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Ms Alex Gordon

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Chair  
Joint Committee of Public Accounts and Audit  
Member for Robertson  
[Jcpaa@aph.gov.au](mailto:Jcpaa@aph.gov.au)

Joint Committee of Public Accounts and Audit Report No. 476  
Australian Government Funding

Dear Mrs Wicks

On behalf of the Department of Education, Skills and Employment, I am pleased to advise the Joint Committee of Public Accounts and Audit that the National School Resourcing Board's Review of Needs-based Funding Requirements (the Review) is now complete and the report was tabled in Parliament on 2 July 2020.

Recommendation 6 of JCPAA report No. 476 requested that the Australian Government report back to the Committee on the progress and outcomes of the Board's review.

The Australian Government agrees with all ten recommendations in the review and intends to implement these through collaboration with stakeholders in a three phased approach commencing in July. The Australian Government response to the report is published on the department's website.

I have enclosed a copy of the report and the Australian Government's response for the Committee's reference. I trust this information is of assistance to the Committee.

Yours sincerely

Ms Alex Gordon

22 July 2020



Australian Government

# National School Resourcing Board

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Review of needs-based funding requirements:  
Final report | December 2019



Australian Government

# National School Resourcing Board

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Review of needs-based funding requirements:  
Final report | December 2019

## **Board members**

Mr Michael Chaney AO (Chair)  
Emeritus Professor Denise Bradley AC (Deputy Chair)  
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Professor Greg Craven AO  
Mr William (Bill) Daniels AM  
Professor Stephen Lamb  
Professor Ken Smith  
Dr Alison Taylor

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This document, when attributed, must be titled as *Review of needs-based funding requirements: Final report*

The Hon Dan Tehan MP  
Minister for Education  
Parliament House  
CANBERRA ACT 2600

Dear Minister

In April 2019, you commissioned the National School Resourcing Board (the Board) to undertake a review of needs-based funding requirements for Approved System Authorities (Systems) under subsection 78(5) of the *Australian Education Act 2013* (the Act).

The terms of reference require the Board to consult with the sector to support the development of a shared understanding of the legislative requirements placed on Systems in the Act, provide advice on additional guidance required from the Australian Government and future actions that would support a comprehensive assessment in a subsequent compliance review of Systems' needs-based funding arrangements.

In undertaking this review, the Board has placed high priority on consulting and enabling all interested parties to share their perspectives. The Board undertook extensive consultation, receiving 17 responses to its Issues Paper, and held consultations with all 28 Systems (including State and Territory governments), and peak bodies from the non-government sector and the Australian Government Department of Education. The Board also consulted with Education Ministers on a working draft of the report. We are grateful to all who have contributed to the review.

It is evident from the Board's consultations and the level of interest in the review, that there is not a shared understanding of needs-based funding requirements or consistent levels of awareness that would be expected for a set of requirements that apply to 78 per cent of Australian Government recurrent funding for schools. The Board believes that a shared understanding should be built upon the principles of flexibility, accountability and transparency. Accordingly, on behalf of the Board, I am pleased to present our final report. I commend the recommendations to you.

I thank my colleagues on the Board and, in particular, our needs-based funding requirements Sub-committee comprising Professor Natalie Brown as Chair, Mr Bill Daniels AM and Dr Alison Taylor, for their significant contribution to this important Review. We acknowledge with gratitude the dedication and tireless efforts of members of the secretariat who worked long hours to meet deadlines and accommodate the needs of the Sub-committee and Board.

In conducting this review, the appropriateness of the Schooling Resource Standard (SRS) was out of scope. Through submissions and consultations, some stakeholders urged the Australian Government to review the SRS, or elements of it. It is within the Board's remit to undertake a review of this nature in the future.

Yours sincerely



Michael Chaney AO  
Chair, National School Resourcing Board

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# Glossary

Term	Definition
<b>Allocation</b>	The public funding provided by governments to Approved System Authorities.
<b>Approved System Authorities (Systems)</b>	Approved Authorities for more than one school that distribute funding according to their own needs-based funding arrangement. This includes State and Territory governments.
<b>Distribution</b>	Public funding that Systems (including State and Territory governments) provide to schools.
<b>Public funding</b>	Recurrent funding provided by the Australian Government and State and Territory governments.
<b>Publicly funded share of the Schooling Resource Standard (SRS)</b>	Proportion of the SRS that the Australian Government and State and Territory governments have agreed to fund.
<b>Total public funding</b>	The sum of the Australian Government's and State and Territory governments' shares of the SRS.
<b>Total public funding estimate (for schools and Systems)</b>	<p>The sum of the Australian Government's and State and Territory governments' shares of the SRS for the school or System.</p> <p>This may differ from the amount that is distributed to a school by a System where the:</p> <ul style="list-style-type: none"><li>• System's arrangement differs from the SRS</li><li>• State or Territory government share for non-government schools is allocated to a System on a basis other than the SRS.</li></ul>



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# Executive summary

The *Australian Education Act 2013* (the Act) includes a set of requirements for Approved System Authorities (Systems)—school Systems that distribute Australian Government recurrent funding for schools according to their own needs-based funding arrangement. These include the needs-based funding arrangement having a base amount per student and six loadings, and being publicly available and transparent.

The needs-based funding requirements are a key feature of the Australian Government’s school funding arrangements. Systems distribute over 78 per cent of Australian Government recurrent funding to schools annually, but there is no shared understanding of the requirements between the Australian Government and Systems.

To support the development of such a shared understanding, the Australian Government Minister for Education has asked the National School Resourcing Board (the Board) to identify and make recommendations on:

- additional guidance required from the Australian Government to support compliance by Systems
- actions that would support a comprehensive assessment in a subsequent compliance review.

The full terms of reference are included in Appendix A.

## **The Board’s approach to this review was primarily consultative**

The Board met with representatives from all 28 Systems, peak bodies from the non-government sector and the Australian Government Department of Education to discuss the requirements. It also consulted Education Ministers on the working draft of this report. The Board received 17 submissions in response to its Issues Paper and acknowledges the considered submissions provided.

The Board has focused on identifying opportunities to clarify the requirements in a way that ensures public confidence in the distribution of public money, and in the arrangements Systems use to distribute funding to their member schools. The Board’s recommendations and findings reflect extensive and insightful contributions from stakeholders and experts. Nationally, there is a strong appetite for more clarity on the application of the needs-based funding requirements, particularly insofar as it relates to the flexibility Systems have to develop their own needs-based funding arrangements.

## **Additional guidance is required to support transparency of Systems’ needs-based funding arrangements**

The application of the requirements needs to balance flexibility, accountability and transparency. In the context of an evolving evidence base for the effectiveness of different arrangements, there is no basis to be more prescriptive about per student and loading amounts at this time. Systems should continue to have flexibility to develop their own needs-based funding arrangements according to a more nuanced understanding of local need. There are, however, opportunities to strengthen the evidence base through transparency.

Systems’ needs-based funding arrangements need to be unambiguous and easily accessible so the public can understand decisions about the distribution of funding to schools. The Board recommends the Australian Government provide guidance on the transparency of needs-based funding arrangements. This would require Systems to make information on the methodology for their

needs-based funding arrangements publicly available as well as requiring them to provide a rationale for that methodology. It would also include the provision of this information for sub-Systems, where the System's arrangement includes distributing funding to an intermediary which then passes funding on to schools. Some standardisation of the level of detail published by Systems of their arrangements is required, given the diversity of arrangements in place.

The Board also recommends providing further clarity on the requirements by defining 'publicly available' as open and accessible on a System's website (including in hard copy, on request).

### **Transparency of needs-based funding arrangements is enhanced through publishing information about Systems' distribution of funding**

To increase transparency of needs-based funding arrangements and support public understanding of how these arrangements distribute funding to schools, as the majority public funder the Australian Government should publish information it already collects on the distribution of Australian Government funding to non-government systems at the System level. Considered alongside a non-government System's methodology and rationale for its needs-based arrangement, this will provide a clearer picture of how different methodologies impact on funding distribution. Currently state government Systems are also required to report Australian Government funding distribution by base and loadings. Given that this comprises only 20 per cent of their total funding, the Board recommends that consideration be given to consulting with the State and Territory governments to amend reporting requirement while maintaining accountability.

The Australian Government should also publish a list of Systems and website links to the site where their arrangements are published.

### **Monitoring funding distribution supports assurance activities and refinement over time**

In addition, the Australian Government should use the financial information it collects from Systems to identify opportunities which help to improve understanding about the funding impact different arrangements have on schools.

This includes the monitoring of changes in System- and school-level distribution compared to previous years to gain assurance that funding is being distributed in accordance with Systems' arrangements. It is not expected that Systems' arrangements change significantly from year to year, so changes in distribution may indicate the need for the Australian Government Department of Education to understand arrangements further.

The Australian Government Department of Education can also focus its refinement effort by analysing the information collected on school-level total public funding distribution in the *non-government* sector to identify outliers where there is significant variation from the total public funding estimates. The purpose of such identification would not necessarily be to suggest or require any changes to the funding arrangements, but to understand the reason for material variations. Over time, this could inform refinement of Systems' arrangements and the Schooling Resource Standard (SRS).

Finally, following the implementation of recommendations 1–8, the Australian Government should determine whether information about distribution and allocation of total public funding to schools (broken down by base and loading amounts) should be made publicly available.

Taken together, the Board's recommendations would clarify requirements for public availability and transparency of Systems' arrangements while preserving flexibility for Systems to determine base and loading amounts. A future compliance review, to be undertaken after the recommended work on additional guidance is complete, would use the published methodology and rationale of Systems' arrangements as the basis for assessing whether Systems are distributing funding to schools in accordance with the requirements of the Act. The Board's recommendations would also increase the amount of information available on allocation and distribution of school funding to focus refinement of Systems' arrangements and the SRS over time. As the introduction of the SRS in 2014 was a significant change in how total public funding for schooling is determined, it is important for there to be transparency of these issues.

# Recommendations

## Recommendation 1

Guidance from the Australian Government should focus on defining public availability and clarifying its expectations for transparency of needs-based funding arrangements.

## Recommendation 2

Needs-based funding arrangements should be available online on the Approved System Authority's website—be open and accessible by key stakeholders and the wider community—and available as a hard copy, on request.

## Recommendation 3

The Australian Government should provide Approved System Authorities with guidance that standardises the minimum level of information required in a needs-based funding arrangement. This should include the:

- methodology for the arrangement (base and loading amounts, according to subsection 78(5) of the *Australian Education Act 2013*)
- rationale for the methodology.

This guidance should be developed in consultation with the sector.

## Recommendation 4

Where an Approved System Authority's (System's) funding arrangement includes sub-Systems, the System should make the sub-System components of its needs-based funding arrangements publicly available from a single point, describing the methodology and rationale of the sub-System component.

## Recommendation 5

The Australian Government Department of Education should provide on its website a:

- list of Approved System Authorities (Systems)
- statement advising whether all Systems have published their current needs-based arrangements

- link to each System's website where its needs-based arrangement is published.

## Recommendation 6

Notwithstanding the current reporting requirements for all Approved Authorities, the Australian Government should consult with State and Territory governments to develop reporting requirements that:

- reflect the Australian Government's role as the minority public funder of government schools
- provide a sufficient level of assurance and accountability.

## Recommendation 7

The Australian Government should use Block Allocation Report data to publish non-government Approved System Authorities' (Systems') distribution of Australian Government funding at the System- and sub-System-level, against the Australian Government's allocation to the System, by base and loadings.

## Recommendation 8

The Australian Government should develop a methodology for identifying where a non-government Approved System Authority's distribution to a school varies significantly from the publicly funded share of the Schooling Resource Standard for the school, in order to focus refinement effort.

## Recommendation 9

Following the implementation of Recommendations 1-8 and an appropriate settling-in period, the Australian Government should determine whether there is a need for additional transparency of funding allocation and distribution, broken down by base and loadings, at a school level.

**Recommendation 10**

If additional transparency is required, Education Council should consider how such information could be made available with sufficient context to avoid misunderstandings and misapprehensions whilst reflecting the acceptance of the principles of subsidiarity.

# Findings

## **Finding 1**

The Australian Government has an ongoing and essential role in promoting transparency and accountability to ensure public confidence in school funding arrangements.

## **Finding 2**

There is scope for the Australian Government to achieve greater transparency, flexibility and accountability for needs-based funding arrangements within the current legislative frame.

## **Finding 3**

Requirements should not inhibit Approved System Authorities' (Systems') flexibility to tailor their arrangements to take account of jurisdictional and sectoral context, provided the rationale of a Systems' arrangement is clear, transparent and accessible, to allow public scrutiny.

## **Finding 4**

Approved System Authorities' needs-based funding arrangements:

- vary in the level of comprehensibility
- are published with varying levels of detail, making identification of good practice difficult. Identification of good practice would inform refinements to distribution arrangements across the country
- are generally available online, but can be difficult to access.

## **Finding 5**

The majority of needs-based funding arrangements for sub-Systems are not publicly available online.

## **Finding 6**

The level of reporting by Approved System Authorities to the Australian Government Department of Education on the distribution of Australian Government funding is inconsistent.

## **Finding 7**

The Australian Government has a direct responsibility for the assurance of *non-government* school funding.

## **Finding 8**

Given the quantum of funding, the Australian Government needs to gain assurance of needs-based funding arrangements of government Systems.

## **Finding 9**

The data provided by *non-government* Approved System Authorities (Systems) through the Financial Questionnaire provides a basis for comparison of total public funding distribution by the System with total public funding allocation.

# Introduction

## Australian Government recurrent funding for schools is needs-based

### The Australian Government provides significant funding for schools on the basis of need

The Australian Government estimates it will contribute approximately \$310.3 billion in recurrent funding for schools from 2018 to 2029<sup>1</sup>, including \$19.9 billion in 2019.<sup>2</sup>

This funding is provided to schools under the Act. The Act's objectives are to:

- determine a total public funding amount for schooling in Australia
- provide an Australian Government needs-based funding model.

### The SRS forms the basis of Australian Government recurrent funding for schools

The preamble to the Act specifies that Australian Government investment will be fairly and transparently allocated according to need to help education authorities provide every child with a quality education, regardless of where they live and what school they attend.<sup>3</sup>

This approach to funding schools represents a significant step change to how total public funding is determined for Australian schools. Total public funding for schools is provided by both the Australian Government and all State and Territory governments, as agreed through the National School Reform Agreement. It is calculated through the use of the SRS as an estimate of funding required for a school to meet the educational needs of its students, see Exhibit 1 for further details on the SRS.

Through the SRS, the Australian Government provides a funding allocation for all schools, with additional funding to schools and students with greater needs to 'ensure that differences in education outcomes are not the result of differences in wealth, income, power or possessions'.<sup>4</sup> The Australian Government has put in place transition arrangements to ensure that, over time, students with the same need within the same sector attract the same Australian Government support, regardless of the State or Territory in which they live. Under the Australian Government's funding arrangements, all schools will continue to move towards being funded at a consistent Australian Government share of the SRS by 2029.<sup>5</sup>

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<sup>1</sup> Department of Education (2019) 'What is the Quality Schools package and what does it mean for my school?' Australian Government, viewed on 24 September 2019, <[https://docs.education.gov.au/system/files/doc/other/what\\_is\\_the\\_quality\\_schools\\_package\\_and\\_what\\_does\\_it\\_mean\\_for\\_my\\_school\\_0.pdf](https://docs.education.gov.au/system/files/doc/other/what_is_the_quality_schools_package_and_what_does_it_mean_for_my_school_0.pdf)>.

<sup>2</sup> Australian Government Department of Education, unpublished.

<sup>3</sup> *Australian Education Act 2013* (Cth) preamble (Austl.). Retrieved from <<https://www.legislation.gov.au/Details/C2013A00067>>.

<sup>4</sup> Gonski D., Boston, K., Greiner, K., Lawrence, C., Scales, B., Tannock, P. (2011) *Review of Funding for Schooling—Final Report*, DEEWR, Canberra, p. 166.

<sup>5</sup> Department of Education (2019) 'How and when will schools move to the Quality Schools funding arrangements?' Australian Government, viewed on 10 October 2019, <<https://www.education.gov.au/how-and-when-will-schools-move-quality-schools-funding-arrangements>>.



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## Exhibit 1. The Schooling Resource Standard (SRS)

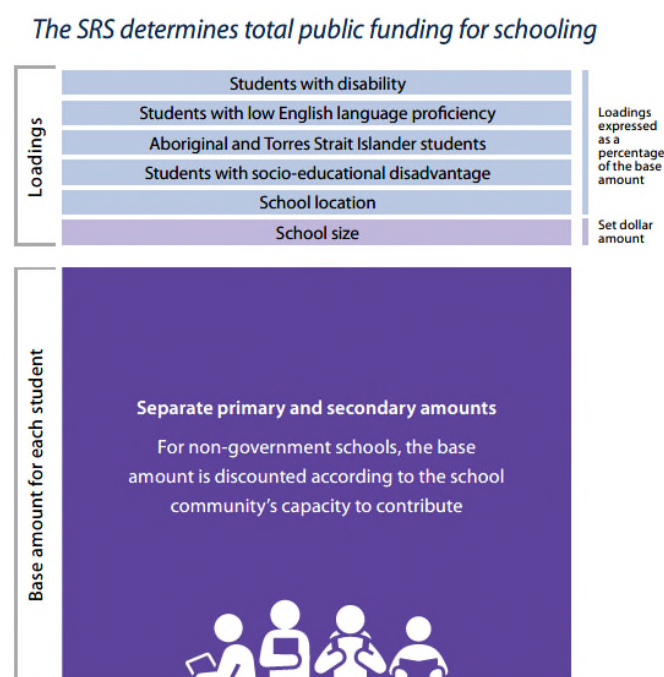
The SRS is an estimate of how much funding is required for a school to meet the educational needs of its students and was a recommendation of the 2011 *Review of Funding for Schooling—Final Report*. The development and implementation of the SRS is the result of significant Australian Government consultation with State and Territory governments and the non-government sector commencing in 2010.

The SRS is designed to help overcome disadvantage and ensure schools are adequately resourced to cater for the needs of all students.

The SRS estimates funding at the individual school-level and includes:

- a base amount for every primary and secondary student
- six loadings to provide extra funding for disadvantaged students and schools.

The formulae to calculate schools' SRS are enshrined in the Act.<sup>6</sup>



Source: Developed by the National School Resourcing Board based on the *Australian Education Act 2013*.

In line with the requirements of the Act, the Australian Government is moving towards consistently funding:

- 20 per cent of the SRS for government schools, reflecting its role as a minority public funder of this sector
- 80 per cent of the SRS for non-government schools, reflecting its role as a majority public funder of this sector.<sup>7</sup>

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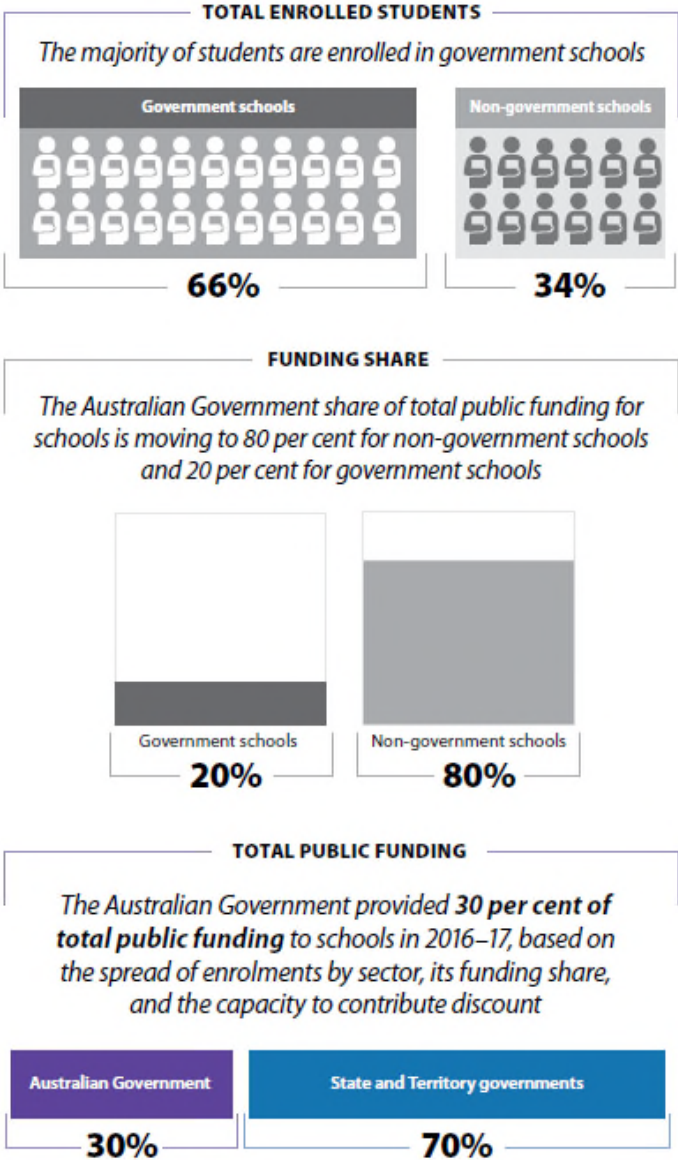
<sup>6</sup> *Australian Education Act 2013* (Cth) Division 2 (Austl.). Retrieved from <<https://www.legislation.gov.au/Details/C2013A00067>>.

<sup>7</sup> Department of Education (2019) *'How are schools funded in Australia?'*, Australian Government, viewed on 15 October 2019 <<https://www.education.gov.au/how-are-schools-funded-australia>>.

As the majority of students are enrolled in government schools, and for non-government schools the base amount is discounted according to capacity to contribute, the Australian Government provides approximately 30 per cent of total public funding to schools, see Exhibit 2.

Alongside the Australian Government’s investment, the Act also requires State and Territory governments to contribute their share of the SRS. Each State and Territory has a bilateral agreement with the Australian Government which sets out its minimum contribution requirements from 2018 to 2023. The bilateral agreements also include an agreed methodology for measuring contributions.

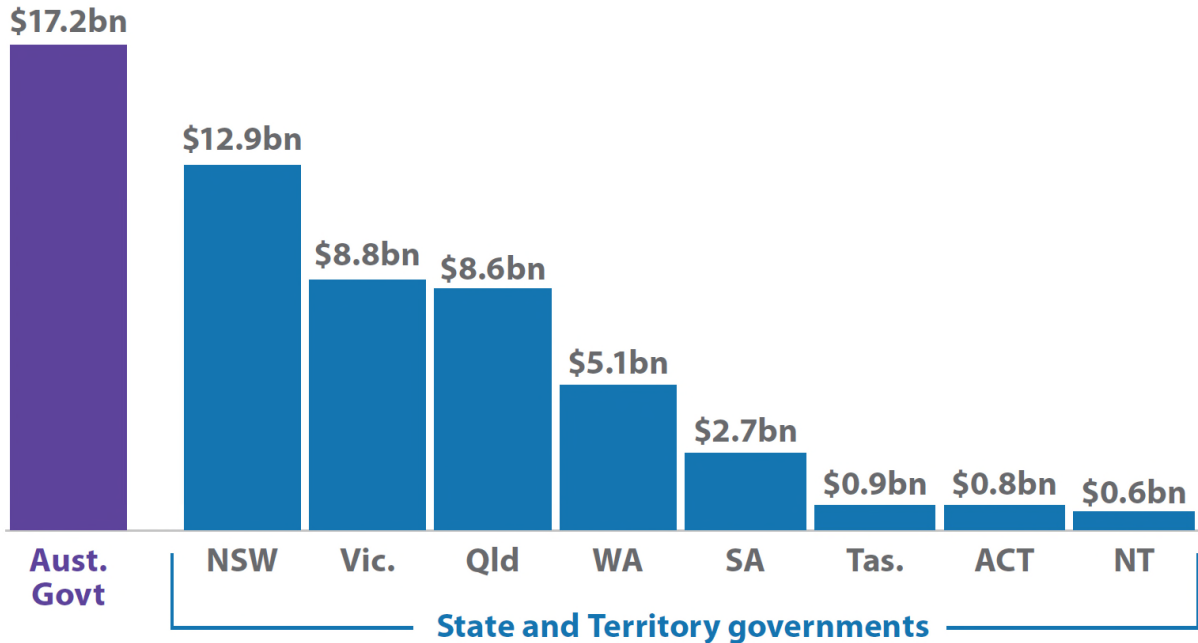
**Exhibit 2.** The Australian Government provides 30 per cent of total public funding for schools



Source: Australian Bureau of Statistics (2018) Schools, Australia, 2018, cat.no. 4221.0, ABS: Canberra, viewed 18 October 2019, <<https://www.abs.gov.au/ausstats/abs@.nsf/mf/4221.0>>. Australian Education Act 2013 (Cth) (Austl.). Australian Curriculum, Assessment and Reporting Authority (ACARA) (2019) National Report on Schooling in Australia 2017, ACARA, Sydney.

The Australian Government is the single highest public funder of schooling, in dollar terms, see Exhibit 3. Spending public money on this scale demands some scrutiny, and the preamble to the Act draws an explicit link between transparency, accountability, and public confidence in the education system.

**Exhibit 3.** The Australian Government makes a significant contribution to total public funding for schooling in Australia (2016-17)



Source: Productivity Commission (2019) *Report of Government Services: Nominal Australia, State and Territory government recurrent expenditure*, Table 4A.11 (data from 2016-17).

**Australian Government recurrent funding for schools is distributed to Approved Authorities and those that distribute funding according to their own needs-based funding arrangements are known as Approved System Authorities**

**The Australian Government provides a single funding amount to Approved Authorities, based on the Australian Government proportion of total public funding, for all of the schools they operate**

Under the Act, the Australian Government allocates recurrent funding for schools to Approved Authorities. Approved Authorities are legal entities that can receive Australian Government recurrent funding for one or more schools. Where an Approved Authority operates more than one school, the Australian Government provides the funding allocation for all of the authority’s schools as a single amount.

**Approved Authorities can distribute their funding according to the SRS or their own needs-based funding arrangement**

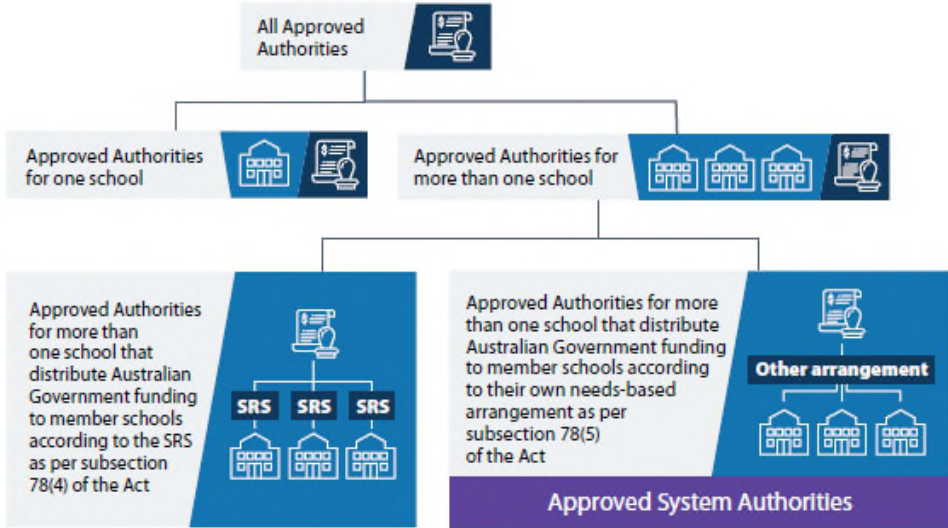
An Approved Authority for more than one school can distribute Australian Government recurrent funding to its schools:

- according to the SRS (as do many independent schools)—under subsection 78(4); or
- by choosing to distribute that funding according to its own needs-based funding arrangement—under subsection 78(5).

Approved Authorities for more than one school that distribute funding according to their own needs-based funding arrangement are described in the Act as *Approved System Authorities* (Systems), see Exhibit 4.

As set out in the review’s terms of reference at Appendix A, the scope for this review is to support the development of a shared understanding of the legislative requirements placed on Systems. The Board has also been asked to identify and make recommendations on additional guidance from the Australian Government to support Systems’ compliance with the legislative requirements.

**Exhibit 4.** Approved Authorities that distribute Australian Government funding to more than one school according to their own needs-based funding arrangement are known as Approved System Authorities



Source: Developed by the National School Resourcing Board based on the *Australian Education Act 2013*.

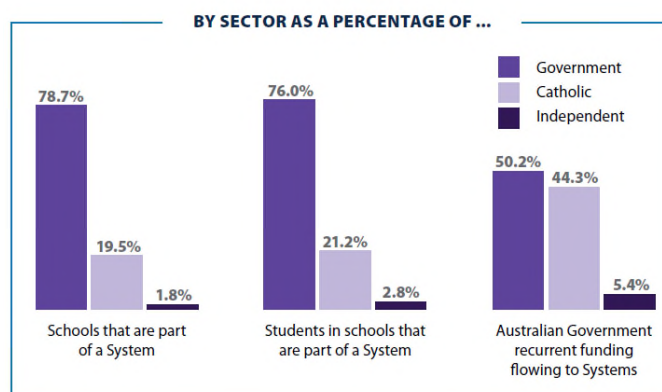
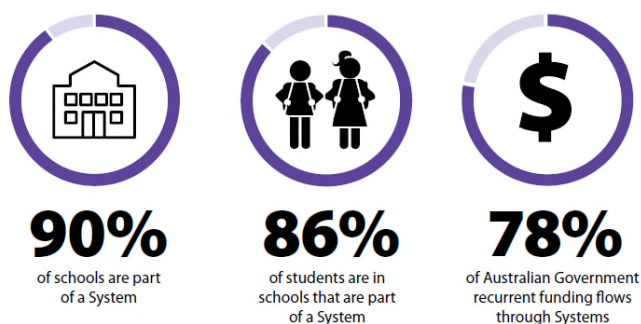
**Australian Government funding for nine out of ten schools is provided through Systems**

**A significant proportion of schools and students are part of Systems**

There are more than 9,500 schools in Australia and nearly four million students. Of these, nearly 90 per cent of schools receive Australian Government recurrent funding through a System and more than 86 per cent of students are enrolled in those schools, the majority of which are government schools funded primarily by State and Territory governments. More than 78 per cent of all Australian Government recurrent funding is provided through Systems, see Exhibit 5.

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**Exhibit 5.** The vast majority of Australian Government recurrent funding is provided to Approved System Authorities



Source: Australian Government Department of Education (September 2019, unpublished).

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**Systems are required to have a needs-based funding arrangement**

The Act sets out a number of conditions for Approved Authorities, including not operating schools for profit, being financially viable and being fit and proper.<sup>8</sup>

The Act also includes additional requirements for Systems. From 1 January 2018, all Systems are required, under subsection 78(5) of the Act, to have a needs-based funding arrangement that:

- provides an amount per student that:
  - represents the recurrent resources required to support a student with minimal educational disadvantage to achieve expected educational outcomes
  - takes account of efficiencies that can be realised while improving educational outcomes
- provides loadings to students and schools with additional needs in order to support student achievement, including loadings for:
  - students with disability, Aboriginal and Torres Strait Islander students, students with socio-educational disadvantage and students who have low English proficiency
  - schools based on location and size
- is publicly available and transparent.

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<sup>8</sup> *Australian Education Act 2013* (Cth) s. 75 (Austl.). Retrieved from <<https://www.legislation.gov.au/Details/C2013A00067>>.

In addition, State and Territory governments have a range of other responsibilities under the National School Reform Agreement and bilateral agreements that provide context and give effect to the requirements under the Act. While these needs-based funding requirements only apply to the proportion of total public funding provided to Systems by the Australian Government, a needs-based funding arrangement is likely to account for funding from the Australian Government, State or Territory, or private sources (such as fees and other independent income sources). The requirements of the Act do not intend that Systems develop a separate arrangement for Australian Government funding.

**Systems' needs-based funding arrangements vary and the Act provides flexibility to make regional or sub-regional decisions about the distribution of funding**

The Australian Government recognises that Systems have more detailed knowledge of their students and schools and provides flexibility to allow Systems to apply that knowledge to address needs as they see them, according to the principle of subsidiarity. The 2011 *Review of Funding for Schooling—Final Report* noted that ‘the benefits of government and non-government school Systems allocating or redistributing funding to where it is most needed based on local knowledge of schools and communities, and in achieving efficiencies through economies of scale, are well established’.<sup>9</sup> A number of submissions provided to the Board also highlighted the importance of subsidiarity.

*‘...under the principle of subsidiarity states and territories are best placed to make decisions about the allocation of resources to government schools’ (Queensland Department of Education submission, p. 9).*

The Australian Government provides funding to Systems according to its share of the SRS, calculated on the characteristics of individual schools and their students. The System then distributes funding according to its own needs-based funding arrangement to take account of jurisdictional and sectoral context. Systems have a variety of methods for distributing funding, see Exhibit 6. Many of the arrangements pre-date the needs-based funding requirements. When the SRS was proposed in the 2011 *Review of Funding for Schooling—Final Report*, it was noted that the SRS was not intended to completely replace Systems' local funding arrangements.<sup>10</sup>

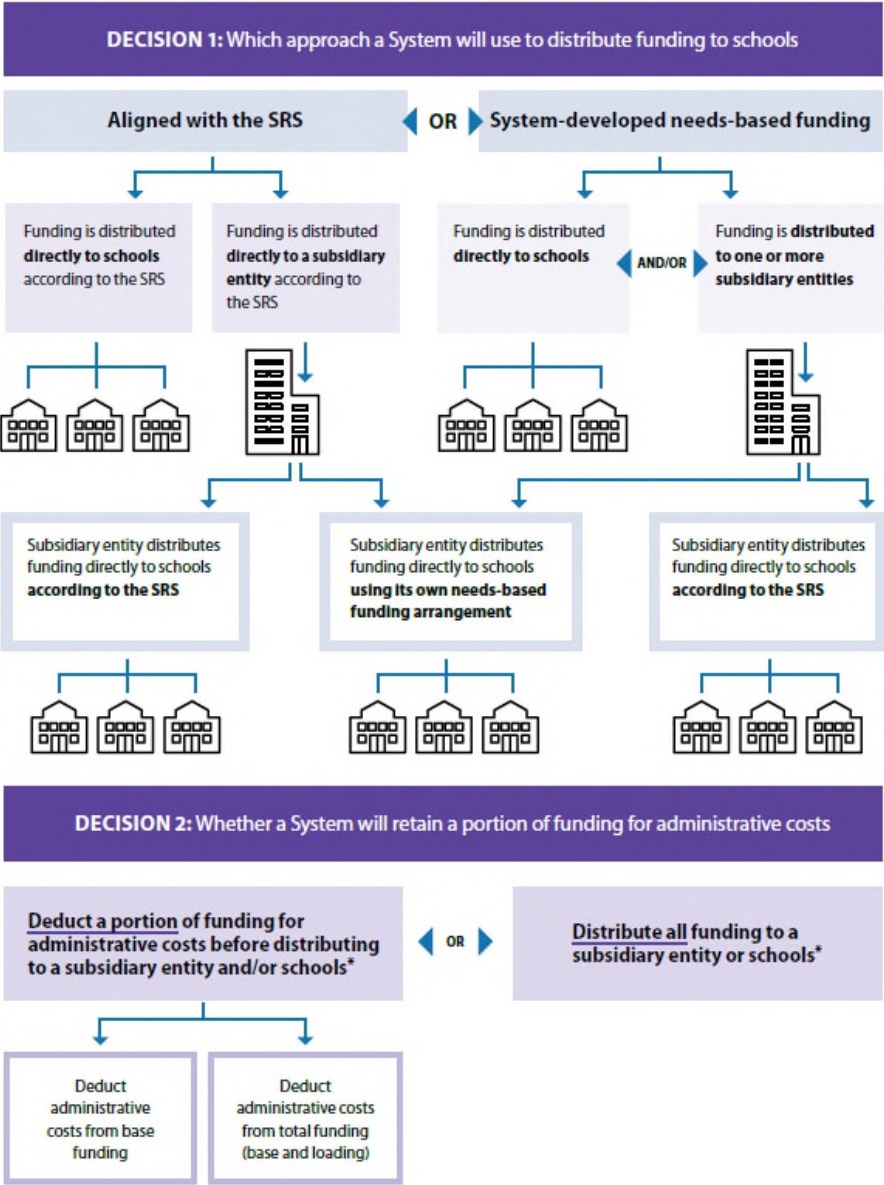
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<sup>9</sup> Gonski D., Boston, K., Greiner, K., Lawrence, C., Scales, B., Tannock, P. (2011) *Review of Funding for Schooling—Final Report*, DEEWR, Canberra, p. 52.

<sup>10</sup> Gonski D., Boston, K., Greiner, K., Lawrence, C., Scales, B., Tannock, P. (2011) *Review of Funding for Schooling—Final Report*, DEEWR, Canberra, p. 164.

**Exhibit 6.** Illustrating the range of needs-based funding arrangements Approved System Authorities have in place to distribute Australian Government recurrent funding

*The arrangement a System uses to distribute funding is based on two central decisions:*



Source: Developed by the National School Resourcing Board

Notes: The arrangement a System uses is made up of a combination of approaches from decisions 1 and 2. For example, a System might use its own needs-based funding arrangement and deduct a portion of funding for administrative costs before distributing to a subsidiary entity and/or schools.

\*Some Systems charge administrative costs after distributing funding to schools as a levy.

## Concerns about Australian Government monitoring and compliance activity

### Several reports have raised questions about the Australian Government Department of Education's monitoring and compliance activity

The Australian National Audit Office's (ANAO) 2017 report on *Monitoring the Impact of Australian Government School Funding*<sup>11</sup>, and the Joint Committee of Public Accounts and Audit's (JCPAA) 2019 *Report 476: Australian Government Funding*<sup>12</sup> both found that there is a lack of clarity around how Systems' compliance with subsection 78(5) of the Act is assessed.

The reports also found that the Australian Government Department of Education needed to strengthen its administration and assurance arrangements to appropriately monitor the distribution of its funding. The ANAO stated that 'the department has not fully utilised the available legislative provisions to monitor and report on the manner in which Australian Government school funding has been allocated by the department or subsequently redistributed by System authorities'.<sup>13</sup>

The ANAO's report focused on reviewing arrangements as they existed in 2017 and the scope of the report did not include consideration of decisions already taken by the Australian Government since the additional requirements for Systems came into effect on 1 January 2018.

As noted in the Australian Government Department of Education's submission:

*'A number of the recommendations have already been addressed via changes to legislation, changes to administrative practices, development of a school funding assurance framework, and the establishment of the National School Resourcing Board' (Australian Government Department of Education submission, p. 3).*

### It is unclear whether Systems are compliant with the Act

In February 2018, the Australian Government Department of Education, requested information from Systems to establish the extent to which their arrangements met legislative requirements. In doing so, it concluded that:

*'Subsection 78(5) of the Act does not by itself, provide sufficient guidance to Systems on the requirements for a compliant needs-based funding arrangement' (Australian Government Department of Education submission, p. 3).*

The Australian Government Department of Education was not able to make any findings on Systems' compliance with the Act in the absence of such guidance.

Given the Australian Government's significant investment in recurrent funding to support the achievement of expected educational outcomes at a student- and school-level, it is important for the Australian Government to better understand the approaches Systems take to address the needs of individual schools, and how these might differ from allocative arrangements in place for Australian Government funding.

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<sup>11</sup> Australian National Audit Office (2017) *Monitoring the Impact of Australian Government School Funding*, Australian National Audit Office, Canberra, p. 10.

<sup>12</sup> Joint Committee of Public Accounts and Audit (2019) *Report 476: Australian Government Funding*, Parliament of the Commonwealth of Australia, Canberra, p. vii.

<sup>13</sup> Australian National Audit Office (2017) *Monitoring the Impact of Australian Government School Funding*, Australian National Audit Office, Canberra, p. 33.



**The Board could undertake a compliance review to better understand Systems' approaches, but obligations need to be clarified first**

It is within the Board's remit (section 128 of the Act) to undertake a review of Approved Authorities' compliance with section 78 of the Act. In 2018, the Australian Government consulted stakeholders on terms of reference for a Board review of Systems' compliance with the requirements for needs-based funding arrangements. Feedback on the draft terms of reference highlighted stakeholder concern about the level of clarity of the needs-based funding requirements under the Act.

Before a compliance review can be undertaken, the obligations for Systems need to be clarified. Therefore, the Board has been asked to consult with the sector to support the development of a shared understanding of the legislative requirements of subsection 78(5) of the Act.

**The Board's approach to this review was primarily consultative**

The Board undertook targeted consultations with key stakeholders in each State and Territory including all 28 Systems, the Independent Schools Council of Australia, the National Catholic Education Commission, Lutheran Education Australia and the Australian Government Department of Education. The Board also sought feedback from State and Territory Education Ministers on its working draft report.

To inform its Review, the Board invited public submissions from all interested parties and sought comments on the current legislative requirements for Systems. An Issues Paper was released to inform submissions, and the Board received 17 submissions.

The Board considered the full range of experiences, ideas and insights put forward by stakeholders through the submissions and consultations, as well as contextual factors.

# Chapter 1: The Board's objectives for this review

## 1.1 Further clarification of the needs-based funding requirements in the *Australian Education Act 2013* is needed

### The needs-based funding requirements for Systems are unclear

Since the needs-based funding requirements came into effect, Systems have been relying solely on their own understanding of the requirements in subsection 78(5) of the Act. The Australian Government has not provided additional guidance, in regulations or guidelines, consistent with the legislation on how it will assess whether or not Systems have met the requirements.

During consultations, stakeholders noted that the Australian Government published Administrative Guidelines<sup>14</sup> for the previous *School Assistance Act 2008*. This additional guidance, consistent with the legislation at the time, explained how the Australian Government would assess whether requirements, including those for recurrent allocations, had been met. With regard to the current review, the Independent Schools Council of Australia's submission noted that:

*'Currently, the only guidance provided is via the legislation itself through the Act and Regulation which can be difficult to interpret. There is a need for greater clarification, guidance and specificity' (Independent Schools Council of Australia submission, p. 3).*

All things taken into account, the Australian Government needs to provide such guidance.

## 1.2 Further guidance needs to continue to balance flexibility, accountability and transparency

### Flexibility is important to allow for different contexts, and because defining 'need' is subjective

The definition of need can be subjective and this is reflected in the variety of funding arrangements Systems have in place across Australian schools. Such variety is also explained by differences in school context. The Tasmanian Department of Education's submission noted that:

*'The importance of subsidiarity in resource allocation for education cannot be overstated. The local context in which education is delivered must inform resource allocation to maximise efficiency and truly reflect need' (Tasmanian Department of Education submission, p. 2).*

In its submission, the Queensland Department of Education provided examples of the breadth of diversity required to be catered for by their needs-based funding arrangements, noting that:

*'Queensland is a large state with a geographically dispersed student population. Approximately 58 per cent of Queensland schools operate outside major cities and approximately 27 per cent of all Queensland schools have fewer than 100 students.'*

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<sup>14</sup> Department of Education, Employment and Workplace Relations (2013) *'Administrative Guidelines Commonwealth programs for non-government schools 2009 to 2013/2014'* Australian Government, viewed on 17 October 2019, <[https://docs.education.gov.au/system/files/doc/other/saa\\_administrative\\_guidelines\\_2013\\_update\\_0.pdf](https://docs.education.gov.au/system/files/doc/other/saa_administrative_guidelines_2013_update_0.pdf)>.

*Queensland schools also have the second largest Indigenous student cohort in the country'. (Queensland Department of Education submission, p. 1).*

The Australian Government is not prescriptive in how Systems account for their needs-based funding processes. This allows Systems to tailor funding arrangements according to a more nuanced understanding of local need. This is important and needs to be encouraged. The fundamental issue is how to ensure a clear line of sight which transparently demonstrates the differences between total public funding estimates for a System on the one hand, and the System's distribution of funds on the other—distributions which are based on the diverse needs of students and schools.

### **Transparency is prescribed within the Act**

The Act prescribes that a System's needs-based funding arrangement must be publicly available and transparent.

Transparency is important to inform government policy making, support the efficient delivery of government services or government operations, and assist in the implementation and assessment of government policy, research and development with clear and direct public benefits.<sup>15</sup> The 2011 *Review of Funding for Schooling—Final Report* noted the need for 'greater transparency in how Systems distribute and allocate recurrent and capital funding to their member schools, and how funding is allocated to address the needs of disadvantaged students'.<sup>16</sup>

Transparency, in turn, supports accountability. As Australian Government funding allocated to Systems is public money, there is an expectation that Systems are accountable to the community for their decisions about the distribution of funding provided by the Australian Government.

In the context of Systems' needs-based funding arrangements, transparency also contributes to the development of an evidence base on which Systems can draw, and which can inform ongoing Australian Government policy making on its own needs-based funding allocative models. This is because Systems' distribution arrangements share the common goal with the Australian Government of equitably distributing funding to support school and student achievement. An evidence base is particularly important in the context of school funding arrangements because evaluation of education arrangements is always challenging due to the complex nature of education and the range of potential indicators.<sup>17</sup>

#### **Finding 1.**

The Australian Government has an ongoing and essential role in promoting transparency and accountability to ensure public confidence in school funding arrangements.

### **1.3 Further guidance can be provided without the need to amend the Act**

The existing legislation provides a solid foundation for developing the evidence base discussed above to assist with the refinement of school funding arrangements over time. The Board has no prima facie reason to be concerned with the construction of the needs-based funding requirements in the

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<sup>15</sup> Department of the Prime Minister and Cabinet (2018) *New Australian Government Data Sharing and Release Legislation: Issues Paper for Consultation*, Australian Government, p. 14, viewed on 1 October 2019, <[https://www.pmc.gov.au/sites/default/files/publications/australian-government-data-sharing-release-legislation\\_issues-paper.pdf](https://www.pmc.gov.au/sites/default/files/publications/australian-government-data-sharing-release-legislation_issues-paper.pdf)>.

<sup>16</sup> Gonski, D., Boston, K., Greiner, K., Lawrence, C., Scales, B., Tannock, P. (2011) *Review of Funding for Schooling—Final Report*, DEEWR, Canberra, p. 53.

<sup>17</sup> OECD (2017) *The Funding of School Education: Connecting Resources and Learning*, OECD Publishing, Paris, p. 35.

Act. It should also be noted that any consideration of the structure or appropriateness of the SRS, that is, base and loadings, is outside the purview of this review. The Board notes that some stakeholders have raised the prospect of reviewing the SRS, or elements of it.

The Act does, however, need to be supplemented with further guidance in order to provide public confidence and clarity to Systems in both the Australian Government's funding arrangements, and the distribution of this funding to students and schools through Systems and subsidiary entities. There are opportunities to provide guidance alongside the legislation. For example, the Australian Government Department of Education provides *The guide for approved authorities on the use of recurrent funding*. Providing additional guidance would allow the Australian Government to clarify expectations in a timely manner, rather than consider legislative change which can be complex, time consuming and subject to interpretation.

#### **Finding 2.**

There is scope for the Australian Government to achieve greater transparency, flexibility and accountability for needs-based funding arrangements within the current legislative frame.

### **1.4 Additional guidance should not inhibit Systems' ability to determine their own needs-based funding arrangements at this time**

**Systems should be free to determine their own approaches to an amount per student (base) or loadings without guidance from the Australian Government, subject to transparent and accessible arrangements being in place to ensure accountability to stakeholders and the community**

From 1 January 2018, subsection 78(3) of the Act requires Systems to distribute all Australian Government funding in accordance with a needs-based arrangement that is compliant with subsection 78(5).

The Act does not specify how the base amount and loadings are to be structured. As noted in the Board's terms of reference for the review, a System's needs-based funding arrangement is not required to mirror the SRS. There is no expectation from the Australian Government that Systems should allocate base amounts and loadings in the same way as the Australian Government. Doing so would inhibit a System's flexibility to take account of jurisdictional and sectoral context.

The Board notes, however, that some Systems are moving to more closely align with the SRS.

*'The ultimate aim would be for CEWA [Catholic Education Western Australia] to distribute base and loadings as a system to schools, at the same percentage generated by the Australian Government less administrative costs and other system initiatives...'*  
(Catholic Education Western Australia submission, p. 7).

*'VESS [Victorian Ecumenical System of Schools Ltd] is working towards the time when all government funding will be allocated to schools based on their SRS entitlement, and administrative services for member schools are covered by members' subscriptions'*  
(Victorian Ecumenical System of Schools Ltd submission, p. 1).

**Systems should be free to determine their own needs-based funding arrangement but accountability is essential**

As noted in the previous section, Systems' funding arrangements can be complex, often taking account of their external environment and it is common for System arrangements to include factors not included in the SRS.

As there is no established best practice for addressing particular needs, levels of variation in distribution methodologies are justified. But a high level of variation without the ability to identify and share good practices could lead to growing disparities.<sup>18</sup> The 2011 *Review of Funding for Schooling—Final Report* found that greater transparency was needed in how Systems distribute and allocate recurrent and capital funding to their member schools, and how funding is allocated to address the needs of disadvantaged students.<sup>19</sup>

The ability to easily access the same level of detail across the myriad of arrangements in place, and to identify what is working well, is a key enabler of refinement and improvement over time and is clearly in the public interest. The most sensible next step is to build greater consistency in the public availability and transparency of both Australian Government allocation and System and sub-System distribution over time and this is the focus of subsequent chapters.

### **Finding 3.**

Requirements should not inhibit Approved System Authorities' (Systems') flexibility to tailor their arrangements to take account of jurisdictional and sectoral context, provided the rationale for a System's arrangement is clear, transparent and accessible, to allow public scrutiny.

### **Recommendation 1.**

Guidance from the Australian Government should focus on defining public availability and clarifying its expectations for transparency of needs-based funding arrangements.

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<sup>18</sup> Goss, P. (2017) *Towards an adaptive education system in Australia*, Grattan Institute, p. 21.

<sup>19</sup> Gonski D., Boston, K., Greiner, K., Lawrence, C., Scales, B., Tannock, P. (2011) *Review of Funding for Schooling—Final Report*, DEEWR, Canberra, p. 53.

# Chapter 2: Needs-based funding arrangements

## 2.1 It is in the public interest to have more transparency in funding arrangements, supporting comparability and accountability

As described in the Introduction, subsection 78(5) of the Act sets out the elements of the needs-based funding arrangement with which all Systems must comply when distributing Australian Government funding. This includes an arrangement which provides a base amount plus six loadings and is publicly available and transparent.

### **Current arrangements vary significantly in what is provided and how**

Among Australia's 28 Systems, there is variation in *what* Systems' provide in their needs-based funding arrangement and *how* this is published to a range of key stakeholders at a school and community level.

The format and level of detail of *what* is published varies across Systems and within sectors. For example, the New South Wales (NSW) Department of Education provides detail on its website for each element of its Resource Allocation Model (RAM), including the 2019 planned RAM funding for each NSW government school. In addition, the website also includes short videos tailored to different audiences that explain school funding in NSW. Alternatively, the Western Australian Department of Education website details four objectives of its student-centred funding model, with further details of the model available through a report on an independent evaluation of the model. A list of Systems' websites where needs-based funding arrangements are typically published is at Appendix E.

Systems' needs-based funding arrangements need to be unambiguous and easily accessible so that decisions about the distribution of funding to schools can be easily understood by key stakeholders and the general public. Current arrangements—some of which span across multiple policy documents—are complex, or provide little detail on the methodology, and are difficult to understand.

This variation in detail and clarity makes it hard for key stakeholders as well as the Systems, which are entrusted to distribute public funds, to compare across different arrangements. As a result it can be difficult for interested parties to understand how an arrangement translates into a funding amount for a school.

### **Needs-based funding arrangements must be publicly available and transparent**

As described in Section 1.2, there are good reasons for the Act requiring needs-based funding arrangements to be publicly available and transparent. Transparency supports accountability and publicly available arrangements create an evidence base about different approaches which is valuable, especially when there is limited evidence explaining what constitutes an effective approach to respond to the variety of often competing needs of students and schools at a local level.

In terms of *how* information is provided, most needs-based funding arrangements are available online. However, there is no consistency in:

- where the arrangements are available. For example, some arrangements are available on the Systems' websites, school websites, or a combination of both

- accessibility of the arrangements. For example, some arrangements are available online but behind a firewall, making them only available upon request.

### **How to make needs-based funding arrangements transparent**

In this day and age, it is reasonable to expect that publicly available should be taken to mean online and fully accessible by the public. Submissions to the Board generally supported making arrangements publicly available and noted that many arrangements were already available online. The Queensland Department of Education further suggested that:

*'This information should also be available in hard copy on request for people who do not have Internet access' (Queensland Department of Education submission, p. 5).*

The Australian Government should be explicit in its guidance to Systems that a needs-based funding arrangement that is compliant with subsection 78(5) of the Act, should, at a minimum, be openly accessible on the System's website by the general public.

#### **Finding 4.**

Approved System Authorities' needs-based funding arrangements:

- vary in the level of comprehensibility
- are published with varying levels of detail, making identification of good practice difficult. Identification of good practice would inform refinements to distribution arrangements across the country
- are generally available online, but can be difficult to access.

#### **Recommendation 2.**

Needs-based funding arrangements should be available online on the Approved System Authority's website—be open and accessible by key stakeholders and the wider community—and available as a hard copy, on request.

### **There is scope to achieve some greater standardisation of reporting arrangements without undermining System flexibility**

Given the demonstrated variation in funding arrangements across the 28 Systems, the Board does not consider it practicable to develop a narrowly prescriptive reporting template. Such a development would be inconsistent with the accepted principle of subsidiarity, which recognises the need for bespoke and nuanced funding arrangements that suit local circumstances and priorities at a school level.

It should be possible, however, for the Australian Government Department of Education to provide some general, as opposed to prescriptive, guidelines on the level of detail expected in publicly available arrangements to ensure Systems are accountable for the proper use of Australian Government funding.

The first priority, of course, has to be that every arrangement satisfies the specific requirements listed in subsection 78(5). The guidance would be based on an analysis of best practice among existing Systems' needs-based funding arrangements, in consultation with the sector.

In addition to setting out the actual methodology of the funding arrangement, Systems should also be required to provide a rationale for that methodology. The rationale should be sufficiently detailed to provide interested parties with an understanding of why Systems allocate funding to students and schools in a particular way and how this improves education outcomes at the lowest possible level of subsidiarity—the student and their school. Encouraging Systems to state their reasoning would support the sharing of new thinking about needs-based funding and inform the Australian Government of potential gaps in its own methodologies, as well as assist Systems to refine and develop their own approaches.

### **Utilising outcomes to refine funding arrangements**

Ideally, student outcomes would be used to refine Systems' needs-based funding arrangements, but there are numerous challenges with this:

- Funding is simply an input, albeit a very significant one. Especially where there are different Systems making different choices, often compounded by devolution of decision-making to individual schools, the funding is used to reflect different priorities and circumstances, and funds different activities and outputs. Given this, drawing a direct relationship between funding and outcomes that is, causation rather than correlation—is challenging.
- Educational impacts typically have long lag times—years if not decades—and are often hard to realistically assess, even though it is important to do so.
- There is not always a consensus view as to which quality or equity indicators are the best measure. For example, while the National Assessment Program Literacy and Numeracy (NAPLAN) results are valuable as a nationally collected and consistent measure, there is conjecture among stakeholders as to how much they should be relied upon beyond being an assessment tool for teachers and schools to assist in achieving improved learning outcomes for individual students.

While good practice of tracking, monitoring and feedback loops to improve student outcomes and inform resource allocation may be occurring at the local level, there is no way to see across Systems and no basis on which to impose consistent monitoring or data collection arrangements. Where such tracking and monitoring is occurring at the System level, it should be reflected in the rationale for the Systems' needs-based funding arrangements.

#### **Recommendation 3.**

The Australian Government should provide Approved System Authorities with guidance that standardises the minimum level of information required in a needs-based funding arrangement. This should include the:

- methodology for the arrangement (base and loading amounts, according to subsection 78(5) of the *Australian Education Act 2013*)
- rationale for the methodology.

This guidance should be developed in consultation with the sector.



### **Arrangements for sub-Systems should be transparent and publicly available**

As illustrated in Exhibit 6, in some cases Australian Government recurrent funding is provided to schools through a System, which in turn distributes funds to a subsidiary entity that is responsible for the day-to-day operations and financial affairs of the schools. Such entities are referred to as sub-Systems for the purposes of this report. This type of arrangement is commonly found in the Catholic sector, where the relevant state-based Catholic Education Commission distributes funding to Dioceses.

The needs-based funding and distribution arrangements at the sub-System level may be different to those at the System level, but the sub-System components of the System's arrangement are rarely published. An example of one exception to this is the Queensland Catholic Education Commission, where both the System and sub-System components of the needs-based arrangement are publicly available (see Appendix E).

#### **Finding 5.**

The majority of needs-based funding arrangements for sub-Systems are not publicly available online.

The System is responsible under the Act for the ultimate distribution of Australian Government funding to the schools for which it is approved. This implies that the subsequent distribution by the sub-System to their schools is simply part of the System's overall needs-based funding arrangement.

It is therefore reasonable to expect that sub-Systems' arrangements are published as part of the parent System's arrangement. The sub-System components should also include a methodology and rationale. This will ensure that all levels of funding distribution to schools are transparent and support public confidence in funding being distributed according to a clear understanding of how need is defined by Systems and sub-Systems.

#### **Recommendation 4.**

Where an Approved System Authority's (System's) funding arrangement includes sub-Systems, the System should make the sub-System components of its needs-based funding arrangements publicly available from a single point, describing the methodology and rationale of the sub-System component.

### **The Australian Government Department of Education should make information available on its website to support greater understanding of school funding arrangements**

As the vast majority of Australian Government funding is provided to schools through Systems, the Australian Government should provide information on its website to support public understanding of the requirement for Systems to have a needs-based funding arrangement that is compliant with subsection 78(5) of the Act, and include guidance as recommended by the Board. This will assist in improving public confidence in the distribution of significant Australian Government funding on behalf of taxpayers.

Currently, there is limited information about System arrangements on the Australian Government Department of Education's website. It would be helpful if the Department provided a list of Systems, and a link to each System's website where its current needs-based funding arrangement is published.

**Recommendation 5.**

The Australian Government Department of Education should provide on its website a:

- list of Approved System Authorities (Systems)
- statement advising whether all Systems have published their current needs-based arrangements
- link to each System's website where its needs-based arrangement is published.

# Chapter 3: Distribution of funding

Chapter 1 outlined the Board's objective to provide more clarity on transparency requirements. Chapter 2 described the Board's view on how transparency of needs-based funding *arrangements* can be improved through a level of standardisation of information about Systems' methods and rationales. This Chapter considers how publishing information about Systems' *distribution* of funding can support transparency of needs-based funding arrangements.

## 3.1 Publishing funding allocation and distribution information at the System level makes Systems' arrangements more transparent

**Current reporting on school funding allocation and distribution is fragmented and incomplete, making it difficult to see how needs-based funding arrangements translate to funding per student for an individual school**

Information about the allocation and distribution of school funding is available across a range of publicly available resources. They provide information about school funding at the national, sector or school level for different timeframes (some for financial years and others for calendar years), drawing from different datasets, and using different methodologies, see Exhibit 7.

For the most part, publicly available data is not comparable across reports about school funding allocations and distributions. At the aggregate level, the figures in different publications represent different inclusions and exclusions at both the school and System levels; and funding figures are not broken down by the base and loadings.

These resources have been designed at different times and for different purposes, but the difficulty of piecing together a coherent picture of school funding distributions is a barrier to transparency and accountability.

**Exhibit 7.** Publicly available reports on Australian school funding allocation and distribution are fragmented and inconsistent

Resource	Reporting level			Reporting period (year last available)		Source of funding			School sector		Financial information reported
	Sector	System	School	Calendar year	Financial year	Australian Government	States and Territories	Private	Government schools	Non-government schools	
Report on Government Services	✓				✓	✓ (2016–17)	✓		✓	✓	Recurrent expenditure
National Report on Schooling in Australia	✓			✓ School Income (2017)	✓ Govt expenditure (2016–17)	✓	✓		✓	✓	Recurrent funding
My School <sup>1</sup>			✓*	✓ (2017)		✓	✓	✓			Recurrent and capital expenditure
School Funding Estimator <sup>2</sup>			✓*		Forward estimates (2019–29)	✓			✓	**	Estimate of Australian Government contribution
Australian Government Department of Education Annual Report	✓				✓ (2018–19)	✓			✓	✓	All financial assistance provided
Australian Charities and Not-for-profits Commission <sup>3</sup>		✓		✓		✓	✓	✓		✓	Financial Reports and Annual Information Statements

Source: Developed by National School Resourcing Board.

Notes: <sup>1</sup> Australian Government funding figures are as distributed by Systems, not as calculated by the Australian Government. Also includes Australian Government funding from portfolios other than the Department of Education.

<sup>2</sup> Estimates Australian Government recurrent funding to government schools.

<sup>3</sup> Independent Schools Council of Australia, National Catholic Education Commission, Dioceses, non-government Approved Authorities and any school registered as a charity are required to report on their financial information to the Australian Charities and Not-for-profits Commission.

\*Also includes a per student figure for the school.

\*\*The Australian Government removed non-government schools from the estimator in 2019.

## **Systems report more detailed funding distribution information to the Australian Government Department of Education through the Block Allocation Report**

Supported by the *Australian Education Regulation 2013* (the Regulation), Australian Government recurrent funding must be spent or committed to be spent, by an Approved Authority for the purpose of providing school education at a school for which it is approved.<sup>20</sup> The Regulation (sections 35(1) and 36(1)) also requires each Approved Authority to report to the Australian Government Department of Education on the amount of Australian Government financial assistance it has provided at the school level. This information is collected for both government and non-government Systems through the Block Allocation Report. Systems are required to report the amount of Australian Government funding distributed to each member school by base and loadings, noting administrative costs and centralised expenditure.

The Board notes that the level of detail the Australian Government Department of Education requires Approved Authorities to provide through the Block Allocation Report is the same for both government and non-government Systems (at the school-level and disaggregated by base and loadings). This is required regardless of the proportion of funding the Australian Government allocates to a System, that is, 20 per cent of the SRS for government schools and 80 per cent for non-government schools.

While the Block Allocation Report data provides the most detailed information on Systems' distribution by base and loadings, information provided by Systems is not consistent and the level of detail varies. For example, the majority of State and Territory government Systems do not provide data at the individual school-level—data is generally provided at the System-level.

State and Territory Education Ministers have raised concerns with the Board that because the Australian Government's contribution to school funding is combined with State and Territory funding, it is not always possible to report the Australian Government's minority contribution at the school-level, by SRS base and loadings, as currently required by the Block Allocation Report. In addition, questions have been raised about how meaningful it is to report at the school-level (by SRS base and loading) for only 20 per cent of the funding contribution. In light of these concerns, the Australian Government should consider the appropriateness of current reporting requirements for Systems in which the Australian Government is the minority public funder.

### **Finding 6.**

The level of reporting by Approved System Authorities to the Australian Government Department of Education on the distribution of Australian Government funding is inconsistent.

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<sup>20</sup> *Australian Education Regulation 2013* (Cth), s. 29 (Austl.). Retrieved from <<https://www.legislation.gov.au/Details/F2019C00086>>.

### **Recommendation 6.**

Notwithstanding the current reporting requirements for all Approved Authorities, the Australian Government should consult with State and Territory governments to develop reporting requirements that:

- reflect the Australian Government's role as the minority public funder of government schools
- provide a sufficient level of assurance and accountability.

### **To support transparency of needs-based funding arrangements, the Australian Government should publish the information it collects from non-government Systems on the distribution of Australian Government recurrent funding**

As described above, non-government Systems are required to report (and do) to the Australian Government on the distribution of Australian Government funding at the school-level, by base and each loading, through Block Allocation Reports. The Australian Government should ensure that the non-government sector continues to report this distribution as currently required.

As recommended in Chapter 2, Systems should provide a methodology (including for base amount and loadings as described in subsection 78(5) of the Act) and a rationale for their publicly available needs-based funding arrangements. As the majority public funder of non-government schools, the Australian Government should make public the information it receives through Block Allocation Reports from non-government Systems at the System-level, see Exhibit 8.

This would not impose additional administrative burden on Systems or schools, as Systems already provide this information to the Australian Government.

For those Systems whose non-government needs-based funding arrangements include sub-Systems, both the System's distribution to each sub-System and the sub-Systems' distribution to schools should be published. For comparison, this information should be published against the Australian Government's allocation to the System (by base and loadings) as a whole.

**Exhibit 8.** Example of a non-government System-level funding distribution, provided through Block Allocation Reports, against Australian Government allocation



Source: Developed by the National School Resourcing Board.

**Recommendation 7.**

The Australian Government should use Block Allocation Report data to publish non-government Approved System Authorities’ (Systems’) distribution of Australian Government funding at the System- and sub-System level, against the Australian Government’s allocation to the System, by base and loadings.

# Chapter 4: Monitoring funding distribution is a key assurance activity and supports refinement over time

In response to the ANAO's and JCPAA's findings, the Australian Government Department of Education commissioned an overarching assurance framework for school funding. In its submission, the Australian Government Department of Education noted that:

*'The framework explains the connections between the department's various school funding assurance activities' (Australian Government Department of Education submission, p. 3).*

The school funding assurance framework is intended to include:

*'... provisions to ensure appropriate assurance and compliance controls are in place in respect of needs-based funding' (Australian Government Department of Education submission, p. 3).*

The Australian Government Department of Education further suggests that the outcomes from this review will inform those provisions. This Chapter considers approaches the Australian Government Department of Education could take to enhance its assurance activities and focus refinement effort.

## 4.1 Information from the Block Allocation Report can be used to support assurance of Systems' funding distribution against their needs-based funding arrangement

As some Systems use a mix of distribution methods (for example, a combination of formula funding and individual assessments of need as defined by the System) to determine a member school's funding, a straight calculation of what should be distributed to a school under a System's needs-based funding arrangement may not be possible.

Monitoring changes in System- and school-level distribution compared to previous years may be useful. It is not expected that System arrangements change significantly from year to year, so any changes in distribution may indicate the need for the Australian Government Department of Education to seek additional information about the specific arrangement in the context of subsection 78(5), noting that changes in distribution can result from government policy and service model changes. Monitoring such detail would need to take into account changes in the characteristics of member schools and any known changes to Systems' needs-based funding arrangements.

As the majority public funder of *non-government* schools, the Australian Government has a direct responsibility for the assurance of funding distribution to schools by those Systems. Assurance of Australian Government recurrent funding provided to this sector relies mostly on the activities undertaken by the Australian Government Department of Education.

### **Finding 7.**

The Australian Government has a direct responsibility for the assurance of *non-government* school funding.



### **Given the quantum of the funding, assurance of funding for government Systems is also important**

As noted, the Australian Government is the minority public funder of *government* schools, at 20 per cent of total public funding. State and Territory governments are the majority public funders for *government* schools. They also have responsibility beyond the funding of *government* schools. These responsibilities include providing all schools with approval to operate and quality assuring on curriculum and assessment. State and Territory governments have a range of assurance and public accountability mechanisms in place and are held accountable for their decisions to the community and to their respective parliaments, in the same way as the Australian Government.

Nevertheless, as the Australian Government currently provides approximately \$8 billion in funding to government schools per annum, it is important that it is assured that government Systems' needs-based funding arrangements meet the requirements of the Act. These assurance processes should be risk based, as described in the Australian Government Department of Education's Schools Funding Assurance Framework, and have regard to the quantum of funding provided to an entity.

#### **Finding 8.**

Given the quantum of funding, the Australian Government needs to gain assurance of needs-based funding arrangements of government systems.

State and Territory auditors-general are required to provide independent oversight and assurance to parliaments that public sector entities are providing services and using public money in accordance with the intended purposes. This level of oversight should include audits of State and Territory education departments relating to the distribution of Australian Government recurrent funding.

Given the funding of schools is a joint responsibility, it would be beneficial for the Australian Government Auditor-General to collaborate with State and Territory auditors-general to develop a consistent approach to the audit of Systems' arrangements, as well as any agreements between the Australian Government and State or Territory governments.

## **4.2 Monitoring funding distribution at the school level could provide valuable input to the Australian Government for the SRS and its potential refinement over time**

### **Financial Questionnaire data is more comparable than Block Allocation Report data to the publicly funded share of the SRS for a school**

There are limitations to the transparency value of Block Allocation Reporting, as it only relates to Australian Government recurrent funding and this represents approximately 20 per cent of total public funding in the government sector and approximately 80 per cent in the non-government sector. It does not, therefore, provide the complete total public funding picture.

In addition to the Block Allocation Report, *non-government* Systems are required to provide information on total public funding through the Financial Questionnaire (FQ). The FQ is an annual financial data collection of information including income, expenditure, assets and liabilities from all non-government Australian schools.

The FQ reporting is not broken down by base and loadings, but it does provide a total public funding distribution figure for each non-government school.

In summary, the Australian Government has information on:

- the SRS for each individual school under a System
- how much Australian Government recurrent funding is distributed to each individual school under a System by base and loadings (through the Block Allocation Report)
- how much public funding is distributed to a non-government school as a single figure (through the FQ).

The Australian Government Department of Education can use the information from the FQ to focus refinement effort. This is discussed further in the next section.

#### **Finding 9.**

The data provided by *non-government* Approved System Authorities (Systems) through the Financial Questionnaire provides a basis for comparison of total public funding distribution by the System with total public funding allocation.

#### **Identifying outliers**

Using FQ data, the Australian Government should identify instances where school-level total public funding distribution in a non-government System varies significantly from the publicly funded share of the SRS for the school. As noted previously, this would be the total public funding figure for the school (not broken down by base and loadings).

Identifying where there is significant variation between the publicly funded share of the SRS and total public funding distribution in individual schools (outliers) would provide an opportunity to investigate why, in order to understand the impact different distribution methods have on the funding a school receives. The purpose of such identification would not necessarily be to suggest or require any changes to the funding arrangements, but to understand the reason for material variations and provide a basis for refinement of Systems' arrangements and the SRS over time, where necessary.

Appropriate thresholds for significance and how they are applied within a System should be determined by the Australian Government Department of Education.

*'It is ultimately in the System's best interests that larger discrepancies be explained to better inform the Commonwealth's funding model' (Australian Association of Christian Schools submission, p. 3).*

To support public confidence that the Australian Government is monitoring Systems' funding distribution to schools, the Australian Government Department of Education should outline the process to identify outliers and report on its findings.

#### **Recommendation 8.**

The Australian Government should develop a methodology for identifying where a non-government Approved System Authority's distribution to a school varies significantly from the publicly funded share of the Schooling Resource Standard for the school, in order to focus refinement effort.

# Chapter 5: Future considerations

## **The publication of individual school total public funding allocations**

At the present time, estimates of the Australian Government funding allocations are only published for government schools. There are differing views on whether total public funding allocations should be published for government and non-government schools. Some of the arguments for and against this are set out in Exhibit 10.

## **Intergovernmental agreements on levels of school funding mean the total public funding available to most Systems for distribution is less than 100 per cent of the SRS**

The SRS is the method for calculating total public funding for schooling throughout Australia. Schools and Systems currently attracting less than the consistent Australian Government share of their SRS will move to the consistent share by 2023. Schools and Systems that are currently funded above the consistent Australian Government shares will transition to the consistent share by 2029. State and Territory government minimum funding shares from 2018 to 2023 are outlined in bilateral agreements between the Australian Government and each State and Territory government under the National School Reform Agreement, see Exhibit 9.

These agreements impact on the value of comparing SRS amounts for schools and Systems' distribution to schools because, in some cases, Systems do not receive the full SRS amount to distribute. If school-level SRS amounts were to be reported publicly, this caveat would need to be clear.

## **State funding arrangements for non-government schools can impact on the extent to which total public funding flowing to non-government schools reflects non-government Systems' arrangements**

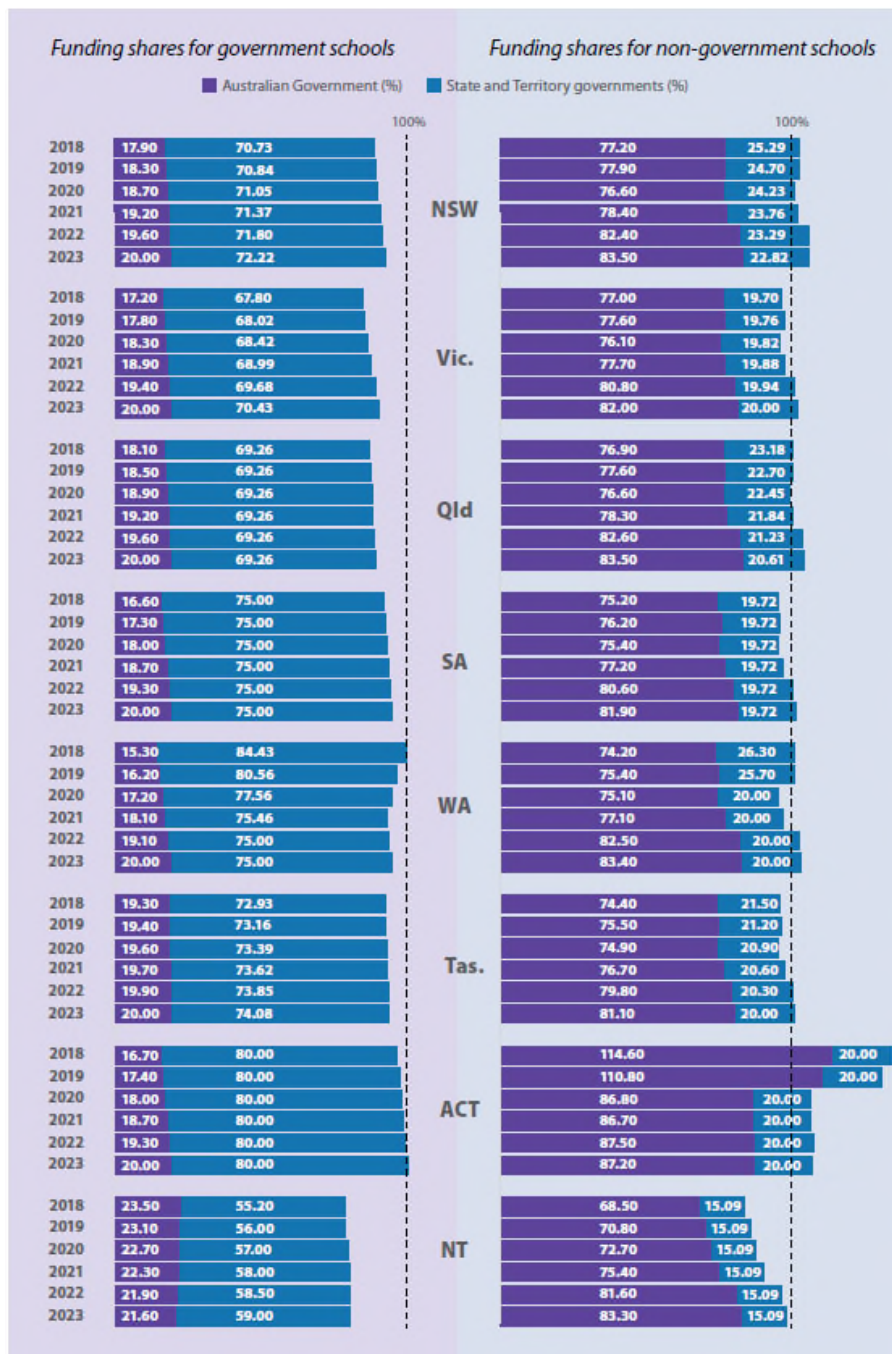
The Board notes that some State and Territory governments do not provide non-government Systems with flexibility to distribute school funding according to their own needs-based funding arrangements. Further, there are no requirements placed on States and Territories to distribute their proportion of total public funding to non-government schools in line with the SRS methodology. As a result, some Systems can have two different funding arrangements for their schools: one for the Australian Government allocation and one for the State or Territory government allocation. The allocation provided for a school by a State or Territory government may have an impact on the comparability of a System's distribution with the SRS amount.

The flexibility the Australian Government provides to Systems is not intended to result in the proliferation of funding arrangements. Administratively, it is a significant burden to have to run two separate processes for a single activity (in this case, distributing public funding to schools). The submission from the NSW Department of Education noted that:

*'...NSW also funds non-government school systems in alignment with the Commonwealth by allocating its funding share to the System authority, and allowing the authority to distribute the funds in accordance with its own needs-based methodology' (New South Wales Department of Education submission, p. 6).*

The Board understands that work is underway between the NSW Government and the Australian Government to enhance the harmonisation of non-government funding and compliance arrangements for non-government Systems to reduce the administrative burden on non-government schools.

**Exhibit 9.** State and Territory governments and the Australian Government are moving to consistent shares of the SRS over time, but the SRS will not be fully funded for over a decade\*



Source: Developed by the National School Resourcing Board based on minimum funding contributions outlined in bilateral agreements under the National School Reform Agreement

Notes: NSW, Qld, Vic. and Tas. have committed to reach 75 per cent for the government sector beyond 2023. NSW and Tas. will reach 75 per cent in 2027, Vic. will reach 75 per cent in 2028 and Qld in 2032. Shares agreed for the ACT represent minimum required contributions under the Act and include an anticipated increase in the value of the ACT’s SRS resulting from new Capacity-to-Contribute arrangements. Further, the ACT’s bilateral agreement includes a table of intended shares, which show a transition to 20 per cent in 2023. SA has indicated an intention to fund non-government schools above the minimum funding contribution until 2023.

\*The State and Territory shares for government and non-government schools after 2023 are outlined in subsection 22A(4) of the Act.

### **It is not practicable to move to publishing school-level total public funding allocation or SRS amounts in the short term**

Given the joint funding roles of the Australian Government and State and Territory governments for schooling, any moves to improve reporting on total public funding at a school-level would need to be driven by Education Ministers collectively.

The Board believes that achieving public transparency in needs-based funding arrangements, combined with the reporting of funding distribution at a System-level, should both satisfy accountability requirements and enable the refinement of needs-based funding arrangements over time.

In theory, this could be accelerated by making total public funding allocations and distributions at a school-level publicly available, but as some Systems have argued, doing so in the absence of detailed contextual explanation could lead to confusion and misapprehension amongst stakeholders. The Board does not underestimate this challenge and recognises the potential inconsistency between accepting subsidiarity on the one hand and inferring a requirement to adhere to the SRS funding formula on the other.

The Board has concluded that the question of making school-level allocation and distribution information publicly available should be deferred until the results of the implementation of the other recommendations in this report have been assessed as to whether they have achieved satisfactory transparency.

#### **Recommendation 9.**

Following the implementation of Recommendations 1-8 and an appropriate settling-in period, the Australian Government should determine whether there is a need for additional transparency of funding allocation and distribution, broken down by base and loadings, at a school level.

#### **Recommendation 10.**

If additional transparency is required, Education Council should consider how such information could be made available with sufficient context to avoid misunderstandings and misapprehensions whilst reflecting the acceptance of the principles of subsidiarity.

**Exhibit 10.** The advantages and disadvantages of making school-level total public funding allocations publicly available\*

Advantages	Disadvantages
<p>If an interested party knows the characteristics of a school, and the respective shares for that state and sector, the allocations can be derived from the <i>Australian Education Act 2013</i>.**</p>	<p>This data would not be comparable to financial school-level information available on My School.</p> <ul style="list-style-type: none"> <li>• My School includes other public funding sources as part of reporting on recurrent funding.</li> <li>• My School does not publish financial information by SRS base and loadings.</li> </ul>
<p>Publishing this information would enable interested parties to compare the impact different methodologies have on the funding schools receive.</p>	
<p>Publication would bring about consistency in the release of data across all sectors, noting that currently only the Australian Government allocation for government schools is available.</p>	<p>Publication may raise an incorrect expectation by schools and the community that a System's distribution to a school will match the school's total public funding allocation.</p>
<p>Systems would need to justify their methodologies and decisions and any variation from the publicly funded share of the SRS. This would demonstrate the value of subsidiarity, where the most decentralised competent authority is understood to be best placed to make decisions.</p>	<p>Schools and communities may place pressure on Systems to align their arrangements with the SRS. This has the potential to increase administrative burden for Systems to explain any difference in funding to schools and for schools to explain any difference in funding to parents.</p> <p>A simplistic comparison could ignore the benefits received by schools within a System including, for example, the provision of central support resources.</p>
<p>Publication would allow comparability with the 10 per cent of schools which are not part of a System, where public funding allocations are transparent to a school community.</p>	

Source: Developed by the National School Resourcing Board.

Notes: \*In a given year, the published allocation for a school would be for the previous year based on the counts of students from the previous year's School Census.  
 \*\* All school characteristic data according to base and loadings is available on My School except for students with disability.

# Appendix A—Terms of reference

The Australian Government through its *Quality Schools* reforms is committed to Commonwealth schools funding that is needs-based, transparent and equitable so students with the same need in the same sector will attract the same level of support from the Commonwealth.

Constitutional responsibility for school education lies with states and territories and each state has in place its own regulatory frameworks to maximise students' educational outcomes. The Australian Government is responsible for providing national leadership across important policy areas, and is working with states and territories towards the common aspiration that every child has a quality education.

## Needs-based funding requirements

From 1 January 2018, subsection 78(3) of the *Australian Education Act 2013* (the Act) requires approved system authorities to distribute all Australian Government recurrent funding in accordance with a needs-based funding arrangement that is compliant with subsection 78(5) of the Act. This approach recognises that approved system authorities are best placed to understand the individual needs of their schools and students.

Subsection 78(5) stipulates an approved system authority's needs-based funding arrangement must:

- provide an amount per student that:
  - represents the recurrent resources required to support a student with minimal educational disadvantage to achieve expected educational outcomes
  - takes account of efficiencies that can be realised while improving educational outcomes
- provide loadings to students and schools with additional needs in order to support student achievement, including loadings for:
  - students with disability, Aboriginal and Torres Strait Islander students, students with socio-educational disadvantage, students who have low English proficiency
  - schools based on location and size
- be publicly available and transparent.

The needs-based arrangement for the distribution of Commonwealth recurrent funding is likely to form part of a wider arrangement which takes account of other funding from Commonwealth, state, or private sources. A needs-based funding arrangement is not required to mirror the Schooling Resource Standard (including consideration of capacity to contribute) applied by the Australian Government but must comply with subsection 78(5).

The Australian National Audit Office's (ANAO) report on *Monitoring the Impact of Australian Government School Funding*, tabled in Parliament on 6 December 2017, made a number of recommendations aimed at strengthening accountability arrangements, increasing transparency, improving monitoring, and making greater use of available data related to Australian Government school funding. The Joint Committee of Public Accounts and Audit's *Report 476: Australian Government Funding*, tabled in Parliament on 14 February 2019, also included recommendations on monitoring the impact of Australian Government School Funding.

In response to the ANAO report, the Australian Government Department of Education and Training (the department), undertook to improve its risk-based approach to monitoring compliance and

increasing transparency of funding allocations. During 2018, the department has engaged with the sector to obtain approved system authorities' current needs-based funding arrangements, and requested additional information on their operation where it was unclear how they met one or more of the criteria in subsection 78(5).

### **Scope**

In the context of the ANAO's recommendations and the department's ongoing response, prior to the Board undertaking a review of approved system authorities' compliance with funding requirements per section 128 of the Act, the Board will consult with the sector to:

- support the development of a shared understanding of the legislative requirements placed on approved system authorities to distribute all Australian Government recurrent funding and to have a needs-based funding arrangement
- identify and make recommendations on:
  - additional guidance required from the Commonwealth to support compliance by approved system authorities with the legislative requirement to have a needs-based funding arrangement
  - future actions by the department and approved system authorities that would support a comprehensive assessment in a subsequent compliance review of needs-based funding arrangements.

In doing so, the Board will consider:

- the requirements of the Act, the National School Reform Agreement and associated Bilateral Reform Agreements
- compliance activities undertaken by the department
- the current needs-based funding arrangements and processes of approved system authorities
- local contextual factors that inform the funding allocation approaches taken by approved system authorities.

This review will inform a subsequent review of approved system authorities' compliance with subsection 78(5) of the Act (needs-based funding arrangements). The Board will not provide any commentary nor make any findings on compliance by approved system authorities in this review.

### **Consultation**

The Board will consult with the Commonwealth and approved system authorities as well as the Education Council. The Board may also consult with other parties as required. The Board will consult on funding allocation processes and other mechanisms approved system authorities have in place to meet the requirements of the Act.

To the extent possible, the Board will use existing reporting and data sources, to minimise the reporting burden on approved system authorities.

### **Timing**

The Board will provide its final report to the Australian Government Minister for Education by October 2019.

The Minister will invite the Chair of Board to present the final report to the Education Council.



# Appendix B—Review process

On 4 April 2019, the Hon Dan Tehan, Minister for Education, commissioned the terms of reference for a review of needs-based funding requirements. The Review would support the development of a shared understanding with the sector on the legislative requirements placed on Approved System Authorities (Systems) under subsection 78(5) of the *Australian Education Act 2013*.

On 29 May 2019, the Chair of the National School Resourcing Board (the Board) invited public submissions to inform the Board’s consideration of the Review. Public submissions (Appendix D) were invited to be lodged by 28 June 2019. The submission process was opened to all interested parties and sought comments on the current legislative requirements for Systems. An Issues Paper was released to inform submissions, available at <https://www.education.gov.au/review-needs-based-funding-requirements>.

The Board undertook targeted consultations with key stakeholders from each State and Territory, including Education Ministers, all 28 Systems, the Independent Schools Council of Australia, the National Catholic Education Commission, Lutheran Education Australia and the Australian Government Department of Education. The Board considered the full range of experiences, ideas and insights put forward by stakeholders through the submissions and consultations, as well as contextual factors.

## **Board members**

Mr Michael Chaney AO, Chair

Emeritus Professor Denise Bradley AC, Deputy Chair

Professor Natalie Brown

Professor Greg Craven AO

Mr William (Bill) Daniels AM

Professor Stephen Lamb

Professor Ken Smith

Dr Alison Taylor

## **Review Sub-committee**

The Board established a Sub-committee of its members chaired by Professor Natalie Brown and supported by Dr Alison Taylor and Mr Bill Daniels AM.

## **Secretariat**

A Secretariat from the Australian Government Department of Education supported the Board in the conduct of its business and the review process. The Secretariat operated independently of the Australian Government Department of Education and reported directly to the Chair.

Ms Quyen Tran, Branch Manager

Mr Damian Prendergast, Assistant Director

Mr Liam Smyth, Director

Ms Paige Eriksson, Policy Officer

Ms Sandra Chamberlain, Assistant Director

Ms Leah McCourt, Policy Officer

Ms Aysha Osborne, Assistant Director

Ms Fiona Ngai, Policy Officer

Ms Anne Perusco, Assistant Director

Ms Megan Wallace, Policy Officer

# Appendix C—Targeted consultation meetings

The Board undertook targeted consultations with all Approved System Authorities (Systems), peak bodies and the Australian Government Department of Education. The Australian Government Department of Education provided the Board with a list of Systems which formed the basis for consultations.

## *Targeted consultations*

ACT Education Directorate

Albury-Wodonga Community College

Australian Government Department of Education

Catholic Education Archdiocese of Canberra and Goulburn

Catholic Education Commission of Victoria

Catholic Education Northern Territory

Catholic Education South Australia

Catholic Education Tasmania

Catholic Education Western Australia

Catholic Schools New South Wales

Department of Education—New South Wales

Department of Education and Training—Victoria

Department of Education—Northern Territory

Department of Education—Queensland

Department for Education—South Australia

Department of Education—Tasmania

Department of Education—Western Australia

Independent Schools Council of Australia

Lutheran Education Australia

Lutheran Education Queensland

## *Targeted consultations*

Lutheran Education South Australia, Northern Territory and Western Australia

Lutheran Education Victoria, New South Wales and Tasmania

National Catholic Education Commission

NT Christian Schools

Queensland Anglican Schools Commission

Queensland Catholic Education Commission

Seventh-Day Adventists Greater Sydney

Seventh-Day Adventists South Australia

Seventh-Day Adventists South Queensland

Victorian Ecumenical System of Schools Ltd.

Western Australian Anglican Schools Commission

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## Appendix D—Public submissions

The Board received a total of 17 submissions in response to its Issues Paper. Authors who specifically requested that their submission remain confidential are not included in this list.

### *List of public submissions*

Albury-Wodonga Community College

Australian Association of Christian Schools

Australian Government Department of Education

Catholic Education Tasmania

Catholic Education Western Australia

Department of Education and Training—Victoria

Department of Education—New South Wales

Department of Education—Queensland

Department of Education—Tasmania

Department of Education—Western Australia

Independent Schools Council of Australia

National Catholic Education Commission

Queensland Catholic Education Commission

The Centre for Independent Studies

Victorian Ecumenical System of Schools Ltd.

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# Appendix E—Approved System Authorities

Table 1: Catholic sector

Name of Approved System Authority	Publication of funding needs-based funding arrangements
<b>Catholic sector</b>	
<b>Catholic Education Archdiocese of Canberra and Goulburn (CECG)</b>	Detail of the System’s arrangement is available on its website at <a href="https://cg.catholic.edu.au/">https://cg.catholic.edu.au/</a>
<b>Catholic Schools NSW</b>	Detail of the System’s arrangement is available on its website at <a href="https://www.csnsw.catholic.edu.au/">https://www.csnsw.catholic.edu.au/</a>  <i>Funding arrangements for NSW schools managed by CECG are available on its website.</i>
<b>Catholic Education Commission Victoria</b>	Detail of the System’s arrangement is available on its website at <a href="http://www.cecv.catholic.edu.au/">http://www.cecv.catholic.edu.au/</a>
<b>Catholic Education Northern Territory</b>	Detail of the System’s arrangement is not available on its website at <a href="https://www.ceont.catholic.edu.au/">https://www.ceont.catholic.edu.au/</a>
<b>Catholic Education South Australia</b>	Detail of the System’s arrangement is available on its website at <a href="http://www.cesa.catholic.edu.au/">http://www.cesa.catholic.edu.au/</a>
<b>Catholic Education Tasmania</b>	Details of the System’s Direct Funding Schools Funding Model and Shared Funded Schools Funding Model are available on its website at <a href="https://catholic.tas.edu.au/">https://catholic.tas.edu.au/</a>
<b>Catholic Education Western Australia</b>	Detail of the System’s Funding Allocation Model is available on its website at <a href="https://www.cewa.edu.au/">https://www.cewa.edu.au/</a>
<b>Queensland Catholic Education Commission</b>	Detail of the System’s Group Funding arrangement is available on its website at <a href="https://qcec.catholic.edu.au/">https://qcec.catholic.edu.au/</a>  <i>In addition, each Dioceses provides information on funding distribution</i>  - Brisbane Catholic Education’s arrangement is on its website at <a href="https://www.bne.catholic.edu.au/Pages/default.aspx">https://www.bne.catholic.edu.au/Pages/default.aspx</a>  - Catholic Education Diocese of Cairns’ arrangement is on its website at <a href="https://www.cns.catholic.edu.au/">https://www.cns.catholic.edu.au/</a>  - Catholic Education Diocese of Rockhampton’s arrangement is on its website at <a href="https://www.rok.catholic.edu.au/">https://www.rok.catholic.edu.au/</a>  - Diocese of Toowoomba Catholic Schools’ arrangement is available on its website at <a href="https://www.twb.catholic.edu.au/">https://www.twb.catholic.edu.au/</a>

- Townsville Catholic Schools' arrangement is available on its website at <https://www.tsv.catholic.edu.au/>

**Table 2: Government and Independent sectors**

<i>Name of Approved System Authority</i>	<i>Publication of funding needs-based funding arrangements</i>
<b>Government sector</b>	
<b>ACT Education Directorate</b>	Detail of the Student Resource Allocation is available on the Directorate's website at <a href="https://www.education.act.gov.au/">https://www.education.act.gov.au/</a>
<b>Department of Education and Training—Victoria</b>	Detail of the System's Student Resource Package is available on the Department's website at <a href="https://www.education.vic.gov.au/Pages/default.aspx">https://www.education.vic.gov.au/Pages/default.aspx</a>
<b>Department of Education—New South Wales</b>	Detail of the System's Resource Allocation Model is available on the Departments website at <a href="https://education.nsw.gov.au/">https://education.nsw.gov.au/</a>
<b>Department of Education—Northern Territory</b>	Detail of the System's School Resourcing Model is available on the Department's website at <a href="https://education.nt.gov.au/">https://education.nt.gov.au/</a>
<b>Department of Education—Queensland</b>	Detail of the System's core funding and targeted funding programs are available on the Department's website at <a href="https://education.qld.gov.au/">https://education.qld.gov.au/</a>
<b>Department of Education—South Australia</b>	Detail of the System's Resources Entitlement Statement is available on the Department's website at <a href="https://www.education.sa.gov.au/">https://www.education.sa.gov.au/</a>
<b>Department of Education—Tasmania</b>	Detail of the System's arrangement is not available on the Departments website at <a href="https://www.education.tas.gov.au/">https://www.education.tas.gov.au/</a>  <i>Detail of the Fairer Funding Model can only be assessable via a secure site.</i>
<b>Department of Education—Western Australia</b>	Detail of the System's arrangement is available on the Departments website at <a href="https://www.education.wa.edu.au/">https://www.education.wa.edu.au/</a>  <i>Available within the Report on the Evaluation of the Student-Centred Funding Model</i>
<b>Independent sector</b>	
<b>Albury—Wodonga Community College</b>	Detail of the System's arrangement is available on its website at <a href="https://www.indieschool.edu.au/">https://www.indieschool.edu.au/</a>
<b>Lutheran Education Queensland</b>	Detail of the System's arrangement is available on its website at <a href="https://leq.lutheran.edu.au/">https://leq.lutheran.edu.au/</a>
<b>Lutheran Education SA, NT and WA</b>	Detail of the System's arrangement is available on its website at <a href="https://www.lesnw.edu.au/">https://www.lesnw.edu.au/</a>
<b>Lutheran Education Vic., NSW and Tas.</b>	Detail of the System's arrangement is available on its website at <a href="https://www.levnt.edu.au/">https://www.levnt.edu.au/</a>

<b>NT Christian Schools</b>	Detail of the System's arrangement is available on its website at <a href="http://www.ntchristianschools.com.au/">http://www.ntchristianschools.com.au/</a>
<b>North New South Wales Adventist Education</b>	Detail of the System's arrangement is available on its website at <a href="http://www.nsw.adventist.edu.au/">http://www.nsw.adventist.edu.au/</a>
<b>Queensland Anglican Schools Commission</b>	Detail of the System's arrangement is available on its website at <a href="https://www.ascqld.org/">https://www.ascqld.org/</a>
<b>Seventh-Day Adventist Greater Sydney</b>	Detail of the System's arrangement is not available on its website at <a href="https://sydney.adventist.org.au/education/about-the-system/">https://sydney.adventist.org.au/education/about-the-system/</a> . <i>The arrangement is available on each school's website.</i>
<b>Seventh-Day Adventist South Australia</b>	Detail of the System's arrangement is not available on its website at <a href="https://www.adventist.edu.au/">https://www.adventist.edu.au/</a> . <i>The arrangement is available on each school's website.</i>
<b>Seventh-Day Adventist South Queensland</b>	Details of the System's arrangement is available on its website at <a href="http://sq.adventist.org.au/">http://sq.adventist.org.au/</a>
<b>Victorian Ecumenical System of Schools Ltd.</b>	Details of the System's arrangement is available on its website at <a href="https://www.ecumenicalschoools.com.au/">https://www.ecumenicalschoools.com.au/</a>
<b>Western Australia Anglican Schools Commission</b>	Detail of the System's arrangement is available on its website at <a href="https://www.asc.wa.edu.au/funding.html">https://www.asc.wa.edu.au/funding.html</a>

# Appendix F—References

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Australian Government  
Department of Education,  
Skills and Employment

# The National School Resourcing Board's Review of Needs-Based Funding Requirements

Australian Government Response





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## Summary

The Australian Government welcomes the National School Resourcing Board's (the Board) Review of Needs-based Funding Requirements (the Review). The Board made ten recommendations that the Government agrees with. The Government intends to respond and implement these recommendations through a three phased approach.

The three phases are as follows:

**Phase one [Recommendations 1 – 5]:** will focus on working with stakeholders to develop a shared understanding of needs-based funding through guidance. This phase will commence in mid-2020 and expected to be concluded by the end of 2020.

**Phase two [Recommendations 6 – 8]:** will focus on data collection and reporting arrangements for needs-based funding. Phase two will commence after the shared understanding has been developed in phase one.

**Phase three [Recommendations 9 and 10]:** will explore additional transparency requirements once appropriate time has passed for needs-based funding arrangements to be settled. Implementation timing and arrangements for phase three will be determined in consultation with state and territory education Ministers.

The Government considers this approach provides an appropriate balance between guidance, transparency, accountability, and administrative reporting for the record and growing levels of Australian Government needs-based funding arrangements for schools, so that principals and teachers can focus on teaching to deliver improved student outcomes.

The Government's response to the Board's recommendations also builds on the measures the Department of Education, Skills and Employment has already implemented in response to the Australian National Audit Office (ANAO) report, *Monitoring the Impact of Australian Government School Funding*, and the related Joint Committee on Parliamentary Accounts and Audit (JCPAA) recommendations regarding increased assurance, compliance and transparency of Australian Government funding. The measures will address the concerns of the sector by providing guidance in order for Approved System Authorities (Systems) to comply with the legislative requirements for needs-based funding, including reporting, under the Act and Regulations.

The Government will work collaboratively with the non-government schooling sector and state and territory governments to implement the recommendations in the Board's Review and promote increased accountability and transparency for the results schools achieve with the public funding they receive, as affirmed in the December 2019 Alice Springs (Mparntwe) Education Declaration.

The Government will also continue to work with stakeholders to build the capacity of the government and non-government schooling sectors to comply with legislative requirements and identify administrative efficiencies.

The Government would like to thank all those who contributed to the Review, with particular thanks to the Board Chair, Mr Michael Chaney AO and the Board members, Emeritus Professor Denise Bradley AC, Professor Natalie Brown, Professor Greg Craven AO, Mr William (Bill) Daniels AM, Professor Stephen Lamb, Professor Ken Smith and Dr Alison Taylor, for their important report.



## Summary of Recommendations and Australian Government Response

The Government intends to respond to the Board's ten recommendations in three high level phases. The Government will work closely with stakeholders during the phases with Recommendations 1 - 5 being addressed in phase one commencing in mid-2020, Recommendations 6 - 8 being considered in phase two and Recommendations 9 and 10 being considered in phase three.

### Phase One: Development of Guidelines

Recommendations 1 - 5 broadly focussed on the Government developing guidance on needs-based funding arrangements, including the content, public availability and transparency of such documents. The recommendations considered greater transparency of the methodology and rationale for needs-based funding including base and loading amounts and that these components are to be made publicly available.

#### Response

The Government agrees with recommendations 1 - 5.

The response to these recommendations will commence in 2020 as part of phase one, with stakeholder consultation to develop a shared understanding of legislative requirements for the reporting of System's needs-based funding arrangements a critical component. This consultation will build on the department's assessment of needs-based funding arrangements that occurred in 2018.

Following the completion of this consultation, guidance will be developed that supports compliance by Systems for their own needs-based funding arrangements against legislative requirements. This targeted guidance will provide appropriate transparency and accountability of recurrent funding in schools as intended by the Act and Regulations.


### Phase Two: Transparency and Reporting

Recommendations 6 - 8 proposed that the Government use Block Allocation Report data to publish non-government Systems' distribution of Australian Government funding at the System and sub-System level, against the Government's allocation to the System by base and loadings. Further, the Board recommended that the Government develop a methodology for identifying where a non-government System's distribution to a school varies significantly from the publicly funded share of the Schooling Resource Standard for the school.

#### Response

The Government agrees with recommendations 6 - 8.

The Government will commence activity in response to this recommendation after the completion of phase one and the establishment of shared understanding and guidance for needs-based funding. It would be premature to commence these recommendations without a shared foundation of understanding as it may result in inconsistencies or differences in approaches by Systems depending on their own interpretation of needs-based funding arrangements.



Phase two will include the analysis of existing data sets to determine their ongoing suitability for the public reporting of Systems' needs-based funding arrangements within the department's broader Assurance Framework. The Government will work collaboratively with state and territory education Ministers to progress to changes to data sets if required.

Following the development of options for the publication of needs-based funding at the System and school level, state and territory education Ministers will be in a position to consider how information on distribution and allocation of total public funding to schools (broken down by base and loading amounts) is made publicly available.

### Phase Three: Transparency of Funding at the School Level

Recommendations 9 and 10 relate to consideration of any additional transparency of funding allocation and distribution, broken down by base and loadings, at a school level that may be warranted above that implemented in recommendations 6 - 8.

The Board recommended that following the implementation of Recommendations 1 - 8, and an appropriate settling-in period, the Australian Government, in consultation with states and territories, should consider whether there is a need for additional transparency.

#### Response

The Government agrees with these recommendations.

Further consideration of additional transparency will occur after phases one and two have been completed and sufficient time has passed for processes to be embedded and robust data sets available for consideration.

The Government will progress a response to these recommendations in consultation with state and territory education Ministers.

### Building on Current Assurance Arrangements

The Government is confident that a phased approach to implementing these measures will provide an appropriate response to the Board's recommendations and will address concerns raised by the sector about the guidance and reporting of needs-based funding.

The Government's response builds on the measures the department has already implemented in response to the ANAO and JCPAA recommendations regarding increased assurance, compliance and transparency of Australian Government funding. The Government's approach will work in collaboration with the government and non-government schooling sectors by providing targeted guidance in order for Systems to comply with the legislative requirements for needs-based funding arrangements, including reporting, under the Act and Regulations.



## Conclusion

The Government welcomes the National School Resourcing Board's report on the Review of Needs-based Funding Requirements and agrees with all recommendations.

The Government's response to the Board's Review is consistent with the intentions of the 2019 Alice Springs (Mparntewe) Declaration in that it commits to work in collaboration with stakeholders to promote increased guidance, accountability and transparency and to ensure that funding is provided to those students who need it most.

The Government looks forward to working closely with stakeholders to implement the new arrangements that will enhance the Commonwealth's existing needs-based funding for schools and ensure funding supports those students who need it the most.

## Attachment A

### National School Resourcing Board recommendations

#### **Recommendation 1**

Guidance from the Australian Government should focus on defining public availability and clarifying its expectations for transparency of needs-based funding arrangements.

#### **Recommendation 2**

Needs-based funding arrangements should be available online on the Approved System Authority's website – be open and accessible by key stakeholders and the wider community – and available as a hard copy on request.

#### **Recommendation 3**

The Australian Government should provide Approved System Authorities with guidance that standardises the minimum level of information required in a needs-based funding arrangement. This should include the:

- Methodology for the arrangement (base and loading amounts, according to subsection 78(5) of the Australian Education Act 2013)
- Rationale for the methodology

This guidance should be developed in consultation with the sector.

#### **Recommendation 4**

Where an Approved System Authority's (System's) funding arrangement includes sub-Systems, the System should make the sub-System components of its needs-based funding arrangements publicly available from a single point, describing the methodology and rationale of the sub-System component.

#### **Recommendation 5**

The Australian Government Department of Education should provide on its website at:

- List of Approved System Authorities (Systems)
- Statement advising whether all Systems have published their current needs-based arrangements.
- Link to each System's website where its needs-based arrangement is published.

#### **Recommendation 6**

Notwithstanding the current reporting requirements for all Approved Authorities, the Australian Government should consult with State and Territory governments to develop reporting requirements that:

- Reflect the Australian Government's role as the minority public funder of government schools
- Provide a sufficient level of assurance and accountability.

#### **Recommendation 7**

The Australian government should use Block Allocation Report data to publish non-government Approved System Authorities' (Systems') distribution of Australian Government funding at the System and sub-System-level, against the Australian Government's allocation to the System by base and loadings.

#### **Recommendation 8**

The Australian Government should develop a methodology for identifying where a non-government Approved System Authority's distribution to a school varies significantly from the publicly funded share of the Schooling Resource Standard for the school, in order to focus refinement effort.

#### **Recommendation 9**

Following the implementation of Recommendations 1-8 and an appropriate settling-in period, the Australian Government should determine whether there is a need for additional transparency of funding allocation and distribution, broken down by base and loadings, at a school level.

#### **Recommendation 10**

If additional transparency is required, Education Council should consider how such information could be made available with sufficient context to avoid misunderstandings and misapprehensions whilst reflect the acceptance of the principles of subsidiarity.

