powers come in two forms. Firstly, where decisions of the board are subject to the *approval* of the member and, secondly, where decisions are *reserved* for the member.

The constitution will prescribe the particular circumstances in which the member will exercise the reserve powers so they can be binding on the member and the board, as they are intended to be used sparingly and carefully, and are not intended to hinder the board's responsibility for strategic direction in pursuing the mission of the company. Such reserve powers, as evidenced in the history of the Archdiocese, are rarely called upon, and would occur within the framework of those checks and balances that are provided through both canon law and civil law.

Canon law requires the Archbishop to consult the College of Consultors, Council of Priests or Diocesan Finance Committee on matters that he may be given civil power to decide on his own, so that while the Archbishop will have these powers as member of the company, his decision will be canonically invalid if he does not consult the relevant bodies in the Church. In civil law (via the Corporations Act) and the company's constitution, reserve powers are clearly stated and put in place to protect all stakeholders, rather than to usurp the board of its ordinary functions. The Archbishop as member is one way the constitution ensures the mission and purpose of the company remain aligned within the framework of both his proper ecclesiastical and civil law roles.

Apart from appointing the board of directors and setting the governance responsibilities of the board by ensuring that it does not undertake anything contrary to the mission, the member's reserve powers are typically limited to such matters as ratifying the appointment of the board's executive director and the closing and opening of schools, and approving major capital works in schools. Research into other relevant constitutions across the country has identified the following general provisions in which the board would be required to seek the approval of the member:

- appointing the executive director

- acting beyond the limits of delegations and financial limits set by the member (which may relate to sale, transfer or lease of property; dealing in land and buildings; major capital expenditure etc.)
- incurring expenditure in excess of any thresholds approved by the member
- opening or closing schools, or ceasing to conduct any major service, program or work provided for by the company
- setting or materially amending the strategic plan of the company.

Each of these provisions reflects the role of the Archbishop to ensure that the mission and purpose of the company remain aligned within the framework of both his ecclesiastical and civil law duties.

### *3.3.5 The board of directors*

Under the Corporations Act, the board is the governing body of the company, and has fiduciary responsibility for strategic direction and oversight of the management of the company's operations. The board of a not-for-profit company limited by guarantee is specifically charged with aligning all its activities to its mission as defined in its constitution, as corporate law requires that mission is paramount. This affirms the choice of a not-for-profit company limited by guarantee as the civil vehicle for a Church ministry, as the living out of its mission is the cause of its existence and it is the role of the board to ensure this is operationalised through the management layer. As the board is required to fulfil its fiduciary duties to the company, it must also drive and centralise the mission as outlined in the objects of the constitution. The member, through the reserve powers, ensures the board remains on course, and a strong and experienced management layer exists to support and assist the board by carrying out the management of Catholic education in the Archdiocese in fulfilment of ecclesial, legal and statutory requirements and board policies and directives.

The legal emphasis on the centrality of mission requires board directors to be appointed to be mindful of both:

- the significant fiduciary duties required of them under corporations law
- a sense of solidarity with the purpose and mission of Catholic education.

Fiduciary duties are required of a board member under the Corporations Act and are a series of legal obligations of the board member to act in the best interest of the company. Through the law, the board is entrusted by the member with the care of the company and must ensure its purposes are fulfilled. The Corporations Act provides assurance to all stakeholders that the action of the board is aligned to the mission and the purpose of the company. Thus, this model with a board ensures the alignment of the Catholic mission and ecclesial identity of the company through civil and canon law requirements, and delivers best faith, wellbeing and educational outcomes for students.

A representative board composed of groups in Catholic education is often seen as a solution to ensuring the board is aligned to Catholic mission, as its understanding of the mission could be assumed. However, this would place a board member in conflict with their fiduciary duty that places the purpose of the company above any representative interest. The complexity of the role of the board of directors, as the governing body of the company that takes responsibility for the fiduciary and strategic aspects of the whole company, requires skilled and knowledgeable directors. Directors must provide confidence in good governance by being appropriately skilled and qualified, rather than being seen as representative of a particular interest group in Catholic education that could bring them into conflict with their legal duties to the company. For the board to fulfil its fiduciary duties under the Corporations Act to align the mission and the purpose with actions, board members should receive ongoing formation so that they are equipped for the very



significant role they will play in the Archdiocese. Board members are also to be mindful of core principles underpinning Catholic education such as those described in Section 3.1, which include the dignity of the human person, subsidiarity, solidarity and operating in a synodal manner. Priority will be given to an ongoing focus on mission, vision and purpose for board members and throughout all layers of the company through the development of a formation framework and program rolled out for all company stakeholders.

Another method for enhancing the purpose and mission that are spelled out clearly in the company's constitution is through a board skills matrix. These are often used as a means of identifying the competencies and skills desired by the board to fulfil its role in light of the organisation's strategic direction. The skills matrix below is adapted from the Australian Institute of Company Directors (AICD) and is an example of the kind of matrix that would provide a basis 'for considered reflection and productive discussion on how the board of directors ... believes it should best be constituted in the future to align with the strategic objectives of the entity'.<sup>30</sup> The skills matrix ties 'desired board composition to the organisation's strategy and the key issues facing the organisation',<sup>31</sup> and thus 'helps to increase the accountability of the board in ensuring it has the skills to discharge its obligations effectively and to add value'.<sup>32</sup>

**Table 3: Guidance for preparing a board skills matrix<sup>33</sup>**

	Education	Theology	Legal	Human Resources	Technology	Marketing	Catholic Leadership	Industry	Governance	Media	Risk	Accounting
Director 1	✓	✓		✓	✓		✓				✓	
Director 2			✓					✓	✓			✓
Director 3				✓	✓	✓	✓		✓		✓	

The use of such a matrix facilitates the effective functioning of the board and promotes stakeholder confidence. There is no matrix that will suit every board, as it 'should always be tailored to the unique circumstances and requirements of the company concerned',<sup>34</sup> but the shaping of it would constitute a part of the formal process for the appointment and reappointment of directors to the board.

It should be noted that some of the skills and knowledge required by the board will come from people who in their professional experience have had the responsibility of governing parishes or leading schools. With this in mind, parish priests who are not currently involved with a school and past principals provide excellent candidates for board membership, along with those coming with professional backgrounds in areas such as finance, legal or risk management.

To avoid a conflict of interest, it would not be possible for current employees of the company such as serving principals to become a board director. Nor would it be possible for current clergy with any responsibilities in schools to become a board director.

<sup>30</sup> Governance Institute of Australia (GIA), '[Creating and disclosing a board skills matrix](#)', *Good Governance Guide*, GIA, Sydney, 2015, p. 1.

<sup>31</sup> AICD, '[Guidance for preparing a board skills matrix](#)', *Director Tools*, AICD, Sydney, 31 October 2017.

<sup>32</sup> ASX Corporate Governance Council, '[Corporate Governance Principles and Recommendations](#)', 4th edn, Australian Securities Exchange, Sydney, 2019, p. 13.

<sup>33</sup> Developed after AICD, '[Guidance for preparing a board skills matrix](#)', *Director Tools*, AICD, Sydney, 31 October 2017.

<sup>34</sup> GIA, '[Creating and disclosing a board skills matrix](#)', *Good Governance Guide*, GIA, Sydney, 2015, p. 1.

### 3.3.6 A summary of conclusions

The Steering Committee believes the following principles should inform the governance change process:

- that a company limited by guarantee is created to govern and operate the schools that currently belong to parishes, associations of parishes or the Archdiocese of Melbourne
- that the company (Melbourne Archdiocese Catholic Schools Ltd – MACS) is established by the Archbishop of Melbourne
- that the Archbishop is the sole member of the company
- that a constitution is developed for the company that clearly articulates the purpose and mission of the company and defines the relationship between the member and the board of directors, including the reserve powers of the member to ensure that the board remains faithful to the purpose and mission
- that the board of directors is appointed by the member in a manner that recognises not only its commitment to the mission and values of Catholic education in the Archdiocese, but also the skills necessary for the proper discharge of the required fiduciary duties
- that the executive director of the company, under delegated authority from the board of directors, develops an operating model and management team to operate and manage Catholic education in the Archdiocese in fulfilment of ecclesial, legal and statutory requirements and board policies and directives
- that incorporation is undertaken in a manner that recognises not only the company's commitment to the mission and values of Catholic education in the Archdiocese, but also supported by the skills and knowledge necessary for the proper discharge of the required fiduciary duties.

## 3.4 Transfer of assets and liabilities

The Discussion Paper on the transfer of assets clearly stated that there will be no change in regard to the ownership of school land and buildings. All school land and buildings will continue to be held in trust for their current owner by the Roman Catholic Trust Corporation. The parish will remain the beneficial owner of the parish school and associations of parishes will remain the owners of regional secondary colleges.

With the exception of land and buildings, it is proposed that all school assets and liabilities, defined by what is on the balance sheets of schools when the governance change takes effect, are transferred to MACS. In the case of assets, this will include bank accounts, accounts receivable, refundable parent deposits, inventory and equipment, furniture and fittings, and intangible assets such as contracts with third parties, enrolments, school records and documentation, domain names and school crests. For liabilities, it will include employee entitlements, accounts payable and bank loans.

MACS will become a tenant of the school property – not its owner – and will need to obtain an occupancy right (*Right to Use Land and Buildings Agreement*) from the current owners in order for the schools to continue to operate, and be registered by the Victorian Registration and Qualifications Authority (VRQA), under MACS. The right of use agreements do not entail a change of ownership, even though the buildings will need to be recorded in the school's accounts as leasehold improvements for the duration of the lease. Importantly, if a school should cease to operate as a Catholic school, the buildings will be removed from MACS' accounts and 'returned' to their owner.

The type of occupancy being contemplated is very similar to the commonly used 'triple net' lease where the landlord, the parish priest, is absolved of all obligations in respect to land and buildings, with these obligations being transferred to the tenant, MACS. MACS will bear all responsibilities and obligations in respect of buildings, structural maintenance and repairs including the replacement of buildings in the event of damage, payment of property taxes, levies, insurance premiums, leasehold agreements and any works of a capital nature.

It has been agreed nationally by the ACBC that rental should not be charged by a parish for property used for schooling purposes. In the medium to longer term, it may be possible for rent to be charged for the use of land, but this will be subject to an appropriate agreement with governments and regulators.

In this arrangement, while parishes and parish priests might be relieved of operational and administrative obligations in relation to schools, it remains true that Catholic schools lie firmly within the stable patrimony of their canonical owner, and a range of responsibilities and duties need to be fulfilled if the patrimony is to be protected. For this reason, parish priests (or associations of parishes) will continue to have significant responsibilities and duties in relation to the Catholic schools to be governed by MACS, as those schools still play an important role in the mission of the parish or associations of parishes.

As the sole legal representative of the parish, the parish priest needs to be involved with planning any transaction that will change the nature of the school property or affect the use of any other areas of the property. As such, any building project that may engender any change in the patrimonial condition of the property or entails the undertaking of obligations of repayment or liability to government grants would need the express consent of the parish priest. The reputational interests of the parish (or associations of parishes) must also be upheld by the school and the canonical representatives, therefore, retain rights and responsibilities for those aspects of a school's operations that have the potential to cause reputational damage.

### 3.4.1 A summary of conclusions

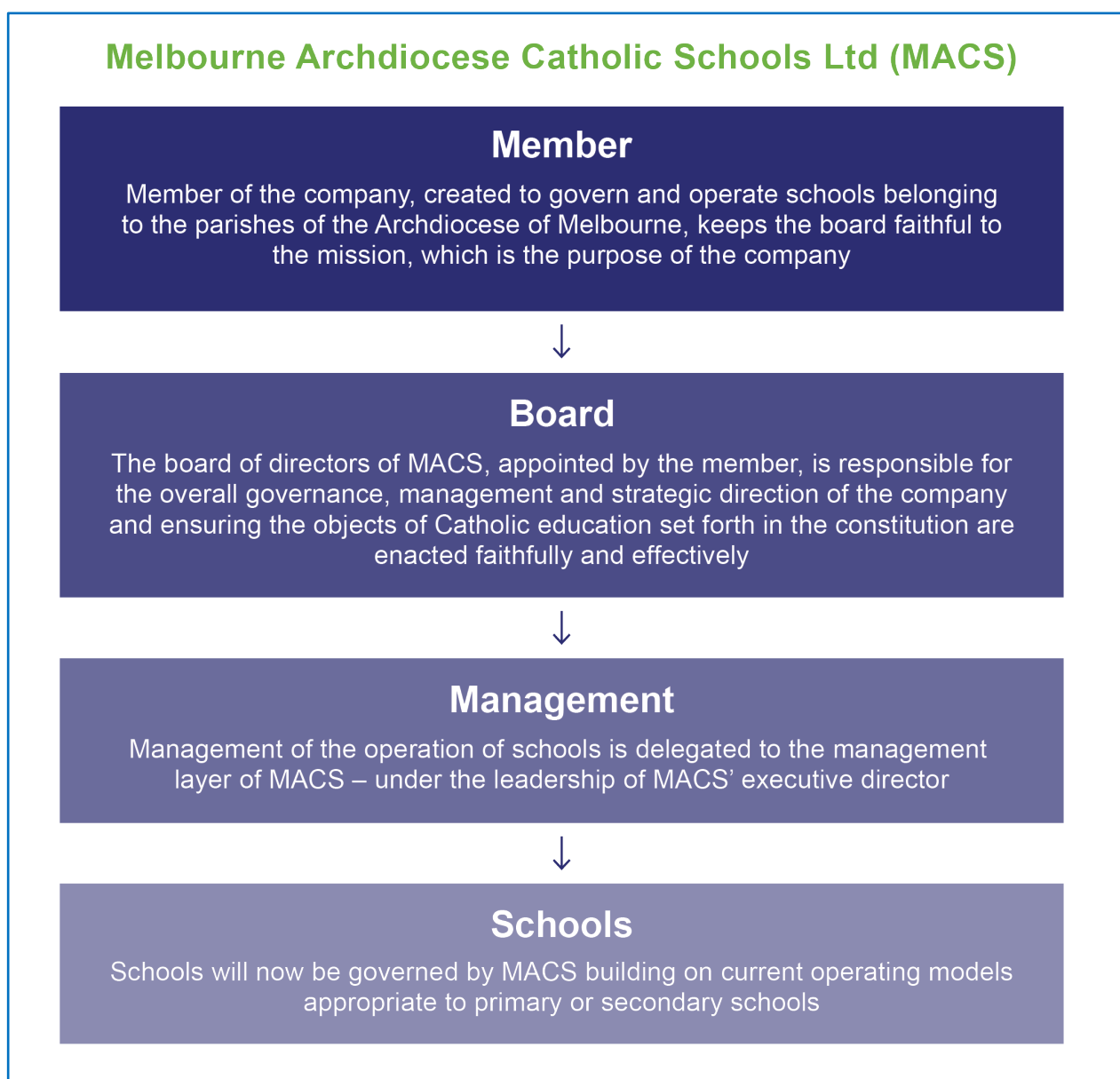
The Steering Committee believes the following principles should inform the governance change process:

- that school land and buildings continue to be owned by the parish
- that carefully considered *School Transition Agreements* and *Right to Use Land and Buildings Agreements* are developed in consultation with key stakeholders between the parish and the company as a government registration requirement
- that the canonical and civil processes associated with granting right of use agreements are identified and executed for each site
- that no rental charge is imposed for use of school land and buildings
- that parish priests continue to have important responsibilities and duties in relation to the ongoing management of school land and buildings
- that arrangements for the use of shared facilities at each parish and school site are carefully discussed and formalised in the *Right to Use Land and Buildings Agreement*, using the *Key Principles for the Use of Parish and School Facilities* developed by CEM and CAM as their foundation.

## 4. Proposed Governance Model

This section draws strongly upon the principles established in Section 3 and outlines each of the critical elements recommended to comprise the company's governance model, namely:

**Figure 2: Company's governance model**



### 4.1 The company

#### 4.1.1 Type of company

The establishment of a not-for-profit company limited by guarantee has been identified as the most appropriate civil vehicle for fulfilling the requirements of both incorporation and ministry. Under the Corporations Act, such a company must define its mission or purpose in its constitution, and this provides assurance that the board of directors will be held to account by the member for realising the company's mission.

### 4.1.2 The company constitution

The process of incorporation creates a company with rules that protect the formal relationships within the company. The Corporations Act and the company's constitution provide the framework for developing key aspects of the company's relationships, roles and responsibilities.

A key feature of the constitution is the objects of the company which express the company's mission and purpose, and should protect the Catholicity of the company and be robust enough to last for the long term. A Statement of Mission, as part of the objects, underlines how the vitality of the mission of the Catholic school is enlivened when the school is embedded in the life of the local Church through the fostering of close and life-giving relationships with families and parishes. It will outline the continuing commitment to a formation that pursues intellectual, practical and moral excellence, and is conspicuously Christian in outlook, explicitly Catholic in practice and intentionally missionary in orientation.

The Catholic mission that provides the *raison d'être* for the company and all its activity will therefore be specified clearly and unambiguously in the company's constitution as part of the company's objects. It is from these objects that the moral imperative and overarching commitments that underpin the company's drive for improvement and cultural change – through the increase of transparency, accountability, consultation and participation – are made explicit.

Within the framework of the Corporations Act, the constitution establishes the member's rights and reserve powers. A board of directors takes responsibility for the fiduciary and strategic aspects of the company and defines the role of the executive director. A company's constitution creates checks and balances in the relationships between the layers of the company: member, board and management through the executive director.

The Corporations Act requires the company's constitution to embrace effective governance principles of transparency, accountability, consultation and participation. Most importantly for a not-for-profit company limited by guarantee, corporate law requires that mission is paramount.

### 4.1.3 The member

To establish structures that comply with canonical and governance requirements, it is proposed that the Archbishop is the sole member of the not-for-profit company limited by guarantee. In the absence of an Archbishop, an apostolic administrator or diocesan administrator would take the place of the Archbishop as the sole member.

As has been noted, since the member entrusts the board of directors with the responsibility for governing the schools, his reserve powers must be framed so they do not undermine those governance responsibilities. The fact that the Archbishop entrusts the board with the responsibility for governing the schools reflects his commitment to the governance principles of transparency, accountability, consultation and participation.

### 4.1.4 Reserve powers

Under the Corporations Act, the board is the governing body of the company and has responsibility for strategic direction and oversight of the management of the company's operations. The member has no direct role, right or responsibility in these governance matters, other than to keep the board faithful to the mission of the company.

In light of this, the member has reserve powers relating to certain decisions of the board in order to ensure that the board does not undertake anything contrary to the mission or purpose of the company.

The Steering Committee recommends that the following reserve powers be assigned to the member in the MACS constitution. The majority of these reserve powers originate from the canonical delegations and authorisations framework within the Archdiocese, and reflect the

ecclesial and canonical role of the Archbishop. In this way the member, through his reserve powers, ensures the board remains on course, fulfilling its fiduciary duties to the company by aligning all its activities to its mission as defined in its constitution.

It is also to be noted that while the Archbishop will have these powers as a member of the company, his decision will be canonically invalid if he does not consult the relevant bodies in the Church. That is, canon law requires him to consult the College of Consultors, Council of Priests or Diocesan Finance Committee on matters that he may be given civil power to decide on his own. In addition, there are a myriad of structures and processes that the Church has at its disposal to be a truly synodal Church, and from which the Archbishop may also take advice and be informed. The reserve powers come in two forms:

1. Decisions of the board subject to the approval of the Archbishop as member, such as: confirming a director's position; appointing and removing the executive director and acting executive director; opening or closing schools; or acting outside the delegations and financial limits imposed by the member.
2. Decisions that are reserved for the Archbishop as member, such as: appointing or removing a director or determining a director's term of office; issuing a direction to the board to adopt, implement or act upon the objectives, priorities, strategies and policies for the company; appointing or removing the chair and deputy chair of the company; and amending the constitution of the company.

#### 4.1.5 Company name

Nomenclature is significant. It is important that the name of the company clearly assists in identifying the work and purpose of the company, and that it is inclusive. Melbourne Archdiocese Catholic Schools Ltd (MACS) was chosen for these reasons.

This name emphasises that the company provides services to all Catholic schools in the Archdiocese of Melbourne. While the primary purpose of the company is to oversee the management and operation of schools owned by the Archdiocese and its parishes, MACS will continue to deliver the services that have been offered to all schools in the Archdiocese, including schools owned by RIs/MPJPs that operate in the Archdiocese, and to Catholic schools and dioceses more broadly across the state of Victoria. With this in mind, the name emphasises 'Archdiocese' – rather than 'archdiocesan' – to refer to the fact that it serves not only the schools governed by the Archdiocese but all Catholic schools, including schools owned by RIs and MPJPs that operate in the Archdiocese.

## 4.2 Board of directors

The board of directors will be responsible for ensuring the objects of Catholic education, as set forth in the MACS constitution, are enacted faithfully and effectively. The board will be responsible for the fiduciary and strategic aspects of a highly complex company that operates the largest Catholic education system in Australia, including 'the overall governance, management and strategic direction of the organisation and for delivering accountable corporate performance in accordance with the organisation's goals and objectives'.<sup>35</sup> These responsibilities have been entrusted to them by the member.

As the purpose and mission will be spelled out clearly in the company's constitution, and as fiduciary duties require that the actions of the board are aligned to the mission and purpose of the company, it is vital to tie desired board composition to the organisation's strategy and the key

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<sup>35</sup> AICD, '[Role of the board: Governance relations](#)', *Director Tools*, AICD, Sydney, 2016, p. 1.



issues facing Catholic education. The collective board might therefore include individuals with skills that focus on Catholic culture/experience such as:

- experience of working within the framework of the Catholic mission
- knowledge of Catholic community context
- knowledge of broad contemporary ecclesial directions
- understanding of canon law process
- experience of formation in Catholic leadership, theology or spirituality
- commitment to Catholicity.

In addition, board appointees should receive appropriate induction of core principles underpinning Catholic education and ongoing formation so that they are equipped for the very significant role they will play in the Archdiocese.

Given the fiduciary and strategic characteristics of the role, highly skilled and knowledgeable directors must be appointed. A skills-based board will be established in line with corporate governance best practice: 'The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.'<sup>36</sup> A skills matrix such as the one discussed in Section 3 could be used to ensure an appropriate mix of skill and to assess the suitability of potential directors.

While the board could not confirm a director's position without the member's prior written approval, it is common for a board to have a nominations committee as part of a rigorous and transparent process to seek and review applications for membership of the board, and submit applications to the member for consideration.

Alternatively, a Board Appointments Committee currently exists in the Archdiocese and is chaired by the Vicar General. This committee looks at appointments for a number of boards in the Archdiocese and makes its recommendation to the Archbishop, and could be utilised for this process. In this manner, the particular responsibility to Catholicity that is owed to the company by a board member could be ensured by the Board Appointments Committee.

It is anticipated that the board will adopt standard practice and establish committees in areas such as mission, finance, education policy, risk management, nominations, property and stakeholder engagement. The AICD advocates that companies 'delegate work to committees of directors to more effectively deal with complex or specialised issues and to use directors' time more efficiently',<sup>37</sup> and so indicate to stakeholders and the public what the board values.

### 4.3 The management team

An executive director is appointed by the board to manage the company in accordance with the strategic plan developed under the board's direction. Under such an arrangement, the authority to exercise managerial powers is delegated by the board to the executive director, while retaining responsibility for the overall governance of the company.

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<sup>36</sup> ASX Corporate Governance Council, [Corporate Governance Principles and Recommendations](#), 4th edn, Australian Securities Exchange, Sydney, 2019, p. 12.

<sup>37</sup> AICD, '[Board committees: Role of the board](#)', *Director Tools*, AICD, Sydney, 2016, p. 1.

The managerial powers delegated to the executive director are subject to specific limitations and powers specified in the company constitution, and other specific authorities and delegations developed by the board.

The executive director will develop a management team and company operating model to ensure that the operations of MACS are aligned with the mission and purpose of MACS and its strategic plan. It is anticipated that the company will utilise the existing infrastructure and resources of CEM, which will effectively provide the management team and operating model of MACS. The delegations to the executive director and the management team under the newly incorporated model will come from the board rather than being a direct delegation from the Archbishop, as is currently the case with the Executive Director of CEM.

The management team will be responsible for the 294 schools that will be governed and operated by the new company. Currently these schools are governed and managed by either a parish priest, an association of parish priests, DCAs or an incorporated body.<sup>38</sup> Under the new governance model, this role will be assumed by MACS, with management becoming the responsibility of MACS' management team, which as noted above will be created by the transfer of CEM's existing infrastructure and resources to the new company.

The historical relationship between CEM and these schools will have a different foundation as this transition takes place. The advisory services currently being delivered by CEM will continue to be offered to schools in much the same way as they are at present. In some areas of school activity, the role currently played by CEM will not vary greatly as the transition occurs, while in others there will be some changes to current practice which will largely occur in those areas where authorities and approvals were previously obtained from a Church authority such as a parish priest. These will now be sourced from MACS, with principals now reporting into MACS' management team.

While the board will have fiduciary responsibility for strategic direction and oversight of the management of MACS' operations, a range of powers and functions will be delegated to the executive director who will in turn determine the appropriate operating model within the company for the delegation to be exercised. Clear lines of authority, reporting and delegation will need to be established in the implementation phase of the governance model to ensure that there is alignment between policy and operations that demonstrates MACS is in effective control of the schools it is governing.

A critical element of the operating model will be the overarching policies and procedures framework developed by the company. New policies will be created to manage the organisation's new corporate status and obligations, while a number of operational policies will be transferred from current CEM policies, particularly those surrounding regulators, as the requirements will not have changed.

An 'Authorities and Delegations' schedule will be an important aspect of the policies and procedures framework, and will need to be carefully calibrated so that the ability of the board to fulfil its duties is not compromised while at the same time ensuring that the principle of subsidiarity is honoured. The two tables in Appendix 2 are offered indicatively and provide examples that illustrate where decision-making might sit, with escalations occurring according to the nature of the matter being decided. It is not within the scope of this Position Paper to determine decisions that will inevitably be made by a future board, but the examples provide an indication of the recommendations that will be made by the Steering Committee to the board of directors. Significant stakeholder engagement will be required before such authorities and delegations are finalised.

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<sup>38</sup> As indicated in Section 2.2, only two schools owned by the Archdiocese are governed by a company limited by guarantee: St Paul's College, Balwyn, and Mount St Joseph Girls' College, Altona.

The framework of checks and balances that need to be maintained through the appropriate redistribution of delegations and authorities can be seen in the indicative tables in Appendix 2:

- Table 4: responsibilities previously held by the parish priest (or equivalent canonical authority) might be taken up by the management team of MACS
- Table 5: an indicative list of financial delegations and authorities for schools.

The selection, appointment and reappointment of principals is one example where processes will remain very similar, including the involvement of the parish priest/canonical administrator on the selection panel, but the appointment of the principal will be a MACS appointment, with final approval and contract finalisation coming from the executive director. The parish priest/canonical administrator will have input because Catholic education remains of foremost importance to the life of the parish and reputational interests of the parish must also be upheld, but MACS will be the legal employer. Such changes will need to be clarified and clearly documented through the development of the framework as per the recommendations.

In other areas, a more significant change to current processes will occur. For example, primary principals currently do not undertake a professional performance review before being offered a contract renewal, as is the case for secondary principals. In secondary schools, CEM staff lead a highly structured appraisal review of the principal in both a formative pattern followed by a summative review, which has as its purpose a recommendation to the Church authority around contract renewal or not. This process will need to be extended to primary principals in the future if the company is to discharge its duties properly.

Issues around child safety and reportable conduct currently must be referred to CEM, and Employee Relations (ER) staff are required to investigate and deal with such matters with direct accountability to the Commission for Children and Young People. In a similar fashion, principals and parish priests are advised by the ER staff at CEM when dealing with industrial matters. All these responsibilities will continue, but they will shift in nature from being advisory and the decision-maker will ultimately be the management team of MACS, rather than the Church authority. There is every reason to be confident that new tasks and responsibilities will be handled by the management team of MACS in an equally capable and professional manner as is currently the case, and that relationships with principals will continue to be collaborative and professional and will respect the principle of subsidiarity while ensuring that the company's policies and protocols are followed.

In preparation for this change in management role, CEM has been focusing on further developing the leadership and management capability of key regional personnel including regional general managers and regional leadership consultants over the past 18 months. This has involved clarifying position descriptions with clear expectations and accountabilities, developing facilitation and negotiation capabilities, ensuring consistent use of management tools and seeking feedback from principals. This is now incorporated in the ongoing professional development of all CEM managers, team leaders and regional leadership consultants to ensure the management and leadership capabilities are able to accommodate the revised roles within the changed governance structure.

Reviews have been developed and are currently used to assess compliance and enable improvement, and are critical today. Under the new governance model, they will play an even more important role in the context of enabling the board to assess performance and compliance across the 294 schools, in particular ensuring the Catholic dimension is the foundational element of any reviews. This is required of the board as its duty to enact the objects of the constitution faithfully and effectively.

## 4.4 Local operating model of schools

The 294 schools of the Archdiocese are different in many ways and each school community presents a unique context for the exercise of the school's mission. The strength of any education system is the respect for leadership at the local level and, true to the principle of subsidiarity, it allows decisions to be made by those most affected at the level of best competence for the decision, so that one does not 'take from individuals what they can accomplish by their own initiative and industry and give it to the community'.<sup>39</sup>

Six operating models, reflecting the different types of schools in the Archdiocese, have been identified:

Current models:

- single parish – single primary school
- single parish – multiple primary schools
- multiple parishes – single secondary school (regional)
- multiple parishes – multiple secondary schools (federation).

Future models:

- multiple parishes – single primary school
- multiple parishes – multiple schools.

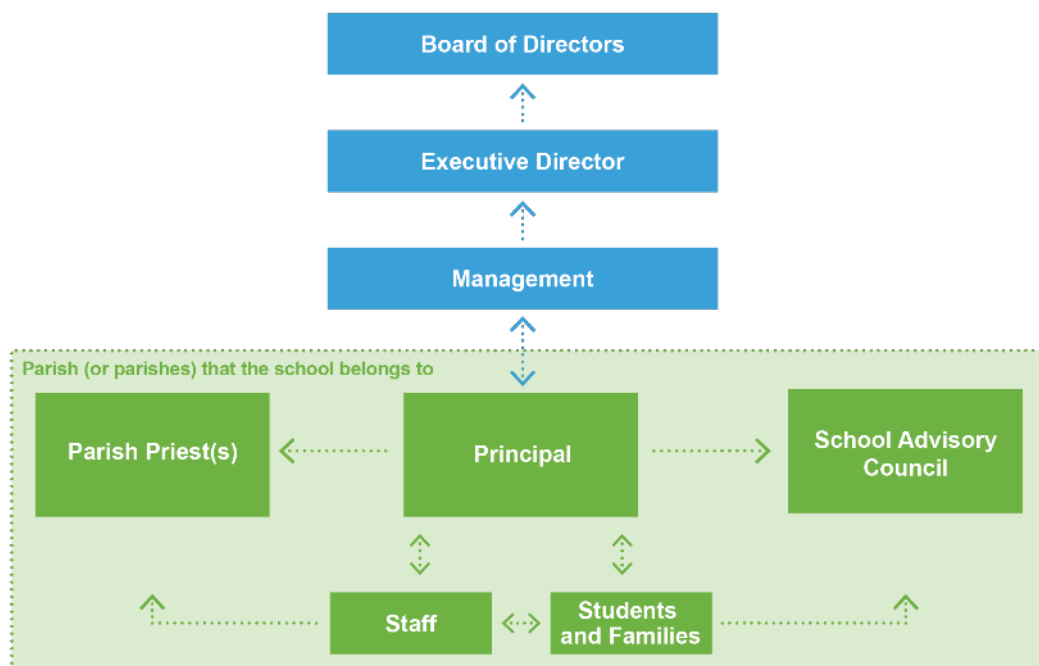
Notwithstanding this, an overarching school operating model should still be discernible in each school environment that reflects solidarity in a common mission of Catholic education and a fidelity to meeting the governance requirements of the board.

The overarching model will typically comprise the key elements outlined in the following diagram, which is an initial representation of the relationships between a parish and its school and the wider company. The same principles with local variations apply to regional secondary colleges that are owned by an association of parishes or the Archdiocese.

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<sup>39</sup> Pope Pius XI, [\*Quadragesimo Anno\*](#), Libreria Editrice Vaticana, Rome, 1931, n. 79.

**Figure 3: The local operating model**



Key elements of the model at the local level have been outlined below.

#### 4.4.1 Parish

The parish is the presence of the Church in a given community. The *Code of Canon Law* states that:

A parish is a certain community of the Christian faithful stably constituted in a particular church, whose pastoral care is entrusted to a pastor (*parochus*) as its proper pastor (*pastor*) under the authority of the diocesan bishop (Can. 515 §1).

It is an environment for hearing God’s word, for growth in the Christian life, for dialogue, proclamation, charitable outreach, worship and celebration; a community of baptised people who gather to share the Eucharist. Parishes have built and sustained Catholic schools, and their sacrifice and generosity over the years need to be recognised in the new governance and management model. Pope Francis has noted that ‘the parish is not an outdated institution; precisely because it possesses great flexibility, it can assume quite different contours depending on the openness and missionary creativity of the pastor and the community’.<sup>40</sup> As parish structures evolve in the Archdiocese, the governance model will need to be agile in responding to ensure that it remains aligned with the archdiocesan mission and vision.

#### 4.4.2 Parish priest/canonical administrator

The parish priest in a parish setting is entrusted by the bishop with the canonical responsibility of the parish to which he has been appointed. The *Code of Canon Law* states that:

The pastor (*parochus*) is the proper pastor (*pastor*) of the parish entrusted to him, exercising the pastoral care of the community committed to him under the authority of the diocesan bishop in whose ministry of Christ he has been called to share, so that for that same community he carries out the functions of teaching, sanctifying, and governing, also with the cooperation of other presbyters or deacons and with the assistance of lay members of the Christian faithful, accordance to the norm of law (Can. 519).

<sup>40</sup> Pope Francis, *Evangelii Gaudium*, Libreria Editrice Vaticana, Rome, 2013, n. 28.

The parish priest exercises pastoral care of the community by gathering the faithful round the person of Jesus Christ through proclamation of the Word, the celebration of the Eucharist and Sacraments, and by the exercise of charity. His sacramental service is largely demonstrated by bringing together and growing the parish community, which includes the school community. Therefore he must have a central role in the life of the school, be it a primary school located in his parish or regional secondary college under the care of a number of parishes and his fellow CAs, and through this service provide for the faith formation of young people, primarily occurring through the support and formation of parents.

Catholic education is a key ministry of the parish and the parish priest is the key evangeliser and educator in faith within the parish. This is equally true for the role of canonical administrator in a regional secondary college, where the parish priest shares this service with a number of CAs. The reputational interests of the parish must also be upheld by the school or college, and the parish priest/canonical administrator therefore retains rights and responsibilities for those aspects of a school's operations that have the potential to harm the parish's good name.

Therefore, the leadership and support of the parish priest/canonical administrator are necessary to ensure the school is faithful to its distinctive Catholic identity and spirituality. In more formal and public ways, this will express itself in the priest celebrating and leading the liturgical and sacramental life of the school.

The parish priest/canonical administrator will support the principal, being the faith and educational leader of the school, and Religious Education leader in the development and implementation of the sacramental program to ensure the school is faithful to its distinctive Catholic identity and spirituality.

The school will continue to look for opportunities and forums for the pastoral ministry of the parish priest/canonical administrator. Such opportunities may include information events, school gatherings, along with scheduled and well-planned opportunities to visit classes, as the parish priest and canonical administrator retain responsibility and authority for the celebration of the sacraments in the schools within their parishes.

While parish priests will no longer hold the governance, administrative and employer roles for schools in the Archdiocese, their responsibilities remain unchanged for providing strong pastoral support and effective Catholic leadership of the parish which includes the school community. This is no less true in the regional secondary colleges, with input required from all the CAs of the member parishes. The parish priest/canonical administrator has a key role with the principal in the faith formation of staff and will continue to participate in the principal selection process through membership of the selection panel, and should be part of the selection panel for the deputy principal and the Religious Education leader. The parish priest in a primary setting and the president of the CAs in regional colleges, or his delegate from time to time, will be ex officio members of the School Advisory Council. Neither the principal, parish priest nor the president of the CAs can hold the position of chair of the School Advisory Council.

The parish priest/canonical administrator will continue to represent the parish as the beneficial owner of the land occupied by both the Catholic primary school and Catholic regional secondary college. This includes being involved with planning any transaction that will change the nature of the school property or affect the use of any other areas of the property. As such, any building project that may engender any material change in the condition of the property or entails the undertaking of obligations of repayment or liability to government grants would need the express consent of the parish priest. Clear protocols and agreements will be developed that recognise reciprocal matters such as the use of shared school and parish spaces, proposed master planning and building developments, and how any recompenses might be handled.

It is critical that the principal and parish priest/canonical administrator foster a synodal relationship and that regular, calendared opportunities are scheduled for both to meet with an agreed record of the discussions maintained. Ongoing systemic formation in stewardship will be

provided by the management level of MACS to build governance and stewardship capacity, proactively ensuring the development of mutually beneficial working relationship skills. It is prudent to recognise that the changed status of the parish priest and principal relationship in the future may lead to initial uncertainties and disagreement. For this reason, a framework for resolving such matters will need to be developed by the board and the Archdiocese with appropriate support being provided when required.

#### 4.4.3 *Principal*

The principal is the faith and educational leader of the Catholic school, working closely with the parish priest/canonical administrator as faith leader of the parish and the schools within it: they are co-responsible to be the faith and educational leaders of the Catholic school. Formation of principals is critical as they continue to exercise their leadership across a complex web of educational, financial, regulatory, employee and human resource requirements, particularly as the cultural context of schools becomes more secularised and pluralised. Principals must never lose sight of the fact that these administrative responsibilities must always remain at the service of the religious and educational outcomes for students.

The new governance structure will see principals having direct, delegated authority from the board through the executive director to lead schools, responding to local circumstances and aligned with broader policies and directions issued by MACS. The twin principles of subsidiarity, that reflects competent local decision-making, and solidarity, that encourages system alignment, will continue to shape operational practice in schools and help define key relationships for the principal. These intents will be mediated to principals by the board via the MACS management team and by the vision of the parish as developed with the School Advisory Council.

Supportive relationships between system leadership and local school leaders will continue, while acknowledging that principals will now be responsible to the board through MACS executive director, rather than to their parish priest/canonical administrator for the school in all areas of school operation. However, the parish priest/canonical administrator still exercises his ministerial role in the pastoral, liturgical and sacramental life of the school, as well as in matters relating to school land and buildings, changes that affect the school's mission and upholding the reputation of the parish.

#### 4.4.4 *School Advisory Council*

School Advisory Councils are an important expression of the educational partnership that exists between parents, schools, parishes and the wider community. They provide a structure and a process for shared leadership and collaborative decision-making, where 'many gifts, one Spirit' facilitates a climate of good governance that supports the 'effective development of the strategic direction of the school'.<sup>41</sup> This is in line with the vision of Catholic School Parents Victoria (CSPV) that hopes to see parents of children throughout Victorian Catholic education engaged as valued partners in supporting children's learning, and providing leadership and shared decision-making alongside educators.

Guidelines for the transition from the variety of currently existing school board practices – parish education boards, advisory committees, school management boards, parent committees – to a consistent formation of School Advisory Councils will need to be sufficiently flexible to allow for local configuration according to need and capability. For example, depending on the number of families in the school, some parishes and schools may decide to join together to establish a

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<sup>41</sup> VRQA, [Guidelines to the Minimum Standards and Requirements for School Registration](#), VRQA, Melbourne, 2019, p. 9.



common council, whereas a larger school may feel that it has the resources to enable it to establish a council in its own right.

In a Catholic school, the bonds of communion that join the school to the parish and wider Church find a particular expression in the School Advisory Council, when the council is a genuine forum for the school to engage with its families and the wider parish. The presence of the parish priest/canonical administrator as a permanent member of all School Advisory Councils ensures the link to the parish or parishes is clear, celebrated and valued. Similarly, parent membership of all School Advisory Councils provides appropriate evidence that school leadership is indeed providing a consultative forum for parents, among others, who are the users or clients of the school.

Victorian legislation requires that any human service organisation, and a Catholic school is one, must give a considered voice to those it intends to serve. Their existence means they can provide support and advice to the principal, while allowing the school community to have a voice to work effectively with the principal, parish priest and leadership of the school. It is also a further way of promoting parental engagement that can positively support students and improved learning outcomes.

The School Advisory Council acts as an advisory body to the principal, supports the principal in the directions/policies of the school and assists with planning for the future operation of the school. The membership of the parish priest/canonical administrator is still essential as they are beneficial owners of the land. Therefore, any decision that may engender any material change in the condition of the property or entails the undertaking of obligations of repayment or liability to government grants would need the involvement and express consent of the parish priest/canonical administrator. School Advisory Councils enhance the life of their schools when they:

- support the ministry of schools through assisting with:
  - promoting the school's Catholic ethos and culture
  - articulating and enacting the school's vision and mission
  - promoting faith formation and development
  - strengthening the relationship between the parish and the school
- provide a stewardship role for the school through assisting with:
  - planning and maintaining capital resources
  - disseminating information about the school – various events and directions
  - ensuring long-term viability of the school – enrolments, resources and master planning
  - appointing principals and staff, if required
- provide advice and support the principal through assisting with:
  - implementing board policy, as required
  - supporting and communicating on school and parish matters
  - advising on issues such as the School Improvement Plan and Annual Action Plans, innovations and enrolment trends, as required
- assist the principal in the stewardship of finances through:
  - advising how archdiocesan policies may be implemented
  - endorsing the Annual School Budget and receiving updates on progressive implementation
  - discussing significant changes to school budgets and cash flow requirements
  - discussing and providing advice on capital borrowing and development.

The board of directors of MACS delegates to the executive director the responsibility for management of schools. The executive director delegates the operational management and leadership of the school to the principal and particular responsibilities to the School Advisory Council. These particular School Advisory Council responsibilities will be determined by the executive director via separate template charters for primary and secondary schools, which will outline delegations that provide checks and balances in relation to the advice and endorsements the School Advisory Council can provide in support of the principal.

To support the work of the School Advisory Councils, ongoing systemic formation in stewardship will be provided by the MACS management team to build governance and stewardship capacity in all participants – council members, chairs, principals and priests – so that the work of the School Advisory Council is conducted effectively within a mutually beneficial relationship.

In addition to the ex officio members, principal and parish priest/canonical administrator (or on occasion their nominee), the members of the School Advisory Council may consist of:

- up to six parent representatives
- up to four nominated members from the parish, staff and/or community
- co-opted members for a specific purpose, for a specified term.

The School Advisory Council executive may consist of the:

- chair
- principal
- parish priest/canonical administrator
- deputy chair/other council member
- minute secretary
- treasurer (if required).

The role of the chair includes the chairing of School Advisory Council meetings, ensuring meetings are focused on the agenda and encouraging participation. In consultation with the principal and the parish priest, the chair needs to:

- demonstrate a commitment to Catholic faith
- support the mission of Catholic education in the Archdiocese, as expressed in the purposes of MACS, vision of the parish and alignment of the school with this vision
- provide guidance to other School Advisory Council members about what is expected of them and ensure that they comply with the Code of Conduct.

Guidelines to assist with all aspects pertaining to the structure and running of School Advisory Councils will be developed in this capacity, so that all members of the faith community can realise their roles through the provision of opportunities for their baptismal calling to serve.

#### *4.4.5 School operating models*

The six models identified in Section 4.4 are offered as the opening words in a conversation that will need to unfold over the coming months and indeed well after the new model has been implemented, as it is refined and improved on the basis of the lived experience of its operation.

To give an insight into what changes may result from the new governance model, as well as what will continue unchanged, the tables in Appendix 3 arrange key elements, such as the parish, parish priest, principal and School Advisory Council, for each of the four current operating models at the local level. These tables help frame the indicative changes that may take place in the different types of schools in the Archdiocese.

There are also two models to be aware of that may be required to meet future pastoral needs. The two future models are:

1. multiple parishes – single primary school
2. multiple parishes – multiple schools.

Note that the model ‘multiple parishes – single primary school’ is unique at the moment,<sup>42</sup> but may be more of a necessity in the future as schools with a small number of enrolments may need to close, thus necessitating the amalgamation of two or more schools across a number of parishes.

In a similar fashion, the model ‘multiple parishes – multiple schools’ is another possibility for the future, where parishes and schools might share a common School Advisory Council. In such a situation, the schools might be enlivened by a common vision. It might reflect parishes partnered together in some way for greater mission vitality or viability, or it could be a means to provide parents a local geographic setting for their children but in a larger school construct that can assist economy of scale in delivery.

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<sup>42</sup> Galilee Regional Catholic Primary School, South Melbourne, was established by two parishes: the Capuchin Parish of Sts Peter and Paul, South Melbourne, and the Carmelite Parish of Port Melbourne and Middle Park.

## 5. Next Steps

Following the establishment of the company's governance model outlined in Section 4, four reference groups of parish priests, primary principals, secondary principals and personnel from CEM will be established to provide input on a number of significant documents that will shape both the nature of the relationships between parish, Church authorities, MACS and schools, and the future operation of the management layer and schools themselves.

### 5.1 Working Together in Mission

The parish priest shares in the bishop's ministry of teaching, sanctifying and governing when he is appointed to his role by the Archbishop. Recommendation 7 of this Position Paper is that a *Working Together in Mission* document be developed in partnership with stakeholders to articulate the features of the relationships between parishes and their schools that are essential for fidelity to mission. This document will formulate how the leadership of parish priests will be articulated in the new governance arrangements, even as their role in the management of the school and the employment of staff is transferred to a company. The document will need to be informed by canonical advice and will articulate the roles and rights of parish priests, principals and associated structures such as the creation of an Advisory Council for each school to provide a forum for the realisation of transparency, accountability, consultation and participation associated with contemporary governance and management practices.

At the same time, the number of clergy is dropping, their age profile is increasing and their workloads are becoming more demanding. The context for ministry is becoming increasingly sophisticated: the Archdiocese welcomes priests from overseas, and there has been significant reorganisation of parish groupings resulting in many priests being responsible for multiple or amalgamated parishes. There are also more diverse school and parish settings now than in the past. These range from one school adjacent to Church and presbytery, multiple schools within one parish under the care of one priest and large regional colleges serving more than one parish.

It remains true that Catholic education is of foremost importance to the life of the parish. For this reason, parish priests/CAs will continue to have significant responsibilities and duties in relation to the Catholic schools to be governed by MACS, as those schools are still part of the parish. This includes being involved with planning any transaction that will change the nature of the school property or affect the use of any other areas of the property, and for those aspects of a school's operations that have the potential to harm the parish's reputation.

The roles of the parish, the parish priest, the principal and the School Advisory Council need to be articulated in the document and reflective of the lived Catholic school experience that has responded realistically, creatively and respectfully to the diverse families in their care. In this way, guidance and assurance can be provided at the local level to respond agilely to maximise the contribution that can be made in different ways by those who exercise leadership roles in the school and the parish to which it belongs. The parish priest and the parish will continue to play a pivotal role in providing the environment and faith community in which the school's Catholic mission and identity can be expressed as 'a summons to revive our hope'.<sup>43</sup>

#### 5.1.1 Process for developing the document

A series of reference groups comprised of parish priests, primary and secondary principals, and personnel from the Archdiocese and CEM will be established to develop the document, with the

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<sup>43</sup> Pope Francis, [\*Amoris Laetitia\*](#), Libreria Editrice Vaticana, Rome, 2016, n. 57.

goal that it is endorsed by the Council of Priests and by associations of principals and parents before being submitted to the Archbishop for approval.

## 5.2 Policy and procedures

While the board will have fiduciary responsibility for strategic direction and oversight of the management of MACS' operations, a range of powers and functions will be delegated to the executive director who in turn will determine the appropriate operating model within the company for the delegation to be exercised. A critical element of the operating model will be the overarching policies and procedures framework developed by the company that not only seeks to make the mission manifest and meet governance and business objectives, but also fulfils legislative and regulatory requirements including proactive determinations around risk management and risk mitigation. It is the role of the management layer of the company to ensure that the right protocols and monitoring systems are in place to support schools and principals to meet their obligations to the highest of standards. No less can be expected when dealing with the safety of staff and students, and acting in the place of parents for the proper care of their children.

The significance of appropriately calibrated delegations as an important aspect of sound governance sits within this policy framework and has already been highlighted in this paper. However, much more remains to be done such that the board can be confident that all of the necessary delegations are in place, so that policies and procedures are enacted at all levels to reflect that the strategic direction of the company is in alignment with the living out of its mission.

Schools, and principals in particular, will need to be clear as to their responsibilities around risk management and risk mitigation. Guidance is available through both federal and state occupational health and safety (OHS) and industrial relations legislation, and the VRQA minimum standards for school registration. While local decision-making must be respected in the governance arrangements, the board is ultimately liable for the operations of the schools and so the necessary checks and balances must be in place, and delegations and the methods used to monitor compliance with them must be comprehensive and rigorous if the board is to discharge its fiduciary duties properly.

### 5.2.1 *Process for developing a policies and procedures framework*

A series of reference groups comprised of parish priests, primary and secondary principals, and personnel from the Archdiocese and CEM will develop a policies and procedures framework with the proper scope of delegations to be established. CEM staff who work with schools in this area, including those with strong professional knowledge in working with children who receive Nationally Consistent Collection of Data on School Students with Disability (NCCD) funding through the CECV, will also be consulted. After review by the management layer of the company, a draft will be provided to the Steering Committee for further review and recommendation to the new board.

## 5.3 Transfer of the school, 'right of use' and shared facilities

### 5.3.1 *School Transition Agreement*

Given that the new governance arrangements will involve a relationship between a parish and a school that is being governed and operated by a separate legal entity, MACS, it will be important that a detailed *School Transition Agreement* is developed between each parish and the MACS board regarding the transfer of the school to the company.

This *School Transition Agreement* between the current owner and MACS will record the transition of all assets (except land and buildings) such as bank accounts, accounts receivable, refundable parent deposits, inventory and equipment, portable buildings where relevant, furniture and fittings, and intangible assets such as contracts with third parties, enrolments, school records and documentation, domain names and school crests. It will also record the transition of all liabilities that relate to the school operation, such as employee entitlements, accounts payable and bank loans.

The *School Transition Agreement* is relevant for regulators to see that the school operations continue intact and unaffected under a changed governance and management structure. It is also important to record formally the date of the transition so parish priests are protected from any liabilities and future claims that may arise from any aspect of the school operation. The *School Transition Agreement* will confirm that, from the date of transition, MACS will be responsible for all liabilities that may arise in relation to the school and will otherwise have the assets that are required to operate the school. The land and buildings will be treated differently to other assets relating to the school operation, given the ownership of land and buildings will not change.

### 5.3.2 Right to Use Land and Buildings Agreement

The ownership of land and buildings remains unchanged, with the relevant parish priest(s) who will provide a right to MACS to use the land and buildings that relate to the school operation. This is required legally for the purposes of school regulation, so that MACS can show certainty of access and use of the land on which the school operations are conducted. More importantly, this agreement is necessary so that there is a formal shift of all responsibilities and liabilities relating to the school land and buildings from the parish priest to MACS for so long as MACS operates the school. This will capture all costs for maintenance, insurance, capital works and other costs that the parish priest will ordinarily be liable for as the owner of the land and buildings.

If the land and buildings ever cease being used for the provision of Catholic schooling, the right of use agreement comes to an end and the parish priest will regain the right to deal with the land and buildings. The agreement will record a right of use arrangement on a long-term basis, under which MACS will effectively be a tenant who assumes all obligations and responsibilities ordinarily imposed on the landlord. This agreement will also address the arrangements for those school sites that have shared use of facilities and will record the terms agreed between the parish priest and MACS.

Historically, in the greater majority of cases, parishes have always been forthcoming in granting school community access to a wide range of parish facilities. The reciprocal arrangement has also been the case. There is no reason why this cannot continue into the future as the ongoing use of these shared facilities by parish and school provides an opportunity to show the close collaboration between the two, which can in turn be a catalyst for the community to engage with the parish as well as the school.

As the shared facilities arrangements are developed as part of the *Right to Use Land and Buildings Agreement*, it will be important that those arrangements that have served the parish and school well in the past are documented and formalised if this has not already occurred. The School Advisory Council can also play a role so that the school is provided with an appropriate voice in the process. This is most appropriate given that funding for the construction and maintenance of shared facilities has been, and continues to be, derived from a variety of sources, including parishioner donations, government and capital grants and, for primary schools, the Supplementary Capital Fund. Care will need to be taken to ensure that government funding is only used for educational purposes to satisfy the funding obligations of both the CECV and CCG to Australian and state governments.

CEM, in collaboration with CAM, has developed draft guidelines about the use of shared facilities to guide the development of a local memorandum of understanding for the shared facilities. They

also clarify the distinction between ‘right of use’ concerning land and shared use. See Appendix 4 for full details. While some revision will be necessary to reflect the change in model of governance, these guidelines cover the use of shared facilities between a parish and school and the sharing of costs where appropriate.

The distinction between use for parish or school arises when a facility, such as a hall, is required by both parties on a consistent basis during the school operational week. If a facility, like a hall, is managed by the school and available to it for all school hours and requirements, then the hall is considered as full school use. The distinction between use of parish and parish school facilities is essential as it relates to the use of government funds for educational purposes. The distinction is not made to separate school from parish, but for the purpose of establishing formal agreement and accountability for the use of the facilities for transparency and record-keeping.

### 5.3.3 *Process for developing the School Transition Agreement and the Right to Use Land and Buildings Agreement*

A template for the *School Transition Agreement* will be developed by civil lawyers and reviewed by canon lawyers – to record the process by which MACS assumes governance responsibility for each school as outlined in Section 4.4, and by which the transition of all assets (except land and buildings) and all liabilities that relate to the school operation are transferred to MACS.

The next key task in the governance change process will be for schools and parishes to participate in another process through the *Right to Use Land and Buildings Agreement*. This document will record a right of use arrangement on a long-term basis with a section developed for the shared use of facilities on pertinent sites. A template using the *Key Principles for the Use of Parish and School Facilities* developed by CEM and CAM will be used as its foundation. Facilities guidelines will be developed through consultation with reference groups. The template will document:

- how a shared facility is to be shared and the agreed weekly usage by each party
- how operating costs such as maintenance, insurance and utilities will be shared on the same basis as the usage arrangements.

A site-specific *Right to Use Land and Buildings Agreement*, based on the template, will be drafted for each school site by both the Archdiocese and CEM as part of the current process. While it is hoped that the parish priest, principal and chair of the School Advisory Council will agree on these matters, in the rare case when agreement cannot be reached a framework for resolving disagreements will be necessary. The framework will need to provide escalation points as appropriate through the management layer of the company and through similar layers in the Archdiocese.

## 5.4 Continuing engagement

There is significant engagement work to be done leading up to the transfer, including:

- continual work with priests, principals and the management layer of MACS
- engagement with experts and regulators
- conversations with other dioceses
- dialogue with CRMV
- acknowledgement of inherent conflicts of interest given that the company is an owner and operator of schools and also responsible for undertaking school reviews
- conversations with parent groups (i.e. CSPV) and professional primary/secondary principal associations (i.e. PAVCSS, RCPA and VACPSP).



This engagement and the work of the abovementioned reference groups, together with output from the project management office and associated workstreams, contribute to the creation of a detailed project plan that will ensure those deliverables that support the transfer of registration of 294 individual schools currently owned by parishes, associations of parishes or the Archdiocese of Melbourne to a not-for-profit company limited by guarantee will be met by 1 January 2021.

## Appendices

### Appendix 1: CEM and its relationship with other bodies

#### *CEM budget and staffing*

In 2020, CEM has an operating budget of \$121.6 million. Most of CEM's funding (about 70%) comes (either directly<sup>44</sup> or indirectly<sup>45</sup>) from government grants attracted by Catholic schools in Melbourne. In addition, CEM derives significant funding (\$25.6m) from three SLAs<sup>46</sup> with state-level entities in Catholic education. The largest of these is with the CECV and is valued at \$22.9 million in 2020.

CEM's organisational chart is shown in Figure 4 below with its staffing in 2020 comprising 551.3 FTEs. Staff are organised into six groups:

- Enterprise Services (199.7 FTE staff)
- Learning Services (197.2 FTE staff)
- Business Advisory Services (63 FTE staff)
- Planning and Infrastructure (38.3 FTE staff)
- Catholic Leadership and Governance (36.1 FTE staff)
- Executive Director (17 FTE staff).

The largest staff group by operating budget (\$35.2m in 2020) is Learning Services. This leads development of strategies for school improvement and works directly with school leadership teams through four regional offices. Enterprise Services (\$33.3m) is the next largest. The main activity within this group is the Integrated Catholic Online Network (ICON) project (budget of \$14.4m in 2020). It is also responsible for CEM communications with stakeholders, development of CEM-wide policies, internal research, marketing activities and employee relations.

The following chart represents the organisational structure of CEM.

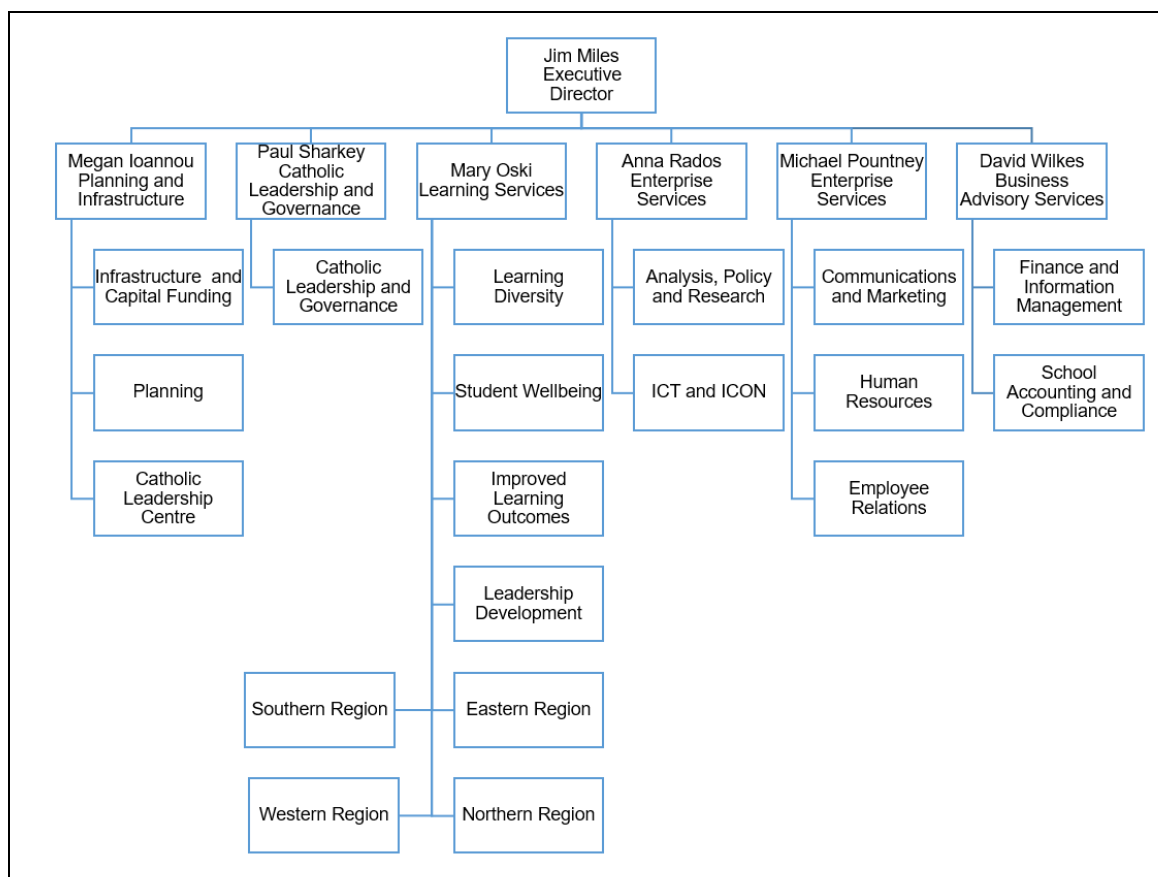
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<sup>44</sup> CEM receives some income directly from the CECV (sourced from government grants attracted by Catholic schools in Melbourne) for services it provides to schools, and costs it pays centrally on behalf of schools.

<sup>45</sup> CEM charges levies to primary and secondary schools in Melbourne. While these are recorded as levies paid by schools, they are paid by transferring government grants for Catholic schools directly to CEM from the CECV. In 2020, the CEM levies are \$202.50 per primary student and \$93 per secondary student. In addition, all primary schools are charged a levy of \$116 per student to support capital investment in primary schools (including establishment of new schools) across the Archdiocese (this is known as the Supplementary Capital Fund levy).

<sup>46</sup> These are the CECV, CCG and the Catholic Education Long Service Leave Scheme.

**Figure 4: Organisational structure of CEM**



### CEM and the CECV

The CECV is a public company limited by guarantee whose members comprise the Archbishop of Melbourne, the Bishop of Ballarat, the Bishop of Sale and the Bishop of Sandhurst. The CECV was incorporated in 2006.

The CECV was established to provide support to all Catholic dioceses and schools in Victoria (including congregational schools) in respect of matters that are best managed at the state level. Its two key areas of responsibility are school funding and industrial relations. Other functions include supervision of contract deliverables from the Enhancing Catholic School Identity research and delivery of the ICON project.

As the 'approved authority' for school funding, the CECV receives government grants provided to Catholic systemic schools and distributes, expends and/or appropriates grants to schools in accordance with stringent government conditions. It also liaises and negotiates with governments over funding arrangements and compliance requirements. In industrial relations, the CECV coordinates enterprise bargaining processes and provides industrial relations services to Catholic education across Victoria.

In carrying out its functions, the CECV relies extensively on staff from diocesan Catholic education offices (CEOs), especially CEM with which it has an SLA to provide specified services. The CECV also has a number of advisory committees comprising staff from diocesan CEOs and representatives of the principal associations PAVCSS and VACPSP. The Grants Allocation Committee (GAC) also has representatives of regionals colleges (RCPA) and RI/MPJP schools. Students in all Victorian Catholic schools fund the CECV via CECV levies.<sup>47</sup>

<sup>47</sup> In 2020, the CECV levy for primary and secondary students is \$19 per student.

In 2020, the SLA between CEM and the CECV covered 136.7 FTE staff and was valued at \$22.9 million. More than half of the \$22.9 million relates to the ICON project, with other key areas being employee relations (13.8 FTE staff) and the NCCD (7.4 FTE staff).

In some cases, CEM staff work directly on long-term projects for the CECV (e.g. ICON). In others, CEM staff provide services to the CECV or represent the CECV on an ad hoc basis as the need arises (e.g. responding to government enquiries or reviews, meetings with external stakeholders). The SLA represents a 'best estimate' of the work undertaken by CEM staff for CECV activities, based on past experience. The SLA between CEM and the CECV is reviewed by both a non-CEM CECV director appointed by the CECV board, and the CECV Audit and Risk Committee. CEM has similar SLAs with two other state-level entities: CCG, and the Catholic Education Long Service Leave Scheme.

### *CEM and other Victorian dioceses*

Three other CEOs in Victoria (in Ballarat, Sale and Sandhurst) operate in parallel to CEM, providing various services to Catholic schools in their respective dioceses. As there are fewer schools in these dioceses, and the Catholic schools there are often smaller, there is a greater need for provision of centralised services and cost-sharing. Thus, the CEOs in regional Victoria tend to provide more services than CEM, and have smaller economies of scale and therefore higher student levies.

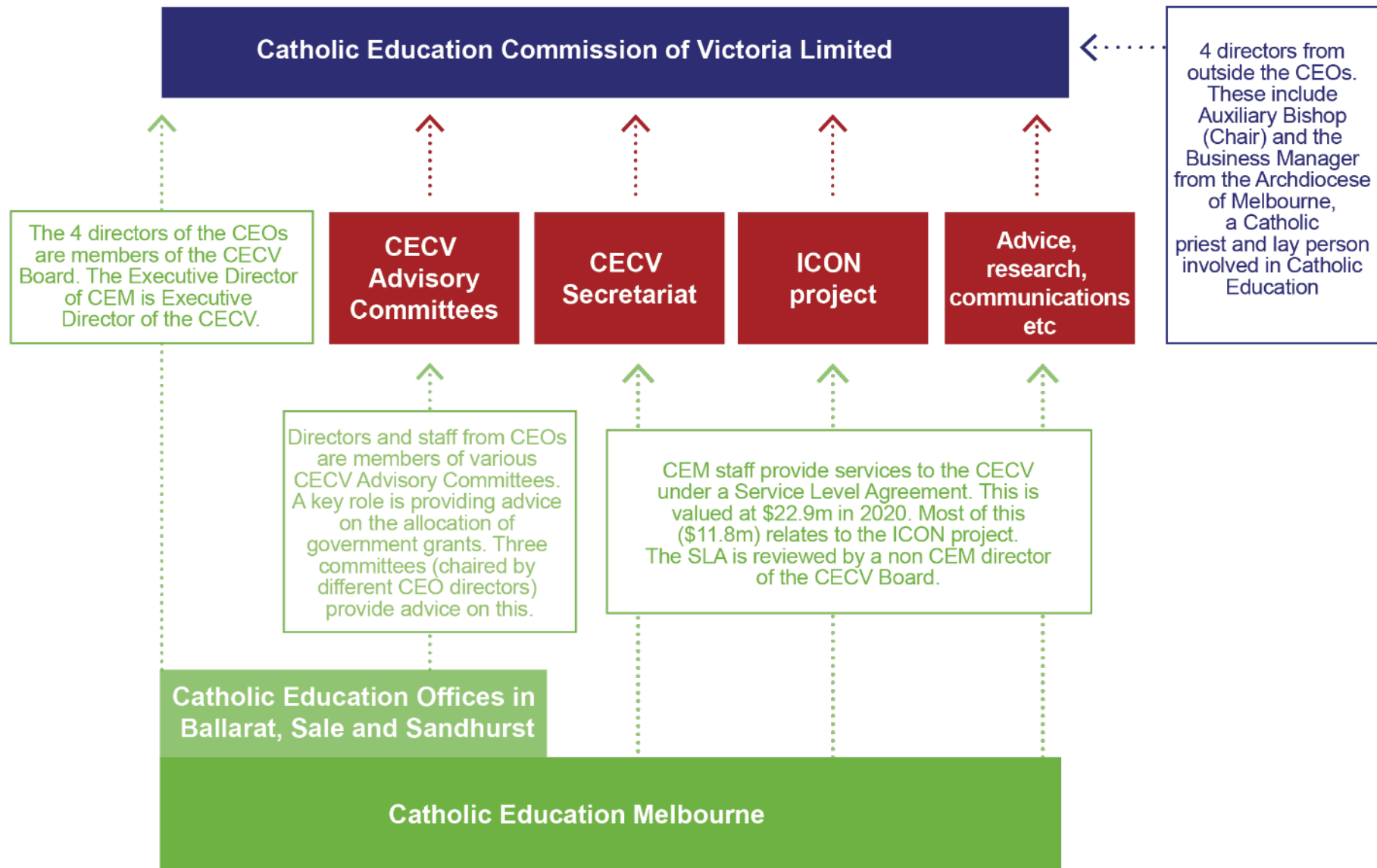
CEM collaborates closely with the other CEOs in Victoria, under the auspices of the CECV. As part of existing CECV arrangements, the four dioceses:

- jointly agree how government funds are to be allocated to Catholic schools and between dioceses
- jointly agree the Enterprise Bargaining Agreement covering staff in Catholic education in Victoria
- review strategic threats and opportunities facing Catholic education in Victoria
- agree CECV submissions/responses to government reviews and inquiries (where necessary)
- consider the performance of Catholic schools in Victoria, for example, in NAPLAN.

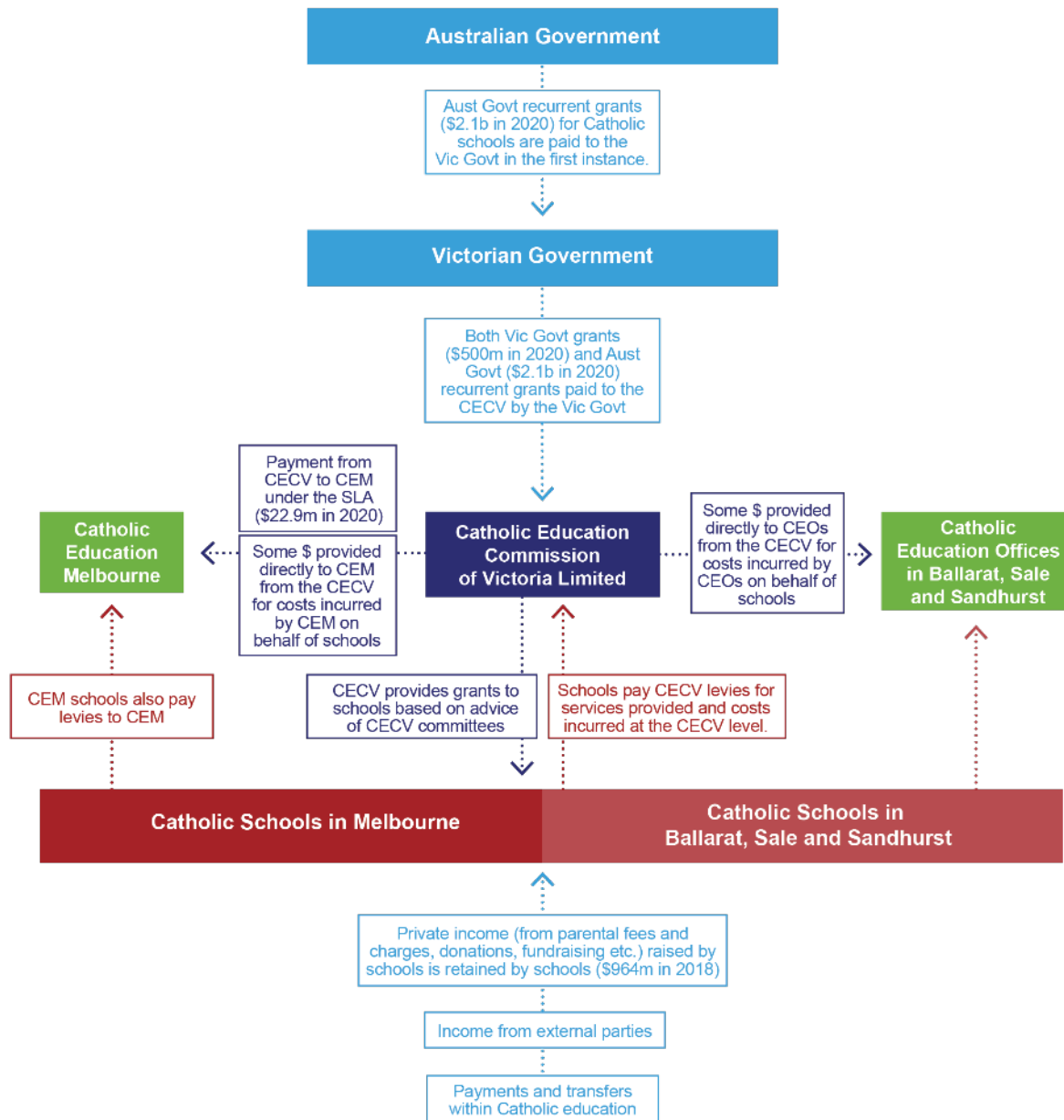
### **Illustration of relationships**

Figure 5 illustrates, at a high-level, the relationships between the CECV and CEOs in Victoria. Figure 6 then illustrates, also at a high-level, the flow of funding between different parties within Catholic education in Victoria.

**Figure 5: High-level illustration of relationships between the CECV and CEOs**



**Figure 6: High-level illustration of funding flows within Catholic education in Victoria**



### CEM and RI and MPJP schools

A public juridic person (PJP) is the Church's equivalent of a civil corporation. There are various types of PJP, and they each have a legal status with rights and responsibilities that are specified in canon law or in the foundation documents associated with the PJP's establishment. A diocese is a PJP with the bishop as its sole legal representative. Similarly, a parish is a PJP with the parish priest as the sole legal representative. RIs are also PJPs and each of them has statutes that specify the governance arrangements of the institute.

A number of RIs have created an MPJP to take over the governance of their schools – to sustain their charism and mission and provide good governance for the stewardship of their resources, mitigating the declining resources within the RI to govern and operate schools. An MPJP is an entity that is separate from the RI and created to undertake a particular ministry. The auspicing RI typically retains reserve powers for its MPJP, but these reserve powers do not impede the MPJP's capacity to govern and manage the schools for which it is responsible.

A strong commitment to a unified approach to Catholic education has been evident in Victoria between the four dioceses and between the dioceses and the RI/MPJP schools that operate in them. This unified approach is a sign of Catholic communion and it delivers beneficial outcomes for all schools as unity is not only a hallmark of a healthy Church, it is a critical factor in effective negotiation with governments. The Steering Committee is committed to a strong engagement with RIs/MPJPs as the new governance arrangements are developed. The collaborative spirit that has prevailed in the past is what the Steering Committee wishes to promote going forward.

Through the SLA the CECV has entered into with CEM, CEM provides support in a range of areas to *all* Catholic dioceses and schools, including RI/MPJP schools, in Victoria. Key among these is servicing finance and other compliance and reporting matters for various regulators, along with statewide services in ER and IT. Other areas of support include, but are not restricted to, school review, educational and wellbeing services, accreditation to teach in a Catholic school, professional learning opportunities, succession planning, principal appointments and principal appraisal processes.

## Appendix 2: Authorities and delegations

Table 4 provides some examples of how the various responsibilities previously held by the parish priest (or equivalent canonical authority) might be taken up by the management team of MACS. The regional general manager will work with relevant managers and directors to utilise the appropriate expertise within the management team as situations arise in schools.

The framework of checks and balances which need to be maintained through the appropriate redistribution of delegations and authorities can be seen in Table 5, which outlines an indicative list of financial delegations and authorities for schools. The delegations reflect standard commercial practice which ensures that no one approves expenditure that could be perceived as a personal benefit. While the examples provided below are taken from the *Financial and Administrative Procedures Manual for Catholic Primary Schools*, a similar schedule will need to be developed for secondary colleges, noting that adjustments will be necessary to reflect the different context and operational size of secondary colleges.



**Table 4: Responsibilities taken up by the management team of MACS in response to school situations**

Situation	Regional Leadership Consultant	Regional General Manager	Director(s)	Executive Director
Principal selection process	<ul style="list-style-type: none"> <li>Supports the panel in the selection process</li> </ul>	<ul style="list-style-type: none"> <li>Quality assures the candidates</li> <li>Recommends preferred candidate to director</li> </ul>	<ul style="list-style-type: none"> <li>Quality assures the process</li> <li>Recommends preferred candidate to executive director</li> </ul>	<ul style="list-style-type: none"> <li>Provides final approval and contract finalisation</li> </ul>
Principal performance and appraisal Renewal of principal's contract arising from summative appraisal	<ul style="list-style-type: none"> <li>Leads performance and appraisal process of principals outside region</li> <li>Provides follow-up support to local principal</li> <li>Recommends renewal of contract in summative appraisal</li> </ul>	<ul style="list-style-type: none"> <li>Quality assures the report</li> <li>Ensures appropriate follow-up support provided to principal</li> <li>Recommends renewal of contract to director based on summative report</li> </ul>	<ul style="list-style-type: none"> <li>Quality assures the process</li> <li>Approves report</li> <li>Endorses renewal of contract and recommendation to executive director</li> </ul>	<ul style="list-style-type: none"> <li>Provides final approval and contract renewal finalisation</li> </ul>
Principal's long service leave	<ul style="list-style-type: none"> <li>Provides recommendation to manager</li> <li>Confirms acting principal</li> </ul>	<ul style="list-style-type: none"> <li>Provides approval for less than 10 weeks</li> <li>Recommends acting principal for periods more than 10 weeks</li> </ul>	<ul style="list-style-type: none"> <li>Provides approval for more than 10 weeks</li> <li>Endorses acting principal for periods more than 10 weeks</li> </ul>	<ul style="list-style-type: none"> <li>Provides ratification of acting principal for periods more than 10 weeks</li> </ul>
Principal's professional learning exceeding three days absence from the school	<ul style="list-style-type: none"> <li>Provides approval for up to one week</li> <li>Endorses acting principal</li> </ul>	<ul style="list-style-type: none"> <li>Provides approval for 1–10 weeks</li> <li>Endorses acting principal</li> </ul>	<ul style="list-style-type: none"> <li>Provides approval for more than 10 weeks</li> <li>Endorses acting principal for periods more than 10 weeks</li> </ul>	<ul style="list-style-type: none"> <li>Provides ratification of acting principal for periods more than 10 weeks</li> </ul>
Principal's overseas travel	<ul style="list-style-type: none"> <li>Provides recommendation to manager</li> <li>Clarifies acting principal arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Provides recommendation to director</li> <li>Endorses acting principal</li> </ul>	<ul style="list-style-type: none"> <li>Provides recommendation to executive director</li> <li>Confirms acting principal</li> </ul>	<ul style="list-style-type: none"> <li>Provides approval</li> </ul>
Termination of school staff by principal	<ul style="list-style-type: none"> <li>Supports termination process</li> </ul>	<ul style="list-style-type: none"> <li>Oversees the process</li> <li>Provides recommendation to director</li> </ul>	<ul style="list-style-type: none"> <li>Quality assures the process</li> <li>Provides approval</li> </ul>	<ul style="list-style-type: none"> <li>Confirms termination</li> </ul>

**Table 5: Indicative list of financial delegations and authorities for schools**

Function	Clergy 2020	Principal 2020	2021
Approval of the recurrent budget	✓		Principal to endorse and MACS management to approve
Approval of the capital budget	✓		Principal to approve with endorsement of CEM business manager
Appointment of CDF EFT signatories	✓		Principal to approve
Approval of opening/making transactions in CDF investment accounts	✓	✓	Principal to approve
Review and approval of CDF bank deposits	✓	✓	Principal to approve
Review and approval of bank reconciliation		✓	Principal to approve
Approval of closing bank accounts	✓	✓	Principal and CEM Finance to approve
Authorisation of salary variations – principal	✓		Regional general manager and CEM Finance to approve
Authorisation of salary variations – staff other than principal	✓	✓	Principal and CEM Finance to approve
Authorisation of salary payments (pay run)	✓	✓	Principal and Shared Services to approve
Setting of fees, compulsory tuition charges, excursions, camps and levies	✓	✓	Principal and School Advisory Council to approve
Write-offs, discounts, rebates, exemptions of (recurrent and capital) fees, compulsory tuition charges, excursions, levies	✓	✓	Principal to approve
Commitment to loans	✓		Principal to approve and Planning, Building and Finance Committee (PBFC) to ratify

Function	Clergy 2020	Principal 2020	2021
Preferred suppliers list, per the Manual process	✓		Principal and School Advisory Council to approve
Acceptance of tenders	✓		Principal to approve and PBFC to ratify
Approval of purchase orders	✓	✓	Principal and CEM Finance to approve depending on value
Management of petty cash	✓	✓	Principal to approve
Approval of credit card issue	✓		Upon appointment of principal if requested
Use of a school CDF credit card		✓	Principal to use only
Review and approval of monthly CDF principal credit card statements	✓		CEM Finance to approve
Approval of write-off of lost, scrapped, damaged, obsolete or deficient assets	✓	✓	Principal to approve and CEM business manager to endorse
Sale of school property	✓		CEM Planning and Infrastructure to approve

## Appendix 3: Four school operating models

### Single parish – single primary school

**Table 6: Single parish – single primary school**

Role	2020	2021
Parish	In most cases, has a close connection to school	<ul style="list-style-type: none"> <li>• Close connection, but now separately governed</li> </ul>
Parish priest	Parish priest and employer	<ul style="list-style-type: none"> <li>• Parish priest/spiritual mentor/faith leader</li> <li>• Close relationship and collaboration with principal maintained and enhanced</li> <li>• No longer employer, but remains involved in principal appointment</li> </ul>
Principal	Religious and educational leader of the school in partnership with parish priest	<ul style="list-style-type: none"> <li>• Faith and educational leader of the school in close partnership with parish priest</li> <li>• Management and operational leader</li> <li>• Relationship with parish priest important, but changed</li> <li>• Company should alleviate some of the compliance burden currently being undertaken at the level of each school</li> </ul>
School	Close connection to parish in most cases	<ul style="list-style-type: none"> <li>• Close school/parish connection</li> <li>• Close partnership with parish and local community</li> <li>• Close connection, but now separate entities</li> </ul>
Advisory group	Varied range of responsibilities and engagement. At least 45 schools do not have a parish education board (PEB), and many are in flux	<ul style="list-style-type: none"> <li>• School Advisory Council (SAC) to give representational voice in all school communities with a connection to CSPV and CEM for consistency of operation and support</li> <li>• Template model, but can be customised at local level</li> <li>• Responsible for engagement of parent community</li> <li>• Broad parent voice important – no dominant voices allowed</li> <li>• An important role which will be mandated</li> </ul>

## Single parish – multiple primary schools

**Table 7: Single parish – multiple primary schools**

Role	2020	2021
Parish	Connection to school, but varies depending on parish priest	<ul style="list-style-type: none"> <li>• Strong faith presence in all of the schools</li> <li>• Parish connection to each school community should be strong</li> </ul>
Parish priest	Parish priest and employer	<ul style="list-style-type: none"> <li>• Parish priest/faith leader for all schools</li> <li>• Parish priest/spiritual mentor, particularly for principals</li> <li>• No longer the employer, but remains involved with principal appointment</li> <li>• Consistency and collaboration across all schools in the parish</li> </ul>
Principal	Less dependent on relationship with parish priest – more autonomous	<ul style="list-style-type: none"> <li>• Strong relationship and collaboration with parish priest and fellow principals</li> <li>• Faith and educational leader of the school in close partnership with parish priest</li> <li>• Management and operational leader</li> <li>• Company should alleviate some of the compliance burden currently being undertaken at the level of each school</li> </ul>
School	Many struggle for identity within and connection to parish	<ul style="list-style-type: none"> <li>• Individual school charism and joint parish connection maintained</li> <li>• Close school/parish connection</li> <li>• Close partnership with parish and local community</li> <li>• Close connection, but now separate entities</li> </ul>
Advisory group	Some parishes currently have one advisory PEB, others have an advisory committee for each school	<ul style="list-style-type: none"> <li>• One model will not fit all local contexts</li> <li>• New SAC to give representational voice in all school communities with a connection to CSPV and CEM for consistency of operation and support</li> <li>• Template model, but can be customised at local level</li> <li>• Responsible for engagement of parent community</li> <li>• Broad parent voice important – no dominant voices allowed</li> <li>• An important role which will be mandated</li> </ul>

*Multiple parishes – single secondary school (regional)*

**Table 8: Multiple parishes – single secondary school (regional)**

Role	2020	2021
Parish	Multiple parishes often disconnected from school	<ul style="list-style-type: none"> <li>• Multiple parishes connected to the school</li> <li>• Hoped-for close connection to all representative parishes</li> <li>• Canonical administrator part of SAC</li> </ul>
Parish priest	CAs president role, some involved in faith life of the school, others not	<ul style="list-style-type: none"> <li>• CAs no longer employer of principal or the staff of the school</li> <li>• Spiritual adviser/mentor to the principal, celebrate school masses</li> <li>• Pastoral leaders within the school community</li> <li>• Representative of the CAs on the SAC</li> </ul>
Principal	Often works with president of the CAs; is the religious and educational leader of the college	<ul style="list-style-type: none"> <li>• Strong relationship and connection with parish priests required</li> <li>• Different but not less important relationship with parish priests</li> <li>• Faith and educational leader of the school in close partnership with parish priests</li> <li>• Management and operational leader</li> <li>• Company should alleviate some of the compliance burden currently being undertaken at the level of each school</li> </ul>
School	Diverse community from many parishes	<ul style="list-style-type: none"> <li>• Diverse community from many parishes</li> <li>• Education, moral and spiritual guidance provided to students, preparing them for life after school and attempting to produce well-rounded Catholic human beings</li> </ul>
Advisory group	Often defined as a management committee with a range of unspecified delegated responsibilities; and finance and other subcommittees	<ul style="list-style-type: none"> <li>• SAC – not management committee</li> <li>• All constituent parishes to have representation</li> <li>• One model will not fit all local contexts</li> <li>• SAC to give representational voice with a connection to CSPV and CEM for consistency of operation and support</li> <li>• Template model, but can be customised at local level</li> <li>• Responsible for engagement of parent community</li> <li>• Broad parent voice important – no dominant voices allowed</li> <li>• An important role which will be mandated</li> </ul>

*Multiple parishes – multiple secondary schools (federation)*

**Table 9: Multiple parishes – multiple secondary schools (federation)**

Role	2020	2021
Parish	Broader range of CAs from multiple parishes often disconnected from colleges	<ul style="list-style-type: none"> <li>• Multiple parishes connected to the schools</li> <li>• Hoped-for close connection to all representative parishes</li> <li>• Same model continues</li> </ul>
Parish priest	More than one canonical administrator, president role, provides pastoral and liturgical support	<ul style="list-style-type: none"> <li>• Spiritual role: guide, counsel</li> <li>• Pastoral leaders within school communities. A representative of the parish priests on the federation (SAC)</li> <li>• Involvement of all parish priests important as students come from a variety of parishes</li> </ul>
Principal	Religious and educational leader collaborating with other principals to provide consistency of approach	<ul style="list-style-type: none"> <li>• Different but no less important relationship with parish priests</li> <li>• Faith and educational leader of school in partnership with parish priests</li> <li>• Management and operational leader</li> <li>• Company should alleviate some of the compliance burden currently being undertaken at the level of each school</li> </ul>
School	Diverse community from multiple parishes	<ul style="list-style-type: none"> <li>• Diverse community</li> <li>• Education, moral and spiritual guidance provided to students, preparing them for life after school and attempting to produce well-rounded Christian human beings</li> </ul>
Advisory group	Often defined as a management committee with a range of unspecified delegated responsibilities; and finance and other subcommittees	<ul style="list-style-type: none"> <li>• SAC – not management committee</li> <li>• All constituent parishes to have representation</li> <li>• One model will not fit all contexts</li> <li>• SAC to give representational voice with a connection to CSPV and CEM for consistency of operation and support</li> <li>• Responsible for engagement of parent community</li> <li>• Broad parent voice important – no dominant voices allowed</li> <li>• An important role which will be mandated</li> </ul>



## Appendix 4: Key principles for the use of parish and school facilities

These guidelines are currently in draft form, but have been recently developed to assist parishes and schools to formalise appropriate arrangements in regard to shared facilities and costs. The guidelines were developed jointly by representatives from CAM and CEM, and have been designed to satisfy regulatory requirements for parish and school finances to be accounted for separately.

### *Preamble*

These guidelines cover the use of shared facilities between a parish and its parish school, and the sharing of costs where appropriate.

Examples of shared facilities include, but are not limited to, physical buildings and facilities such as halls and rooms. These guidelines do not apply to land or 'right to use' land.

Parish schools are owned in canon law by the relevant parish and are integral to the mission of the parish. Given legal and canonical requirements, it is necessary to make distinctions between the use of parish and parish school facilities, particularly where it concerns financial assistance from school sources of income, including from Australian and Victorian governments.

These distinctions must never be construed as separating the parish school from the parish as a whole, but rather for the purpose of providing proper accountability concerning financial, indirect taxation and property matters.

The parish priest and principal will ensure that the maintenance and use of school facilities are in accord with parish school and other pastoral priorities. The traditional relationship between the parish priest and principal has been characterised by a generous and cooperative exchange and sharing of resources. This relationship of goodwill and cooperation is valued and is to be nurtured.

School facilities that have been purchased and maintained by school funds should be primarily used by the school. However, school facilities may be used by the parish and other bodies with prior approval of the parish priest and principal, with sensitivity to possible disruption in the parish school and ensuring that the use is not injurious to Catholic religious sensitivities.

Consequently, a parish school reports its own financial position and financial performance in the Annual Financial Statement (AFS). All income, expenses and capital expenditure of the parish school must be kept separate and reported separately from that of the parish. Buildings used by the parish school are typically presented as part of property, plant and equipment in the non-current assets section of its statement of financial position (i.e. balance sheet).

### *Land use and 'right of use'*

In a parish school, the land of the parish school forms part of the ecclesiastical goods or ownership of the parish. When a parish is established, a parish school is usually planned on land acquired just before the parish school's commencement and adjacent to the land acquired for a church. Each parish school belongs and is attached to a parish.

Parish schools are granted the right to use land upon which a building for the parish school is constructed. The building developed on the land represents, from an accounting perspective, a leasehold improvement that will eventually revert to the parish.

Right of use occurs where a facility is used by the parish school, but the school is not the legal title holder of the facility. The parish school has been granted the right to use the facility for a specified period. This occurs where the parish school has contributed financially and undertaken borrowings for the facility (e.g. through the Building the Education Revolution (BER) program, and CCG capital grants or loans).

Parish school facilities funded with federal and/or state government financial assistance retain a pro-rata government equity up to 20 years. This needs to be taken into consideration in decision-making processes concerning the change of affected parish school facilities to non-school use. Repayment of the remaining government equity may be required.

In situations where parish schools received capital support, the suitable term for the right of use will be determined by the duration of the loans, or length of time where a parish school is bound by the conditions imposed through federal and state government capital funding agreements (usually 20 years).

### *Use of school facilities for worship*

Celebrations of the Eucharist and other sacraments are a vital part of the Catholic formation of the members of the parish school community. Parish school authorities are exempt from any booking or hiring fees for these celebrations in a parish church or non-school parish facility.

A parish school is a significant part of the way a parish fulfils Christ's command to be 'on mission', with worship an integral part of the faith development of young people in our Catholic schools. Characterised by goodwill and cooperation, there are to be no charges levied on parish schools for the celebration of ceremonies or liturgical celebrations.

### *Parish school use of parish facilities*

Parish schools are exempt from any booking or hiring fees for the use of non-school parish facilities (e.g. halls, tennis courts, clubrooms, car parks, etc.), providing that these parish facilities are not under any pre-existing lease or hire agreement that provides exclusive use to a third party.

The parish may recover operating costs associated with the use of its facilities, e.g. utilities (electricity, gas and water), cleaning, security and maintenance. These arrangements and the recovery of costs must be agreed upon and documented between the parish priest and principal. There may be agreed arrangements between a parish school and parish as to the use or the maintenance of car parks.

### *Parish use of parish school facilities*

Gatherings of parishioners are a vital part of the community development dimension of a parish.

The parish can use school facilities at any time after school hours and infrequently during school hours, provided disruption to school activities is minimal.

As long as parish school facilities are free of school engagements, parish schools will make school facilities available without charge to the parish and groups approved by the parish priest.

The parish school may recover operating costs associated with its use, e.g. utilities (electricity, gas and water), cleaning, security and maintenance. It is recommended that these arrangements and the recovery of costs are in writing.

The parish priest, mindful of the principal's responsibility to secure and maintain the school premises, will give the principal adequate prior notice of any intended use.

### *Parish use of parish facilities*

It is at the discretion of the parish if it wishes to hire non-school parish facilities to a third party during or after school hours.

The parish may hire out any parish non-school facilities (when not required by the parish or parish school) to external community groups and individuals under an approved licence or hire agreement and charge a fee for the use or hire, subject to the hirer ensuring compliance with the following:

- the facility is fit for the proposed use and the proposed use is appropriate
- the terms of the licence/hire agreement are met
- the child safety policies of the Catholic Archdiocese of Melbourne and the parish are adhered to
- the licence/hire fee is paid to the parish
- appropriate insurance is in place
- the proposed use is not injurious to Catholic religious sensitivities, would not bring the parish or parish school into disrepute, and is not against Catholic theological doctrine, faith and morals.

### *Parish school use of school facilities*

The parish school may hire out any parish school facilities not referred to in 'Parish use of parish school facilities' (when not required by the parish school or parish) to external community groups and individuals under an approved licence or hire agreement and charge a fee for the use or hire, subject to the hirer ensuring compliance with the following:

- the facility is fit for the proposed use and the proposed use is appropriate
- the terms of the licence/hire agreement are met
- the child safety policies of the Catholic Archdiocese of Melbourne, the parish school and the parish are adhered to
- the licence/hire fee is paid to the parish school
- appropriate insurance is in place
- the proposed use is not injurious to Catholic religious sensitivities, would not bring the parish or parish school into disrepute, and is not against Catholic theological doctrine, faith and morals.

When not required by the parish school, or external community or not-for-profit groups, the facilities shall be available for the parish to use for its activities.

The parish has the capacity to retain income associated with the use of parish school facilities, with all operating costs, e.g. utilities (electricity, gas and water), cleaning, security and maintenance, offset against the income. This does not apply to hiring the parish school facilities to a third party (where the income remains that of the parish school), which includes but is not limited to instances of a school engaging an independent before and after-school care provider.

### *Community use of parish school facilities*

Parish school facilities built or refurbished as part of the BER program are required under the conditions of funding to be made available to the community or not-for-profit groups in the local community at no or low cost. Parish schools can recover costs associated with their use, i.e. operating expenses incurred by the parish school in providing the community or not-for-profit group access. It is recommended that these arrangements and the recovery of costs are in writing.

A parish shall not hire out parish school facilities to a third party at any time, while such Commonwealth Government interest remains with a parish school facility.

If parish school or shared facilities are hired to external entities, goods and services tax (GST) implications will need to be considered.

### *Community use of parish facilities*

Parish facilities refurbished as part of the BER program are required under the conditions of funding to be made available to community or local not-for-profit groups at no or low cost. In order of priority, the parish school has absolute priority to the use of these facilities during school hours.

There is an inherent right of use with these arrangements when parish schools receive federal government capital grants, state government capital grants, CEM Supplementary Capital Fund (SCF) and CECV interest factor support derived through government recurrent grants.

### *Property funding*

If a school takes up a capital loan or receives SCF support for the purpose of refurbishing existing parish facilities, the property for the term of the loan may be deemed to be a shared facility under predetermined and agreed conditions between the parish and the school.

Where a loan is taken up by the parish school to finance the refurbishment of the existing parish facilities and the property is deemed a shared facility, interest factor support from CEM on the loans may be reduced to only cover the agreed-upon school portions, subject to a written agreement between the parish and the parish school.

Parish schools and parishes may also agree to contribute to the costs of the shared facilities based on a 'per use' basis, subject to a written agreement between the parish and the parish school.

The arrangements of how a joint facility is funded by the parish and parish school need to be documented clearly in writing, including the history of when each entity funded the facility over time.

The parish and parish school must come to an agreement on the use, upkeep and financial outgoings of the interim shared facility before the commencement of any refurbishment or building project. Such agreements should preferably be in writing to manage the expectations of all concerned, for the duration that is agreed by all parties.

For example, a parish hall that was originally built by the parish may have had its purpose changed to a shared facility or a portion funded by government capital grants. The interest factor provided by the CECV to a parish school may be reduced to the agreed share of the joint facility between a parish and a parish school to ensure compliance with federal and state government recurrent grants.

Another example would be where a parish hall originally built by the parish has its purpose changed to a shared facility, with a portion funded by school loans and SCF support. The agreed duration for which the facility is deemed a 'shared facility' and interest factor provided by the CECV to a parish school may be reduced to the agreed share of the joint facility between a parish and a parish school. Should further capital works be made to the facility by the parish school and/or parish during or after the term of the first agreement, a superseding agreement shall be arranged between the parish school and the parish, detailing the revised or new terms of the shared facility.

In the absence of a written agreement for existing shared facilities, the parish and parish school shall establish a written document in respect of the arrangement that had occurred in retrospect. The agreement shall be established in good faith for all concerned, taking into consideration that parties which had formerly put the arrangement in place may not be the parties drawing the written agreement.

It is also recommended that the written agreement is stored at both the parish and the parish school, with a copy provided to CAM and CEM for records and accountability purposes.

### *Maintenance responsibilities*

The parish is responsible for all operating expenses, maintenance and long-term upkeep of non-school parish facilities, including all government levies and insurances.

The parish school is responsible for all operating expenses, maintenance and long-term upkeep of school facilities, including all government levies and insurances.

When operating costs are required to be apportioned and separate metering is not available, this apportionment is to be on the basis of an assessment by the Archbishop's nominated person(s) with appropriate knowledge or experience, or by way of a formal and public declaration of how costs will be apportioned made by the parish priest based on the advice of an appropriately constituted parish finance committee which has this function among its assigned duties. Periodic reviews at no less than biennial intervals should be conducted to take account of the changing circumstances of the parish and parish school.

### *Benefit accrual*

When parish or parish school facilities have been jointly funded (or shared) by parish and parish school financial contributions, the income for an event organised by the parish or parish school will accrue to the benefit of the organiser of the event.

That is, for parish-organised events, the parish will retain the income, while for parish school-organised events, the parish school will retain the income, with all associated operating costs, e.g. utilities (electricity, gas and water), cleaning, security and maintenance, offset against this income.