

# Greater Returns on Investment in Education

## Government Schools Funding Review

Final Report  
December 2015



**VICTORIA**  
State  
Government

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## Message from the Chair

The Victorian Government invited me to lead the Government Schools Funding Review. The Review was to examine future funding arrangements for schooling in Victoria for the period beyond 2017. I was asked to make recommendations to the Minister for Education about how to achieve a funding system which supports schools and promotes excellent educational outcomes for all Victorian government school students. In making recommendations, my instructions were to consider:



- how current levels of government school funding are allocated and used
- whether current levels of the Student Resource Package are calculated, constructed, and distributed in the most effective and efficient manner
- Commonwealth contributions to school funding in Victoria
- how to provide principals and school communities with clarity and transparency about school funding and how it is determined.

The Review took six months to complete. My team and I conducted over 100 meetings with stakeholders, researchers and interested parties, and received over 220 written submissions. Stakeholders were asked to comment on how well school funding works in Victoria, including how funding is allocated, how funding is used, and how funding decisions are made.

In September 2015 I released an interim report titled 'Emerging Issues and Ideas', summarising the feedback from stakeholders. While stakeholders had wide ranging views, common themes emerged:

- schools and the community want trust and confidence in the way that school funding is allocated in Victoria
- resources should be allocated to schools based on the educational needs of students to obtain a high quality education
- the intent of the Student Resource Package has broad support, but elements of the model need updating
- school funding is not sufficiently aligned with the diverse needs of all students, particularly the most disadvantaged
- schools and communities want to understand school funding better, and they want more transparency from Government about funding decisions and school budget allocations
- stakeholders want to know that school leaders are supported to use resources in the best possible ways to improve outcomes for children
- stakeholders want actors in the system to be accountable for resourcing decisions.

One theme above all others captured the views of stakeholders - the need for school funding to be seen as an investment by all Victorians in the future of our young people and for this investment to achieve the best possible returns in terms of outcomes for all students.

The Review sets out how this can be achieved through system and school level reform that relates to how school funding is allocated and used. The proposed reform program aims to focus resources where they will have the greatest positive impact on student outcomes, and strengthen capabilities for continuous improvement across the education system. By improving outcomes while demonstrating fairness, future investment in education should also improve efficiency and cost effectiveness in the use of public funds.

This report has three main parts.

- Part I provides a summary of the Review, including recommendations and findings.
- Part II describes school funding in Victoria, explores the link between funding and student outcomes, and assesses school funding in Victoria. It provides the rationale for the Review's findings.
- Part III describes the proposed integrated reform program to lift returns on investment in education. It provides the rationale for the Review's recommendations.

In my career I have been a school teacher, an education administrator, and a Premier committed to the power of school education to prepare young people for the future. In this regard, I share the passions of the many people that the Review has consulted over the past six months. I wish to thank them for their contribution to the Review and for their ongoing efforts for Victoria's young people.



The Hon Steve Bracks AC  
Chair  
Government Schools Funding Review

# Contents

Message from the Chair .....	i
Tables.....	vi
Figures.....	vii
Acronyms and abbreviations .....	ix

## Part I – Review Summary

<b>Greater returns on investment in education .....</b>	<b>3</b>
The Review’s key findings .....	4
The proposed way forward .....	6
<b>Recommendations .....</b>	<b>12</b>
<b>Findings.....</b>	<b>25</b>

## Part II – School Funding in Victoria

<b>1</b>	<b>Overview of Victoria’s school system .....</b>	<b>33</b>
1.1	Profile of students across sectors .....	35
1.2	The government schools system.....	38
1.3	Government school regions.....	39
<b>2</b>	<b>Victoria’s education performance .....</b>	<b>41</b>
2.1	Performance in Victorian schools .....	42
2.2	Performance across sectors.....	46
2.3	Students who are disadvantaged due to economic circumstances .....	48
2.4	Students in regional areas .....	50
2.5	Disengaged students .....	51
2.6	English as an additional language .....	52
2.7	Koorie students .....	53
2.8	Students with a disability .....	55
<b>3</b>	<b>Impact of school funding .....</b>	<b>56</b>
3.1	Funding allocation.....	57
3.2	Use of funding.....	58
3.3	Creating new opportunities.....	59
3.4	Complementary measures to lift the returns on school funding investment .....	59
<b>4</b>	<b>Review of school funding in Victoria.....</b>	<b>61</b>
4.1	Current context for school funding in Victoria .....	61
4.1.1	Intergovernmental arrangements .....	62
4.1.2	Funding models .....	67
4.1.3	Victorian government funding.....	68
4.1.4	Locally raised funds.....	71
4.1.5	The Student Resource Package (SRP) .....	74

<b>4.2</b>	<b>Funding governance</b> .....	<b>78</b>
4.2.1	The Department of Education and Training .....	78
4.2.2	Schools .....	82
4.2.3	School workforce .....	88
<b>4.3</b>	<b>Funding and decision making transparency</b> .....	<b>91</b>
<b>4.4</b>	<b>Targeting need</b> .....	<b>94</b>
4.4.1	Stages of learning .....	94
4.4.2	School site .....	95
4.4.3	Socioeconomic disadvantage .....	111
4.4.4	Vocational learning .....	117
4.4.5	English language needs .....	120
4.4.6	Closing the gap for Koorie students .....	123
4.4.7	Small schools and the enrolment linked base .....	127
4.4.8	Rural and regional schools .....	131
4.4.9	Students with a disability .....	132
4.4.10	Disengaged learners .....	137
4.4.11	Health and wellbeing .....	139
4.4.12	Underperforming students .....	142

## Part III – Proposed Reform Program

<b>5</b>	<b>Greater returns on investment in education</b> .....	<b>147</b>
<b>5.1</b>	<b>Education State and future funding reform</b> .....	<b>147</b>
<b>5.2</b>	<b>Reform gap</b> .....	<b>147</b>
5.2.1	Opportunity .....	147
5.2.2	Excellence .....	148
<b>5.3</b>	<b>Reform principles</b> .....	<b>150</b>
<b>5.4</b>	<b>Reform partners</b> .....	<b>151</b>
<b>5.5</b>	<b>Reform proposal</b> .....	<b>152</b>
<b>6</b>	<b>Proposed reform program</b> .....	<b>156</b>
<b>6.1</b>	<b>System goal</b> .....	<b>156</b>
6.1.1	One shared goal .....	156
<b>6.2</b>	<b>Funding architecture</b> .....	<b>157</b>
6.2.1	Clearly aligned federal settings .....	157
6.2.2	Strategic allocation of education resources .....	161
6.2.3	Effective use of locally raised funds .....	162
6.2.4	A fairer, more effective, more efficient allocation model .....	164
<b>6.3</b>	<b>Strategic governance</b> .....	<b>168</b>
6.3.1	Value of strategic collaboration .....	168
<b>6.4</b>	<b>Empowered regions, schools and principals: a productivity agenda</b> .....	<b>176</b>
6.4.1	Stronger capabilities in regions and local areas .....	176
6.4.2	Stronger capabilities in schools .....	176
6.4.3	High quality teaching and learning in the classroom .....	179
6.4.4	New roles for the Department of Education and Training .....	183
<b>6.5</b>	<b>Information quality and transparency – Openness as default</b> .....	<b>184</b>
6.5.1	DET funding transparency and improved communication .....	184
6.5.2	A new independent data authority – ‘Education Performance Monitor’ .....	185
6.5.3	Broad public reporting – ‘Education Performance Portal’ .....	187
6.5.4	Enhanced school decision making and performance .....	189

6.5.5	ICT architecture for transparency .....	191
6.5.6	Stronger accountability.....	193
<b>6.6</b>	<b>Meeting student needs .....</b>	<b>194</b>
6.6.1	Meeting the base level needs of students .....	194
6.6.2	Meeting school site needs for students.....	196
6.6.3	Meeting the needs of students who learn in rural and regional settings.....	208
6.6.4	Meeting the needs of students who learn in small schools.....	209
6.6.5	Meeting the needs of students who learn in applied settings .....	210
6.6.6	Meeting the needs of students who are disadvantaged because of economic circumstances.....	212
6.6.7	Meeting the needs of students with disabilities.....	213
6.6.8	Meeting the needs of students for whom English is an additional language .....	218
6.6.9	Meeting the needs of Indigenous students .....	222
6.6.10	Meeting the needs of students who require additional health and wellbeing support .....	226
6.6.11	Meeting the needs of disengaged students and early school leavers .....	229
6.6.12	Meeting the needs of students who have fallen behind .....	233
	<b>References.....</b>	<b>236</b>

## Tables

Table 1. Size of the Victorian school education system, 2015 .....	33
Table 2. Size of the Victorian school system – number of schools, 2015.....	33
Table 3. Number of teachers (including principals) in government schools by school type, March 2015 .....	38
Table 4. Average class sizes in government primary and secondary schools, 2011–2015.....	38
Table 5. Student population in Victorian government schools, 2014 .....	40
Table 6. Australian PISA results relative to other OECD countries, 2012 .....	45
Table 7. Purpose of funding models in the Australian schooling system .....	67
Table 8. Funding elements of the SRS, SRP and FAM.....	68
Table 9. Funds for government schools – school related funding, 2014-15 .....	69
Table 10. Locally raised funds by government schools, 2014-15 .....	72
Table 11. Case study of differences in locally raised funds within local communities, 2014 .....	73
Table 12. Annual SRP budget resource cycle.....	77
Table 13. Cleaning area entitlement (extract) – secondary schools, 2015.....	103
Table 14. SRP utilities funding by school type, 2015 .....	104
Table 15. Social disadvantage funding rates, 2016 .....	112
Table 16. Associations between student performance and indicators of disadvantage, 2015.....	114
Table 17. EAL funding rates, based on year level, time spent in an Australian school and SFO, 2015.....	120
Table 18. Students assessed against the EAL Developmental Continuum, 2011–2015 .....	122
Table 19. Achievement gap in NAPLAN between Indigenous and non Indigenous students, 2008–2012.....	124
Table 20. Funding for Koorie related programs, 2014-15 .....	125
Table 21. Number of schools by type and enrolment band, 2015 .....	127
Table 22. Health and wellbeing workforces funded by DET, 2015.....	140
Table 23. Breakdown of SSS funding by region (\$ millions) .....	141
Table 24. Percentage of funded students with a disability in government schools.....	214
Table 25. Inter-jurisdictional approaches to fund students with low to moderate needs.....	216
Table 26. Impact of reducing current thresholds in the SRP funding formula .....	221
Table 27. Current funding approach of the EYKLN.....	222
Table 28. Inter-jurisdictional comparisons of the structure of loadings for Indigeneity.....	223
Table 29. Number of ATSI enrolments by concentration of ATSI students in schools .....	224
Table 30. Impact of a loading for all Koorie students based on a per student rate .....	225
Table 31. Summary of key datasets on early years development.....	234
Table 32. Factors that impact on a student’s educational trajectory.....	234



## Figures

Figure 1. Proposed reform program .....	6
Figure 2. Revised funding architecture .....	8
Figure 3. Victorian enrolment growth by sector, 1990–2020 .....	34
Figure 4. Average growth in student enrolments by sector, 2004–2015 .....	35
Figure 5. Distribution of students across sectors by parental occupation, Years 3 and 5, 2015 .....	36
Figure 6. Distribution of students across sectors by parental education, Years 3 and 5, 2015 .....	36
Figure 7. Distribution of students across sectors by parental occupation, Years 7 and 9, 2015 .....	37
Figure 8. Distribution of students across sectors by parental education, Years 7 and 9, 2015 .....	37
Figure 9. Government schools and student numbers by Victorian region, 2015 .....	39
Figure 10. Victorian NAPLAN results, 2015 .....	43
Figure 11. Per cent of 20–24 year olds who have attained Year 12 or equivalent, 2005–2014 .....	43
Figure 12. Post school destinations as reported by the 2014 <i>OnTrack</i> survey, 2014 .....	44
Figure 13. Proportion of students in government schools below national minimum standard, 2015 .....	45
Figure 14. NAPLAN reading scores across sectors, 2015 .....	46
Figure 15. NAPLAN numeracy scores across sectors, 2015 .....	46
Figure 16. Year 3 NAPLAN reading by parental occupation, 2015 .....	47
Figure 17. Year 9 NAPLAN reading by parental occupation, 2015 .....	48
Figure 18. Year 3 NAPLAN Reading mean scale score by Student Family Occupation and Education, 2015 .....	49
Figure 19. Year 9 NAPLAN Reading mean scale score by Student Family Occupation and Education, 2015 .....	49
Figure 20. Year 3 NAPLAN Reading mean scale score (unadjusted and adjusted), 2015 .....	50
Figure 21. Year 7 2015, NAPLAN Reading mean scale score (unadjusted and adjusted), 2015 .....	50
Figure 22. School attendance rates by ICSEA quintile, 2013 .....	52
Figure 23. Relative disadvantage between LBOTE student cohorts, 2009 .....	53
Figure 24. NAPLAN results for Indigenous and non Indigenous students in government schools, 2015 .....	54
Figure 25. Real SRP funding growth per student, 2005–2015 .....	56
Figure 26. Funding flows from source to student, 2013 .....	61
Figure 27. Sources of recurrent funding per student by sector, 2013 .....	62
Figure 28. Interaction between public funders, funding models and sectors .....	63
Figure 29. Total public funding to Victorian schools as a percentage of the SRS under the 2013 Heads of Agreement, 2014–2019 .....	65
Figure 30. Estimated Commonwealth funding gap for Victorian government schools, 2015–16 to 2024–25 .....	66
Figure 31. Funding flows to government schools, 2014–15 .....	69
Figure 32. Locally raised funds per student by SFO, 2014 .....	73
Figure 33. Student Resource Package funding, 2015 .....	75
Figure 34. Summary of accountability for schools .....	87
Figure 35. Data sources and stakeholder requirements .....	93
Figure 36. Stages of learning relativities, 2015 .....	95
Figure 37. Year 3 NAPLAN reading mean scale score by school physical condition and functionality, 2015 .....	96
Figure 38. Year 9 NAPLAN numeracy mean scale score by school physical condition and functionality, 2015 .....	97
Figure 39. Annual school maintenance investment benchmarks, 2012–2015 .....	99
Figure 40. Total projected grounds allowance by school type, 2015 .....	101
Figure 41. SRP grounds allowance revenue and CASES21 reported expenditure, 2005–2014 .....	102
Figure 42. School campuses located in designated bushfire prone areas (yellow data points), 2015 .....	102
Figure 43. SRP contract cleaning revenue and CASES21 reported expenditure, 2011–2014 .....	104
Figure 44. Total projected utilities expenditure by school type, 2015 .....	105
Figure 45. SRP utilities revenue and CASES21 reported expenditure, 2005–2014 .....	106
Figure 46. Average computer to student ratio, 2002–2015 .....	108
Figure 47. CASES21 reported spending on technical support services, 2005–2014 .....	109
Figure 48. Condition of school facilities – 2012 and 2015 .....	110

Figure 49. Equity funding per student by school SFOE, 2015–2016.....	113
Figure 50. Distribution of SFO and SFOE across Victorian schools, 2016 .....	115
Figure 51. Vocational Education and Training in the VCE and VCAL .....	117
Figure 52. VETiS participation by SFO quintile, 2013 .....	119
Figure 53. Enrolment growth in EAL students versus whole student body, 2008–2015.....	121
Figure 54. Growth in the EAL budget relative to the EAL school allocation, 2008-09 to 2015-16 .....	121
Figure 55. Early Years Koorie Literacy and Numeracy Program funding by SFOE, 2015 .....	126
Figure 56. Enrolment Linked Base funding by campus enrolments, 2015 .....	128
Figure 57. Small Schools Base funding by campus enrolments, 2015.....	129
Figure 58. Average per student price by enrolments, 2015 .....	129
Figure 59. Location of 143 schools outside major centres within five kilometres of another school, 2015 ....	130
Figure 60. Location of schools in receipt of rural funding and small school funding, 2015 .....	130
Figure 61. Enrolment growth for students funded under the PSD, 2007–2015.....	133
Figure 62. Funding growth for the PSD versus total SRP growth, 2007–2015 .....	134
Figure 63. Current PSD eligibility and assessment process .....	135
Figure 64. VELs (English – reading) primary school students, 2012 .....	141
Figure 65. Number of catch up funded enrolments by campus SFOE, 2016 .....	143
Figure 66. Revised funding architecture.....	165
Figure 67. New SRP planned maintenance and servicing formula .....	201
Figure 68. Total projected maintenance and essential services / annual contracts funding by school enrolment and type .....	202
Figure 69. Cleaning expenditure with potential base per student allocation .....	203
Figure 70. Utilities expenditure with potential base per student allocation.....	204
Figure 71. 2016 total projected grounds allowance by school type.....	206
Figure 72. EAL Companion to AusVELs.....	219
Figure 73. Campus enrolments of Koorie students by SFOE .....	223

## Acronyms and abbreviations

ABS	Australian Bureau of Statistics
ACARA	Australian Curriculum, Assessment and Reporting Authority
ACER	Australian Council for Educational Research
AEDC	Australian Early Development Census
CPI	Consumer Price Index
DET	Department of Education and Training (Victorian Government)
EAL	English as an Additional Language
FAM	Financial Assistance Model
ICSEA	Index of Community Socio-Educational Advantage
ICT	Information and Communications Technology
LBOTE	Language Background Other than English
NAPLAN	National Assessment Program – Literacy and Numeracy
NDIS	National Disability Insurance Scheme
NERA	National Education Reform Agreement
OECD	Organisation for Economic Co-operation and Development
PISA	Programme for International Student Assessment
PSD	Program for Students with Disabilities
SES	Socioeconomic Status
SFO	Student Family Occupation
SFOE	Student Family Occupation and Education
SPFAC	School Policy and Funding Advisory Council
SRP	Student Resource Package
SRS	Schooling Resource Standard
SSS	Student Support Services
STEM	Science, Technology, Engineering and Mathematics
TAFE	Technical and Further Education
VAGO	Victorian Auditor General’s Office
VCAA	Victorian Curriculum and Assessment Authority
VCAL	Victorian Certificate of Applied Learning
VCE	Victorian Certificate of Education
VET	Vocational Education and Training
VETiS	Vocational Education and Training in Schools
VRQA	Victorian Registration and Qualifications Authority



# Part I – Review Summary

Summarises the Review, including recommendations and findings



## Greater returns on investment in education

Education is the single most important factor in preparing young Victorians for the future. It is the key determinant of future job and life prospects for each young person. It provides the foundation for prosperous and healthy living, for raising families and engaging with the community, and for lifting living standards across the population.

It is especially critical to the life chances of girls and boys growing up in vulnerable and disadvantaged circumstances. An excellent education, together with other community supports, creates access to life changing experiences and opportunities that greatly reduce the risks and costs of long term marginalisation, inactivity and social damage.

The future will be exciting and challenging for Victoria's young people. They will be more connected to each other and the world. There will be new job opportunities in new industries, new markets for innovative businesses, but new risks as the economy continues to transform.

Young people will need skill and resilience to juggle finances, relationships, health, home and work life, amid technological, economic, and environmental change. They will need deep knowledge across a range of disciplines. They will need to continue learning and to persist in the face of adversity. For those who are well prepared, the opportunities and benefits will be enormous.

This is why we invest in education. It is critical to a robust economy, social cohesion, and the ambition for a fair society in which all young people have the best chance of prosperity.

In this context, it is essential that education outcomes for all young people in Victoria improve. Only with better learning outcomes can we be confident that girls and boys are prepared for an ever more complex and competitive future.

Students in Victoria perform well compared to the rest of Australia and international benchmarks. Yet, for nearly a decade, education outcomes in Victoria overall have not improved. Nationally, there has been downward trend in the top achievement band, and disadvantaged students are still over represented among low achieving students in Victoria. It is estimated that some 10,000 young Victorians from government and non-government schools drop out of school each year.

The school system is simply not serving the interests of all students, and more should be done to engage students and lift performance overall. Recent increases in investment have not produced better learning outcomes across the student population. The leading edges of high achievement, the minimum standards of attainment and the distribution of achievement by socioeconomic advantage all need to improve.

Without improvement in student outcomes, greater investment in education is not justified. As the OECD puts it, 'adequate resources are crucial for providing students with high quality opportunities to learn. At the same time, those resources translate into better learning outcomes only if they are used efficiently' (OECD 2013c).

This is a huge task that schools cannot achieve alone. Government schools in Victoria do not operate in isolation from the rest of the community. They are connected to what is happening around them through families and communities. They are impacted by cultural and demographic change, the spread of new technologies, changing employment, and housing and income patterns. They engage in partnerships with institutions like health services and universities, and experience the impact of the non-government schools operating alongside them.

The Victorian Government understands that improving student outcomes requires new approaches to teaching and learning in schools, tailored to the diverse needs of students. The Education State reform

program seeks ambitious improvement for every student, in every school. It sets demanding targets for improved student outcomes across a broad range of dimensions including science, arts, numeracy, literacy, health and physical activity, critical thinking and the impact of disadvantage. It focuses on excellence in teaching and learning, school leadership, collaboration and innovation. It was launched in 2015 with the biggest funding increase targeted to disadvantage in Victoria's history.

School funding can be a very powerful policy lever to drive Education State outcomes. It can enable more and better support directed to the needs of each student. Used well, school funding can help to lift the quality of teaching and learning, spread the best practices, and enrich services and partnerships that support student achievement. Funding sets in place the long term foundation for improving education. It is a means to facilitate learning tailored to the student and a strong incentive to drive change in the system.

## The Review's key findings

The Review found that resources are not always allocated to their most efficient and effective uses. Inconsistent funding allocation first by government then by schools, coupled with capability gaps and ineffective accountability, prevent current school funding from meeting educational need as effectively as it should.

As a result, the distribution of opportunity across Victorian students is unequal. This is not a new observation:

*'No other OECD country has separate and mostly publicly-funded school sectors competing against each other for the economically and educationally advantaged student market. No other country allows such arrangements to have such a heavy impact on education policy. No other country seems to have an array of governments that are ostensibly committed to the objectives of equity and social justice, but implement policies that discriminate against low-income and less scholastically advanced students.'*

Professor Jack Keating 'Australian schooling and federalism: time for a new settlement' Professional Educator v.8 n.3 p.38-41, September 2009.

The Review found a misalignment between investment, effort, and student outcomes. This is compounded by historical factors that have shaped a fragmented model of schooling with inbuilt competition and silos. It is not possible to understand outcomes for students in government schools without also considering the non-government sector and Commonwealth policies.

While most people and organisations in the system act in accordance with their individual and organisational interests – and the expectations placed upon them – the cumulative impact of these actions is far from optimal. A stronger alignment of the interests of individual families, schools, sectors and governments with the goal of better outcomes for all students is arguably the central challenge for school funding reform.

This fundamental issue has seen recent investment in education fail to realise the sort of gains that are most needed for the education system to serve Victoria's future needs. The allocation of resources has not adequately encouraged and supported the deployment of higher quality teaching and learning where it is needed most. This means that while school funding has increased – in real terms – over the last ten years, overall student performance has not.

More effective and efficient allocation of funding, improved use of resources, and better alignment of interests across the education system would enable faster transfer of evidence and successful practices, better matching of teaching and learning to student need, and a stronger focus on productivity and accountability across all schools and communities. It could also help to ensure that no child is excluded from any school or from the education system, and to confront the imbalance between government and non-government schools, which is feeding the concentrations of disadvantage in the government school sector.



To achieve these goals, school funding must be used effectively as part of an integrated system dedicated to improving student learning outcomes across the diverse education settings and needs of Victorian students.

For Victorian education to succeed in meeting the Education State objectives over the next decade, the education system and community need to move beyond the mistaken assumption that having a number of successful schools, irrespective of the sector, is equivalent to ensuring excellent education for all students.

Instead, a coherent and relentless approach is needed which takes the educational needs of every student equally seriously and aligns the work of all participants in the education system to progress the improvement of student learning. A stronger focus on widespread inclusion and improvement informs the strategic direction of the Review's conclusions and recommendations.

With this in mind, the Review report sets out 50 findings. Among the most significant findings are:

- Funding allocated by the Commonwealth and the State, across three sectors and with three funding models, is neither transparent nor coherent.
- The Commonwealth does not allocate funding to schools on the basis of need. It allocates most of its funding to non-government schools, which are typically more advantaged than government schools.
- Victoria's funding allocation model is a mix of needs based, cost based, capped, and legacy funding, and lacks a clear link to future strategy. In addition, funding is hard to understand as it is allocated simultaneously to schools, regions, programs and workforces, creating complexity and a lack of coherence, and constraining innovation.
- Special interests and schools have divergent incentives, and competition endures between sectors. School funding reinforces these conflicting incentives by preferencing some interests over others and encouraging competition for enrolments. This limits student improvement, which depends on collaboration, shared responsibility and the combined actions of system participants.
- Autonomy is narrowly focussed on the school as a single unit. This creates incentives that stifle sharing of information and resources, and leads to student exclusion.
- Many schools are not sufficiently supported to use the authority that has been devolved to them. The capacity of principals to make strategic decisions, including in managing teaching and learning resources to drive improvement, is variable. This diminishes school and system level productivity.
- Funds raised externally, including from contributions by parents, accentuate inequalities in schooling.
- Over reliance on compliance based approaches and bureaucratic frameworks creates confusion and red tape among schools, and in many cases these approaches lack effective monitoring and enforcement.
- System level information, such as performance outcomes and the rationale for funding allocation and use, is opaque, incomplete, and of variable quality.
- Systems for sharing information, data and evidence across schools and sectors are not clear or well integrated, and do not impact sufficiently on learning or decision making across the education system.

Addressing these findings in a coherent way would benefit both the economy and society, including by reducing the lifetime funding exposures of governments. In particular, the long term savings to the Commonwealth from an inclusive and high performing education system are immense.

## The proposed way forward

This Review seeks to lift the returns from the Education State investment through an agenda that leverages school funding to help ensure that high quality teaching and learning occurs everywhere.

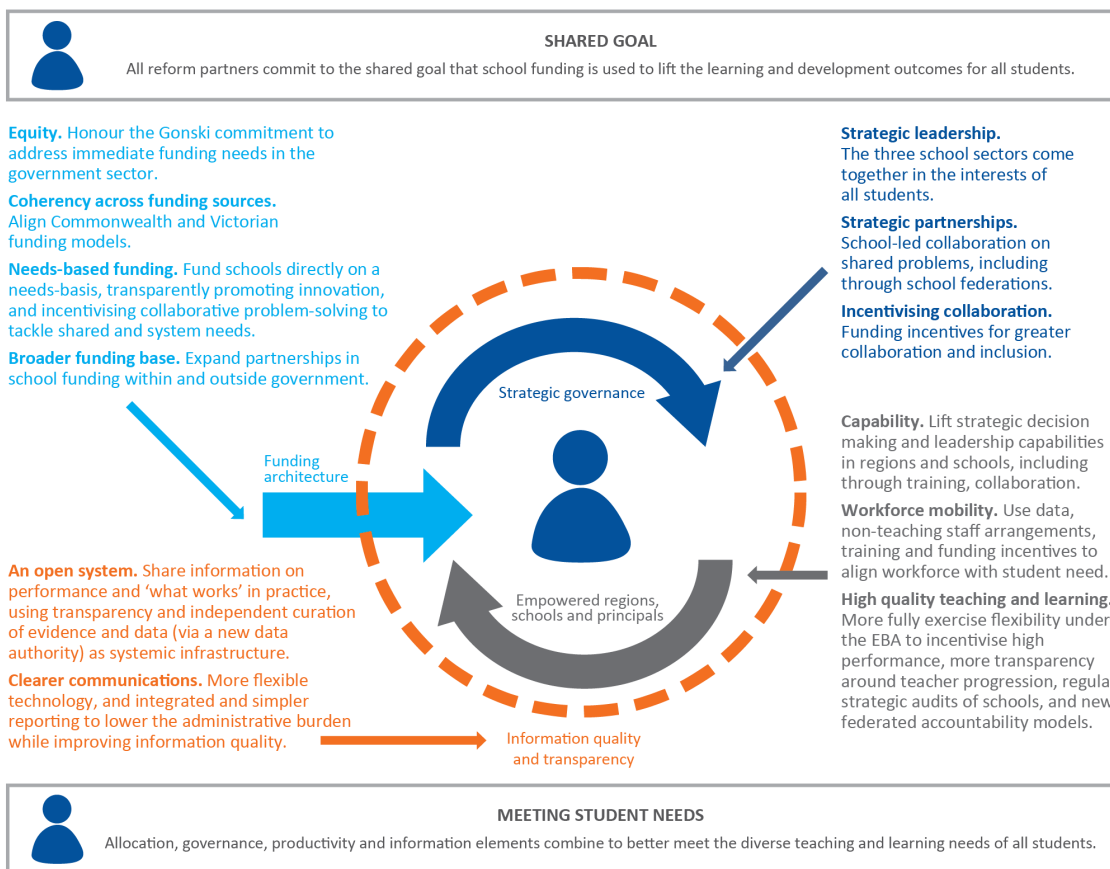
The Review of Funding for Schooling (Australian Government 2011), which became commonly known as the Gonski Review, focussed mainly on funding allocation. This Review proposes a package that combines ‘school level’ and ‘system level’ school funding reforms with the redesign of system governance and architecture to ensure that investment has its intended impact.

This requires a proactive approach to change the education system. If the goal is to ensure better outcomes for all students, then a collaborative and productive system is the best approach to achieve broad inclusion and widespread improvement.

This means moving away from some key features of the status quo – schools as autonomous ‘islands’, disconnected policy frameworks, compliance based accountability, and inconsistent management practices – as means of change.

The pathway to achieving large scale positive impact is to build on the professionalism and commitment of principals and teachers and embrace transparency, collaborative networks and innovation, co-existing with competition as a means to continuous improvement. This approach requires changes in schools and changes to the wider system.

**Figure 1. Proposed reform program**



The Review concludes with 70 recommendations for change which are set out in full from page 12 to 24.

Here the key recommendations are summarised according to the six elements of the proposed reform program.

### **1. Shared goal [Recommendation 1]**

The education system is best served – in terms of both effectiveness and sustainability – when stakeholders share responsibility for all students. This can be supported by data, governance and funding measures that better recognise the shared interests of contributors.

All reform partners should commit to the shared goal that the funding system ensures learning and development outcomes improve for all students through better teaching and supports for young people according to their needs. The funding system should put students first and be fair, efficient and sustainable.

In agreeing to this goal, stakeholders also agree to hold each other accountable for it.

### **2. Funding architecture [Recommendations 2 – 11]**

In Victoria, schools in each sector receive funding from both the Commonwealth and Victorian governments via three different allocation models. The Commonwealth is the primary funder of non-government schools, and Victoria is the primary funder of government schools. As a consequence, funding across all schools in all sectors is not allocated according to the needs of all students.

Under the agreement reached between the Commonwealth and Victoria in 2013 (the HoA or the ‘Gonski deal’), the aim of school funding is to resource schools to operate at an effective and efficient standard. This standard is established by the Commonwealth’s own Schooling Resource Standard (SRS), which accounts for schools’ capacity to raise student fees. According to the agreement, in 2017, funding to Victorian government schools would be at close to 80 per cent of the SRS, while Victorian Catholic and independent schools would be at close to 95 per cent of the SRS. The Commonwealth’s current position to abandon the Gonski deal from 2018 onwards will reduce funding for all Victorian schools and will diminish the capacity of all school sectors. The Commonwealth’s decision disproportionately impacts the government sector, with the funding gap estimated at over \$1.1 billion over 2018-19 and 2019-20. This runs the risk of incurring higher transfer payments in the future by underfunding government school education today.

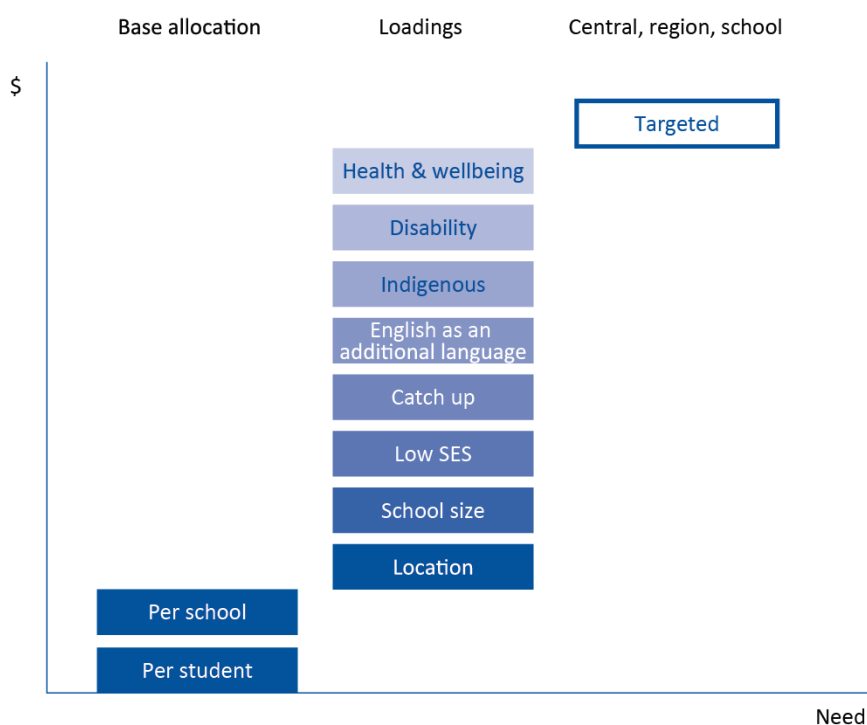
This means funding is not directed to where it will achieve the biggest impact in Victoria; that is, for students with the greatest needs. Addressing inequalities through funding allocation and related policy is more cost effective than compensating for the economic and social costs of inequalities later in education or life.

This Review calls for the Gonski deal between the Commonwealth and Victorian Governments to be honoured, and the core principle of needs based funding to be upheld.

Taking its lead from the research literature and confirming the approach taken in the Gonski Review, this Review proposes that learning should be effectively and efficiently resourced in Victorian government schools, with funding targeted on the basis of student need. A new government school funding allocation model for Victoria is proposed to achieve:

- a straightforward structure that involves base per school and per student allocations, loadings in key areas and a new stream of targeted funds
- a simple, robust and consistent approach to measuring social disadvantage, Student Family Occupation and Education (SFOE)
- greater accountability through transparency
- funding allocation to support the role of evidence, experimentation and evaluation, to ensure that continuous improvement and learning is exhibited at the school and system level.

**Figure 2. Revised funding architecture**



### 3. Strategic governance [Recommendations 12 – 19]

In a system, the joined up effort of all participants is a better way to provide high quality access to education for all young people and not leave anyone behind, compared to the alternative of schools and stakeholders acting only for their own interests. An effective system needs to resource educational activities adequately, but also make sure that decision making about the use of resources is well organised, deliberate, and operates efficiently in the best interests of all students.

The diversity of Victorian schools and sectors can be a weakness if the result is fragmentation and segmentation driven by interests that are disconnected from student learning needs across all schools. However, diversity can become a strength in a more capable and connected system if all participants share accountability for outcomes and different participants are able to learn from each other.

The Review proposes that the School Policy and Funding Advisory Council (SPFAC) should act as a focal point for strategic leadership across sectors, adopting the single shared goal of the system and working towards it, including through effective mutual accountability and transparency.

A key reform direction proposed in the Education State, and endorsed by this Review, is a strengthening of support for learning and improvement at the regional level.

New ‘Collaboration Hubs’ are proposed to bring government schools and partners together, initially facilitated by DET’s stronger regional role, but ultimately through more widely shared, voluntary governance structures. These Hubs would share resources and data, explore opportunities for collaboration, and strengthen shared understanding of systemic and local challenges. The long term objective is for open, peer based networks that are led by schools and their communities, and supported by DET and the wider system.

In the first instance, it is proposed that Area Offices use Collaboration Hubs as a forum to assess whether schooling in a locality is meeting the needs of all school aged young people, to identify collaboration opportunities, and to assist schools with the tools and responsibilities for collaborative arrangements.

The Department of Education and Training (DET) oversees the operation of one of the most devolved education systems in Australia. It has an important strategic role as ‘system architect’ and investor in capability, but this requires a decisive shift in the focus, operations and culture of DET – focusing on outcomes over programmatic inputs, information sharing over control, and developing operations and infrastructure that support the school system’s capacity for self-organisation, learning and continuous improvement, particularly through networks of education professionals and partners. The Review proposes that DET focuses its efforts on:

- building school and system capability
- incentivising school and system collaboration
- improving and sharing information
- developing the education workforce
- conducting research and providing advice
- improving system and school governance
- effective performance management
- strengthening system integrity.

#### **4. Empowered regions, schools and principals [Recommendations 20 – 32]**

The Review endorses the Education State ambition to build strategic decision making and leadership capabilities in schools, regions and sectors, and strengthen the role of collaboration across the school system. This holds the key to expanding the ‘bandwidth’ of principals and capability of the school system as a whole.

This requires a movement beyond individual school autonomy. While the evidence is clear that autonomy is a necessary component of a mature, high performing school system (Mourshed et al 2010), it is often less well understood that autonomy has its limits, that ‘more rather than less systemic support is needed for the potential of school autonomy to be realised’ (Suggett 2015).

Lifting school productivity, measured as improvement in student outcomes, requires a mix of system and school level changes. Some, including the Commonwealth, have advocated for narrow (and often unsupported) approaches that emphasise greater autonomy, more flexible employment arrangements and performance pay. This Review instead proposes a productivity agenda which draws on a broader set of performance improving interventions that views education as a system, not disconnected schools and sectors. Proposals include strengthening capability and governance for strategic decision making, using transparency as an instrument of accountability, greater teacher mobility, improved use of data, and auditing of school performance.

For example, for principals to be more strategic in their decision making, it is necessary to reconsider the scope of the responsibilities the system expects them to manage. The important strategic management functions of principals are too often crowded out by the sheer amount of workload related ‘noise’ many principals have to manage. The Review’s recommendations involve a rebalancing that frees up more principal time for strategic priorities.

Principal performance management is one area where change is needed. While system performance has plateaued over the past decade, principal application of the performance management system appears unresponsive to variation in teacher impact, resulting in near universal salary increments. Principals and school councils need to also be accountable for school and systemic outcomes.

## 5. Information quality and transparency [Recommendations 33 – 38]

It is fundamental to continuous improvement that high quality system and school level funding information, performance data, and experiences are shared widely and openly.

When it becomes common practice to use data and evidence well, to share information openly, and to present information so it is easily accessed, information quality and transparency becomes essential system infrastructure for continuous improvement, strengthening capability and accountability. It is crucial to lifting the community's confidence in schools, to sharing information between schools and across the system about what does – and does not – work, to showcasing examples of outstanding performance, to building a common understanding about shared challenges, to assisting with system-wide management, and to ensuring that all system participants are accountable – individually and collectively – for lifting outcomes for all students, including across sectors.

Government should communicate the reasoning behind funding formulae to schools and to the public, and do so with the purpose of influencing decision making and behaviour. System wide data collection, and a stronger focus on data analytics, could underpin a stronger account of the allocation, use and effectiveness of funding.

A dedicated independent body – the Education Performance Monitor – should be established to drive student improvement and inclusion through transparency, across all school sectors. The independence of the new body will permit arm's length appraisal of funding allocation and use, local area and system performance, and data integrity. The Education Performance Monitor would report directly to the Minister for Education.

The Education Performance Monitor should provide data governance, quality assurance and data curation for a new Education Performance Portal. This Portal would have a focus on providing accessible, comprehensive data relating to all school sectors in an objective manner. The intent is that the 'audience feel both good and bad news is available here' and that 'the site is perceived as honest and apolitical'.

Schools would be required to publish their funding data via the Education Performance Portal in a 'Strategic Accountability Statement', including how they are funded and how funding aligns with strategic intent. This would require DET to prepare a technology strategy to assist in gathering funding and performance data, sharing resources between and across schools, and to interact with parents and the wider school community.

## 6. Meeting student needs [Recommendations 39 – 70]

Finally, the Review provides a number of recommendations that relate initiatives proposed earlier – including stronger funding architecture, greater transparency, improved governance, a productivity focus, mobilising system wide collaboration, and stronger accountability – to the specific needs of students.

Many of the proposals relate to changes to the Student Resource Package (SRP) formulae so that the SRP is more aligned with a schooling resource standard. These changes will mean funding is better targeted to need, simpler to understand, supports clearer accountability, and promotes innovation.

The Review also proposes a strong focus on discovering and spreading innovative new approaches in three areas of persistent difficulty. Three 'problem based' funding pools are proposed, to incentivise the development of new ways of learning and partnering in these areas.

- *Learning Partnerships Challenge Fund*, to encourage and enable collaboration between schools, other service providers and business, in areas of shared interest
- *Student Engagement Fund*, to incentivise new ways for schools to work with partners to strengthen student engagement, keep students in school or attract them back into school

- *Government School Renewal Fund*, to clear a backlog of upgrades and incentivise new ways for schools to manage the built environment to enhance learning.

All parts of Victoria's school system can benefit from a system that is designed to be more than the sum of its parts. This will require a new spirit of partnership along with a clearly designed institutional architecture and an ambitious approach to building capability.

The program of reform proposed here acknowledges that Victoria's diverse school system is here to stay, and that autonomy and competition have value for education. However, it also concludes that reorienting school funding incentives towards a common goal – improvement in learning outcomes for all students – can lift the returns on the government's education investment significantly, especially for those who are most in need.

The Gonski Review lifted our sights to the need for additional investment. This Review endorses that call, and places alongside it the need to lift student outcomes from our precious investment in education.

# Recommendations

## Shared Goal

### Recommendation 1

School funding should put students first and be fair, efficient and sustainable. To enable this all reform partners should commit to the shared goal that school funding ensures learning and development outcomes improve for all students through better teaching and supports for young people according to their needs.

## Funding architecture

### Recommendation 2

The Commonwealth and Victoria should align their funding architecture to each other, with all funding needs based and sector neutral. To support this, the Commonwealth should provide its annual funding allocation to Victoria, which would then allocate funding across all schools in all sectors in Victoria. Under this arrangement, the Commonwealth will have an important role in overseeing data quality and transparency.

In the absence of aligned funding architecture, Victoria should endeavour to transform its funding allocation to align with desired funding principles, including that the review of the FAM in 2016 should investigate the use of the same indicators of student need in the FAM and the SRP.

### Recommendation 3

To ensure all students are treated fairly, the Commonwealth and Victorian Governments should agree to increase the quantum of funding in 2018 and 2019 in line with the 2013 Heads of Agreement (the 'Gonski deal'), with funding distributed across sectors according to need. In 2016 and 2017, the Commonwealth and Victorian Governments should agree on an approach for funding in 2020 and beyond that delivers effective and efficient school funding for student improvement based on student learning needs.

### Recommendation 4

In the event that the Commonwealth Government does not recommit to the Gonski deal, Victorian government schools will be proportionately worse off than non-government schools, and be underfunded by the Commonwealth in 2018-19 and 2019-20 by approximately \$1.1 billion. This will force more costs on to the Victorian Government, schools and parents, and exacerbate inequality. If the Commonwealth does not recommit, Victoria should focus its funding allocation on where it will have the greatest impact, prioritising the needs of the most disadvantaged students.

### Recommendation 5

The determination each year of the 'basket of goods' underpinning the annual funding allocation to the non-government sector should have regard to relative student need across sectors.

### Recommendation 6

DET should prepare a long term reform strategy for lifting student outcomes, develop costed annual plans to support the long term strategy, and prepare evidence based annual budget submissions that support these annual plans.



### **Recommendation 7**

To assist with the integration in schools of the full range of services that support learning and development, and support student and family welfare, coordinated funding proposals should be developed by DET and the other agencies or departments that deliver similar or complementary services.

### **Recommendation 8**

To strengthen accountability for how locally raised funds are used, government schools should report publicly each year on how they intend to raise local funds and deploy them to lift student outcomes, how they take family financial hardship into account, and how funds from the previous year were raised and expended for strategic benefit. Government schools should be clear that they are seeking voluntary contributions from parents for student learning materials and for the purpose of enriching the school curriculum, and not funding the provision of the core curriculum.

### **Recommendation 9**

Regions should support low SES schools to develop their partnering and fundraising capacity, including forming partnerships with businesses, philanthropists and not-for-profits, and facilitating partnerships between individual schools and Schools Plus. The Victorian Government should advocate for Commonwealth tax law amendment to enable the registration of government schools as deductible gift recipients.

### **Recommendation 10**

Victoria should introduce a consistent standard to allocate school funding for student improvement that reflects the diverse learning needs of students. The new school resourcing model will include:

- a base allocation, comprised of a per student component and a per school component
- loadings, based on the attributes of students or schools that mean they have additional needs
- targeted funding for meeting specific student needs (for example, students with disabilities requiring highly specialised support, and supporting senior level applied learning); and three ‘problem-based’ funds to incentivise joint effort in developing and sharing solutions to existing problems. These include a Learning Partnership Challenge Fund, a Student Engagement Fund, and a Government School Renewal Fund.

### **Recommendation 11**

A full benchmarking of the SRP should be undertaken periodically (for example, every four years) to align funding and costs for all components of the base allocation and loadings with student improvement. Benchmarking should take account of a comprehensive definition of student achievement and use a robust methodology for evaluation of school effectiveness. The first full benchmarking exercise should take place in 2016. The periodic benchmarking exercise should be conducted as an interdepartmental project, including DET, the Department of Premier and Cabinet and the Department of Treasury and Finance, and be reviewed by a panel of independent experts.

## Strategic governance

### Recommendation 12

The Minister for Education should exercise Ministerial authority to include one additional member on the School Policy and Funding Advisory Council to represent the common interests of all Victorian students, to seek opportunities for collaboration between sectors, advocate for sharing data, and to add a neutral and objective view to sectoral discussions.

### Recommendation 13

Each Area Office should convene and coordinate a 'Collaboration Hub' that brings principals and partners together, voluntarily, to explore collaborative opportunities to share resources, data and experiences, and to work on solutions for shared problems. The long term objective for Hubs is that they are not necessarily led by DET, but instead are open peer based networks led by schools, establishing norms of behaviour.

### Recommendation 14

Regions and Area Offices should, as an ongoing responsibility, identify opportunities where federated governance of schools would ensure all students have access to a viable and contemporary curriculum.

### Recommendation 15

DET should reform the current regulatory and administrative processes for federating schools (for example, through the appropriate delegation of Ministerial powers) in order for Regions and Areas to facilitate collaborative governance more responsively.

### Recommendation 16

Regions and Areas, working with the centre, should identify immediate opportunities for groups of schools to participate in a Federation Pilot Program. This Federation Pilot Program should design, implement and evaluate a number of federating models that:

- unify governance and leadership across federated schools
- tailor the purpose and structure of a federation to respond to local issues and opportunities
- ensure a school council composition is representative of the strategic partnerships central to improve curriculum delivery in a community.

### Recommendation 17

To enhance the role of school councils in supporting school strategic planning and strengthening links with the community, the Minister for Education should act to broaden the School Council Composition and Elections Order for the purpose of providing additional membership for broader 'public interest' oversight for how the school is meeting its wider community obligations and responsibilities to the system.

### **Recommendation 18**

The new ‘targeted’ element of the SRP should include a new Learning Partnerships Challenge Fund to unlock the potential gains for students from collaboration between schools and non-school partners – parents, businesses, community groups, philanthropy, local councils, other government departments – to broaden curriculum options, share resources, improve student welfare, and to improve operational efficiencies. Key features would include:

- the Fund would be competitive, open to schools or groups of schools and their partners
- schools with higher SFOE would be prioritised
- government and non-government schools would be encouraged to apply
- assessment criteria would require that partnerships are formed around clear problems
- cross sector and experimental initiatives would be encouraged
- open sharing of data, project feedback and evaluation would be required for all projects
- the Fund would be of sufficient size to generate a diversity of collaborative activity across schools and partners.

### **Recommendation 19**

DET should explore the feasibility of establishing a Learning Partnerships Scheme requiring each government and non-government school to contribute a small proportion of their total income (including externally raised funds) above a threshold to the Learning Partnerships Challenge Fund. A school can avoid paying the LPCF contribution, however, if it can demonstrate meaningful collaboration with partners and other schools, including by:

- collaborating on solving common and shared problems or challenges
- exploring the potential for sharing resources and activities (administration, student learning, professional development, student wellbeing, and professional learning)
- designing and implementing collaborative programs that save on expenditure and reduce waste
- sharing student data, especially in the interests of continuity for students as they move between schools, or in tracking disengaged young people.

## **Empowered regions, schools and principals**

### **Recommendation 20**

DET should task new Regional Area Directors with ensuring principals and school councils are supported to improve their strategic decision making and implementation capacity. To facilitate this, DET should ensure Regional Area Directors are selected for their capacity for strategic decision making and implementation capability, and for their performance to be assessed accordingly.

### **Recommendation 21**

The Victorian Public Service Commissioner should inquire into the potential for increasing principal remuneration to incentivise improved performance, including in low performing and low SES school contexts. This should also include consideration of the role and remuneration of executive principals.

### **Recommendation 22**

DET should develop a strategy for the more systematic use of existing executive principal arrangements to lift school performance, in particular in communities with high concentrations of low SES schools, including to lead federations of schools.

### Recommendation 23

DET should improve the capacity for principals, assistant principals and business managers to exercise strategic management by introducing 'strategic decision making' into principal role statements, and requiring that 'strategic workforce planning' is included in school leadership courses, specifically the capacity to:

- avoid teacher profiles that are skewed to higher cost over time
- manage the financial challenges and opportunities presented by an ageing schools workforce
- increase teacher and wider workforce mobility within and between schools
- minimise the use of teaching staff in non-instructional roles wherever possible.

Principals, assistant principals and business managers should be encouraged to jointly attend relevant school leadership courses.

### Recommendation 24

DET should require that business managers are accredited with an appropriate business management course. This should be supported by a comprehensive 'business manager competency framework' that incentivises improvement in the skills of business managers (for example, via the relevant EBA), specifically with respect to supporting strategic resource decision making. DET should also ensure the existing online Business Manager Information Centre and associated Foundation Competency Assessment Tool are aligned with the new business manager competency framework.

### Recommendation 25

DET should improve the capacity for school councils to exercise effective governance by:

- ensuring all school council members are provided with information and training about their overarching strategic role
- ensuring that school principals and school council presidents undertake training in strategic decision making in order to better discharge their governance responsibilities
- amending the School Council Composition and Elections Order to require that, relative to the existing proportions of 'parent' and 'Department employee' members, schools councils actively seek to co-opt members with demonstrated strategic management expertise (for example finance, strategic planning, human resource management) to improve council capacity for strategic governance.

### Recommendation 26

DET should assist principals to identify opportunities to improve staff allocation, including through Collaboration Hubs, by:

- providing advice to principals on the flexibility they have available under the EBA for attracting, retaining and rewarding high quality staff, and to share staff management experiences with peers
- publishing disaggregated school Workforce Census data via the new Education Performance Portal (see Recommendation 35)
- assisting principals to work with their Staff Consultative Committee members on the flexible use of casual and/or non-teaching staff, freeing up teaching staff to focus on instruction and improvement.

### **Recommendation 27**

DET should fund a workforce quality and mobility pilot program – a new Teacher Premium Pilot – to operate in up to 50 of Victoria’s most educationally disadvantaged schools. The Teacher Premium Pilot would operate for five years, be cost neutral to schools, and be designed with independent evaluation from project commencement. It would comprise:

- the payment of an appropriate mix of annual financial and non-financial incentives to attract and retain teachers moving into participating schools in ‘learning specialist’ roles
- teachers employed within the Leading Teacher band
- individual schools or groups of schools with plans for collaboration.

### **Recommendation 28**

To enhance the quality of professional feedback to teachers and to support DET’s Performance and Development Framework, DET should facilitate better use by schools of performance data in professional conversations, including by developing new enabling tools and technologies to ensure data is high quality, timely and relevant.

### **Recommendation 29**

To better understand why a high proportion of eligible teachers are awarded progression payments each year, the Victorian Public Service Commissioner should inquire into whether the Australian Professional Standards for Teachers used in Victoria are appropriate and adequately applied. In addition, DET should require all schools to publish the proportion of eligible staff who are awarded progression payments each year via the Education Performance Portal (see Recommendation 35).

### **Recommendation 30**

DET should implement a program of annual strategic audits of schools to report on how effectively schools are using resources to lift outcomes for their own students and across the schooling system. Audit findings would be made public via the new Education Performance Portal (see Recommendation 35), and would also inform principal performance assessments.

### **Recommendation 31**

Where school underperformance is either projected or identified, DET should ensure that the school review process considers the use of executive principal arrangements, school mergers or federations to improve school and principal performance.

### **Recommendation 32**

DET should perform its regulatory and system performance functions with a greater focus on assisting the system and schools to improve their capacity for strategic decision making and facilitating partnerships, especially through the regions. DET should ensure its stated role as ‘system architect’ includes:

- building school and system capability
- incentivising school and system collaboration
- improving and sharing information
- developing the education workforce
- conducting research and providing advice
- improving system and school governance
- effective performance management
- preserving system integrity.

## Information quality and transparency

### Recommendation 33

DET should construct a schools funding microsite to clearly and simply explain school funding in Victoria.

- The DET funding microsite should describe system level funding methodology, as well as each school's SRP allocation and system level performance information.
- The microsite should include a new SRP guide to provide relevant and accessible information to principals and school councils, tested for ease of use.

### Recommendation 34

A dedicated independent body – the Education Performance Monitor – should be established to drive student improvement and inclusion in all sectors through transparency. The independence of the Education Performance Monitor will permit arm's length appraisal of funding allocation and use, local area and system performance, and data integrity. The Education Performance Monitor would report directly to the Minister for Education. Its functions will include to:

- ensure data on school funding and performance across sectors is relevant, valid, transparent and accessible by different users
- support student inclusion through better monitoring of how systems are operating in the interests of all students, including students at risk of disengagement
- support student improvement through the curation of best practice evidence from all sectors
- undertake projects on matters of system wide relevance to student inclusion and improvement.

### Recommendation 35

Central DET, regions and schools should make available to the public the funding, performance and administrative data (appropriately de identified) necessary to support school improvement and accountability, and to encourage collaboration.

- All data should be made available through a new Education Performance Portal, which is administered by the new Education Performance Monitor.
- Information on each school included in the Education Performance Portal should include school summary and profile information, the new Strategic Accountability Statements (see Recommendation 36), enrolments and projections, school financial data, school performance against threshold standards, parent opinion surveys, student attitudes to school survey, NAPLAN results, completion rates, and audit findings.
- The non-government sector should also report to the public against Education State targets via the Portal.

### Recommendation 36

DET should require schools to populate a Strategic Accountability Statement, as a new component of the School Strategic Plan. The Statement will show how funds are allocated to achieve the school's strategic intent. This would be made publically available via the new Education Performance Portal.

- Content should include how schools intend to improve outcomes for students, and how schools intend strategically to manage potential risks (such as workforce pressures or within year changes in student enrolment) and the proportion of salary increments awarded.
- School funds generated through locally raised initiatives and parent payments would be disaggregated and published, including the intended and actual use of these funds.
- The existing Annual Report (backward looking) should communicate how funds were allocated and used according to strategic intent.

### Recommendation 37

DET should prepare a technology strategy to assist in gathering funding and performance data, sharing resources between and across schools, and to interact with parents and the wider community. The technological architecture required to facilitate a more collaborative, open and transparent system should adhere to the following information technology principles:

- consistent interoperability
- scalable and flexible
- responsive and quick to disseminate new datasets
- managed by an accountable custodian
- affordable and sustainable.

DET should allocate responsibility to an appropriate executive officer for adherence to these principles across the Department.

### Recommendation 38

DET should transform how funding information is captured and shared by:

- creating a database for the proposed Strategic Accountability Statements, enabling them to be prepopulated and readily accessible for analysis
- modernising CASES21 to simplify reports and provide a more accessible operating environment
- instituting comprehensive 'whole of business' reporting across all revenues and expenditures to inform budget planning and council oversight
- integrating planning and reporting tools which link to Budget Plan modelling
- using resource allocation and workforce planning data to develop and publish resource allocation 'best practice' case studies from high performing schools.

## Meeting student needs

### Recommendation 39

The new SRP should include a base allocation to provide funding to meet the core cost of educating students and operating schools, with the following components:

- a per student component, including the stages of learning allocation based on the year group of the student, the base component of the Managed Individual Pathways program, and components of the school facilities budget, which are linked to enrolments
- a per school component, which includes school based costs that reflect the individual circumstances of the school in meeting the needs of its students. This allocation is in addition to the resources incorporated into the per student allocation and primarily contains the components of the school budget for facilities.

### Recommendation 40

The 'targeted' element of the new SRP should include a new Government School Renewal Fund. The Fund would be administered by DET and made available to all government schools for capital works, with the immediate priority to address the backlog of 391 schools in poor condition across the system. The Fund will target initiatives and works that incentivise new ways of meeting school and community needs related to the built environment or favour improvements that deliver innovative learning spaces, prioritising low SES schools.

#### **Recommendation 41**

DET should accelerate its effort to eliminate or repurpose excess school assets that draw on the limited resources available to schools for asset and facilities management, or otherwise could be put to productive use including co-locating care and welfare support services on school sites.

#### **Recommendation 42**

DET should improve the transparency of planned capital upgrades and planned maintenance programs by sharing information with schools about the system wide forward plan, including timing and scope of works.

DET should improve the capabilities of school leaders to more effectively manage each school's facilities and fully utilise the capabilities of the new asset management system, by promoting preventative maintenance practices, enabling and encouraging joint responses to maintaining school facilities, and sharing best practice approaches deployed in schools across the system.

#### **Recommendation 43**

DET should actively promote and support joint procurement of facilities related services between schools through the new Collaboration Hubs. While the responsibility for facilities management should remain with schools, local areas and regions should support the collective procurement of school services by, for example, assisting to broker partnerships, by establishing supplier panels, or with managing bundled contracts.

#### **Recommendation 44**

In the new SRP, DET should consolidate maintenance and minor works, and essential services/annual contracts funding lines into the per school and per student components of the SRP base allocation. A new three part formula-based on student enrolments, building area, and a 'maintenance and services factor' should be implemented so the funding model is simpler and more responsive to need.

#### **Recommendation 45**

In the new SRP, DET should include cleaning in the per student and per school base allocation, and reconstruct the cleaning formula to improve simplicity and transparency to ensure the funding allocation supports the needs of schools. The new method abandons the categorisation of school areas and use, instead applying a set rate to total floor area.

#### **Recommendation 46**

In the new SRP, DET should include utilities in the per student and per school base allocation, and introduce a formula for utilities linked to enrolments and building area. DET should relate future utilities indexation to utilities prices and Victorian Government energy efficiency targets.

#### **Recommendation 47**

In the new SRP, DET should include grounds allowance in the per school base allocation of the SRP, remove building area from the grounds area calculation, recalibrate the per square metre price according to safety and security costs associated with open areas, and include a premium for schools in bushfire risk zones and specialist settings.

#### **Recommendation 48**

In the new SRP, DET should redirect ICT support services funding from the existing SRP's enrolment linked base component into the per student base allocation. DET should assist schools in utilising these resources to support the shared provision of technical support services in schools, and offer efficient purchasing arrangements to schools through its existing supplier panels.



### **Recommendation 49**

In the new SRP, DET should update the existing methodology for Workers' Compensation to ensure that schools' incentives to maintain safe working environments are more robust.

### **Recommendation 50**

In the new SRP, DET should include rurality funding in a new 'Location' loading, subject to the following changes:

- consolidate the three location based funding lines into a single line
- standardise the eligibility boundaries to use the UCL boundaries determined by the Australian Bureau of Statistics using national census data, and update these boundaries following the release of new information every five years
- DET should further consider reducing RSAF population thresholds, and introducing an isolation index as part of future rurality funding.

### **Recommendation 51**

DET should consolidate the enrolment linked base and small school base formulae and introduce a new 'School size' loading that recognises the higher level of resource needs for smaller and isolated schools to operate effectively. To increase curriculum breadth and the diversity of school experiences for students, and to improve school efficiencies, small schools should be supported to explore governance or partnering arrangements with proximal schools, including through network collaboration and funding incentives.

### **Recommendation 52**

DET should review the way it funds VET to ensure that funding sources (that is, SRP and VTG) are integrated within a single, but differentiated model that efficiently directs resources to all school age students regardless of their institution.

This integration should deliver a funding model that facilitates:

- the provision of adequate and indexed targeted funding to VETiS students, linked to enrolment in a VCAA approved course from a VRQA accredited supplier
- redistribution of a sufficient proportion of the total available resources towards students in disadvantaged schools via the proposed 'low SES' loading to address access and equity concerns, including by subsidising the course fees charged under the Parent Payments Policy.

### **Recommendation 53**

DET should improve the quality of VETiS provision, manage costs and prioritise student interests by:

- establishing an 'approved supplier panel' for VCAA accredited training that realises system level economies and links VETiS targeted funding to use of the panel
- distributing targeted funding between bands informed by the assessment and categorisation model detailed in the 2015 RSM Bird Cameron review report
- limiting the availability of VETiS targeted funding to a narrower, VCAA approved list of accredited, industry matched courses at AQF Level II and III, while leveraging the quality assurance and consumer protection recommendations identified in the VET Funding Review issues paper.

#### **Recommendation 54**

DET should provide updated, clear and comprehensive online advice to schools on how VETiS funding is sourced, calculated and distributed, along with a 'VETiS calculator' to assist schools understand the total available funding (that is, SRP and VETiS targeted funding) to an individual student to facilitate school planning and provision, including collaborative provision in VETiS clusters.

#### **Recommendation 55**

DET should consolidate funding lines linked to social disadvantage into a single formula-based 'low SES' loading, linked to SFOE, including existing Social Disadvantage funding as well as the Instrumental Music Program, VETiS (assuming an alternative funding source is identified, as per Recommendation 52), mobility funding, and the at-risk allocation of Managed Individual Pathways.

#### **Recommendation 56**

DET should update the new SRP so supplementary funding for schools supporting students with a disability is distributed through the SRP.

Funding for those students who have high to very high needs should flow through the 'targeted' element of the SRP. To better target student need, eligibility for this funding should shift from the current diagnostic categories within the PSD towards a student's functional educational needs. Alignment with NDIS eligibility should be considered, noting that how the NDIS will be implemented is still evolving.

For students with low to moderate levels of need, funding should flow through a formula based loading (which includes current funding for the Language Support Program).

#### **Recommendation 57**

DET should require schools to report at the start of each year – through their Strategic Accountability Statement – on how they will satisfy the requirement that reasonable adjustments are undertaken to support the education of students with a disability in the coming year.

#### **Recommendation 58**

DET should move to proficiency based EAL funding through the SRP, by leveraging TEAL, an online toolkit that brings together tools for assessing the progress of students according to the EAL Continuum and that will ultimately incorporate an online assessment.

To aid the transition to proficiency based funding and to build a richer dataset on student need, DET and the VCAA should work with schools to drive greater uptake of the use of appropriate EAL assessment tools.

#### **Recommendation 59**

In the absence of proficiency based funding, DET should change the EAL SRP formula to better target need by switching from SFO to SFOE, and reducing the per school funding thresholds (including abolishing thresholds for refugee students) to allocate more funding directly to schools via the EAL funding formula and less via a centrally run administrative process for schools who do not meet thresholds.

#### **Recommendation 60**

DET should improve current governance and funding arrangements for EAL funding for new arrivals across the varying provisions of service, including outposts and visiting programs.

### **Recommendation 61**

DET should update the SRP to include a new 'Indigenous' loading that includes the Early Years Koorie Literacy and Numeracy Program, maintaining the existing funding criteria (with the pool of funds effectively uncapped).

In 2018, contingent on student performance against the 'closing the gap' targets in VAAF (halving the gap for Aboriginal students in reading, writing and numeracy), DET should consider whether funding should be 'mainstreamed' for all Koorie students.

### **Recommendation 62**

DET should require schools to report on how they intend to use funding to improve outcomes for Koorie students, as part of their Strategic Accountability Statement.

### **Recommendation 63**

DET should establish a new 'Health and Wellbeing' loading in the SRP to provide funding to schools to procure health and wellbeing services (welfare staff, allied health professionals, nurses and doctors). This would allow for more local and multidisciplinary approaches to health and wellbeing, which many schools are already implementing.

### **Recommendation 64**

DET should consider issues relating to access and service provision for health and wellbeing services, with local areas playing an important role as referral points.

- Deliberate staged transition arrangements will be necessary, due to the current industrial arrangements across programs such as Student Support Service Officers and Primary and Secondary school nurses that currently sit outside of the SRP.
- A possible transitional arrangement would provide schools with a credit allocation to be used against the existing workforces, as is the case with the teaching workforce. Providing schools with a budget may drive more efficient and appropriate use of these workforces.
- Further, allowing schools to convert this credit to cash to be used on school procured health and wellbeing services will enable DET to gauge demand for external services, noting that this may incur one off costs.

### **Recommendation 65**

DET should seek to reform funding arrangements for health and wellbeing workforces, even in the absence of an SRP loading.

- Indexation and allocation of funding across regions should be recalibrated to better reflect student need.
- In the case of SSSOs, use of coordinator schools should cease, with governance moving to the local areas.

### Recommendation 66

DET should establish a Student Engagement Fund in the 'targeted' element of the SRP, with the aim to incentivise regional and local area collaboration and innovation to keep students at school or to find appropriate pathways.

- The Fund would be competitive, open to schools or, preferably, groups of schools and their partners to apply.
- Consideration would be given to student need in the Areas to ensure an equitable distribution of funds across the State.
- Assessment criteria would require a focus on prevention of early school leaving and strengthening engagement into mainstream schooling and settings (where appropriate), through programs that take effect before students leave school.
- The Fund would also be open to programs that support reintegration into mainstream schooling of those young people that have already left school, should such programs prove more cost effective.

### Recommendation 67

DET should modify SRP portability rules to require the release of a proportion of equity funding to service providers who can meet the needs of students in alternative settings. This will require a new protocol for schools and accredited providers to partner to meet the needs of disengaged learners.

DET should improve system level data on schools using SRP portability, requiring external providers to report on the numbers, funding and outcomes for students in each of the local areas.

### Recommendation 68

DET should extend late enrolment funding to follow any early school leaver who is successfully reintegrated into the school system, as currently funding is only available for students who enter a senior-secondary reintegration program.

### Recommendation 69

DET should require schools to report on their disengagement strategies, funding and performance through their Strategic Accountability Statements.

- Local areas should monitor, estimate and report on the numbers and location of students that are disengaged in schooling and those that have already left school.
- Local areas should then work with all schools in their region on strategies to strengthen student engagement and reintegrate students who have left school. This would emphasise the value of schools to work collaboratively with other service providers in regions.
- DET should improve systems support for schools to aid in the early identification of at-risk students, for example through improving the functionality of CASES21 or through introducing a new tool.
- Local areas should be actively involved in the development of the Navigator Service.

### Recommendation 70

DET should continue with the existing formula based catch up loading for secondary students.

DET should progress work on the introduction of a unique child identifier that will help to build a richer dataset on students' educational pathways from birth to 18. Once introduced, consideration could be given to whether there are aspects of educational disadvantage that are not dealt with through the current SRP loadings, which would lend support to an early years catch up loading.

# Findings

## Finding 1

Victoria generally has high levels of educational attainment, both compared to other states as well as internationally. Students are engaged in their learning and feel positive about school, particularly in their primary years. However sustained improvement in assessment data is not evident.

## Finding 2

In Victoria, students who are disadvantaged because of socioeconomic circumstances achieve lower assessment results, have poorer health and experience poorer transitions through school.

## Finding 3

In Victoria, there is an achievement gap between students who attend school in major cities and those who attend regional schools.

## Finding 4

In Victoria, it is reported that some 10,000 young people from government and non-government schools drop out of school each year.

## Finding 5

Victorian students from non English speaking backgrounds generally perform well on assessment tests. However, this masks the educational disadvantage that is faced by students who have low levels of English proficiency.

## Finding 6

In Victoria, the performance of Koorie students has improved recently, absenteeism is generally decreasing and there is evidence that schools are providing inclusive, safe and positive learning environments for Koorie students. However a significant gap in performance relative to non Koorie students persists.

## Finding 7

In Victoria, while reporting on the performance of students with a disability has been problematic in the past, students generally experience lower school completion rates and transitions to further education, as well as poorer labour market outcomes.

## Finding 8

Funding reforms that aim to improve student outcomes should focus on the funding allocation model, as well as how the roles and responsibilities, capabilities and accountabilities, and incentives associated with school funding impact student improvement, for all students.

## Finding 9

Current intergovernmental funding arrangements lack coherence and are not well understood in the community. Further, they are based on historical arrangements that act to perpetuate inequity between schools.

#### **Finding 10**

The Commonwealth's decision to step away from the Gonski deal disproportionately impacts the government sector, which is significantly underfunded by the Commonwealth relative to the Catholic and independent sectors. As a result, government schools will be underfunded in 2018-19 and 2019-20 by approximately \$1.1 billion.

#### **Finding 11**

While the SRP, FAM and SRS are all individually needs based models, they use different assessments of student and school need.

#### **Finding 12**

Locally raised funds are a significant revenue source for some schools and can make a contribution to contemporary schooling. However, the amounts raised vary widely between schools, the purpose and use of funds lacks sufficient transparency, and not all schools account for the hardship experienced by some families.

#### **Finding 13**

Victoria has been a leader in school funding reform in Australia and was the first jurisdiction to introduce a needs based funding allocation to schools. Today it is the most devolved resourcing model in Australia.

#### **Finding 14**

The SRP is a solid mechanism for allocating finite funding on a needs basis to schools. Improvements can be made to better link the SRP to educational outcomes, including through changes to indexation, capped funding and reliance on programmatic funding. The SRP cannot be considered a resource standard.

#### **Finding 15**

DET is committed to high quality system performance and to modernising its organisational model and practices but areas of underperformance, particularly in direction setting, integrating services and in steering implementation should be addressed to ensure that funds are used most effectively.

#### **Finding 16**

Strategic resource allocation decisions by DET can be improved by increased joint planning and longer time horizons. A stronger evidence base is required to develop and support strategic allocation of available resources, better linked to measurable outcomes.

#### **Finding 17**

DET requires data analytics to fully account for the allocation and use of funding to government schools. Further, DET has a role to play in better supporting schools to understand and appropriately discharge their funding accountability responsibilities.

#### **Finding 18**

DET has a good platform of supporting IT architecture, but there is scope for improvement, especially with regards to integration. The objectives of the new regional model, with enhanced area based teams, should provide additional support to schools if successfully implemented and maintained.

#### **Finding 19**

Principals face a range of complex resource allocation decisions to meet the challenging objectives of contemporary schooling, however the capacity in schools for strategic financial management and oversight is not as robust as it could be, complicated by a high compliance burden for principals.

#### **Finding 20**

While principal autonomy remains an appropriate policy framework for effective strategic resource allocation, more should be done to empower principals through improved systemic support.

#### **Finding 21**

While the current framework for school governance is appropriate, more should be done to increase the capacity for school councils to support principals in strategic resource allocation decisions.

#### **Finding 22**

The hierarchy of accountability frameworks for school education funding and performance is a complex mix of statutory, regulatory and policy frameworks, placing a heavy compliance burden on schools while impeding transparency.

#### **Finding 23**

Low rates of teacher mobility are a problem in Victoria. While DET encourages greater mobility within the current regulatory framework, principals could more fully exploit all existing avenues, in particular with more support to navigate through the complex regulatory environment.

#### **Finding 24**

While there is significant variability in the utilisation of business managers in schools across the system, in contemporary schooling the role of the business manager is a strategic one. The role of business managers should be leveraged to ensure school resource allocation decision making is informed and effective.

#### **Finding 25**

Under the present teacher performance management framework almost all eligible teachers receive their annual increment while system performance has plateaued. This puts into question the application of the current teacher performance management framework.

#### **Finding 26**

The mean salary of a school principal is only slightly higher than that of a mid-career, middle manager in the Victorian Public Service. This salary, in relative terms, appears disproportionately low.

#### **Finding 27**

School funding in Victoria lacks transparency, despite the range of tools and guidelines put in place to provide information to schools and the community about school funding.

#### **Finding 28**

Based on evidence gathered as part of a benchmarking exercise of the stages of learning component of the SRP in 2012, the current relativities do not warrant immediate change. The current relativities reflect that returns to education are larger in the early years and that costs associated with secondary school education, including staff and curriculum costs, are more significant.

### **Finding 29**

International research supports the link between the condition of school facilities and performance. However analysis shows no strong correlation in Victoria after adjustments are made, including for socioeconomic status, EAL students, disability and school size. Trialling alternative delivery models in Victoria could provide further insight into the impact of building condition and amenity on student performance, student inclusion, and community perceptions.

### **Finding 30**

The SRP formula for asset maintenance and essential services needs to be updated, including consolidating funding lines for maintenance and servicing of equipment, and made more transparent.

### **Finding 31**

The current level of SRP funding is insufficient to address annual maintenance requirements, and unlikely to provide the sustained level of investment needed in Victoria. Information sharing and data management practices should be updated to improve information on school condition and maintenance scheduling.

### **Finding 32**

The basis of the existing methodology for grounds allowance is inaccurate and not aligned to school need.

### **Finding 33**

Schools have spent more than their SRP allocation on grounds each year since the introduction of the SRP in 2005. Some schools have unique requirements related to bushfire exposure and servicing needs in specialist settings.

### **Finding 34**

Schools have spent less than their SRP allocation on cleaning over the last four years to 2014. However, growth in costs has recently exceeded growth in SRP funding. The SRP needs to be clarified in relation to cleanable, non cleanable, normal and low use rates for school spaces.

### **Finding 35**

Schools have spent more on average each year than their SRP allocation on utilities since the introduction of the SRP in 2005. The method for allocating utilities funding to schools through the SRP is deficient and unreliable, lacks transparency, and is not aligned with cost growth. A formula-based approach is a better alternative.

### **Finding 36**

The SRP allocation for Workers' Compensation does not inform schools of the full cost of workers' compensation and insurance claims. The SRP should be updated so schools can actively improve their prevention strategies, claims management and overall OH&S performance.

### **Finding 37**

Meeting existing and projected demand for the use of technology based learning and teaching is not sustainable within existing resources, particularly for technical support and internet provision in schools.



### **Finding 38**

Capital funding in existing schools has been targeted at improving the condition and functionality of facilities to acceptable standards. There remain 391 schools which require additional funding to raise their asset condition and functionality rating.

### **Finding 39**

Strategies to reduce or repurpose excess space will improve the school system's capability to more efficiently use and apply available resources across the school system.

### **Finding 40**

Additional equity funding in 2016 provides significantly more resources to schools to meet the needs of disadvantaged students. SFOE is a simple and robust indicator of socioeconomic disadvantage, and superior to other measures. However it is inconsistently used through the SRP.

### **Finding 41**

The SRP contains several separate funding lines that should more closely align with equity, and be more transparent. Schools require more guidance on what equity funding should and can be used for.

### **Finding 42**

The current funding model for VETiS provision should be reformed to address a range of funding, quality and equity issues. This needs to be considered in the context of the role of applied learning courses as an essential part of comprehensive VCE and the contribution of VETiS in student retention to Year 12.

### **Finding 43**

The model for EAL funding is not targeted towards an individual student's English language proficiency and there is currently a low take up of proficiency assessment tools in schools. The arrangements governing EAL funding for new arrivals need to be strengthened to ensure that students have appropriate and consistent access to intensive language training.

### **Finding 44**

There is an achievement gap between Koorie and non Koorie students that reduces, but is not eliminated, once other student and school related factors are controlled for. This indicates a need for additional support for Koorie students. The Early Years Koorie Literacy and Numeracy program acts as a catch up loading for young Koorie students.

### **Finding 45**

Funding through the SRP for school size is duplicative, contains anomalies that relate to inconsistent thresholds, and treats primary and secondary schools differently. Funding based on size could be refined to account for sharing resources between neighbouring schools.

### **Finding 46**

While students in rural areas are at a disadvantage primarily due to location, there are inconsistencies in the funding. There is limited rationale for three separate funding lines for rurality. The boundaries used within the rural funding lines of the SRP are inconsistent and out of date, and can lead to unfair outcomes from neighbouring schools. Population thresholds used in RSAF funding line may be supporting schools that are not at a disadvantage because of rurality.

#### **Finding 47**

DET's approach to disability resourcing faces significant challenges in supporting schools deliver quality outcomes for students, while demonstrating financial sustainability over the medium to long term. Improvements to the way funding is allocated and used to service the needs of students with disabilities are required, including in the areas of eligibility, assessment processes, the use of best practice in schools and greater transparency.

#### **Finding 48**

Funding through the SRP for disengaged learners does not target student need. Accountability for disengaged students needs to be strengthened, as do interventions to avoid students leaving school early. Current SRP portability protocols should be improved. Funding timelines do not create the right incentives for schools to attract and retain high needs students.

#### **Finding 49**

Health and wellbeing services currently operate under inconsistent funding arrangements which do not align with the principle of resourcing schools to meet the needs of their students. Schools access health and wellbeing services through centrally funded DET staff. However, they also directly employ their own health and wellbeing staff using their own budgets, spending \$34 million according to the 2015 School Census.

#### **Finding 50**

The policy rationale for the catch up loading in the SRP is sufficiently distinct from other social disadvantage funding in the SRP. The SRP does not currently include a catch up loading for primary schools.

## Part II – School Funding in Victoria

Describes school funding in Victoria, explores the link between funding and student outcomes, and assesses the effectiveness of school funding in Victoria.



# 1 Overview of Victoria's school system

There are 2,228 schools in Victoria, providing instruction to over 900,000 students. In 2015, 63 per cent of students attended Victorian government schools, which the Department of Education and Training (DET) owns and operates. In 2015, 23 per cent of the student population received their education in Catholic schools, and independent schools educated 14 per cent of the student population. The proportional share of enrolments across sectors is consistent with the enrolment share nationwide.

**Table 1. Size of the Victorian school education system, 2015**

	Government	Catholic	Independent
<b>Number of schools</b>	1,528	493	207
<b>Number of students (FTE)</b>	576,008	207,186	131,966

Source: DET February School Census, February 2015

Primary schools make up the bulk of schools in the system. Table 2 shows that there are over 1,500 primary schools in Victoria, compared to almost 340 secondary schools. This is in large part due to the smaller student enrolments in primary schools relative to secondary schools. As well as standalone primary and secondary schools, there are a range of other types of schools in Victoria, including schools that cover both primary and secondary years, specialist settings for students with high additional needs (for example, schools for deaf and autistic children), and language schools that accommodate students who require intensive English language support.

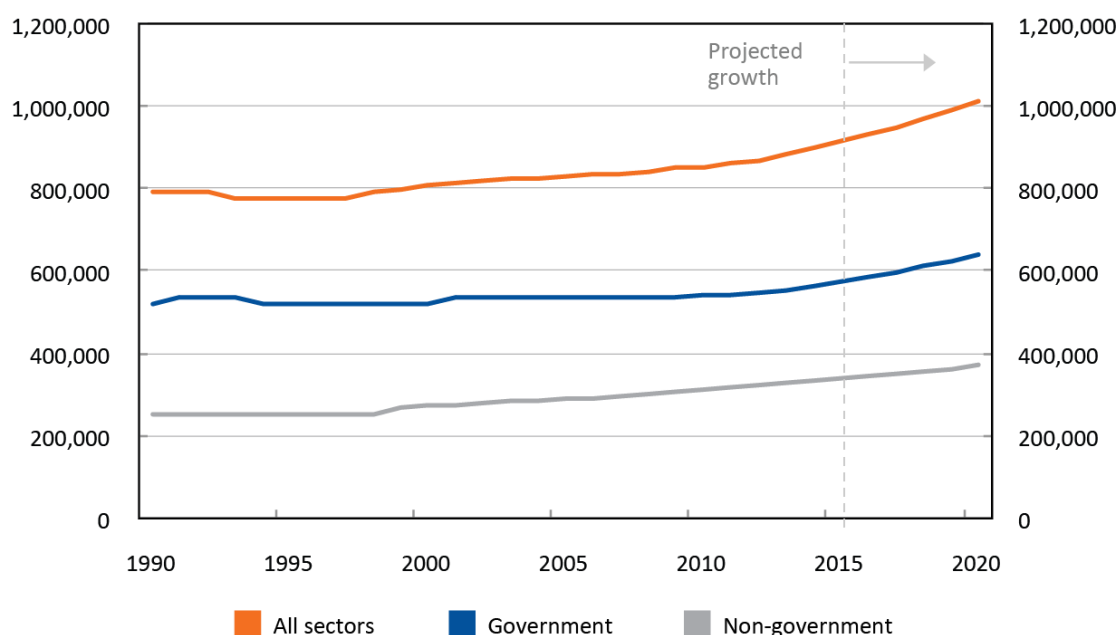
**Table 2. Size of the Victorian school system – number of schools, 2015**

	Government	Catholic	Independent	All schools
<b>Primary</b>	1,128	387	36	1,551
<b>Pri/Sec</b>	78	13	144	235
<b>Secondary</b>	238	86	15	339
<b>Special</b>	80	7	12	99
<b>Language</b>	4	-	-	4
<b>Total</b>	<b>1,528</b>	<b>493</b>	<b>207</b>	<b>2,228</b>

Source: DET February School Census, February 2015

Figure 3 shows past and projected school enrolment growth by sector in Victoria. After a period of relatively low growth between 2000 and 2010, school enrolment growth in the government sector increased between 2011 and 2015. However, this growth is all in government primary school enrolments, which averaged 2.5 per cent between 2011 and 2015; in contrast, there was no growth in government secondary schools over this period.

Figure 3. Victorian enrolment growth by sector<sup>1</sup>, 1990–2020



Source: DET February School Census, February 2015 and DET internal analysis

Annual enrolment growth in government schools is forecast to continue to increase by around 2.2 per cent per year from 2016. The recent growth in primary school enrolments will flow through to secondary schools, with secondary school enrolments projected to grow by 1.9 per cent on an annual basis between 2016 and 2020. Growth in government primary school enrolments over this period is expected to remain strong at 2.3 per cent annually.

In the past year, Victoria's population growth increased by around 1.7 per cent, more than any other state, and this will continue to drive growth in enrolments, projected to reach one million students across all sectors combined by 2020.

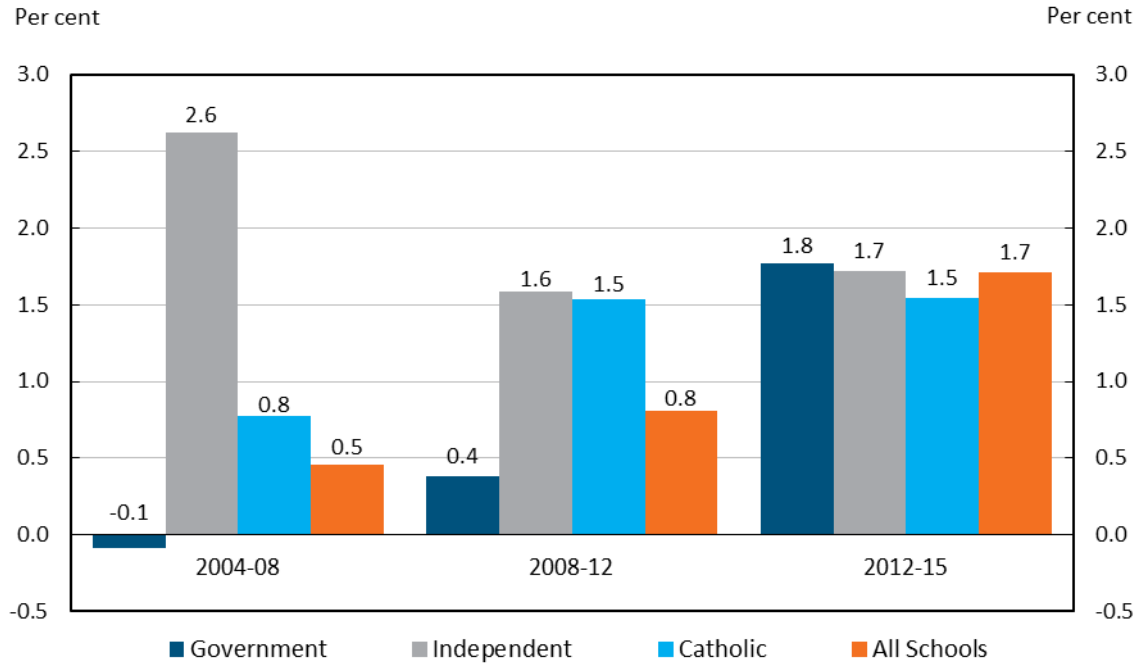
The *Review of Funding for Schooling* (Australian Government 2011), which became commonly known as the Gonski Review noted that the number of students attending non-government schools nationwide had increased at a greater rate than for students attending government schools. This accords with Victoria's experience with student populations in the independent and Catholic sectors growing on average by 2 per cent and 1.3 per cent respectively between 2005 and 2015, compared to modest growth of 0.6 per cent on average in government schools over the same period.

However, more recently there has been a shift in the growth pattern in student populations across sectors. Figure 4 shows that growth in enrolments in independent schools has declined on average since the high rates experienced during the mid-2000s, while growth in Catholic sector enrolments has steadied at 1.5 per cent. In contrast, while enrolments in government schools declined between 2004 and 2008, they have increased at a greater rate than non-government enrolments between 2012 and 2015, primarily driven by stronger population growth in Victoria.

<sup>1</sup> State wide enrolment projections are based on Victoria in Future 2014 (Department of Environment, Land, Water and Planning) projections, trends in transition rates based on historical enrolments from the February School Census, and market share for each sector from the most recently completed February School Census.

This growth in the government sector has coincided with increased investment in Victoria’s school system, but it has also presented challenges, increasing pressure on the government sector to support the diverse learning needs of students with wide ranging cultural and socioeconomic backgrounds.

**Figure 4. Average growth in student enrolments by sector, 2004–2015**



Source: DET February School Census, 2015

## 1.1 Profile of students across sectors

There are large differences between sectors in terms of the socioeconomic backgrounds of students. The government sector supports a less advantaged cohort of students when compared to the independent sector and to the Catholic sector (albeit to a lesser extent). This observation is consistent across a range of datasets.

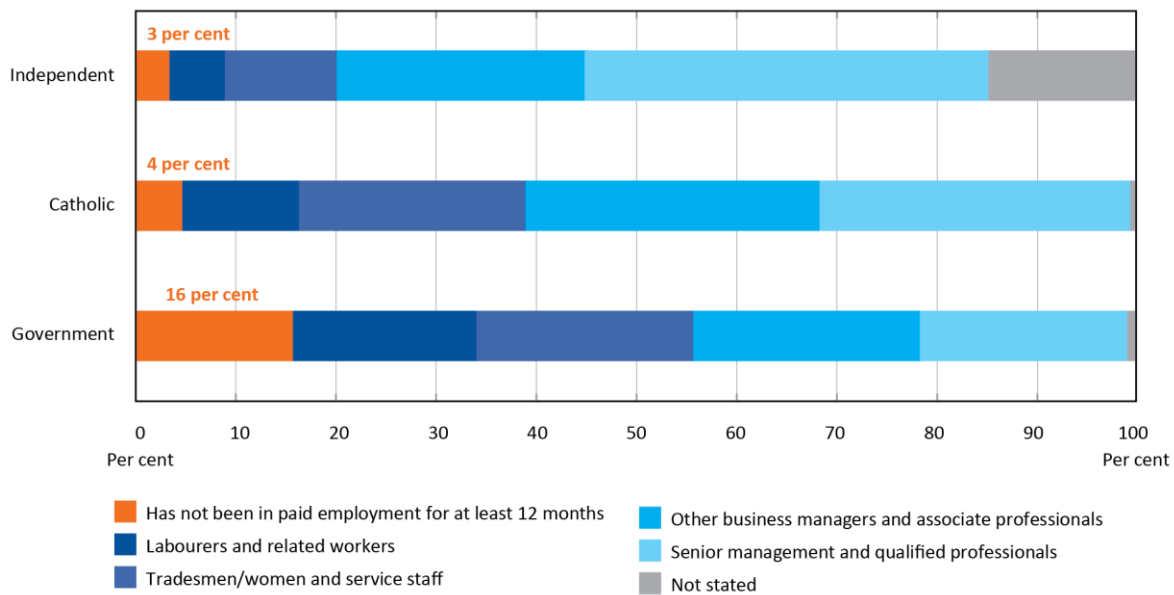
- The *Government Schools Funding Review’s Emerging Issues and Ideas* report (State Government of Victoria 2015a) used the Student Family Occupation of schools within each sector to demonstrate that the proportion of government schools in Victoria in the most disadvantaged quartile was much higher than in other sectors.
- Connors and McMorrow (2015) use the socio-educational component of ICSEA as the indicator of advantage, which showed that 36 per cent of students in Government schools are in the bottom quartile of advantage, with 21 per cent in Catholic schools and 13 per cent in independent schools. This data was also presented in the Gonski Review.

There is no optimal measure of socioeconomic disadvantage. This report presents data collected through the 2015 NAPLAN, using the parental occupation and parental education of students across sectors as measures of disadvantage. This data is aggregated into primary years (using student data for years 3 and 5) and secondary years (using student data for years 7 and 9).

Whether one uses parental occupation or parental education (or indeed the measures presented in the Government Schools Funding Review Interim Report or the Gonski Review), the government sector services a higher proportion of students from disadvantaged backgrounds.

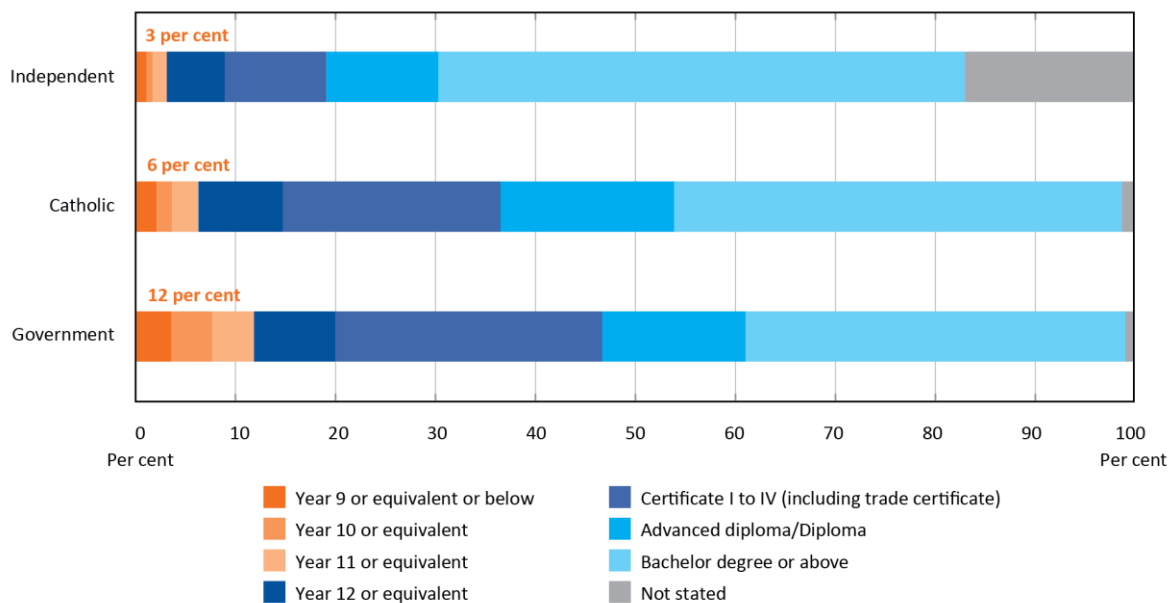
As illustrated in Figure 5, students in the government sector are much more likely to have parents who have not been in paid employment for at least 12 months (16 per cent in the government sector compared to 3 per cent and 4 per cent in the independent sector and Catholic sector, respectively). Parents of students in government schools are also less likely to have completed Year 12 or pursued higher education. This is illustrated in Figure 6, which shows 12 per cent of Year 3 and 5 students in government schools have parents who have completed Year 11 or below relative to three per cent and six per cent in the independent and Catholic sectors, respectively.

**Figure 5. Distribution of students across sectors by parental occupation, Years 3 and 5, 2015**



Source: NAPLAN, 2015

**Figure 6. Distribution of students across sectors by parental education, Years 3 and 5, 2015**

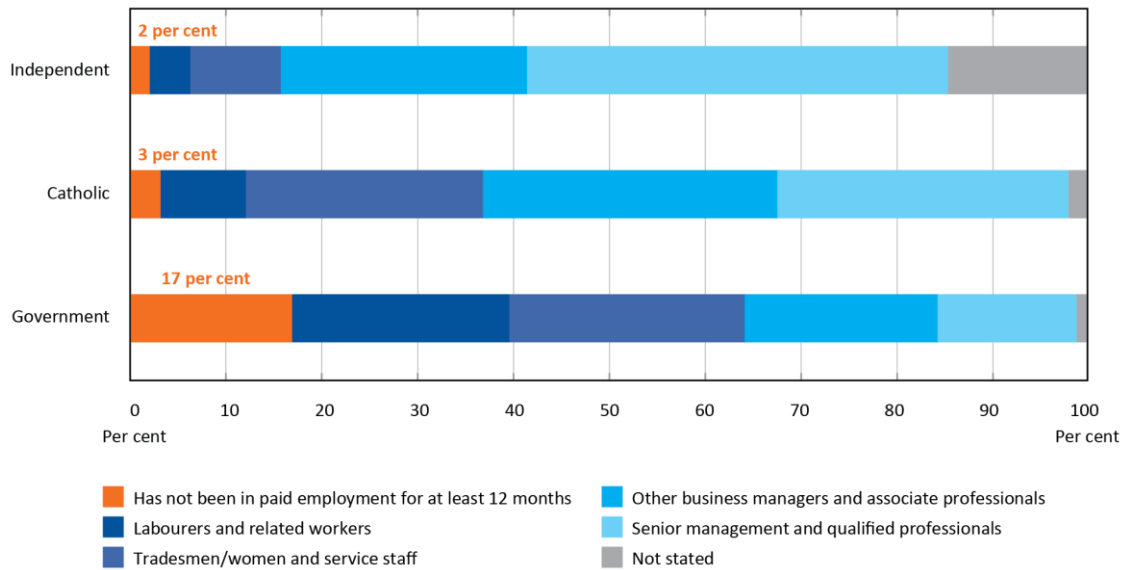


Source: NAPLAN, 2015



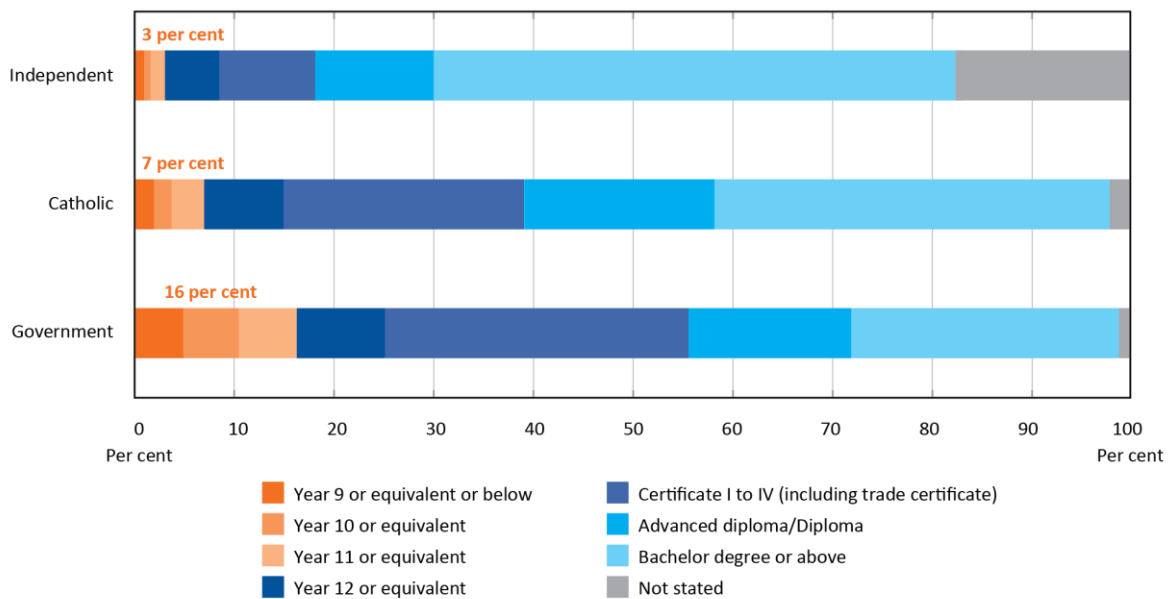
These sectoral differences are also present in Victorian secondary schools, as illustrated in Figures 7 and 8. While the proportion of students from the most disadvantaged backgrounds is not vastly different between primary and secondary schools, there are still important distinctions between the distribution of students in primary and secondary schools. In particular, there are proportionally far fewer students from advantaged backgrounds in government secondary schools relative to government primary schools. For example, the proportion of students with parents who are in senior management or are qualified professionals, drops from 21 per cent in government primary schools to 14 per cent in secondary schools. A similar picture plays out in relation to parental education. This may be partly reflective of some advantaged families choosing non-government secondary colleges after attending government primary schools.

**Figure 7. Distribution of students across sectors by parental occupation, Years 7 and 9, 2015**



Source: NAPLAN, 2015

**Figure 8. Distribution of students across sectors by parental education, Years 7 and 9, 2015**



Source: NAPLAN, 2015

## 1.2 The government schools system

The government sector employs close to 42,000 teaching staff (including principals), with the bulk of staff employed in primary schools. Teaching staff are supported by a range of other staff – including business managers, teacher aides, nurses, psychologists, speech pathologists, office staff, and social workers – some of whom are employed by DET and some of whom are employed directly by schools.

**Table 3. Number of teachers (including principals) in government schools by school type, March 2015<sup>2</sup>**

	Number of teachers (FTE)
Primary	20,290
Secondary	15,236
Other	6,452
<b>Total</b>	<b>41,978</b>

Source: DET Monthly Staffing Report, March 2015

Table 4 shows average class sizes in Victorian Government schools over the last five years. The average primary class size across all year levels is slightly higher in 2015 than in 2011, but is about four students per class lower than in 1998, which was prior to the introduction of new initiatives and additional support for P-2 schooling. The average secondary English class has remained constant between 2011 and 2015.

**Table 4. Average class sizes in government primary and secondary schools, 2011–2015**

		2011	2012	2013	2014	2015
Primary	P-2	20.5	20.7	20.8	20.9	20.9
	Years 3-6	23.2	23.2	23.3	23.4	23.5
	All primary	22.0	22.1	22.2	22.2	22.3
Secondary	Year 12 English	19.2	19.0	19.3	19.2	19.2
	All English	21.4	21.4	21.4	21.4	21.3

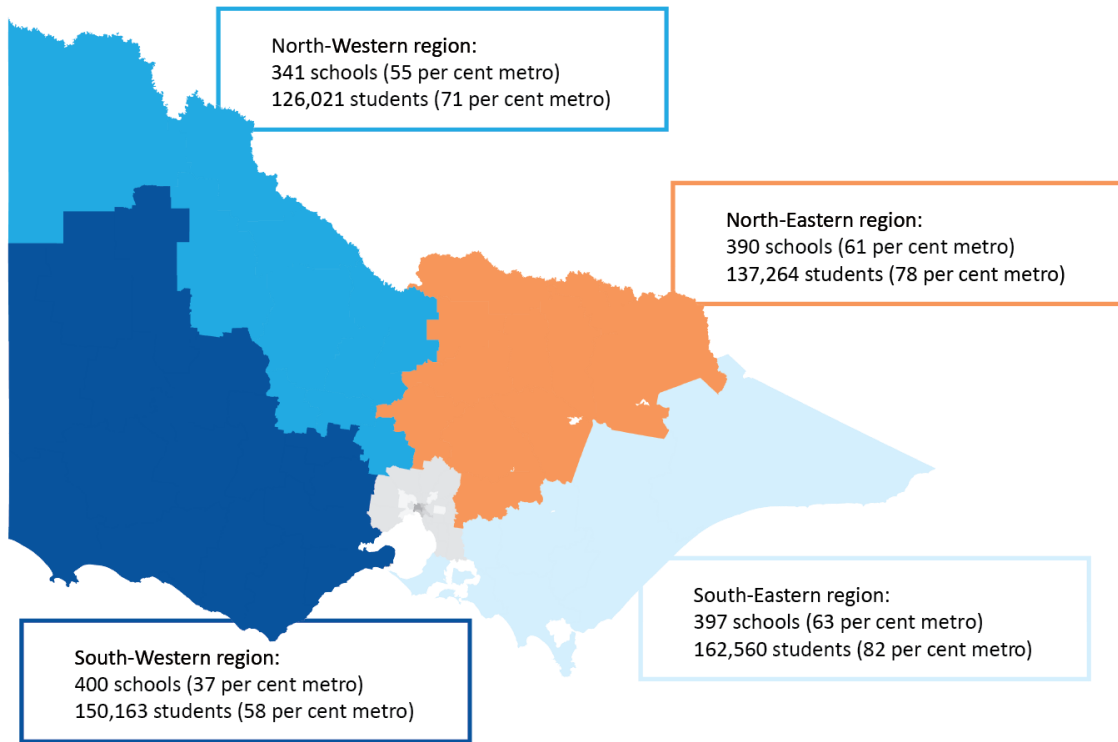
Source: DET February School Census, February 2015

<sup>2</sup> Other includes special settings, primary-secondary and language schools.

### 1.3 Government school regions

Victorian government schools are organised into four regions – North-Eastern, North-Western, South-Eastern and South-Western, depicted in Figure 9. Regions have between 340 and 400 government schools. Close to 70 per cent of students attend schools in metropolitan areas.

Figure 9. Government schools and student numbers by Victorian region<sup>3</sup>, 2015







Source: DET February School Census, February 2015

Table 5 shows that the profile of student need differs across regions. In relation to social disadvantage, the North-Eastern region has a much higher proportion of schools in the most advantaged SFO quartile (36 per cent) and a lower proportion of schools in the most disadvantaged SFO quartile (13 per cent). The regions also differ in terms of school size and location. There is a much higher proportion of schools in the South-Western region that are considered small and also a slightly higher proportion of schools that are located in rural areas<sup>4</sup>. The relationship between rurality and school size is strong, with over half of rural schools in Victoria classified as small.

<sup>3</sup> The metro/non-metro breakdown is based on a classification of each local government area (LGA) as either metro or non-metro.

<sup>4</sup> Small and rural are defined as those schools that attract extra funding from Government due to their size and location, respectively.

**Table 5. Student population in Victorian government schools, 2014<sup>5</sup>**

Region	Proportion of students (per cent)			Proportion of schools per SFO quartile			
	Small schools	Rural schools	With a disability	■ Quartile 1 – most disadvantaged	■ Quartile 2	■ Quartile 3	■ Quartile 4 – most advantaged
North-Eastern	9	11	3				
North-Western	10	8	4				
South-Eastern	8	8	4				
South-Western	19	13	5				

Source: DET February and August School Census, February 2015, August 2014 and DET internal analysis.

<sup>5</sup> Data excludes government schools that do not have an SFO index due to non-participation in the School Census or their status as a new school.

## 2 Victoria's education performance

Providing children with a high quality education has a lifelong impact. Education can greatly influence a child's life outcomes, and is also an important driver of broader societal productivity and economic growth.

The Gonski Review found that 'individuals who reach their full potential in schooling are usually able to make better career and life choices, leading to successful and productive lives. Success in schooling also helps to provide the skills and capacities needed to keep a society strong into the future. It deepens a country's knowledge base and level of expertise, and increases productivity and competitiveness within the global economy' (Australian Government 2011).

This link between education and both individual and societal outcomes is supported by a large body of research. Higher levels of education are associated with increases in an individual's earning potential (Blundell et al 1999; Day and Newburger 2002; Cunha and Heckman 2007) and greater labour market resilience. Unemployment rates amongst university graduates in the wake of the global financial crisis have been found to be much lower than those who did not complete high school (OECD 2013a).

More broadly, differences in cognitive skills, as measured by educational achievement, have been shown to have an association with higher economic growth (Hanushek et al 2012). Further, there is a body of research that establishes a relationship between education and better social outcomes, including health, civic and social engagement and reduced levels of crime (OECD 2012; Lochner 2011). Conversely, school failure can penalise a child for life, both in terms of individual outcomes, but also as a result of the broader cost on society due to poverty, unemployment and reliance on welfare systems (OECD 2012). In this context, education is an investment in the future, which provides individuals with the capacity to make informed and competent decisions through resilience, self-efficacy and social skills.

The Victorian education system needs to be firmly focused on the future. The world in which Victoria's young people transition into the workforce will be different to the world today. In an increasingly globalised economy, the education system needs to equip school leavers with the skills required for the jobs of the future. This means that students need to be competent in the core skills of reading and numeracy. But they will need more than this to succeed in the future economy.

OECD (2015a) highlights three major trends that will shape the education system, both in terms of what skills the system needs to equip students with, but also the changing way of how it does this. Firstly, the growth in international connectedness has brought people, goods and services closer together than ever before. To capitalise on this opportunity, the development of human capital is critical and curricula needs to keep pace and foster skills such as language, problem solving, creativity and Science, Technology, Engineering, and Mathematics (STEM).

The second trend is increased community diversity, which impacts greatly on how schools teach students, and in some instances, may require reconsideration of the role of teachers, parents and the wider community. It also highlights the importance of fostering an inclusive and equitable education system.

Third, the OECD highlights the rise of the digital society, which presents significant opportunities in terms of increased access to knowledge, fostering new practice, sharing of data, and strengthening evaluations. It is critical that the Victorian school system capitalise on these trends.

In addition to competency in the core curriculum, as stated in the *Melbourne Declaration* (Ministerial Council on Education, Employment, Training and Youth Affairs 2008), 'schools play a vital role in promoting the intellectual, physical, social, emotional, moral, spiritual and aesthetic development and wellbeing of young Australians, and in ensuring the nation's ongoing economic prosperity and social cohesion'. Therefore, while educational outcomes are the key focus of schools, schools play an important role in supporting the health and wellbeing of students to ensure they can reach their full potential. This is why any discussion on student performance in Victorian schools needs to be based on a broad set of measures, encompassing achievement, engagement and wellbeing.

It is also important to recognise that there is an interaction between schools and communities that can have an influence on student performance and wellbeing. In a local sense, this encompasses the parents and families of students. However, schools also reflect, and have the ability to influence, the wider community. As such, it is important that the members of this wider community – including businesses, civic leaders and community organisation – are all engaged in helping to improve the aspiration and life chances for all students.

## 2.1 Performance in Victorian schools

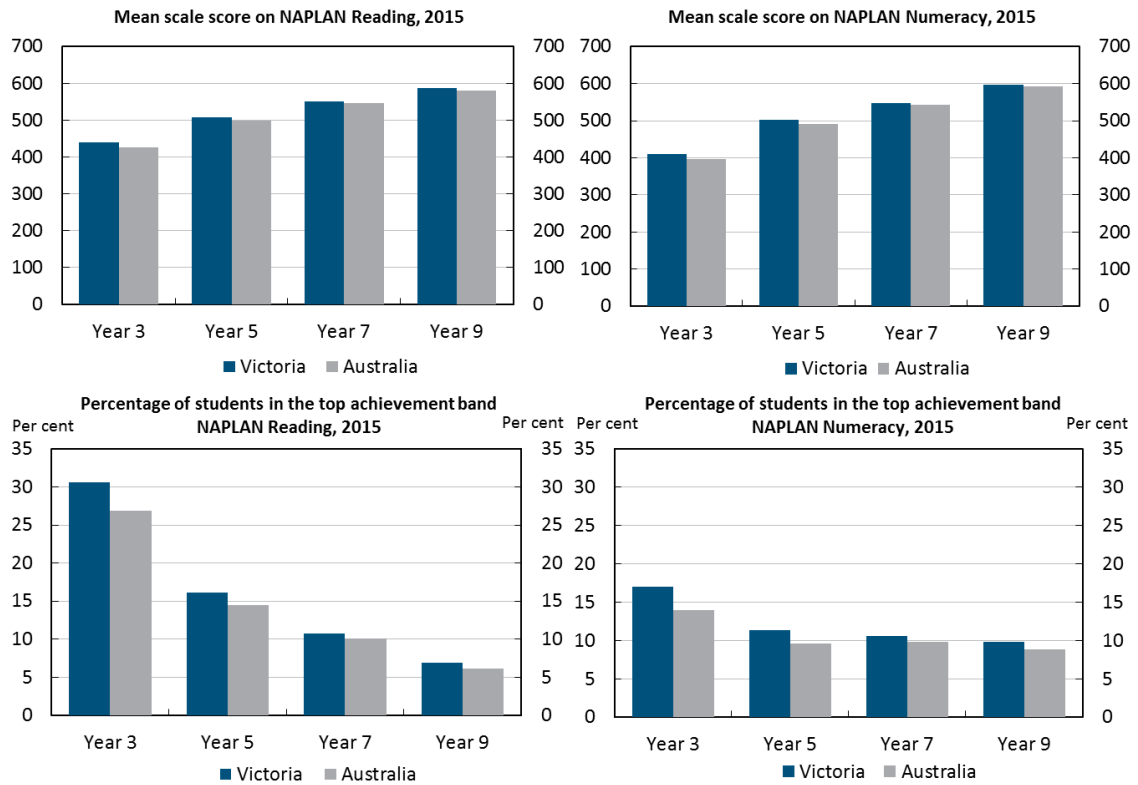
As part of the Education State, the Victorian Government's reform program aims to lift students' abilities academically, but also in other areas of human talent and ability. These include critical and creative thinking, building resilience, physical activity, and student engagement in education. This is an important step, acknowledging that student 'performance' ought to be considered in the context of health and wellbeing, as well as academic achievement.

On the academic side, from an international perspective the levels of achievement in Australian and Victorian schools are generally in line with expectations of a wealthy, industrialised nation. In the latest Programme for International Student Assessment (PISA) results, both Australia's and Victoria's results were above the OECD average in each of reading, mathematical and scientific literacy.

This pattern is also reflected in the most recent National Assessment Program - Literacy and Numeracy (NAPLAN) results, which show that Victoria is one of the three leading jurisdictions in Australia (alongside NSW and ACT). More specifically, Victoria's Year 3 and 5 students outperformed the remaining jurisdictions in most areas of the NAPLAN tests, while the Year 7 and 9 students performed at a level similar to or above all jurisdictions.

Despite these solid results, there is a clear downward trend in the percentage of students in the top achievement band between Years 3 and 9, both in Victoria and nationally. This suggests more needs to be done in students' later years to sustain the good results achieved in primary schools.

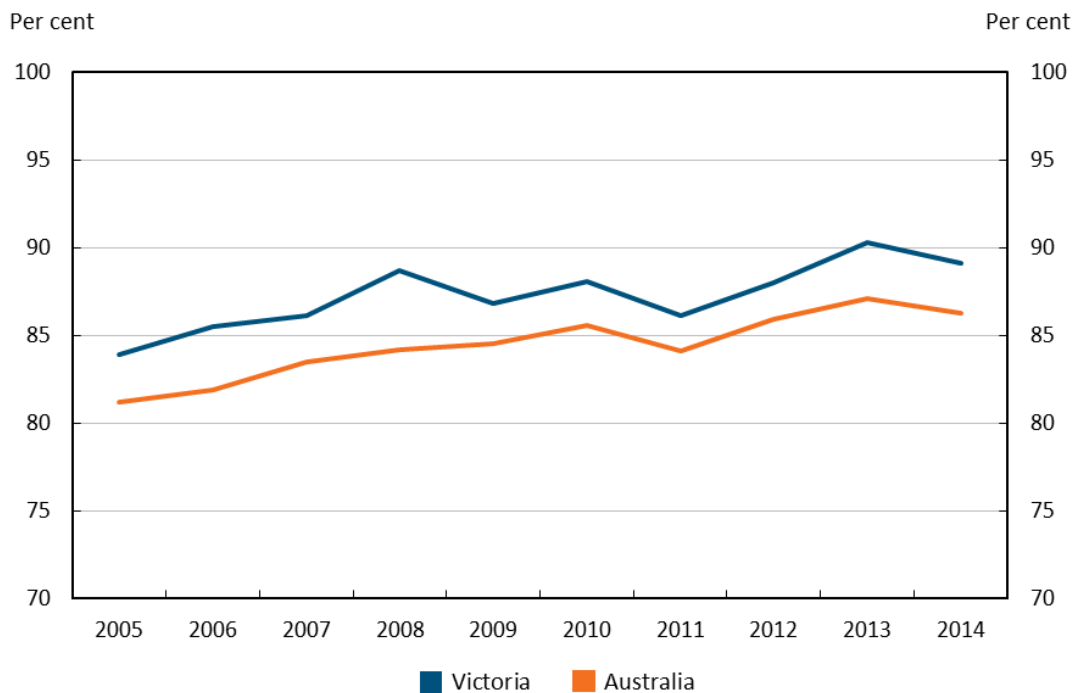
**Figure 10. Victorian NAPLAN results, 2015**



Source: NAPLAN, 2015

Year 12 attainment in Victorian schools has improved over time and is consistently above the Australian average, as shown in Figure 11. The proportion of young people (20–24 year old) who have attained Year 12 or equivalent (AQF Level 2 or above) has increased from close to 84 per cent in 2005 to 89 per cent in 2014.

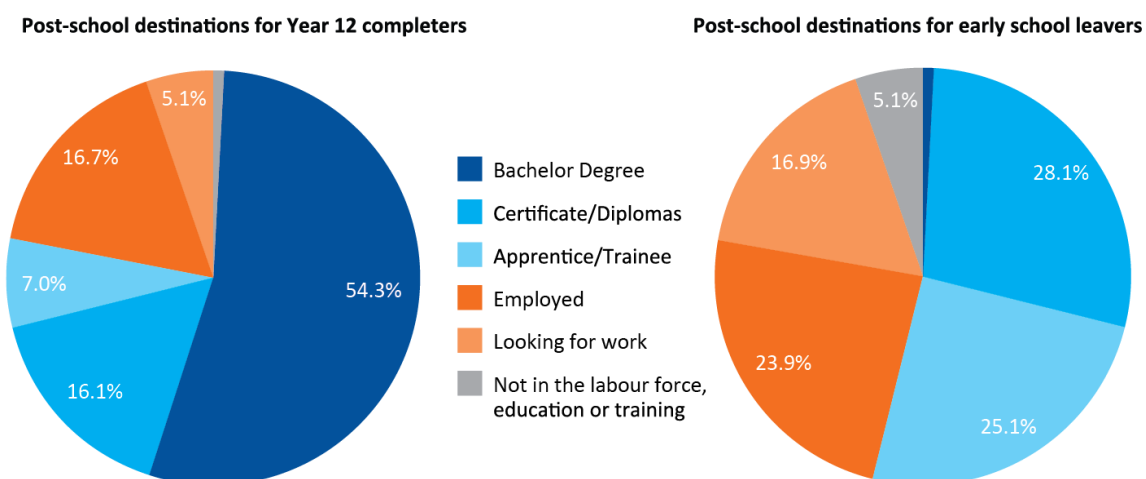
**Figure 11. Per cent of 20–24 year olds who have attained Year 12 or equivalent, 2005–2014**



Source: ABS Survey of Education and Work (SEW).

The *Victoria 2014 OnTrack* survey results in Figure 12 show that close to 77 per cent of Year 12 (or equivalent) completers and over half of early leavers chose to further their education. The percentage of Year 12 completers enrolled in a Bachelor degree in 2014 is the highest since the survey began in 2003. It is encouraging that close to a quarter of early school leavers are employed, however it is of concern that over 16 per cent are looking for work and over five per cent are not engaged (not in the labour force or engaged in education and training). This serves to highlight the potential for lower life outcomes for students who disengage from schooling.

**Figure 12. Post school destinations as reported by the 2014 *OnTrack* survey, 2014**



Source: *OnTrack* Survey, 2014

An important precondition to good educational outcomes is the health and wellbeing of students. Importantly, the majority of students feel physically safe at school – especially in Years 5-6 and Years 10-12 (DET 2015h). The data also shows that particularly in the early years of school, Victorian students feel motivated and positive about the school environment, as well as their relationships with peers and teachers. In Years 5-6, close to 67 per cent of students report that they feel connected to their school and close to 65 per cent consider their school provides a stimulating learning environment. Victoria is second only to the ACT in the proportion of students who feel like they belong at school. While this all suggests that students are generally comfortable in the school environment, there is clearly room for improvement.

Attendance rates at Victorian government schools are generally high, and exceed rates in other States in Years 7–10 (Productivity Commission 2015). This indicates students are, for the most part, engaged – even though this does drop off in the later years of schooling.

The proportion of Victorian children enrolled in a funded four year old kindergarten program in the year before school is high, at 96 per cent in 2014. Further, the vast majority of Prep children are developmentally on track, as assessed by their teachers. Victoria ranks the highest in the proportion of children on track in physical and social development and in the top three states for all other domains, including emotional, language development and communication (DET 2015h).

However, the system needs to do better. Australia’s relative performance in PISA results has declined over time, and Victoria’s performance is generally static, while other countries are improving their levels of achievement. Australia’s mean mathematical performance declined significantly between 2003 and 2012 and reading literacy declined between 2000 and 2012. There was no significant change in Australia’s mean science literacy performance between 2006 and 2012. As Table 6 demonstrates, the PISA results also highlight the rise of other countries, particularly in the Asia-Pacific region. Shanghai, Hong Kong, Singapore, Japan and Korea consistently outperform Australia, as does Finland. The Trends in International Mathematics



and Science Study (TIMSS) results, as well as Progress in International Reading Literacy Study (PIRLS) results, also indicate a lack of significant improvement.

**Table 6. Australian PISA results relative to other OECD countries, 2012**

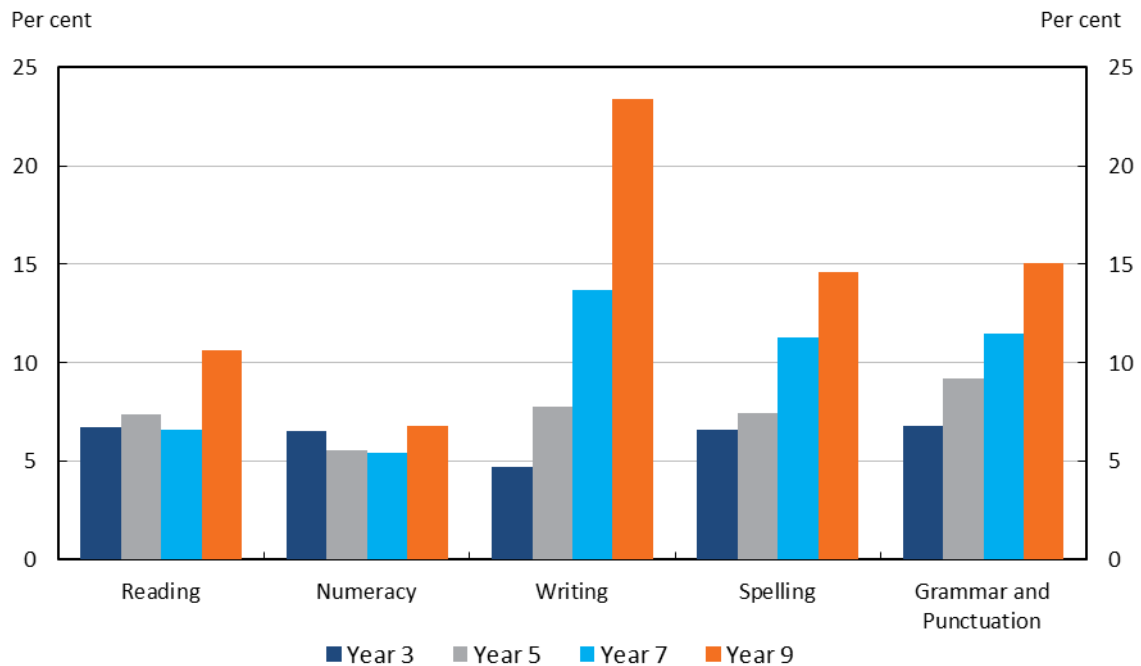
	Australia's Mean Score	OECD Average Score	Countries that significantly outperform Australia
<b>Reading</b>	512	496	Shanghai-China, Hong Kong, Singapore, Japan, Korea, Finland, Ireland, Chinese Taipei, Canada
<b>Mathematics</b>	504	494	Shanghai-China, Singapore, Hong Kong, Chinese Taipei, Korea, Macao China, Japan, Liechtenstein, Switzerland, Netherlands, Estonia, Finland, Canada, Poland, Belgium, Germany
<b>Science</b>	521	501	Shanghai-China, Singapore, Hong Kong, Japan, Finland, Estonia, Korea

Source: Thomson et al, 2013

Domestically, NAPLAN data reflect a similar picture. Despite solid results, there has been relatively little change in the overall level of achievement over time.

Figure 13 shows that in Victorian Government schools, the percentage of students not meeting the minimum national standard on NAPLAN testing has not improved significantly over time. Further, the data indicates that a larger proportion of students in later years of schooling are not meeting the minimum standard.

**Figure 13. Proportion of students in government schools below national minimum standard, 2015**



Source: VCAA, 2015

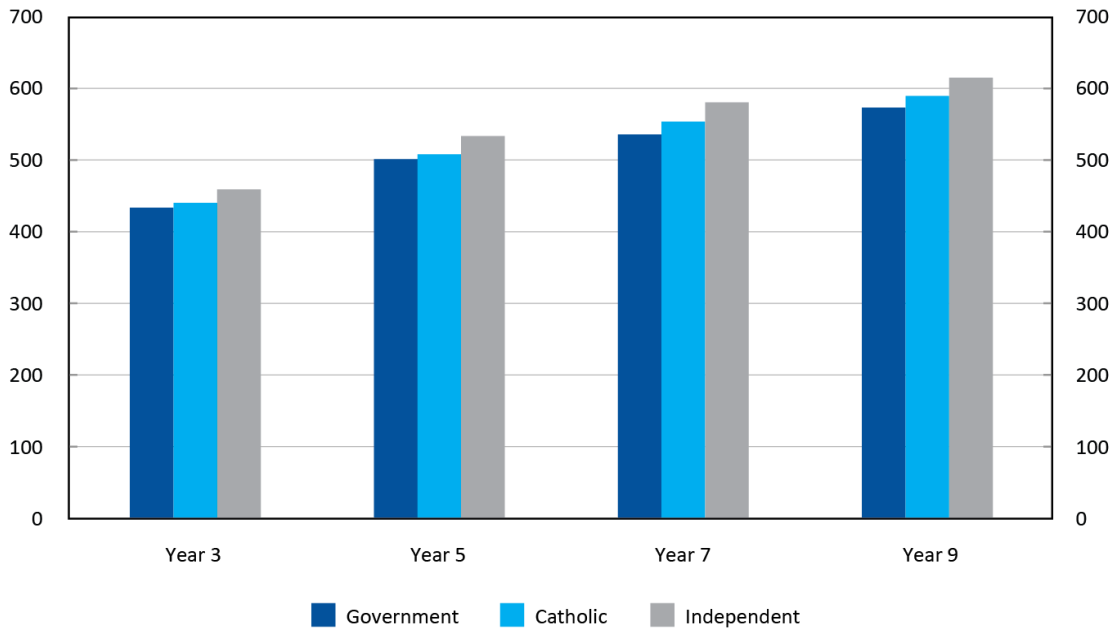
**Finding 1**

Victoria generally has high levels of educational attainment, both compared to other states as well as internationally. Students are engaged in their learning and feel positive about school, particularly in their primary years. However sustained improvement in assessment data is not evident.

## 2.2 Performance across sectors

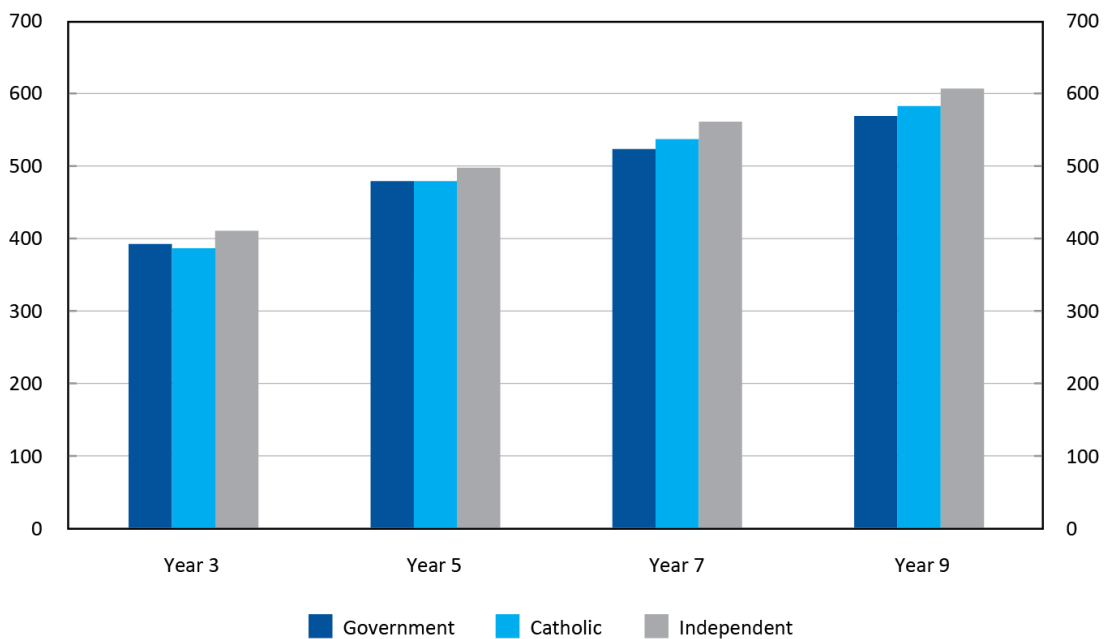
Assessed according to NAPLAN data, the Catholic and independent sectors achieve higher student results than the government sector, as shown in reading and numeracy results in Figures 14 and 15. Further, the difference in NAPLAN scores between the independent and government sector tends to be larger in secondary schools relative to primary schools for both reading and numeracy.

Figure 14. NAPLAN reading scores across sectors, 2015



Source: NAPLAN, 2015

Figure 15. NAPLAN numeracy scores across sectors, 2015

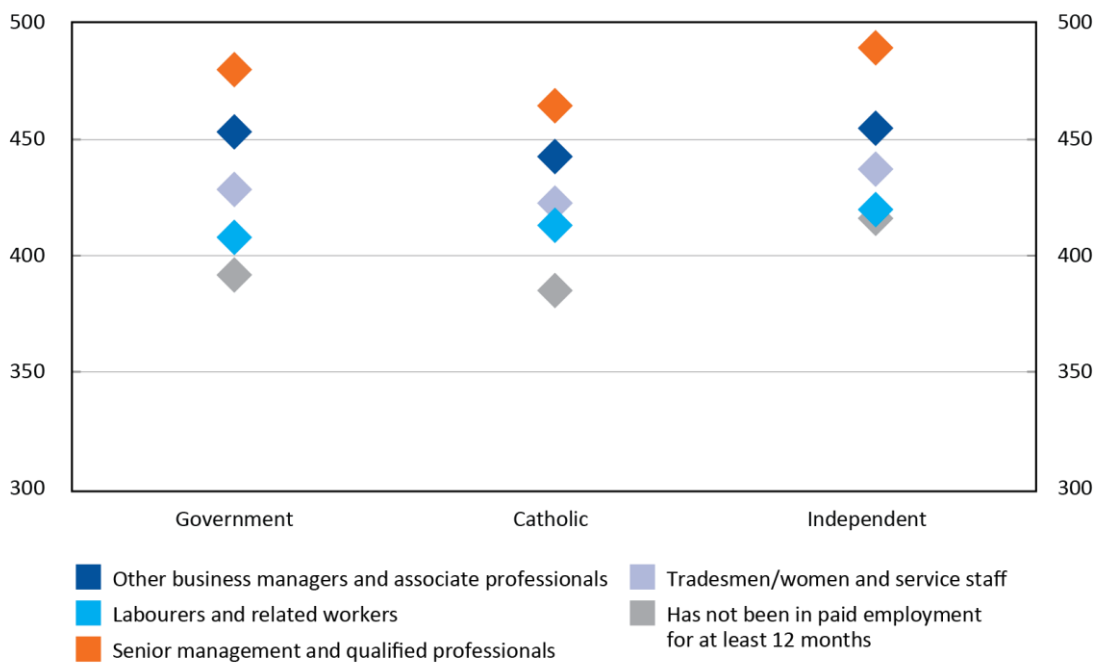


Source: NAPLAN, 2015

Disaggregating the data presented above by parental occupation and education shows that the differences across sectors may be explained partly by student background. The difference in NAPLAN results between the government and independent sector narrows for students whose parents are highly educated or in senior occupations.

Figure 16 presents Year 3 NAPLAN reading data disaggregated by sector and parental occupation. While there is a 25 point difference in unadjusted average scores between the government sector and the independent sector, this difference is much narrower for students whose parents are in senior management or in professional occupations (differences of eight points and one point, respectively). The picture is similar when Year 3 NAPLAN results are disaggregated by parental education, or when the same analysis is conducted for Year 3 numeracy results.

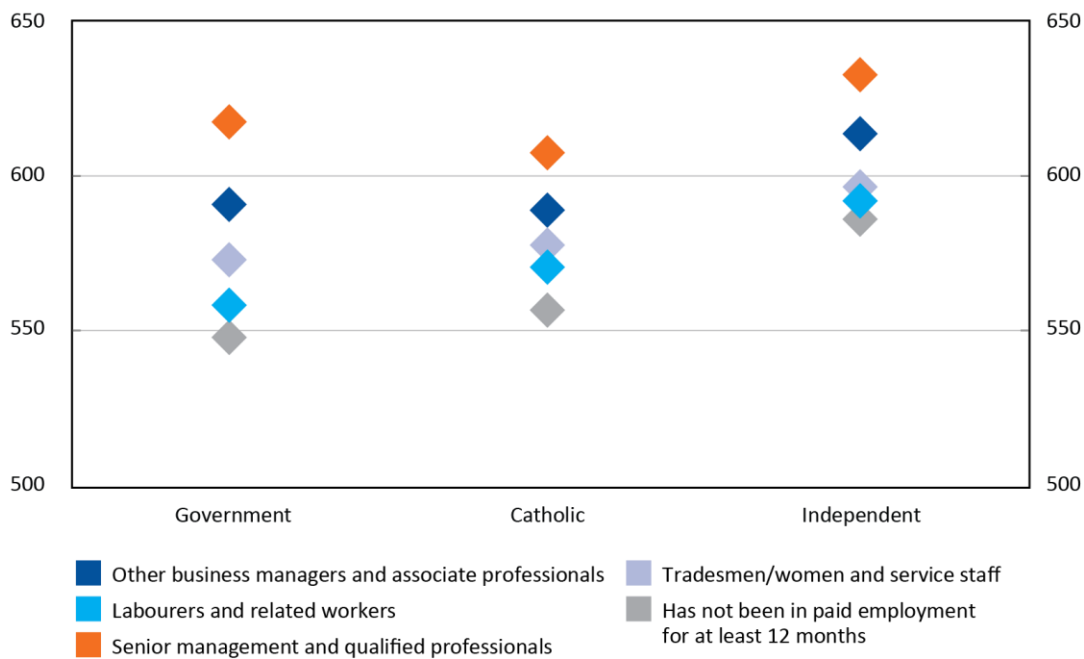
**Figure 16. Year 3 NAPLAN reading by parental occupation, 2015**



Source: NAPLAN, 2015

Achievement gaps in secondary school tend to be larger. Figure 17 below shows that the differences in secondary school achievement between sectors lessen when socioeconomic status (SES) is accounted for, they remain larger than for primary schools.

Figure 17. Year 9 NAPLAN reading by parental occupation, 2015



Source: NAPLAN, 2015

The impact of socioeconomic background on student performance within the government sector is explored in more detail in Section 2.3.

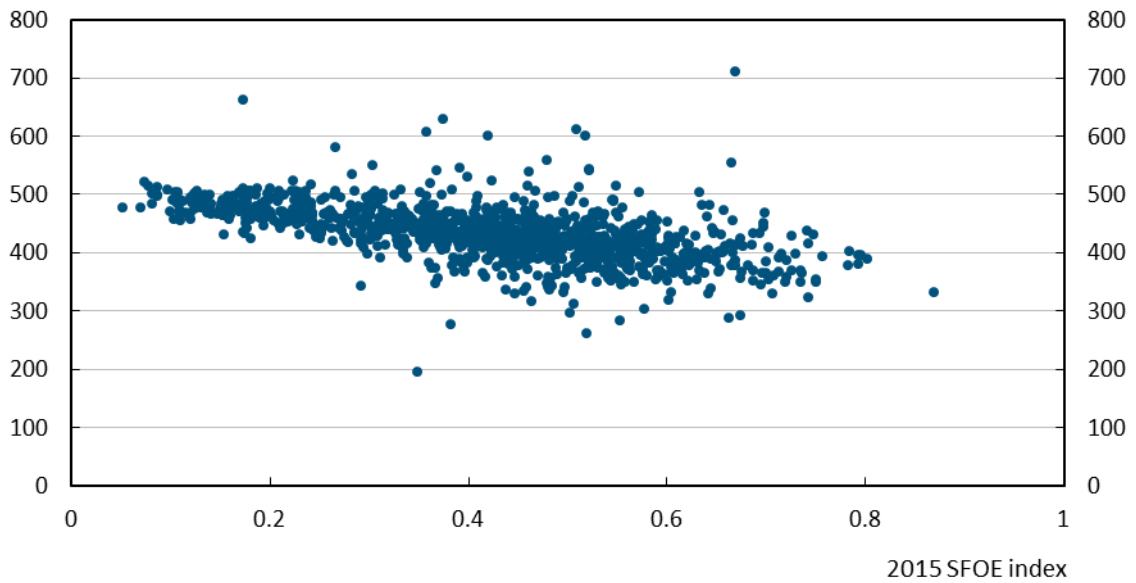
## 2.3 Students who are disadvantaged due to economic circumstances

The OECD finds that Australia has above average equity in education outcomes, but lags a number of other countries – such as Canada, Finland, Estonia, Japan and Korea (OECD 2012). Domestically, research shows that socioeconomic status is a ‘key factor shaping the educational outcomes of Australian students’ (Australian Government 2011). Recent research shows that disadvantaged students are not only more likely to fail to meet expected educational standards, but are also less likely to catch up again if they do fall behind (Lamb et al 2015).

This national observation is also reflected in Victorian data – both in terms of lower levels of achievement as measured by NAPLAN results, but also on broader measures of student performance. While schools in low SES areas appear to be providing students with an inclusive, safe and positive environment, outcomes relating to student health and transitions through school confirm that many students are being poorly served (DET 2015g). Staff in low SES schools are less positive about school climate than in Victorian government schools more broadly (DET 2015g). This is of real concern as the evidence clearly shows that the perceptions and expectations of teachers impact greatly on student outcomes (Hattie 2008). Further, there is lower participation in maternal and child health services, as well as kindergarten in low SES areas, which puts children at risk of poorer long term outcomes (DET 2015g).

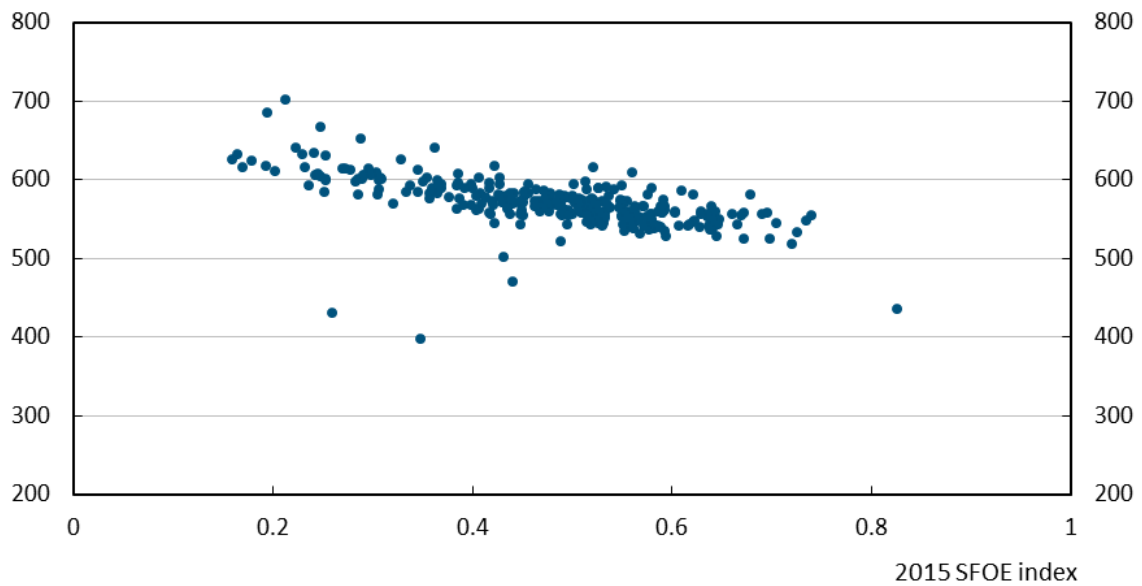
Figure 18 and Figure 19 illustrate the association between school level NAPLAN results and Student Family Occupation and Education (SFOE), which is a proxy measure of socioeconomic status. A higher SFOE score indicates a higher concentration of disadvantage in the school. It is evident that as the concentration of disadvantage increases, NAPLAN results tend to decrease. This is a persistent trend across the year levels.

Figure 18. Year 3 NAPLAN Reading mean scale score by Student Family Occupation and Education, 2015



Source: NAPLAN, 2015

Figure 19. Year 9 NAPLAN Reading mean scale score by Student Family Occupation and Education, 2015



Source: NAPLAN, 2015

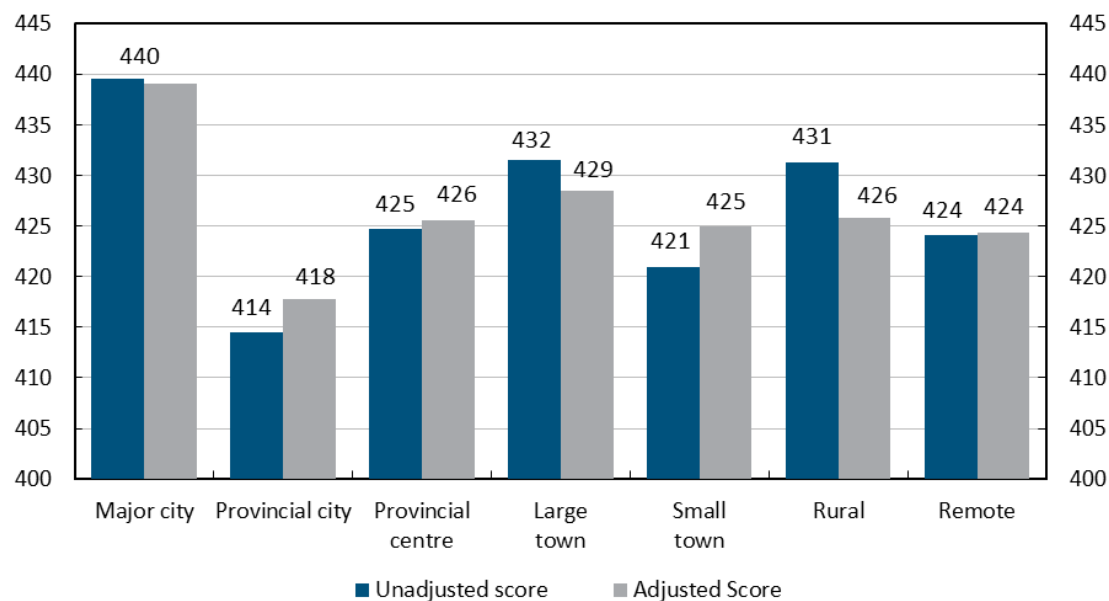
**Finding 2**

In Victoria, students who are disadvantaged because of socioeconomic circumstances achieve lower assessment results, have poorer health and experience poorer transitions through school.

## 2.4 Students in regional areas

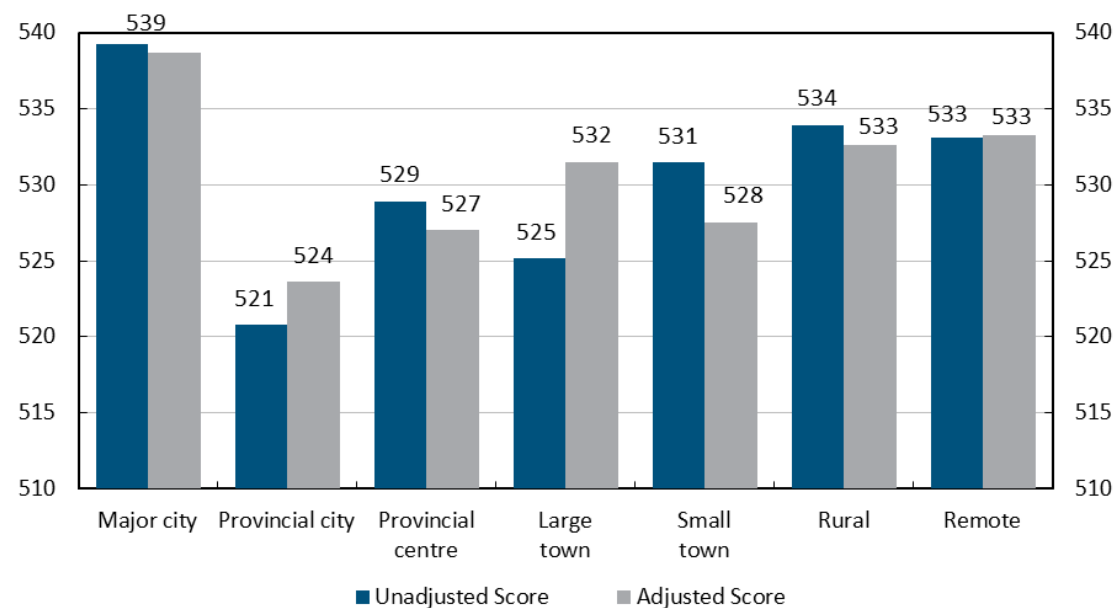
Evidence shows that there is an achievement gap between major cities (Melbourne and Geelong) and other areas of Victoria – both in terms of NAPLAN scores and learning gains. As Figure 20 and Figure 21 demonstrate, the differential exists even after adjustments are made for student and school context – including SES, English as an Additional Language (EAL) students, Aboriginal and Torres Strait Islander (ATSI) students, disability and school size.

**Figure 20. Year 3 NAPLAN Reading mean scale score (unadjusted and adjusted), 2015**



Source: Walstab, 2015

**Figure 21. Year 7 2015, NAPLAN Reading mean scale score (unadjusted and adjusted), 2015**



Source: Walstab, 2015

Lamb et al (2014) found that the difference in Year 3 reading in government schools between urban and rural/regional areas was equivalent to around 6-7 months of schooling. Similar results were found in relation to NAPLAN gain, with the data showing a difference of about three months less literacy acquisition from Years 3 to 5 outside the major cities. In addition to the NAPLAN data, the research found differences in student experience with respect to Year 12 certificate completion (completion rates lowest in large towns) and transitions from school. The 2014 *OnTrack* survey shows that close to 82 per cent of surveyed students in metropolitan Victoria went on to further education and training compared to just fewer than 65 per cent in non-metropolitan Victoria.

### Finding 3

In Victoria, there is an achievement gap between students who attend school in major cities and those who attend regional schools.

## 2.5 Disengaged students

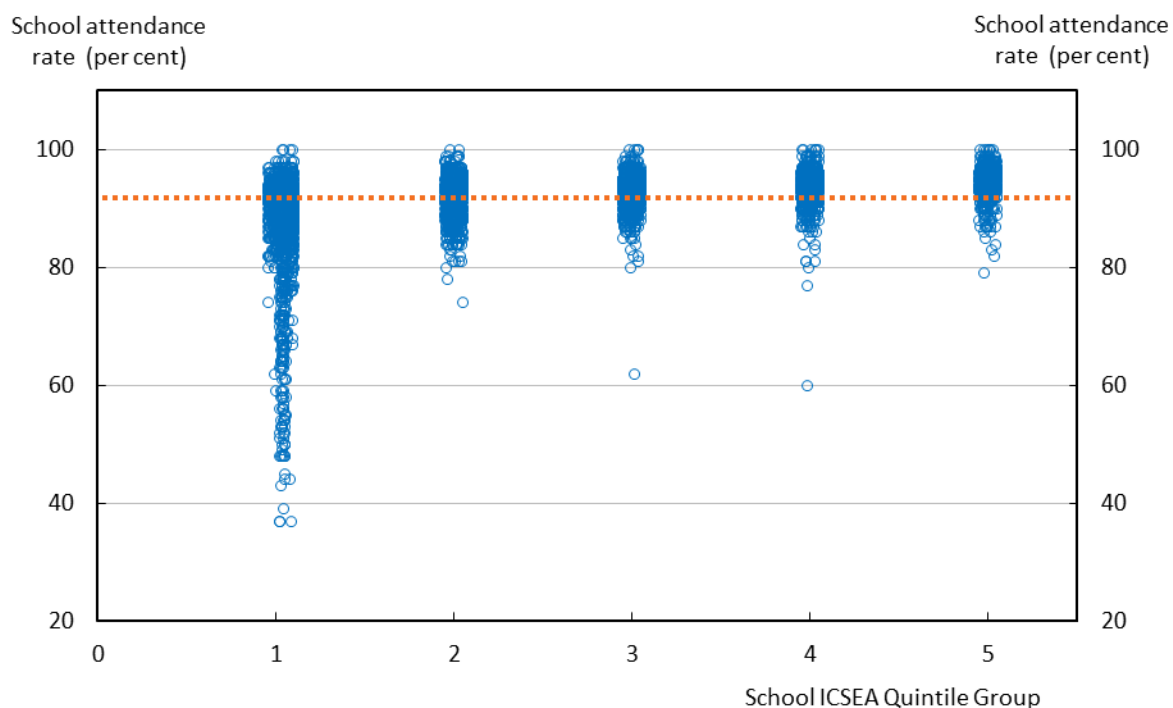
In Victoria, it is reported that some 10,000 young people drop out of school each year. Disengagement from education can have lifelong implications for young people in terms of their health, wellbeing and future employment opportunities. There is a wealth of evidence that shows early intervention and the retention of students in mainstream settings can help avoid the detrimental impacts of non completion.

As detailed above, evidence shows that Victorian students generally feel motivated, engaged and positive throughout their primary years. However, as students' progress through secondary school there is a decline in student morale and confidence in their academic ability, and also a decline in positive attitudes towards school and teachers. Transition can be a critical time for vulnerable students.

One visible indicator of this is absenteeism. Absenteeism begins to increase in Year 8 and peaks in Years 9 and 10 (DET 2015h). Several studies have shown that declining attendance is a key contributor and one of the most discernible patterns of early disengagement (Lehr et al 2009).

The overlap between declining attendance and disadvantaged students is stark. A recent report commissioned by the Mitchell Institute (Lamb et al 2015) shows that at a national level, there is a much wider range of school attendance rates in schools that are relatively disadvantaged (Figure 22). However, it is also important to appreciate that disengagement from school often begins well before it is visible in attendance data. By the time students have started being absent from class, they have likely been disengaging for some time.

Figure 22. School attendance rates by ICSEA quintile, 2013



Source: Reproduced from Lamb et al, 2015

#### Finding 4

In Victoria, it is reported that some 10,000 young people from government and non-government schools drop out of school each year.

## 2.6 English as an additional language

It is well known that English is a central skill required for full civic participation in Australian society. Research shows that there is a link between low English proficiency and lower labour market outcomes, as well as settlement outcomes (Department of Immigration and Citizenship 2011).

Students with a Language Background Other than English (LBOTE) represent a diverse range of students, some of whom experience educational disadvantage and some who do not. Analysis of 2014 NAPLAN results show that the mean scores for Victorian LBOTE students are similar to those for non LBOTE students across most domains and year levels, above non LBOTE students in Years 3, 5 and 9 spelling and Year 9 numeracy and below non LBOTE students in Year 5 reading.

The LBOTE classification is broad and encompasses students who may speak another language at home, but who still have parents or guardians who are very proficient in English. Performance within this group of students differs depending on the language background of the student and is also heavily influenced by English language proficiency (Australian Government 2011).



Analysis undertaken by the NSW Department of Education and Communities and cited in the Gonski Review (Figure 23) found that, after controlling for parental background and school effects, LBOTE students with limited English language proficiency experienced twice the level of disadvantage as refugees or Indigenous students (Australian Government 2011).

**Figure 23. Relative disadvantage between LBOTE student cohorts, 2009**

Key disadvantaged groups	Relative effect	Impact on average NAPLAN results (in bands)
Indigenous	-0.443	3 quarters of a band
Refugee	-0.463	3 quarters of a band
ESL Phase 1	-0.901	1 and a half bands
Refugee, ESL Phase 1 and newly arrived	-1.807	3 bands

Source: Reproduced from Australian Government (2011)

#### Finding 5

Victorian students from non English speaking backgrounds generally perform well on assessment tests. However, this masks the educational disadvantage that is faced by students who have low levels of English proficiency.

## 2.7 Koorie students

Evidence suggests that, while recent levels of improvement in the performance of Koorie students are positive, larger gains are required to achieve long term positive outcomes.

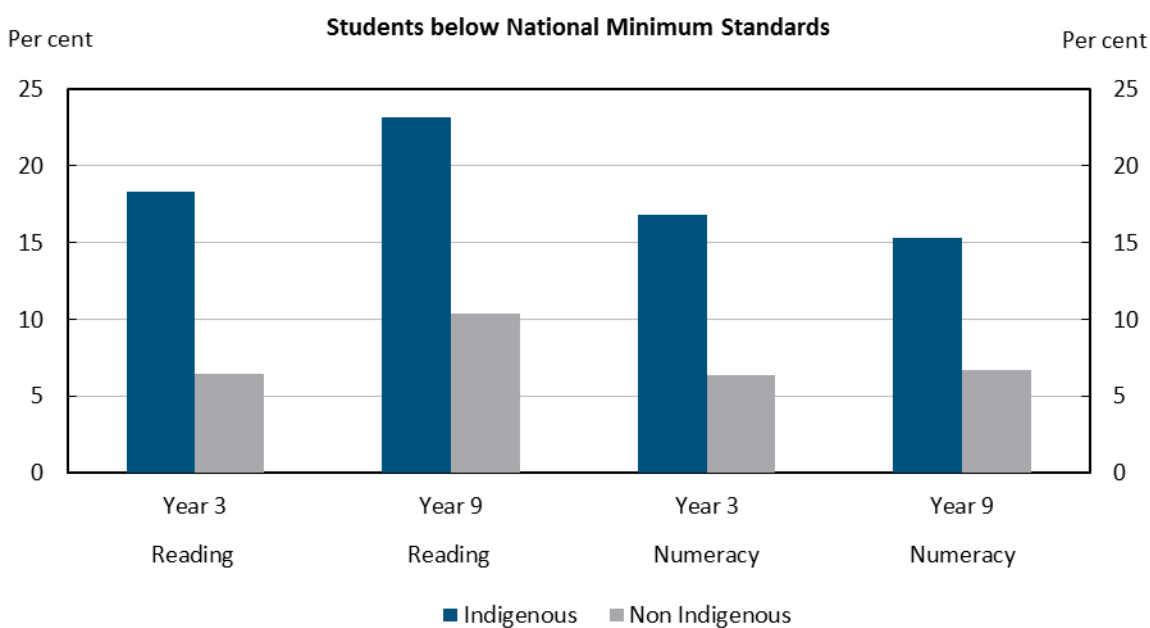
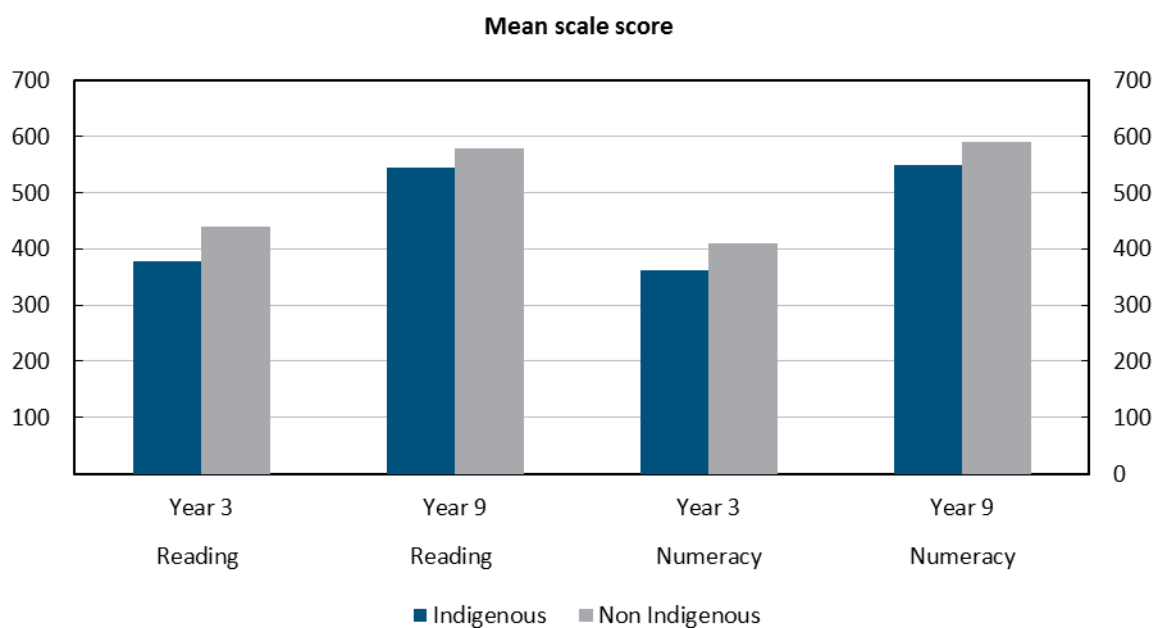
While kindergarten participation rates for Koorie children are increasing, alongside the mean number of hours of attendance per week, both are still significantly below the results for all children across Victoria. In 2012 the proportion of Koorie children in Prep that were assessed as on track in their language and cognitive development was 62 per cent, compared to 84 per cent state wide (DET 2015f).

Mean scale scores across NAPLAN domains, as well as the proportion of students below national minimum standards, highlights the performance difference that exists between Indigenous and non Indigenous students (Figure 24). The proportion of Indigenous students in the higher NAPLAN bands has decreased for both Years 7 and 9 over the last three years and at all year levels is significantly lower than state wide results. Further, Indigenous students are nearly twice as likely to experience low achievement gains as they are high achievement gains (DET 2015f).

Transition to further education is also lower for Koorie students. The proportion of early school leavers pursuing further education and training has fallen from 58 per cent in 2012, to 47 per cent in 2014. And while Year 12 completers favour further education, this is more likely to be through VET (DET 2015f).

Despite these results, there are encouraging signs, with NAPLAN results for Indigenous students show larger improvements in the early years, absenteeism generally decreasing and there is evidence that schools are providing inclusive, safe and positive learning environments for Koorie students.

Figure 24. NAPLAN results for Indigenous and non Indigenous students in government schools, 2015



Source: NAPLAN, 2015

**Finding 6**

In Victoria, the performance of Koorie students has improved recently, absenteeism is generally decreasing and there is evidence that schools are providing inclusive, safe and positive learning environments for Koorie students. However a significant gap in performance relative to non Koorie students persists.

## 2.8 Students with a disability

Students benefit from an inclusive and supportive culture in schools. This is particularly important for students with additional needs. By law, educational providers are required to make reasonable educational adjustments to enable students with a disability to participate in schooling. Students with a disability represent a wide cohort of students. Some require minimal to no educational adjustments to participate fully, some require moderate adjustments that, once made, allow them to participate to the same level as students without a disability, while others have complex support needs and for whom achievement at school is measured on a different basis (for example more focused on physical and emotional wellbeing).

Students with significant disabilities may not be able to participate in NAPLAN testing and it has also been difficult to assess these students against the state wide curriculum in some cases. This has implications for reporting on student outcomes for this cohort of students. Reporting has also been made more difficult by a lack of nationally consistent data on the number and location of students with a disability, though this is improving.

However, even in the absence of school performance data, the evidence shows school completion and incidence of further education is lower for students with a disability. In 2012, 35.6 per cent of Victorians with a disability (aged between 15 and 64) had completed Year 12 or equivalent, compared to 59.8 per cent of Victorians without a disability. Similarly, a much lower proportion of Victorians with a disability had completed a Bachelor degree or higher (14.8 per cent versus 26.2 per cent) (Australian Bureau of Statistics 2012a).

Students with a disability may also face poorer labour market outcomes. In 2012 the unemployment rate for Victorians (between the ages of 15 and 64) with disability was 9.4 per cent versus 4.9 per cent for Victorian without a disability. Further, the labour force participation rate for Victorians with a disability was significantly different from those without a disability (52.8 per cent versus 82.5 per cent) (Australian Bureau of Statistics 2012b).

### Finding 7

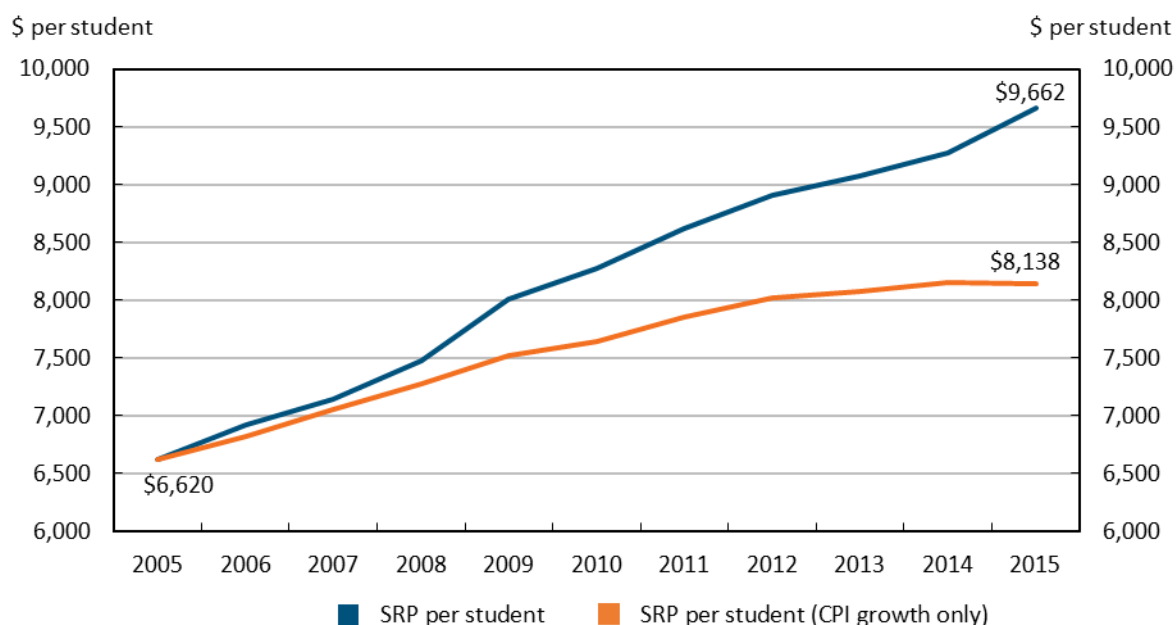
In Victoria, while reporting on the performance of students with a disability has been problematic in the past, students generally experience lower school completion rates and transitions to further education, as well as poorer labour market outcomes.

### 3 Impact of school funding

Chapter 2 showed that student performance at government schools in Victoria, although high by national and international standards is not where it should be. Outcomes for students in Victoria need to improve.

Yet outcomes have not improved for Victorian students despite an increase in school funding, in real terms, over the last decade. Since the Student Resource Package (SRP) was introduced in 2005, funding per student has grown by 3.9 per cent per year on average to around \$9,662 in 2015, as shown in Figure 25. Compared to funding projections based on the Consumer Price Index (CPI), this growth represents a real funding increase in the schools system of \$1,524 per student.

Figure 25. Real SRP funding growth per student, 2005–2015



Source: DET Student Resource Package, 2005-2015

At \$1,523 per student, around \$3.7 billion has been added to school funding in real terms since 2005. This has supported extra teachers to accommodate growth in student numbers, new education initiatives, new facilities management needs, as well as wage increases associated with various industrial awards and agreements.

While school funding has grown in real terms, student performance has not. Chapter 2 showed that, at the same time, the gap between advantaged and disadvantaged students has widened. In isolation, these facts could support a conclusion that funding does not have an impact on outcomes.

The evidence shows the opposite. If funding it is allocated effectively and efficiently, and if it is used in support of the highest value teaching and learning practices, it can be a powerful instrument to lift student outcomes. This was the premise of the Gonski Review, which argued for funding levels well in excess of those shown in Figure 25.

Similarly, if funding is not allocated appropriately and used well, it can hinder student improvement and magnify inequities.

## 3.1 Funding allocation

Funding is a necessary precondition for schools to operate. It enables schools to hire teachers, pay utilities bills and maintain buildings. Given the objective is to lift improvement for all students, and students have diverse needs, the way funding is allocated to schools can help to match teaching and learning resources to the needs of students.

Evidence shows that a number of factors influence student outcomes. Some factors have a direct link to a student's experience in school, including teacher quality, school leadership, curricula, pedagogy, peer effects and class sizes in early years, and disadvantage settings. There are also factors that are broader, including socioeconomic status, family background, parental engagement, language proficiency and location.

While there is some contention in the literature around the relative magnitude of the effect of each of these factors, the research is consistent that student background has a significant impact on outcomes. Evidence also shows that the impact of funding is more pronounced when targeted to certain cohorts of students – in general terms, it pays to invest early in a student's educational trajectory and to invest more heavily in those students who have increased education needs because they face educational disadvantage (OECD 2012; Heckman 2011; Deloitte Access Economics 2014; Jackson et al 2014).

The Gonski Review categorised socioeconomic status, Indigeneity, English language proficiency, disability and school remoteness as the key dimensions of disadvantage that impact on educational performance. It put forward a compelling case to justify extra resourcing to support students who have additional learning needs because of learning barriers. These findings are particularly important to the government school sector, which teaches a larger proportion of disadvantaged children.

Other studies that focus on school funding allocation (The Allen Consulting Group 2003; Deloitte Access Economics 2011; Australian Government 2011) are consistent in their description of the building blocks required for robust funding allocation. These include that allocation:

- is aligned to the educational policy objectives of the Government
- is based on efficient cost of service delivery, underpinned by empirical research that is periodically reviewed
- promotes system equity and targets funding towards the needs of students
- keeps pace with growth in costs and enrolments, thus providing schools with sustainable funding
- is transparent to schools and the community.

Where the funding allocation does not align with these principles, student improvement – achieved for all students – can be made more difficult. The most obvious example of where funding allocation can make student improvement more difficult relates to how the Commonwealth and Victorian governments fund non-government and Government schools.

In Victoria there are three school sectors (government, Catholic and independent). All schools in each sector receive funding from both the Commonwealth and Victorian governments via three different allocation models. The Commonwealth uses the Schooling Resource Standard to determine a total funding requirement for all schools across all sectors. While the model is needs based and sector neutral, the resulting funding allocation to schools across sectors is not. This is due to the continuation of historical intergovernmental arrangements, whereby the Commonwealth acts as primary funder of the non-government sector and secondary funder of the government sector.

This arrangement means that, despite the Commonwealth's own funding model showing that schools in the government sector are underfunded relative to schools in the non-government sector, the Commonwealth still chooses to fund a greater proportion of a school's total funding requirement if that school is in the non-government sector. This acts to perpetuate the current inequities in the system and results in a distortion of

funding away from where it will achieve the biggest impact; that is, away from students with the greatest teaching and learning needs. The situation is further exacerbated by the existence of two funding models within Victoria – one for the government sector and another for the non-government sector.

## 3.2 Use of funding

Adequate and targeted funding is a necessary input in driving educational outcomes. This is the task of the funding allocation.

However, the link between investment and student outcomes is also impacted by how funding is used. While schools need a threshold level of funding to operate, it is how these resources are deployed that is critical to improving educational outcomes. As stated by the OECD (2013c), ‘adequate resources are crucial for providing students with high quality opportunities to learn. At the same time, those resources translate into better learning outcomes only if they are used efficiently’. According to Professor John Hattie, if student achievement is to improve, funding arrangements need stronger links to the things that impact student outcomes. Where this varies according to the diverse needs of different students then it should be reflected in funding decisions (Hattie 2008).

The use of resources is linked to what occurs in the classroom, as the bulk of school funding pays for teachers in schools. Principals are the key decision makers for how to attract, retain and develop a high quality teacher workforce for their schools. These decisions have an enormous impact on student outcomes.

Teachers are critical to improving educational outcomes (Hattie 2008, Jensen et al 2012). Strong school and system leadership and high quality teachers are critical to turning around underperforming schools (Jensen and Sonnemann 2014, Leithwood 2010). This sentiment was echoed in the Gonski Review which stated that ‘Australia’s schools, government and non-government, should be staffed with the very best principals and teachers, those who feel empowered to lead and drive change and create opportunities for students to learn in new ways to meet their individual needs’ (Australian Government 2011).

In addition to employing teachers, funding enables schools to invest in built facilities to ensure students have an environment that is safe and conducive to learning (Schneider 2002), enhance and extend curriculum offerings, implement effective interventions for those students at risk of disengagement and provide extra support to students with health and wellbeing concerns. For many students, these are preconditions to good learning outcomes and funding enables schools to meet these needs.

The successful deployment of resources can be supported by building the capabilities of those who participate in the education system, including through guidance to schools in effective interventions, professional and organisational learning processes, rigorous evaluation, and the availability of data to guide evidence based decision making. It is further supported by clear accountability and governance mechanisms to ensure that funding is used in the most effective and efficient manner (Allen Consulting 2003; Deloitte Access Economics 2011; Australian Government 2011).

Again, if funding is not used well, student outcomes can suffer. For example, a lack of accountability for the use of funding can undermine school and system performance, particularly in systems with significant school autonomy (Nous Group 2015; OECD 2013c).

In Victoria, schools have not been required to transparently demonstrate how they translate their funding allocation into improved student outcomes. School strategic planning and financial reporting are largely separate practices. This has created a number of problems. It means that it is impossible for the system manager to effectively hold schools to account for how they are spending funding allocations. It also means that there is no repository of data on how schools have used funding, which could enable a better understanding of what works, and does not work, for student improvement (Nous Group 2015).

With no meaningful records of how funding is used for student improvement, nor accountability for spending in the interests of improvement, the door is left open for the claim (made by schools, but also by other system participants that have particular interests) that insufficient funding is holding back improvement in student outcomes rather than how the funding is deployed.

### 3.3 Creating new opportunities

Recent debates about school funding have tended to focus on the quantum of funding allocated to education by the Commonwealth and state governments (so called ‘Gonski money’), the proportional allocations to the government and non-government sectors, the extent that funding meets the cost of education, and how the allocation of recurrent funding can better target student need.

What is less frequently canvassed is how funding can be a lever for reform. In schooling, as in other areas of public policy, funding can be a precise instrument to target ‘hard to reach areas’ that may be otherwise inaccessible for other policy measures.

At the national level the *National Education Reform Agreement* (NERA) has explicitly linked funding to specific education reforms agreed to by participating governments such as literacy and numeracy or principal capability. Similarly, the state government has facilitated specific education reforms through programmatic funding (for example, the former Leading Schools Fund that was designed to improve the effectiveness of secondary schools). There is now the opportunity to widen the potential for all funding to bring about the change in behaviours and practices that will be needed for state wide improvement.

Given the decade long plateau in student improvement in Victoria and the consensus that teaching and learning practices are the foundation for improvement, this Review identifies how funding can give greater impetus to these reform priorities. The Review proposes harnessing the power of funding to facilitate new ways to organise the teaching and learning workforces, invest in new technologies and business processes, form stronger collaborative partnerships across schools and with other organisations, and generate evidence on successful practices that is widely shared and incentivises innovation.

Making new funding available, or changing the conditions of existing funding, can serve as a powerful incentive for change as well as resourcing the new activities.

### 3.4 Complementary measures to lift the returns on school funding investment

Even when the right level of funding is used by schools in the most effective interventions, the system may fall short of the objective of providing all students with the opportunity to fulfil their educational potential. This is because a range of incentives, structures and behaviours have developed around the competition for students, school places and academic results, which mean that even when individual schools are acting in the best interests of their students, systemic features impede the alignment of interventions with the interest of all students.

Some of these incentives, structures and behaviours are well established features of the Victorian schooling system, which have been created and supported by successive Governments. For example, Victoria’s school system is marked by parental choice and competition between schools. It is also marked by the presence of select entry schools, schools with high financial barriers to enrolment in the non-government sector, government schools with zoned residential boundaries, and schools in all sectors offering specialised curriculum programs to targeted cohorts.

These pressures are particularly felt by government secondary schools. Researchers in Victoria have identified for over a decade that the effect of concentrations of disadvantage on school performance is being

compounded by large numbers of students bypassing their local government secondary school for other schools, government and non-government (Keating 2009; Lamb 2007). Some behaviours are subtler and therefore less obvious, such as schools suggesting that a hard to teach student may be better suited to attending school elsewhere.

Some would argue that these incentives, structures and behaviours can serve to lift the system by promoting quality and efficiency. But it is also clear that they contribute to the concentration of children with complex learning needs and under achievement in certain schools and communities, particularly in the government sector (Teese 2011).

This stratification occurs because some students are constrained in their choices between schools due to economic, social or geographic factors (Jensen et al 2013). If they happen to be in a poor performing school, students who can leave, will, leaving those who remain in a situation where the school is more likely to be declining in numbers, have a less diverse student mix, and is less likely to be a school of choice for teaching staff because of the high demands of the student cohort (Nous Group 2011; Perry and McConney 2010).

This is not only a cross sectoral issue. Competition between government schools, particularly secondary schools, results in stratification also within the government sector.

There is an argument that the solution to stratification is needs-based funding itself. By virtue of a needs-based allocation model, more funding will go to disadvantaged schools, increasing their capacity to reverse the impacts of stratification. There are two problems with this argument. The first is that these disadvantaged schools often experience declining numbers, which therefore will result in declining funding. While per student needs-based funding might be high, the overall funding available to these schools may be declining, reducing their capacity to ensure curriculum breadth and fill capacity gaps in their teacher workforce.

The second is that, even if needs-based funding was adequate to counter the impact of stratification, the return on investment over the long term is not maximised unless the underlying stratification issue is dealt with. Addressing this will require a range of changes to the quality of teaching, school leadership, support services, and collaboration with other agencies and the wider community. Addressing stratification through education policy design is likely to be far more cost effective than seeking to compensate for its economic and social costs later in education or life.

The stratification issue relates to inclusion, which is central to the objective of raising outcomes for all students. In order to maximise returns on the Government's school funding and to reduce the long term financial exposure for governments, the stratification issue needs to be addressed.

The link between funding investment and outcomes is impacted by the funding allocation, how funding is used, how funding can be a driver of change, and how the returns on funding can be impacted by systemic factors. Their effects can be positive and negative, and therefore are best considered together. The assessment of school funding therefore requires consideration of the roles, responsibilities and capabilities of those who control – or otherwise impact – funding decisions, the funding allocation model, and the information and systems that are required to get the best returns from the funding provided by government.

#### **Finding 8**

Funding reforms that aim to improve student outcomes should focus on the funding allocation model, as well as how the roles and responsibilities, capabilities and accountabilities, and incentives associated with school funding impact student improvement, for all students.



## 4 Review of school funding in Victoria

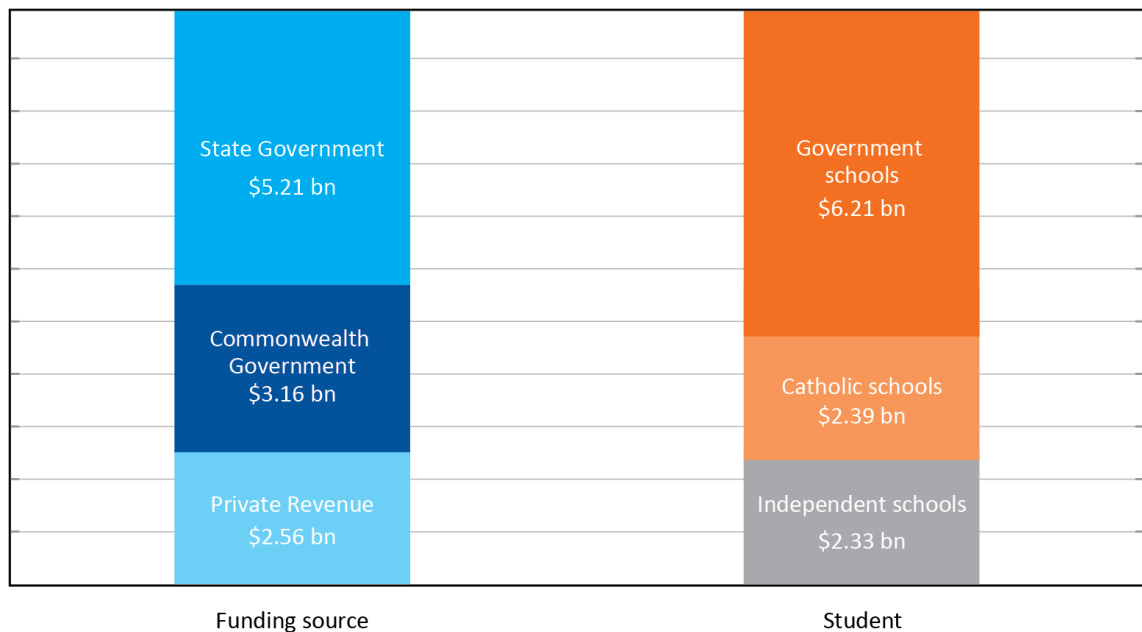
Chapter 3 describes how the allocation and use of funding is critical to driving student outcomes. This chapter includes an analysis of school funding in Victoria, including the roles and responsibilities of system participants, Federal and sectoral context to school funding, Victoria's SRP and the extent to which student and school needs are met through school funding.

### 4.1 Current context for school funding in Victoria

Victorian schools derive their funding from three sources – Victorian Government, Commonwealth Government and school generated revenue. For government schools, the primary public funder is the Victorian Government, while the primary public funder of non-government schools is the Commonwealth Government. School generated funds may be derived from a range of sources or activities, including parental contributions, hire of school facilities and equipment, the provision of out of school hours care, local government and donations.

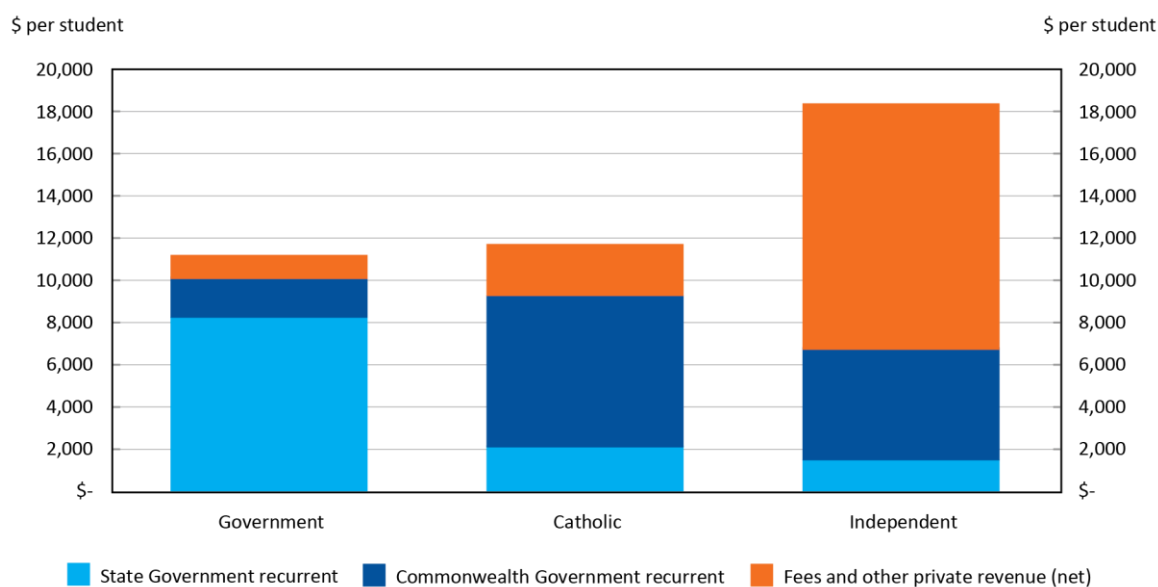
The quantum of funding from these three sources differs across sectors, as does the average recurrent funding per student. Each is described in the Figures 26 and 27 respectively.

**Figure 26. Funding flows from source to student, 2013**



Source: ACARA, 2013

**Figure 27. Sources of recurrent funding per student by sector, 2013**



Source: ACARA, 2013

### 4.1.1 Intergovernmental arrangements

By virtue of Section 107 of the *Constitution of the Commonwealth of Australia*, state and territory governments bear the responsibility for school education. The State owns and operates all government schools and is responsible for regulation of government and non-government schools. However, the Commonwealth and the State collaborate on a range of school education matters, in particular, curriculum, assessment and reporting, teacher quality and teacher training.

The State and Commonwealth governments also both play an important role in the funding of schools. Since Federation, there have been many different intergovernmental funding arrangements. Some were based on what state governments historically spent on their schools, some have been the consequences of Commonwealth taxation decisions and others related to grants for specific needs or priorities such as addressing disadvantage. Commonwealth involvement in school funding is unlikely to change in the near term; given the reduced revenue raising capacity of state governments relative to the Commonwealth (termed the ‘vertical fiscal imbalance’).

In 2014-15, the Commonwealth allocated close to \$4 billion to Victorian schools. The majority of this funding (\$2.7 billion) was recurrent funding for the non-government sector, while close to \$1.26 billion of recurrent funding was provided for government schools, notionally under the NERA. The Commonwealth also provides a smaller amount of funding through National Partnerships (NP’s) and other grants that are intended to fund reforms or specific projects. In 2014-15, NP funding amounted to \$26 million.

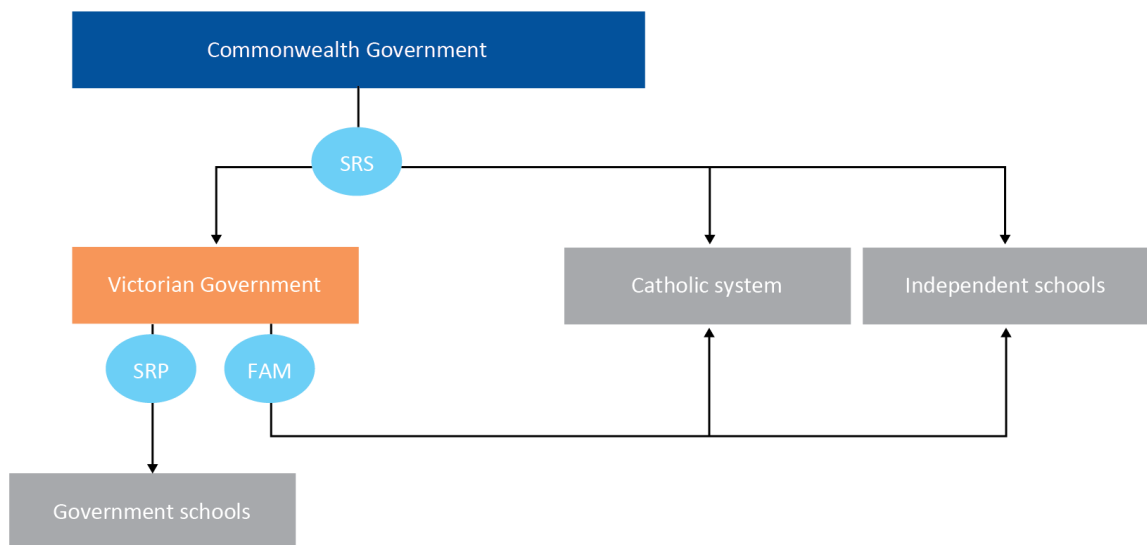
A Commonwealth funding model, the Schooling Resource Standard (SRS), informs the level of recurrent funding allocated to schools. The SRS was introduced in 2014 in response to the Gonski Review and is a needs based and sector neutral model. While the SRS determines the funding allocation to schools across all sectors, public funding from Commonwealth and state governments differs in how it reaches government schools compared with non-government schools. This is due to historical intergovernmental arrangements, as well as the interaction of three different funding models that govern school funding flows.

The level of Commonwealth funding that a school receives depends heavily on the sector it is in. Currently, the bulk of school funding is based on a historical arrangement that sees the State government act as primary

funder of government schools and the Commonwealth government act as the primary funder of non-government schools. This arrangement has continued, despite the SRS showing that schools in the government sector are underfunded relative to schools in the non-government sector. Continuation of these arrangements acts to perpetuate inequities in the system, and may result in a distortion of funding from where it can have the biggest impact.

The situation is exacerbated by the interaction of these funding arrangements and the funding models in the system. Figure 28 illustrates this interaction. The Commonwealth funds its contribution to the non-government sector directly (on-passed through the Victorian Government). Victoria then uses its own non-government sector model, the Financial Assistance Model (FAM), to fund the remainder of the public contribution. This is in contrast to the arrangement for government schools, in which the Commonwealth allocates its contribution to the Victorian government, who then adds its own funding and funnels the total public amount (Commonwealth and State) through the Victorian government sector funding model, the SRP.

**Figure 28. Interaction between public funders, funding models and sectors**



This all serves to illustrate the complexity of current intergovernmental school funding arrangements, which ultimately undermines transparency of school funding, and impacts public confidence. As stated in the Gonski Review ‘Australia lacks a logical, consistent and publically transparent approach to funding schooling’ (Australian Government 2011). This is exacerbated by the fact that current funding arrangements are conditional on ad hoc agreements and grants and therefore diminish the ability of states (and schools) to undertake longer term planning. It also serves to illustrate the inequity of funding arrangements across sectors, which threatens to block improvement in student outcomes and to magnify inequalities between schools, even if overall funding increases.

As Keating (2009) states ‘no other OECD country has separate and mostly publicly funded school sectors competing against each other for the economically and educationally advantaged student market. No other country allows such arrangements to have such a heavy impact on education policy. No other country seems to have an array of governments that are ostensibly committed to the objectives of equity and social justice, but implement policies that discriminate against low income and less scholastically advanced students. The cause of these anomalies is located in the history and institution of Australian federalism and with the historical legacies of the public and private school systems. Australia needs strategies to transcend the sectoral divisions in schooling and the levels of government’.

## Finding 9

Current intergovernmental funding arrangements lack coherence and are not well understood in the community. Further, they are based on historical arrangements that act to perpetuate inequity between schools.

## The Gonski Review

The Gonski Review provided a comprehensive analysis of the way Australian schools were funded. A core recommendation of the review was the creation of a needs based and sector blind funding model. The review estimated that its proposal would cost an additional \$5 billion in annual recurrent funding, spread across the Commonwealth and state governments, in part due to a Government commitment that no school would lose a dollar.

The Gillard Commonwealth Government accepted the core recurrent funding recommendation of the Gonski Review as the basis for its National Plan for School Improvement (NPSI). For Government schools, the NPSI was to be established by the NERA. In addition to the overarching agreement, there were to be bilateral agreements between the Commonwealth and each State.

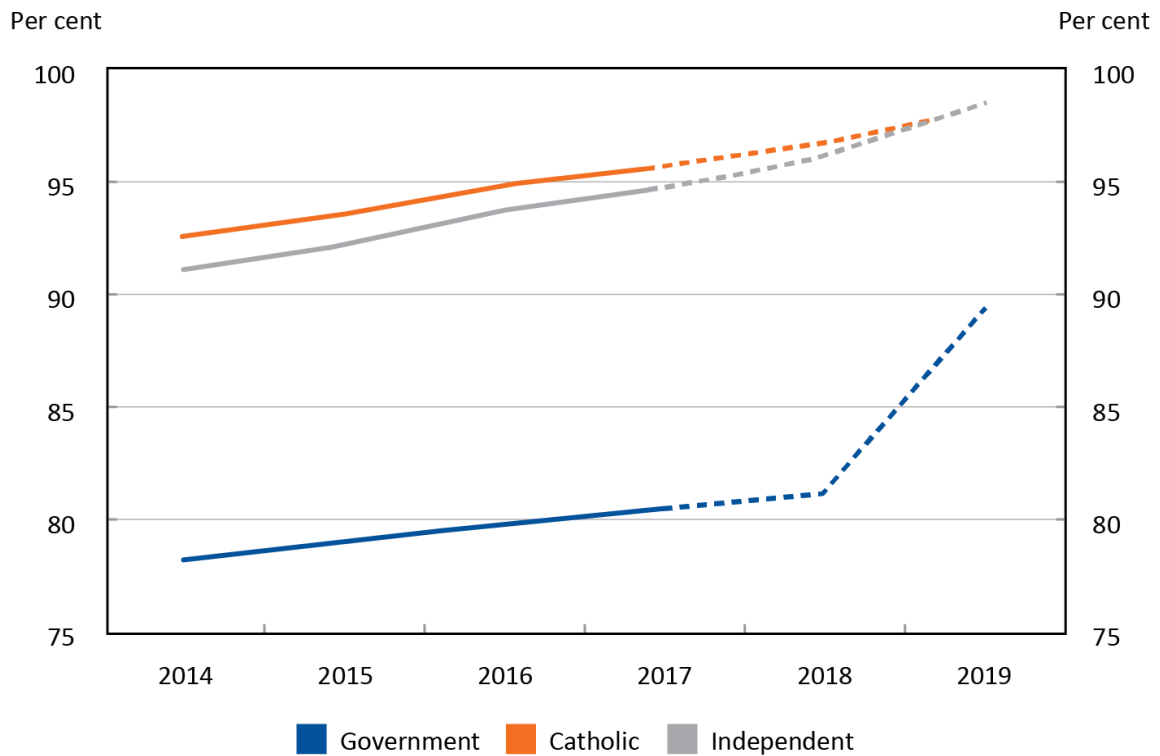
The Heads of Agreement (HoA, or Gonski deal) was signed both by Victoria and the Commonwealth in August 2013, however the bilateral agreement was not finalised. This means that technically, Victoria is a non-participating jurisdiction<sup>6</sup>. Non-government schools are not party to the NERA, but were asked to commit to the NPSI through memoranda of understanding (for the Catholic system) and through the school improvement plans (for independent schools).

The HoA was, in essence, a transitional arrangement with the objective to increase resourcing to schools so that they were much closer to the level determined by the SRS; that is, the 'efficient and effective' level of resourcing. The Commonwealth committed to indexing its baseline recurrent funding by 4.7 per cent and Victoria committed to indexing by 3 per cent. Parties to the NERA also committed to funding additional amounts to ensure all schools were funded to at least 95 per cent of the SRS by 2019. This additional funding was to be phased in over the six years from 2014-2019. The bulk of the funding was in the final two years of the agreement, with most of the additional funding directed towards government schools which, as a system, were much further away from the SRS than the other sectors. This is illustrated in Figure 29, which displays the total public funding (Commonwealth and state) provided to schools across each sector as a percentage of the level determined by the SRS. For schools in the non-government sector, the SRS is adjusted for 'capacity to pay' (that is, the capacity of a school and its parents to contribute to the cost of schooling).

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<sup>6</sup> The *Australian Education (Financial Assistance for Non-participating States and Territories) Determination 2015* is made by the Commonwealth Minister for Education and Training under the *Australian Education Act 2013* and gives effect to the commitment by the Australian Government to pay Commonwealth schools funding to states and territories on the same basis, irrespective of whether they are participating or non-participating.

**Figure 29. Total public funding to Victorian schools as a percentage of the SRS under the 2013 Heads of Agreement, 2014-2019**



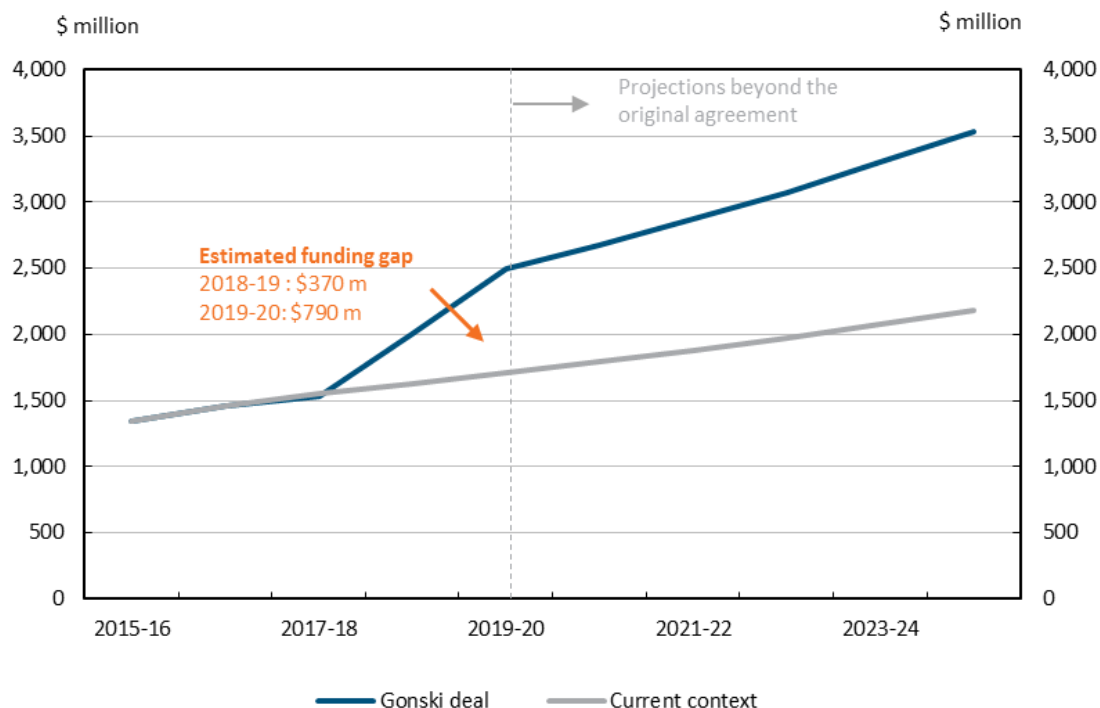
Source: Internal analysis based upon estimates at the time of the Heads of Agreement 2013

Upon taking government, the Abbott Commonwealth Government stepped away from the Gonski deal, instead agreeing to index recurrent funding by only CPI plus enrolment growth after 2017. The Commonwealth position was reiterated in the 2015-16 Budget.

This means that the significant additional funding that was expected (see dotted lines in Figure 29) may not eventuate, leaving the HoA, in effect, a four year agreement ending in 2017. The Commonwealth’s decision to step away from the Gonski deal impacts on all sectors. However, since a large portion of the funding was back ended and the bulk of these additional amounts were to be directed towards government schools, the Commonwealth Government’s decision to step away from the agreement disproportionately impacts the government sector. Government schools in Victoria will remain much further away from the ‘effective and efficient’ resource standard for schooling established by the Gonski Review relative to non-government schools in Victoria. As illustrated in Figure 29, under the 2013 HoA, in 2017, funding to Victorian government schools would be at close to 80 per cent of their SRS, while Victorian Catholic and independent schools would be close to 95 per cent of their SRS.

At a national level, the financial impact of these decisions was estimated to be in the order of \$3 billion in 2019-20 alone across all sectors (Connors and McMorro 2015). This translates to a large Commonwealth funding gap for Victorian government schools, which is in the order of \$1.1 billion over the final two years of the Gonski deal, as illustrated in Figure 30. The analysis in Figure 30 is in financial years (rather than calendar years) as it is based on funding amounts specified in the Commonwealth Budget.

**Figure 30. Estimated Commonwealth funding gap for Victorian government schools, 2015-16 to 2024-25<sup>7</sup>**



Source: Internal analysis based upon Commonwealth Budget papers and estimates at the time of the HoA 2013

It is clear therefore that ‘without the additional funding required beyond 2017 for all schools to reach their schooling resource standard, the necessary redistribution identified in the Gonski Report will not be achieved’ (Connors and McMorro 2015). The authors also argue that without commitment by governments to fund to the level and distribution recommended by the Gonski Review the system will risk preserving the status quo at the expense of the most vulnerable students.

#### Finding 10

The Commonwealth’s decision to step away from the Gonski deal disproportionately impacts the government sector, which is significantly underfunded by the Commonwealth relative to the Catholic and independent sectors. As a result, government schools will be underfunded in 2018-19 and 2019-20 by approximately \$1.1 billion.

<sup>7</sup> Analysis based on a comparison of Commonwealth funding for schools under current arrangements (as per 2015-16 Budget) with the anticipated funding that would have been provided had the Gonski deal continued. It assumes enrolment growth of 2.4 per cent from 2018-19. Post 2020, funding under the Gonski deal is assumed to grow at enrolment growth plus an indexation rate of 4.7 per cent. Funding under the current context is assumed to grow at enrolment growth plus CPI of 2.5 per cent.

## 4.1.2 Funding models

As detailed in the previous section, there are three funding allocation models in operation that govern school funding in Victoria – the SRS, the SRP and the FAM. Each of the funding models is largely a needs based model, however the purpose of each and the indicators of need differ between them.

**Table 7. Purpose of funding models in the Australian schooling system**

Funding model	Purpose
<b>Schooling Resource Standard (SRS)</b>	<p>Commonwealth model for allocating funding directly to independent schools and for calculating its contribution to the government and Catholic school systems.</p> <p>It is comprised of a base per student amount plus loadings relating to disability, English language, Indigenous status, low SES and location account for student need and school site costs. Non-government schools attract a capacity to contribute percentage (based on a SES score), which determines the ratio of public to private funding.</p>
<b>Financial Assistance Model (FAM)</b>	<p>Victorian model for allocating State funding to Victorian non-government schools. The FAM was introduced in 2006 under the <i>Victorian Non-Government Schools Funding Agreement 2006-2009</i>. It is constructed on the premise that the bulk of funding to the non-government sector is provided by the Commonwealth.</p> <p>Eligible non-government schools receive core funding (including a base that all schools are eligible to receive and a wealth adjusted component that reflects capacity to pay) and needs based funding. Schools may also receive student support services, suicide prevention, interest subsidy and, facilitation and reward funding.</p> <p>Although public funding is calculated on a per school basis through the FAM, once it is distributed to the Catholic sector there is limited transparency to government of its provision to individual schools. The Catholic sector has its own funding allocation model to redistribute public funds according to its own policies.</p>
<b>Student Resource Package (SRP)</b>	<p>Victorian model for allocating funding – combination of state and Commonwealth funds – to Victorian government schools. See Section 4.1.5 for more detail on history and structure.</p>

Source: Internal DET analysis

Table 8 contrasts the three funding models. There are several differences. For example, the SRS and the FAM include a funding element related to Indigeneity, whereas the SRP does not, and the SRP includes funding specifically targeted toward disengaged learners, whereas this is not included in the SRS or the FAM.

The models also have different formulae. For example, the three funding models include recognition of the large impact that SES has on student outcomes. However, the SRS uses the socio-educational advantage component of the Index of Community Socio-Educational Advantage (ICSEA) as the indicator of need, the SRP uses Student Family Occupation and Education (SFOE) and the FAM uses families that were in receipt of the Education Maintenance Allowance. ICSEA was developed by the Australian Curriculum, Assessment and Reporting Authority (ACARA) to help compare schools on the basis of their NAPLAN results, and is based on a statistical model that is calibrated at a national level (see Section 4.4.3 for more detail).

**Table 8. Funding elements of the SRS, SRP and FAM<sup>8</sup>**

Funding Element	SRS	SRP	FAM
Base – stages of learning	✓	✓	✓
Capacity to pay	✓	x	✓
Rurality	✓	✓	✓
Small schools	✓	✓	x
Socioeconomic status	✓	✓	✓
English language proficiency	✓	✓	x
Disability	✓	✓	✓
Indigeneity	✓	x	✓
Reengagement	x	✓	x
Catch up (under performance)	x	✓	x

Source: Internal DET analysis

#### Finding 11

While the SRP, FAM and SRS are all individually needs based models, they use different assessments of student and school need.

### 4.1.3 Victorian government funding

In 2014-15, over \$7 billion in Victorian government recurrent funding was directed towards Victorian schools<sup>9</sup>. Output appropriations to DET relating to schools can be split into three categories.

- Direct funding for government schools – either via the SRP or outside of the SRP (\$5.74 billion).
- Payments to non-government schools (\$698 million).
- Departmental costs associated with supporting schools, including corporate expenses and other school related expenses. These funds generally do not end up in school accounts, but are used by DET for the purpose of provision of services to schools (\$700 million).

#### Recurrent funding for government schools

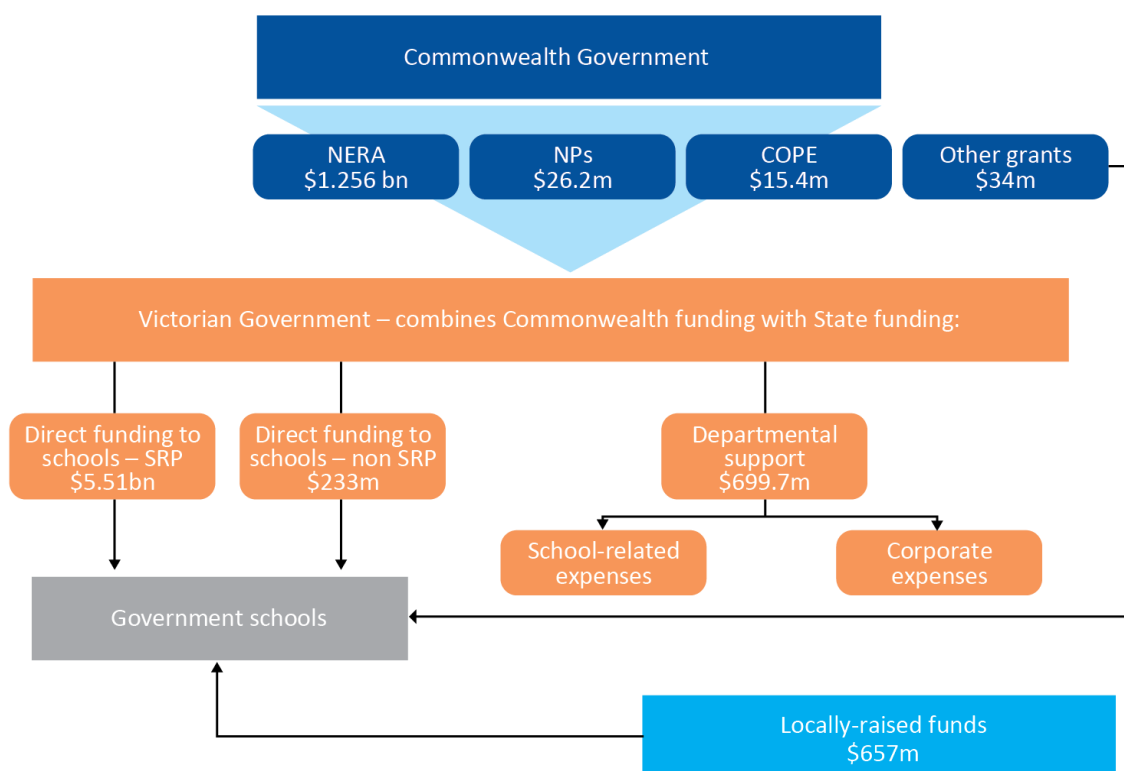
Figure 31 depicts the flow of recurrent funding to Victorian government schools. The vast majority of funding to government schools is allocated via the SRP, over \$5.5 billion. Another \$230 million is outside of the SRP. This includes general grants to schools for certain projects, including technical support to schools, funding related to overseas students and non SRP maintenance funding.

<sup>8</sup> While buildings maintenance is included as a separate funding element within the SRP, it is captured within the base allocation in the SRS and FAM (and is therefore not included in the Table).

<sup>9</sup> This funding is inclusive of Commonwealth NP and NERA funding for government schools, which flows through State Consolidated Revenue to DET.



Figure 31. Funding flows to government schools, 2014-15<sup>10</sup>



In addition to the funds provided directly to schools, DET uses close to \$700 million to provide a range of support services for schools. These can broadly be split into two categories – corporate expenses (\$226 million) and school related funding (\$474 million).

Table 9. Funds for government schools – school related funding, 2014-15<sup>11</sup>

Support for schools	Funding amount (\$ million)
Student transport	100
Victorian Curriculum and Assessment Authority	46
VicSmart	46
Tech support for schools	43
Relocatables	40
Insurance and copyright	21
Disability & wellbeing support	21
Koorie related programs	19
Visiting teachers	11
School leases and facilities	11
Bastow Institute of Educational Leadership	10

<sup>10</sup> NERA refers to funding under the National Education Reform Agreement, NPs refers to National Partnerships and COPE refers to Commonwealth Own Purpose Expenditure.

<sup>11</sup> Note these figures are based on the Budget, rather than actuals against each item.

IT licences	10
Outsourced payroll	10
Local Learning and Employment Networks	9
Senior Advisers Regional Performance & Planning	7
School internet services	7
Notebook program	7
Teacher support and development	6
Towards Victoria as a Learning Community initiatives	5
Languages and Science Graduate Scholarships	3
Enterprise platforms	3
Interpreting & translation	3
Liability management	3
Victorian State Schools Spectacular	2
ESL (non SRP)	2
School sport	2
Victorian Drugs Strategy	1
School council audits	1
Chaplaincy services	1
On Track	1
Other programs	22

Source: Internal DET analysis

### International Students

As at October 2015, there were 4,162 fee paying international students attending 362 Victorian government schools. In 2014-15, total revenues from the International Student Program (ISP) amounted to \$48.2 million.

Victorian government schools are able to enrol international students only if they have provided enrolment opportunities to all local students residing within designated neighbourhood areas as a priority. Victorian government schools need to be accredited in order to enrol full fee paying international students. As part of this accreditation, the School Council and school community must agree on the maximum number of international student enrolments in a government school.

Fees for international students are set by Ministerial Order and regularly reviewed. The Order specifies how the fees are distributed between the Secretary of DET and government schools. Schools receive a portion of fees paid by each international student. International student fees are set so that schools receive more than they do for a local student from SRP funding. This recognises the costs schools incur in instructing international students and for providing welfare and additional supports.

International student fees are disbursed to schools on a quarterly basis as school grants. DET does not direct schools how to spend these funds, however, accredited schools must meet DET International Student Program Quality Standards. The standards outline a range of services to be provided by schools, including comprehensive pre-departure information, age appropriate, culturally sensitive student orientation, and support for associated study programs. Schools are audited and must provide evidence that they maintain or undertake robust ISP planning, provision, resourcing and evaluation. This includes integration with broader school planning and resource allocation as well as relevant professional development and learning for staff.

## Recurrent funding for non-government schools

In 2015, the *Education and Training Reform Act 2006* (the Act) was amended so that schools in the non-government sector receive a minimum amount of per student funding that is equal to 25 per cent of per student state recurrent funding in government schools.

The Act is not explicit in relation to what should be included in the determination of the recurrent cost. However the intention is that it should include all state funding that supports the cost of educating a government school student in the classroom. In practice, determination of the state recurrent funding amount is via annual examination between DET and representatives of the non-government sector of a 'basket of goods' comprised of various funding lines from the Budget.

Introduction of this legislation has given funding certainty to the non-government sector and is in line with prior practice. In the two years prior to introduction of the legislation (2013 and 2014), the percentage allocated to the non-government sector was 25.7 per cent on a per student basis.

It will be important for annual negotiations relating to the composition of the 'basket of goods' to account for the impact on disadvantage across all sectors.

## Asset funding

In addition to recurrent funding from the State and Commonwealth governments, schools receive funding for capital projects.

The vast majority of asset funding for government schools is from the Victorian Government. Estimated expenditure in 2015-16 is \$117 million for existing projects and \$202 million for new projects. The capital program encompasses the construction of new facilities, modernisation of existing facilities and land acquisition. Commonwealth funding for the partnership on Trade Training Centres (TTC's) are directed through Treasury and DET through to schools.

Decisions around funding for capital works are also part of the annual Budget process. Decisions relating to the location of new schools are determined according to projected future enrolment growth.

### 4.1.4 Locally raised funds

In Victoria, under the *Education and Training Reform Act 2006*, government is required to deliver free instruction in a standard curriculum program to students under the age of 20. The Act also permits school councils to seek payments from parents to augment free instruction. These funds are collected for essential education items and optional extras and are required to be expended on goods or services provided to the student. Voluntary contributions are also collected and school councils decide on how these funds are spent. In 2014-15, parental contributions made up the majority of school generated funds.

Schools also generate other revenue – including through the hire of facilities, commissions and grants. In 2014-15, the total amount of funding raised locally was around \$660 million.

**Table 10. Locally raised funds by government schools, 2014-15**

Revenue type	Funding amount (\$ million)
<b><i>Sales of goods and services</i></b>	
Class materials	20.3
Commission	4.5
Hire school facilities/equipment	26.4
Canteen lease	2.2
Before / after school care	27.5
Trading operations	50.7
Non-profit trading operations	19.5
Special events	9.3
<b><i>Parental payments</i></b>	
Subject contributions	154.3
Camps, excursions, activities	157.3
Donations	28.8
Sale of class materials	20.3
<b><i>Other revenue</i></b>	
Fundraising activities	47.9
Reimbursements	37.5
Transfers from other schools	20.2
Other <sup>12</sup>	26.1
<b><i>Grants</i></b> <sup>13</sup>	14.7
<b><i>Commonwealth payments</i></b> <sup>14</sup>	34.4

Source: Internal DET analysis

In 2015 the Victorian Auditor-General's Office (VAGO) identified a lack of transparency surrounding parent payments, including that funds were being used in some schools for items and activities that could be expected to be free under legislation. Arrangements for addressing disadvantage were also identified for improvement. However VAGO recognised that it is reasonable for schools to provide optional programs (such as an enhanced music program or international travel) on a user pays basis in line with community expectations. A DET commissioned independent review (Cole et al 2015) of stakeholder perspectives on parent payments also identified that while there were tensions around parent payments, the demands of contemporary schooling for extra curricula options is a reality and that parent contributions in many forms are important to ensure a diverse curriculum.

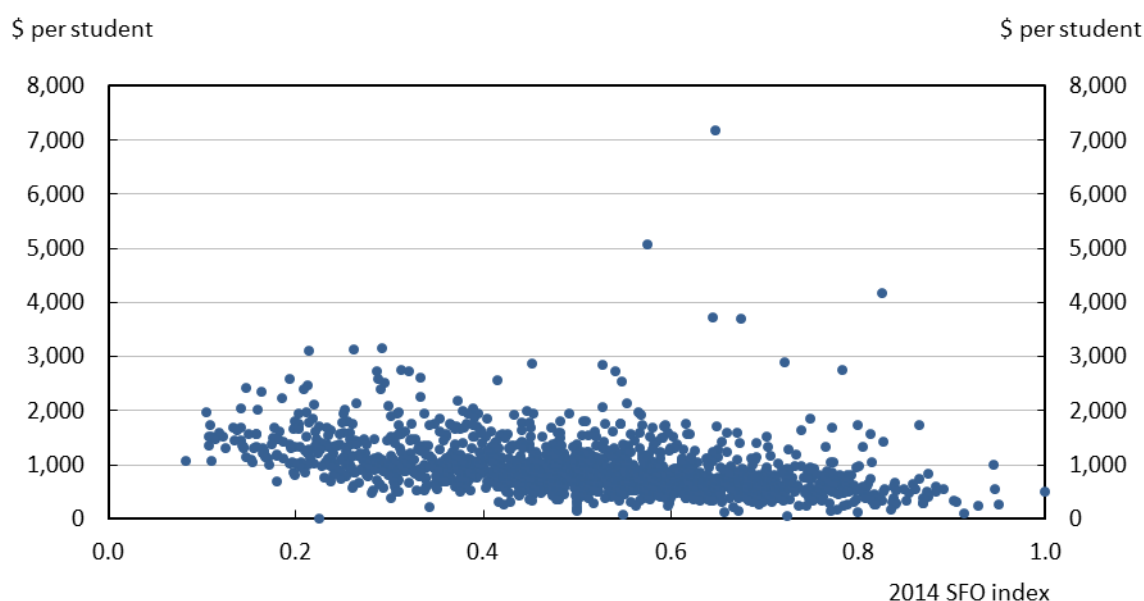
There are also equity considerations. DET analysis of locally raised funds shows variation in both school level policies and approaches, resulting in significant differences across primary and secondary schools in the level of funding raised per student. This variation is present across most of the socioeconomic range but narrows towards the most disadvantaged schools. It is also evident that relatively advantaged schools are able to raise more per student than disadvantaged schools. This has the effect of creating unequal opportunities for students in schools and between schools.

<sup>12</sup> Includes ATO interest/refunds, early childhood, coordinator schools and other locally raised funds.

<sup>13</sup> Includes State government grants (including capital and maintenance), local government grants and community grants.

<sup>14</sup> Includes before/after school care, early childhood development, aboriginal education and coordinator schools grants.

**Figure 32. Locally raised funds per student by SFO, 2014**



Source: Internal DET analysis

Table 11 provides a case study of the equity dimension to the issue of locally raised funds. It illustrates three schools in close proximity to one another – with varying levels of disadvantage. This case study illustrates that the most advantaged school generates five times the donations/fundraising than the most disadvantaged school. There does not appear to be any partnered initiatives currently underway between these schools.

**Table 11. Case study of differences in locally raised funds within local communities, 2014<sup>15</sup>**

	School A	School B	School C
<b>Enrolments 2014</b>	273	94	258
<b>Distance from School B</b>	750 metres	n/a	800 metres
<b>SFOE Index (2015)</b> <i>0.0 least disadvantaged</i> <i>1.0 most disadvantaged</i>	0.148	0.863	0.357
<b>Total SRP funding 2014</b> (average per student)	\$1,830,868 (\$6,706)	\$1,086,465 (\$11,558)	\$1,973,078 (\$7,648)
<b>Total estimated donations and fundraising 2014</b> (average per student)	\$140,035 (\$513)	\$9,701 (\$103)	\$54,517 (\$211)

Source: Internal DET analysis

These findings are supported by research that shows significant variation in funds raised through, for example, school fetes held by schools in close proximity to each other (Bentley and Cazaly 2015).

Opportunities are emerging for schools to form partnerships with other bodies and for those partnerships to facilitate additional resources for schools. For example:

- philanthropic organisations can offer support for schools and are especially interested in ensuring that their investment benefits disadvantaged students and is place based

<sup>15</sup> Case study based on real, but de-identified, schools in metropolitan Victoria.

- non-profit organisations provide allied support for students and also provide alternative and direct education programs for students or young people not engaged in schools education
- businesses ultimately share in the economic benefits of improved student outcomes and can be supportive of schools in a local context.

The Business Working with Education Foundation (now Schools Connect) was established by the Victorian Government to make it easier for businesses to support and make donations to Victorian Government schools. Policies have often been restrictive in the government sector making it difficult for partnerships to strategically engage with education authorities (Australian Government 2011).

#### **Finding 12**

Locally raised funds are a significant revenue source for some schools and can make a contribution to contemporary schooling. However, the amounts raised vary widely between schools, the purpose and use of funds lacks sufficient transparency, and not all schools account for the hardship experienced by some families.

## **4.1.5 The Student Resource Package (SRP)**

### **History of the SRP**

Victoria has over 20 years of experience with decentralised needs based funding and its leadership is recognised nationally and internationally. International analysis endorses the value of equitable needs based resource allocation, and of schools being accountable for school level decision making, which is the case in Victoria (OECD 2013b, c).

The 1973 *Schools in Australia: Report of the Interim Australian Schools Commission* (Karmel Report) established the devolution of budgetary authority and less centralised control over the operation of schools as a core value of Australian school education. The report proposed that ‘responsibility will be most effectively discharged where the people entrusted with making decisions are also the people responsible for carrying them out’ (Karmel 1973).

In the 1990’s Victoria became the first jurisdiction in the nation to implement these reforms.

The School Global Budget (SGB) was introduced in Victoria in the 1990s to provide schools with a fair and equitable allocation of resources in a single financial package, and to adjust funding levels according to specific student learning characteristics. The SGB was accompanied by the devolution of management and funding decisions to schools and gave schools greater autonomy in management, governance and budgeting. The reform was underpinned by six system principles: pre-eminence of educational considerations, fairness, transparency, subsidiarity, accountability and strategic implementation.

Funding was linked to the real costs of teaching and learning, and accounted for inequities between rural and metropolitan schools, primary and secondary schools and between schools of different sizes. Changes to key non-financial components were also introduced to support devolved management, including school charters, workforce planning, professional recognition programs, and staffing flexibility.

In the late 1990s, principals reported more confidence in managing school resources given the added flexibility provided by the SGB, which allowed more freedom to explore new learning ideas and develop local innovative solutions to educational challenges.

However, the basis of the SGB was a teacher staffing formula-based around a staffing ratio of teachers to students. This was seen as a limitation in meeting the diverse needs of students. In 2005, the Victorian government instituted the SRP. The objective of the SRP is to ensure that all students attending government schools in Victoria have access to a level of resources which enables them to achieve a high standard of learning, and to extend their involvement in education or training beyond the compulsory years. To enable this shift, the design of the SRP aligned resourcing to individual learning needs of the student. This included:

- ensuring the fairness of treatment of schools, with schools with the same mix of student learning needs receiving the same levels of funding
- improving the transparency of student resource allocations by reducing complexity
- providing greater certainty for schools about their ongoing level of resourcing, allowing for more effective forward planning
- providing flexibility to meet increasingly diverse student and community needs and encourage local solutions through innovation
- developing a dynamic model that allows ongoing review and refinement based on evidence.

The SRP funding model continues for schools in 2016. As with all school funding allocation models, it needs to be regularly examined for relevance and effectiveness in responding to current challenges.

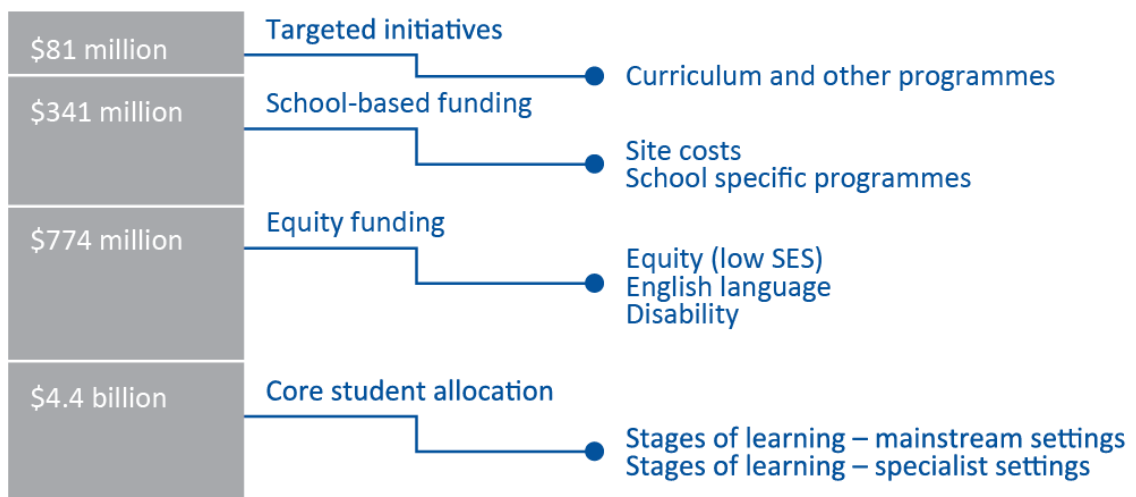
### Finding 13

Victoria has been a leader in school funding reform in Australia and was the first jurisdiction to introduce a needs based funding allocation to schools. Today it is the most devolved resourcing model in Australia.

### Structure of the SRP

The majority of SRP funding is comprised of a core resource provision through per student rates, and supplementary equity funding needed to improve outcomes for students with additional learning needs.

Figure 33. Student Resource Package funding, 2015



Source: Internal DET analysis

The SRP model is structured according to the following principles.

- Resource allocation is based on a single core amount, or 'price', allocated to schools on a per student basis, plus a tapering base amount to cover minimum overheads.
- The core amount is to be determined, on a rolling basis, via a benchmarking process – the level and mix of resources that identified effective and efficient schools utilised in achieving student outcomes will be the basis for resource allocation to all schools.
- The model accommodates differences in the costs of achieving outcomes; the core amount per student funding is adjusted to account for the different stages of learning, school characteristics, and student and family/community characteristics.

Each of the components of the SRP is covered in more detail in Section 4.4.

Funds allocated through the SRP are provided as credit or cash, with the majority of funding allocated to schools reflected in the credit budget (approximately 90 per cent).

- Credit is retained centrally to meet salary and related costs for teaching and non-teaching staff employed on the central payroll.
- Cash is provided direct to schools at the start of each term to meet locally incurred expenses such as cleaning, utilities, maintenance, casual, relief teaching, professional development, and class materials.

Schools have the capacity to transfer funds from credit to cash and vice versa. This gives schools increased flexibility to accommodate the diversity of needs of the students within a school and the diversity of schools within the system.



## SRP funding timelines

Funding is allocated using campus level data and consolidated at the school level on an annual basis, adjusted for enrolments at specific points throughout the year in accordance with the following cycle.

**Table 12. Annual SRP budget resource cycle**

Timing	Budget	Comments
September-October.	<b>Indicative</b> Student Resource Package.	Issued in the preceding year using enrolment projections advised by schools and August Census demographic data. This budget provides a basis for planning within schools.
Jan-May.	<b>Annual budget cycle.</b>	Budget decisions of State and Commonwealth Governments ahead of commencement of financial year 1 July.
March.	<b>Confirmed</b> Student Resource Package.	Issued in March of the Budget year, based on the annual School Census in February. Provides final funding allocations for the school year based on confirmed student enrolments.
March-July.	<b>Internal DET budget allocation and preparation.</b>	Departmental school budget allocation and distribution of funding based on base funding allocation and new State and Commonwealth Budgeting decisions.
July-December.	<b>Revised</b> Student Resource Package (where applicable).	May be issued for updates or changes during the year, for example following audit corrections to the School Census or as a result of disability student mobility.

Source: Internal DET analysis

## Is the SRP a resource standard?

A key recommendation of the Gonski Review was the introduction of a SRS as the basis of recurrent funding to both government and non-government schools to better enable students to achieve nationally agreed educational outcomes. The features of the standard were:

- a primary and secondary base amount per student plus a series of loadings to account for student and school based sources of disadvantage
- resourcing levels derived based on a sample of schools that were achieving the agreed outcomes
- annual indexation and periodic review.

The introduction of a standard would enable Government to distinguish their role as the ‘purchasers’ of services from their role as provider of services (Allen Consulting Group 2011). Government can set a price based on an assessment of the reasonable cost to deliver the service, and on defined standards and outcomes. The price paid can then be adjusted for higher costs of service delivery to individuals and communities with more complex needs or scale issues. The introduction of a SRS would also see a reduction or elimination of programmatic funding, replacing it through a series of transparent loadings to give schools the flexibility to tailor solutions to meet the needs of their students and local context.

While acknowledging the link between funding and educational outcomes is indirect, the argument was that a resourcing standard would:

- shift the focus of funding policy towards issues of educational effectiveness
- require the system to collect, use and share richer data on educational performance, thereby improving accountability and public reporting

- remain contemporary through the periodic review process, allowing for adjustment in the desired educational outcomes
- give the public confidence in the education system by grounding funding allocations in evidence.

In many ways, the design of the SRP is similar to the SRS but it differs in several respects. A resourcing standard is premised on a bottom up approach – based on an assessment of the efficient cost of delivering an effective service. While the largest component of the SRP, the stages of learning per student allocation, has been benchmarked via a bottom up analysis, the SRP is used in a top down approach for other components. That is, the SRP is allocated to schools within a fixed envelope of funds.

While the bulk of funding for Victorian schools flows through the SRP, there is still a reliance on programmatic funding – both within and outside of the SRP – which is a deviation from a resource standard. Some of these programs target specific cohorts of students, while some funding is reflective of historic funding arrangements.

#### Finding 14

The SRP is a solid mechanism for allocating finite funding on a needs basis to schools. Improvements can be made to better link the SRP to educational outcomes, including through changes to indexation, capped funding and reliance on programmatic funding. The SRP cannot be considered a resource standard.

## 4.2 Funding governance

There are a number of participants in school funding that all have some level of influence over how funding is allocated and used for the benefit of students. This section analyses the roles and responsibilities of DET as well as governance and leadership at the school level.

### 4.2.1 The Department of Education and Training

#### Structure and strategy

DET is responsible for providing education, training, development, wellbeing and child health services for Victorian children and families. DET is organised into six central groups and has four regions with nine regional offices. The central and regional offices and authorities play a number of roles.

- System designer - DET impacts the outcomes of the education system through its policy design choices.
- Owner operator of government schools – DET is the largest owner-operator of educational providers in the state, with more than 1,500 government schools.
- Purchaser – DET funds and holds to account service providers including early childhood intervention services, kindergartens, maternal and child health services, non-government schools, and training providers.
- System services – DET provides services to the education system to help service providers fulfil their obligations and improve their performance (such as talent development programs and shared services).
- Regulator – DET and its portfolio authorities regulate service providers and teachers across the early childhood, schools and training sectors.

In an analysis of 27 audits from 2009 to 2014, VAGO identified five areas in which DET has underperformed in the past and where it should focus future efforts for improvement (VAGO 2015c). These relate to the design of reforms but they also concern the implementation of reforms.

- Information management—DET does not consistently collect and analyse data to determine which areas require performance improvement.
- Guidelines, standards and performance indicators —governance arrangements, guidelines, standards and performance indicators are not always clearly articulated to service providers.
- Integrated services —the absence of an overarching framework to support and govern particular program and policy areas has led to less effective service provision. There is a lack of streamlining and linking up of services, programs and objectives across service providers. Developing new programs that overlap and mismatch with programs already in place can cause confusion, and programs do not operate as intended.
- Oversight and monitoring —DET has not consistently hold education providers to account for poor performance. It does not adequately measure the effectiveness of its own programs, or monitor the performance of service providers to whom it delegates responsibilities.
- Consistent support to education providers —DET's standard of advice and guidance to principals and teachers is inconsistent.

Stakeholders to the Review also frequently referred to the greatest challenges residing more in steering effective and sustained implementation of reforms than in the design of reforms.

DET has committed to shift the balance of its efforts in ways that respond to these challenges. Its *2013-17 Strategic Plan* signals the intention to modernise its role with a move away from traditional models of top down service delivery focussed on inputs and compliance, to data driven performance monitoring and an evidence based assessment of which investments lead to the best outcomes. It is seeking to maintain local decision making at the school level alongside introducing more incentives to collaborate with others, innovate and customise services.

Some stakeholders expressed concern to the Review that shifting the locus of decision making and purchasing of services to individual schools may result in high variability of investment decisions. To appropriately safeguard the effective use of public funds, but without being prescriptive, DET conducts its role of system quality assurer through the establishment of panels of service providers (for example literacy coaches) from which schools can select. Further, DET provides advice and assistance to schools and undertakes referral services as appropriate.

DET's intentions are broadly aligned with best practice. The change from a focus on inputs and compliance to deriving priorities from monitoring and evidence, and shifting reforms from being pilots to having system wide scale are consistent with recommendations from VAGO Performance Audits and guidance from the Australian National Audit Office (Australian National Audit Office 2014). However, a greater focus on sustained implementation is not as evident at this stage.

#### **Finding 15**

DET is committed to high quality system performance and to modernising its organisational model and practices but areas of underperformance, particularly in direction setting, integrating services and in steering implementation should be addressed to ensure that funds are used most effectively.

## Strategic resource allocation

DET has a four year strategic plan that outlines how it will progress achievement of the 10 year goal of making Victoria a world leader in learning and development. 10 year outcomes and four year priorities and strategies have also been developed to work toward the achievement of the goal.

A recent VAGO performance audit, *Department of Education and Training: Strategic Planning (2015c)* found that DET's strategic planning framework is generally sound. DET attempts to link strategic planning with resource management, operational planning, implementation, monitoring, reporting and evaluation. However, the audit found that DET does not have a consistent format for its plans, and lacks a consistent project management framework to ensure its work plan actions are adequately implemented.

The audit identified a limited focus and limited resources across DET for fulfilling strategic objectives from year to year, pointing to strong organisational silos within DET, which limit resource sharing and ultimately effect service delivery. It also highlighted the need to strengthen cross departmental collaboration, particularly to inform evidence based policy and service delivery reform in the face of increasing complexity.

### Finding 16

Strategic resource allocation decisions by DET can be improved by increased joint planning and longer time horizons. A stronger evidence base is required to develop and support strategic allocation of available resources, better linked to measurable outcomes.

## System accountability

Governments are accountable to the public for their investment in schooling. As the system operator, DET is required to account for and communicate funding allocation decisions to schools and the public and justify why funds have been directed to schools or programs from within a constrained resource base.

In order to meet these obligations, governments need to collect information from schools and school authorities, as well as put in place appropriate monitoring procedures. Schools in receipt of public funding have a reciprocal obligation to provide relevant information to governments; and all schools are responsible for informing parents about their sources of funding and how it is allocated within the school.

DET has a detailed understanding of what funds are allocated to individual schools but there is no meaningful capture of how those funds are then strategically utilised by the school. The rationale for how schools prioritise their expenditure to achieve their strategies is not reported in any systematic way to DET or to their local community. Financial documents are detailed and technical rather than strategic, while school strategies and plans generally lack financial analysis.

The VAGO performance audit *Additional School Costs for Families* (2015a) catalogued areas of procedural weakness in DET system funding accountability.

- Schools are largely autonomous and, as such, DET considers that it does not have the power to direct them on spending government funding or determining what payments are required of parents. Despite this, DET could, but has not, analysed how schools are using funding.
- DET's School Council Financial Audits have shown that schools are not accountable for their practices.
- DET's current School Performance Framework has some elements that measure a school's productivity, viability and workforce. However, these measures do not provide an indication of which schools are:
  - using their resources economically—best value for money
  - working efficiently—achieving more with available resources
  - working effectively with the school community to achieve outcomes.

#### **Finding 17**

DET requires data analytics to fully account for the allocation and use of funding to government schools. Further, DET has a role to play in better supporting schools to understand and appropriately discharge their funding accountability responsibilities.

### **Business process support**

Business process support takes the form of IT architecture, systems, processes and personnel. The Whole of Victorian Government Reporting and Analytics Framework (2014) guides government organisations in developing capabilities in reporting and business analytics to support evidence based policy and the improvement of client service delivery. DET has outlined the need for improved system capabilities and the reduction of red tape in its *Strategic Plan (2013-17)*. Stakeholders to the Review indicated that DET business process support presents a significant administrative burden as it is too compliance based and lacks integration.

#### **Enterprise Reporting and Business Intelligence**

The Enterprise Reporting and Business Intelligence (ERBI) platform provides analytical and reporting services for integrated information sharing and reporting. Currently ERBI includes information ranging from financial reporting and workforce statistics, NAPLAN data, student enrolments and projections through to school and student performance.

The Enterprise Data Warehouse links datasets for use by central and regional offices and schools. Principals of Victorian government schools have access to their school's data via the School Information Portal (SIP). An example of the way in which databases assist in reporting is the automation of the School Annual Report. These reports now incorporate School Performance Summary and Financial Reporting sections.

## Regional Support

DET also provides support to schools for resource planning, decision making and reporting through the regional model and regional personnel.

School Finance Liaison Officers currently provide support and guidance to schools on financial management, business processes, interpreting reports, and best practice for a range of financial matters. DET also makes available the Computerised Administrative System Environment in Schools (CASES21) Finance Process Guide, refresher training and a service help desk.

In the future, DET regional offices will provide more integrated guidance and direction. Regional support is being enhanced through the establishment of 17 areas within the existing four regions and with an additional 150 staff to increase local support and deliver place based solutions (DET 2015b).

The new regional model will play an increased facilitation and guidance role in supporting individual principals as well as groups of schools in determining the best use of their funds to achieve their nominated school improvement objectives.

### Finding 18

DET has a good platform of supporting IT architecture, but there is scope for improvement, especially with regards to integration. The objectives of the new regional model, with enhanced area based teams, should provide additional support to schools if successfully implemented and maintained.

## 4.2.2 Schools

### Strategic resource allocation decisions in schools

Research has consistently identified the crucial role of school leadership - possibly second only to classroom teaching as an influence on student outcomes (Leithwood et al 2006) - and that principals in high performing systems blend vision and strategic direction setting with ensuring highly effective management systems and processes (Mourshed et al 2010).

By domestic and global standards, the role of a Victorian school principal is an autonomous one (Victorian Competition and Efficiency Commission 2013). Principals report that their role is increasingly complex and demanding, however they also report that balanced against these demands are the many rewards of school leadership. These rewards stem from their leadership of people, their role in and connection to the broader community and most importantly, the effects they can have on the learning and development outcomes of students in the schools they lead (Helal 2015).

In Victoria, the key strategic management processes critical to a principal's leadership include financial planning and management; workforce planning, development and management; and strategic planning, self-evaluation, review and associated annual reporting requirements.

But research has found that education systems need to increasingly pay attention to the nature and quality of support they provide for principals to be equipped for these roles (Dempster et al 2011), particularly in systems with increasing levels of autonomy granted to schools (Suggett 2015). While the research evidence is clear that autonomy is a necessary component of a mature, high performing school system (Mourshed et al 2010) what is often not well understood is that autonomy has its limits, that counter to popular belief 'more rather than less systemic support is needed for the potential of school autonomy to be realised' (Suggett 2015; Melbourne Graduate School of Education 2013).

Resources managed in some of the biggest schools can range from \$17 million to \$27 million depending on their student profile and related funding policy decisions. Across all schools the proportion of these budgets dedicated to human resources approximates 80 to 90 per cent. While there is only slight discretion over the salaries component in the short term, there are significant strategic decisions that can be made in the medium to longer term. The wide span of resource allocation decisions a principal makes in a school might include whether to offer a spread of Victorian Certificate of Education (VCE) subjects even though class numbers might be very small in a subject like Specialist Mathematics; how to allocate resources to assist children who need more intensive support in literacy; or how to ensure teachers are equipped with a contemporary repertoire of teaching techniques.

Constraints in schools often inhibit the goal of many principals to develop genuinely shared leadership across their schools that would support their strategic decision making (Sims 2011). Principals and stakeholders explain that some can find themselves carrying a disproportionate amount of the decision making burden, making too many of the lower order resource decisions and as a consequence not prioritising longer term strategic decisions.

In Victoria, principals' resource allocation decisions are supported by DET through an extensive range of processes:

- strategic school management frameworks, templates and tools to assist principals plan for, inform and account for management decisions
- staff performance and development frameworks for the ongoing development of staff capabilities
- online management, information and reporting systems to advise principals as they make and are accountable for management decisions
- advice and professional learning supports in the areas of school level governance, leadership, capacity building
- where necessary, school intervention, including for financial transition where schools face significant financial challenges
- a statutory framework and associated procedural support for school level governance and related processes.

While all these supports are valued, consultations for the Review identified significant opportunity for improving the way the central and regional offices of DET provide such support. The regional redesign consultation undertaken as part of the Education State initiative also found that DET needs to do more to reduce the operational pressure on principals so that they can focus more time on effective school leadership. Stakeholders also indicated that there was much improvement to be gained in resource allocation decisions by professionalisation of the business manager role through improved training, increased collaboration and their integration within the leadership team.

#### **Finding 19**

Principals face a range of complex resource allocation decisions to meet the challenging objectives of contemporary schooling, however the capacity in schools for strategic financial management and oversight is not as robust as it could be, complicated by a high compliance burden for principals.

## Enhancing strategic leadership

Both financial and school performance data and stakeholder input consistently show that, while allowing for school socioeconomic differences, some schools simply do better at leveraging the available resources in the interest of improved student outcomes. While DET is committed to the principle that resource allocation and related decisions in schools should occur as close to students and communities as possible, there may need to be more checks and balances on school autonomy.

During consultation, stakeholders strongly endorsed the principle of subsidiarity that underpins school based management in Victoria and the levels of resource, staffing and curriculum autonomy currently available to schools should be retained or enhanced (Nous Group 2015). Stakeholders advised that, relative to previous arrangements, higher degrees of autonomy and corresponding accountability to support improved schools performance have delivered:

- increased funding flexibility to better support strategic decisions
- greater decision making capacity to respond to changes in student profile
- increased community engagement by schools in resource allocation and associated decisions.

However autonomy also has its limits. In some school contexts the combined impact of autonomy, weaker management capacity and insufficient system support have a negative impact on the ability of principals to fully execute their role with confidence and skill. International evidence points to certain environments where school performance is enhanced by greater autonomy but to other contexts where struggling schools are disadvantaged by increased autonomy (Hanushek et al 2013; Mourshed et al 2010).

An analysis of principal workloads and practices undertaken for the Department of Education and Training (Bevington Group 2015) found that principals can experience significant distraction from their core leadership role. High levels of noise and discretionary activity account for 68 per cent of principal activity relative to benchmarked industries at 56 per cent. Distractions increase demands on principals' time, contribute to a lack of role clarity and negative perceptions of self-efficacy, including an increased sense of isolation, insecurity and inadequacy (Rose 2007).

The strategic leadership responsibilities of some principals in Victoria can be further crowded out due to their teaching load. Many principals, particularly those in small schools who may have significant teaching commitments, have additional demands on their time which made it harder for them to discharge their leadership duty to staff, including providing the support they need in delivering on their responsibilities for instructional leadership (RSA Action Research Centre 2011; Hopkins et al 2011; The Wallace Foundation 2012; National College for School Leadership 2011b).

The variability in principal capacity for strategic financial management needs to be directly addressed. The requirement that principals are responsible for strategic financial management is specified in DET's *Performance and Development Guidelines for Principal Class Employees*, describes the capacity as 'the effective allocation and use of resources, supported by evidence and adapted to the unique context of each school. Successful productivity outcomes exist when a school uses its resources... to the best possible effect to support improved student outcomes and achieve its goals' (DET 2015a).

Finally, a review of schools in England concluded that investing in strategic capability building is one way of developing stronger standards of leadership and management (Nous Group 2015).

### Finding 20

While principal autonomy remains an appropriate policy framework for effective strategic resource allocation, more should be done to empower principals through improved systemic support.



## School governance

Government's long standing policy of local decision making requires that each of Victoria's 1,526 government schools is governed by a school council constituted by Ministerial Order. In summary:

- school council membership is elected from two mandatory categories, namely the 'parent' and 'department employee' categories and a third optional 'community' category utilised in some schools
- school council size can vary within a prescribed range of 6 to 15 with the balance of representation between member categories remaining proportional.

Victorian school councils undertake three key functions associated with the critical role of strategic resource allocation, namely:

- ensuring that all money coming into the hands of the council is expended for proper purposes relating to the school. School councils achieve this by approving an Annual Master Budget and by providing expenditure oversight in relation to the cash component of overall school resources
- developing a school strategic plan that sets out the school's goals and targets for the next four years and the strategies for achieving those goals and targets, that is, what the resources will be expended for
- preparing and publishing an annual report in accordance with guidelines and holding an annual meeting, that is, ensuring financial accountability and transparency to the school community and tax payer more broadly.

The principal is the Executive Officer of the school council and therefore is responsible for ensuring that the governance of the school is effective. Central to this is the role the principal plays in ensuring school council members (staff and parent representatives alike) are adequately prepared for and supported in carrying out their responsibilities for governing the school, for example, through the provision of training, the preparation of appropriate advice and related activities.

The current framework for school governance by school council has been in place since commencement of the Act in 2006 and a number of recent reviews by DET (2014) and the former Victorian Competition and Efficiency Commission (2013) have recommended that school councils be less operational and more strategic in their focus.

While it is noted that DET is currently delivering a training program for school councillors focussing on strategic planning and finance, the role of the President and governance - support for improving the capacity of school councils for strategic financial management specifically draws on research (Cole 2010; Nous Group 2015) and from stakeholders' consulted during the Review.

Enrolment based funding through the SRP and school autonomy as the policy framework for school based management were never intended to incentivise schools to operate in competitive isolation of one another. Nor did these policy settings intend that schools should be anything other than transparent and fully accountable to government and taxpayers for their strategy and resource decisions.

There is sufficient evidence in support of enhancing the role of school councils and ensuring improvement in school council authority and capacity for oversight of school resources to successfully implement the strategic plan they are required, by law, to produce. Changes are also needed to increase their accountability in circumstances of projected or explicitly identified school underperformance.

#### **Finding 21**

While the current framework for school governance is appropriate, more should be done to increase the capacity for school councils to support principals in strategic resource allocation decisions.

### **School accountability**

School accountability has two dimensions and all parties in the delivery of schooling are accountable for both:

- financial accountability - transparency for where public education investment is directed and its returns through the application of a variety of public financial accountability laws, regulations, guidelines, policies, procedures and practices
- performance accountability - measurement of learning outcomes for individual schools and in aggregate which determines if public value has been derived from the public investment.

The Victorian Government requires that schools (through DET) are subject to the same accountabilities as other public entities through a variety of formal statutory and regulatory frameworks. Examples include the:

- *Education, Training and Reform Act 2006*
- *Financial Management Act 1994*
- *Public Administration Act 2004*
- *Audit Act 1994.*

While these frameworks for school accountability represent the very top of a hierarchy of accountability faced by principals, school councils and those in DET working on their behalf, accountability has different characteristics at the individual school level. School level accountability mechanisms include:

- the Annual Report to the School Community (a statutory requirement) which includes school performance data (for example, survey data, standardised literacy and numeracy tests and school level achievement assessment)
- principal and teacher performance management frameworks and associated practices (including teacher professional registration)
- School Performance Framework (incorporating the Framework for Student Outcomes) and associated processes for self-evaluation and review
- statutory minimum standards for school registration (that is, for the school facilities, financial stability, international students and more) with the Victorian Registration and Qualifications Authority (VRQA)
- community insight into school performance via the Commonwealth's MySchool website and associated analysis
- licensing for school curriculum provision and quality with the Victorian Curriculum and Assessment Authority (VCAA).

The school level accountability relationships that stem from these mechanisms are as follows.

**Figure 34. Summary of accountability for schools**

<p><b>Financial.</b> The efficient and effective utilisation of school financial resources in execution of the School Strategic Plan.</p>	<ul style="list-style-type: none"> <li>• <b>Principal:</b> School council, the Department and VRQA (via the Department).</li> <li>• <b>Teacher:</b> School council and the principal.</li> <li>• <b>Business Manager:</b> School council and the principal.</li> <li>• <b>Other school staff:</b> School council, the Principal or delegates.</li> </ul>
<p><b>Professional.</b> Personal and professional conduct and practice, consistent with the relevant laws, employment conditions, contracts, codes of conduct, professional development frameworks and associated policy.</p>	<ul style="list-style-type: none"> <li>• <b>Council:</b> Statutory accountability to the broader public, indirectly via the Minister through the terms of its Constituting Order and directly via the Annual Report to the School Community, Annual Meeting and any associated council election.</li> <li>• <b>Principal:</b> School community (public for aggregate school performance as reported in the Annual Report to the School Community and the national assessment reporting) School council (strategy development and implementation), DET (professional practice and performance), VIT/AITSL (professional registration standards for teaching and leadership), VCAA (curriculum quality and delivery) and VRQA via the Department (minimum standards for school registration).</li> <li>• <b>Teacher:</b> Students and parents (via collaborative practice dimension of teacher registration standards) School council (where employed locally), the principal (professional practice and performance), VIT/AITSL (professional registration standards for teaching) and the VCAA (curriculum delivery, particularly post compulsory VCE/VCAL/VETIS teachers).</li> <li>• <b>Business Manager:</b> School council, the principal and the Department.</li> <li>• <b>Other school staff:</b> School council (where employed locally) and the principal (professional practice and performance).</li> </ul>

There are tensions among the views held by stakeholders:

- schools in particular reported to this Review that there was sufficient accountability in the system. School stakeholders raised questions of coherence and complexity and increasing red tape
- stakeholders within the central office of DET and in the community more broadly argued that schools are not particularly transparent (and therefore accountable) in how and why they prioritise the use of public funds
- parents reported that they didn't have a good idea about how schools use their funding and how priorities are determined. This was particularly true for funding loaded onto the base or provided programmatically to address the needs of specific cohorts or individuals (for example, equity, disability, Indigeneity etc.).

In respect of school level accountability, stakeholders generally seek more transparency from schools and the system.

Some argue that schools are not particularly accountable for how spending decisions relate to student performance and are dissatisfied that performance accountability is too often communicated in very narrow terms such as around literacy and numeracy. This might limit the capacity to focus on broader student needs.

Some stakeholders believe there is a lack of equity and transparency arising from historical program funding models that make funding available to selected schools on a basis other than the student enrolment or need (for example, the Instrumental Music Program).

#### **Finding 22**

The hierarchy of accountability frameworks for school education funding and performance is a complex mix of statutory, regulatory and policy frameworks, placing a heavy compliance burden on schools while impeding transparency.

### **4.2.3 School workforce**

The Victorian government school education system is large, including 1,526 government schools, 565,000 students, 41,978 teaching staff, and 14,000 education support staff. It involves the provision of educational services to a variety of schooling ages through a diverse curriculum, delivered within multiple Commonwealth and state industrial laws, frameworks and related practitioner registration systems. About 90 per cent of the SRP is spent by schools on salaries.

In Victoria, the employment of staff, their development and performance management is governed by a number of laws, industrial agreements, human resource management policies, professional development frameworks and many related guidelines and practices.

- *Education and Training Reform Act 2006*
- *Victorian Government Schools Agreement 2013*
- Performance and Development in Victorian Government Schools framework
- *Staffing Cooperation* guidelines (Including the Multi School Staffing Model)
- Victorian Institute of Teaching, Permission to Teach Policy
- Management of Excess Teaching Service policy
- Complaints, Misconduct and Unsatisfactory Performance policy.

Within this complex management environment, the capacity of principals to effectively recruit, develop and deploy staff is critical to achieving the individual and collaborative objectives on behalf of students and the community.

#### **Workforce mobility**

The market for teacher labour in Victoria is large, complex, and constantly changing. It is characterised by the shifting relationship between the demand for teacher labour and its supply, in context with demographic change and a complicated regulatory environment.

The size and quality of the available teaching pool is impacted by the attractiveness of the profession, the quality of teacher education, movement in and out of the profession into other sectors, immigration and retirement. The demand for teachers is driven by student enrolments and needs, and school level decisions including the curriculum, teaching method and class sizes.

The net outcome of this in Victoria is that some schools are not able to match the specific needs of their students to the supply of teacher labour in their local area.

Stakeholders consulted for this Review identified a range of barriers to attracting, retaining and developing teachers. These included the ageing of the workforce, hard to staff locations and subjects, variation in the profile and cost of school staff between schools, and limited teacher mobility.

Analysis by DET shows that recruitment in secondary schools and special school contexts is relatively more difficult, especially in the regions (particularly the North-West), on the outer metropolitan fringe and in low socioeconomic status areas (DEECD 2012). There is also shortage of teachers specifically for secondary education STEM subjects (Ernst & Young 2015b).

On the whole a low proportion of teachers move between schools. A recent survey showed that while some teachers in rural in regional areas have a preference for taking up opportunities in regional and metropolitan areas in the future, teachers generally remain in their current geographical location (Ernst & Young 2015b).

- For metropolitan respondents, 11 per cent preferred a regional location and 4 per cent preferred a rural location.
- For regional respondents, 15 per cent preferred a metropolitan location and 10 per cent preferred a rural location.
- For rural respondents, 11 per cent preferred a metropolitan location and 44 per cent preferred a regional location.

Research from the University of Melbourne showed that labour mobility is especially constrained for schools in rural areas. Rural schools had difficulty in attracting and retaining quality staff, experienced low staff turnover and high staff costs, and had limited access to casual relief teachers and specialist support staff (Lamb and Walstab 2012).

According to a UK study, low teacher mobility contributes to a more ‘inward looking professional culture’, particularly in rural schools (RSA Action Research Centre 2011). A lack of teacher mobility can be a significant barrier for schools in offering a viable and contemporary curriculum that is expertly taught.

Addressing teacher mobility challenges is not easy. DET has found through evaluation of past programs and recent survey data that financial incentives for teachers to relocate from the metropolitan area to regional and rural locations have limited impact (PwC 2015b; Ernst & Young 2015b). The impact of financial or non-financial incentives on mobility within the metropolitan area or to incentivise teachers in regional centres to teach in rural towns is less clear however.

Nonetheless, recent research shows that within the existing industrial framework, increasing the pool of teachers willing to teach in regional and rural areas could be assisted through a combination of investing in those teachers and teacher trainees who are already local, those who have had positive regional or rural work experience, or those registered with the VIT but who are not currently teaching (Ernst & Young 2015a).

Some stakeholders reported to this Review that industrial arrangements are a barrier to teacher mobility, especially in relation to performance management of teachers. However, the Victorian Competition and Efficiency Commission found that many schools do not take full advantage of the workforce flexibilities available to them (Victorian Competition and Efficiency Commission 2013).

More can be done to improve workforce flexibility within the existing regulatory arrangements. A survey of principals undertaken by DET’s School Workforce Planning Tools Project showed that fewer than half of the respondents had proactively sought to address ‘workforce gaps’ ahead of time (DEECD 2011).

### **Finding 23**

Low rates of teacher mobility are a problem in Victoria. While DET encourages greater mobility within the current regulatory framework, principals could more fully exploit all existing avenues, in particular with more support to navigate through the complex regulatory environment.

## Business manager skills and status

Stakeholders reported to this Review that business managers have a central role in the strategic financial management of schools. Business managers support the principal and school council to make resource allocation decisions, provide financial oversight and help to ensure lawful, transparent and full accountability for funding.

While no formal assessment of school business managers and their capacity for supporting strategic decision making in schools has been undertaken by DET, a range of issues were identified by stakeholders in relation to the role of business managers in Victorian schools including:

- variation in the professional skills and capacity
- inconsistency in the way the role of the business manager was understood, utilised and valued by principals
- variation in the capacity of schools to employ business managers with the sufficient skills and attributes (both in terms of the available resources and the availability of labour)
- underinvestment in the professional development of business managers relative to their teacher colleagues.

Some initial steps in training, online information provision and competency assessment of business managers have been taken by DET to encourage development of the business manager workforce, but these appear largely under resourced and a significant opportunity for their development remains.

Research conducted for this Review indicated that business managers should be proficient in preparing clear and insightful financial reports, and providing support to schools leadership in making strategic financial decisions through concepts such as capital maintenance, return on investment and strategic budgeting (Nous Group 2015). Research also supports investing in the capacity of business managers (National College for Teaching and Leadership 2014; Department of Education 2010; World Bank 2011). It is important to acknowledge that it can be difficult to attract business managers, particularly in small schools, primary schools and rural schools – an obvious barrier to increased professionalisation.

### Finding 24

While there is significant variability in the utilisation of business managers in schools across the system, in contemporary schooling the role of the business manager is a strategic one. The role of business managers should be leveraged to ensure school resource allocation decision making is informed and effective.

## Increasing productivity

Classroom teaching has the most significant impact on student outcomes among in-school factors. The current framework for developing practice and managing the performance of principals and teachers is the framework for Performance and Development in Victorian Government Schools. The framework includes advice and tools for the management of principals, teachers and education support staff.

The framework seeks to facilitate a culture of whole school performance improvement through reflection and goal setting, professional practice and learning, and feedback and review.

Detailed advice for the implementation of the framework in schools is provided by the central and regional offices of DET, however, a system wide culture of near automatic salary increments has emerged with approximately 98 per cent of school staff who are eligible for progression payment receiving one each year.

### Finding 25

Under the present teacher performance management framework almost all eligible teachers receive their annual increment while system performance has plateaued. This puts into question the application of the current teacher performance management framework.

Improved teacher performance management relies on the capacity of principals to effectively discharge this role in a school. This function is one of many that a principal must undertake in their role, which has a broad scope and involves managing complex issues. The strategic management function can be crowded out by the sheer amount of workload related noise many principals have to manage.

Notwithstanding the potential for developing principal capacity for distributing school leadership more effectively, there is a prime facie case that the salary structure for principals is also unreasonable given the scope and complexity of their work.

### Finding 26

The mean salary of a school principal is only slightly higher than that of a mid-career, middle manager in the Victorian Public Service. This salary, in relative terms, appears disproportionately low.

## 4.3 Funding and decision making transparency

Transparency of the school funding is required in a variety of domains – between schools and their communities, between schools and the Victorian Government and between the Government and communities.

In Victoria's education system, information related to funding and use is exchanged between stakeholders in a number of ways. The centre provides information and guidance on funding allocations to schools and the communities they serve through, for example, annual school SRP allocations and the SRP guide. Schools provide information to the community related to how funding is used, and report back to the centre on funding use, for example through annual reports.

According to Nous Group (2015), transparency should enable:

- a sufficient understanding to serve schools' planning needs and to better inform the general public
- assurance that schools use funds for the intended purpose, and in a way that aligns with strategic priorities
- insights from aggregated school strategic expenditure and associated outcomes
- public understanding of how taxpayers' contributions are being used
- data to support informed choice by individuals for their own benefit, and promotes behaviour that aligns with broader policy objectives.

However, research and stakeholder input reveals a gap in fully meeting a number of these requirements. There is a near to unanimous call for greater transparency of funding information, as well as simplified and more convenient points of access.

VAGO's performance audit *Additional School Costs for Families* (2015) found that 'DET's school funding model is complex. It combines many sources of funding and attempts to address areas of need and priority. As a

result, it is almost impossible for a parent, Parliamentarian, or the public to understand how much money schools get, where the money comes from and how it should be used.’

Many schools and community members indicated in consultations that there would be greater confidence in the system if there was more readily accessible information on both funding arrangements between the levels of government and the funding rationale underpinning the SRP.

Transparency is made difficult in the national funding landscape by the number of different sources of funds and the variety of formulas underpinning funding allocation to different sectors. The confusion about which layer of government is funding which sectors and schools contributes to often ill-informed debate on school funding and policy.

Budget Papers and Departmental Annual Reports provide a detailed overview of the quantum of funds expended on education, but less so on the methodology used to distribute funds or their connection to intended educational outcomes. Information products on government expenditure include the Commonwealth Government produced annual Report on Government Services, Victorian Government Budget Paper 3, ACARA data and Departmental Annual Reports.

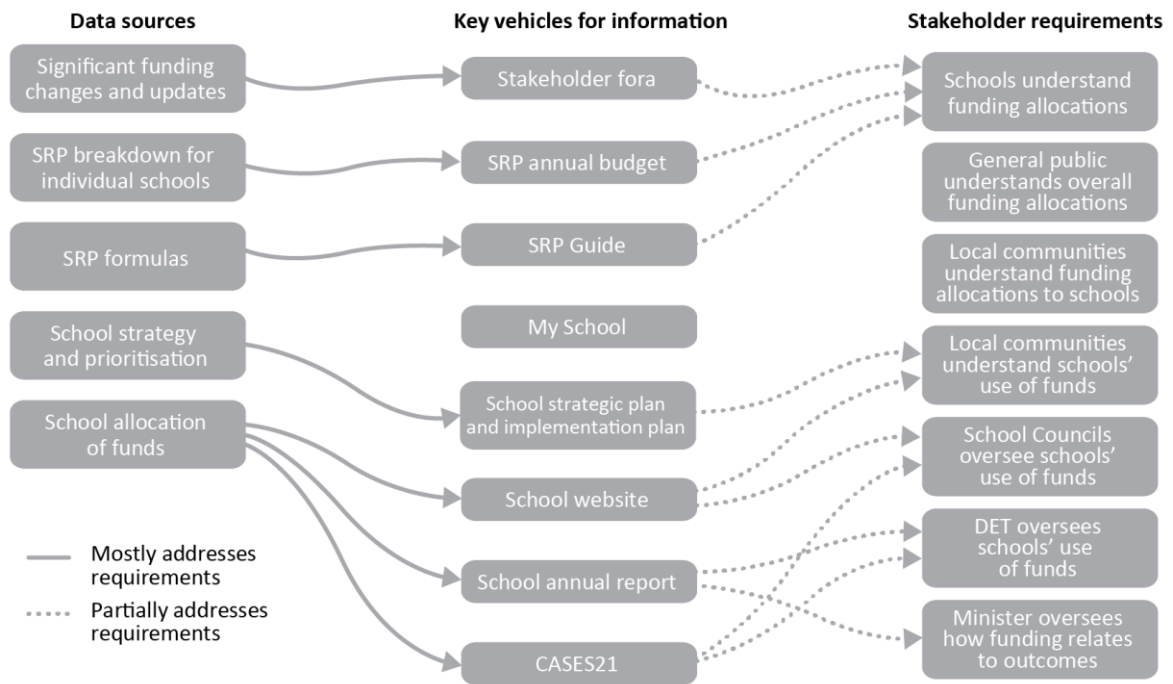
To explain the SRP, DET has many products and tools that describe the system level funding arrangements, including the architecture of the SRP. Information products on DET allocations include the *SRP Guide*, the SRP Consultative Committee, *DET Budget Pyramid* and School Review cycles. Some schools nevertheless continue to find it hard to understand why they are funded to a certain amount, why this may have changed over time, and why this may differ from a school in a similar area. Schools reported in consultations a desire to receive improved communication from DET about the methodology underpinning the SRP, not through the provision of more information but rather simpler information.

Schools also need to explain sources and levels of funding and its use to their communities. Communities have a right to know the formulas used to allocate funding per student, as well as to know how that funding is being utilised in line with school’s plans to raise student performance. Information products on school funding decisions include School Annual Reports and associated advice, annual guidelines, including minimum reporting requirements, School Strategic Plans, Annual Implementation Plans and the MySchool website.

Research commissioned for this Review found that many information needs are not being fully met and there are key areas that warrant further development (Nous Group 2015). Figure 35 summarises these findings.



**Figure 35. Data sources and stakeholder requirements**



Source: Nous Group 2015

There are large repositories of information about current funding arrangements and a range of publicly available products to support transparency. The funding of schools in Victoria can allow high degrees of transparency. Current funding arrangements are defensible and open to public scrutiny. As Lamb and Walstab (2012) note, 'the SRP aims to ensure that resources provided to schools are fairly distributed, that is schools with the same mix of student learning needs are receiving the same levels of funding.'

However, information on school funding is fragmented and often difficult to obtain. Interested parties may not be able to readily access the complete picture themselves. DET carries the responsibility to be able to communicate the funding model and methodology to a range of interested stakeholders. This can be achieved, but has not historically been communicated well to a wide audience.

**Finding 27**

School funding in Victoria lacks transparency, despite the range of tools and guidelines put in place to provide information to schools and the community about school funding.

## 4.4 Targeting need

The SRP was nation leading, with Victoria the first State to introduce a largely needs based funding model in 2005. Over time, it has been seen as the benchmark for effective resource allocation to schools. While feedback from stakeholders has acknowledged this, concerns were raised in relation to the perceived mismatch between SRP allocations and real costs, the need to update the SRP funding formulae to better target student need, and the complexity and uncertainty of annual school budgets.

As detailed in this Review's *Interim Report*, stakeholders are concerned that while the Victorian school funding model is needs based, there is more that can be done to target funds towards those who need it most. There was general consensus that the system should incorporate both a base level of per student funding that provides universal access to high quality education plus more targeted funding to improve outcomes for students experiencing disadvantage. This sentiment has been corroborated by the findings of the Review.

### 4.4.1 Stages of learning

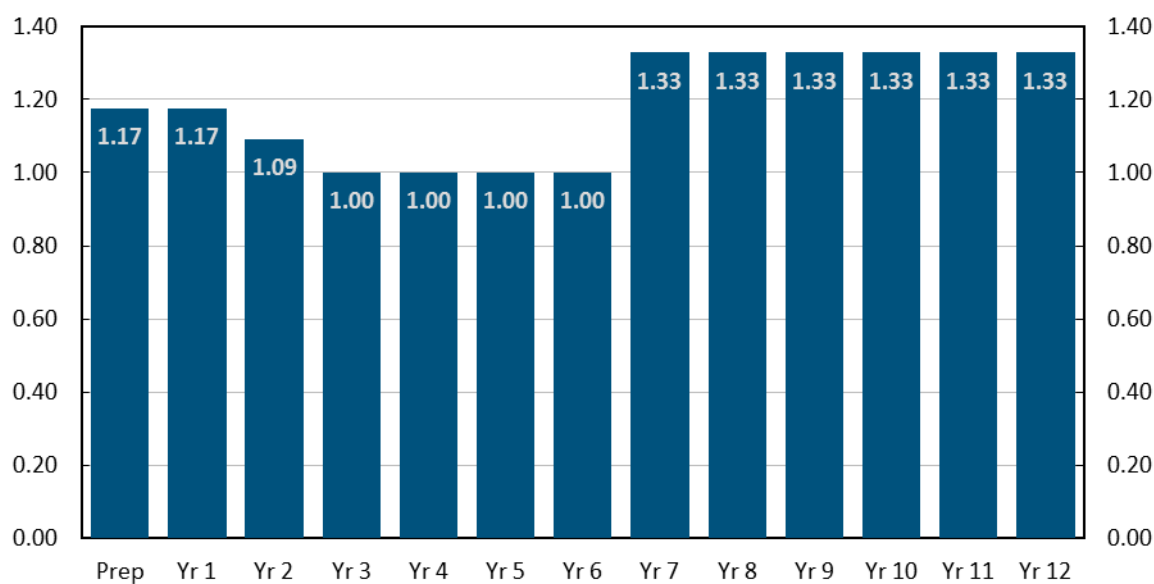
Many stakeholders support allocating core funding according to the stages of learning. This is consistent with Lamb and Walstab (2012) who found that school funding should provide for differences in the costs of delivery across stages of learning.

Increasing resources for the early years of schooling has been strongly advocated over the past decade (Heckman 2011). Lamb and Walstab (2012) found high performing primary schools in Victoria follow Heckman's advice and concentrate resources (including high quality teachers) in the early years. The SRP stages of learning relativities now reflect this (Figure 36). Victoria's Year 3 NAPLAN results are impressive by national standards and may be reflective of this effort.

However, some stakeholders contend that the higher level of per student funding in the SRP that is allocated to secondary schools relative to primary schools is inconsistent with the objective of investing more heavily in the earlier years. Yet the evidence indicates this is not exhibiting an inconsistency or shortcoming in funding model design, but rather it is an accurate reflection of the construct of teaching and learning in secondary schools. Costs for schools to offer a contemporary and comprehensive senior curriculum are rising, and the growth of applied learning is a response to student demand and its place in the comprehensive VCE is essential in boosting Victoria's school retention rates. But as the subsequent Section 4.4.4 reveals, costs for Vocational Education and Training (VET) in schools (VETiS) can be higher than offerings in a conventional classroom.

Differing industrial arrangements result in an automatic 12.5 per cent loading in teaching costs at the secondary level, as secondary teachers have up to 20 hours of face to face teaching per week, compared to primary teachers undertaking 22.5 hours. Further, secondary schools offer a wide range of subject choice in specialist and elective areas with the breadth of senior certificate programs resulting in smaller class sizes. There is also a greater administrative requirement in the more logistically complex secondary schools.

Figure 36. Stages of learning relativities, 2015



Source: Internal DET analysis

The vast bulk of funding – \$4.4 billion in 2015 – is delivered through the SRP to schools via the stages of learning allocation. This Review does not propose to alter stages of learning relativities at this stage, although they should be revisited as part of the proposed 2016 benchmarking exercise.

Many schools see the stages of learning allocation as non-discretionary funding to employ teachers for mainstream teaching purposes. The allocation of most of this funding as credit to schools, and not cash, reinforces this perception. However, while it is recommended that stages of learning relativities remain unchanged, the Review proposes significant change to how schools can use these funds most effectively, and to the systemic factors that impact these choices. Schools have substantial discretion in the use of these funds, and better use of stages of learning funding therefore represents a significant opportunity to improve student outcomes.

**Finding 28**

Based on evidence gathered as part of a benchmarking exercise of the stages of learning component of the SRP in 2012, the current relativities do not warrant immediate change. The current relativities reflect that returns to education are larger in the early years and that costs associated with secondary school education, including staff and curriculum costs, are more significant.

**4.4.2 School site**

**School facilities management**

The SRP provides funding to schools to meet the costs of running and maintaining facilities. This funding comprises the largest cash component of the SRP. In 2015 this amounted to \$220 million, about four per cent of total SRP funding. This funding is for buildings and grounds maintenance, equipment servicing, cleaning, utilities, and other minor stock purchasing.

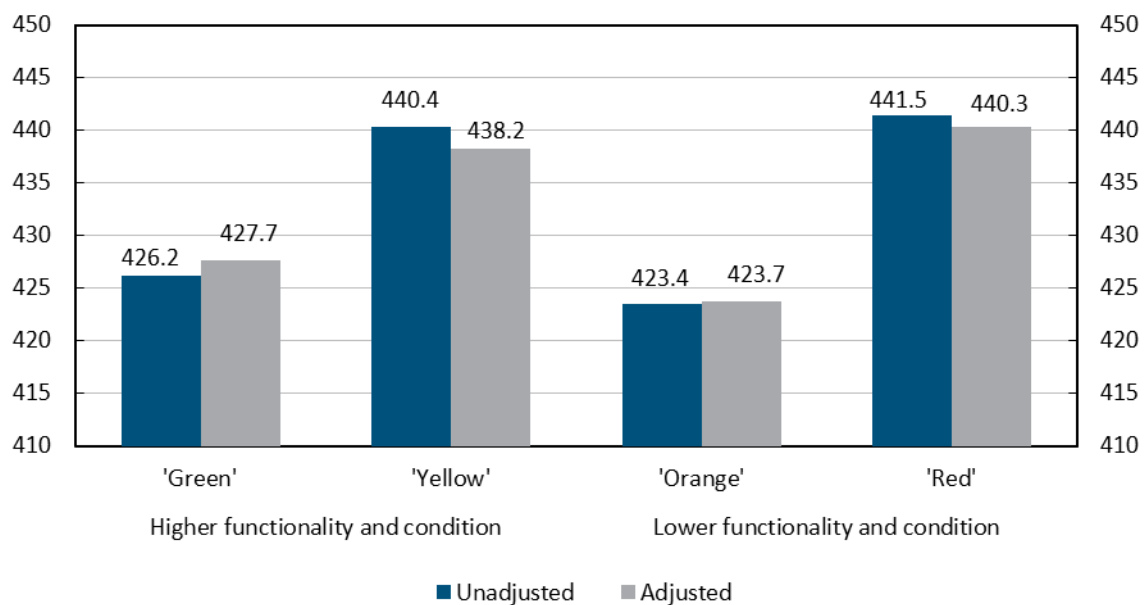
Stakeholders raised concerns that funding for school facilities was inadequate, and that this was impacting on the performance of schools. This was compounded by the onerous responsibilities carried by principals for facilities management. School principals and staff spend time on asset management that could otherwise be spent on educational activities, and options to reduce this would enable them to focus on core business of teaching and learning.

A large body of research shows the link between the condition, management and useability of school facilities and teaching quality and student performance. Studies find that school facilities directly or indirectly affect learning (OECD 2001). In addition, improving the physical learning environments in a school also supports change in a school’s operational culture (OECD 2011).

Schneider (2002) concluded that the spatial configurations, noise, heat, cold, light, and air quality impact learning and teachers’ ability to perform. Unites States research shows a 5-17 percentile point difference between students’ achievement in poor built environments compared with those in standard buildings, after controlling for socioeconomic status of students (Earthman 2004). The Gonski Review found that ‘the physical state of school buildings is a key factor in how a school is perceived, and therefore in the types of students and staff it may attract’ (Australian Government 2011).

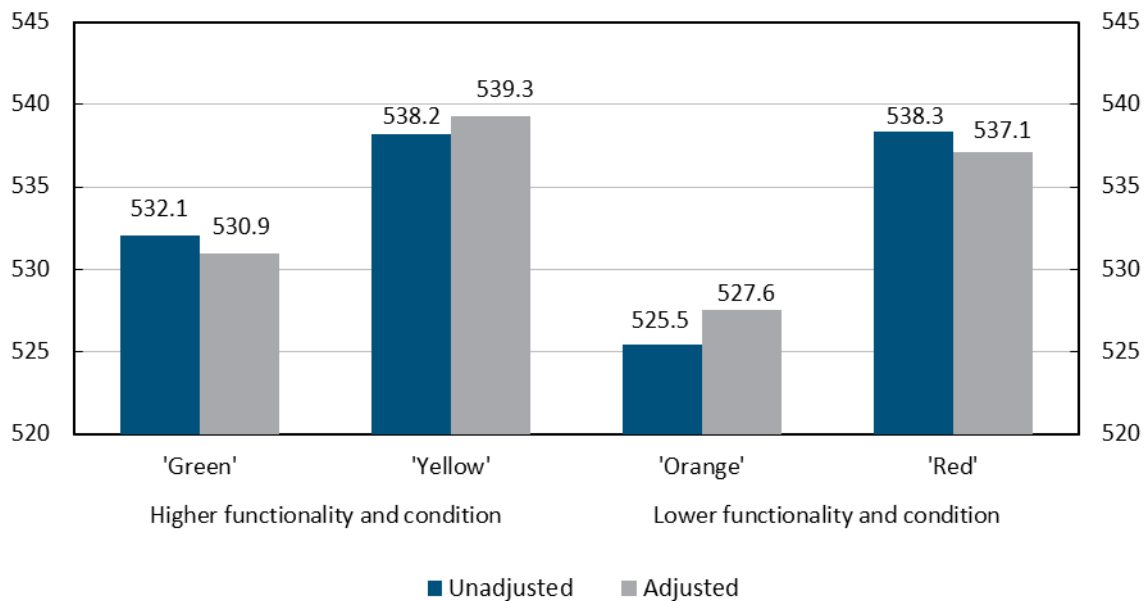
DET has an assessment methodology of school condition and functionality in which schools are classified from low to high condition and functionality – as green, yellow, orange, and red. Figures 37 and 38 provide two examples on condition and functionality assessed against key NAPLAN domains of reading and numeracy in Year 3 and Year 9 respectively. Scores are adjusted for the socioeconomic status of students, EAL students, disability and other factors.

**Figure 37. Year 3 NAPLAN reading mean scale score by school physical condition and functionality, 2015**



Source: Walstab, 2015

**Figure 38. Year 9 NAPLAN numeracy mean scale score by school physical condition and functionality, 2015**



Source: Walstab, 2015

This analysis shows that, after controlling for socioeconomic status and other factors, there is no strong correlation between the definition of building condition used by DET and NAPLAN scores for schools in Victoria. However, it does not reflect on whether a change in condition of a school bears any relationship to an incremental change in performance. Further, building condition may contribute to the school experience in different ways, which may not be easily captured through student performance. For example, how the physical state of buildings impacts on student engagement and school perceptions. Condition is also very important to student and staff amenity and safety. The analysis is therefore not comprehensive, but does provide context for how school facilities funding should be prioritised to meet learning needs.

DET has started investigating alternative models for facilities management, assessing the relative merits of centrally managed and outsourced strategies. DET is considering budget and service delivery implications, and models incorporating capital upgrades. This follows from recommendations from VAGO for DET to evaluate public private partnerships (PPPs) for infrastructure programs and to improve accountability in schools (VAGO 2013a). Some schools would welcome the central management of facilities, so long as the centre takes on full, and not partial, responsibility (KPMG 2015).

#### **Finding 29**

International research supports the link between the condition of school facilities and performance. However analysis shows no strong correlation in Victoria after adjustments are made, including for socioeconomic status, EAL students, disability and school size. Trialling alternative delivery models in Victoria could provide further insight into the impact of building condition and amenity on student performance, student inclusion, and community perceptions.

## Asset maintenance and essential services

School land and buildings are government owned assets, and adequate maintenance investment is required to maintain value, ensure safety and minimise the need and cost of future capital expenditure. Investing in the maintenance of schools reduces lifecycle costs and increases the asset life of the facilities.

In 2015, over \$105 million was delivered to schools for renovation, upkeep, servicing and inspection of school assets. This included approximately \$50 million provided directly to schools on a quarterly basis through three budget lines as part of the SRP. \$55 million was allocated to specific schools through a centrally managed, planned maintenance program to address extraordinary or urgent maintenance requirements, and also to reduce excess built space.

At the school level, the annual SRP maintenance component distributes around \$29,000 on average per school, with the actual distribution to schools ranging from \$1,000 to \$186,431, depending on each school's specific characteristics and requirements. Schools are responsible for managing their own maintenance programs within their funding allocation, but can opt to have projects managed centrally by DET if assessed to be of high risk and cost.

As part of \$50 million provided directly to schools through the SRP, \$6 million was made available in 2015 to support essential (required by law) and mandatory (mandated by DET) servicing and inspection of equipment.

In the 2016 SRP allocation, DET consolidated three funding lines for asset maintenance and essential services into two: one for servicing equipment and another for asset maintenance. This is in addition to central DET's planned maintenance program funding, which is outside the SRP.

The SRP allocates funding for maintenance and minor works for each school. 50 per cent of the budget is allocated to each school based on a notional 'entitled' building area which depends on the number of enrolled students in the school. 25 per cent of the budget is allocated based on the relative age and condition of buildings and structures. The remaining 25 per cent is allocated based on the construction type of each building in the school (for example, steel frame, timber covered). Each of these elements is also multiplied by a locality factor (weighted more heavily towards rural schools).

The rationale for further consolidating these two funding lines into one is strong. The works involved for servicing equipment and asset maintenance are similar and closely related. Schools are not required to distinguish between these elements when reporting on annual spending through CASES21. As the above arithmetic describes, several aspects of the maintenance and minor works formula are extremely complex. They are difficult to replicate outside of DET's data systems, which makes accurate forecasting of an individual school's allocation impossible. It also makes it difficult for DET to undertake asset lifecycle planning. This also holds for the essential services funding allocation in the SRP.

There are a number of other key issues in the composition of the maintenance and essential services funding formulae:

- schools are allocated a proportion of a fixed total available budget for all schools. The formula, in effect, provides a weighting that entitles each school to a share of the total available budget. This approach is therefore not based on the needs of schools or the students served
- this 'fixed budget' approach means each school's estimated allocation is dependent on system wide circumstances and changes in other schools, both of which are outside the control of an individual school
- each school's 'facilities entitlement area' is scaled by student population and the type of school (primary or secondary), and not by actual total building area in the school requiring servicing and maintenance
- there is no available evidence to support using the 50/25/25 per cent proportional weightings

- the weighting factors assigned by central DET to school buildings based on their age and material are not shared widely with schools
- the basis and methodology used for the locality factor is unknown and inconsistent with other locality measures used in the SRP’s location and rurality loadings
- the locality factor is also not openly shared with a school, and new schools are not assessed individually but rather are assigned the same factor as an existing neighbouring school.

**Finding 30**

The SRP formulae for asset maintenance and essential services needs to be updated, including consolidating funding lines for maintenance and servicing of equipment, and made more transparent.

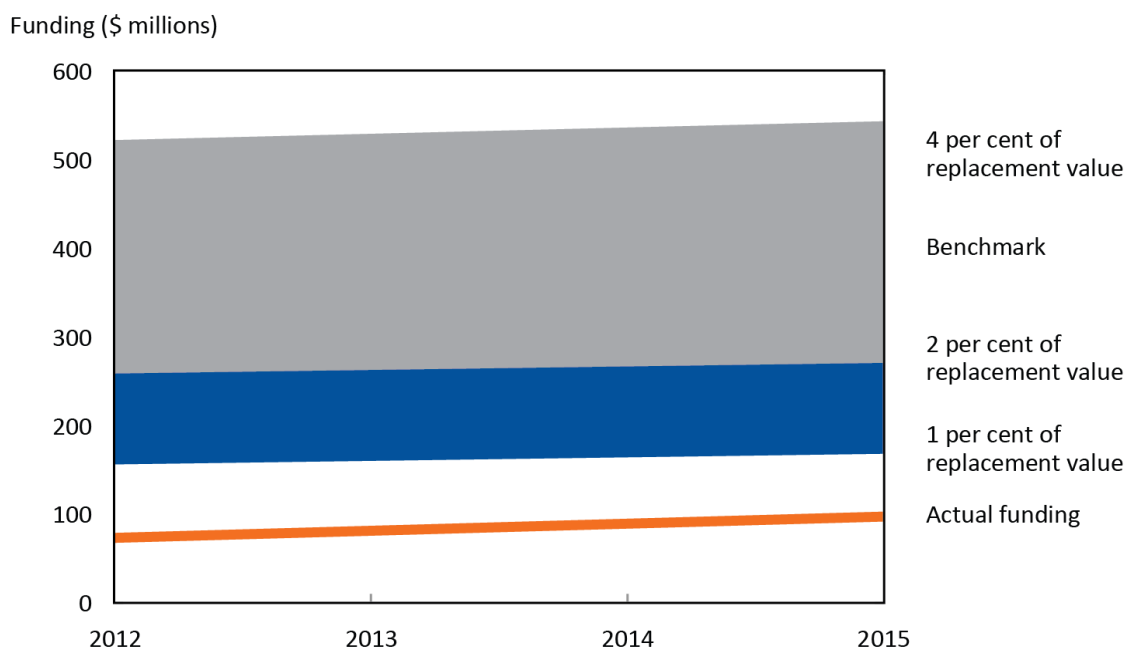
**Funding for asset maintenance**

In February 2013, VAGO reported 67 per cent of approximately 29,000 buildings and other structural assets across Victorian government schools were in operational condition. However, routine maintenance is underfunded at about 32 per cent of required maintenance funding levels (VAGO 2013a).

The Auditor General’s assessment followed a 2012 condition audit advising annual maintenance investment targets of 2–4 per cent of the school asset replacement value would be consistent with best practice benchmarks (PwC 2012a). This benchmark was reconfirmed at 2–4 per cent in 2015 (KPMG; Aurecon 2015).

Figure 39 shows actual funding is well below these benchmarks. Asset maintenance investment is about \$100 million, which is approximately 0.73 per cent of the asset replacement value. Funding at 2.5 per cent of the replacement value of the current asset base is estimated at around \$339 million a year.

**Figure 39. Annual school maintenance investment benchmarks, 2012–2015**



Source: Internal DET analysis

Although funding allocation for maintenance is significantly below recommended levels, this funding is partly supplemented by additional programs and initiatives. These include the Asbestos Removal and Relocatable Classrooms programs, and other minor maintenance initiatives, as well as in kind work and fundraising efforts at the school level. Lifecycle works completed through asset programs also assist in the maintenance response in schools. But even with these additional programs the existing sources of funds are still not fully addressing maintenance shortfalls.

Attempting to measure precisely the net shortfall in maintenance budgets or expenditure trends in schools is difficult using the CASES21 reporting system, which does not allow users to separate maintenance operations from minor capital expenditure. Rather, it groups together capital, maintenance, servicing, and other equipment purchases expenditure, which includes both recurrent and capital expenditure. Schools with poor data management practices also reduce reliability and use of this information. Analysis of 2014 CASES21 data showed that school reporting of maintenance expenditure indicated variations ranging from greater than \$1 million overspend in some schools, to over \$100,000 underspend.

There are also issues relating to decision making around maintenance funding. A review of DET's governance and accountability practices for managing maintenance found that procurement of capital works and maintenance services by schools lacked coordination and planning. Often schools are not made aware of the pipeline of works by the centre. Principals and school leaders have adopted reactive approaches to maintenance, citing funding uncertainty as the main reason for these practices. This results in higher costs, with industry feedback estimating on average these costs are three fold compared to planned preventative maintenance (KPMG 2015).

DET is addressing many of these weaknesses by implementing a new asset management system, which will allow for greater tracking and reporting capabilities. It can also give schools more detailed information about their assets to assist in decision making. These measures will assist schools to take a more preventative rather than reactive approach to maintenance.

#### **Finding 31**

The current level of SRP funding is insufficient to address annual maintenance requirements, and unlikely to provide the sustained level of investment needed in Victoria. Information sharing and data management practices should be updated to improve information on school condition and maintenance scheduling.

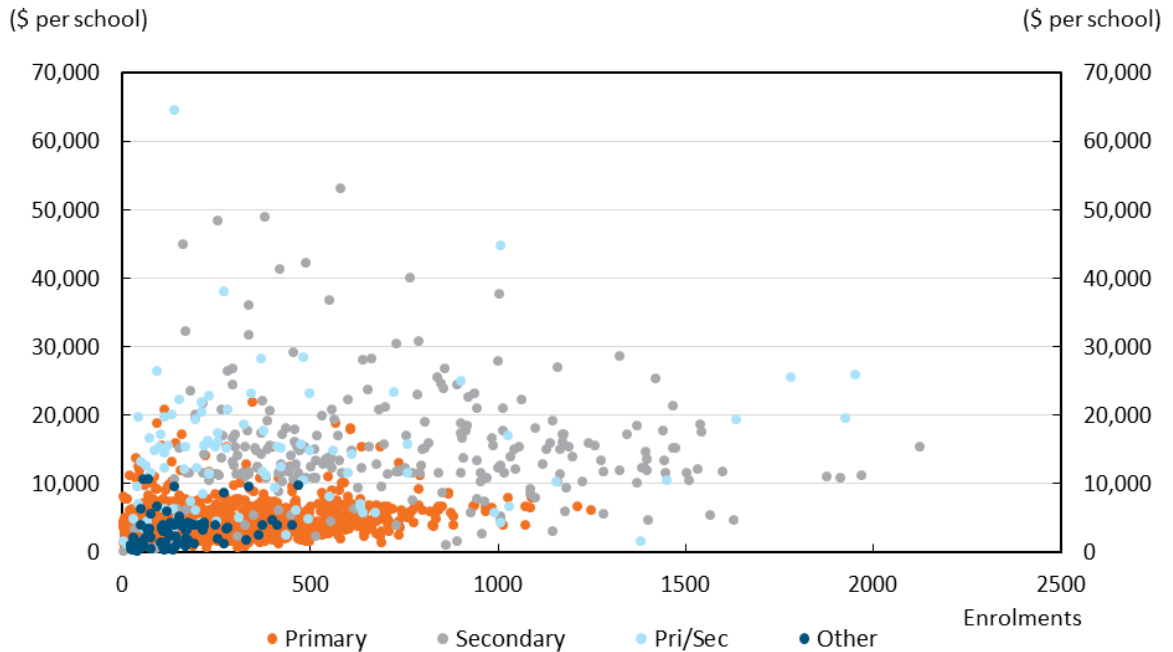
### **Grounds allowance**

The grounds allowance component of the SRP supports the maintenance and improvement of the open site area of schools. In 2015, grounds allowance is calculated using a simple flat rate of approximately 19 cents per square metre. \$10.2 million was distributed in total across over 1,500 schools. The smallest site area was 482m<sup>2</sup> and the largest was 339,635m<sup>2</sup>. The median school received \$6,796. There is no variation in the treatment of primary and secondary schools.



Figure 40 shows the distribution of funding by school enrolments is varied, and analysis of both grounds allowance<sup>16</sup>, and most recent expenditure figures<sup>17</sup> show only a weak to moderate relationship with student enrolments. A significant number of schools are required to maintain sizeable open areas relative to their student population. For example, the largest government school site is 339,635m<sup>2</sup>, which supports only 137 students<sup>18</sup>.

**Figure 40. Total projected grounds allowance by school type, 2015**



Source: Internal DET analysis

Like the maintenance formula, schools are allocated funding from a fixed pool. Therefore, each year the rate per square metre can change, exposing schools to annual fluctuations in allocation. Furthermore, the formula does not exclude the school's built area in calculations.

**Finding 32**

The basis of the existing methodology for calculating the grounds allowance is inaccurate and not aligned to school need.

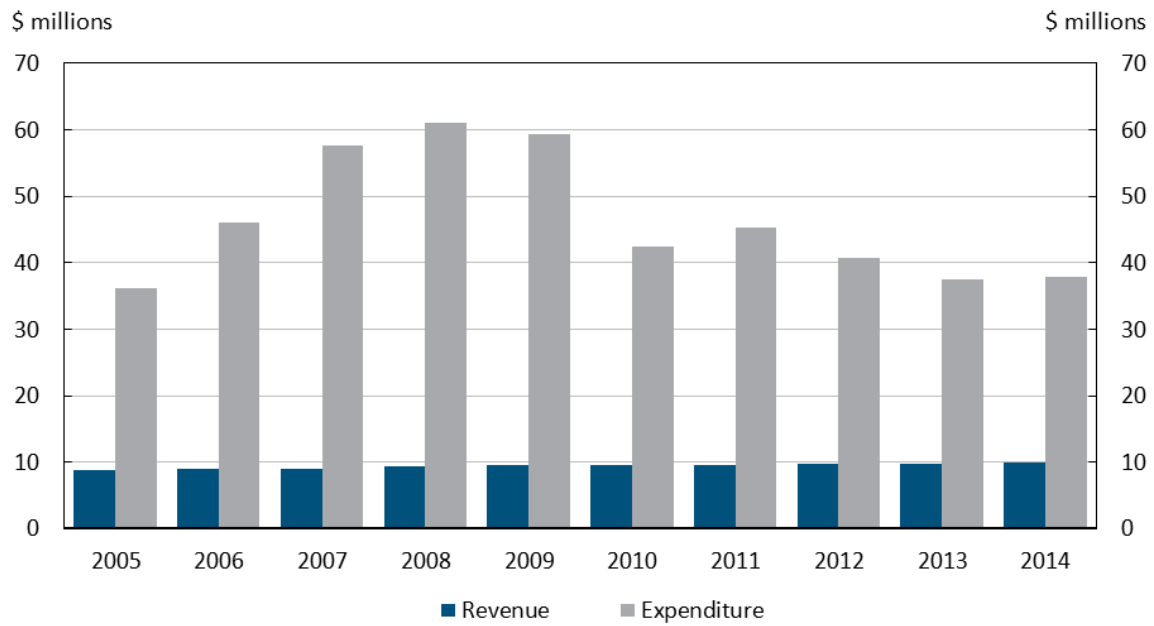
Schools reported to the Review that grounds allowance was insufficient to meet the costs of ensuring grounds were kept safe and amenable. Figure 41 shows the spending on grounds significantly outweighs available revenue since 2005. This suggests that funding is being sourced elsewhere (including from locally raised funds) or redirected from other purposes.

<sup>16</sup> 2015 SRP funding data.

<sup>17</sup> 2014 CASES21 data.

<sup>18</sup> 2015 School Census data.

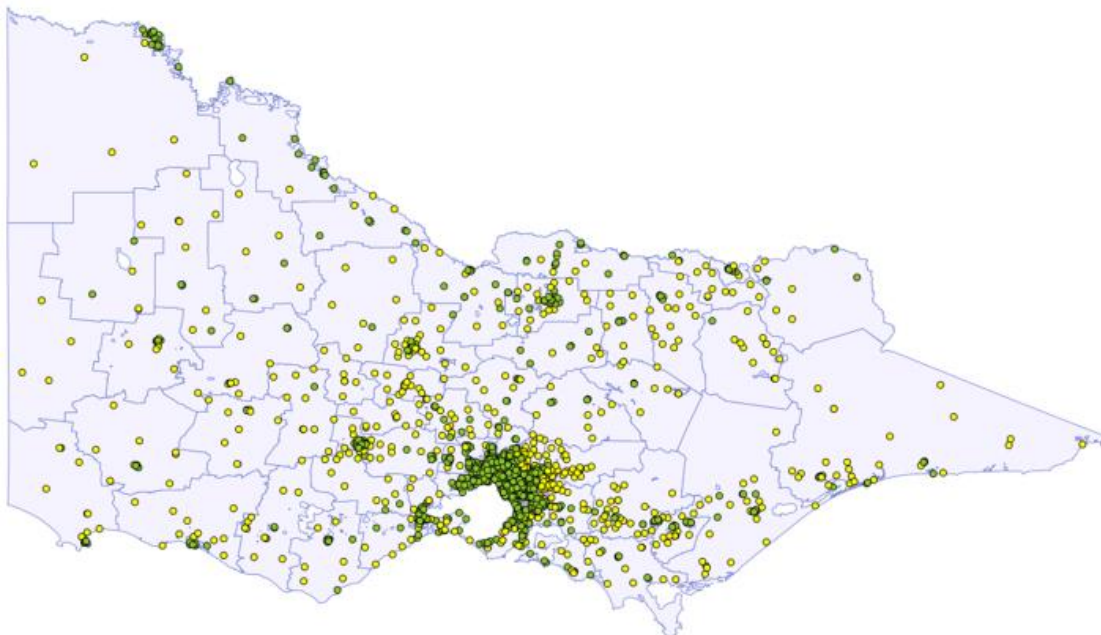
**Figure 41. SRP grounds allowance revenue and CASES21 reported expenditure, 2005–2014**



Source: Internal DET analysis

Schools located in bushfire prone areas and special schools have higher costs attributable to safety in open areas. The SRP grounds allowance does not account for these characteristics. State wide there are approximately 568 school campuses located in bushfire areas and 76 special schools.

**Figure 42. School campuses located in designated bushfire prone areas (yellow data points), 2015**



Source: Internal DET analysis

### Finding 33

Schools have spent more than their SRP allocation on grounds each year since the introduction of the SRP in 2005. Some schools have unique requirements related to bushfire exposure and servicing needs in specialist settings.

## Cleaning

Schools are responsible for managing cleaning costs, including tendering cleaning services, and negotiating the scope, fees and terms of cleaning contracts. In 2015, around \$100 million was provided through the SRP as a quarterly cash payment direct to schools.

Allocations for cleaning are based on two per square metre rates - 'normal' use and 'low' use. Normal use areas are assumed to require daily cleaning, and low use areas are assumed to require weekly cleaning. In 2015, for mainstream primary and secondary schools the normal use rate was \$24.21 per square metre, and the low use rate was \$5.19 per square metre.

For each school, spaces are designated in an online database as either 'cleanable' or 'non cleanable'. Each school's cleanable area is determined by a schedule that links floor area to student enrolment brackets of 25 students, creating a cleanable area 'entitlement' for each school. This area attracts the normal rate. The lower rate is then applied to the area that is in excess of this entitlement. An extract of the entitlement schedule for secondary schools is shown in Table 13 below.

**Table 13. Cleaning area entitlement (extract) – secondary schools, 2015**

Enrolment range	Entitlement area (square metres)
701 – 725	4,852
726 – 750	4,967
751 – 775	5,010
776 – 800	5,088
801 – 825	5,397

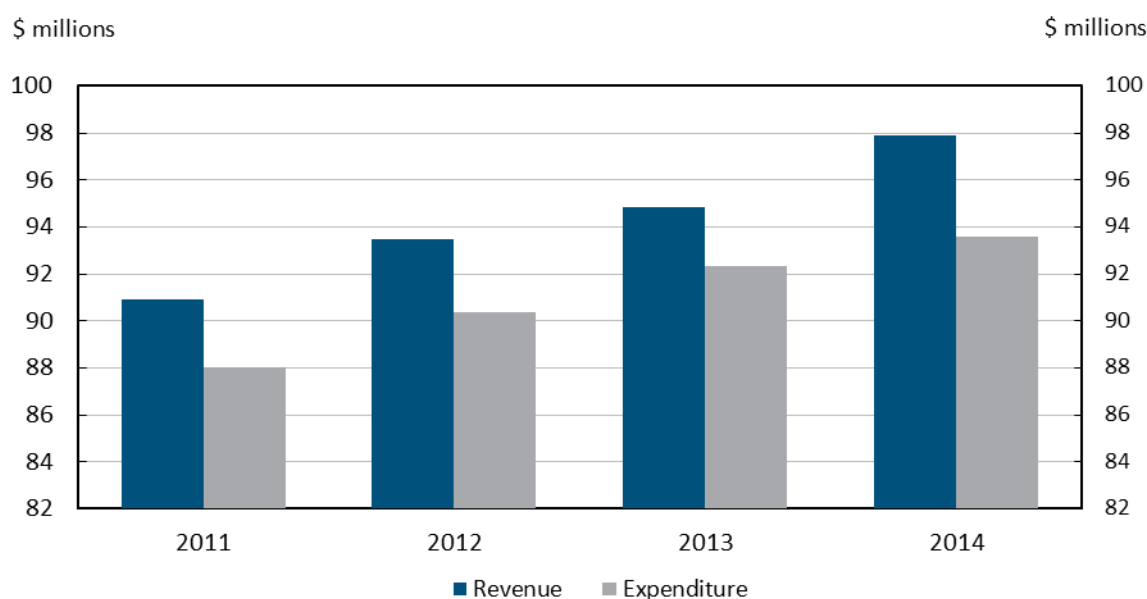
Source: Internal DET analysis

Table 13 shows that, by way of example, in 2015 a secondary school with 730 students and a cleanable floor space of 6,200m<sup>2</sup> will attract a normal use rate of \$24.21 per square metre up to 4,967m<sup>2</sup>. The remaining school area of 1,233m<sup>2</sup> would attract the low use rate of \$5.19.

However, the funding formula is not sophisticated enough – and nor are the relevant data points available – to determine whether particular floor spaces or rooms in each school are being utilised at varying intensities. The formula determines that every school can operate within a defined or 'entitled' area set according to the number of enrolments in the school. The terminology 'non cleanable' is also confusing for schools. Each school's cleaning allocation, like others related to site costs, is also determined as a proportion of a total system wide budget and is not linked to changes in school configuration or the needs of students.

While some stakeholders reported that cleaning is underfunded through the SRP allocation, revenue outstrips expenditure and has done so over the last four years to 2014, as shown in Figure 43. Furthermore, some schools can supplement cleaning expenditures through hiring facilities, leasing, and before/after school care.

**Figure 43. SRP contract cleaning revenue and CASES21 reported expenditure, 2011–2014**



Source: Internal DET analysis

Labour comprises almost 90 per cent of cleaning costs. While the growth in the SRP allocation for cleaning has exceeded expenditure for the last four years, this gap has narrowed in the last three years because the cumulative growth in the SRP has been marginally less than growth in cleaning contract award rates.

#### Finding 34

Schools have spent less than the SRP allocation on cleaning over the last four years to 2014. However, growth in costs has recently exceeded growth in SRP funding. The SRP needs to be clarified in relation to cleanable, non cleanable, normal and low use rates for school spaces.

## Utilities

Funding for utilities through the SRP is based on an historical allocation plus indexation. Utilities funding is distributed through the quarterly cash grant to the school. In 2015, approximately \$62 million was provided for various utilities and core operating expenses in schools, primarily for electricity, natural and LPG gas, water/rates, refuse and garbage services. Whole of government contracts are in place for the supply of gas and electricity services to schools. Table 14 shows the 2015 utilities allocations by school type.

**Table 14. SRP utilities funding by school type, 2015**

School type	Number of schools	Total funding (\$)	Average per school
Primary	1,128	\$27,306,538	\$24,208
Secondary	239	\$24,140,704	\$101,007
Pri/Sec	80	\$7,244,153	\$90,552
Special	83	\$3,178,891	\$38,300
Camp	2	\$199,831	\$99,916
Language	4	\$130,559	\$32,640
<b>Total</b>	<b>1,536</b>	<b>\$62,200,676</b>	<b>\$40,495</b>

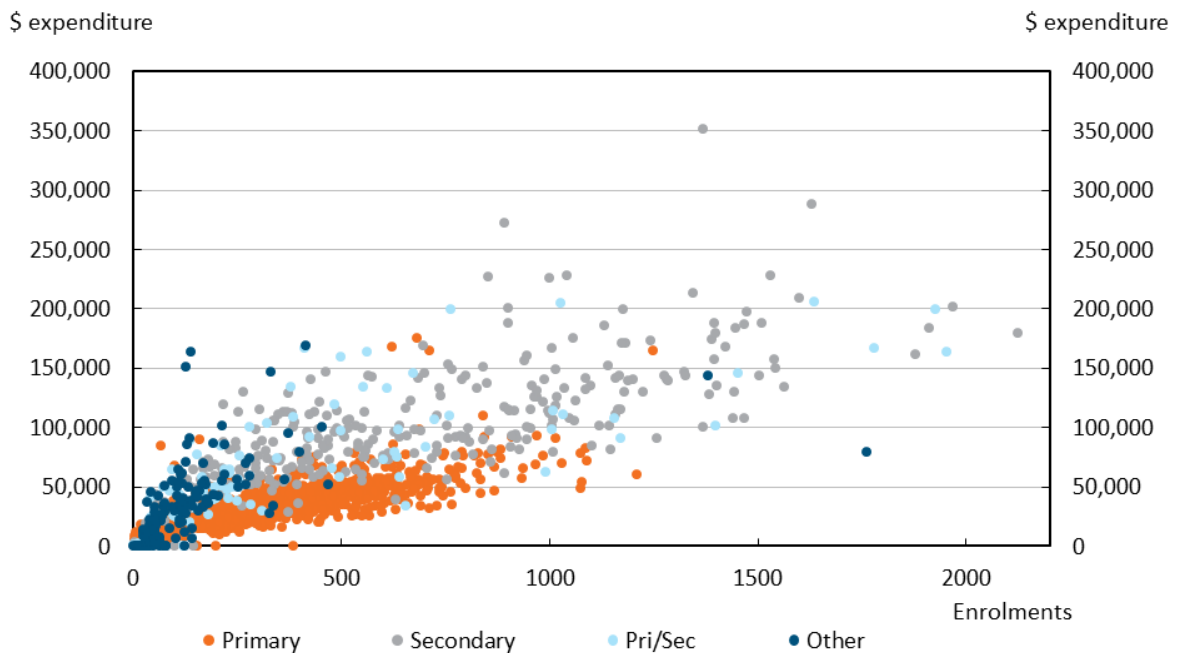
Source: Internal DET analysis

A number of stakeholders raised the concern that the utilities allocation in the SRP was insufficient to cover costs, and was inconsistent with other methods used for other SRP funding components. There are a range of issues with the utilities allocation:

- the allocation is the largest funding component in the SRP which is not linked to the characteristics of schools or students
- the basis of historical funding methodology used to determine allocations is unclear
- the indexation rate applied to the funding allocation is not aligned to indices associated with utilities prices
- most changes to building configuration is not accounted for in annual funding allocations to schools
- schools may be eligible for an adjustment to their utilities allocation following changes to the configuration of buildings. However, it appears that these adjustments are rare.

Figure 44 shows that utilities spending across schools is related to school population, as expected.

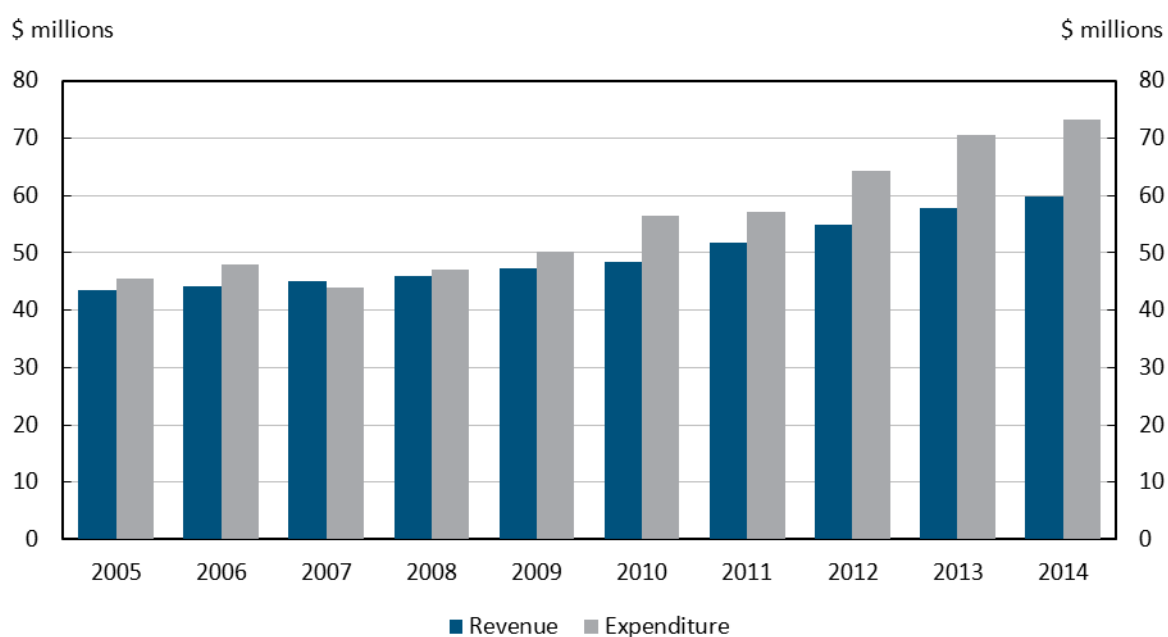
**Figure 44. Total projected utilities expenditure by school type, 2015**



Source: Internal DET analysis

Figure 45 shows the gap between revenue and spending has become more pronounced since 2010, likely as a result of factors including lower indexation rates applied to the funding allocation, and changes in school's characteristics not being sufficiently accounted for through the SRP's allocation methodology.

**Figure 45. SRP utilities revenue and CASES21 reported expenditure, 2005–2014**



Source: Internal DET analysis

Future projections of cost growth for energy are likely to further exacerbate concerns. Stakeholders are very concerned that the level of indexation has not matched actual price rises, particularly in relation to electricity. A report by the Australian Energy Market Commission (2013) predicted that electricity prices would move on average by 5.15 per cent over 2011-12 to 2014-15. However, the highest indexation rate applied to utilities funding in the SRP over the last 15 years was 2.2 per cent.

**Finding 35**

Schools have spent more on average each year than their SRP allocation on utilities since the introduction of the SRP in 2005. The method for allocating utilities funding to schools through the SRP is deficient and unreliable, lacks transparency, and is not aligned with cost growth. A formula-based approach is a better alternative.

**Workers’ compensation**

Under the *Occupational Health and Safety Act 2004* schools are required to comply with the duties, rights and responsibilities set out in the legislation to ensure a safe and healthy work environment for nearly 42,000 teaching staff as well as many others employed in government schools. Principals or school leaders are responsible for managing occupational health and safety (OH&S) in their school, while central DET provides guidance and support to assist in meeting these obligations. The Review has examined the SRP funding model with respect to the existing workers’ compensation funding and cost sharing arrangements, and assessed the effectiveness of this in driving improved performance while supporting the reporting mechanisms and other management obligations.

The current funding model for workers’ compensation means all schools receive an SRP credit budget to cover claims. An average claims cost rate for each school type is applied to the estimated total allocation for salaries and on costs of each school to determine a notional budget.

The total actual cost of claims lodged in the school over a set calculation period is then assessed against this budget. If the actual costs incurred are greater than the school's budget, all or part of the difference is deducted from the school. This is capped at 0.5 per cent (up to a maximum of \$10,000) of the school's total salaries and on costs. Similarly, within the same parameters any savings from actual claims being less than the school budget will accrue to the school.

It is clear that these model parameters are necessary to protect schools from potentially unmanageable financial obligations relating to workers' compensation claims. However, there are several consequences resulting from these current settings.

In 2013, a VAGO audit on *Management of Staff Occupational Health and Safety in Schools* identified that DET 'chooses to bear almost the entire cost of schools' WorkSafe premiums on their behalf' (VAGO 2013b). The report acknowledged the approach is designed to protect schools from excessive financial burden. However, schools are not necessarily being incentivised to achieve best practice and not understanding of 'the true financial impact of workplace injury' (VAGO 2013). This sentiment has been echoed by some stakeholders, who suggest there is little evidence to demonstrate the efficacy of the existing model in achieving best practice with respect to OH&S outcomes.

Weaknesses in the model are more pronounced when total cost sharing arrangements at a system level is assessed, with the Department incurring an annual expense of approximately \$60 million with respect to insurance premium costs to meet claims<sup>19</sup>. Yet, consistent with the VAGO findings and despite these considerable costs, only around \$1.97 million (about 3.3 per cent) is charged to schools through the existing calculation. Furthermore, the allocation has not increased for over a decade, including any adjustment for CPI.

Funding contributions from schools has been used to fund OH&S programs, workers' compensation management programs, and to pay the component of claims that are under the policy's excess.

### Finding 36

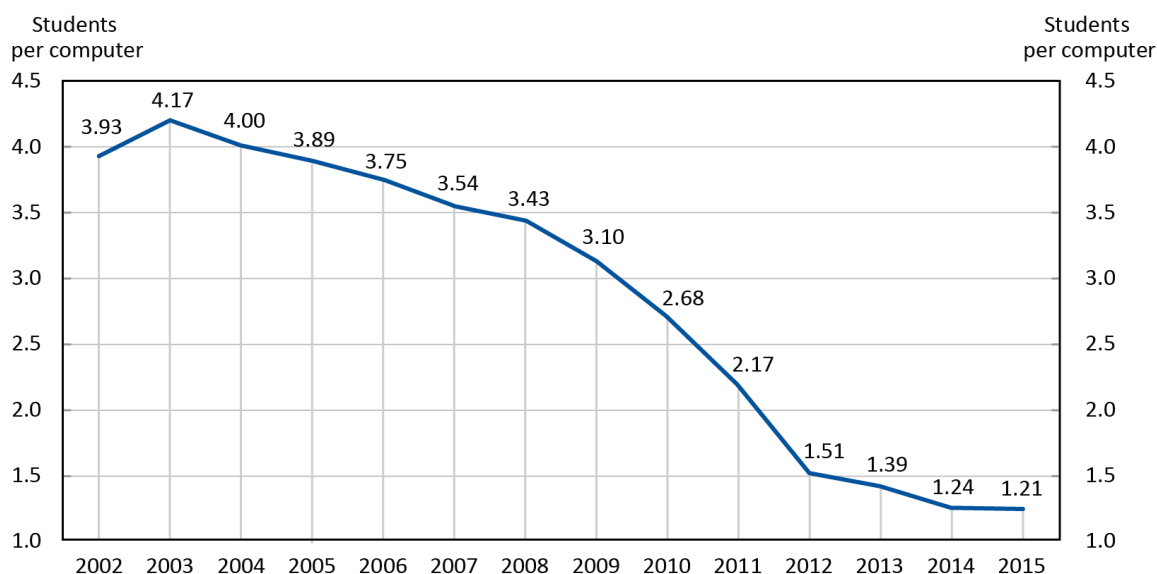
The SRP allocation for Workers' Compensation does not inform schools of the full cost of workers' compensation and insurance claims. The SRP should be updated so schools can actively improve their prevention strategies, claims management and overall OH&S performance.

## School ICT services and infrastructure

Australia is one of the highest users of technology in schools, with 94 per cent of students using a computer in the classroom compared with the OECD average of 72 per cent (OECD 2015b). The number of computers used in Victorian government schools has more than doubled since 2009, to almost 550,000 devices. Figure 46 shows this rapid expansion in the use of information and communications technology (ICT); there is now a computer for every 1.21 students in government schools. In secondary schools, there are now more computers than students. This has significantly increased demand for technical support, internet services, and improved network infrastructure.

<sup>19</sup> 2014-15 estimate.

Figure 46. Average computer to student ratio, 2002–2015



Source: Internal DET analysis

In consultations, a number of stakeholders were concerned that funding for ICT support services and equipment has not kept up with demand. Concerns were even greater for the future, with the use of technology in the delivery of education certain to increase. This creates cost pressures for schools and parents. Stakeholders also raised lack of transparency of SRP funding for ICT as an issue.

Central DET manages most costs relating to the ICT network including network technical support services, internet services, the Wide Area Network connection and the Local Area Network functions. Schools are responsible for funding and managing school owned network elements, which includes access to routine technical support services, curriculum servers, networks, printers, peripherals, student devices – including ‘bring your own devices’ (BYOD) – and other ICT equipment.

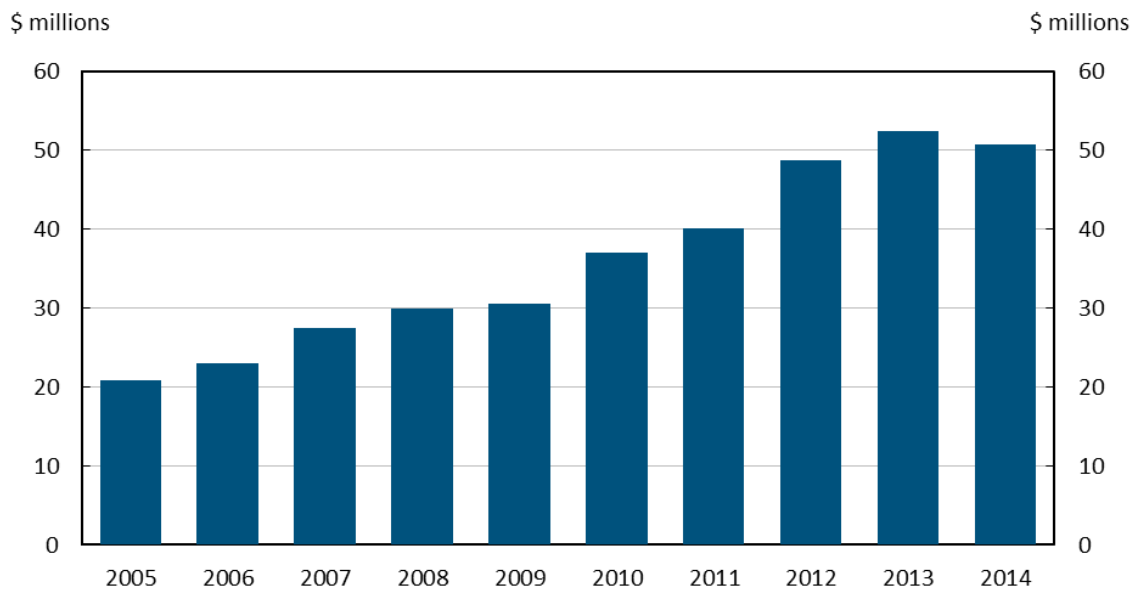
Once off federal government grants, locally raised funds and the use of core SRP funding have contributed towards sustaining a school’s ICT needs. In the past, a small allocation was separately identified in the SRP for routine technical support. This was eventually added into the core per student rate and enrolment linked base components of the SRP. The total amount available to schools through the SRP in 2016 is around \$13 million, calculated as a \$21.60 per student amount plus \$476 per school. There is some evidence to suggest the majority of schools are not drawing on these resources as they are either unaware the provision exists, or consider that sufficient technical support is being provided through the centrally managed program.

In 2012 VAGO reported that funding for school ICT infrastructure was insufficient for long term sustainability (VAGO 2012a). This is compounded by an anticipated ‘digital cliff’ in 2018, in which the significant addition to ICT infrastructure facilitated by the Commonwealth Government’s Digital Education Revolution (DER) program is due for upgrade.

The DER also created sustainability challenges for technical support services used in schools. Figure 47 shows CASES21 total expenditure for technical support services. 2009 coincided with the rollout of the DER program, and since then total spending on technical support services has grown by almost 11 per cent a year on average.



Figure 47. CASES21 reported spending on technical support services, 2005–2014



Source: Internal DET analysis

The ongoing funding arrangements for added hours of technical support to secondary schools under the DER expires at the end of the 2016, and beyond the 2017-18 financial year funding is unlikely to sustain the level of growth projected in Figure 47. It is estimated that the lapsing funding following the 2016 year is equal to a 58 per cent reduction in technical support hours for secondary schools, amounting to a reduction of up to 300 technicians from the current program of 675 technicians.

In primary schools, demand has outgrown the existing provisioning available for core ICT infrastructure and technical support, and this is likely to continue as students in early years pursue greater personalised access to ICT in support of new teaching and learning methods.

**Finding 37**

Meeting existing and projected demand for the use of technology based learning and teaching is not sustainable within existing resources, particularly for technical support and internet provision in schools.

## Renewal of existing school assets

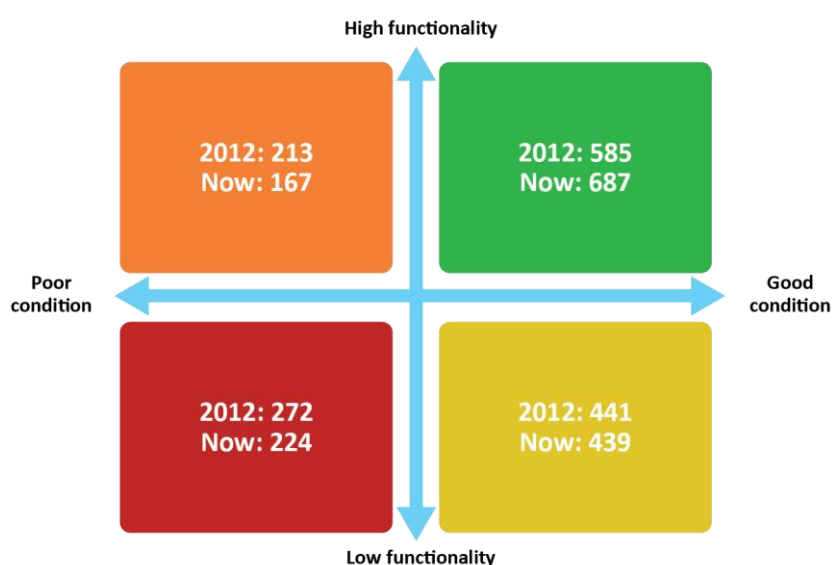
Victoria faces several challenges in managing its government schools asset base of over \$16 billion, including providing safe and high quality facilities and learning spaces, to build an efficient school system that responds to demand.

In 2012, one third of government schools were considered below a suitable condition and functionality, requiring an estimated \$420 million to raise these school buildings to an acceptable standard (PwC 2012).

The current Government has responded to this challenge with significant investment in the 2015-16 Budget, announcing asset funding of over \$380 million for a capital works program in existing schools, additional relocatable classrooms, and replacement of school buildings containing asbestos.

These initiatives have contributed to noticeable improvements to the school asset base by focussing on addressing facilities in poor condition. As Figure 48 shows, these efforts have reduced the number of schools to 391 with facilities that remain below the condition thresholds and require priority upgrade or restoration.

Figure 48. Condition of school facilities – 2012 and 2015



Source: Internal DET analysis

### Finding 38

Capital funding in existing schools has been targeted at improving the condition and functionality of facilities to acceptable standards. There remain 391 schools with facilities which require additional funding to raise their asset condition and functionality rating.

VAGO (2013) reported that based on student enrolment levels in schools, approximately 38 per cent of land and building space in schools was in excess to schooling needs. The Commonwealth Government's Building the Education Revolution program was a key driver for the increased built area across the school system and added pressure to the recurrent funding needs of schools, given that this capital program was implemented without ongoing maintenance and servicing funding.

DET has reduced this figure to 35 per cent since the audit and a 10 year plan to reduce this estimate below 15 per cent is underway. DET is focussed on reducing school space and buildings that are not servicing student and school needs, including implementing Asset Management Plans to assist in rationalising assets, and otherwise seeking to repurpose this space for co-located care and welfare services that support students, their families and communities. This will allow schools to focus maintenance funding on the physical spaces that are for educational use, rather than using resources to manage facilities that are not required or used for other purposes.

#### **Finding 39**

Strategies to reduce or repurpose excess space will improve the school system's capability to more efficiently use and apply available resources across the school system.

### **4.4.3 Socioeconomic disadvantage**

#### **Funding through the SRP**

In Victoria, as in many other jurisdictions, SES is one of the most influential factors in student outcomes (Lamb and Walstab 2012). In 2015, close to \$198 million of equity funding was delivered to schools to assist with meeting the needs of disadvantaged students. This made up approximately 3 per cent of the total SRP budget. Funding was targeted towards the bottom 50 per cent of schools based on the concentration of disadvantage as measured by Student Family Occupation (SFO). Schools that were more disadvantaged had higher SFO concentrations.

Through Review consultations, a number of stakeholders argued that equity funding was too small and a real challenge for schools with high needs students. Stakeholders also raised the issue of funding based on concentration of disadvantage alone as a problem, particularly for those schools with some high needs students, but with a relatively low SFO (that is, a relatively advantaged school).

Both of these concerns – quantum and funding formula – have been addressed through the recent Education State announcements. In 2016, around \$355 million will be directed towards social disadvantage; a significant increase from the previous year.

Funding for low SES students (otherwise termed Social Disadvantage funding) will be allocated to schools based on the number of eligible students, with students classified as either eligible for level 1 or level 2 rates. The level 1 rate is allocated to students with unemployed or low skilled parents with low or very low education attainment, while the level 2 rate is allocated to students with medium skilled parents with low educational attainment.

The minimum and maximum per student allocations for level 1 and 2 students in mainstream settings are summarised in Table 15 below. Where a school's concentration of disadvantage is at or below 0.4, each eligible student attracts the minimum allocation and, where the school's concentration of disadvantage is at or above 0.65, each eligible student attracts the maximum allocation. For schools in between, the funding rate will be tapered.

**Table 15. Social disadvantage funding rates, 2016**

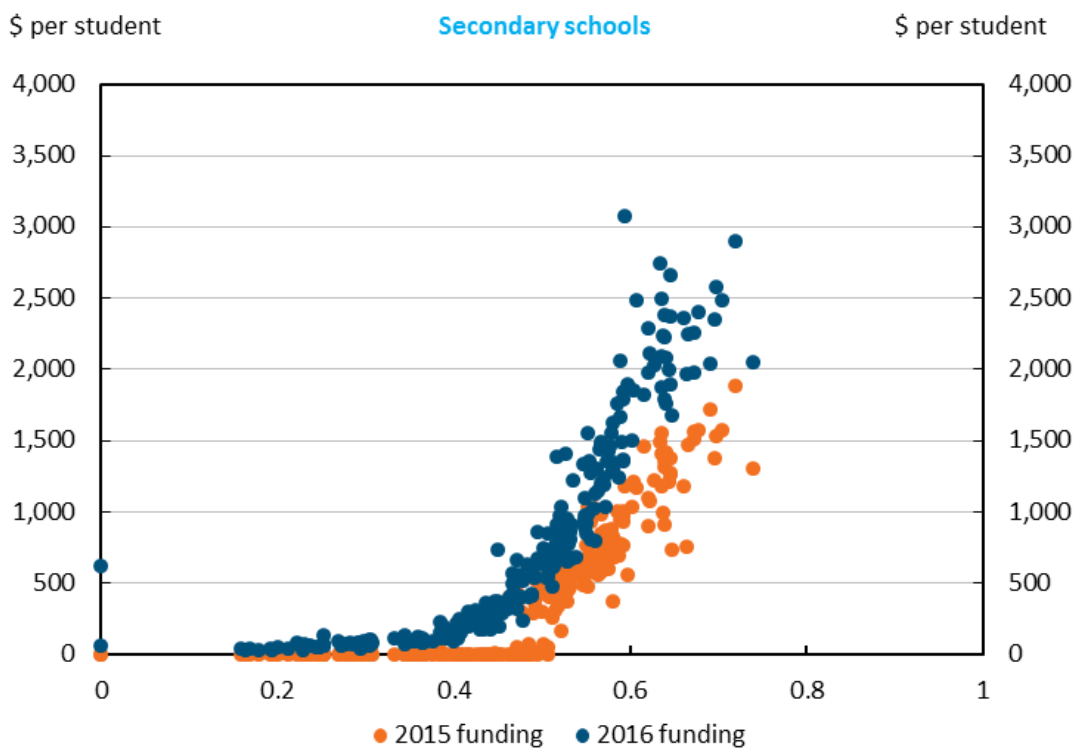
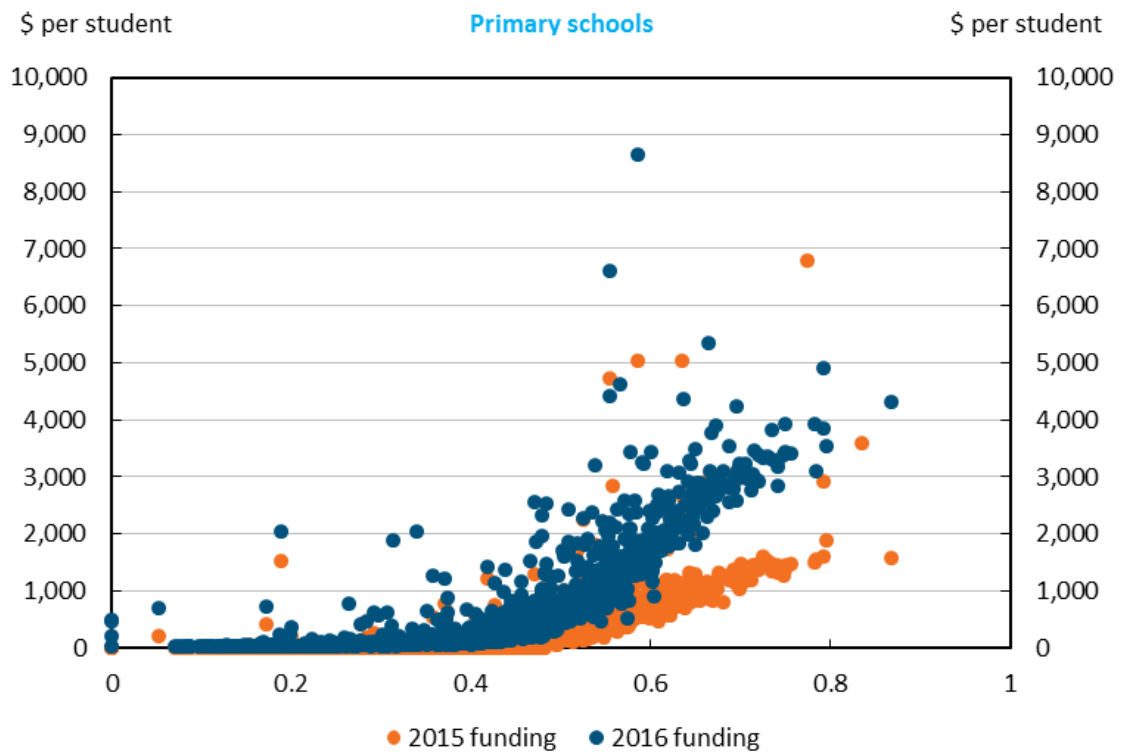
	Minimum Allocation	Maximum Allocation
<b>Primary</b>		
Level 1 Rate	\$578	\$4,626
Level 2 Rate	\$290	\$2,314
<b>Secondary</b>		
Level 1 Rate	\$514	\$4,100
Level 2 Rate	\$258	\$2,050

Source: SRP Guide 2016

As is evident in Table 15, the per student loading is higher for primary school students relative to secondary school students. This is supported by a large body of research that shows that targeting funding towards disadvantaged students in their early years has the greatest impacts (Deloitte 2014; Heckman 2011; OECD 2012; Jackson et al 2015).

Figure 49 illustrates that schools will be receiving considerably more equity funding in 2016 relative to 2015. These increases are especially evident for primary schools, and in particular, for those schools with high concentrations of disadvantage. This is a result of both the increase in the quantum of funding and also a change in the funding formula.

Figure 49. Equity funding per student by school SFOE, 2015–2016



Source: Internal DET analysis

## Indicator of need

As part of the 2016 reforms, there has been a change in the indicator of social disadvantage for equity funding – from SFO to SFOE. This has resulted in internal inconsistencies within the SRP, with other funding lines (for example, EAL, primary welfare, managed individual pathways) still referencing SFO. This raises the broader question of what the most appropriate measure of disadvantage is to inform the funding model.

ICSEA was developed by ACARA to ‘enable fair and meaningful comparisons between schools’ on the basis of performance in NAPLAN (ACARA 2014). It is an omnibus measure of advantage, incorporating student and school level information on socioeconomic status, ATSI status and remoteness. By design, it has a strong correlation with NAPLAN performance and is considered a strong measure of relative advantage in a school. However it is not recommended to inform resource allocation for the following reasons.

- It has been calibrated at a national level, which restricts the spread of scores in Victoria, as there is less variation in most component parts compared to other jurisdictions.
- It combines a number of dimensions of disadvantage in one measure, and hence goes against the principle of targeting student need through specific loadings.
- It is constructed through a multi-level regression model, which means it is not transparent to schools or school communities.

On the other hand, SFO and SFOE are both direct measures of socioeconomic status that are collected annually through the School Census administered by DET, using parental occupation and parental education at the student level. They provide similar correlations to the key dimensions of disadvantage and student performance to ICSEA, however are vastly more transparent measures. Further, SFOE generally shows stronger correlations to a range of school performance measures than SFO (Walstab 2015).

**Table 16. Associations between student performance and indicators of disadvantage, 2015**

Performance Measure	ICSEA, 2014	SFOE Index	SFO Index
<b>NAPLAN</b>			
Year 3 Numeracy	0.639	-0.589	-0.559
Year 5 Numeracy	0.669	-0.607	-0.566
Year 7 Numeracy	0.749	-0.695	-0.632
Year 9 Numeracy	0.780	-0.679	-0.631
Year 3 Reading	0.743	-0.675	-0.638
Year 5 Reading	0.727	-0.661	-0.630
Year 7 Reading	0.841	-0.787	-0.749
Year 9 Reading	0.817	-0.664	-0.628
<b>Senior certificate results</b>			
Mean VCE scores	0.669	-0.616	-0.567
<b>Behavioural</b>			
Absences	-0.445	0.412	-0.389
<b>Pathways and transition</b>			
Exit to education, training or work	0.335	-0.332	-0.263

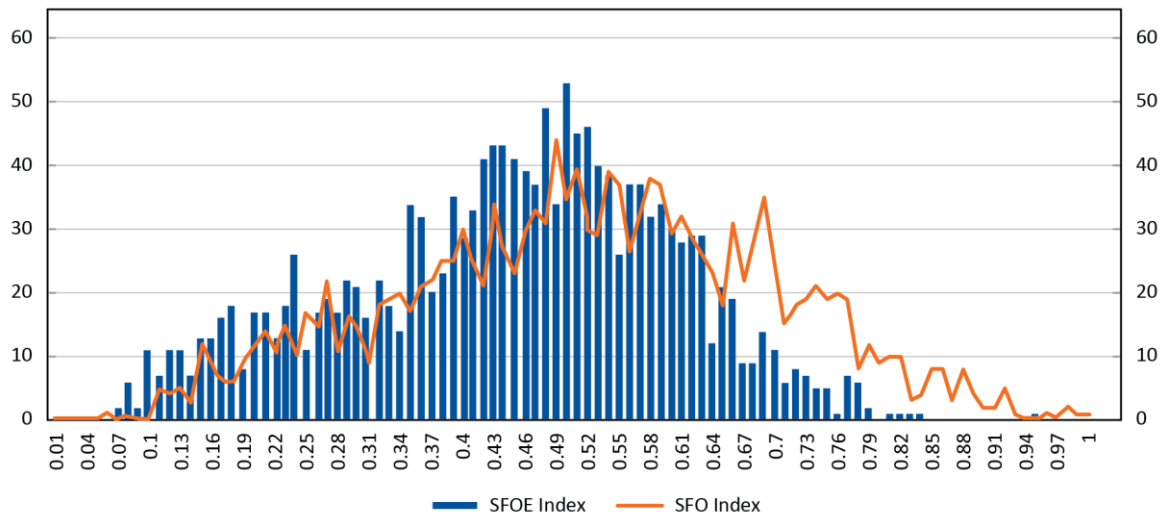
*Notes: all results significant < 0.01 Very small schools (≤ 20 enrolments) excluded*

Source: Walstab, 2015

The use of parental education is also supported by research (Steele et al 2014) that found that the highest level of parental education at Prep is the best single predictor of Grade 3 NAPLAN literacy and numeracy results<sup>20</sup>. In particular, it correctly classifies Grade 3 outcomes 67 per cent of the time. Parental occupation is also a strong single predictor, with a predictive power of 66.5 per cent.

In general, the distribution of SFOE across schools is more condensed than SFO, as displayed in Figure 50. This has implications for the recalibration of other funding lines that currently reference SFO.

**Figure 50. Distribution of SFO and SFOE across Victorian schools, 2016**



Source: Internal DET analysis

#### Finding 40

Additional equity funding in 2016 provides significantly more resources to schools to meet the needs of disadvantaged students. Student Family Occupation and Education is a simple and robust indicator of socioeconomic disadvantage, and superior to other measures. However it is inconsistently used through the SRP.

#### Other funding lines linked to disadvantage

The SRP currently contains some funding lines that are tied to indicators of disadvantage and other funding lines that are not, but perhaps should be. These include funding for Managed Individual Pathways (MIPs), the Instrumental Music Program (IMP) and disadvantage due to student mobility.

<sup>20</sup> The research considered a range of other variables – including Prep on-line assessments, family structure, income proxy (Health Care Card), Strength and Difficulty Questionnaire scores and Parents Evaluation of Developmental Status pathway at Prep. While the predictive power increases with the number of predictors, the relative improvement decreases.

## Managed Individual Pathways

The SRP currently provides MIPs funding to ensure all students in Years 10 to 12 are provided with an individual Career Action Plan and associated career development support. Currently, all schools with Years 10 to 12 enrolments receive a base amount of funding. Schools with a high concentration of disadvantage, because their school SFO is higher than a specified threshold, receive a greater allocation of funding (\$537 versus \$30 per student). To ensure internal consistency within the SRP, this funding would be better targeted using SFOE. Further, the threshold based formula does not recognise high need students in relatively advantaged schools, which the new Social Disadvantage funding formula does.

## Mobility

The SRP currently provides extra funding to schools (totalling \$2-3 million) that experience persistent transient enrolments (defined as an average of 10 per cent of the total school enrolment over 3 years). The intention is that schools should use that funding to provide programs and interventions for transient students, however there is limited evidence that these funds are being used for this purpose.

The funding formula does not make any adjustments to exclude students who are not disadvantaged due to transience (for example, movements from non-government primary to local high schools, or movement to growth areas). Without these adjustments, it is difficult to justify the need for the loading. This view is supported by a PwC report, undertaken prior to the introduction of the NSW Resource Allocation Model, that a loading for mobility should not be introduced until further research is conducted (PwC 2013).

## Instrumental Music Program

The IMP provides funding to government secondary schools to support the development and implementation of school based instrumental music programs, including funding for instrumental music teachers and maintaining and extending instrumental music education. In 2015, approximately \$29 million was distributed to schools through the IMP to 92 per cent of secondary schools. Allocations ranged from \$4,250 for a school to \$697,089 shared between a small cluster of schools.

Historically the distribution of funding has been uneven given funding was initially submission based. The amounts paid to individual schools were determined by this process, and since then been altered primarily in line with cost increases and regional decisions. Funding is allocated to schools on an annual basis by DET regions, who determine their own criteria for identifying need. There is no established state wide process for acquitting funds.

Some schools receive significant amounts of funding, while others have been unable to access the program. Many secondary schools believe that such inequities should be removed from the system. Funding for other programs such as languages other than English was historically allocated in a similar way, but is now rolled up into the per student price. This model could be replicated for the IMP.

The Victorian Parliament's Education and Training Committee conducted an *Inquiry into the extent, benefits and potential of music education in Victorian schools* in 2013, which found that:

- the quality of primary school music programs varies significantly across Victoria
- the quality of classroom music programs at the secondary school level is generally stronger
- not all students have equitable access to music education in Victoria (rural and regional students and students from low socioeconomic backgrounds find it more difficult to access a strong music education).



The previous Government tabled its response in 2014, committing to a review of the IMP in order to:

- determine how best to distribute funding to support schools to start or continue with IMP
- improve criteria to allocate funding
- consider how schools can be assisted to better manage the employment of instrumental music teachers.

DET currently lacks the evidence to determine the effectiveness of the IMP model in achieving educational outcomes and its contribution to a quality music education program for all students.

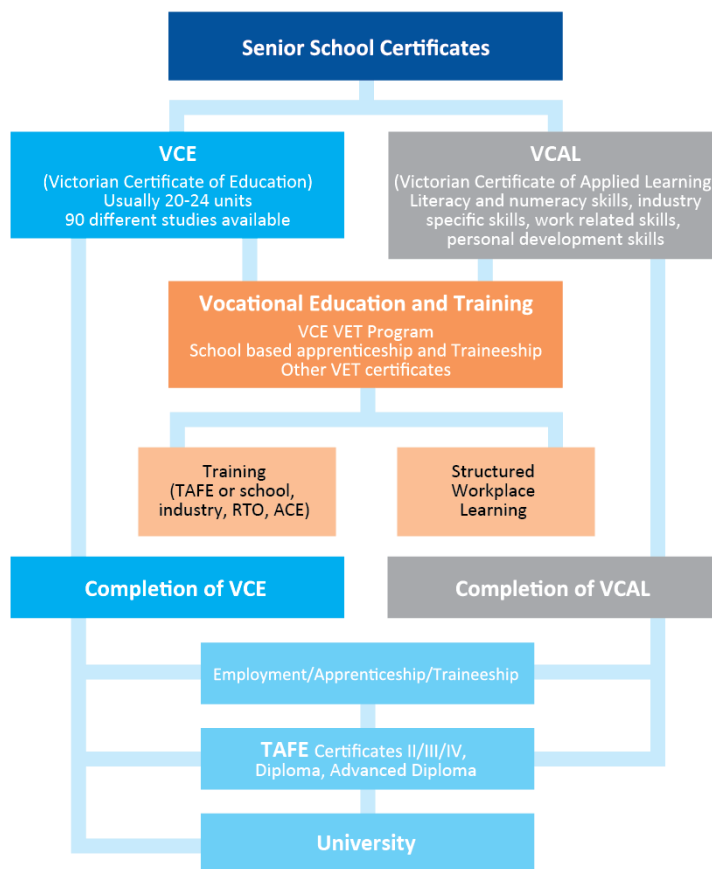
**Finding 41**

The SRP contains several separate funding lines that should more closely align with equity, and be more transparent. Schools require more guidance on what equity funding should and can be used for.

### 4.4.4 Vocational learning

VETiS is a program that aims to broaden senior secondary curriculum by including nationally accredited (via the VRQA) VET within the VCAA accredited school senior secondary certificates. Its purpose is to develop student pathways and improve student engagement, retention and completion (that is, attainment).

**Figure 51. Vocational Education and Training in the VCE and VCAL**



Source: VCAA

'VETiS targeted funding' is provided to government schools to augment the SRP because the costs of providing VET units (either directly as a VRQA Registered Training Organisation or under contract with a TAFE or registered private provider) are greater than with VCE and VCAL units. The funding is distributed to schools within the total program budget on the basis of VETiS enrolments, and is weighted across eight funding bands. These reflect differences in course types and associated cost profiles.

At approximately \$23 million in 2015, VETiS targeted funding is a modest investment in the context of overall government school funding, and is small in comparison with the Victorian Training Guarantee (VTG) program at \$1.3 billion. However, VETiS is currently unsustainable in its current form in terms of a number of interrelated program funding, quality and equity issues.

**Funding:** There is insufficient funding made available to schools. While enrolments have grown quickly, the VETiS targeted funding provided via the SRP has been effectively capped. Funding is therefore not adequately indexed and the per student subsidy is falling.

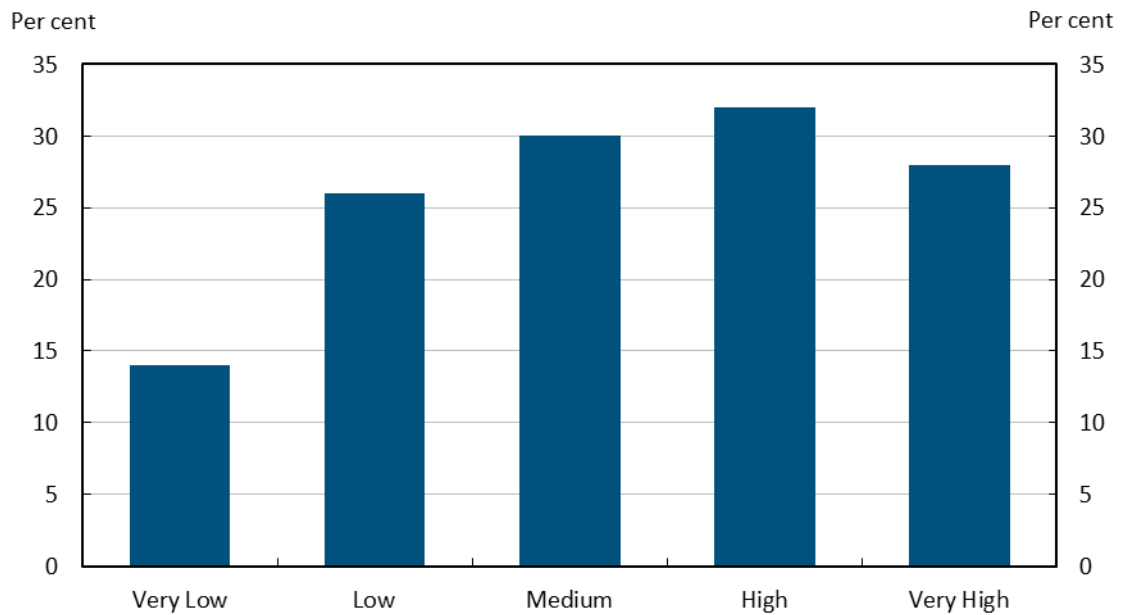
**Quality:** Inefficient purchasing has failed to manage provision costs or ensure program quality. Schools (particularly those operating outside of VETiS clusters), incentivised by the need to maintain curriculum breadth, are unable to contain costs in the absence of a systemic framework for VETiS pricing.

These quality issues are arguably of greater concern given the fact that of the 30,323 Victorian government school students enrolled in VET, many are doing so for 'block credit'. These students are enrolled in at least one of approximately 330 VET courses accredited by the VRQA for provision in Victoria, but outside of the list of programs the VCAA maintains to ensure the probity of the VCE and VCAL senior secondary certificates.

**Equity:** The funding adequacy and purchasing issues identified above and their intersection with the Parent Payments Policy have contributed to a drop off in VETiS participation by students from low SES schools. Parents are increasingly being asked to pay for their children's participation in VETiS (although VETiS is accredited as part of the standard curriculum) and this is particularly inequitable for students in low SES schools.

Figure 52 shows that participation in VETiS increases along with school's SFO index – but only up to a point. In high to very high SFO schools (that is, the schools with the most disadvantaged students), VETiS participation falls away. This is a concern given the purpose of VETiS is, in part, to improve student engagement, retention and completion.

Figure 52. VETiS participation by SFO quintile, 2013



Source: Internal DET analysis

Beyond schools, of the estimated 22,128 VTG participants aged 15 to 19 who are also unemployed, these quality issues become particularly acute. The evidence demonstrates that young people who leave school early and access the VTG market report higher non completion rates when compared with their Year 12 completing peers. An internal analysis of Skills Victoria Training System data from April 2015 found that over the six year period 2009 to 2014, the average non completion rate for students undertaking VET in the VTG market (59.2 per cent) was 11.1 per cent lower than for those students undertaking their VET in schools (70.3 per cent).

Finally, stakeholders reported to the Review that online advice relating to the VETiS allocation, including the allocation formula, is too complex. Many principals are not familiar with how VETiS funding is currently provided through base and targeted elements.

#### Finding 42

The current funding model for VETiS provision should be reformed to address a range of funding, quality and equity issues. This needs to be considered in the context of the role of applied learning courses as an essential part of comprehensive VCE and the contribution of VETiS in student retention to Year 12.

## 4.4.5 English language needs

In 2015 over \$100 million was provided in recognition of the additional costs required to support students who are not proficient in English. The SRP provides funding to mainstream schools for EAL teachers and multicultural education aides, as well as to English Language Schools and Centres (ELS/C) for new arrivals. At present, the funding formula uses a proxy measure of proficiency to target funding towards student need.

In mainstream schools, funding is available to LBOTE students, their main language spoken at home is not English, and they have been enrolled in an Australian school for less than five years. Per student funding rates are moderated by a school's SFO density, so that funding is targeted towards disadvantaged schools. Refugee students attract the highest SFO weighting regardless of the school that they attend. A school is required to reach a threshold before they are eligible to receive funding - \$22,171 equivalent to one day wage per week in a primary school and \$41,755, equivalent to two days wages per week in a secondary school.

**Table 17. EAL funding rates, based on year level, time spent in an Australian school and SFO, 2015**

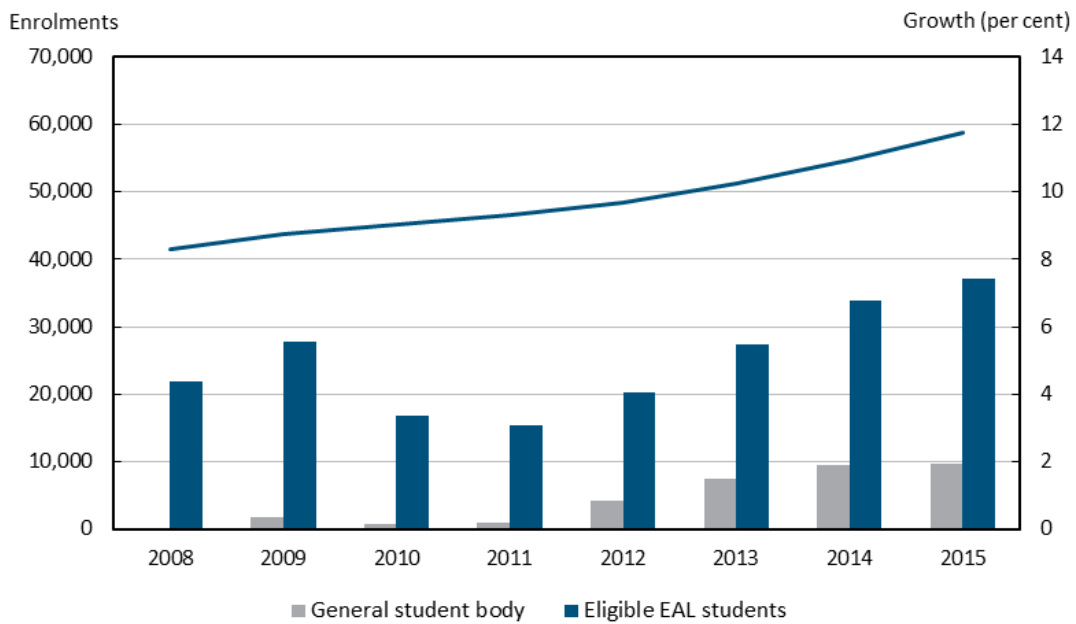
		2–5 years	Less than 2 years	2–5 years	Less than 2 years
	Prep	Years 1–6	Years 1–6	Years 7–12	Years 7–12
<b>Low SFO</b>	\$295.67	\$591.35	\$1,182.70	\$1,504.98	\$2,258.94
<b>Medium SFO</b>	\$492.79	\$985.58	\$1,971.16	\$2,508.30	\$3,764.91
<b>High SFO</b>	\$689.91	\$1,379.81	\$2,759.62	\$3,511.62	\$5,270.87

Source: 2015 SRP Guide

English Language Schools/Centres (ELS/C) are also funded through the SRP for intensive language training for new arrivals. Funding for ELS/Cs is based on deemed enrolments and attracts a higher base allocation than mainstream settings. The Commonwealth Government also provides funding for asylum seekers on a cost recovery basis. An EAL contingency exists to provide schools with additional funding for EAL students enrolling after School Census dates.

There are significant demand pressures on the EAL budget. This is in part due to strong enrolment growth in the EAL cohort. Between 2007 and 2015, growth in the number of students eligible for EAL funding in mainstream schools (excluding new arrivals) has averaged close to 5 per cent per cent annually. This is in contrast with annual growth in the general student body of less than 1 per cent annually over the same period. Strong growth in EAL enrolments is expected to continue.

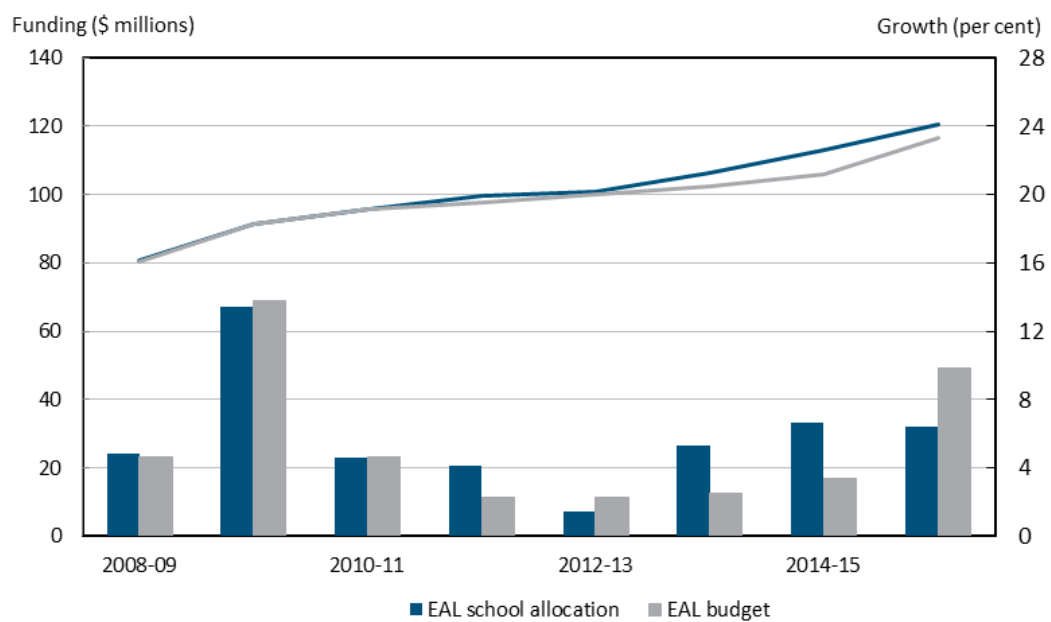
**Figure 53. Enrolment growth in EAL students versus whole student body, 2008–2015**



Source: Internal DET analysis

The pressures on the EAL budget were exacerbated by Government decisions from 2011-12 to index total EAL funding by only CPI. This resulted in a shortfall between the funding delivered to a school, which has largely kept pace with growth in the EAL cohort, and funding to DET via State appropriations. In 2014-15 this shortfall amounted to over \$7 million. In 2015-16, the EAL budget was provided with an additional \$10.4 million (amounting to a growth in funding of 9.8 per cent from the previous year) which helped reduce this shortfall.

**Figure 54. Growth in the EAL budget relative to the EAL school allocation, 2008-09 to 2015-16**



Source: Internal DET analysis

Over time, the shortfall has been met through ad hoc budget bids and Commonwealth funding for asylum seekers. However, reliance on Commonwealth funding poses a financial risk to the State as these funds are subject to unilateral decisions by the Commonwealth.

In the context of budget pressures, the need for a funding model that targets student need in the most effective and efficient way is made more acute.

## Structure of the loading

Research shows that not all LBOTE students experience disadvantage. Importantly, it is proficiency in English that is the significant factor (Australian Government 2011).

There is no jurisdiction in Australia that currently delivers an English proficiency test to fund EAL students. Some jurisdictions have moved towards proficiency based funding, including South Australia and New South Wales which both use teacher assessments. The Commonwealth’s SRS model uses the Disadvantaged LBOTE category to determine EAL funding allocations. However evidence suggests that low parental education and LBOTE does not adequately capture all students with low English proficiency or their true level of educational disadvantage. To move towards a better measure of need, the Education Council has agreed to develop a national framework to map State and Territory English language proficiency frameworks to the ACARA English as an Additional Language/Dialect (EAL/D) learning progression.

In Victoria, DET provides schools with a proficiency framework – the EAL Developmental Continuum P-10 - linked to the EAL companion to AusVELS (which is Victoria’s F-10 curriculum framework) which aims to help teachers accurately identify where a student is located on the learning continuum and to design learning experiences which enable all students to make progress. In general, the progress of EAL students should be reported against the Continuum. However, its use is not widespread with approximately 30 per cent of eligible EAL student assessed against it over the past 5 years.

**Table 18. Students assessed against the EAL Developmental Continuum, 2011–2015**

Year	Students eligible for EAL funding <sup>21</sup>	Number of students assessed against the EAL
2011	46,626	13,792
2012	48,516	13,810
2013	51,181	17,127
2014	54,651	18,615
2015	58,714	14,540

Source: Internal DET analysis

Using time as an element in identifying student need is also justified by research on how long it takes EAL learners to develop native speaker like proficiency. However, it is an indirect measure of need as it is not related to the actual progress of a student (Williams et al 2007).

Due to the eligibility thresholds in place in the current funding formula, some schools miss out on funding even if they are identified as having EAL students enrolled. This is reflected in stakeholder feedback that indicated that schools with a small number of EAL students sometimes struggle as they do not have the resources or capability to cater for them. To accommodate this need funding is available for clusters of schools that do not individually meet the SRP funding thresholds.

<sup>21</sup> Students in mainstream settings (excluding new arrivals).

## Funding for new arrivals

The New Arrivals program focuses support through fulltime attendance at an ELS/C. These schools or centres provide full time intensive language training for a fixed period of time for new arrival students, before they can move to a mainstream school.

In some instances, new arrivals are provided with English support through alternative models of service provision. An outpost arrangement is one example of this, and describes where an ELS/C will set up an outpost at a host mainstream school. Through these outposts, new arrival students are able to access similar provision to an ELS/C. Students are generally enrolled in the mainstream school and attend outpost classes on a part time basis.

While the emergence of alternative service provision models is a flexible way to address the fluctuating demand for service provision, there is no clear funding model or standard service agreement between host schools and the ELS/Cs.

### Finding 43

The model for EAL funding is not targeted towards an individual student's English language proficiency and there is currently a low take up of proficiency assessment tools in schools. The arrangements governing EAL funding for new arrivals need to be strengthened to ensure that students have appropriate and consistent access to intensive language training.

## 4.4.6 Closing the gap for Koorie students

Koorie student performance is generally below the Victorian average. This is not only evident in standardised assessment results such as NAPLAN and PISA, but also across a broader set of measures including school attendance, opinions of school morale and transitions to further education and training.

Research conducted into the demographic and socioeconomic inequalities in student performance found that the achievement gap (as measured by NAPLAN) between Indigenous students and non Indigenous remained even after accounting for socioeconomic status, location and other school related factors (Marks 2014). Across the years and NAPLAN domains, up to 60 per cent of the achievement gap was accounted for by these factors. Further, controlling for prior achievement indicates that over their school careers, Koorie students tend to fall further behind.

**Table 19. Achievement gap in NAPLAN between Indigenous and non Indigenous students, 2008–2012**

Achievement Domain	Numeracy	Reading	Writing	Spelling	Grammar
<b>Year 3</b>					
Unadjusted difference	-35.9	-39.1	-27.9	-39.1	-46.8
Net of regional differences	-30.9	-33.7	-24.2	-32.0	-41.1
Net of SES differences	-17.6	-17.6	-19.4	-25.7	-27.2
Net of school differences	-23.7	-24.3	-17.7	-26.7	-31.1
Net of region, SES and schools	-15.6	-15.0	-15.9	-22.1	-22.3
<b>Year 5</b>					
Unadjusted difference	-42.2	-41.1	-35.2	-29.4	-41.6
Net of regional differences	-35.0	-35.1	-28.8	-23.2	-35.3
Net of SES differences	-21.4	-20.2	-22.0	-17.4	-19.4
Net of school differences	-27.2	-26.8	-21.8	-18.0	-27.2
Net of region, SES and schools	-17.7	-15.0	-14.5	-13.3	-14.7
Net of Year 3 achievement	-17.8	-14.2	-20.0	-0.8	-14.1
<b>Year 7</b>					
Unadjusted difference	-42.6	-34.6	-39.0	-34.7	-37.9
Net of regional differences	-34.7	-29.9	-31.2	-27.5	-31.9
Net of SES differences	-28.8	-25.0	-27.8	-23.0	-25.8
Net of school differences	-27.2	-23.7	-24.5	-21.6	-25.5
Net of region, SES and schools	-22.3	-22.4	-21.7	-17.4	-20.5
Net of Year 5 achievement	-10.7	-11.2	-19.9	-8.5	-17.9

Source: Reproduced from Marks, 2014

These results support a funding approach that directs additional support towards Koorie students. This view is echoed by stakeholders who indicate that Koorie students should receive targeted resourcing commensurate with their development and learning needs. Additionally, stakeholders feel that transparency around funding for Koorie students needs to improve.

The Victorian Aboriginal Affairs Framework (VAAF) 2014-2018 outlines targets and strategies for developing strong social, cultural and economic foundations for current and future generations of Aboriginal Victorians. In relation to education, the VAAF includes a target to halve the gap in reading, writing and numeracy by 2018.

### Current funding approach

There is a history of different funding approaches to tackling the achievement gap between Koorie and non Koorie students, however, these have not resulted in significant or sustained improvement in student outcomes.

In 2008, the then Department of Education and Early Childhood Development (DEECD) launched the *Wannik* Strategy which encompassed a range of reforms to overcome poor educational outcomes for Koorie students. While the evidence base and core reform themes of the strategy were endorsed, implementation of the strategy and its twelve priority actions were criticised by VAGO (2011), who recommended that DEECD strengthen accountability mechanisms, revise its communications and stakeholder engagement, implement an ongoing workforce management plan for the Koorie Education Workforce and improve system data on Koorie students.



Responsibility for initiatives related to Koorie students had been mainstreamed following advice from stakeholders and experts and responsibilities allocated across relevant groups within DET.

**Table 20. Funding for Koorie related programs, 2014-15**

School related initiatives	Funding amount (\$ million)
Clontarf Football Academies – to improve engagement and achievement for Aboriginal boys in selected secondary schools	0.5
Dance Academies – to improve engagement and achievement for Aboriginal girls in selected secondary schools	0.4
Wannik education scholarships to support students in Years 11 and 12.	0.1
Other Koorie Programs (for example, pilot to improve whole school inclusion)	1.6
Early Years Koorie Literacy and Numeracy Program	2.0
Koorie Education Workforce	12.4

Source: Internal DET analysis

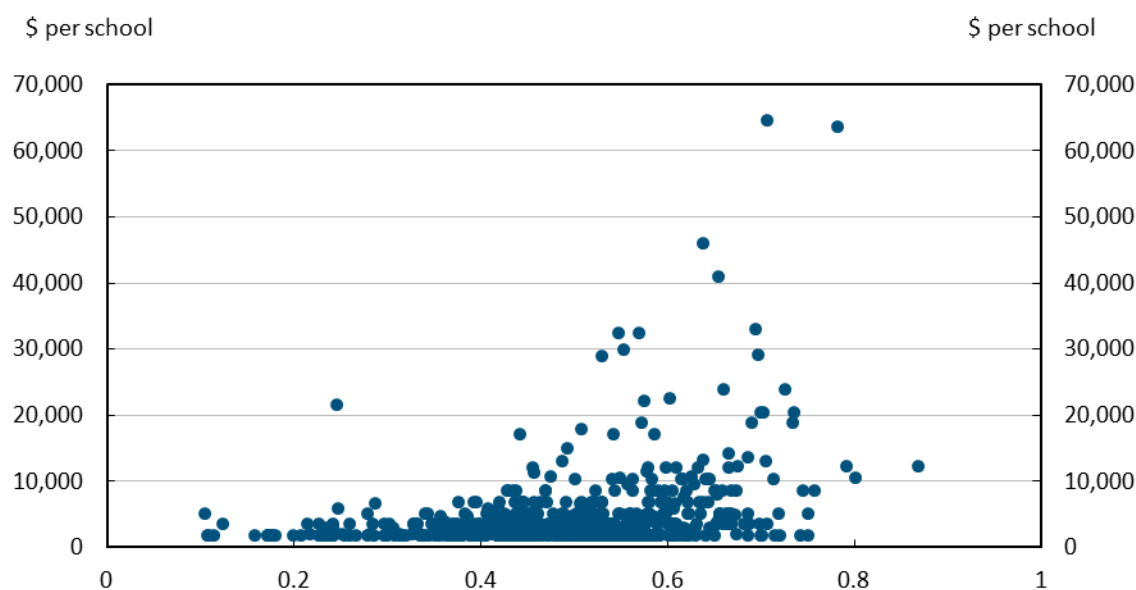
#### Early Years Koorie Literacy and Numeracy Program

The Early Years Koorie Literacy and Numeracy Program (EYKLN) was introduced in 2014 and is designed to support early intervention for P-3 Koorie students achieving below expected levels in literacy and numeracy, as measured by Prep online assessments and teacher judgement data (AusVELS). The program delivers extra funding to schools based on the number of eligible students, with funding intending to be used for the provision of individualised and culturally informed interventions. In practice this means that schools have the flexibility to use these funds to deliver interventions that suit their local context.

In 2015, there were close to 1,300 students across around 540 schools funded through the program. Funding for this program is currently capped at \$2 million, which means that should the student numbers increase, there will be a dilution in the per student funding rates.

Due to the dispersion of Koorie students across a large number of schools in Victoria, the program delivers small amounts of funding to a large number of schools. For those schools that receive relatively large amounts of funding, there is a correlation with SFOE. Indeed as a result of additional equity funding in 2016 the ten schools in receipt of the most EYKLN funding (totalling close to \$0.5 million) will also receive significant equity funding (over \$15 million).

Figure 55. Early Years Koorie Literacy and Numeracy Program funding by SFOE, 2015



Source: Internal DET analysis

While the EYKLN is a programmatic response, the flexibility that it gives schools in receipt of funding is akin to a per student loading within a resourcing standard and there is no reason why this funding cannot be allocated to schools through their SRP. While the accountability mechanism is thorough, it risks inconsistency with the requirements of other programs that DET runs. This highlights the need for alignment of broader frameworks of school performance and a reduction in programmatic responses.

### Koorie Education Workforce

The Koorie Education Workforce (KEW) comprises regionally based Koorie Education Coordinators (KECs) and Koorie Engagement Support Officers (KESOs) that can assist schools by supporting and facilitating engagement with students’ families. At present, there are over a 100 staff employed regionally in these roles.

Funding for the workforce is regional, rather than at school level. This is largely due to the high level of dispersion of Koorie students across Victorian schools. That is, it would not be an efficient use of funds to provide funding to schools to directly employ KESOs if they only have one or two Koorie students enrolled.

The role of the KEW is widely regarded as a critical function to help improve the outcomes of Koorie students. In recognition of this, the *Wannik* strategy included a number of reforms to raise the skills and professionalism of the workforce. However, implementation of these reforms was criticised, citing a lack of transparency around workforce profile, skills, turnover and level of professional development (VAGO 2011). While there was a departmental response to these findings, it is still the case that there is limited accountability to central DET and to the community around how these workforces are used to improve student outcomes. A holistic approach to the use of funding for Koorie students appears to have also been hindered by the DET structure, whereby the KEW is managed within one group, while the broader policy and EYKLN are managed in other.

The proposed regional structure offers an opportunity to better support Koorie students, as the new model has a particular focus on integrating services within local area teams. It is expected that these teams will include staff dedicated to Koorie students.

#### Finding 44

There is an achievement gap between Koorie and non Koorie students that reduces, but is not eliminated, once other student and school related factors are controlled for. This indicates a need for additional support for Koorie students. The Early Years Koorie Literacy and Numeracy program acts as a catch up loading for young Koorie students.

### 4.4.7 Small schools and the enrolment linked base

Table 21 shows the number of government schools by school type and enrolment band. Primary campuses make up 80 per cent of all campuses and over a quarter of these (311) have fewer than 100 students, located in a mixture of locations across Victoria.

**Table 21. Number of schools by type and enrolment band, 2015**

Enrolment Band	Primary	Secondary	Pri/Sec	Total
<50	209	2	5	216
50-100	102	7	5	114
100-200	213	20	16	249
200-400	322	56	19	397
400-600	200	56	8	264
600-1000	80	37	12	129
>1000	20	39	1	60
<b>Total</b>	<b>1,146</b>	<b>217</b>	<b>66</b>	<b>1,429</b>

Source: Internal DET analysis

There are two 'base' funding lines in the SRP that depend primarily on enrolment size - the enrolment linked base and the small school base. These two funding lines summed to over \$200 million in 2015.

The Enrolment Linked Base (ELB) is provided as a flat, per school amount that tapers as enrolments rise above certain thresholds. In effect, it provides a safety net for small schools where the number of student enrolments is too small to attract viable funding from other parts of the SRP. The taper also recognises the economies of scale achievable in larger schools.

ELB is provided to secondary schools with up to 500 students and primary schools with enrolments up to 400 students. In 2015, funding totalled \$181.4 million. It was provided to 98 per cent of mainstream primary, secondary and primary/secondary schools.

The Small School Base (SSB) is provided to primary schools with fewer than 80 students and secondary schools with fewer than 400 students. For primary school campuses, the base reduces as enrolments increase. For secondary school campuses, the base is a flat amount up to 110 enrolments after which it reduces as enrolments increase. In 2015, funding totalled \$21 million. It was provided to 27 per cent of mainstream primary, secondary and primary-secondary schools.

Schools in regional areas may be eligible for extra funding based on their size allocated through the Rural Size Adjustment Factor (RSAF).

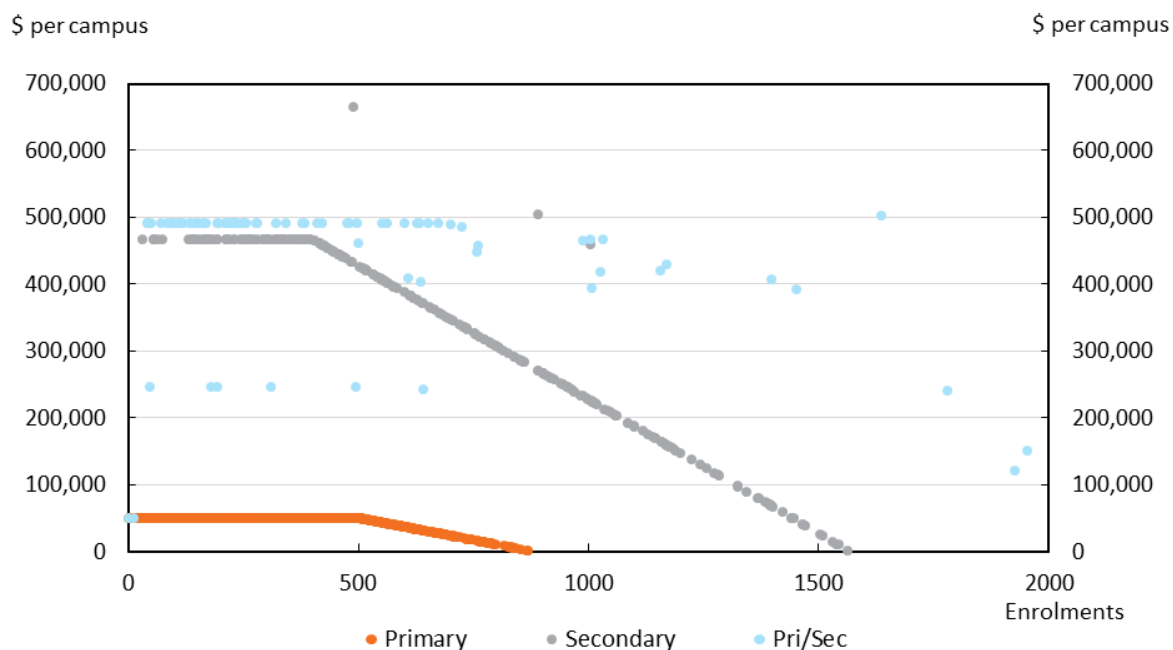
The ELB, SSB and RSAF interact in ways that cause anomalies because they involve different rates and thresholds. To address this, researchers have proposed to combine the ELB, SSB, and RSAF into one funding line, weighted for rural adjustments, on the basis that each of the separate funding lines is addressing size complexities (Lamb and Walstab 2012).

Multi-campus schools attract the ELB and SSB for each campus where each campus is separated by at least one kilometre. In effect, the SRP funds each campus of multi-campus schools as if they were standalone schools. This is potentially duplicative, and acts as a disincentive for campuses within a single school to share resources.

It also reinforces the added expense of multi-campus schools. Looking at multi-campus schools, the University of Melbourne identified duplication of library, careers and guidance, ICT and student welfare services and resources between campuses (University Melbourne 2005). Multi campus schools require specialised coordination positions, added travel of staff and students, and communication infrastructure between campuses.

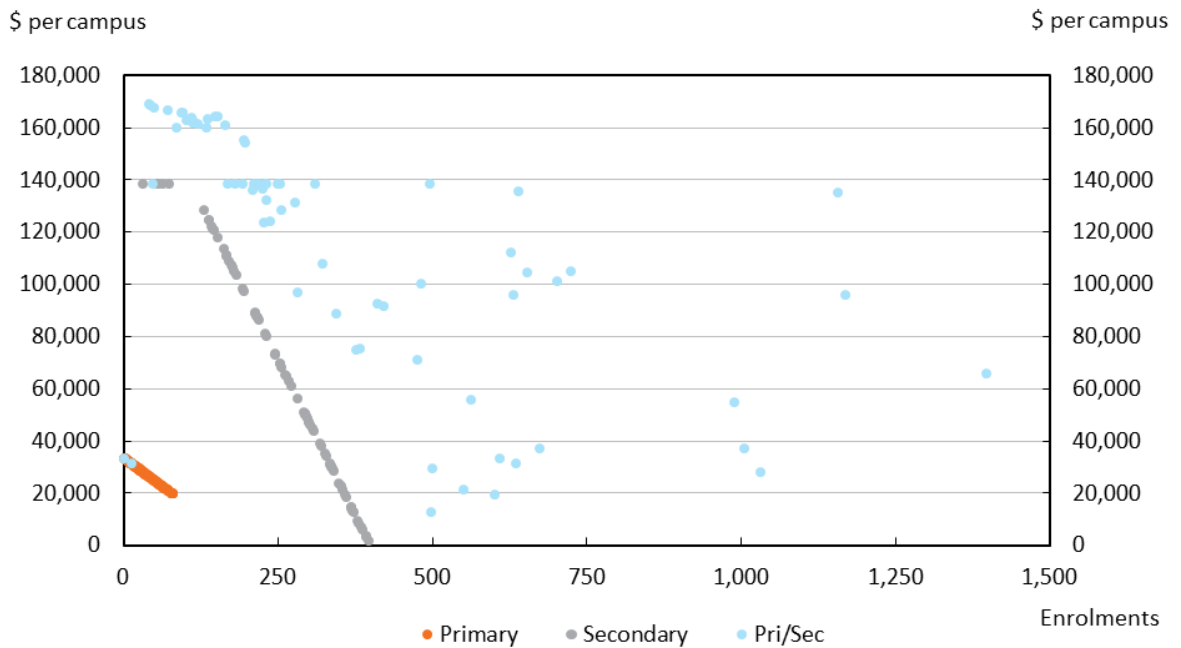
The following two charts show ELB and SSB allocations for schools. Most of the outliers in each chart are multi campus schools.

**Figure 56. Enrolment Linked Base funding by campus enrolments, 2015**



Source: Internal DET analysis

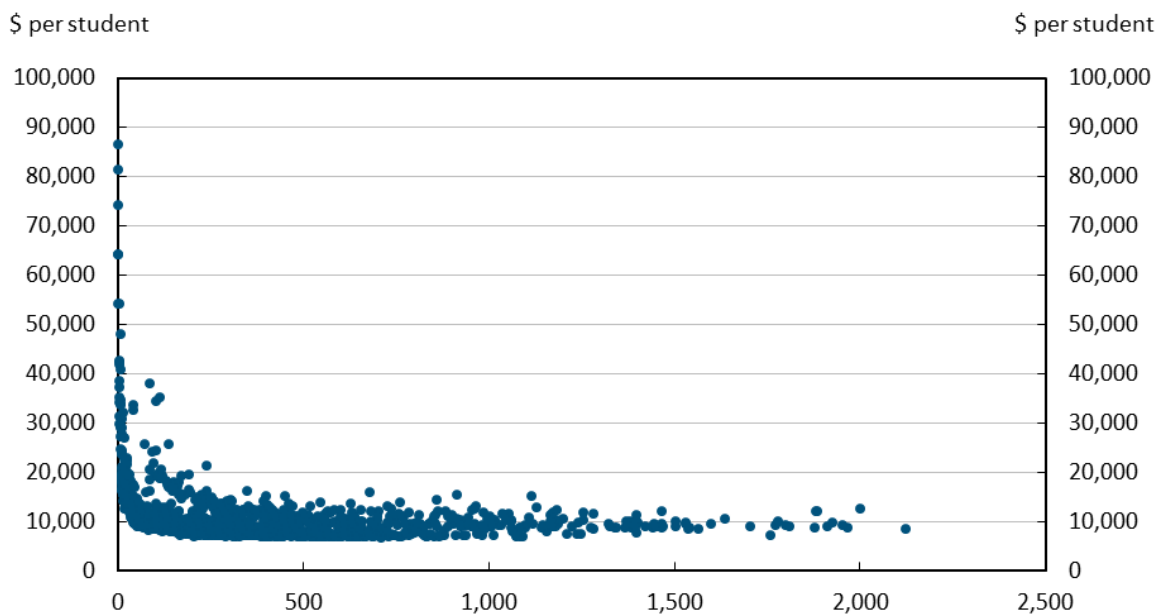
**Figure 57. Small Schools Base funding by campus enrolments, 2015**



Source: Internal DET analysis

There are a range of factors that impact the size of a school, including community population density, availability of competing schools (government or non-government) and school reputation (real or perceived). Small schools face budgetary challenges that larger schools do not, as they do not operate at scale, and in many instances the breadth and quality of their curriculum is not as high quality as schools of larger schools. Notwithstanding, the operating costs of small schools are high. Figure 58, below, shows that the average price per student for smaller schools can be higher than \$20,000 per student.

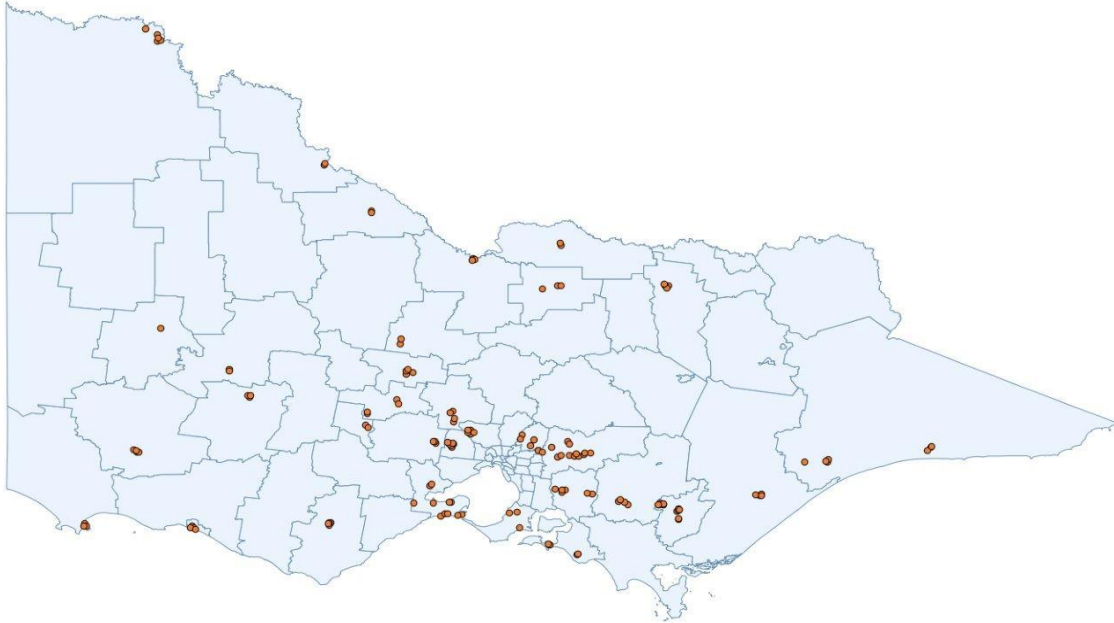
**Figure 58. Average per student price by enrolments, 2015**



Source: Internal DET analysis

Some schools are small by necessity as they serve cohorts who have no alternative government school option. However there are also schools that remain small because students choose alternative options, for example to attend a neighbouring school. Outside population centres with more than 20,000 inhabitants, as shown in Figure 59, there are 143 primary schools that are within five kilometres road travel of alternative schools. Schools in close proximity to each other have an incentive and capacity to share resources.

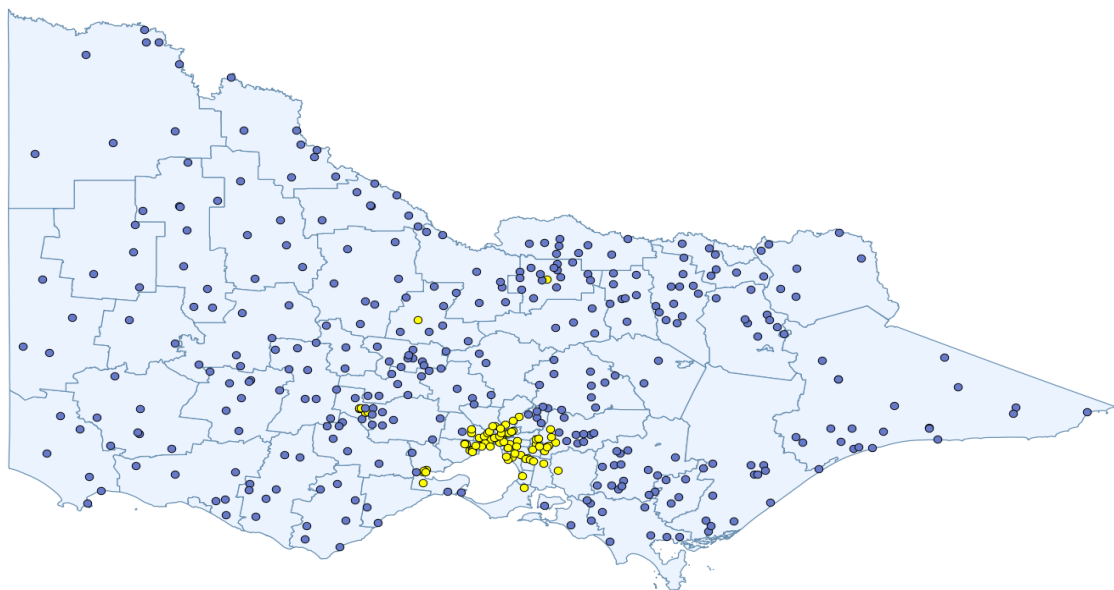
**Figure 59. Location of 143 schools outside major centres within five kilometres of another school, 2015**



Source: Internal DET analysis

Figure 60 shows the location of schools that receive both rural funding and small school funding (blue circles) and schools that receive only small schools funding (yellow circles).

**Figure 60. Location of schools in receipt of rural funding and small school funding, 2015**



Source: Internal DET analysis

#### Finding 45

Funding through the SRP for school size is duplicative, contains anomalies that relate to inconsistent thresholds, and treats primary and secondary schools differently. Funding based on size could be refined to account for sharing resources between neighbouring schools.

### 4.4.8 Rural and regional schools

Evidence indicates that there are gaps in achievement between students in urban centres compared to rural areas. These gaps narrow, but are not eliminated, when adjusted for disadvantage and other contextual differences. The gap persists because:

- there are economic and demographic differences between urban and rural areas
- cross school competition between schools is often more intense in regional centres
- schools tend to be smaller in rural areas, which impacts on the breadth of curriculum, staffing, capacity to raise funds and access to cultural resources and experiences.

Extra funding for rural schools in Victoria is provided to lift the quality and breadth of provision, and to supplement additional costs resulting from school size and isolation. In 2015 schools received funding totalling approximately \$63 million through three separate funding lines in the SRP.

- **Rural School Size Adjustment Factor (RSAF):** RSAF provides funding for the employment of teaching and specialist staff to broaden the curriculum experiences of students in rural schools. RSAF is allocated to eligible primary schools, secondary schools, and P-12 schools in non-metropolitan and non provincial locations. Eligibility for RSAF is determined based on a school's location as defined under the Accessibility/Remoteness Index of Australia (ARIA) for Melbourne, and Urban Centres and Localities (UCL) for the larger population centres outside Melbourne. The amount of funding allocated to each school campus varies depending on the type of school and size of the campus (in terms of student enrolments). Primary school campuses up to 200 enrolments and secondary campuses up to 500 students are eligible for funding. 493 schools received RSAF funding in 2015. RSAF funding in 2015 totalled \$57.6 million.
- **Location Index Funding (LIF):** LIF is intended to supplement the costs of goods and services in rural schools due to the additional costs associated freight and communications. LIF is provided to a broader group of schools compared to the RSAF, including primary schools, secondary schools, P-12 schools and schools in special settings. Eligibility for LIF is determined using a location index measure, which incorporates the school's distance from Melbourne, distance from the nearest provincial centre, and the proximity to other schools. Each school campus receives a base funding and a per student allocation. The funding is capped at 300 primary students, and 500 secondary students per school campus. 790 schools received LIF in 2015. LIF funding in 2015 totalled \$3.5 million.
- **Country Areas Program Grant (CAP):** CAP funding provides schools with the capacity to broaden the curriculum, improve ICT, professional development, and promote networking. CAP funding is allocated to schools that are located far away from Melbourne and other provincial centres, in communities with small populations. The eligibility criteria and allocation mechanisms first implemented in 1997 continue to determine CAP allocations today. Schools eligible for CAP must be at least 150 km from Melbourne, at least 25 km from the nearest provincial centre (population over 20,000), and located in a community with less than 5,000 people. CAP eligibility is similar to the RSAF funding mechanism. CAP funding is determined using a base funding amount, different per

student rates for primary and secondary students, and a multiplier that incorporates a school's distance from Melbourne. 288 schools received CAP funding in 2015. 96 per cent of CAP schools also receive RSAF funding. CAP funding in 2015 totalled \$2 million.

While the shape and population of Melbourne and provincial cities has changed significantly over the past 10 to 20 years, the funding model for rural schools has not been updated to reflect these changes. There is now a disparity between the intent of rural funding – to provide support for isolated schools that are small because they are located in communities that cannot grow – and how the funding is currently allocated.

The boundaries used to determine eligibility for RSAF funding are up to 25 years out of date and there is inconsistency between the boundary used for Melbourne and for other larger centres, with ARIA 2001 used for Melbourne and UCL 1996 for the other population centres. Similarly, eligibility for Location Index Funding uses a subscriber trunk dialling telephone area code which became defunct in the 1990s. Changes to populations across Victoria, particularly in growth corridors, mean that the current boundaries used for determining eligibility are out of date. This may also mean that some schools and communities that benefit from these arrangements are no longer rural or isolated.

The use of geographical boundaries in defining 'rurality' can create situations where similar schools on either side of the boundary receive different levels of RSAF funding. This can be especially frustrating for schools given the boundary definitions are out of date. An alternative to the use of boundaries is to employ a more graduated measure of rurality, for example allocating RSAF funding on the basis of 'distance from an urban centre'.

Research questions whether RSAF funding should be available to some small schools in larger population centres (Lamb and Walstab 2012). It finds evidence that there are some large rural areas supporting a number of small schools in close proximity to each other that may otherwise be unsustainable without RSAF funding. Further work should be undertaken to ensure that the population density threshold used in the RSAF means funding reaches those schools with the greatest need.

The same research also provides the basis for questioning the LIF. The LIF was put in place to offset the costs of non-teaching services to rural schools. However, the research shows that these costs in rural schools are higher because of the size of the school and not its location (Lamb and Walstab 2012).

#### Finding 46

While students in rural areas are at a disadvantage primarily due to location, there are inconsistencies in the funding. There is limited rationale for three separate funding lines for rurality. The boundaries used within the rural funding lines of the SRP are inconsistent and out of date, and can lead to unfair outcomes from neighbouring schools. Population thresholds used in RSAF funding line may be supporting schools that are not at a disadvantage because of rurality.

### 4.4.9 Students with a disability

In Australia all education providers, including Victorian government schools, must comply with the *Disability Standards for Education 2005* established under Section 32 of the *Disability Discrimination Act 1992*. To comply with the standards education providers must make 'reasonable adjustments' to accommodate a student with a disability.

In 2015, the Government provided schools with \$640 million to assist schools to meet these obligations. Funding is provided for several purposes – including for base and per student funding for specialist settings, Program for Students with a Disability (PSD) supplementary funding, programmatic funding such as the Language Support Program, and funding for PSD assessment, administration and management services.



It is estimated that around 15 per cent of Victorian government school students require some level of additional support. Approximately four per cent of students attract targeted funding under the PSD. For the remaining 11 per cent, schools are expected to make reasonable adjustments for these students using their SRP allocations.

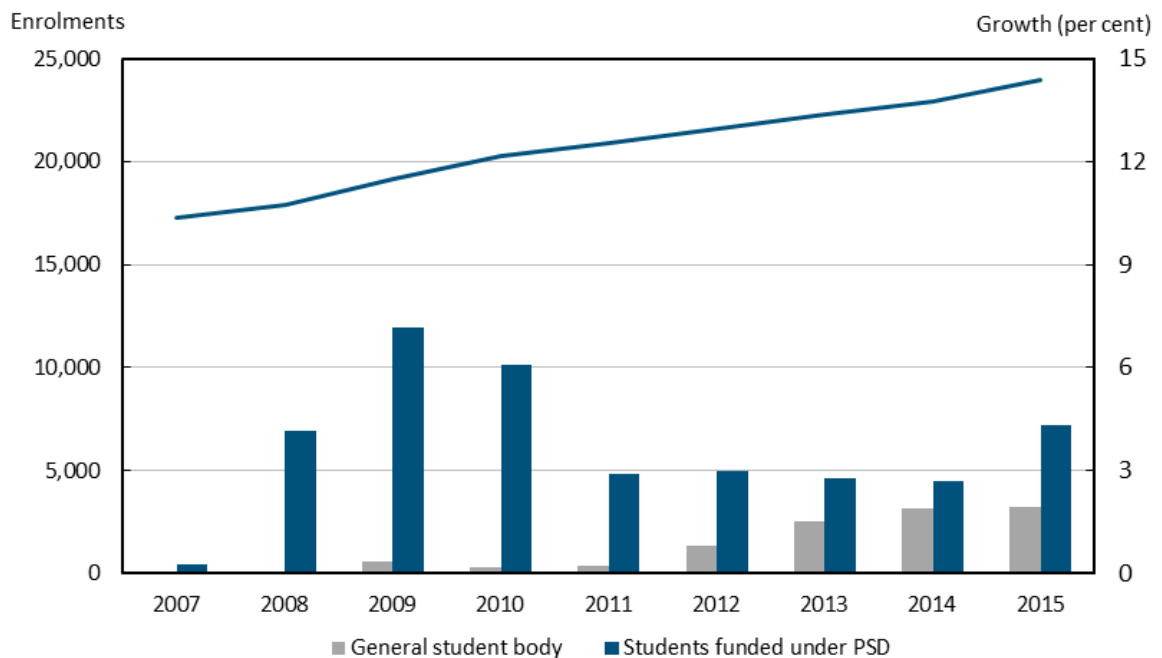
The PSD supplementary index funding forms the bulk of this funding (greater than \$450m) and is targeted towards students with a disability, ranging from moderate to high needs. Students are categorized into levels, each attracting a different funding rate. PSD funding is provided through the SRP directly to schools, supporting them to put in place targeted strategies and educational programs for their students. This funding is provided to eligible students attending mainstream schools and specialist schools.

In addition to PSD supplementary funding, specialist settings attract a different base allocation to mainstream settings in recognition of the additional support required to cater for the educational needs of their students. Base allocations (stages of learning and base) for deaf settings within mainstream schools, specialist schools and specialist autistic schools are resourced according to their own model of funding. Schools may also receive funding for interpreter staff salaries and medical intervention support.

Between 2007 and 2015, growth in the number of students eligible for PSD Level funding has averaged just over four per cent annually. This growth is primarily driven by increases in the number of students eligible for Level 2 and 3 funding. This is in contrast with annual growth in the general student body of less than one per cent annually over the same period.

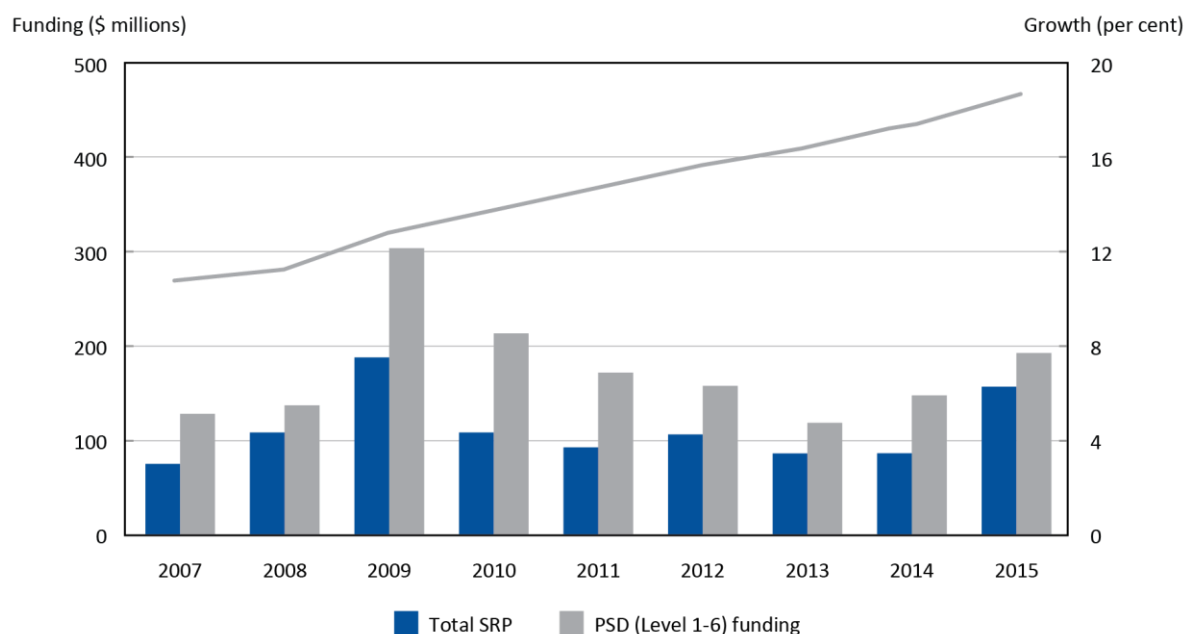
Funding for PSD Levels 1–6 has grown by just over 7 per cent annually over the period between 2007 and 2015, driven by growth in student numbers and indexation. As displayed in Figure 61, growth in PSD funding is higher than growth in the total SRP budget of approximately 4.7 per cent per annum.

**Figure 61. Enrolment growth for students funded under the PSD, 2007–2015**



Source: Internal DET analysis

**Figure 62. Funding growth for the PSD versus total SRP growth, 2007–2015**



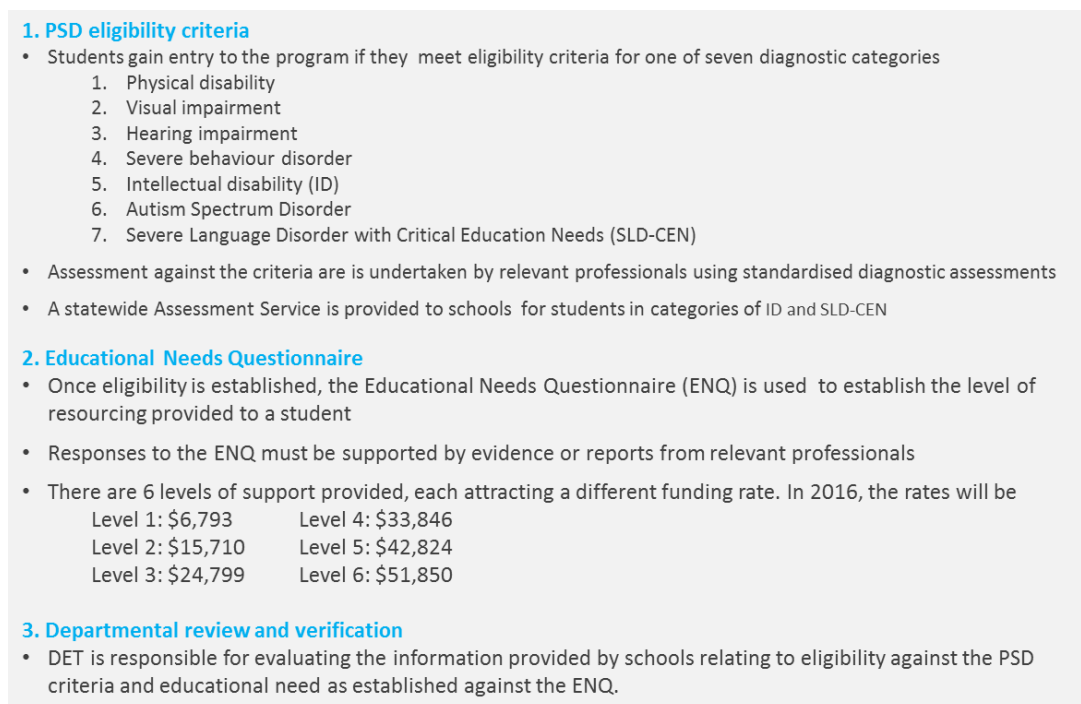
Source: Internal DET analysis

In November 2014, the Government announced a *Special Needs Plan for Victorian schools* – including a comprehensive review of the PSD. A number of issues with the current funding model have been raised through stakeholder consultations from this Review, as well as through the Review of the PSD. These concerns primarily relate to the eligibility criteria and assessment process for PSD index funding.

### Eligibility and assessment

Schools are encouraged to establish a Student Support Group for any student with additional needs, comprised of school representatives, professionals and parents/carers. This group is responsible for gathering the documentation to support a PSD application. For a student to access targeted PSD funding, there are three steps to the process. Students are reappraised in the transition between Years 6 and 7.

**Figure 63. Current PSD eligibility and assessment process**



Source: Internal DET analysis

Some stakeholders reported to the Review that due to the strict eligibility criteria some students who have significant learning needs miss out on funding. At the time of its development, the PSD was based on the best practice evidence available. However, there is a view that the current diagnostic eligibility criteria are deficit based and that there is a bounty style approach to demand driven funding models such as the PSD, which can create the perverse incentive to over identify students (Quach et al 2015; Mitchell 2015). This carries with it the risk of a sense of entitlement over funding, even where students could be well supported by schools through other funding sources such as the Language Support Program (LSP) or even broader equity funding.

Research suggests that the diagnostic criteria underpinning the PSD are not necessarily aligned to meeting the learning needs of individual students, and that a more effective use of funding would be to consider a student's functional needs – that is, their needs in relation to body function, daily living skills, social and educational participation (Quach et al 2015). In addition, numerous initiatives have been conducted by DET and other jurisdictions that have shown the potential of inclusion approaches to meet the needs of children with disabilities rather than reliance on the assumptions that underpin PSD (Claridge et al 2010; Deppeler and Sharma 2013).

The National Disability Insurance Scheme (NDIS) will provide funding to Australians living with a permanent and significant disability. Eligibility under the NDIS is based on how a person's disability impacts on their functional capacity to participate in social and economic life. The categories of need under the NDIS, aligned to the World Health Organisation's International Classification of Function, are not aligned to the PSD and in general are less prescriptive in relation to disability type (McDonald and Callaghan 2015).

Documentation to support applications under the PSD may be sought from Student Support Service Officers (SSSOs), Assessments Australia, Early Childhood Intervention Services and/or external specialists. While the assessment process is clearly stepped out by DET in guidance documentation, it has been described as onerous, time consuming and stressful by some stakeholders. Feedback from consultations undertaken as part of the PSD Review suggests that these views are particularly acute in relation to the Year 6–7.

In 2012, VAGO criticised the process stating that DET ‘provides an outsourced assessment service for Intellectual Disability and Severe Language Disorder applications at no cost to schools. Despite this, schools are undertaking more assessments and preparing more funding applications than ever before. This has limited the direct support that SSSO’s can provide to students’ (VAGO 2012b). Anecdotal evidence also suggests that some SSSOs feel pressured by schools in relation to assessment decisions, suggesting decisions in some instances are open to influence.

## Accountability

In 2012, VAGO stated that DET ‘does not monitor outcomes of students with special learning needs, primarily because it lacks the ability to individually identify these students’ (VAGO 2012b). This sentiment has been echoed by some stakeholders, who suggest there is little evidence to demonstrate the efficacy of the PSD in raising student outcomes. The Victorian Equal Opportunity and Human Rights Commission (2012) also found that parents believed that student outcomes were hindered by teacher capacity and time, while some educators identified a lack of funding. One analysis of teaching and learning practices for those with disabilities concluded that it was impossible to indicate what works best, and by how much, in terms of improving learning outcomes (Ernst & Young 2013).

Reporting on outcomes for students with a disability has been hindered by a number of issues. While DET records the number of students funded under the PSD, in the past there has not been a systemic record of all students requiring adjustments. In addition, schools have not been able report on progress against the state wide curriculum for students with high needs.

The rollout of the Nationally Consistent Count of Students with a Disability and the Abilities Based Learning and Education Support (ABLES) should help support reform in this space, although the ABLES resource is significantly underused despite its outstanding quality according to stakeholders.

### Finding 47

DET’s approach to disability resourcing faces significant challenges in supporting schools deliver quality outcomes for students, while demonstrating financial sustainability over the medium to long term. Improvements to the way funding is allocated and used to service the needs of students with disabilities are required, including in the areas of eligibility, assessment processes, the use of best practice in schools and greater transparency.

## 4.4.10 Disengaged learners

A range of reviews have concluded that DET's approach to supporting disengaged and vulnerable young people has resulted in inequitable, inconsistent and inflexible provision of support, has not fostered best practice and has failed to prevent vulnerable young people from falling through the gaps (KPMG 2009; Grant Thornton 2009; VAGO 2012). There is a view amongst stakeholders that the identification of student need and purposeful planning for the provision of a suitable style of schooling at a local and system level is lacking. Some stakeholders have also expressed concerns with the inconsistency of support for disengaged students, citing that whether a student is suitably catered for is largely due to a particular principal being willing and equipped to do so.

Additionally, it has been found that 'there is a strong sense that supporting children and young people at risk, remains the primary domain of alternative education providers, with a view that schools continue to lack the flexibility and capacity to respond to those children and young people at high risk of disengagement' (KPMG 2009). Moreover, the location and funding of alternative education providers is not systematically tracked.

### Funding approach through the SRP

In 2015, around \$8 million was provided through the SRP in recognition of the additional costs associated with supporting students at risk of disengagement or required to reengage students who have left mainstream settings. The funding enables the operation of alternative settings, primarily the cost of teachers. These programs specifically target disengagement, and are for students who are unable to continue learning in a mainstream setting and are placed in an alternative setting for a period of time that can better cater for their individual learning and wellbeing needs. Some programs prioritise a return to mainstream education, while others prioritise alternative pathways.

The best approaches are bottom up and based on individual school or community initiatives. While the intent of the current funding approach is sound, the actual allocations reflect historical arrangements that have not developed any expectation that evidence based approaches be adopted. As such, funding allocations are unlikely to align well with overall student need. There is also a lack of transparency around the effectiveness of existing programs in relation to student outcomes and lines of accountability for these students are unclear.

Where schools determine that they cannot sufficiently support a student, they can currently broker the services of external providers of reengagement programs. These programs can support students that are still at school, but at risk of leaving, and also those who have stopped attending. Payment for these services is under the protocol of SRP portability. Anecdotal evidence provided through the consultation process suggests that in some instances, the amount transferred to the alternative education provider is significantly less than what the student would have attracted had they remained at their mainstream school. Some stakeholders, in particular the alternative education providers, have indicated that funding transferred under SRP portability is insufficient to deliver high quality reintegration programs.

While there may be strong evidence to support this claim, DET has limited visibility on the number of students who access services via SRP portability and there is limited formal reporting required in relation to the performance and outcomes for students accessing these programs. This is a deficiency within the SRP portability protocol that needs to be addressed.

There is also varied capacity in the regions in assessing and approving reengagement programs. In part this is exacerbated by the DET organisational structure, whereby the system architecture is driven out of one group, but regional delivery resides in another.

Stakeholders have indicated that current funding timelines create disincentives for schools to take on students who enrol after the February School Census. This deterrent is particularly acute for students who experience disadvantage and require significant support at school. Further, there is no incentive or accountability mechanism in place to ensure schools work to retain such students after the School Census date. Anecdotal evidence suggests that some schools relax their efforts in keeping some students engaged once the School Census date has passed.

Funding is currently available to senior secondary Victorian Certificate of Applied Learning (VCAL) providers who enrol students who have not been enrolled elsewhere in that calendar year. This is administered via what is effectively a contingency funding line. However, this late enrolment funding is not extended to other disengaged students re-entering the system.

## Funding approach outside the SRP

From 2010, the Commonwealth Government provided funding for Youth Connections for the delivery of flexible case managed support and services for young people who have disengaged or are at risk of disengaging. In Victoria, this was provided by a range of community agencies through the Local Learning and Employment Networks (LLENs). Several evaluations of the program cite the benefits of the flexible funding arrangements and case management component of the service, however some stakeholders report that there is considerable variation in the experience of schools. Despite the strong demand, the Commonwealth de funded the Youth Connections program in February 2015.

To fill the significant gap in case management for this cohort of young people, the Victorian Government has recently announced funding for Navigator service – a two year pilot to enable schools and community agencies to target wrap around support to disengaged school aged young people. Young people of school age who have left school or are disengaged will be identified and referred into the Navigator service. Referrals may occur prior to or at the point of disengagement by schools, TAFEs and regions, or after a period of disengagement via outreach activities funded and led by Navigator, through a new disengaged students register, community service providers and parents/carers. Once connection is made with the young person, Navigator will provide individual pathway planning support and reengagement planning – including helping to place students in reengagement programs or schools – and follow up with appropriate monitoring and support. It is intended that the service will work within the Local Area structure.

In addition to Navigator, DET currently provides funding to a number of other programs relating to the participation, engagement and transition outcomes for students.

- Students in out of home care are at greater risk of disengagement. The Government has committed to provide \$13.2 million over four years and \$4.8 million ongoing to establish and operate LOOKOUT Education Support Centres in each DET Region by 2017 to support the more than 6,000 school aged kids in out of home care.
- LLENs will receive \$32 million over four years, and are comprised of education and training providers, business and industry, community agencies and family organisations. The intention of each LLEN is to create partnerships that improve education and transition outcomes for young people, with a focus on students at risk of disengagement. In 2015 there were 31 LLENs across Victoria.
- School Focused Youth Service receives approximately \$8m per annum. Its key role is to create partnerships between schools and community agencies to focus on early intervention for students showing signs of disengagement.

While these programs all have merit in assisting students at risk of disengagement, DET needs to be better assured that there is no replication of services to avoid inefficiencies in the school funding. Funding reforms should target initiatives that complement the services provided by Navigator to maximise the attraction and retention of disengaged students, leveraging the Local Area support structure where possible.

#### Finding 48

Funding through the SRP for disengaged learners does not target student need. Accountability for disengaged students needs to be strengthened, as do interventions to avoid students leaving school early. Current SRP portability protocols should be improved. Funding timelines do not create the right incentives for schools to attract and retain high needs students.

### 4.4.11 Health and wellbeing

The health and wellbeing of students is a precondition to good educational outcomes. In support of this, DET currently funds and delivers a range of health and wellbeing services and workforces operating in schools and across regional networks. These services span welfare staff, allied health professionals and nurses, with GPs to be added as a result of an election commitment. These workforces broadly have two functions - to provide direct services to children, young people and their families; and to build the capacity of the education workforce through the provision of advice and support.

The way in which health and wellbeing resources are accessed by schools differs by the type of service required – see Table 22 below. At present, funding is provided directly to schools through the SRP only for welfare staff. The other workforces are funded to regions or networks of schools.

In addition to funding for these workforces, schools also directly employ their own health and wellbeing staff using their SRP. These appointments typically include integration aides, wellbeing officers, social workers, youth workers, psychologists, speech pathologists and chaplains, and amounts to approximately 454 FTE and \$34m<sup>22</sup>. School appointed health and wellbeing staff are typically employed in greater numbers in specialist schools.

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<sup>22</sup> Approximate figures based on data from the August 2015 School Census.

**Table 22. Health and wellbeing workforces funded by DET, 2015<sup>23</sup>**

Workforce	Role	Funding to	FTE (approx.)	Budget
<b>Student Support Services</b>	Provide services to all schools, with a workforce comprising psychologists, speech therapists and social workers.	Managed by 51 principal led school networks, paid to coordinator schools.	520	Approx. \$51 million per annum
<b>Primary Welfare Officers</b>	Funding is provided to over 800 primary schools to promote a whole school approach to health and wellbeing.	School via SRP, separate funding line.	361	\$27 million per annum
<b>Student Welfare Coordinators</b>	Work in secondary schools to support students and teachers with issues such as attendance, bullying, drug use and depression.	School via SRP, no separate funding line.	260	Approx. \$19.5 million per annum
<b>Primary school nurses</b>	Work in primary schools to provide children with the opportunity to have their health checked, information about healthy behaviours and link families to community based health and wellbeing services.	Regions with nurses attached to a network of schools.	73.5	\$7.4 million per annum
<b>Secondary school nurses</b>	Work to reduce risk to young people and promote better health in the wider community across close to 190 high needs secondary schools.	Regions, with most nurses allocated to two secondary schools.	100	Approx. \$10.5 million per annum
<b>General Practitioners in schools</b>	Election commitment for General Practitioners to provide primary health care for students in 100 secondary schools in disadvantaged areas.		TBD	Approx. \$6.15 million per annum

Source: Internal DET analysis

## Student support services

The largest component of the health and wellbeing workforce budget is directed towards SSSOs. This workforce is comprised of a range of professionals, including psychologists, speech therapists and social workers, who provide strategies and specialised Student Support Services (SSS) for students and work to build capacity within schools.

In 2012, management of SSSOs moved from regional offices to principal led school networks. While this devolution was intended to better meet local demands for services, there are highly inconsistent approaches across networks. As stated by VAGO, the move towards networks also introduced the ‘risk that schools who are not well organised or who are less influential may not have equitable access to SSSOs’ (VAGO 2012b). This sentiment was also reflected in feedback from schools under the old model, whereby informal networks were allocated funding and some schools felt that they did not have appropriate access to the funding.

There are now mixed models operating within the networks, with most spending the bulk of their funding on SSSOs that are employed by DET. However North-Eastern Region stands out, with a higher number of networks using outsourced professionals.

<sup>23</sup> FTE data for Primary Welfare Officers and Student Welfare Coordinators is approximate and is based on data collected through the 2015 August School Census



**Table 23. Breakdown of SSS funding by region (\$ millions)**

Region	Outsourcing	Professional salaries	Other	Total
North-Eastern	2.1	9.2	0.9	12.2
North-Western	0.4	10.1	1.0	11.5
South-Eastern	0.5	11.8	1.4	13.7
South-Western	0.04	12.9	1.5	14.4
<b>Total</b>	<b>3.0</b>	<b>43.9</b>	<b>4.8</b>	<b>51.8</b>

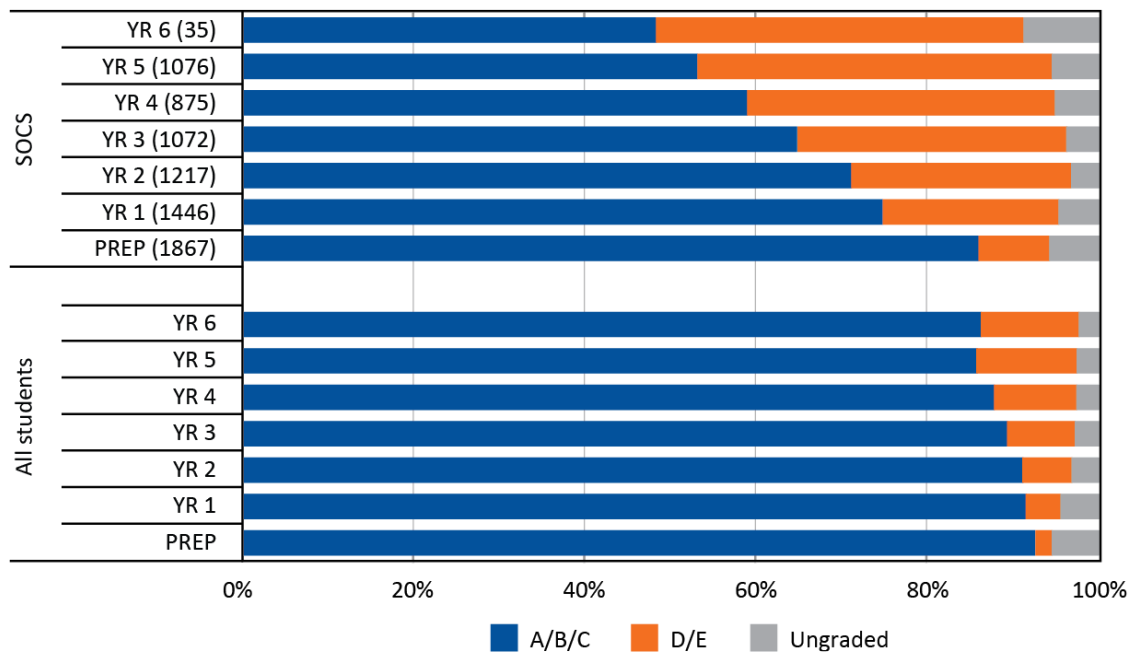
Source: Internal DET analysis

Over the past three years, growth in total SSSO funding is less than 3 per cent annually. This, in combination with the inflexibility of funding arrangements, has raised concerns within some stakeholder groups who indicate that the networks are too stretched.

Analysis of the data management system (the Student Online Case System, or SOCS) for SSS cases indicates that approximately nine per cent of students are engaged with student support services. The most common referrals are for social/emotional issues, following by curriculum and learning difficulties, speech and behaviour or oral issues. The most common requests for support are for assessments, including preliminary advice. Part of this assessment load is for applications for funding for students with a disability.

An analysis of 2012 NAPLAN data suggests that there is an association between student performance and use of SSSOs. Specifically, data indicate that a higher proportion of students recorded in SOCS are in the bottom two bands of NAPLAN numeracy (or exempted) compared to the general student body. These results are also reflected in AusVELS data, which shows that a higher proportion of students in SOCS recorded a D/E grade in Reading compared to the general student body – see Figure 64.

**Figure 64. VELS (English – reading) primary school students, 2012**



Source: Internal DET analysis

## Nursing services

The primary school nursing program offers a universal service to all students attending primary schools in Victoria. At present, they are predominantly used in Prep for School Entrant Health Questionnaire (SEHQ) assessments, but also available on referral for Years 1–6 students. The secondary nurse program is targeted towards vulnerable students, with funding provided for nursing services in about two thirds of secondary schools.

Between 2007-08 and 2014-15, the primary school nursing budget has grown by 2.5 per cent per annum, generally reflecting wage growth. This has caused difficulties for the program, given the significant growth in Prep numbers across Victoria. The regional funding allocation is not transparent, with funding informed by indicators of social disadvantage and historical data on health and educational outcomes.

Similarly, the secondary school nursing budget has grown by 2.7 per cent annual over the same period. The program is targeted towards disadvantaged schools, through a funding allocation that is driven by social disadvantage in the school. However there is concern that the measure of disadvantage is outdated, and may not reflect demographic change and gentrification of certain areas of the state over time.

In a similar vein, the funding allocation directed through the SRP to schools for Primary Welfare Officer (PWO) is based on 2011 SFO data. There are obvious intersections between the funded health and wellbeing services and other aspects of school funding, including funding for students with disabilities, as well as for reengagement programs, MIPS and LLENS.

### Finding 49

Health and wellbeing services currently operate under inconsistent funding arrangements which do not align with the principle of resourcing schools to meet the needs of their students. Schools access health and wellbeing services through centrally funded DET staff. However, they also directly employ their own health and wellbeing staff using their own budgets, spending \$34 million according to the 2015 School Census.

## 4.4.12 Underperforming students

The OECD defines equity in terms of fairness and inclusion. Fairness is measured by the extent to which personal or social circumstances (for example, family background) impact on achieving educational potential. Inclusion refers to a system in which all individuals reach at least a basic minimum level of skills (OECD 2012).

From 2016, Social Disadvantage funding through the SRP will be allocated on the basis of parental occupation and education of students within a school. This, in conjunction with loadings such as EAL and disability funding, explicitly aim to address the fairness dimension of equity. However, through the consultation process, stakeholders indicated to the Review that school funding overlooked the needs of some students who were worthy of increased support as evidenced by their underperformance. These stakeholders believed that the education system could be more equitable by tackling inclusion, using the frame of the OECD described above.

To target inclusion, close to \$20 million in catch up funding will be introduced for underperforming students in 2016. Students who did not meet minimum standards in Year 5 NAPLAN will attract extra support, with funding provided to their secondary schools on an annual basis and for the duration of their secondary education.

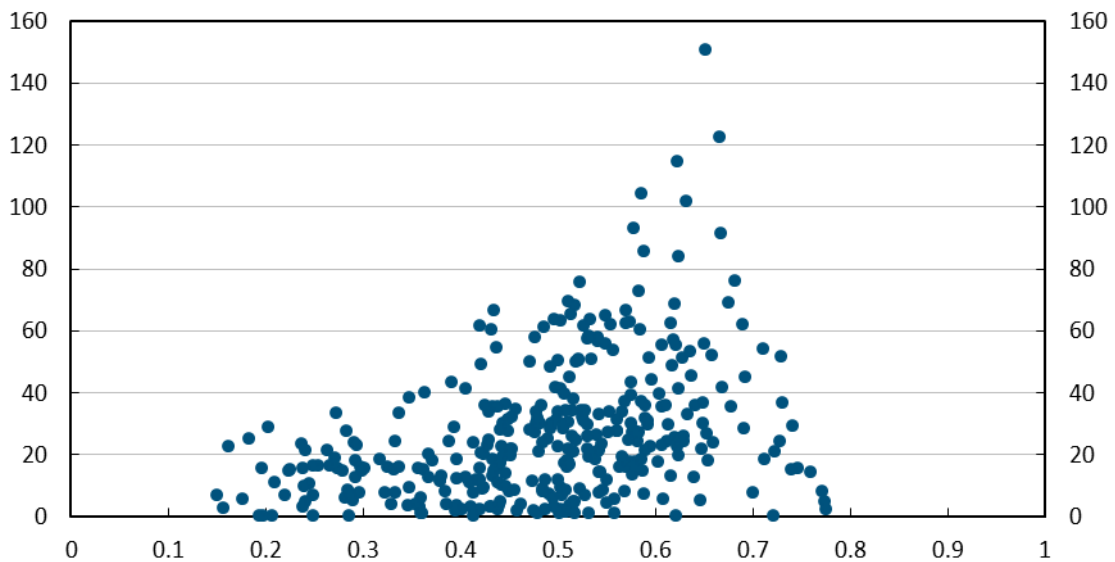
An amount of \$2,000 per annum will be provided to schools to put in place interventions to bring these students to minimum standards. Students who are funded under the PSD are funded at a reduced rate of \$1,000, in recognition of the targeted funding they already receive. The design on the catch up loading is

based on NAPLAN as this provides a robust assessment measure, and is paid to secondary schools to minimise the potential for perverse incentives of funding for underperformance.

While this funding will go some way to address the stakeholder concerns, there are still a range of opinions on the design and intent of the loading. A submission to the Review states that ‘other measures including AEDC data could be considered to provide a more holistic account of the student’s performance’ and suggests ‘it is important to provide additional assistance to students when performance issues are first identified, rather than waiting until secondary school’.

Some have also indicated that a catch up loading should not be needed if a funding model is working well. That is, that underperformance is a symptom of a range of underlying factors of disadvantage and that a funding model should direct funding towards these factors, rather than the underperformance itself. The strong correlation between students receiving catch up funding and a school’s SFOE could be interpreted that instead of a separate loading, funding could be allocated through the Social Disadvantage funding line. However, this approach does not reflect the reality that there are students who are not achieving minimum standards that are in relatively advantaged schools. These students serve to highlight the policy rationale behind the catch up loading, that of bringing all students up to the minimum standard, regardless of background or school.

**Figure 65. Number of catch up funded enrolments by campus SFOE, 2016**



Source: Internal DET analysis

Another feature of the catch up loading is that the identities of eligible students are not provided to schools that are in receipt of funding. This was designed in order to give schools maximum flexibility in the use of catch up funding. De identified funding does not necessarily impact adversely on student outcomes. Through daily contact with students, teachers are well placed to identify and gauge progress of those who are underperforming through teacher judgement, AusVELS and NAPLAN testing. That said, there is a need for better transition data from primary schools to secondary schools to ensure that underperforming students are identified as early as possible to enable effective intervention.

**Finding 50**

The policy rationale for the catch up loading in the SRP is sufficiently distinct from other social disadvantage funding in the SRP. The SRP does not currently include a catch up loading for primary schools.



# Part III – Proposed Reform Program

Describes the proposed reform program to lift returns on investment in education.



## 5 Greater returns on investment in education

### 5.1 Education State and future funding reform

Chapter 4 assessed school funding in Victoria, including how funding is used by schools. The purpose of Chapter 5 is to introduce the key characteristics of the reform proposals that bridge the gap between where school funding is now, and where it needs to be to better support the Education State agenda.

The Victorian Government's Education State is a welcome beginning to a new and positive era of educational policy reform and school improvement in Victoria. It sets ambitious targets for improving outcomes for every student, in every classroom, in every school, and in all communities. It builds on the best features of the system and the hard work of teachers to provide a clearer reform direction and stronger support and guidance for schools. Education State is focused on lifting outcomes that are inclusive of all students' abilities, irrespective of backgrounds or where they live.

It aims to do this through implementing evidence based policies and practices, boosting collaboration between principals, among schools and with the community and strengthening capabilities in schools. It provides further guidance for schools to make evidence based decisions to respond to the teaching and learning needs of each student. A new regional model will provide additional education services for schools and assist leaders and schools to collaborate with each other and other partners. This is backed by a record investment of \$3.9 billion in 2015-16, with significant increases in funding for disadvantaged students.

This Review is seeking to complement the Education State and lay the foundations for reform of funding that will engender profound and enduring improvements.

### 5.2 Reform gap

What should school funding look like to best support Education State agenda?

To meet the objectives of the Education State calls for more finely tuned school funding. The state's investment in education can deliver better and more evenly spread outcomes. All children and young people should have access to and be included in high quality schooling irrespective of their background or location. To achieve this school improvement needs to be rigorously focussed on making significant gains in achievement across all dimensions of learning. This should be achieved through needs based funding that is coherent, empowers strategic decision making by schools and regions, incentivises innovation and improvement, and requires transparency and accountability.

#### 5.2.1 Opportunity

With its focus on lifting outcomes for all students, success for the Government's Education State depends on providing all students with access to high quality schooling that is supportive and engaging. Students have diverse needs, and the barriers to successful engagement for students from disadvantaged backgrounds are often greater.

Teaching and learning resources generally follow funding, so more funding can enable the deployment of more and better quality teaching and learning resources. This makes funding an important strategic instrument for ensuring that all students, including the most vulnerable, have access to a high quality education tailored to their needs. This is the logic that underpinned a key proposal in the Review of Funding for Schooling (Australian Government 2011), which became commonly known as the Gonski Review. The proposal called for a transparent and needs based resourcing standard, including extra funding targeted for high needs students.

Funding can also be important for addressing systemic issues that lead to student exclusion, raising long term costs for Governments. Evidence shows that competition between sectors and schools, combined with selective entry and school zoning, act to limit the choices of more disadvantaged students, creating pockets of disadvantage within the school system. To the extent this consolidates intergenerational disadvantage, its costs go beyond equity as it helps to lock in increased demands on governments and their budgets into the future.

While systemic reform may address these issues, the allocation of funding, the mode of its delivery and the governance arrangements for funding and resourcing decisions can be designed to mitigate against these exclusionary forces. The combination of needs based funding allocation, governance arrangements that promote collaboration in the interests of all students, sharing resources, transparency around resource allocation and performance, stronger and different accountability, and direct funding incentives can create the conditions where schools are more inclusive of the needs of a wider group of students.

## 5.2.2 Excellence

Education State is about improving how teaching and learning happens in schools, brought about by strengthening capabilities, a greater use of evidence, modernising the curriculum, stronger school and system leadership, and collaboration among schools and with a wider set of teaching and learning partners, including parents.

Again, school funding can be an important enabler of this direction. The funding allocation model can be designed to ensure that change is broad-based, reaching into every school, including the most disadvantaged. Funding allocation and funding governance can promote collaboration among schools around their shared problems, and create more opportunities for sharing ideas about ‘what works’ in schools. Transparency around resourcing decisions can act both to strengthen accountability, but also to share experiences more widely across the school system.

The analysis in Chapter 4 shows that Victoria has a number of barriers to overcome for school funding to better support the Government’s Education State agenda. The table below describes current school funding challenges – which is in effect a summary of Chapter 4 – alongside the attributes of a new approach to school funding that better supports the Government’s Education State agenda. In doing so, it defines the gap that the proposed reform agenda attempts to fill. The table presents this information in a structure starting with the objectives of system participants, then progresses to funding architecture and funding use (related to governance, capabilities and information), and finishes with how these all combine to meet student needs.



Current school funding	Envisioned school funding
<b>1. Funding objectives</b> <i>The funding goals of system participants</i>	
<p>Education State has a clear objective to lift outcomes for all students.</p> <p>However, fragmentation exists between levels of government, competition endures between sectors and special interests, and schools have divergent incentives. These act to limit student improvement across the whole system, for all students.</p>	<p>All stakeholders agree to lift learning outcomes for all students. This establishes a student first priority across school funding, with the personal learning needs of students prioritised.</p> <p>In agreeing to this goal, stakeholders also agree to hold each other accountable for its achievement.</p>
<b>2. Funding architecture</b> <i>The roles and responsibilities of system participants, including funding allocation</i>	
<p>Funding allocated by the Commonwealth and the State, across three sectors and with three funding models, is incongruent and not needs based.</p> <p>Funding allocation in Victoria is a mix of needs based, cost based, capped, and legacy, and is not tied to a future strategy. In addition it is allocated to schools, regions, programs and workforces which is confusing, lacks transparency and limits innovation.</p> <p>Funds raised externally, including from contributions by parents, favours more advantaged schools.</p>	<p>All stakeholders – but notably, the State and Commonwealth governments – share the responsibility of funding schools according to need.</p> <p>The allocation model establishes who funds what and why, acknowledging that others can and should contribute too, reinforcing their stake in outcomes.</p> <p>Funding provides for discretion at the local level, encouraging responses tailored to needs, experimentation and diffusion of ‘what works’.</p> <p>Different capacities between schools to raise funds from local and external sources do not consolidate socioeconomic disadvantage.</p>
<b>3. Strategic governance</b> <i>The ability of the system to allocate resources to their highest value use</i>	
<p>Competition between sectors, reinforced by funding allocation, means that resources across all schooling are not allocated according to where they will have the most impact.</p> <p>Autonomy is narrowly focussed on the school as a single unit. This creates incentives that can stifle sharing of information and resources, and can lead to student exclusion.</p> <p>A reliance on compliance based approaches and bureaucratic frameworks from the centre can create confusion and red tape, and in many cases lack effective monitoring and enforcement.</p>	<p>Resources are allocated efficiently, with waste minimised, to meet the learning needs of all students.</p> <p>Schools collaborate together and with partners, parents and the community to enhance performance, solve problems and share resources.</p> <p>The role of the centre is to build school and system capabilities, incentivise collaboration, assist with sharing information, conduct research, advise, ensure accountability, and preserve system integrity.</p>

<b>4. Region, school and principal capability</b> <i>The capabilities and accountabilities of local decision makers</i>	
<p>Many schools are not sufficiently empowered to use the authority that has been devolved to them. There is variability in the capacity of principals to make strategic decisions, including in managing teaching and learning resources optimally. This diminishes school and system level productivity.</p>	<p>Schools are empowered through capability building to make effective strategic decisions in the best interests of students.</p> <p>Principals have the appropriate level of 'bandwidth' to manage staffing resources productively, with transparency used to drive accountability.</p>
<b>5. Information quality &amp; transparency</b> <i>The role of information in optimising system performance</i>	
<p>System level information, for example the rationale for funding allocation, is opaque, incomplete, and patchy quality.</p> <p>Information systems do not adequately reflect system priorities, are not well integrated, not clear, and not well used.</p> <p>A compliance focus for reporting has become an annoyance for schools, resulting in diminished quality.</p>	<p>High quality system and school level funding information, performance data, and experiences are shared widely and openly, as the default.</p> <p>Sharing information openly substitutes in part for compliance based approaches to managing system and school performance.</p> <p>Data collection and reporting are integrated and purposeful.</p>

### 5.3 Reform principles

The reform proposals in this Review take into account the goals of the system in leading reform, the funding structure or architecture, levels of capability and governance at all levels of the system, information quality and transparency to support accountability, and the imperative to meet the needs of all students. By their nature, service systems involve interdependent actors and elements and reform proposals are inevitably nonlinear and interrelated. To shape the reform proposals, the following design principles apply across the whole package.

- Teaching and learning resources are deployed to meet the diverse and changing needs of all students:** Funding and effort should be targeted to what each student needs to improve learning outcomes. High expectations of improvement in learning outcomes should apply to all students, including high achieving and high potential students. Needs are greater for students who face higher barriers to successful learning. Therefore, the higher the barrier, the greater the support. To ensure the most sustainable use of public funds, resources should be allocated to the highest value use, with waste minimised.
- Align Victorian and Commonwealth governments' funding for schools:** State funding cannot be determined in isolation from other forms of resourcing, especially Commonwealth funding. The best interests of students are served with the Victorian and Commonwealth governments acting and funding in a complementary way, according to the needs of all students. Structures that lead to exclusion are addressed or otherwise mitigated.
- Improve teaching and student learning by reinforcing effective existing strategies and encouraging innovation:** Rapid economic and social change means school funding should incentivise the development and diffusion of new teaching and learning methods. Strategies known to lift student outcomes – within and beyond the classroom – should also be shared and incentivised, and the evidence base strengthened.

4. **A systemic approach in which all participants pull in the same direction, which is to benefit all students:** Many individuals and groups contribute to student learning. School funding should be designed to ensure that they all act primarily in the interests of improving student learning, for all students. The best way to ensure this happens is for school funding to encourage and support sharing of information and resources and collaborative problem solving.
5. **Decision making is strategic, evidence based and continuously improves:** Funding reform is not just about 'dollars in'; it is also about how value is derived from these funds. School funding should intentionally support good decision making by highly capable people and organisations – in schools, in regions, at the centre, and among other partners in student learning.
6. **Be fair, transparent and easy to understand:** Improving individual, school and systemic performance requires information sharing about decision making, performance and practice. This is the best approach to encourage both mutual accountability and innovation. Transparency and simplicity should be the default. Decisions should be informed by evidence, not assumption.
7. **All system participants need to focus more on productivity and accountability:** School funding is increasing but outcomes are not improving. Lifting productivity of teaching and learning – through improving the attractiveness of the teaching profession, and better managing the existing workforce, including through better accountability – must remain a central focus.

## 5.4 Reform partners

Education systems and experts know that reforms falter without the support and engagement of principals, teachers, parents and community and without consistency over a number of years. The Education State reform agenda and proposals recommended in this Review depend on the successful collaboration of the diverse range of system actors that contribute to teaching and learning outcomes for students. Partners in the reform agenda proposed in this Review include:

- the Victorian Government has a legislated duty to provide universal access to a free education to all students in Victoria
- the Commonwealth Government shares in the accountability for student outcomes and performance
- government and non-government schools, who carry out the task of educating young people, and are regulated as such
- principals and teachers, who are on the front line of service delivery and most directly impact outcomes for students
- school councils who set the strategic direction for the school and develop school policies
- parents, who are a significant influence on learning outcomes of their children, and should be valuable partners in education
- unions and professional associations, who provide support for highly valued education professionals and promote the value of education
- non-government organisations, which provide education and other supports that benefit students
- philanthropists, many of which would like to support education, but do not know how
- business, which shares the economic benefits of improved student outcomes
- other government departments, who provide services to students and their families, and who share in the benefits of student improvement.

## 5.5 Reform proposal

This Review takes as its starting point the valuable role that school funding can play in supporting inclusion and driving improvement across the school system. This gives the reform task a well-defined focus, but also admits a wide set of reform possibilities.

Reform proposals begin with modernising the school funding architecture, including the design of relevant funding models, especially Victoria's Student Resource Package. Recognising that the returns to funding also require consideration of how the funding is used – including school level and system level factors that impact on decisions – reform proposals also include strengthening strategic capability and governance. A set of proposals relates to how high quality and open data that show the link between funding, funding strategy and performance can strengthen accountability and ensure information about resourcing teaching and learning practices is widely disseminated. Finally, and most importantly, there are proposals that show how funding architecture, capabilities and governance can combine to better meet the diverse needs of all students in Victorian government schools.

The proposed reform agenda seeks to strengthen Victoria's education system, acknowledging that a significant barrier to improving outcomes for all students is that system participants are often incentivised to act in divergent ways. Part of the reform proposal involves allocating funding more directly to schools, but this should not be interpreted as a move towards greater school autonomy at the expense of collective responsibility. The combined impact of governance changes that elevate the needs of all students, incentives for greater collaboration, strategic support from regions, transparency around information, stronger school level accountabilities, and a move toward a 'cleaner' funding allocation will enable greater alignment between the incentives for schools and for the system more broadly. It will strengthen the system, not fragment it through a retreat to greater autonomy.

The following figure summarises the proposed reform agenda, which is described in detail in Chapter 6.

## OBJECTIVE

Greater returns from investment in education measured as better and more evenly spread outcomes for students

## REFORM PRINCIPLES

- Teaching and learning resources are deployed to meet the diverse and changing needs of all students.
- Funding for schooling is aligned between the Victorian and Commonwealth governments.
- Teaching and student learning is improved by reinforcing effective existing strategies and encouraging innovation.
- Reform is systemic, so all participants pull in the same direction, which is to benefit all students.
- Decision making is strategic, evidence based and continuously improves.
- Funding is fair, transparent and easy to understand.
- All system participants need to focus more on productivity and accountability.

## STRATEGY

### SHARED GOAL



All reform partners commit to the shared goal that school funding is used to lift the learning and development outcomes for all students.

### FUNDING ALLOCATION



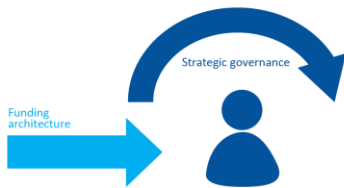
**Equity.** Honour the Gonski commitment to address immediate funding needs in the government sector.

**Coherency across funding sources.** Align Commonwealth and Victorian funding models.

**Needs based funding.** Fund schools directly on a needs basis, transparently promoting innovation, and incentivising collaborative problem solving to tackle shared and system needs.

**Broader funding base.** Expand partnerships in school funding within and outside government.

## STRATEGIC GOVERNANCE



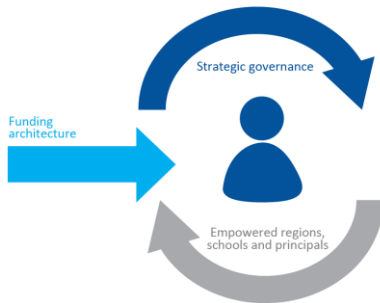
**Strategic leadership.** The three school sectors come together in the interests of all students.

**Strategic partnerships.** School led collaboration on shared problems, including through school federations.

**Incentivising collaboration.** Funding incentives for greater collaboration and inclusion.

## EMPOWERED REGIONS, SCHOOLS AND PRINCIPALS

### PRODUCTIVITY AGENDA

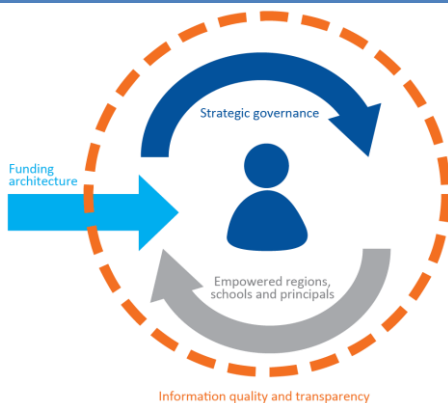


**Capability.** Lift strategic decision making and leadership capabilities in regions and schools, including through training, collaboration.

**Workforce mobility.** Use data, non-teaching staff arrangements, training and funding incentives to align workforce with student need.

**High quality teaching and learning.** More fully exercise flexibility under the EBA to incentivise high performance, more transparency around teacher progression, regular strategic audits of schools, and new federated accountability models.

## INFORMATION QUALITY AND TRANSPARENCY



**An open system.** Share information on performance and 'what works' in practice, using transparency and independent curation of evidence and data (via a new data authority), as systemic infrastructure.

**Clearer communications.** More flexible technology, and integrated and simpler reporting to lower the administrative burden while improving information quality.

## MEETING STUDENT NEEDS

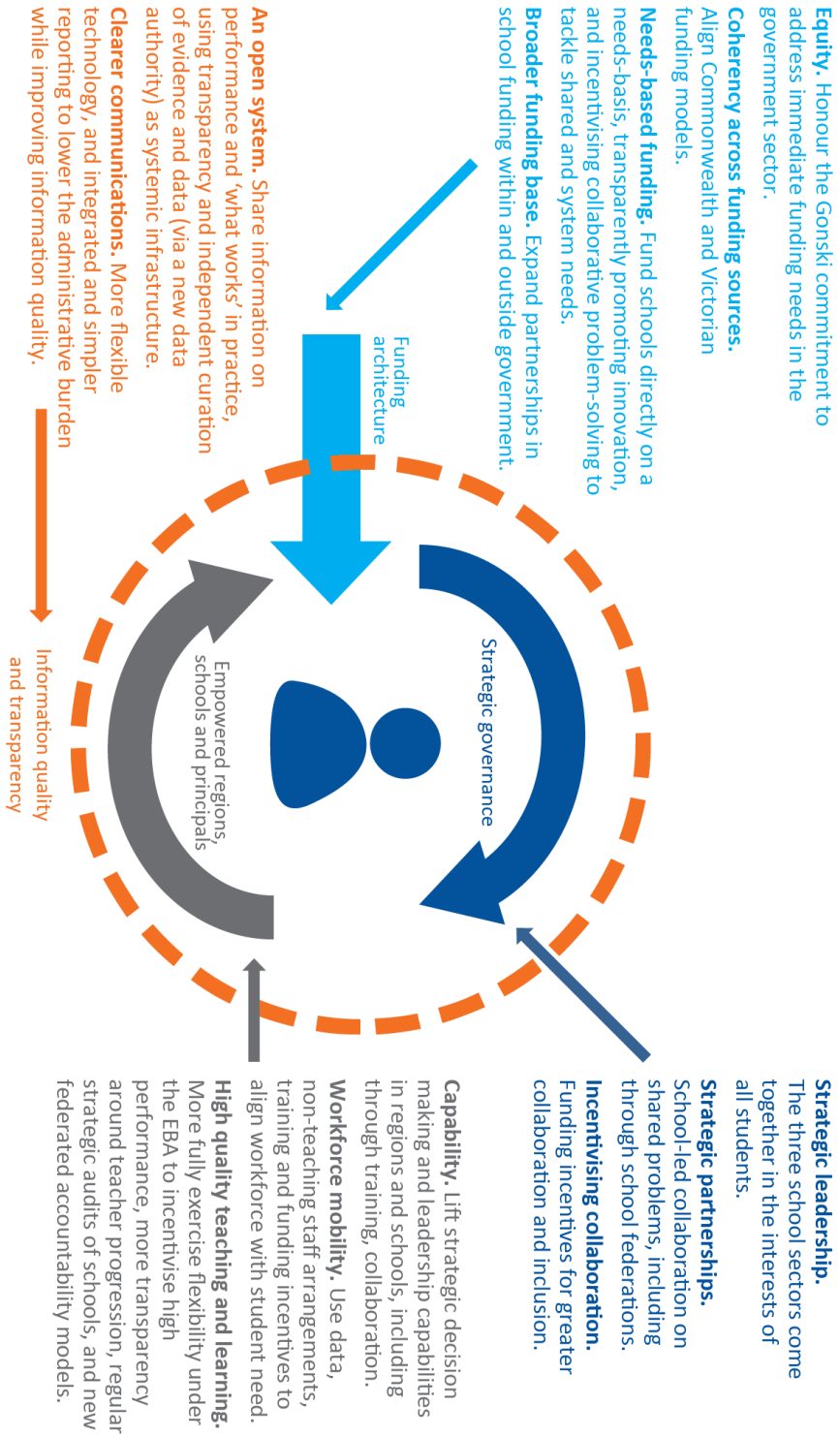


Allocation, governance, productivity and information elements combine to better meet the diverse teaching and learning needs of all students.



**SHARED GOAL**

All reform partners commit to the shared goal that school funding is used to lift the learning and development outcomes for all students.



Allocation, governance, productivity and information elements combine to better meet the diverse teaching and learning needs of all students.

## 6 Proposed reform program

### 6.1 System goal

Debates over school funding have crowded out the more important discussions about how to lift outcomes for the full range of students. Past efforts in funding reform have not focussed sufficiently on aligning the expectations of stakeholders and this has been compounded by lack of clarity about future Commonwealth and state funding. The first step in aligning interests more closely with student outcomes is to establish a single goal for the reform effort.

#### 6.1.1 One shared goal

School funding involves a number of participants – governments as the funders, the Department of Education and Training as system manager, school leaders and school councils as key decision makers, parents and local communities as sources of supplementary funding, as well other partners (including unions, peak organisations, community sector organisations, business and philanthropists). All make important contributions to deriving benefits from school funding, and ultimately impact on student outcomes.

Over the past decade, the vision for education reform has been expressed differently by Federal and state systems, within the state and between schools. The divergent interests of participants in school funding has impacted in a number of ways – including through the stratification of schooling within and between sectors, insufficient sharing of ideas and experiences, and advocacy for narrow interests including the selective use of data and evidence.

This Review proposes that all participants strive for a unifying goal that focusses efforts on ensuring the needs of all students are met through the funding of the schooling system. This is a deliberate student-first objective. It elevates public value over sector or special interests. Narrow self-interests should not be allowed to undermine the overall interests of students, schools and society.

#### **Recommendation 1**

School funding should put students first and be fair, efficient and sustainable. To enable this all reform partners should commit to the shared goal that school funding ensures learning and development outcomes improve for all students through better teaching and supports for young people according to their needs.



## 6.2 Funding architecture

The ‘funding architecture’ – the roles and responsibilities of partners, the agreements that guide their conduct, funding processes and funding models that characterise school funding in Victoria – should be clearer and more aligned between Victoria and the Commonwealth. Funding should be more certain and sustainable, decision making more strategic, and the funding model should be more needs based and non-distortionary. In addition, the funding base should be broadened.

### 6.2.1 Clearly aligned federal settings

Current intergovernmental arrangements are unduly complicated, create uncertainty for states and perpetuate the different treatment of government and non-government schools. This is exacerbated by the existence of three different funding models that govern the allocation of resources to schools.

#### Funding arrangements

The Australian Federation is characterised by a large level of vertical fiscal imbalance (VFI), that is, a difference in the revenue raised and expenditure responsibilities across governments. The Commonwealth raises 82 per cent of total tax revenue, with State and Territories contributing 15 per cent and local governments contributing 3 per cent (Department of the Prime Minister and Cabinet 2015). Fiscal imbalance means that Victoria is reliant on the Commonwealth and this highlights the importance of transparent, equitable, efficient and sustainable funding arrangements.

The Commonwealth’s decision to step away from the 2013 Heads of Agreement (the HoA or the ‘Gonski deal’) illustrates the extent to which student outcomes can be jeopardised by a lack of commitment and collaboration between Governments on education funding. The use of short term program funding also comes with challenges. While it allows Governments to consider reform or targeted initiatives, unilateral decisions to pull funding impede planning and make it harder to evaluate what reforms work well. Clearer roles around funding would help governments ‘decide where to spend the next public dollar to get the best bang for their buck’ (Department of the Prime Minister and Cabinet 2015).

There are a range of options to enable this – including that the Commonwealth funds all non-government schools and the State funds all government schools; that the Commonwealth becomes the dominant funder of all schools with states having the option of ‘topping up’; that the State becomes the funder of all schools; or that the Commonwealth funds the base costs and the State funds the needs based components of school funding. Some of these options are canvassed in the Reform of the Federation Discussion Paper (Department of the Prime Minister and Cabinet 2015).

The Review considers that the best option is that the Commonwealth provides the federal contribution to Victoria, and Victoria adds its contribution before allocating funding to all schools in the state on the basis of student need. This would see the State Government take control over the allocation of all public funding to all Victorian schools. It would also encourage more consistent policy decisions and performance and accountability measures across the sectors. While this goes a long way towards clearer funding responsibilities between levels of government and enables a more sector neutral approach, it is acknowledged that that this recommendation is a significant shift from current and historical funding arrangements.

## Funding model

The Gonski Review recommended that a consistent recurrent funding model (the resource standard) be adopted by the Commonwealth and State and Territory Governments. It acknowledged that there needed to be flexibility in how the resource standard was applied, however a guiding principle was that it not be influenced by ‘deliberate and discretionary policy differences between jurisdictions’ that impact on wage levels, student-teacher ratios and class sizes (Australian Government 2011).

While it was recommended that the resource standard be adopted by States and Territories to guide their total recurrent funding for government and non-government schools, and the allocation of that funding to the Catholic system and independent schools, it conceded that the proposed standard was not intended to completely replace the models used by the States to allocate funding to government schools (nor to replace models used by the Catholic system to allocate funding to their schools). This was suggested against the backdrop of current intergovernmental funding arrangements (that is, with the Commonwealth as the primary funder of the non-government sector).

If followed through, this could lead to the national resource standard governing the allocation of all public funds to non-government schools, while the resource standard, in conjunction with the SRP, governing the allocation of funds to government schools. This has the potential to perpetuate the different treatment of government and non-government schools. Further, the validity of the resource standard across jurisdictions is undermined without the establishment of the National Schools Resourcing Body (as recommended by the Gonski Review) or some other commitment by the Commonwealth.

Reform of intergovernmental funding arrangements presents an opportunity to address these issues. With the Commonwealth directing the federal contribution to the State for all sectors, the existence of two models – a national standard and a Victorian funding model – is appropriate and aligned with the principles of needs based and sector neutral school funding. The two models would serve distinct jurisdictional purposes – with the national standard allocating Commonwealth funding to states and the Victorian model allocating funding to schools. Given the distinct jurisdictional purposes, even if both are fully needs based, differences in the allocation models are inevitable and desirable. It also ensures Victoria retains the flexibility to adapt funding to the local context.

The State funding model would need to ensure that education for students in government schools is fully publicly funded, while contributions to the non-government sector are calibrated for parents’ capacity to pay. A move to one Victorian funding model would also ensure there was no a priori basis for either level of government to preference government and non-government sectors. The State funding model would most likely not be the SRP or the FAM; it would be something new.

To preserve consistency between the levels of Government, the models should be similar in structure and intent. To the extent possible, both state and federal models should be underpinned by formula-based loadings and calibrated by the best evidence available to serve student need. The same evidence should be used to inform the funding rates. However, there will necessarily be differences in how each model allocates, due to demographic differences between jurisdictions (for example Victoria does not have extremely remote schools, as WA does).

## Role of the Commonwealth

In a future state that involves much stronger state direction over funding to all schools, the Commonwealth still has an important role to play. With its role in overseeing and funding the tax and transfer system, the Commonwealth has a significant stake in ensuring students are in school and have the opportunity to perform to the best of their ability.

Through stakeholder consultations conducted as part of the Reform of the Federation White Papers, it was evident that many of the national education functions – that involve collaboration between the Commonwealth and State/Territory Governments – are regarded as valuable and should be maintained. These include the MySchool website, NAPLAN (and other testing such as PISA), the national curriculum and national principal and teaching standards (Commonwealth Government 2015).

The Review considers that unlocking data, evidence and effective practice plays a key part in raising student outcomes, enabling the sharing of information between schools to understand what works (and what doesn't work). While the Department of Education and Training has the ability to help the dissemination of this information within Victoria, there may also be benefits of learning from other jurisdictions. Further, transparent data can be considered an influencer of behaviour (though care must be taken to ensure it does not dictate behaviour in unintended ways), encouraging school improvement and mutual accountability. There may be a role for the Commonwealth to play in relation to these issues – in collaboration with States and Territories – for example in systematically sharing evidence on what works across the national landscape, establishing data quality and transparency norms, and a role in an expanded MySchool website that integrates information provided by the State and schools.

### **Recommendation 2**

The Commonwealth and Victoria should align their funding architecture to each other, with all funding needs based and sector neutral. To support this, the Commonwealth should provide its annual funding allocation to Victoria, which would then allocate funding across all schools in all sectors in Victoria. Under this arrangement, the Commonwealth will have an important role in overseeing data quality and transparency.

In the absence of aligned funding architecture, Victoria should endeavour to transform its funding allocation to align with desired funding principles, including that the review of the FAM in 2016 should investigate the use of the same indicators of student need in the FAM and the SRP.

### **School funding for 2018 and 2019**

The 2013 Heads of Agreement committed \$12.2 billion to education in Victoria over six years, with the State Government contributing \$5.4 billion and the Commonwealth contributing \$6.8 billion. In its 2014-15 Budget, the Commonwealth Government stepped away from its funding commitment, agreeing to indexation of only CPI plus enrolment growth from 2018 onwards. This disproportionately impacts the government sector, which will experience a Commonwealth funding gap in 2018-19 and 2019-20 of approximately \$1.1 billion.

The actions of the Commonwealth Government have significantly undermined public trust and confidence. It has reduced funding certainty to Victorian schools and put student outcomes at risk due to underinvestment. This is a particularly acute issue for the government school sector, which is currently funded at a significantly lower proportion of the SRS relative to the non-government school sector and, as such, is relatively more exposed to the structure of the Heads of Agreement that 'back ended' a large portion of government contributions to 2018 and 2019.

There are multiple views on the right approach for moving forward – for example some argue that the construct of the SRS is flawed and time should be spent establishing what an optimal resource standard looks like. While this analysis is warranted, it is simply not equitable that the most vulnerable students miss out while this work is carried out. This Review takes a pragmatic approach; there is a commitment to bridging funding for 2018 and 2019 at Gonski deal levels and that should apply until a new standard can be adopted in 2020.

Some argue that recommitting to the Gonski deal would lead to an injection of funds into the system that is too much, too quickly and that for reasons of budget responsibility, the timeline should be extended for all schools to reach their SRS (Connors and McMorrow 2015). However, the reform agenda detailed in this Review sets in place a number of changes to the way funding is allocated to schools and deployed by schools. This reform agenda is underpinned by confidence that the extra funding delivered by the recommitment will be used in the most effective way to improve student outcomes.

Recommitting to the Gonski deal would not only re-establish trust and confidence, but the additional funding would accelerate the Victorian Government's Education State agenda for school improvement and greater equity of outcomes even further.

### **Recommendation 3**

To ensure all students are treated fairly, the Commonwealth and Victorian Governments should agree to increase the quantum of funding in 2018 and 2019 in line with the 2013 Heads of Agreement (the 'Gonski deal'), with funding distributed across sectors according to need. In 2016 and 2017, the Commonwealth and Victorian Governments should agree on an approach for funding in 2020 and beyond that delivers effective and efficient school funding for student improvement based on student learning needs.

### **Recommendation 4**

In the event that the Commonwealth Government does not recommit to the Gonski deal, Victorian government schools will be proportionately worse off than non-government schools, and be underfunded by the Commonwealth in 2018-19 and 2019-20 by approximately \$1.1 billion. This will force more costs on to the Victorian Government, schools and parents, and exacerbate inequality. If the Commonwealth does not recommit, Victoria should focus its funding allocation on where it will have the greatest impact, prioritising the needs of the most disadvantaged students.

While the Review considers that a single needs based and sector neutral Victorian funding model will enable a more transparent and equitable distribution of funding, it recognises that this cannot occur immediately. Hence there is a need to address how best to allocate funding across sectors, which are likely to operate on two separate funding models in the immediate term. This is of particular importance in the context of any recommitment to the Gonski deal and consequent additional funding into the system.

Chapter 4 explained the legislation that governs the level of funding directed towards the non-government sector. It found that there was an unintended risk of funding not being sufficiently targeted towards students with the highest needs across sectors.

### **Recommendation 5**

The determination each year of the 'basket of goods' underpinning the annual funding allocation to the non-government sector should have regard to relative student need across sectors.

## 6.2.2 Strategic allocation of education resources

### Resource allocation and implementation planning

The 2015-16 Victorian Budget shows that DET is projected to spend a total of \$12.7 billion in 2015-16 delivering its outputs, with a large percentage (76 per cent) directed towards schools.

This is a considerable investment by Government in Victoria's young people and it is incumbent on DET and all education partners to deliver the greatest return on this investment by improving the breadth and quality of outcomes for all students. This focusses attention not only on the quantum of funds but also on the way funding is allocated to meet strategic priorities. As a recent study from the US National Bureau of Economic Research points out, it is critical that funding 'should be coupled with systems that help ensure spending is allocated towards the most productive uses' (Jackson et al 2015).

While the following sections in this chapter recommend how the allocation of funds to support specific strategic priorities can be strengthened, the Review has identified that overall planning for the strategic allocation of funds is a critical area for improvement by DET. A 2015 VAGO Audit of Strategic Planning found that DET's current approach to resource planning is piecemeal and lacks transparency (VAGO 2015c). VAGO also found that while DET has a sound integrated resourcing strategy, it is not being adhered to in practice. The achievement of outcomes is significantly undermined by ineffective department wide governance and the poor implementation of plans (VAGO 2015c).

Further, DET's governance framework is deficient and undermines the application of its planning framework. DET's implementation plans are often missing key elements, for example the lack of a consistent format for its plans and a consistent project management framework to ensure work plan actions are adequately implemented and overseen. VAGO also found that there are strong silos across DET which limit resource sharing and negatively impact service delivery.

VAGO reports that early DET attempts to address these areas of governance, leadership and implementation show promise, but more can be done to maximise the impact of the substantial public investment that is managed by DET. Improvement is needed in DET's capacity to make and implement strategic resourcing decisions to encourage more integrated and effective investment decisions across the portfolio.

The Review envisages that DET's new regional model will play an important role in supporting improvements to implementation and project management.

#### Recommendation 6

DET should prepare a long term reform strategy for lifting student outcomes, develop costed annual plans to support the long term strategy, and prepare evidence based annual budget submissions that support these annual plans.

### Cross government strategic allocations

Many areas of government have a stake in improving education outcomes and there is wide scope for harnessing cross government synergies in resource allocation.

Educational attainment has broad societal benefits. Individuals who are educated have better labour market prospects, better health and wellbeing outcomes, less interaction with the justice system and lower incidences of poverty and less reliance on the welfare system (OECD 2011, 2012). An individual's opportunity to fulfil their educational potential is also influenced by a number of factors outside of the education system

– most importantly their family background and circumstance. The welfare and justice systems, access to government services including jobs services, assistance for new arrivals and access to government infrastructure, including public transport all have an impact on families.

The Review heard from stakeholders that there are many opportunities for DET to work more closely with other departments in providing learning and support services and to ensure that the investments that DET makes in the education system gain from the parallel or co-investment by other areas of government. This could extend to the provision of health and wellbeing services, a holistic approach to students at risk of disengagement or those who are already disengaged, and in progressing place based approaches to addressing disadvantage through coordinated infrastructure and planning. Schools as a locus of community activity are well positioned to be hubs of service delivery to communities.

#### **Recommendation 7**

To assist with the integration in schools of the full range of services that support learning and development, and support student and family welfare, coordinated funding proposals should be developed by DET and the other agencies or departments that deliver similar or complementary services.

### **6.2.3 Effective use of locally raised funds**

The Victorian school system relies on private as well as public contributions. This is the case for government and non-government schools alike. Significant external funds are raised by government schools, particularly through parental contributions. In 2014-15, this amounted to over \$650 million. The VAGO report into Additional School Costs for Families (2015a) highlighted the tensions that arise from limited transparency and accountability for why these funds are collected and how they are used and the equity implications of advantaged schools having a much higher capacity to raise external funds.

External contributions (funds or in kind contributions) can support schools to meet the needs of a rapidly changing world such as access to learning technologies and greater engagement internationally. Other demands for an enriched curriculum will also emerge as schools seek to provide more diverse and personalised learning that develops new capabilities such as entrepreneurship, collaboration, problem solving and resilience.

Contributions from parents, businesses, international students, community groups, philanthropists and from investments and commercial arrangements that augment government provision of the core curriculum should be actively encouraged. These contributions can strengthen the school community and instil a sense of shared responsibility. However, there is a need to ensure that funds raised are used effectively and that family hardship does not become a barrier to all students experiencing a rich and varied curriculum.

The Independent Review of Parent Payments in Victorian Government Schools (Cole et al 2015) identified the need to improve existing DET policy and make more explicit the rationale and the purposes of parent payments. The review found that a comprehensive policy framework is now needed that provides clear policy logic and practical guidance for schools. DET should improve management practices at the school level to cater for the full range of parents, particularly parents who may experience hardship or who are willing to provide other levels of support for their children's schools.

## Transparency and accountability

While changes to the policy and practices will go a long way to making the issue of locally raised funds clearer to parents, there is an extra step required to ensure that there is accountability around what schools intended to do with these funds relative to how they actually expend them. The Review proposes a new Strategic Accountability Statement, which would require schools to publish their funding data, including how this funding is to be used to improve outcomes for students. This is a vehicle through which it is logical that accountability for locally raised funds could reside.

Such transparency will enable contributors to see the intent and impact of their investments. It could enable policymakers and others to see examples of innovative practices across the system.

### Recommendation 8

To strengthen accountability for how locally raised funds are used, government schools should report publicly each year on how they intend to raise local funds and deploy them to lift student outcomes, how they take family financial hardship into account, and how funds from the previous year were raised and expended for strategic benefit. Government schools should be clear that they are seeking voluntary contributions from parents for student learning materials and for the purpose of enriching the school curriculum, and not funding the provision of the core curriculum.

## Support for disadvantaged students

Schools in low SES areas are not able to generate the levels of funds from parents that advantaged schools can and many are seeking other sources for support.

Partnerships with business, philanthropic and not-for-profit organisations are being fostered throughout the state but there is evidence that some schools find it difficult to develop and sustain these partnerships. A survey conducted by the Leading Learning in Education and Philanthropy Advisory Group (Anderson and Curtin 2014) found that:

- nine out of ten schools report that they are new or inexperienced when it comes to engaging with philanthropy; not-for-profits working in schools have considerably more experience
- philanthropic organisations, not-for-profits and schools agree about the issues that are preventing engagement, such as creating a culture of seeking this type of support, or knowing whether they have the right eligibility status, but these barriers are yet to be overcome
- the capabilities of many not-for-profits are an untapped resource for many schools in brokering and leveraging such partnerships.

Another barrier to philanthropy is that most government schools have been limited in their ability to attract tax-deductible funding. Barriers have included schools' lack of Deductible Gift Recipient (DGR) status, limited fundraising resources and know-how.

Given these difficulties, the Department of Education and Training can play a proactive role in helping to foster these partnerships, particularly for low SES schools, for example through:

- partnering individual schools with organisations like Schools Plus – a charitable organisation with DGR status that acts as a broker for philanthropic trusts, individual donors and schools – to unlock more external funding

- developing, via an expression of interest process, a panel of philanthropic organisations and partnership brokers for use by schools. The panel would provide choice and ‘quality assurance’ in the development of partnerships. Using the Panel would enable DET local areas to more actively facilitate partnerships between local schools, businesses and philanthropists, and a wider set of learning experiences.

#### Recommendation 9

Regions should support low SES schools to develop their partnering and fund-raising capacity, including forming partnerships with businesses, philanthropists and not-for-profits, and facilitating partnerships between individual schools and Schools Plus. The Victorian Government should advocate for Commonwealth tax law amendment to enable the registration of government schools as deductible gift recipients.

### 6.2.4 A fairer, more effective, more efficient allocation model

Analysis in Chapter 4 suggests that while the SRP is currently a robust resource allocation mechanism, improvements can be made to align it to a resource standard that better targets the needs of Victorian students.

#### Funding model

Targeting funding to student need is more equitable and is linked to stronger system wide educational outcomes (OECD 2013b; Field et al 2007; Wilkinson and Pickett 2009; Jensen et al 2012). A key recommendation of the Gonski Review was the establishment of a recurrent resource standard that included the full costs of delivering schools services and was based on the following funding principles:

- fair, logical and practical allocation of public funds
- funding in response to need
- funding from all sources must be sufficient
- support for a diverse range of schools
- driving broader school reform
- partnership between governments and across sectors
- transparency and clarity
- value for money and accountability.

In recognition of the additional support that some students require to achieve their educational potential, loadings above the base allocation of funds were recommended for school size and location, students from low socioeconomic status, Indigeneity and students with limited English language proficiency. Further, there was a recommendation to move away from funding targeted programs.

The funding architecture recommended by this Review aligns with these Gonski principles.

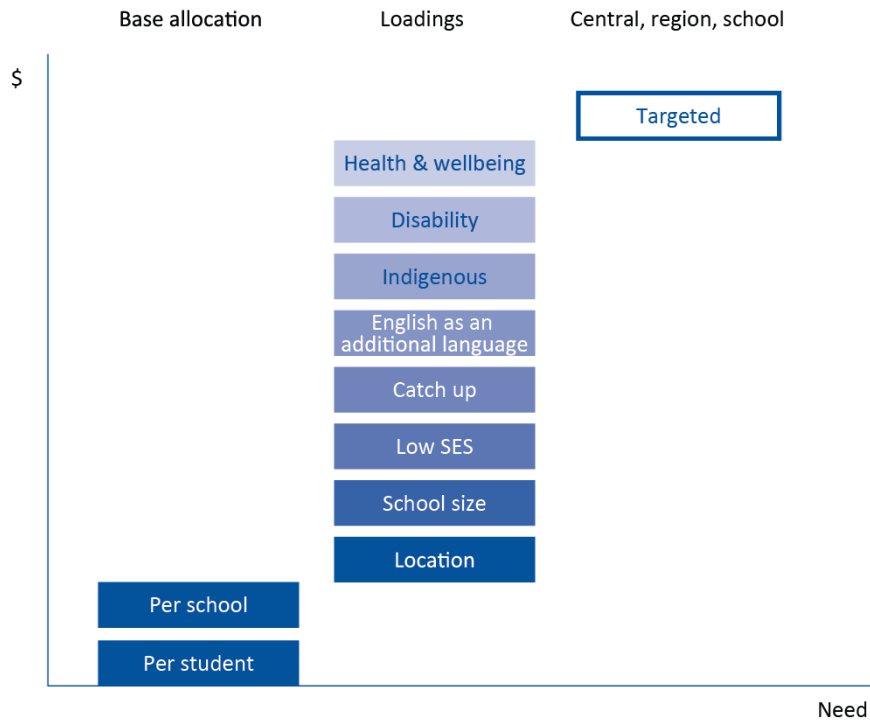
The structure of the funding model proposed by the Review includes a base allocation, a series of loadings and a pool of targeted funds. The model allocates as much funding as possible directly to schools to enable local decision making.

It is important to recognise that this funding model is not a move towards greater autonomy for schools. Rather, the funding model is just one important component of a reform agenda that is aimed at broader system improvement. While schools will have increased flexibility around how they use their funding, they will be better supported by the centre and regions in the effective use of these funds, including greater diffusion of practices that have worked well in particular schools or areas. Further, by directing funding in a



simple and transparent way to schools, accountability for student outcomes are in the right place – that is, at the school level, as close as possible to the student. This acts to preserve the integrity of school funding and reduce the level of distortion which can arise from system fragmentation.

**Figure 66. Revised funding architecture**



### Base allocation and loadings

To transition to this model involves a number of changes to the SRP, including changes to how some of the base allocation and loadings are calculated, as well as consolidation of programmatic lines (or funding lines with no solid policy rationale) into proposed loadings. Base allocation is comprised of two parts.

- Per student component, including the current stages of learning allocation based on the year group of the student, Managed Individual Pathways program, and components of the school budget which are linked to enrolments including maintenance, utilities, and cleaning.
- Per school component, including the components of the school budget that reflect the individual characteristics of the school (for example, buildings and grounds maintenance, utilities, and cleaning).

These issues are addressed in more detail in Section 6.6.1.

### Targeted funding

The proposed funding model recognises that student need cannot be fully met through formula-based loadings. There are some student, school or system level needs that require differentiated and specialised responses. In the first instance, targeted funding will be centrally held and accessible by application, for the needs of:

- students with a disability who require high levels of educational adjustment
- students accessing VETiS, with funding possibly sourced from the Victorian Training Guarantee (VTG).

Further, as recommended by the Gonski Review, a funding model should drive broader school reform, encourage innovation and the diffusion of good ideas. Research suggests that the use of challenge based funding is a useful way to find and share new solutions to hard problems and in some cases collaborative solutions can be achieved with modest investment (Bentley and Cazaly 2015).

It is proposed that the targeted funding category includes three problem based funds accessible to schools.

- Learning Partnerships Challenge Fund, to encourage and enable collaboration between schools, and other service providers, in areas of shared interests
- Student Engagement Fund, to incentivise new ways for schools to work with partners to keep students in school, establish reengagement programs or otherwise attract them back into school
- Government School Renewal Fund, to clear a backlog of upgrades and incentivise new ways for schools to manage the built environment to enhance learning.

These problem based funding pools will incentivise the development of new ways of learning and partnering in targeted areas. They are intended as a major stimulus to innovation and reform. Outcomes will be rigorously monitored, evidence captured and the parameters of the funds adjusted accordingly. The funds are intended as ongoing and will become a significant and long term reform lever.

The gains from the funds will be evident through:

- ensuring the experiences of schools and networks are transparent and the evidence is systematically shared among other schools – as in using the Education Performance Portal (see Recommendation 35)
- embedding evidence based practices in the core role of schools – for example, through inclusion in the Strategic Accountability Statement (see Recommendation 36)
- in some cases, new effective approaches developed through the funds could be subsequently ‘mainstreamed’ through conversion to, or augmenting of, an SRP loading.

The three problem-based funds are described in more detail in Recommendations 18, 40 and 66.

### **Recommendation 10**

Victoria should introduce a consistent standard to allocate school funding for student improvement that reflects the diverse learning needs of students. The new school resourcing model will include:

- a base allocation, comprised of a per student component and a per school component
- loadings, based on the attributes of students or schools that mean they have additional needs
- targeted funding for meeting specific student needs (for example, students with disabilities requiring highly specialised support, and supporting senior level applied learning); and three ‘problem based’ funds to incentivise joint effort in developing and sharing solutions to existing problems. These include a Learning Partnership Challenge Fund, a Student Engagement Fund, and a Government School Renewal Fund.

### **Validation of funding rates**

This Review includes a number of proposals to transform the current SRP into a ‘base plus loadings’ standard via redirecting funding, consolidating funding lines, or re-basing funding formulae. Fundamental to the new school resourcing model is that the rates underpinning it are based on robust and current evidence. This ensures that the model acts as a resource standard that allocates the appropriate level of funding to schools to achieve pre-stated student outcomes. In the context of resource standard, the level of funding will be informed by a sample of ‘effective and efficient’ schools, who meet these objectives in the most cost

effective way. While the SRP was originally based on this type of analysis, it can no longer be described a resource standard since many funding lines are allocated in the context of a fixed funding envelope.

Past reviews of the SRP have focused heavily on the per student base allocation (the stages of learning component). The relativities between year levels that underpin the current SRP are based on research that examined how the most effective schools allocated their resources. The Review considers that it is now necessary to broaden the scope of this assessment to understand how effective and efficient schools allocate other recurrent funding, such as loadings and other base allocation components such as maintenance, cleaning and utilities.

To give a fuller picture of the resourcing required to achieve a higher education standard, a full benchmarking exercise should be broader than past reviews of the SRP. The base and loadings should be recalibrated using a single point-in-time assessment of the costs of servicing needs of students in a representative benchmark group of efficient and effective schools in Victoria. This will ensure estimates of base and loadings amounts are contemporaneous, and as 'additively separable' as possible.

The benchmarking exercise should also give consideration to the following.

- A more comprehensive definition of student performance. The SRS preliminary estimates were based on NAPLAN achievement levels. This should be broadened to encompass schools that are achieving significant learning growth for their students. It could also be broadened to encompass measures beyond NAPLAN.
- Solving the 'path dependency' problem. The cost of schooling in Victoria is derived from previous funding allocations for schooling rather than being a more objective assessment that links funding to the costs of servicing diverse needs. This can start to be addressed by including relevant non-government Victorian schools and schools from other jurisdictions in the benchmarking exercise.
- Determining the frequency of recalibration. Consideration should be given to updating the model on a rolling basis such as every four years, taking operational improvements into account and ensuring the basis of resource use is based on the most effective and efficient schools.
- Improving the method of evaluation. It is important to ensure that data on effective schools take into account all types of school and student characteristics. This may involve fieldwork and surveys to gain an empirical view of how schools use their resources.

The benchmarking should be conducted to align with other government review and policy development processes, and be completed in partnership with central agencies. It is also advisable that the benchmarking be conducted with input from an independent panel to provide external scrutiny and expert support.

#### **Recommendation 11**

A full benchmarking of the SRP should be undertaken periodically (for example, every four years) to align funding and costs for all components of the base allocation and loadings with student improvement. Benchmarking should take account of a comprehensive definition of student achievement and use a robust methodology for evaluation of school effectiveness. The first full benchmarking exercise should take place in 2016. The periodic benchmarking exercise should be conducted as an interdepartmental project, including DET, the Department of Premier and Cabinet and the Department of Treasury and Finance, and be reviewed by a panel of independent experts..

## 6.3 Strategic governance

Collaboration is the sharing of effort, knowledge and resources in the pursuit of shared goals. The Victorian school education system is similar to others areas of the economy; it can be better when it works together.

Education State boosts collaboration among schools and with the community and strengthens capabilities in schools. A new regional model will provide additional education services for schools and assist leaders and schools to collaborate with each other and other partners. A whole-of-system view has great potential to guide governments, schools and sector and other contributors towards delivering higher collective value.

### 6.3.1 Value of strategic collaboration

A growing body of research shows that collaboration can be a powerful force for improving student outcomes through the improvement of individual schools and the broader system.

- *The Shared Work of Learning: Lifting Educational Achievement through Collaboration* (Bentley and Cazaly 2015) which finds collaboration can assist overcome community disadvantage and lift student achievement.
- *School Improvement at Scale: A Victorian Success Story* (Suggett 2013) and *Powerful Learning: A Strategy for Systemic Educational Improvement* (ACER 2011) which document success in Victoria in improving student outcomes in challenging and low SES locations through building highly collaborative and mutually accountable networks of schools with a shared commitment to a model of school improvement.
- *Making the Grade: Autonomy and Accountability in Victorian Schools* (Victorian Competition and Efficiency Commission 2013) which proposes a new leadership role at the regional level to facilitate collaboration between schools in the interests of improving student outcomes and the realisation of efficiencies.
- *No School is an Island* (RSA Action and Research Centre 2011) which finds significant additional value is released when schools collaborate, allowing pupils and teachers to benefit from a wider range of resources and assets.
- *The Importance of Teaching* (Department of Education 2010) which announced a 'collaboration incentive' to facilitate improvement in underperforming schools through collaboration with high performing schools.

Some schools are already collaborating effectively in a range of ways for a range of reasons. Schools all over Victoria already collaborate in the provision of VETiS through clusters. There are schools in regional Victoria who have established 'alliances' in order to collaborate in areas such as teacher professional development. Two schools in the outer metropolitan suburbs of Melbourne currently share a single school council for the purposes of integrating their governance, planning and oversight. At scale, the Department of Education and Training has previously used 'school regeneration' interventions in clusters of low SES schools to encourage federation in the interest of improving education provision across an entire community.

Consultation for this Review indicated that more collaboration between schools would be welcome. For example, stakeholders representing the interests of rural schools reported to this Review that efforts on behalf of regions to broker the sharing of resources, including teachers, business managers, and contractors, would be appreciated. They also indicated that better sharing of data and teaching practices between secondary schools and feeder primary schools would greatly assist in meeting the needs of students who are transitioning between the two.

In the following section of this report, a range of measures are proposed to encourage more collaboration across schools and the system. These measures seek to facilitate increased collaboration at both the system and the school level through a mixture of active facilitation, brokering, and the use of incentives and reduction of administrative barriers.

### Strategic Leadership – School Policy and Funding Advisory Council

The School Policy and Funding Advisory Council (SPFAC) was legislated via the *Education and Training Reform Amendment (Funding of Non-government-Schools) Act 2015* - to provide advice to the Minister on 'regulatory, policy and funding issues that affect Government schools and non-government schools'. The SPFAC is a change in the governance of the school system across the state. It brings together the three sectors to negotiate over system settings in a more collaborative climate. The Act requires membership of the SPFAC to include:

- the Secretary of the Department of Education and Training (Chairperson)
- a representative of the Catholic Education Commission Victoria
- a representative of Independent Schools Victoria
- a representative of Government schools employed by the Department of Education and Training.

The Act provides for the Minister to make appointments to the SPFAC where additional expertise can contribute to its advisory function. This provides the opportunity for broad systemic or public interests to be represented on the SPFAC, in addition to sectoral interests. Systemic benefits could include collaborative opportunities that extend across sectoral boundaries, negotiating solutions to shared problems, and better sharing of data across sector boundaries.

Data sharing in particular can deliver significant public value through forming a whole-of-system view of education performance. A negotiated system wide approach to safe and trusted data sharing is likely to offer the legitimate and sustainable path to progress (Mansell 2015). Jurisdictions such as New Zealand are more ambitious in their application of systemic data and analytics to drive service and learning improvement. The SPFAC should prioritise such an outcome.

#### Recommendation 12

The Minister for Education should exercise Ministerial authority to include one additional member on the School Policy and Funding Advisory Council to represent the common interests of all Victorian students, to seek opportunities for collaboration between sectors, advocate for sharing data, and to add a neutral and objective view to sectoral discussions.

### Strategic Partnerships – Collaboration Hubs

The recent announcement of a new Departmental regional structure in Learning Places - Partnering for better outcomes (DET 2015b) includes new roles for Area teams to manage local networks, develop partnerships and relationships, and build the capacity of communities to respond to needs and problems. DET also recently released the Framework for Improving Student Outcomes (DET 2015d) which has a strong focus on collaboration among educators and between schools and the community. Schools are urged to work together to build practice excellence and build partnerships with a wide range of others services, 'harnessing the full capacity of the community'.

New 'Collaboration Hubs' could provide an opportunity to strengthen collaboration at the level of the Area, in local school networks and/or between schools with common interests and challenges (that is, beyond any geographical relationship). Collaboration Hubs can bring government schools and their partners together, on

a voluntary basis, to explore opportunities for collaboration, share resources and data and to discuss common challenges. To ensure collaboration was meaningful Area offices would use their infrastructure and analysis capacity to identify, facilitate and convene (for example, in person, via teleconference and online) Collaboration Hubs and assist them initiate joint projects, distribute project responsibilities and ensure project delivery.

This is consistent with lessons from prior initiatives in Victoria to formalise networks (Griffin et al 2012) and international evidence on effective networks (Timperley and Erle 2012; Hargreaves 2010). Evidence highlights the need to build networks that are more than just a collection of schools and others in a community but which operate more like an ecosystem with shared objectives, mutual activities and interdependencies, and shared resources.

The concept also derives from the use of collaborative models for provision in specific aspects of the curriculum or cohorts of students such as in the use of clusters to deliver VETiS; the use of SSSO networks for the coordination of services for students with a disability; or to remove barriers to improvement such as forming clusters to ensure smoother transitions in literacy and numeracy from primary to secondary school.

Collaboration Hubs would have a responsibility to champion and serve the needs of all schools and vulnerable students, but also the freedom to pursue new approaches to improvement.

### **Recommendation 13**

Each Area Office should convene and coordinate a 'Collaboration Hub' that brings principals and partners together, voluntarily, to explore collaborative opportunities to share resources, data and experiences, and to work on solutions for shared problems. The long term objective for Hubs is that they are not necessarily led by DET, but instead are open peer based networks led by schools, establishing norms of behaviour.

## **Strategic Partnerships – formal collaborative arrangements for schools**

One instrument already utilised in the system for formalising collaboration arrangements between schools (for example sharing of teacher resources or sharing contractor costs) has been the 'memorandum of understanding' (MOU). MOUs have been used successfully in some regional Victorian contexts to form 'school alliances' for collaboration in the professional development needs of teachers.

Some schools have already successfully experimented with more structured approaches to collaboration, where, as equal partners or 'peers' schools have federated for reason of mutual benefit. As members of a 'peer federation' the participating schools and school principals preserve their existing responsibilities over management decision making, including staffing and budgets. Other structural changes have supported more wholesale changes to governance, including the leadership team with the appointment of an executive principal to steer the federation.

Many schools have also come together through school councils mutually agreeing to merge schools. Mergers have occurred over the past two decades as a means for enhancing schools' viability, broadening curriculum provision and addressing financial sustainability issues. Schools may share an executive principal with responsibility for overall management of the federating schools, most commonly referred to in Victoria as a multi campus school. In effect, schools in such an arrangement cease to operate as autonomous entities, with operations managed by a single principal who leads the school and provides leadership and oversight for the work of campus principals.

Collaboration involving changed governance as a mechanism for improvement is well supported in the research literature.

- *Professional Practice and Performance for Improved Learning: School Governance* (DET 2014) identifies that various forms of school federation can realise economics of scale and improve school governance.
- *A study of the impact of school federation on student outcomes* (National College for School Leadership UK 2011a) found that the biggest effects of federations on student performance were evident when high performing schools partnered with low performing schools and that larger effects were evident when an executive head was utilised relative to more traditional approaches.
- *A study of federated governance in schools* (National College for Teaching and Leadership 2014b) found that one of the main reason federations are adopted is to 'address or prevent school failure'.
- *Sustaining Urban Catholic Elementary Schools: An Examination of Governance Models and Funding Strategies* (Boston College 2011) found that the adoption of various federated models using collaborative governance strengthened the impact of school leadership and governance on performance.

In Victoria, the establishment of a federation or similar requires a Ministerial Order, given they impact the School Council Constituting Orders. This requirement establishes a high barrier for schools wishing to explore federated arrangements. A number of schools in Victoria have successfully instituted federations and streamlining the process for federating may provide more opportunities for schools and DET as a system to consider this collaborative option.

The review proposes that further consideration of federated governance models is worthwhile for the management of a range of issues in school contexts, for example where:

- schools in a particular location are experiencing declining enrolments and are increasingly unsustainable
- an unproductive level of competition for enrolments exists between schools or within or between sectors
- a differentiated enrolment policy has been established for legitimate purposes (usually either school capacity or curriculum and cohort specialisation) and which has created unintended consequences such as a reduction in choice or residualisation of a nearby school
- there is an identified need to manage principal performance issues across a number of schools.

Solutions may be identified by schools, through the school review process or through other mechanisms generated at the regional or area level.

Examples of the operation of successful federated models in Victoria include those created under the former Education Regeneration program. A number of schools in the north of Melbourne, the north of Geelong, Bendigo and others, were federated along with significant capital investment and the revitalisation of school leadership and staff in order to prioritise the interest of school communities ahead of more structural considerations, such as the number of campuses, schools, councils or principals.

While the adoption of more structured federation is always a complex issue for schools and school councils, there is an opportunity for the newly established Areas to purposefully work with schools on which formal arrangements best suit their collaborative arrangements and to provide advice for schools on the establishment of forms of federation.

#### **Recommendation 14**

Regions and Area Offices should, as an ongoing responsibility, identify opportunities where federated governance of schools would ensure all students have access to a viable and contemporary curriculum.

### **Recommendation 15**

DET should reform the current regulatory and administrative processes for federating schools (for example, through the appropriate delegation of Ministerial powers) in order for Regions and Areas to facilitate collaborative governance more responsively.

In addition to incentivising the formation of federations by streamlining the current regulatory and administrative processes, the Department of Education and Training should also ensure that the implementation of federations is supported through the provision of advice to regions on the most appropriate circumstances for their establishment, for example in contexts where:

- a regional school may be in relative close proximity to a number of smaller rural schools
- a cluster of schools might seek to ensure sharing expertise and specialist skills on a permanent basis
- a high performing school and an underperforming school might gain from forming an alliance that enables mobility of teachers and students.

This advice should be informed by research and the Department of Education and Training should also develop its own understanding of how best to leverage school federations through action research that seeks to understand these in the Victorian context.

### **Recommendation 16**

Regions and Areas, working with the centre, should identify immediate opportunities for groups of schools to participate in a Federation Pilot Program. This Federation Pilot Program should design, implement and evaluate a number of federating models that:

- unify governance and leadership across federated schools
- tailor the purpose and structure of a federation to respond to local issues and opportunities
- ensure a school council composition is representative of the strategic partnerships central to improve curriculum delivery in a community.

School councils in Victorian government schools are charged with making strategic decisions for the benefit of the students at the school, monitoring the schools finances and developing school specific policies.

It is clear that communities benefit when collaboration occurs among local schools and partner organisations. School councils have an important role to play in the school's strategic planning including engagement with their wider community. Council membership regulation currently allow for parents, staff and community member categories however given the objective of this Review is for better student outcomes, it is important that school councils have a broader view of the role the school plays in the wider community and how it contributes to the benefit of the system as a whole.

### **Recommendation 17**

To enhance the role of school councils in supporting school strategic planning and strengthening links with the community, the Minister for Education should act to broaden the School Council Composition and Elections Order for the purpose of providing additional membership for broader 'public interest' oversight for how the school is meeting its wider community obligations and responsibilities to the system.



## Strategic Partnerships – Learning Partnerships Challenge Fund

‘Challenge funds’ can target complex problems that are ‘hard to reach’ with mainstream policy levers. Success rests not on prescribing the method but on defining well the desired outcome, leaving the method to bidding applicants. This approach elicits innovative proposals.

The Review proposes that a Learning Partnerships Challenge Fund (LPCF) is established to encourage and enable service providers to develop innovative solutions for potential scaling through government and non-government school sectors.

The LPCF aims to prompt innovation through collaboration. Funding pools designed around well-defined system objectives can bring schools and partners together who would not otherwise collaborate. They might bring together low SES and high SES schools, or government and non-government schools, their communities and non-government partners around a common objective.

There are examples that have worked effectively in Victoria in the past.

- The ‘Education Benalla’ Program is a large scale community initiative to improve educational attainment in the region. The program’s desired outcome is that by 2030 the education and training completion rates for 17-24 year olds is equal to or above the state average.
- Dandenong West Primary School and St Anthony’s Primary School in Noble Park joined together as ‘Schools as Banks of Social Capital’ and developed an explicit commitment to improving student learning through teacher practice and deepening family and community engagement in learning. Supported by Mission Australia, the schools agreed that by working together they would be a stronger force for increasing social capital in their community.
- ‘Hands on Learning’ has partnered with almost 60 Victorian schools through regional clusters to support in-school strategies for students at risk of leaving school early. The students work on building projects that benefit their school and community, while developing critical learning skills such as collaboration, problem solving, perseverance and resilience.

The recent announcement of a new P-12 school as part of an overarching learning hub in Robinvale is the culmination of a school-community partnership supported by government and non-government agencies to deliver improved outcomes for the community. The learning hub will include a P-12 school, an onsite early learning centre, parent and family support services, and will facilitate industry partnerships to provide future opportunities for students and members of the broader community.

Existing government procurement practices tend to be focused on specifying the solution (for example, breakfast clubs) or requiring schools to simply ‘do more’ (for example, more teacher aides). This can stifle the formation of partnerships and innovative solutions. An important design feature of the LPCF is that projects lead to improved teaching and learning by building a body of evidence based practice for schools and the wider system.

The LPCF would fund the development and testing of partnerships that offer innovative solutions to large systemic challenges<sup>24</sup>. Because it requires more than one school to identify the problem, it will also encourage schools themselves to experiment with more flexible partnering practices. The National Disability Insurance Agency is evolving in a similar direction, procuring personalised solutions, often through brokerage that combines and coordinates multiple resources.

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<sup>24</sup> Examples of the use of challenges to tackle public policy needs include Barcelona Open Challenge (<http://bcnopenchallenge.org>) and the NSW Premier’s Innovation Initiative (<https://www.nsw.gov.au/innovate>). For an example of how this can be integrated with ongoing programs, see the role of demonstration projects within framework of the Centre for Court Innovation (<http://www.courtinnovation.org/what-we-do>).

The LPCF will involve a three stage process:

1. schools and sectors will identify systemic challenges that need to be addressed
2. solution providers will submit proposals to meet these challenges
3. those proposals that are accepted will be funded to support prototyping, testing and design in practice, and/or evaluated for the potential for wider application.

This three stage design and implementation process addresses the key barriers to service innovation - access to finance, access to skills, the cost of product development and uncertain future demand, while managing cost and risk for schools, sectors and the government.

Participation in LPCF will be voluntary for government schools and school sectors, though participation (and non participation) will be reported, good practices shared and successful solutions promoted locally and nationally. Examples of initiatives that could be supported include overcoming barriers to learning and creating effective learning environments for students.

### Recommendation 18

The new 'targeted' element of the SRP should include a new Learning Partnerships Challenge Fund to unlock the potential gains for students from collaboration between schools and non-school partners – parents, businesses, community groups, philanthropy, local councils, other government departments – to broaden curriculum options, share resources, improve student welfare, and to improve operational efficiencies. Key features would include:

- the Fund would be competitive, open to schools or groups of schools and their partners
- schools with higher SFOE would be prioritised
- government and non-government schools would be encouraged to apply
- assessment criteria would require that partnerships are formed around clear problems
- cross sector and experimental initiatives would be encouraged
- open sharing of data, project feedback and evaluation would be required for all projects
- the Fund would be of sufficient size to generate a diversity of collaborative activity across schools and partners.

### Strategic Partnership – Learning Partnerships Scheme

Proposals for Collaboration Hubs, more formal collaboration arrangements, changes to school council composition, transparency around spending, and the LPCF have been designed to act as catalysts for more collaboration in schooling. However, they depend on voluntary effort or on governance changes, neither of which are guaranteed to lead to the desired behaviour change, especially in mitigating the negative impact of competition between schools.

Following are examples of the two broad approaches that can be taken to encouraging a system wide view.

**Mandated redistribution:** Portland, Oregon, established such an initiative, whereby one third of all funds raised (after the first \$10,000) is set aside in an 'equity fund', that is then distributed to high need schools on the basis of a range of factors of disadvantage, including students in poverty and limited English proficiency. Notably, the Portland approach encourages both inclusion and innovation.

**Mobilising partnerships:** In 2010, the UK Government established a new collaboration incentive to reward schools which support weaker schools to demonstrably improve their performance while also improving their own. The fund incentivises improvements in attainment overall, improvements in progression and narrowing of the attainment gap between disadvantaged pupils and others. This led to the establishment of an independent grant making charity, the Education Endowment Foundation, dedicated to breaking the cycle of disadvantage and poor educational attainment.

The Review prefers the approach of mobilising partnership over mandating redistribution. The system is ultimately best served when stakeholders voluntarily embrace collaboration and shared responsibility. However, the competitive pressures in Victorian schooling are very strong. Wider policy options should therefore be considered in the event that the desired shift in behaviour and culture is not realised.

Should the rebalancing from competition among schools towards collaboration move too slowly, the Review proposes that the Government implement a new Learning Partnerships Scheme (LPS) that strengthens system connectedness and enshrines shared responsibility. The intent of the LPS would be to actively mobilise collaboration between schools, especially between those schools that have more resources with those schools that have less.

The LPS would draw on elements of the Oregon and UK experiences. All schools – government and non-government – would contribute funding to the LPCF (drawing on the Oregon scheme) unless they can demonstrate that they are engaging in purposeful partnerships with other schools to jointly improve the education outcomes for their students (drawing on the UK scheme).

To ensure collaboration is purposeful, schools would have to choose from a list of systemic priorities defined by the SPFAC, which could include, for example, student health and welfare, closing the gap for Koorie students, student retention, bridging the rural/city divide, or expanding access to advanced technologies or global opportunities.

School contributions would be required to apply as a proportion of total school income (beyond a threshold of say \$15,000 per student). In addition to providing the incentive for greater collaboration, the LPS therefore provides a constructive mechanism for a proportion of externally raised funds to be applied for systemic benefit.

The Learning Partnerships Scheme is not intended as a punitive initiative. Rather, the intent is to mobilise collaboration, which the evidence shows is beneficial for all schools, whether high performing or low performing. To enable easy compliance with LPS, Learning Collaboration Hubs could be asked to provide options for all participating schools.

The Education Performance Portal would strengthen incentives by identifying which schools are meaningfully collaborating and which ones choose not to, while collaboration could also be built into principal performance plans.

#### **Recommendation 19**

DET should explore the feasibility of establishing a Learning Partnerships Scheme requiring each government and non-government school to contribute a small proportion of their total income (including externally raised funds) above a threshold to the Learning Partnerships Challenge Fund. A school can avoid paying the LPCF contribution, however, if it can demonstrate meaningful collaboration with partners and other schools, including by:

- collaborating on solving common and shared problems or challenges
- exploring the potential for sharing resources and activities (administration, student learning, professional development, student wellbeing, and professional learning)
- designing and implementing collaborative programs that save on expenditure and reduce waste
- sharing student data, especially in the interests of continuity for students as they move between schools, or in tracking disengaged young people.

## 6.4 Empowered regions, schools and principals: a productivity agenda

Recent debate about school performance, including by the Commonwealth, has tended to focus on school autonomy, class size, teacher underperformance and performance pay. While this neglects the systemic factors that impact school performance, it also represents a narrow view of performance. There is a much broader scope of opportunity for raising school performance, including interventions that raise capabilities, strengthen accountabilities and improve governance.

### 6.4.1 Stronger capabilities in regions and local areas

The Department of Education and Training's new regional reforms include establishing 17 areas within the existing four regions, and deploying an additional 150 staff to increase local support for place based solutions for schools. This includes a greater emphasis on collaboration between schools and community engagement, and on strengthening teaching practice and expertise.

An opportunity therefore exists for DET to ensure these new reforms also assist with lifting the capacity in regions to support schools to make and implement complex resourcing decisions, often involving trade-offs.

Decision making in schools involves choices related to staffing profiles, performance management and teacher pay, managing parent expectations and competing spending priorities. At times it will be in a school's strategic interest to rationalise costs, to move teaching resources around, and to make decisions that favour some groups but are perceived to be at the expense of others.

The long term hope is that all principals have the experience and confidence to manage these complex decisions and their implementation, and to be accountable for them. However, for less experienced principals and others requiring assistance, the new Areas are well placed to offer this support.

#### Recommendation 20

DET should task new Regional Area Directors with ensuring principals and school councils are supported to improve their strategic decision making and implementation capacity. To facilitate this, DET should ensure Regional Area Directors are selected for their capacity for strategic decision making and implementation capability, and for their performance to be assessed accordingly.

### 6.4.2 Stronger capabilities in schools

A key component in the effectiveness of school resourcing is the capacity for schools to allocate resources efficiently in the interests of maximising learning growth (Melbourne Institute 2013). Central to this task is the capacity of leaders for strategic decision making.

Strategic decision making in the context of resource allocation in schools involves the process of matching existing and anticipated resources – including funding, but also other sources of physical, human and intellectual capital – with priorities that align with short and long term objectives. Strategic decisions should balance resource allocation across competing options, in the presence of risk and uncertainty. The role of evidence in prioritising the allocation of resources is crucial, including the capacity to translate experiences from elsewhere into a local context. In its organisational leadership education programs the London School of Economics describes strategic decision making as a fundamental skill, difficult to execute and often involving significant resources commitments.

In the Victorian education system the capacity of the principal for strategic decision making is critical but the Review acknowledges that expectations of principals need to be tempered by realistic understanding of principal workloads.

It is also important to acknowledge that the salary for a principal class member of the teaching service appears prima facie to be inadequate for acknowledging the complex, demanding and public role principals fulfil; nor does the principal salary appear to represent a significant incentive for the attraction or retention of high performing principals, particularly in Victoria's more complex school communities.

By way of comparison, a school principal at the peak of their career earning an average salary for the range of such staff (\$152,600) earns just 7.5 per cent more than a mid-career, middle manager in the Victorian Public Service, a position that in general is responsible for managing a fraction of the number of staff in a school or dealing with the complexity inherent in school leadership.

### **Recommendation 21**

The Victorian Public Service Commissioner should inquire into the potential for increasing principal remuneration to incentivise improved performance, including in low performing and low SES school contexts. This should also include consideration of the role and remuneration of executive principals.

There is also scope for leveraging existing arrangements for principal remuneration to distribute high performance school leadership differently within the system. At present the use of executive principals across the system is quite limited, and there is little evidence of a system wide strategy for their employment, deployment and performance management in the interest of addressing broader system performance challenges.

Current industrial arrangements in Victoria already allow significant flexibility for remunerating principals at rates higher than those established in the *Victorian Government School Agreement 2013*. These have typically taken the form of 'executive principals' who have been utilised in a variety of ways and contexts to turn around schools, including in federated models with two or more schools. However, stakeholders indicated to the Review that these positions are rarely used, often draw from a narrow pool of existing candidates and do not appear to be sufficiently formalised in the suite of options for improving school leadership.

Similar arrangements exist in other jurisdictions. The NSW government has recently announced a program to incentivise high performing principals to teach in the State's most difficult schools. This model links principal remuneration to both school size and the complexity of the cohort. The Principal Recruitment Allowance scheme in New Zealand pays a significant additional salary allowance for a fixed term (initially three years) and provides that each of a maximum of two renewals is contingent on an independent performance assessment that conditions placed on payment of the allowance by the Secretary have been met.

Victoria should also seek to ensure the provision for executive principals is more purposefully used to ensure a better distribution of leaders, including in locations where collaborations and federations are developing.

### **Recommendation 22**

DET should develop a strategy for the more systematic use of existing executive principal arrangements to lift school performance, in particular in communities with high concentrations of low SES schools, including to lead federations of schools.

Evidence to this Review indicates that there is significant variability between schools in their capacity for strategic resource allocation. This is reflected in the capacity of principals and the availability of business managers to provide comprehensive advice to principals around key issues and risks such as the financial challenges of an ageing workforce and achieving a good balance between teaching and non-teaching staff. This needs to be addressed.

### **Recommendation 23**

DET should improve the capacity for principals, assistant principals and business managers to exercise strategic management by introducing 'strategic decision making' into principal role statements, and requiring that 'strategic workforce planning' is included in school leadership courses, specifically the capacity to:

- avoid teacher profiles that are skewed to higher cost over time
- manage the financial challenges and opportunities presented by an ageing schools workforce
- increase teacher and wider workforce mobility within and between schools
- minimise the use of teaching staff in non-instructional roles wherever possible.

Principals, assistant principals and business managers should be encouraged to jointly attend relevant school leadership courses.

A number of independent and Departmental reviews of school governance (VCEC 2013; Department of Education and Early Childhood Development 2014), internal workforce analysis (PwC 2015b; Nous 2015) and international evaluations of autonomous decision making by schools support improving the strategic capacity of school leaders by increasing the technical capacity of business managers and their equivalents (Department of Education and Training 2010; National College for Teaching and Leadership 2014a).

### **Recommendation 24**

DET should require that business managers are accredited with an appropriate business management course. This should be supported by a comprehensive 'business manager competency framework' that incentivises improvement in the skills of business managers (for example, via the relevant EBA), specifically with respect to supporting strategic resource decision making. DET should also ensure the existing online Business Manager Information Centre and associated Foundation Competency Assessment Tool are aligned with the new business manager competency framework.

At the school level the peak decision making authority is the school council. School councils are required by the terms of their Constituting Order to produce strategic plans and oversee school finances. However stakeholders have identified variability in the availability and capability of existing or potential school councillors to fulfil this role.

It is therefore critical that the Department of Education and Training further invests in the capacity of school councils for strategic financial management and supports those volunteers who make sacrifices to contribute to the governance of their local schools.

### Recommendation 25

DET should improve the capacity for school councils to exercise effective governance by:

- ensuring all school council members are provided with information and training about their overarching strategic role
- ensuring that school principals and school council presidents undertake training in strategic decision making in order to better discharge their governance responsibilities
- amending the School Council Composition and Elections Order to require that, relative to the existing proportions of 'parent' and 'Department employee' members, schools councils actively seek to co-opt members with demonstrated strategic management expertise (for example finance, strategic planning, human resource management) to improve council capacity for strategic governance.

## 6.4.3 High quality teaching and learning in the classroom

What happens in classrooms matters most among the within school factors that affect student outcomes. This is not news to parents, teachers or principals. However it does place pressure on ensuring the 80 to 90 per cent of the SRP that constitutes teacher salaries is wisely allocated by schools and that the system is committed to supporting teachers improve their practice.

In consultations for this Review, some stakeholders claimed that principals had little discretion over much of their budget because most of it went to teacher salaries. However, the recruitment and deployment of teachers is one of the most important strategic choices that principals make in relation to improving student outcomes.

In Victoria the regulation, resourcing and management of effort for improving teacher practice is substantial, long standing and reform is ongoing under the Education State initiative. Teachers and teaching standards are supported through:

- initial teacher education in universities (the regulation and improvement of which are currently the subject of a national reform agenda through the Australian Institute for Teaching and School Leadership)
- teachers' further study and professional development to achieve or maintain their professional registration against national standards with the Victorian Institute of Teaching
- school based professional learning for school improvement.

The Department of Education and Training has developed extensive teacher guidance materials and provides online access to research based frameworks for guiding teacher practice. The Framework for Student Outcomes identifies high effect improvement strategies within a model for school improvement and school level performance measures.

DET also applies a whole-of-practice performance and development approach to guide the formal evaluation of every teacher's performance in the interest of developing their practice and improving student outcomes and operates the Bastow Institute for Educational Leadership to support the development of leaders.

## Workforce flexibility

One further way of improving practice is to ensure that good practice is shared and leveraged within schools and across the system. Stakeholders to this Review identified the need to remove barriers to teacher mobility within schools and between locations. While the reasons for barriers are complex, a lack of workforce mobility is particularly problematic where the stakes are high – namely in those contexts where students are experiencing significant and ongoing educational disadvantage.

There are already various ways the system can facilitate and incentivise teacher mobility. Relative to other Australian jurisdictions, the *Victorian Government School Agreement 2013* (and associated Departmental policies and guidelines) provide significant flexibility. These flexibilities provide schools with a range of options.

They incentivise quality teaching and attract and retain quality teachers through:

- paying higher salaries to existing high performing teachers or recruits (experienced or graduate) within the band
- making special payments of up to \$8,000 to high performing teachers or recruits
- retaining high performing contracted teachers or graduate recruits through employment in ongoing positions.

Other flexible arrangements enable sharing teachers (or deploying paraprofessional instruction where appropriate) between schools in the interests of curriculum breadth or in response to shortages in particular subject methods through:

- split charge payment of salaries among collaborating schools
- application of the *Staffing Cooperation* guidelines (including the Multi School Staffing Model)
- utilisation of the Victorian Institute of Teaching (VIT) Permission to Teach Policy.

They also enable schools to manage teachers declared excess, or in rare cases, those who have been determined to be performing unsatisfactorily through:

- the policy for Management of Excess Teaching Service
- the policy for Complaints, Misconduct and Unsatisfactory Performance
- an Unsatisfactory Performance Procedure designed for conclusion (whatever the outcome) within a thirteen week period in Schedule 5 of the *Victorian Government Schools Agreement 2013*.

However, there is not wide use of these options. For example in 2015, while ‘special payments’ were deployed to approximately 12.8 per cent per cent of the teacher workforce, of these only 93 (or 0.22 per cent) were utilised for the purposes of teacher attraction; and 110 (or 0.27 per cent ) for teacher retention (DET administrative data).

While the Victorian Competition and Efficiency Commission (2013) found administrative barriers to the deployment of these payments by principals, these figures suggest more can be done to use the flexibilities available to principals for strategic workforce management, in particular as it relates to the attraction and retention of high quality teachers.

School principals also play an important role in managing staff and their performance, primarily through a combination of staff placement, development and performance management processes. Principals clearly require support in this role and the demands on them for performance management are only going to grow as increased staffing cooperation between schools is sought by the system. The Department of Education and Training has a role in such circumstances to ensure principals have the appropriate information, advice and support.



### Recommendation 26

DET should assist principals to identify opportunities to improve staff allocation, including through Collaboration Hubs, by:

- providing advice to principals on the flexibility they have available under the EBA for attracting, retaining and rewarding high quality staff, and to share staff management experiences with peers
- publishing disaggregated school Workforce Census data via the new Education Performance Portal (see Recommendation 35)
- assisting principals to work with their Staff Consultative Committee members on the flexible use of casual and/or non-teaching staff, freeing up teaching staff to focus on instruction and improvement.

### Recommendation 27

DET should fund a workforce quality and mobility pilot program – a new Teacher Premium Pilot – to operate in up to 50 of Victoria’s most educationally disadvantaged schools. The Teacher Premium Pilot would operate for five years, be cost neutral to schools, and be designed with independent evaluation from project commencement. It would comprise:

- the payment of an appropriate mix of annual financial and non-financial incentives to attract and retain teachers moving into participating schools in ‘learning specialist’ roles
- teachers employed within the Leading Teacher band
- individual schools or groups of schools with plans for collaboration.

## Performance and development

While DET provides detailed advice for the implementation of its framework for Performance and Development in Victorian Government Schools, a system wide culture of near automatic salary increments has emerged. Evidence to this Review suggests that nearly all eligible school staff seeking an increment receive one. Such uniformity of merit payment is difficult to reconcile with the widening gap between the State’s real investment in schooling and student performance.

How to ensure that this culture is reformed is a complex question and one that goes to the capacity of principals to have the informed, and at times difficult professional learning conversations that deliver an effective program of teacher performance and development at the school level. VAGO (2010) found that ‘the majority of Victorian schools have a performance and development process, [but] many were failing to provide their teachers with the constructive feedback and support that teachers indicated they need and want’.

Critical to a school’s capacity to improve teacher feedback is the availability of timely and meaningful data on student performance and teacher practice as evidence for robust teacher performance evaluation. DET has long understood this and grounded its advice in the research on teacher performance evaluation that values the use of multiple forms of evidence used to guide improvement (Goe et al 2008).

DET's current guidelines for teacher performance development state that 'Evidence selected should be relevant and accessible, and should include the data and information collected as part of a teacher's everyday practice. The quality of evidence is critical to ensuring that specific and growth oriented feedback is provided to teachers to support their ongoing development' (DET 2015a). To do this it is proposed that DET make the collection, collation and assessment of data as efficient and effective as possible for schools.

#### **Recommendation 28**

To enhance the quality of professional feedback to teachers and to support DET's Performance and Development Framework, DET should facilitate better use by schools of performance data in professional conversations, including by developing new enabling tools and technologies to ensure data is high quality, timely and relevant.

However, it is equally important that schools are encouraged to fully apply the performance and development processes. The Review proposes that principals' decisions on salary progression be subject to increased transparency at the aggregate level and that explicit links are made between the rate of salary progression and improved performance.

#### **Recommendation 29**

To better understand why a high proportion of eligible teachers are awarded progression payments each year, the Victorian Public Service Commissioner should inquire into whether the Australian Professional Standards for Teachers used in Victoria are appropriate and adequately applied. In addition, DET should require all schools to publish the proportion of eligible staff who are awarded progression payments each year via the Education Performance Portal (see Recommendation 35).

The proposed changes to salary increments, and ensuring more strategic approaches to resource decision making and planning at schools should be monitored by central and regional offices of the Department of Education and Training in order to promote good practice and provide assistance where necessary. For this reason a randomised selection of schools should be audited each year to gain insight into the effectiveness of strategic resource decision making and use in schools.

#### **Recommendation 30**

DET should implement a program of annual strategic audits of schools to report on how effectively schools are using resources to lift outcomes for their own students and across the schooling system. Audit findings would be made public via the new Education Performance Portal (see Recommendation 35), and would also inform principal performance assessments.

## Leveraging the School Review process

The Department of Education and Training identifies schools that are experiencing sustained educational or financial underperformance as part of the school performance management and financial oversight programs.

Priority Reviews are targeted external evaluations which diagnose the causes of underperformance in a school and, with the support of School Intervention Design Teams, design and implement school specific responses to these. In the 2015-16 financial year, the number of schools scheduled for a Priority Review was 102, approximating 6.6 per cent of the system.

Workforce Bridging is designed to identify and address existing or emerging structural deficits in schools, particularly where declining school enrolments and experienced workforce profiles combine. Over the life of the program an average 80 schools participate annually, with 65 participating in the program in 2015, approximating 4 per cent of the system.

This Review has considered the potential for renewal through improved school governance, changed leadership and a transitioning to a school 'federation.' It is proposed that these levers would provide new options for the school review process to recommend as a strategy for long term improvement.

### Recommendation 31

Where school underperformance is either projected or identified, DET should ensure that the school review process considers the use of executive principal arrangements, school mergers or federations to improve school and principal performance.

## 6.4.4 New roles for the Department of Education and Training

The Department of Education and Training faces the challenging task of system stewardship of over 1,500 government schools with associated functions of system design, purchaser, quality assurer and provider of services including professional development and continuous improvement efforts.

The Department of Education and Training has committed in its 2015-2019 Interim Strategic Plan to 'reconceive DET's role' within the education system, including its operating model, relationship with regulators and service providers, delivery of regional changes, improving integrity and governance arrangements, and strengthening culture and leadership. Once fully realised, DET would be well placed to perform the appropriate system monitoring and quality assurance role that is called for within a model of system stewardship.

In its recent audit of DET strategic planning the Victorian Auditor General's Office (VAGO 2015c) identified that DET needs to reengineer and improve its performance with regard to information management, guidelines, standards and performance indicators, integrated services and oversight and monitoring (as outlined in Section 4.2.1).

These functions would focus DET's administration less on programs and compliance and more on building school and system capabilities, incentivising collaboration, assisting with sharing information, conducting research, advising, and preserving system integrity. This will be accompanied by a more significant role for regions in facilitating solutions through partnering and collaboration.

This change will require DET to develop new capabilities for system monitoring, procurement design, outsourcing advice, needs assessments, and in market regulation and provider accreditation. It will also require direct assistance for school councils and to engage in more active oversight of their performance.

### Recommendation 32

DET should perform its regulatory and system performance functions with a greater focus on assisting the system and schools to improve their capacity for strategic decision making and facilitating partnerships, especially through the regions. DET should ensure its stated role as 'system architect' includes:

- building school and system capability
- incentivising school and system collaboration
- improving and sharing information
- developing the education workforce
- conducting research and providing advice
- improving system and school governance
- effective performance management
- preserving system integrity.

## 6.5 Information quality and transparency – Openness as default

Data should be open and transparent for all participants in the education system. The more visible and accessible education funding data is, the better it can enable all parts of the system to operate most effectively, and maximise its value as a public resource. Openness and transparency, applied consistently across the system, can become important 'systemic infrastructure', supporting open decision making, more collaboration, and stronger accountability.

### 6.5.1 DET funding transparency and improved communication

A barrier to constructive dialogue about funding and the most effective use of resources is that that many schools and stakeholders do not understand funding methodology or allocation. Stakeholder consultation revealed significant variance in principal and school council comprehension of the SRP. Some understand the underpinning methodology and loadings, but many (and most likely new principals and schools experiencing financial hardship) do not have a working understanding of school funding. This is concerning with over 250 new principals entering the system every year. Stakeholder consultations indicated approximately half of the new principals who have entered the system in the last 5 years have a poor understanding of the funding model.

DET should construct an explanatory schools funding microsite to provide straightforward guidance on the rationale underpinning school funding. It should provide an engaging and succinct overview of the model for a general audience, while enabling others to 'click through' to more information as desired. The microsite would contain text, videos and supporting documents describing Victoria's schools funding model and the policy rationale underpinning it.

Research recommended the following features be incorporated in the microsite (Nous Group 2015):

- a simple high level explanation of the whole-of-system funding model in a number of formats – including text, diagrammatic form, and video form
- an updated, more user friendly version of the SRP Guide that shows the full detail behind how each component of the funding formula is calculated
- the evidence base for the funding model.

The microsite interface should be modelled on the NSW Resource Allocation Model website and WA Student-Centred Funding Model website.

The SRP Guide is the primary publication which communicates the methodology and application of the funding arrangements for Victoria government schools. Stakeholders report that the SRP Guide in its current format is overly technical and unwieldy. They express a desire for simple and accessible explanations of funding methodology. The SRP Guide has not been updated in its entirety for many years, and was originally designed to provide technical assistance rather than simple communication and information provision to the target audience. An updated SRP Guide provides an opportunity to communicate in an accessible and transparent manner to principals and school communities. The new Guide will make use of plain English and infographics to relay content.

### **Recommendation 33**

DET should construct a schools funding microsite to clearly and simply explain school funding in Victoria.

- The DET funding microsite should describe system level funding methodology, as well as each school's SRP allocation and system level performance information.
- The microsite should include a new SRP guide to provide relevant and accessible information to principals and school councils, tested for ease of use.

## **6.5.2 A new independent data authority – ‘Education Performance Monitor’**

DET has an important role in capturing and representing data. The Performance and Evaluation Division collects, analyses and disseminates high quality evidence to influence decision making across DET, government agencies and service providers to improve outcomes for children, young people and adult learners. Information portals such as DataZone, the School Information Portal and the Victorian Children and Adolescent Monitoring System (VCAMS) provide corporate, sector and community stakeholders with direct access to a wide range of data and outcomes information (DET 2015i).

In addition, large datasets are made public through Data@Vic.Gov which is the primary repository of Victorian Government Data. Victorian government departments and agencies have opened and made available over 9000 datasets to the public on the site, of which 188 relate to education. Publicly available data sets include - Victorian school enrolments, completion of Year 12 (or equivalent), school attendance rates, class sizes and school bank account balances. These data are valuable but more is required regarding school funding specifically and for the data sets to be delivered in a more simple and accessible manner.

These services can be further enhanced by the creation of an independent body to curate and manage education data across all sectors. A new independent data authority, the Education Performance Monitor, should be established with the expressed mission to drive student improvement and inclusion through transparency.

The benefits of an independent body include the ability to objectively arrive at data led insights and findings without also carrying responsibility for those outcomes. DET is not well placed to manage this function because it concurrently holds responsibility for government school system performance and servicing a variety of stakeholders' needs.

Introducing a whole-of-system governance arrangement to uphold transparency and accountability would deliver several benefits, including:

- ensuring a systemic and independent approach to publishing data on funding and outcomes
- providing a 'top down' view of what information matters most, so that it can be properly prioritised and ordered
- providing the mechanism for reconciling different interpretations of targets or data on progress to produce a definitive view.

Student improvement would be supported through the:

- collection and utilisation of evidence from all sectors
- incorporation of best practice from other jurisdictions as it applies across sectors
- experimentation with resource sharing and collaboration across sectors.

Student inclusion would be bolstered through better monitoring of how systems are operating in the interests of all students, especially students at risk of disengagement.

The governance and mission of the new authority would be similar in many respects to the Australian Institute of Health and Welfare, which is the independent statutory authority whose mission is to provide authoritative information and statistics to promote better health and wellbeing.

The Education Performance Monitor would analyse and advise on school system performance, producing regular reports to highlight best practice, provide the definitive view on how different cohorts are faring, undertake comparisons among like schools in an attempt to isolate key variables and have full system coverage. The new body will provide a platform to share information and ideas across sectors for the benefit of all students, and to make clear expectations of reporting and accountability for public funds.

The Education Performance Monitor would not duplicate or obviate the role of data analytics teams within DET, but rather complement their contribution to system transparency and insight. An independent authority can shine an objective light on funding allocation, use and outcomes across all settings. This ability goes beyond the capacity of MySchool and will allow system agents and researchers alike far greater access to primary and explanatory data. While MySchool pioneered the transparent provision of school related information, it is limited to school unit analysis and has incomplete data sets available when considering the full suite of funding and performance related information.

To improve understanding and make accountability for results meaningful, there needs to be confidence in the data, and ease of access to it. The Education Performance Monitor would carry responsibility for.

- **Data governance:** systems for determining which indicators are important and valid, and for commissioning or sourcing supplementary data
- **Quality assurance:** processes for reviewing key reports periodically to ensure there has been no corruption to datasets
- **Curation:** capability to organise data and information into a 'library' that enables access by different users, and to produce summary documents and guides.

It would adhere to operating principles similar to those of the National Centre for Vocational Education Research (NCVER), which is the national independent body responsible for collecting, managing, analysing, evaluating and communicating research and statistics about vocational education and training:

- analysis will be transparent and replicable
- methodology will follow sound statistical practice and be open to scrutiny
- statistical and research results will be published provided that quality standards are met
- statistical and research results will be descriptive or test research questions and will avoid advocating a particular position

- data and library resources will be available to all groups and individuals equally
- research and statistical data are archived to ensure their availability for future researchers, policy makers and practitioners
- data will be secure and protected by current leading practice, with multiple layers of protection and encryption where necessary.

The Canadian province of Ontario has been at the forefront of efforts to effectively utilize data to better understand school performance through initiatives such as ‘Managing Information for Student Achievement’ through the Ministry of Education and the independent ‘Education Quality and Accountability Office’ that assesses system performance and provides reliable information that is used to help improve student achievement and ensure the accountability of school boards.

The Education Performance Monitor may also undertake projects at the request of the Minister for Education on matters of system wide relevance and significance. An option for consideration may be for the Monitor to be incorporated into the operations of the Victorian Registration and Qualifications Authority, should the governance of that body be amended to permit direct reporting to the Minister for Education.

#### **Recommendation 34**

A dedicated independent body – the Education Performance Monitor – should be established to drive student improvement and inclusion in all sectors through transparency. The independence of the Education Performance Monitor will permit arm’s length appraisal of funding allocation and use, local area and system performance, and data integrity. The Education Performance Monitor would report directly to the Minister for Education. Its functions will include to:

- ensure data on school funding and performance across sectors is relevant, valid, transparent and accessible by different users
- support student inclusion through better monitoring of how systems are operating in the interests of all students, including students at risk of disengagement
- support student improvement through the curation of best practice evidence from all sectors
- undertake projects on matters of system wide relevance to student inclusion and improvement.

### **6.5.3 Broad public reporting – ‘Education Performance Portal’**

The first task of the Education Performance Monitor should be to establish a public portal that captures, and makes accessible, education data in line with the principles of open data and transparency. It should provide data governance, quality assurance and data curation for the online portal.

The development of a public, online Education Performance Portal will provide the key destination for those inside and outside the school system to understand the schools funding model. Transparency about school performance, including how funding is used strategically to improve student outcomes, will assist in monitoring the performance of schools, principals, regional officials and DET as system architect. Further, it will enable all sectors to have greater insight into the determinants of school performance, as well as an objective, data driven, state wide view.

This broad public reporting follows the guidance of the 'Open Government' agenda as well as the Whole of Victorian Government 'Information Management Principles'. The 'Open Government' agenda is a transformative movement to increase public sector data use and transparency in meaningful and collaborative ways that would be directly relevant to government funding allocation and performance data more broadly (Eccles 2015).

Transparency promotes accountability by providing information to the public and, to do this well, information delivery should be proactive, meaningful and informed by feedback from the public about what and how to release information.

In order to drive better strategic decision making, the Portal will provide schools with relevant information about themselves and their partners, and provide parents and communities with information about student progress and use of public funds. Specifically, the types of data to be included on the Education Performance Portal should include:

- school summary and profile information
- School Strategic Plans
- Annual Implementation Plans
- Annual Reports
- enrolments and projections
- detailed school financial data
- the proportion of eligible staff receiving a salary increment, see Recommendation 21
- school performance against threshold standards (including measure of value add)
- parent, student and staff opinion surveys
- NAPLAN results
- completion rates
- audit findings
- School Review outcomes.

The objective of broad public reporting follows the lead of New Zealand's 'Education Counts' web portal which provides achievement, enrolment and financial data at both the individual school level and regional authority level. Education Counts is the main communication channel about education statistical data in New Zealand, and has a focus on providing accessible, comprehensive data in an objective manner. The site highlights the intent that the 'audience feel that both good and bad news is available here' and that 'the site is perceived as honest and apolitical' (Ministry of Education 2015). The site operates from within the Ministry of Education, with near total coverage, as only approximately four per cent of schools in New Zealand sit outside the government sector (Ministry of Education 2015).

There have been concerns in the past about making education funding and performance data publicly available. Some felt that the data could be used to stigmatise schools or to unfairly prejudice public opinion. However, the Open Government agenda suggests that public availability of data, appropriately de-identified and with accompanying contextual narrative, permits conversations around important decisions and courses of action to be informed by evidence. Providing visibility and transparency of performance and funding will enable the channelling of effort to where it is needed most. The public value of education data is recognised by Ontario in their 'Open Data Directive' (Government of Ontario 2015b) where school performance information is categorised as an example of 'high value data'.

Data holds public value, in that it provides insights and opportunities to improve service delivery effectiveness and efficiency. Data sets are even more valuable when they are complete across all cohorts. The principles of Open Data hold true for every student in Victoria and similarly for all schools, regardless of sector. As recipients of public funding, the non-government sector should also be transparent in their reporting of performance and improvement strategies, including against Education State targets.



### Recommendation 35

Central DET, regions and schools should make available to the public the funding, performance and administrative data (appropriately de-identified) necessary to support school improvement and accountability, and to encourage collaboration.

- All data should be made available through a new Education Performance Portal, which is administered by the new Education Performance Monitor.
- Information on each school included in the Education Performance Portal should include school summary and profile information, the new Strategic Accountability Statements (see Recommendation 36), enrolments and projections, school financial data, school performance against threshold standards, parent opinion surveys, student attitudes to school survey, NAPLAN results, completion rates, and audit findings.
- The non-government sector should also report to the public against Education State targets via the Portal.

## 6.5.4 Enhanced school decision making and performance

Schools have an important responsibility for spending public funds prudently and for delivering high quality education services that make a difference but currently there is no systemic mechanism to capture these details. The absence of a means of capturing best practices and communicating this at a systemic level is a missed opportunity for the system to gain insight and creates a gap in system level funding accountability. The publication of funding levels and intended use will also inform public discourse and provide confidence that public funds are being utilised to maximise value.

Current system accountability settings result in DET monitoring to a high degree of detail what funds are allocated to a school, but there is no meaningful capture or reporting of how funds are used by the school and the relationship to outcomes.

Schools do not report on how their expenditure relates to their strategies; financial documents are technical rather than strategic and school plans lack financial analysis. It is therefore difficult for DET to be held to account for the impact that its funding allocation to schools has on student outcomes.

In order to generate accountability for funding and to give visibility to schools' decisions on priorities, schools should be required to populate a 'Strategic Accountability Statement' as part of as part of the current School Strategic Plan. This should include information on the school's funding allocation and how this informs and supports their strategic direction. The Statement's location within existing school planning processes is for the express reason of not unduly increasing the reporting burden on schools.

Schools completing the Strategic Accountability Statement would establish a clear line of sight between School Strategic Plans, Annual Implementation Plans and Annual Reports such that school communities can follow funding allocation decisions through to implementation and understand their impact on student outcomes. This gives principals and school councils a new medium through which to include a narrative to their community about their school improvement efforts. Annual Implementation Plans would clearly set out how any additional funding is to be used to improve student outcomes. Schools will be required to report to DET on how they have invested their funding, which will form part of their Annual Report, and feature in the School Review process.

There is significant value in strategic resource planning at both the school and system level. Schools may already be doing this well, but it is likely that there is variability across the system. This process will raise the quality of strategic resourcing decisions, as well as create a repository of knowledge and data at a system level that can inform understandings of best practice.

Many schools already undertake a thorough process of strategic consideration of use of funds to achieve their objectives. For these schools the new elements of the School Strategic Plans and Annual Implementation Plans will simply be a matter of documenting that process. For other schools however, this will mark a departure from current practice and add significant value by engaging in dialogue with council and community about the most effective allocation of resources to achieve stated goals.

#### **Case Study: Ontario, Achieving Excellence**

A central aim of the renewed vision for education in Ontario, Achieving Excellence, and one that extends beyond the classroom or even the school – is enhancing public confidence in the education system. The province invests more than CAD\$22 billion a year in education. A major part of enhancing confidence is ensuring accountability for the use of these resources.

The province, through the Ministry of Education, is accountable for the public education system as a whole and the policy decisions that determine funding for school boards. Given their key role in providing services at the local level, school boards have important accountabilities to students, parents and others with a stake in outcomes, as well as to the ministry. A cornerstone of Ontario’s education system is the principle that school boards have a responsibility to ensure the effective stewardship of resources. Thoughtful, transparent budgeting, aligned with a focused strategy, is vital and integral to this goal.

With respect to the ‘Grants for Student Needs’, a robust financial accountability framework has been developed between school boards and the province. This framework recognises that accountability to the ministry must be balanced against the need for school board flexibility to address local conditions. It includes:

- legislative requirements, such as the provision that school boards balance their budgets
- requirements around budgeting and financial reporting, as well as monitoring, audit, review and, in some cases, supervisory activities by the Province
- enveloping, which means requiring that certain grants be used only for the purpose intended
- program/grant specific reporting requirements overseen by various branches of the ministry.

#### **Recommendation 36**

DET should require schools to populate a Strategic Accountability Statement, as a new component of the School Strategic Plan. The Statement will show how funds are allocated to achieve the school’s strategic intent. This would be made publically available via the new Education Performance Portal.

- Content should include how schools intend to improve outcomes for students, and how schools intend strategically to manage potential risks (such as workforce pressures or within-year changes in student enrolment) and the proportion of salary increments awarded.
- School funds generated through locally raised initiatives and parent payments would be disaggregated and published, including the intended and actual use of these funds.
- The existing Annual Report (backward looking) should communicate how funds were allocated and used according to strategic intent.

## 6.5.5 ICT architecture for transparency

DET is a large and complex organisation that relies on a significant number of ICT systems, applications and networks to capture processes and analyse information and data. DET's ICT Strategy (2013-17) describes a comprehensive ICT platform, established over the past 10 years, that supports key initiatives and sustains DET's core business activities – all in the context of a rapidly evolving ICT landscape.

The New Zealand Government's ICT Strategy and Action Plan to 2017 (New Zealand Government 2013) addresses the relationship between principles and operational agility by labelling ICT as the critical enabler of governments taking advantage of the evolving information rich landscape to create responsive and smarter customer centred services.

DET's Information Strategy (2013-17) stresses the importance of an effective governance structure for information usage, including allocating responsibility to relevant executives and Boards to ensure that effective decisions about information are made at a portfolio level.

What is now apparent is that there will be a need to reframe DET ICT strategies to pursue the collaborative and inclusive system model set out in this Review.

### Recommendation 37

DET should prepare a technology strategy to assist in gathering funding and performance data, sharing resources between and across schools, and to interact with parents and the wider community. The technological architecture required to facilitate a more collaborative, open and transparent system should adhere to the following information technology principles:

- consistent interoperability
- scalable and flexible
- responsive and quick to disseminate new datasets
- managed by an accountable custodian
- affordable and sustainable.

DET should allocate responsibility to an appropriate executive officer for adherence to these principles across the Department.

Existing Departmental Information and ICT Strategies have sound principles which could deliver system wide benefits. However, consultation and content from these Strategies themselves, outline capability gaps that require future system and process improvement.

Current system architecture does not permit optimal data capture, usage and analytics. In line with the Auditor-General's findings regarding planning and implementation (VAGO 2015c), DET can improve coherence in its information technology systems and remedy the engagement with various sets of siloed data. There is scope for DET to improve its use of data systems to direct resources in a timely manner, measure and track progress, create early warning systems, and strengthen accountabilities. Ownership and responsibility for the variety of IT and database policies, strategies and hardware support are located in multiple areas across DET, creating a need for an overarching strategy that aligns the needs and all participants. The Australian National Audit Office Better Practice Guide (2014), outlines that strategies can only be considered effective when they are supported by high quality planning, coordination and governance frameworks.

Working towards the goal of greater systems integration would reduce the number and complexity of user interfaces, make more efficient use of schools strategic information and better enable data collection and analysis. This could be integrated into the existing Data Warehouse.

An appropriate goal would be to collect, store and distribute schools' Strategic Accountability Statements electronically. Implementing this recommendation requires incorporating additional functionality into the Strategic Accountability Statement to make it a dynamic instrument which can 'push' as well as 'pull' data. School planning documents in their current state, with an absence of explicit funding consideration, are submitted to central DET but are not then utilized in any meaningful and integrated way that permits analysis and insight. Creating a database of how schools have undertaken strategic resource allocation will unlock potential for future data analytics and the identification and diffusion of best practice.

Improvements in system capability and quality are key goals but DET system can only be as transparent and accountable as the ICT processes permit it to be.

CASES21 (Computerised Administrative System Environment in Schools) is an integrated school administration and finance software system to provide government schools with a standardised, integrated system to manage the main school administrative and finance functions. The software is also intended to help schools provide key data reports to DET.

A 2008 VAGO Performance Audit into CASES21 found that CASES21 was successfully performing its intended functions to high satisfaction levels amongst schools. VAGO also found that CASES21 had enabled the Department to streamline reporting of school administrative data to its central office and improve its ability to monitor and track school financial data.

More recently, the VAGO Performance Audit Additional School Costs for Families (2015) contained a recommendation that DET enhance the capabilities of CASES21 to more accurately record and report school financial activities. Better reporting architecture, articulated through a data governance construct would help to resolve a number of issues that currently represent barriers to good practice:

- management of ad hoc data collections that are not integrated with broader DET data collections and may duplicate existing processes
- increasing requests for access to data from within and beyond DET that are not subject to consistent assessment or logged within a central request register
- a limited awareness of existing protocols for data exchanges and an inconsistent understanding about what data can be shared.

In this way, with information being managed as an asset, as outlined in the New Zealand Government ICT Strategy and Action Plan to 2017 (New Zealand Government 2013), investment decisions can be informed by more complete and authoritative information.

### **Recommendation 38**

DET should transform how funding information is captured and shared by:

- creating a database for the proposed Strategic Accountability Statements, enabling them to be pre-populated and readily accessible for analysis
- modernising CASES21 to simplify reports and provide a more accessible operating environment
- instituting comprehensive 'whole of business' reporting across all revenues and expenditures to inform budget planning and council oversight
- integrating planning and reporting tools which link to Budget Plan modelling
- using resource allocation and workforce planning data to develop and publish resource allocation 'best practice' case studies from high performing schools.

## 6.5.6 Stronger accountability

In any large service system like school education, it is self-evidently important that all stakeholders are well informed about the system and its performance in order that they understand their role in it and have confidence in it.

The capacity for the information quality and transparency agenda outlined above to enhance understanding and confidence is significant. However beyond this, the proposed agenda can also play an important role in enhancing school and system level accountability and facilitate a culture of collaborative accountability and continuous improvement.

### System level accountability

The information quality and transparency agenda in this Review presents an opportunity for improving system level accountability and the associated opportunities for system improvement.

The Review's recommendations for enhanced and integrated ICT systems, particularly those which integrate and automate school level planning and reporting requirements can contribute significantly, not just to making these processes more efficient, but also to the capacity of the system to aggregate school level performance information, analyse it and share the knowledge inherent in it.

Recommendations that will strengthen accountability at the system level include:

- Recommendation 2 – all stakeholders should agree to the shared goal of lifting student outcomes, and hold each other to account for it
- Recommendation 6 – DET should align its budget strategy with its long term plan to lift student outcomes
- Recommendation 10 – a new resourcing model should focus accountability for funding use at the school level
- Recommendation 34 – the new Education Performance Monitor will ensure high quality data about funding allocation and use is independently monitored and transparent
- Recommendation 35 – the new Education Performance Portal should aggregate information about school and system performance
- Recommendation 37 – new technological architecture should facilitate a more open system while reducing the compliance burden

### School level accountability

The information quality and transparency agenda will enhance accountability at the school level while also managing 'red tape' through improvements to ICT systems that ensure accountability is efficient, but also purposeful through increased transparency to school communities of school performance information across a wider range of performance dimensions.

In combination with the Review's proposals for enhanced principal and teacher performance management outlined within the productivity agenda, and the recommendations for integrated and automated school level planning and reporting requirements, this approach to improving school level accountability can be achieved while resisting traditional top down, manual, compliance based processes and the associated compliance burden.

In addition to system level proposals, which will also impact at the school level, recommendations that will strengthen accountability at the school level include:

- Recommendation 28 – better use of performance data by schools should assist with staff performance monitoring and assessment
- Recommendation 29 – transparency related to teacher progression should enable a better understanding of workforce issues
- Recommendation 30 – annual strategic audits should bring greater clarity to school decision making
- Recommendation 31 – the use of executive principal arrangements, school mergers or federations should provide a sharper focus for managing underperformance

### Collaborative accountability

Finally, the information quality and transparency agenda in this Review also presents an opportunity for improving accountability between schools and their partners for the outcomes of students across communities and the associated opportunities for improvement in meeting their needs.

The Review's recommendations for governance reform, increased workforce flexibility and the increased adoption of school federations and the various programs and funds proposed to incentivise school collaboration are each enhanced by ensuring that proposals for school collaboration are informed and improved over time by the efficient sharing of high quality information between partners.

In addition to the proposals above, recommendations that will strengthen accountability through collaboration include:

- Recommendation 12 – the addition of an independent member on the School Policy and Advisory Council should assist to promote the combined interests of all students above sectoral interests
- Recommendation 13 – new collaboration hubs should create 'mutual accountability' for schools and their partners over joint priorities
- Recommendation 14, 15, 16 – new formal governance arrangements will establish new accountabilities across schools.

## 6.6 Meeting student needs

The needs of students can be better met through a funding model that is simpler yet more robust, that targets funding where it is needed while incentivising schools and stakeholders to use funding strategically and sparingly.

### 6.6.1 Meeting the base level needs of students

All schools face recurrent costs that are associated with running a school, even where the students attending those schools face minimal levels of disadvantage. Within the proposed funding architecture set out in Recommendation 10, these costs are reflected in the base allocation provided to schools through the SRP.

This is largely aligned to the resource standard proposed by the Gonski Review, in which the base component comprised of a per student dollar amount for primary and secondary students. However, while it is beneficial from the perspective of transparency and simplicity to build as much of the base allocation into a per student rate, there are some costs that are faced by schools that do not scale linearly with the number of the enrolments. Examples of these include components of grounds allowance, maintenance and servicing, utilities and cleaning, which can be considered more like the fixed costs of running a school. These components still should comprise part of the base funding that a school receives, however fit more logically

within a per school base allocation. Further, a per school base allocation enables the funding model to direct funding to supporting the diverse physical operating environments that exist across the government school system.

This approach is not dissimilar to the current SRP methodology for recognising core needs of a school. However, the proposed reforms improve the current formulae by consolidating per student programmatic funding into the base, as well as separating out the per student components of funding elements such as maintenance, grounds, utilities and cleaning.

### Per student allocation

As detailed in Section 4.4.1, the largest component of the base allocation within the current SRP is the Stages of Learning line, which provides per student funding to schools based on the year level of the student. The analysis shows that the relativities between the year levels were reflective of both:

- **Student need:** in line with the research that supports heavier investment in the earlier years of school and
- **Cost:** largely due to industrial structures and curriculum breadth in secondary schools.

As such, the Review does not propose changing these relativities. However, the proposed benchmarking exercise (see Recommendation 11) would provide further insight into the funding rates themselves.

Furthermore, part of the costs associated with broader curriculum breadth includes additional costs which arise from the learning modality of applied learning courses in VCE for secondary schooling. Recommendation 52 provides further insight into the applied settings.

There is also additional funding that can be rolled into the per student base allocation. The rationale for this is twofold.

Firstly, a key recommendation of the Gonski Review was a move away from programmatic funding. An example of this is Managed Individual Pathways (MIPS), which provides students with important career development advice.

However, as detailed in Section 4.4.10, the funding formula for MIPS provides a base allocation to all schools (based on enrolments in Years 10 to 12) and an allocation based on socioeconomic disadvantage. The base MIPS funding is therefore a candidate to roll into a per student base rate.

The second category of funding that is a candidate for rolling into a per student allocation are the costs that reflect the enrolment component of funding of:

- asset maintenance and servicing (includes essential services / annual contracts, and minor works)
- utilities and
- cleaning.

For these types of costs, each student would receive the same per student allocation, regardless of the year level of the student or school type. That is to say, the enrolment components of these costs would not be rolled in the Stages of Learning funding, but rather remain as a distinct per student base allocation.

Tying funds to the per student price will also improve the sustainability of resourcing in schools as these components attract growth in line with inflationary measures as well as the volume growth of the student population, of which some of these components are not exposed to under the existing SRP arrangements.

## Per school allocation

A differential mechanism is also needed in the base allocation to adequately address the many different school needs based on varying attributes within a school's physical environment. Some schools have significantly older facilities and equipment that is costlier to maintain, or have larger open areas that require additional resources to sustain their use. The components of the per school base allocation include:

- grounds allowance
- asset maintenance and servicing (includes essential services / annual contracts, and minor works)
- utilities and
- cleaning.

The allocation provided for these components of the school budget is provided in addition to the resources that are already included in the per student base and do not discriminate by school type.

The Review notes that these revisions to the base funding result in the separation of budgets assigned to schools for some of the school site components such as maintenance, utilities and cleaning. The issue of losing clear line of sight of the funding components included in the per student allocation is inconsequential compared to the overall benefits.

### Recommendation 39

The new SRP should include a base allocation to provide funding to meet the core cost of educating students and operating schools, with the following components:

- a per student component, including the stages of learning allocation based on the year group of the student, the base component of the Managed Individual Pathways program, and components of the school facilities budget, which are linked to enrolments
- a per school component, which includes school based costs that reflect the individual circumstances of the school in meeting the needs of its students. This allocation is in addition to the resources incorporated into the per student allocation and primarily contains the components of the school budget for facilities.

## 6.6.2 Meeting school site needs for students

Providing 21st century school facilities for Victorian students requires a proactive and planned approach to ensure schools' physical environments meet the evolving needs of teaching and student learning.

Chapter 4 identified that the SRP funding algorithm for site costs – covering maintenance, utilities, cleaning, grounds, ICT services and OH&S – needs to be simpler, more transparent, and more aligned with student needs while incentivising efficient practices. Chapter 4 also found there are opportunities for improvements to facilities management practice, reduction of excess space, further integration of capital and maintenance decision making, and opportunities for co-location of student wellbeing services and care facilities in schools.

### Government School Renewal Fund

There are three capital programs for government schools managed by DET.

- The Capital Works Program (CWP) is focused on lifecycle school modernisations and upgrades. The sequence of capital projects is determined by the centre based on an assessment of functional need. Funding is allocated to schools based on a formula, and schools then prepare an Asset Management Plan (AMP) that details how the functional need should be met.



- The Relocatable Classroom program is focused on meeting shorter term needs of schools experiencing space pressures through the use of mobile classroom infrastructure. This program has been effective in responding rapidly to growth in schools in a cost effective way.
- The Asbestos Removal program mainly targets the removal and replacement of portable classrooms that present safety risks because of asbestos.

Together, these programs represent a coherent approach to manage short and long term asset challenges faced by schools. However, they also have drawbacks.

- The programs are relatively ad hoc from the schools perspective. Under the CWP, schools are not provided information relating to the project 'pipeline', receive little advance notice when they have been prioritised, and have only a short period to prepare a proposal. The other two programs are ad hoc by design, given they respond to immediate space and safety pressures. They therefore may not be conducive to longer term asset planning in schools.
- Central DET plays a strong role in all three programs. The centre determines the functional need and funding allocation aligned with that need for the CWP, and provides the off-the-shelf solutions for both the Relocatable Classroom and Asbestos Removal programs. This may mean opportunities for innovation or collaboration that admit a wider set of options are missed.
- The 'procurement model' in each program is fixed. Under the CWP, central DET procures the required services on behalf of schools once schools have submitted their AMP.

These existing capital programs and related governance arrangements should be retained. They assist in cost effectively managing material risks related to student welfare.

However, to assist schools with long term planning, and to bring more innovation and collaboration to the design and operation of the built environment in schools, including procurement, the Review proposes a new Government School Renewal Fund (GSRF) is established alongside the three existing programs.

The purpose of the GSRF would be for schools to design their own asset solutions that manage short term needs and align with long term goals. Schools would submit proposals for review, with selected schools awarded funding from the GRSF to proceed with their projects.

The primary criteria for allocating funds to schools under the GSRF would be value for money, but value created by innovative design, partnering with other school or non-school partners, and alternative procurement arrangements would be explicitly acknowledged. 'Value' would also incorporate the contributions of assets to lifting student performance and engagement.

Criteria would prioritise building condition, student demand, and student safety. This would reduce the demands on the three remaining programs, including by reducing the list of 391 schools in 'poor condition with low functionality'. As such, it is proposed that funding for the GSRF is sourced in full from the three programs.

Criteria would also ensure that low SES schools in poorer condition are prioritised. These schools often find it more difficult to raise funds to supplement their buildings budgets relative to more advantaged schools.

The GSRF will give schools and the public a greater degree of certainty and transparency in relation to capital budget funding than is available under the existing programs.

This approach is similar to DET's Inclusive Schools Fund. It provides funding by application for innovative projects that promote inclusive school environments to support students with disabilities and special needs. Its funding criteria includes prioritising innovative projects that establish partnerships, and leverage funding from a range of sources including local government and community groups. While only initiated recently, the Inclusive Schools Fund has been heavily subscribed.

Criteria for the GRSF would include:

- value for money
- condition of current buildings
- school SES (based on SFOE)
- enrolment projections
- creative and innovative design to promote improved learning and teaching
- contributions of partners (for example, other schools, other service providers, local councils) that lower overall cost or create new sources of value
- wider community benefits, such as 'place based' concepts that connect education and care facilities to existing schools and
- alternative procurement strategies that achieve better value for money.

Regions and local areas should play an active role in working with schools to broker partnerships and collaborative responses. Regions and local areas should ensure schools are not disadvantaged in the application process because access to proposal preparation skills and expertise is limited.

Evaluation and transparent reporting will ensure that the benefits of the GSRF extend beyond the particular asset and student learning outcomes for the schools directly involved. It is expected that the applications brought forward, and the outcomes achieved, through the GSRF will develop a repository of good practice that can be taken up by schools across the State to suit their particular circumstances.

### Reducing excess space

As detailed in Section 4.4.2, approximately 38 per cent of space across the government school portfolio was surplus to requirements in 2013 (VAGO 2013). Excess space still requires servicing and maintaining, diminishing the cost effectiveness and equitable distribution of facilities management funding. In response, the Department of Education and Training has set an objective to reduce this below 15 per cent within the next 10 years. So far, it has reduced surplus assets from 38 per cent to 35 per cent.

Given the large amount of excess space and its impact on the SRP budget, efforts to reduce or repurpose excess space should be prioritised. In conjunction with DET's Capital Works Program, which also addresses excess built space, efforts should include:

- identifying the use and responsibility for facilities on school sites which are shared with co-located services and the community. Ensure these partnerships have a shared strategy in place which includes the sustainability of facilities being used for non-schooling purposes
- ensuring DET's centrally-managed planned maintenance program prioritises the reduction of surplus assets
- prioritising funding within existing initiatives such as the Relocatables and Asbestos Removal programs to remove excess built space that is unsafe or not required
- requiring schools that are developing AMPs to include a rationalisation process that details how they will use funding to reduce excess and unnecessary space
- reviewing DET's land sales targets and considering options of providing incentives to schools to rationalise their physical environments, such as returning a share of sale proceeds to schools for repurposing.

#### **Recommendation 40**

The 'targeted' element of the new SRP should include a new Government School Renewal Fund. The Fund would be administered by DET and made available to all government schools for capital works, with the immediate priority to address the backlog of 391 schools in poor condition across the system. The Fund will target initiatives and works that incentivise new ways of meeting school and community needs related to the built environment or favour improvements that deliver innovative learning spaces, prioritising low SES schools.

#### **Recommendation 41**

DET should accelerate its effort to eliminate or repurpose excess school assets that draw on the limited resources available to schools for asset and facilities management, or otherwise could be put to productive use including co locating care and welfare support services on school sites.

### **Informed facilities management practices**

While the centre has the responsibility to allocate funds to schools efficiently and effectively for facilities management, schools also have a responsibility to make informed and timely decisions that reflect facilities management priorities.

DET is, in part, addressing this through the implementation of a new asset management system, which strengthens tracking and reporting capabilities inside DET, at the same time providing schools with more detailed information about their assets. This should enable more effective decision making at the centre and in schools.

DET is also seeking stronger accountability through the introduction of school based AMPs, which specify the teaching and learning objectives of a school, ensure facilities management is informed by building conditions, and address functionality concerns. This will be complemented through provision of improved professional support and training for principals and leadership teams.

The introduction of DET's new asset management system and the AMPs will improve facilities management practices in schools. However, this should be complemented by additional system enhancements and measures that relate to funding certainty, prevention, scheduling, decision making and data quality, including:

- enabling schools and the centre to better plan by seeking longer term budget certainty from governments
- sharing with schools the pipeline of works proposed by the centre for its capital upgrades and planned maintenance programs
- guiding schools toward best practice by promoting preventative maintenance regimes and advising of compliance requirements and activities, and frequency of works
- assisting schools to provide high quality and reliable data to support system integrated planning of DET's centrally managed targeted capital upgrades, and planned maintenance programs.

#### **Recommendation 42**

DET should improve the transparency of planned capital upgrades and planned maintenance programs by sharing information with schools about the system wide forward plan, including timing and scope of works.

DET should improve the capabilities of school leaders to more effectively manage each school's facilities and fully utilise the capabilities of the new asset management system, by promoting preventative maintenance practices, enabling and encouraging joint responses to maintaining school facilities, and sharing best practice approaches deployed in schools across the system.

### **Collaboration on facilities management**

In Victoria, the responsibility for managing facilities – including maintenance, cleaning, grounds upkeep, and waste management – is devolved to schools. In consultations for this Review, some stakeholders raised concerns that this approach can overburden principals, especially in regional areas where facilities management can be onerous. Others indicated that partnering between schools could create efficiencies. There was also support among some stakeholders for facilities management via the PPP model.

A number of UK studies found joint procurement of facilities related services by schools – or on behalf of schools – can create economies of scale in relation to facilities management while maintaining service quality (National College for School Leadership 2011a; Department of Education 2010).

Work commissioned by DET confirmed that bundling of facilities related services can allow principals more time to focus more on teaching and learning priorities, improve standards and consistency across schools, and lead to greater cost effectiveness (KPMG 2015). KPMG proposed that DET further test these findings by initiating pilots in which schools jointly procure facilities management services, or in which they are procured on behalf of a group of schools by regions and the centre, through bundled service contracts.

It is proposed that DET take this one step further, by actively promoting and supporting joint procurement of facilities related services between schools across Victoria via the new Collaboration Hubs. Schools should be encouraged to discuss their facilities management needs and pressures among Hub members, share local and regional level data, explore options for joint procurement (particularly among small and neighbouring schools), and engage in joint planning to facilitate collaborative responses to servicing their schools. Support from areas and regions may include brokering new procurement arrangements on behalf of groups of schools, establishing regional supplier panels, or providing assistance to schools to manage bundled supplier contracts.

#### **Recommendation 43**

DET should actively promote and support joint procurement of facilities related services between schools through the new Collaboration Hubs. While the responsibility for facilities management should remain with schools, local areas and regions should support the collective procurement of school services by, for example, assisting to broker partnerships, by establishing supplier panels, or with managing bundled contracts.

## Asset maintenance and servicing

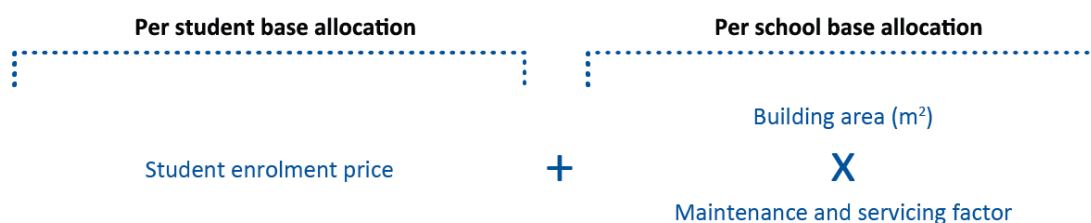
Chapter 4 found that the existing methodology to distribute maintenance and equipment servicing funding is overly complex. Schools are not confident in their funding allocations from year to year, which impacts on budget planning and the development of asset management strategies. Two changes to SRP are required to address these issues.

The SRP should be simplified by consolidating the current allocations for maintenance and minor works, and essential services/annual contracts into a single Maintenance and servicing line.

Additionally, funding through the new maintenance and servicing line should be allocated via new, simpler, formula, based on three inputs - student enrolments, building area (m<sup>2</sup>), and a maintenance factor agreed with the school.

Figure 67 illustrates the new funding formula, which has two components. The student enrolment component is common for all students and included in the per student base allocation. The per school base allocation provides additional funding for specific characteristics of a school that are captured through building area and the maintenance factor. This aligns with the Review's new allocation model detailed in Recommendation 10.

**Figure 67. New SRP planned maintenance and servicing formula**



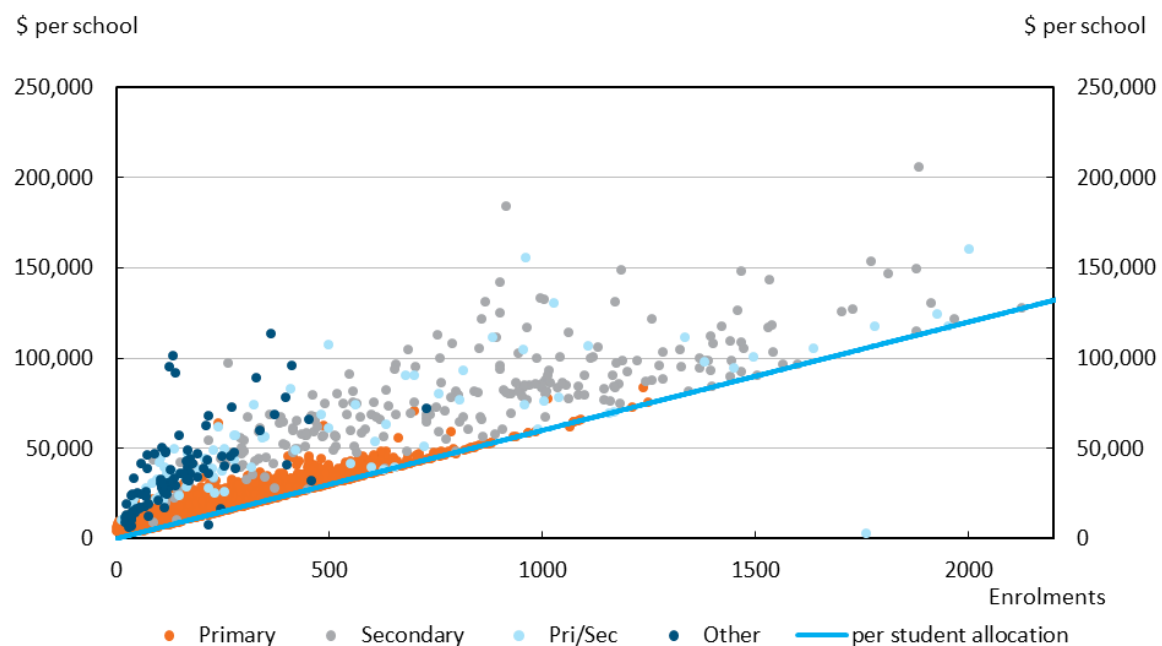
The maintenance and servicing factor would be constructed and determined by the Department using its new asset management system, which characterises the various aspects of each school's physical environment. The factor is intended to recognise:

- campuses that have additional needs, such as specialist school settings
- specific complexities such as building age, condition, location and material
- assets and equipment servicing, reflecting routine servicing, inspection, and testing of various items both essential and mandatory (this includes assessment of heaters, air conditioners, specialised fire equipment, emergency exit lighting, lifts and treatment plants).

The maintenance and servicing factor is a composite measure of all complexities of the individual school site. For example, central DET will determine a school's factor, and should incrementally adjust it to reflect changing costs associated with the various characteristics of a school, which is informed by school data provided through its asset management system. It is envisaged that the factor would be shared and agreed with schools, and refreshed regularly for changing school configurations.

Figure 68 illustrates current maintenance funding allocations and what a transition to the new formula would look like within the current funding envelope. There is a clear correlation with enrolments, since the current formula is heavily weighted towards a school's entitled area, which is linked to the number of students. The per student allocation line illustrates the component of current funding that would be included in the per student base allocation of the new formula. Deviations from the per student price (that is, the difference between the line and a school's current funding allocation) indicate the additional funding that would be delivered to schools through the per school component of the new formula. As shown above in Figure 67, the per school component is calculated using the maintenance and servicing factor as a multiple of the school's building area.

**Figure 68. Total projected maintenance and essential services / annual contracts funding by school enrolment and type**



Source: Internal DET analysis

The proposed changes to the SRP formula will better recognise the marginal cost impact associated with changing student enrolments and markedly improve the capacity of DET and schools to forecast funding. This increases funding certainty across the school system. Furthermore, 'broad banding' funding into the per student price will mean that the allocation provided to DET will account for annual volume and price growth in the student population, something that is not guaranteed under the existing methodology for the distribution of these funds.

The new methodology also responds to stakeholder feedback by improving the transparency and simplicity of the funding calculation. This will assist schools in the development of AMPs, enhancing their ability to use funds more efficiently, adopt preventative maintenance practices, and facilitate coordinated responses to maintenance and servicing.

The proposed model, particularly the maintenance and services factor, is dependent on the quality of data available to determine the needs of every school and costs estimates developed via benchmarking of expenditure in effective and efficient schools (see Recommendation 11). DET will need to work closely with schools to ensure the data on the school's built environment, including asset condition and the maintenance program of works undertaken, is kept up to date.

### Recommendation 44

In the new SRP, DET should consolidate maintenance and minor works, and essential services/annual contracts funding lines into a single allocation line in the per school base allocation of the SRP. A new three part formula-based on student enrolments, building area, and a 'maintenance and services factor' should be implemented so the funding model is simpler and more responsive to need.

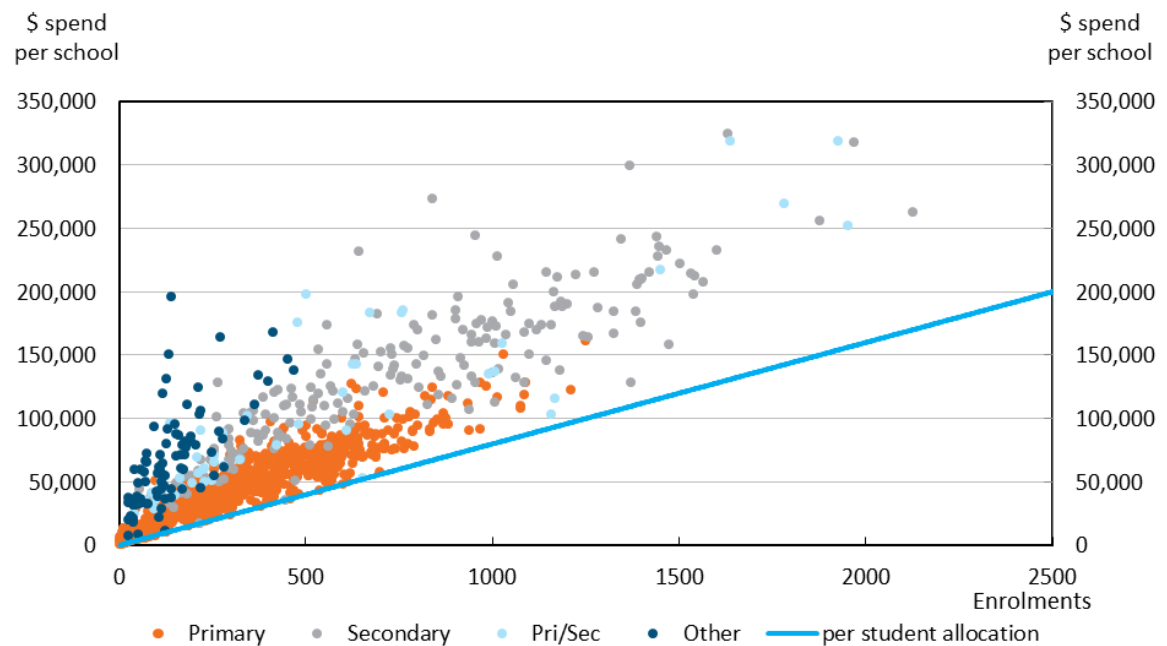
## Cleaning

As detailed in Section 4.4.2, the existing methodology used to fund cleaning is based on categorising school areas into 'cleanable' and 'non cleanable', 'normal' use and 'low' use. This categorisation is not necessarily aligned to schools' actual assessment of cleaning requirements and the terminology is confusing. A simpler and transparent funding approach is required. Similar to maintenance, the current funding allocation for cleaning is linked to student numbers through a school's cleanable area 'entitlement'. But this does not fully reflect the marginal cost of a student enrolled in the school.

The Review proposes that funding for cleaning be delivered through a new formula. Similar to maintenance, this funding should be split into a per student price and additional resourcing delivered on a per school basis which provides additional funding according to specific attributes of a school's built environment. The new method abandons the categorisation of school areas into 'cleanable' and 'non cleanable', 'normal' and 'low' use, instead applying a set rate to total floor area.

Figure 69 illustrates current cleaning expenditure. The blue line illustrates the component of funding that would be included in the per student price of the new formula. Deviations from the per student price (that is, the difference between the blue line and a school's current expenditure) indicate the additional funding that would be delivered to schools through the per school component of the new formula.

**Figure 69. Cleaning expenditure with potential base per student allocation**



Source: Internal DET analysis

Consideration needs to be given to two main issues before implementation of a new cleaning formula. Correct pricing of a benchmark or industry standard for a per square metre rate for cleaning services should be identified (via Recommendation 11) and used as the basis of a new funding formula. Also, data for total floor area of school facilities in each school is required to improve the targeting of resources.

Total floor area is a more efficient distribution method to assess need consistently across the system. It would then be up to school management to determine whether more frequent cleaning is needed in certain higher areas compared to others.

### Recommendation 45

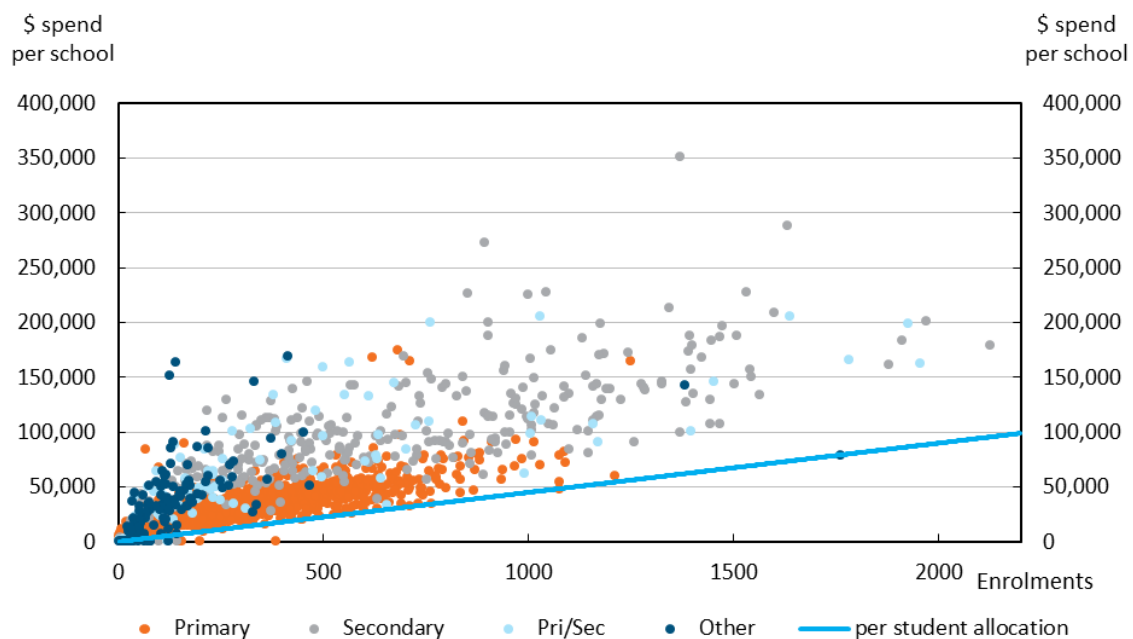
In the new SRP, DET should include cleaning in the per student and per school base allocation, and reconstruct the cleaning formula to improve simplicity and transparency to ensure the funding allocation supports the needs of schools. The new method abandons the categorisation of school areas and use, instead applying a set rate to total floor area.

## Utilities

The SRP budget for utilities is currently determined by a historical allocation plus indexation, which is significantly and consistently below historical expenditure patterns. To address these deficiencies, the Review considers a new formula is required that both better target funding towards schools, and encourage more efficient energy use.

Figure 70 shows that utility expenditure in schools is strongly associated with student enrolments. This provides support for adopting the same approach as proposed for maintenance and cleaning – where utility funding is split into a per student and a per school amount. The per student allocation line illustrates the component of funding that would be included in the per student component of the new SRP base. Deviations from the per student price (that is, the difference between the line and a school’s current expenditure) indicate the additional funding that would be required in schools through the per school component of the new formula.

**Figure 70. Utilities expenditure with potential base per student allocation**



Source: Internal DET analysis



The Review's analysis supports using a single per square metre rate for each school type for the per school base allocation, using historical expenditure levels that account for the variation in the cost of delivering appropriate energy and other utility needs that are specific to the circumstances of each school. However, a new funding formula should also include incentives to remedy instances of wasted or excessive consumption of utilities. To address this, consideration should be given to building in existing benchmarks from the ResourceSmart Schools Guidelines developed by Sustainability Victoria and DET, encouraging the environmentally sustainable and efficient operation of school facilities.

Consideration should also be given to two main issues before implementation of a new utilities formula. Correct pricing of a benchmark or industry standard 'per square metre' rate should be identified and used as the basis of a new funding formula. Also, the per student rate should be validated via benchmarking of expenditure in effective and efficient schools (see Recommendation 11) to determine the appropriate pricing and indexation rate.

#### **Recommendation 46**

In the new SRP, DET should include utilities in the per student and per school base allocation of the SRP, and introduce a formula for utilities linked to enrolments and building area. DET should relate future utilities indexation to utilities prices and Victorian Government energy efficiency targets.

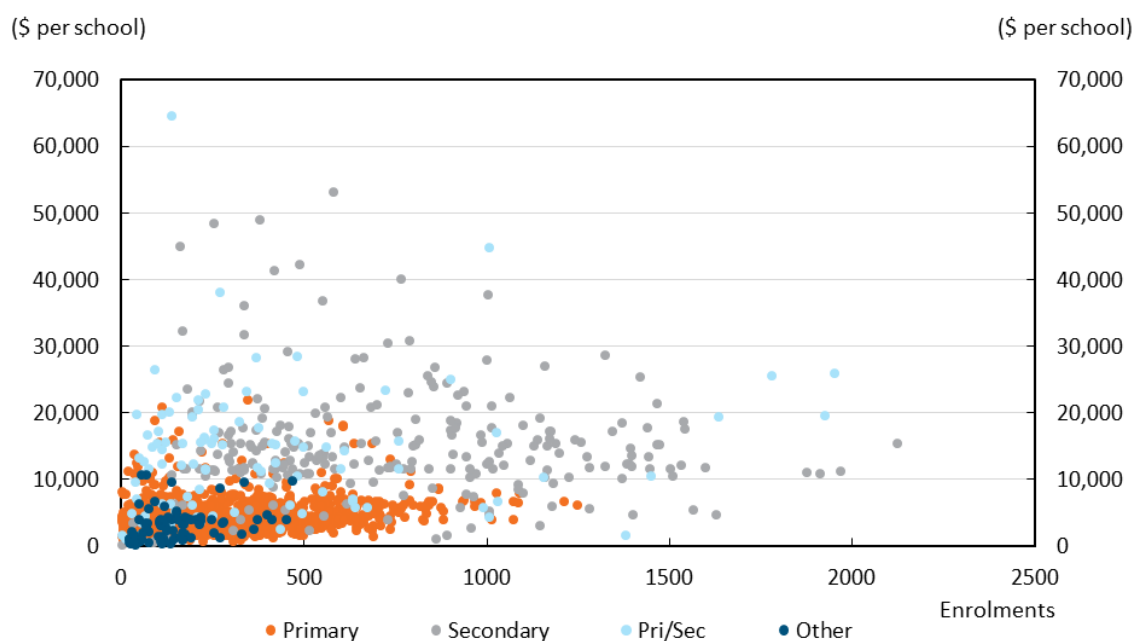
### **Grounds allowance**

As detailed in Section 4.4.2, the methodology for allocating grounds allowance has several issues, including that:

- despite the formula being simple, it does not recognise that some schools have greater needs related to grounds upkeep (for example, schools in bushfire prone areas and schools that serve students in specialist settings)
- the site area measurement includes the building space in the school
- schools spend more on site works than their allocations, however the data cannot differentiate between works conducted for the purposes of safety and security, and works that reflect aesthetic and discretionary improvements.

In contrast to other elements of school site such as maintenance, cleaning and utilities, funding allocation and spending for grounds has a weaker correlation to student enrolments. While schools with larger enrolments generally receive more funding on average than smaller schools, Figure 71 indicates that some schools support vast grounds areas, despite having smaller student populations. This rules out using student enrolments to determine a minimum funding allocation for grounds.

**Figure 71. Total projected grounds allowance by school type**



Source: Internal DET analysis

It is proposed that the grounds allowance is continued as a per school allocation linked to area. However, three changes are proposed. First, it is proposed that specific purpose weightings are introduced to recognise the additional grounds costs faced by certain schools.

- Weighting for location – Schools located in bushfire prone areas. The Victorian Minister for Planning designates Bushfire Prone Areas for building regulation purposes. Schools located in these areas receive additional funding for grounds allowance. There are 568 school campuses that are located in these areas.
- Weighting for school type – schools in specialist settings. Schools identified as ‘special’ in the SRP are allocated additional funding in the scenarios discussed below. There are 76 eligible special or non mainstream schools.

Second, the ‘school area’ measure used in the grounds allowance calculation should be net of building area. This will ensure schools are resourced for the management of their open areas only.

Third, the ‘price’ component of the allocation calculation should be based on safety and security costs – such as grass cutting, tree removal and fencing repair – and not on costs associated with aesthetic and discretionary improvements.

Data relating to the proposed weightings, building areas, and price changes are not yet available to implement this proposal. DET should, through the proposed benchmarking exercise, seek to obtain the necessary data.

**Recommendation 47**

In the new SRP, DET should include grounds allowance in the per school base allocation of the SRP, remove building area from the grounds area calculation, recalibrate the per square metre price according to safety and security costs associated with open areas, and include a premium for schools in bushfire risk zones and specialist settings.

## ICT services and infrastructure

Increasing demand for ICT services, the winding down of federal government support for ICT service provision, general obsolescence and the evolving use of ICT to support new teaching and learning methods will place significant pressure on funding for ICT in the short term.

Despite this, there is some evidence that SRP funding available to schools for technical support services is not being utilised because some schools are unaware of ICT provisions in the existing base and per student allocation. Therefore, there are adequacy and transparency issues related to ICT funding.

It is proposed to keep ICT funding in the SRP, but to consolidate funding included in the enrolment linked base into the per student base allocation. This will help simplify the funding model and also enhance funding sustainability by linking funding to volume growth of the student population.

In addition to the change to the SRP formula, central DET should work with schools to ensure:

- funding is fully utilised by schools experiencing high demand for services, and not diverted to other school needs
- schools use funding to address immediate budget pressures for 2017, including in response to the expiring of funds associated with the Commonwealth's 2008 Digital Education Revolution initiative
- schools should have access to central DET's supplier panel to purchase services, possibly at more competitive rates than through local contracts.

Any future funding provided to meet demand and upgrades to infrastructure across the school system should be deployed in accordance with DET's strategic plan for ICT. DET needs to build resilience into the core ICT infrastructure system to support the sustained growth in student population and the demand for improved technology.

### Recommendation 48

In the new SRP, DET should redirect ICT support services funding from the existing SRP's enrolment linked base component into the per student base allocation. DET should assist schools in utilising these resources to support the shared provision of technical support services in schools, and offer efficient purchasing arrangements to schools through its existing supplier panels.

## Workers' compensation

The Workers' compensation model in the SRP is intended to improve the occupational health and safety and Workers' compensation management of employees in schools by imposing a cost on schools with a poor claims history and rewarding schools for good performance. However, as detailed in Chapter 4, previous reviews have found that the mechanism is not working (VAGO 2013).

This was corroborated by independent advice to the Department of Education and Training, which found that schools with a costs to total budget ratio lower than the average are rewarded at the expense of schools with a ratio higher than the average. (Grant Thornton 2015). This indicates that the current formula is operating against a core principle of this Review, to ensure fairness across the school system by removing inequities between individual schools

The Review supports this independent assessment and considers that there is sufficient reason to revise the funding model. Advice to DET has proposed a funding approach that is more sustainable, transparent and equitable, including to:

- establish the overall contribution by schools to OHS and Workers' Compensation initiatives at four per cent of the annual premium (increasing recoupment from \$1.97 million to \$2.03 million based on 2015 data)
- increase the capped amount to be contributed by schools from \$10,000 to \$25,000 or 0.5 per cent of their remuneration, whichever is less
- retain the practice that rewards will remain for schools that have claims under the cap of \$10,000 or 0.5 per of their remuneration
- include other performance metrics, with a small portion of recouped costs (around eight per cent) being based on the schools' socioeconomic status and some select Workers' compensation performance metrics.

An increase in the percentage of the annual premium recouped is reasonable, since schools have been protected from inflationary impacts since the inception of the model. Similarly, an increase in the capped amount is reasonable, since large poor performing schools have had historical protection through the \$10,000 cap, despite having a higher capacity to contribute than smaller poor performing schools.

Overall, these changes to the SRP create a better financial incentive for schools to prevent injury, and improve performance metrics to create ongoing improvements in injury and claims management. The inclusion of assessments based on school's socioeconomic status means the approach is also more equitable.

Under this proposal there should be no added compliance burden for schools. Instead, DET's plan to introduce electronic claims management processes in schools to replace hard copies will likely improve performance and simplicity.

#### **Recommendation 49**

In the new SRP, DET should update the existing methodology for Workers' Compensation to ensure that schools' incentives to maintain safe working environments are more robust.

### **6.6.3 Meeting the needs of students who learn in rural and regional settings**

Rurality funding is unnecessarily complex - there several funding lines that have similar purposes, and measures used for determining eligibility are inconsistent and out of date.

The intention of rural funding is to recognise diseconomies of scale and enable smaller, more isolated schools to provide a broad curriculum and learning opportunities for their students. Its purpose is not to compensate for differences in learning outcomes identified through NAPLAN, VCE or similar measures.

There are currently three rurality funding lines in the SRP – the RSAF, the CAP and the LIF (see Section 4.4.8). The evidence does not support LIF as a rural measure. It was put in place to offset the costs of non-teaching services, but research suggests these costs are higher due to school size, rather than location. Further, the CAP and the RSAF have similar purposes. All three should be merged into a single line, with the RSAF formula used as the main mechanism to allocate rural funding. In addition, the RSAF formula should be changed.

Geographic boundaries that determine eligibility are inconsistent and out of date. Given boundaries are based on data from the 5-yearly national census, eligibility thresholds for rurality funding should be reviewed after each update.

Chapter 4 presented analysis that suggested there may be a case for reducing the population thresholds in the RSAF. In addition, the ‘hard’ boundaries defining eligibility may create funding inequities between schools that fall just inside the boundaries and those just outside. These issues could be addressed via the introduction of an isolation index (which would enable a graduated measure of rurality), and should be further investigated by DET.

#### **Recommendation 50**

In the new SRP, DET should include rurality funding in a new ‘Location’ loading, subject to the following changes:

- consolidate the three location based funding lines into a single line
- standardise the eligibility boundaries to use the UCL boundaries determined by the Australian Bureau of Statistics using national census data, and update these boundaries following the release of new information every five years
- DET should further consider reducing RSAF population thresholds, and introducing an isolation index as part of future rurality funding.

### **6.6.4 Meeting the needs of students who learn in small schools**

In relation to the current funding methodology for small schools, both the Enrolment Linked Base (ELB) and Small School Base (SSB) serve the same purpose - to meet the higher resource needs for smaller schools to operate effectively. It is therefore proposed that the ELB and SSB are consolidated into a single loading based on school size.

Implementation of this change should also seek to address funding threshold anomalies, including the funding differential between primary and secondary schools, and inconsistent funding thresholds across the ELB, SSB and RSAF.

It should also be acknowledged that small schools are expensive to run and that opportunities to increase efficiency at small schools can lead both to significant cost savings and better teaching and learning opportunities for students. These efficiencies can be realised through school collaboration, federations, forming multi-campus schools, consolidating campuses onto a single campus or closure. This Review has offered a number of proposals that could seek to explore these opportunities, including Collaboration Hubs, executive principal arrangements, federated governance, and incentivising collaboration through problem based funding.

#### **Recommendation 51**

DET should consolidate the enrolment linked base and small school base formulae and introduce a new ‘School size’ loading that recognises the higher level of resource needs for smaller and isolated schools to operate effectively. To increase curriculum breadth and the diversity of school experiences for students, and to improve school efficiencies, small schools should be supported to explore governance or partnering arrangements with proximal schools, including through network collaboration and funding incentives.

## 6.6.5 Meeting the needs of students who learn in applied settings

As detailed in Chapter 4, the sustainability of VETiS is contingent on addressing a range of issues that go to program funding adequacy (that is, the amount of funding available to schools), program quality (that is, the capacity of schools to purchase for quality while managing provision costs) and program equity (that is, meeting the needs of students from low SES schools).

These issues are clearly interrelated and need to be addressed concurrently. This Review believes that this can be achieved through a comprehensive review of the current VET regulatory and funding arrangements for school aged students, which are currently characterised by:

- three separate, but related sources of public and private funding (SRP, VTG and parent payments)
- two subsidies that operate across school and non-school contexts on a differentiated basis (that is, per enrolment and per hour)
- regulatory and purchasing practices that inadequately manage program quality and costs.

In respect of funding, the current arrangements for VETiS provide that all school students undertaking VETiS receive targeted funding via the SRP to ensure they receive their instruction for free. However school students undertaking School Based Apprenticeships and Traineeships (SBATs) also attract additional funding from the \$1.3 billion Victorian Training Guarantee (VTG). The rationale for this arrangement for additional SBAT funding is that it:

- incentivises the selection of courses linked to their educational program, not those simply preferred by employers to subsidise wages
- minimises any risk of funding duplication.

In combination with inadequate VETiS funding indexation, a series of unintended consequences arise from these arrangements:

- **Cost shifting:** the increasing, unfunded cost of VETiS provision is being progressively shifted to parents despite VETiS being accredited as part of the standard curriculum.
- **Perverse incentives:** students of school age being inappropriately incentivised to leave school by these unfunded costs interacting with the relatively larger VTG subsidy. A student with no special funding loadings doing a Certificate III in Catering Operations (SIT31013) can receive an additional \$825 for this Band 3 VETiS course. Should they leave school for the broader VTG market however, they can receive up to \$2,199 as a subsidy if they complete their course, subject to eligibility criteria for future subsidised training.
- **Exclusion:** the cost shifting and inappropriate incentive described above becomes particularly acute for low SES students, who, despite being some of the systems most vulnerable learners, face both a financial barrier to VETiS participation and a relatively greater incentive to leave school as their parents are even less able to meet the unfunded costs of VETiS participation.

The issues identified above and the lower than forecast demand for VTG funding present an opportunity to achieve VETiS sustainability and equity improvements without making a further call on the State Budget – namely, by the appropriate integration of the two VET related funding sources (SRP and VTG) within a single, yet differentiated funding model for all school aged students.

Such an approach would be of particular benefit to those students who are at risk of disengagement, and for whom an applied learning pathway is most appropriate. Since funding to a school needs to reflect the type and costs of courses being undertaken by students in that school, it is proposed that ‘universal’ VETiS funding should be provided through the ‘targeted’ element of the SRP.

Furthermore, given the drop off in VETiS participation in highly disadvantaged schools, securing a sustainable source of funding that supports universal access of VETiS would also allow an appropriate proportion of the existing VETiS targeted funding to be redirected towards disadvantaged students to assist with the costs of 'essential education items' required as a part of some courses.

### **Recommendation 52**

DET should review the way it funds VET to ensure that funding sources (that is, SRP and VTG) are integrated within a single, but differentiated model that efficiently directs resources to all school age students regardless of their institution.

This integration should deliver a funding model that facilitates:

- the provision of adequate and indexed targeted funding to VETiS students, linked to enrolment in a VCAA approved course from a VRQA accredited supplier
- redistribution of a sufficient proportion of the total available resources towards students in disadvantaged schools via the proposed 'low SES' loading to address access and equity concerns, including by subsidising the course fees charged under the Parent Payments Policy.

Inadequate funding and equity are not the only issues with VET sustainability in schools however. As identified in Chapter 4, there are significant concerns about the operation of the VET market in terms of program quality. These quality issues were also identified in the issues paper from the VET Funding Review, noting for example, significant quality issues related to student workforce readiness and concerns relating to provider regulation (including the regulation of school RTO's), training quality and predatory marketing, all of which undermine the interests of students and their career aspirations.

DET should work with schools to keep more students with a vocational education orientation at school. To achieve this however, policy and funding for the provision of VET to school aged students' needs to have regard for the long term outcomes for students. DET needs not only to ensure that VETiS targeted funding is sustainable in financial terms, but also that outcomes for students effectively 'coproduced' with the broader training system are of high quality. The need for improving the way DET regulates for provision quality is also supported by:

- an internal Departmental analysis of VETiS provision, which established the need to appropriately manage student course selection through enhanced regulation of course certification, as well as the potential for cost management and quality improvements through centralised purchasing
- the issues paper from the VET Funding Review, which identified a number of opportunities for improvement such as reforming regulation to lift provision quality, enhancing consumer protection and meeting 'community service obligations' with respect to the more complex needs of some students (State Government of Victoria, 2015).

Finally, appropriate indexation for VETiS funding also needs to be supported by improving the way the Department of Education and Training distributes targeted funding between course types, as the recent external review of SRP Internal Controls and Governance Procedures found, the per capita allocation of VETiS funding to courses was not informed by a coherent framework for assessing allocation (RSM Bird Cameron 2015).

### Recommendation 53

DET should improve the quality of VETiS provision, manage costs and prioritise student interests by:

- establishing an ‘approved supplier panel’ for VCAA accredited training that realises system level economies and links VETiS targeted funding to use of the panel
- distributing targeted funding between bands informed by the assessment and categorisation model detailed in the 2015 RSM Bird Cameron review report
- limiting the availability of VETiS targeted funding to a narrower, VCAA approved list of accredited, industry matched courses at AQF Level II and III, while leveraging the quality assurance and consumer protection recommendations identified in the VET Funding Review issues paper.

Finally, principals find the online advice in relation to the calculation of the VETiS targeted funding and its interaction with the base SRP too complex. Advice to schools could be made clearer in order to ensure all the available resources are adequately directed in the student interest.

### Recommendation 54

DET should provide updated, clear and comprehensive online advice to schools on how VETiS funding is sourced, calculated and distributed, along with a ‘VETiS calculator’ to assist schools understand the total available funding (that is, SRP and VETiS targeted funding) to an individual student to facilitate school planning and provision, including collaborative provision in VETiS clusters.

## 6.6.6 Meeting the needs of students who are disadvantaged because of economic circumstances

From the evidence presented in Chapter 2, it is clear that the effect of socioeconomic status on student outcomes is strong. This is made more acute for students experiencing multiple dimensions of disadvantage or those attending schools with high concentrations of disadvantage.

A funding model has the ability to help neutralise the effect of differences in student background and ensure that all students can access a high standard of education regardless of circumstance.

While the analysis in Chapter 4 showed that there were valid concerns around the level of equity funding in the system in past years, there will be a large injection of funds in 2016 directed towards those that are most disadvantaged. This funding is tipped in favour of primary schools, which is supported by a body of literature that shows investment in the earlier years has the most impact.

Given the level of equity funding will increase from close to \$160 million to over \$350 million in the space of a year, the Review believes that it would be imprudent at this time to advocate for more equity funding in the system in 2017, before evidence is gathered on how schools spend the additional funding received in 2016. This is not to say that additional equity funding is not warranted. Indeed, it is a fact that government schools are currently funded at significantly less than their SRS and additional Gonski funding would likely be directed towards the most disadvantaged students.



However, in the first instance, the priority for Government should be to ensure that this new funding is used to greatest impact. This priority is supported by a number of recommendations in this Review, including those addressing.

- **Strategic governance and capability:** strengthening collaboration between schools, stronger decision making and reinforcing accountability (see Sections 6.3 and 6.4).
- **Information quality and transparency:** better guidance material, broader public reporting and openness as the default (see Section 6.5).

As well as undertaking the recommendations detailed above to ensure a good return on the additional investment in 2016, the SRP also warrants reform. The funding model set out in Section 6.2.4 recommends a series of transparent loadings that provide additional funding to schools to meet the needs of their students. This is aligned to the Gonski Review that stated ‘in contributing towards the additional costs of educating disadvantaged students, governments should move away from funding targeted programs’ (Australian Government 2011). However, as set out in Chapter 4, there are several programmatic funding lines currently within the SRP that are either linked to socioeconomic status (for example the at risk allocation of MIPs) or that would better target student need if they were linked to socioeconomic status (for example VETiS – assuming an alternative source of funding can be identified – and Instrumental Music).

To align with the broader funding architecture, the Review recommends the consolidation of these funding lines into a single formula-based low SES loading. By moving away from programmatic funding, the funding to schools is necessarily ‘less tied’. As with the additional equity funding in 2016, a shift towards a single loading needs to be supported by the implementation of the Review’s Strategic Governance and Information Quality and Transparency recommendations. It is also important to acknowledge that as a consequence of this change, there will be a greater role for parent payments in higher SES areas to contribute to non-core curriculum resources and activities (for example, musical instruments, some VETiS courses).

#### **Recommendation 55**

DET should consolidate funding lines linked to social disadvantage into a single formula-based ‘low SES’ loading, linked to SFOE, including existing Social Disadvantage funding as well as the Instrumental Music Program, VETiS (assuming an alternative funding source is identified, as per Recommendation 52), mobility funding, and the at risk allocation of Managed Individual Pathways.

### **6.6.7 Meeting the needs of students with disabilities**

As detailed in Section 4.4.9, much of the concern around disability funding from stakeholders, validated by research, is that funding is deficit based and not targeted towards the functional needs of students. Demand driven funding has led to budget pressures within the PSD. Further, stakeholders feel there is not sufficient accountability for the outcomes of students with a disability. This suggests a change in funding approach is required.

There are a number of models that are in use (Mitchell 2015) in the context of funding for students with a disability, including:

- demand driven (or input) funding, where funding is allocated based on the type and quantum of support required for an individual student
- supply driven funding, where the number of students eligible for targeted support is usually capped or allocations are based on census data
- throughput funding, where funding is linked to particular services or interventions that schools are expected to fulfil and allocations are not directed towards individuals and allocations may be census based
- outcomes funding, where schools are effectively rewarded for good outcomes
- mixed models, including two or more of the above.

The decision as to which type of model to choose needs to take into consideration principles such as transparency, efficiency, equity, integrity and system consistency.

All Australian jurisdictions have used demand driven, targeted funding to students with a disability. However, there has been a continued shift, with Victoria leading the way, to provide support for students with lower levels of additional needs through formula-based funding to ease pressures on targeted program budgets.

The reported percentage of students funded varies across jurisdictions due to differing eligibility criteria of the programs and the demography of students – see Table 24 (Productivity Commission 2015).

**Table 24. Percentage of funded students with a disability in government schools**

Jurisdiction	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Percentage	6.4	6.3	5.6	4.3	8.9	7.9	5.2	4.4

Source: Productivity Commission 2015

## Students with high needs

There are a range of approaches to students with high needs across jurisdictions. Generally speaking, all Australian jurisdictions use a demand driven model that is based on diagnostic categories. However there are differences in the proportion of students funded through these targeted programs. For example, it is estimated that NSW funds approximately 4 – 5 per cent of students through targeted funding<sup>25</sup>, whereas in Tasmania targeted funding is only for approximately 1.5 per cent of the student population due to restriction of the program to those students with profound disabilities. There are also differences in how funding is allocated, with some jurisdictions providing funding directly to schools and some providing funding through regions.

Internationally, there are a range of approaches. New Zealand also uses demand driven targeted funding, however with a different set of eligibility criteria. The Ongoing Resourcing Scheme (ORS) provides targeted funding for students with high and very high functional needs. Student eligibility is defined against nine ORS criteria, which are based on the needs of a student in the area of learning, hearing, vision, physical, language use and social communication. The ORS provides funding for one per cent of students. Ontario, Canada, is in the process of transitioning to a new mixed model for students with high needs that includes a statistical component based on demographic data, a calculation involving special education data, participation in national assessment and achievement data, and a fixed amount to develop collaborative and integrated approaches.

<sup>25</sup> Noting that the totals provided include intensive English, tutorial and juvenile justice, which mean that the 4 – 5 per cent can be considered an upper bound.

The use of demand driven funding is supported by research that suggests that students with high needs benefit from individually targeted funding (Quach et al 2015). It follows that including a top tier of funding for students with high needs that is demand driven within the SRP is warranted. While the current PSD aligns with this approach, as detailed in Chapter 4, eligibility for this funding is based on criteria that may not be targeting student needs appropriately. As such, the Review recommends that there should be a shift from the diagnostic categories within the current PSD towards eligibility that is better aligned to a student's functional needs.

This direction ensures the funding model is transparent (clear line of sight over targeted funding), efficient (funding rates are tailored towards the level of need) and equitable (those students who are in most need receive funding commensurate with these needs). However it does require the development of a new functional education needs assessment tool to inform student's eligibility to targeted funding. Careful consideration needs to be given to the assessment process to preserve integrity of school funding and minimise administrative burden and stress on families.

### Interaction with the NDIS

'The interactions of people with a disability with the NDIS and other service systems should be as seamless as possible, with a no wrong door approach, and minimising the impact of system and organisational boundaries on people with a disability, enabling coordinated and integrated plans, supports and referrals and transitions' (Council of Australian Governments 2013).

This highlights the importance of system consistency. Reforms to high needs disability funding provides the opportunity to better align PSD and NDIS eligibility. As well as the ease of navigation of services and supports accessible to students with high needs, there are other benefits of this alignment, including that:

- it would allow for a shift towards funding for functional needs within Victoria
- it would drive national consistency in the approach to disability funding
- there may be a reduction in the costs of assessing eligibility and in lag time for funding for students starting school
- there may be a reduction in demand driven pressure; it is currently estimated that 1 – 2 per cent of people under the age of 18 will qualify for NDIS funding (Quach et al 2015), which is lower than the 4 per cent of students currently funded under the PSD<sup>26</sup>.

Despite these considerable benefits, there are a range of issues that require careful consideration before this alignment is undertaken (McDonald and Callaghan 2015).

- NDIS eligibility is purposely different because the NDIS is focused on broader life outcomes and not just education. This needs to be taken into account when developing the functional educational assessment tool that underpins access to the PSD.
- The NDIS is only available to Australian citizens with permanent disabilities, whereas the PSD will need to support students who are not Australian (for example, international students, migrants on temporary visas), as well as students who have a temporary disability.
- While the NDIS is not intended to replace funding obligations of mainstream services, funding responsibilities between the NDIS and education departments are not yet clear (including in the areas of transitions to and from school, personal care, therapies and student transport).

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<sup>26</sup> This does not necessarily mean that targeted funding should reduce to 1 – 2 per cent of the student population.

## Students with low to moderate needs

Students with low to moderate needs, who are not eligible to targeted funding, still need to be supported to reach their full educational potential. Schools have an obligation to make reasonable adjustments to facilitate this and should receive additional funding to do so. There are a range of approaches undertaken across jurisdictions.

**Table 25. Inter-jurisdictional approaches to fund students with low to moderate needs**

Jurisdiction	Funding approach
<b>Victoria (current approach)</b>	The Language Support program provides funding based on a formula involving enrolments, stages of learning and Student Family Occupation; some special schools partner with other schools to share expertise; and pilots such as the Autism Inclusion Support units have been funded in mainstream schools and have been successful, but initiatives are not being systematically taken into the mainstream.
<b>NSW</b>	For students with moderate needs, the Every Student, Every School initiative provides all mainstream schools with a learning and support teacher, as well as flexible funding depending on school enrolments. Additional allocations are determined on the basis of the number of students in the lowest 10 per cent of NAPLAN testing for previous 3-year period.
<b>Tasmania</b>	Students that are not on the Severe Disability Register and, as such, are not eligible for targeted funding are supported through a school's resource package. There is a minimum allocation of 0.2 FTE for a Support Teacher in all schools.
<b>South Australia</b>	Funding for students with lower levels of need is based on a formula informed by the income status of students in a school.
<b>New Zealand</b>	The Special Education Grant is provided for lower levels of disability, with funding formula-based and driven by socioeconomic status. This is similar to the funding approach adopted for the Language Support Program.

Source: Internal DET analysis

The Review understands that other jurisdictions may be considering adopting the NSW approach of using NAPLAN results as a proxy for additional needed. Some researchers suggest formula-based funding using the AEDC and SEHQ, weighted for disadvantage (Quach et al 2015).

By and large, the approach is to use formula-based funding – that is a throughput model – though the basis of the formulae varies across jurisdictions. McDonald and Callaghan (2015) describe the benefits of a throughput model to be increased flexibility for schools over their budget, less prone to strategic behaviour (that is, not open to influence) and encouraging of inclusive education.

The Review agrees that pursuing a formula-based loading for students with low to moderate needs is a sensible approach. However, the basis of this funding formula requires further investigation.

The Review understands that during the course of the PSD Review consultations, stakeholders proposed that any new approach to funding be trialled, including for the alignment with the NDIS. As well as funding for students with high needs, any trial should also consider funding for students with low to moderate needs and the use of the Nationally Consistent Collection of Data on students with a disability (NCCDSSD) to help inform the funding formula.

The NCCDSSD is a joint initiative between the Commonwealth and State and Territory governments, and provides an annual count of the number of students who are supported under the legislated obligations that schools have to make reasonable adjustments to students with a disability. It is intended to provide schools, communities and education authorities with information on the number of students with disability, the broad type of their disability and the level of adjustments they receive. The data collection requires teachers to

determine which students to include in the NCCDSSD. Once students have been identified, schools determine the appropriate level of adjustment and the broad category of disability.

The NCCDSSD provides the basis upon which a formula could be constructed – in particular, the data set provides the opportunity to investigate the correlation between students on the NCCDSSD and their background (for example, socioeconomic status) and their achievement (school assessment, attendance, retention). The investigation of the basis of a loading for low-moderate levels of additional need should consider any overlap between it and the existing catch up loading.

### **Recommendation 56**

DET should update the new SRP so supplementary funding for schools supporting students with a disability is distributed through the SRP.

Funding for those students who have high to very high needs to flow through the ‘targeted’ element of the SRP. To better target student need, eligibility for this funding should shift from the current diagnostic categories within the PSD towards a student’s functional educational needs. Alignment with NDIS eligibility should be considered; noting that how the NDIS will be implemented is still evolving.

For students with low to moderate levels of need, funding to flow through a formula-based loading (which includes current funding for the Language Support Program).

While these reforms address reforms to the funding model, outcomes for students with disabilities will improve only if schools are well supported in the use of this funding, through better and more effective practices (Deppeler and Sharma 2015; Quach et al 2015). These practices include:

- promotion of inclusive education in mainstream settings, which is an explicit commitment through the Special Needs Plan for Victorian government schools
- building teacher capacity in the specific strategies that are the most effective for students with specific needs or conditions
- sharing of knowledge across schools, including through increased collaboration between special and mainstream schools.

Any change to the funding approach to students with a disability must take these issues into consideration as they have an explicit link to the level of funding provided to schools for making adjustments for students with additional needs.

### **Accountability**

By legislation, education providers must make ‘reasonable adjustments’ to accommodate a student with a disability. However, as detailed in Chapter 4, the level of transparency and accountability around the use of funds for students with a disability has been criticised heavily in the past, hindered by a lack of systemic record of students requiring adjustments and the difficulties for some students in being assessed against the state wide curriculum.

The rollout of the NCCDSSD will aid in the former issue, allowing for better identification of students with additional needs. The second is the rollout of the Abilities Based Learning and Education Support (ABLES) in Victoria, which provides a suite of curriculum, pedagogy, assessment and reporting resources that can assist teacher and could be used as an alternative to NAPLAN or AusVELS for those students with high needs for assessment purposes.

Recommendation 30 introduces the Strategic Audits and Recommendation 36 introduces a new Strategic Accountability Statement, which would require schools to publish their funding data, including how this funding is to be used to improve outcomes for students. These provide vehicles through which accountability for outcomes for students with a disability could reside.

#### **Recommendation 57**

DET should require schools to report at the start of each year – through their Strategic Accountability Statement – on how they will satisfy the requirement that reasonable adjustments are undertaken to support the education of students with a disability in the coming year.

### **6.6.8 Meeting the needs of students for whom English is an additional language**

The current approach to EAL funding is based on a proxy measure, and as such, does not adequately target students that have low levels of English proficiency. In addition, the current SRP funding formula and governance and funding arrangements for outpost programs that support new arrivals warrant attention.

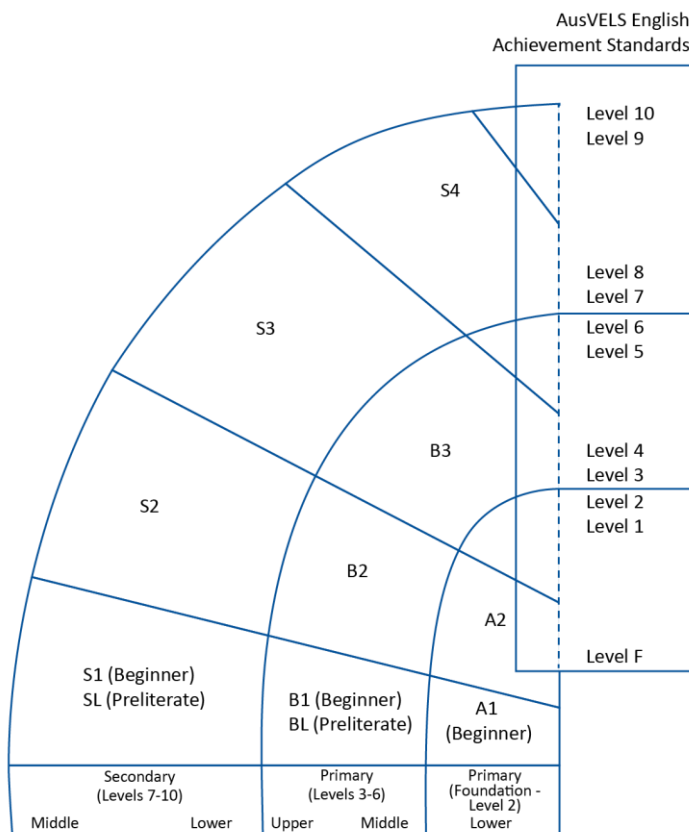
#### **Proficiency based funding**

A move towards proficiency based funding allows the system to more accurately target student educational needs. Further it eliminates the need for proxy measures that undermine transparency of the funding model.

South Australia moved from a length-of-time funding model to a needs based model in 1999. Initially needs were based on subjective teacher judgement, but this has since moved towards to the use of ESL Scales to support teacher judgement. South Australian teachers assess language and literacy levels according to a language and literacy level matrix, and funding is determined by the gap between the language level required for curriculum success at each year level of school and a student's language level (Williams et al 2007). NSW has moved towards ACARA's English as an Additional Language/Dialect Learning Progression as the basis of their EAL funding. A less fine grained approach is taken in Alberta, Canada where funding is based on the number of students requiring additional support to achieve grade level expectations in English and other subject areas. It is based on a proficiency assessment, with supporting documentation kept on file at the school.

In Victoria, the EAL Developmental Continuum P-10 assists teachers with evaluating students' current stage of language development. It is structured around the EAL Companion to AusVELS – see Figure 72. The EAL Standards in the Companion describe the stages of learning for EAL students. As indicated in the figure, the stages for an EAL student precede the English standards for non EAL students. The curve reflects the fact that as students' proficiency increases, they move to a stage of learning where the AusVELS English standards are likely to become more appropriate.

**Figure 72. EAL Companion to AusVELS**



Source: VCAA 2013

Williams et al (2007) proposed a proficiency based funding model based on the EAL Standards, with a formula of the form - per student funding = Gap in learning x Urgency weighting, where:

- the gap in learning was measured by the distance between the student’s current level against the EAL Standards and the age appropriate AusVELS English stage
- the Urgency weighting reflected the student’s stage of schooling (for example, covering two steps in the standards might be considered more urgent in upper secondary versus Prep).

This was then weighted at the school level based on the proportion of EAL students who had additional needs (for example, refugee students).

In 2014, DET commissioned an exploratory review to investigate the feasibility of implementing a proficiency based model. In summary, it was found that a proficiency based model would align funding with EAL learning needs better than the current model and could generate savings of approximately 10 per cent<sup>27</sup>. Part of the savings arose from the capacity of the new model to decrease funding to a student as they increase in English proficiency within a school stage, rather than having to maintain a fixed funding rate over a two or three year period, as is done now.

<sup>27</sup> Year 11 and 12 students stayed on the current funding model for the purposes of the modelling. Also no change was made to the minimum funding thresholds applied to schools.

Further detailed consideration needs to be given to the following key questions and issues.

- The impact of the new Victorian Curriculum and any consequent adaptations of the EAL Companion.
- How to assess students in Years 11 and 12, since the EAL Continuum only applies to Prep to Year 10 students.
- The correct funding rates – the studies above used a base loading of around \$200 per student, but this would need to be validated via benchmarking of effective and efficient schools.
- The correct formula – while the proposed formula included weightings for urgency and additional need, these would need to be validated via benchmarking of effective and efficient schools.
- While teachers are clearly the closest to students and well placed to assess a student’s learning, the proposed models are heavily dependent on teacher judgement data (as are the NSW and SA models). This introduces the risk of perverse incentives.

Ensuring greater uptake of the EAL Continuum would aid with a transition towards proficiency based funding. It would also build a richer picture of the actual level of need in the system, which could inform further budgetary analysis. Since only a relatively low proportion of schools currently use the Continuum for eligible EAL students, there is a fairly large task in building the capacity of teachers to make these assessments. The Department of Education and Training, in conjunction with the VCAA, could play an important role building this capacity.

The TEAL (Tools to Enhance Assessment of Literacy for EAL) toolkit is currently being developed by DET in partnership with the University of NSW and in collaboration with Catholic Education Commission Victoria and Independent Schools Victoria. Launched in 2015, it is an online resource that brings together a range of tools and advice for the assessment and reporting of the progress of EAL students – based on the EAL Developmental Continuum. Eventually TEAL may incorporate an online assessment tool. This may be helpful for teachers to corroborate EAL Continuum based assessments, and provides a more independent source of data.

#### **Recommendation 58**

DET should move to proficiency based EAL funding through the SRP, by leveraging TEAL, an online toolkit that brings together tools for assessing the progress of students according to the EAL Continuum and that will ultimately incorporate an online assessment.

To aid the transition to proficiency based funding and to build a richer dataset on student need, DET and the VCAA should work with schools to drive greater uptake of the use of appropriate EAL assessment tools.

### **Changes to the SRP formula**

In the absence of proficiency based funding, there are still amendments that can be made to the SRP to better target EAL funding.

#### **SFO to SFOE**

As detailed in Chapter 4, SFOE is a robust indicator of disadvantage and will be referenced in the calculations of Social Disadvantage funding from 2016. To maintain internal consistency within the SRP, it is recommended that the current EAL funding formula be updated to incorporate SFOE. Given the difference in the distributional differences between SFO and SFOE (see Figure 50), if implemented, this will require recalibration of the thresholds in place within the EAL funding formula. This could be achieved on a budget neutral basis however consideration would need to be given to those schools that may require transition funding.



## Thresholds

As detailed in Chapter 4, the thresholds of close to \$20,000 in primary schools and \$40,000 in secondary school are somewhat artificial, as funding is provided outside of the EAL funding formula through the 'clustering process' that effectively gives additional resources to networks of schools that do not meet the threshold. This lends weight to lowering the thresholds; however, there is a question around how much to change them by.

The current thresholds are much higher than thresholds in place in other jurisdictions such as NSW, where the threshold is set at \$400. This is because EAL funding in Victoria has historically been regarded as funding to employ EAL teachers and/or multicultural education aides. This differs considerably to the rationale behind the NSW threshold, which is set at a level to buy one day of casual relief teaching so that a mainstream teacher can access professional development. Without assurance that DET has appropriate professional development activities that teachers can access for the purpose of building capacity in relation to EAL students, the Review does not recommend lowering the threshold this low.

Table 26 below indicates the system level costs of moving the thresholds progressively down from their current level. These costs will be somewhat offset by savings that would be realised from ceasing or reducing funding through the clustering process.

**Table 26. Impact of reducing current thresholds in the SRP funding formula**

Primary Threshold	Secondary Threshold	Number of schools that receive EAL funding	Additional budget (\$ million)
21,711	41,755	523	0
20,000	40,000	543	0.5
15,000	30,000	607	1.9
10,000	20,000	685	3.1
5,000	10,000	806	4.2
0	0	1086	5.1

Source: Internal DET analysis

### Recommendation 59

In the absence of proficiency based funding, DET should change the EAL SRP formula to better target need by switching from SFO to SFOE, and reducing the per school funding thresholds (including abolishing thresholds for refugee students) to allocate more funding directly to schools via the EAL funding formula and less via a centrally run administrative process for schools who do not meet thresholds.

## Funding arrangements for new arrivals

As explained in Chapter 4, outpost (and other service provision) arrangements have been adopted as a flexible way to meet the English language needs of new arrivals. Since students attending outposts remain enrolled at a host school, there is limited visibility over these students and the level of English language training they are receiving.

As an immediate step, DET should investigate and document the spectrum of arrangements in relation to provision of intensive English support to new arrivals. This should include any service agreements in place between outposts and host schools, and whether arrangements involve the transfer of SRP funding from host schools to alternative settings.

The next step is to establish the appropriate model of service provision for the future. In order to give visibility to the VRQA on where new arrivals are enrolled, the feasibility of using outposts as campuses of the English Language School they are affiliated with should be investigated. This model would increase funding certainty, would facilitate the delivery of full time programs for students, and potentially introduce greater flexibility over where ELS staff were deployed (Polesel and Clarke 2009). It is also worth considering whether there are alternative arrangements, short of the campus model, that may be feasible including using SRP portability for the transfer of funds from host schools to outposts.

#### Recommendation 60

DET should improve current governance and funding arrangements for EAL funding for new arrivals across the varying provisions of service, including outposts and visiting programs.

### 6.6.9 Meeting the needs of Indigenous students

There is an achievement gap between Koorie and non Koorie students that is reduced, but not eliminated, once socioeconomic status, location and other school factors are accounted for. Programmatic funding is primarily used to address this gap, and currently the SRP does not contain a loading for Indigeneity. Stakeholders have also indicated there is a lack of transparency around how funding is used to improve Koorie student outcomes.

#### Funding architecture

A movement towards a funding architecture that more closely resembles a resourcing standard, as this Review proposes, diminishes the case for programmatic funding. While the EYKLNLP is considered a program, it operates similarly to a loading provided to a school. Funding under the EYKLNLP is delivered under an arrangement that gives schools the flexibility to implement interventions to suit their students and local context. This general approach is supported by the Review.

The Review proposes moving the EYKLNLP funding within the SRP – effectively creating a loading for Indigeneity that targets underperforming children. There are some limitations with the structure of this proposed loading, which are detailed in the following table.

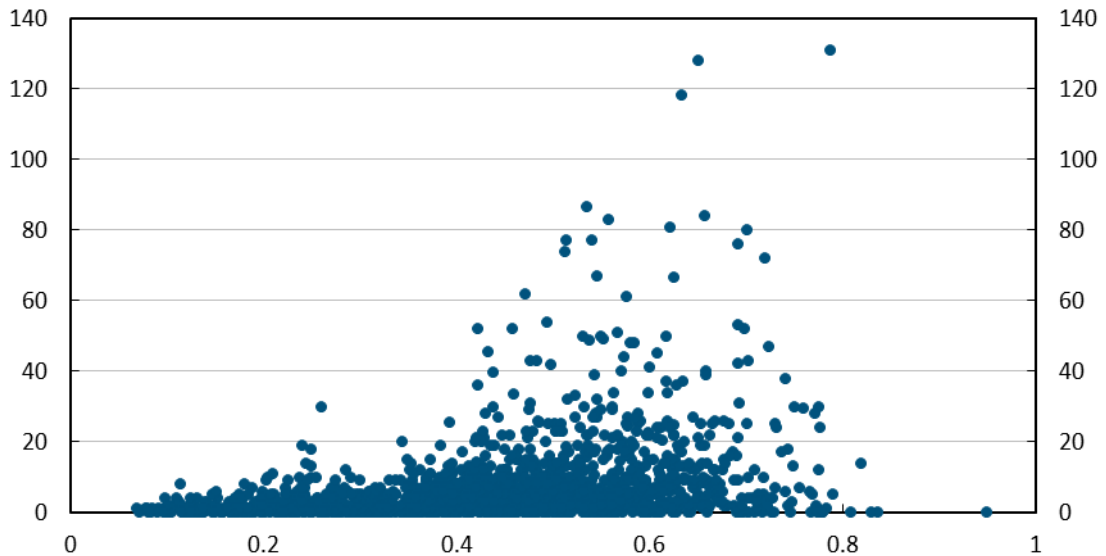
**Table 27. Current funding approach of the EYKLNLP**

Funding Approach	Limitation
Eligibility	Currently based on teacher judgement data collected in the school that receives the funding. This creates the risk of perverse incentives.
Interventions	Explicitly for delivery of literacy and numeracy programs to underperforming students in their early years. This may not necessarily address the underlying factor that drives the achievement gap that remains in the later years of school, even once SES, location and prior performance is controlled for.

Source: Internal DET analysis

It is important that schools do not see the EYKLP as the only source of funding that is available to meet the needs of their Koorie students. There is an overrepresentation of Koorie students in schools with high SFOE (see Figure 73). Research shows that socioeconomic status has a large influence on Koorie student outcomes (Marks 2014). Therefore schools should be expected to use their equity funding to help redress any disadvantage experienced by Koorie students due to economic circumstance.

**Figure 73. Campus enrolments of Koorie students by SFOE**



Source: Internal DET analysis based on August School Census data

### A loading for all Indigenous students

The Gonski Review categorised Indigeneity as one of the key dimensions of disadvantage, and as such, recommended that it attract a loading through the funding model. A loading has been included in the Commonwealth SRS model and is also included in the NSW RAM, though the structure of these loadings differs. VAEAI has indicated that they would support a loading for Koorie students.

**Table 28. Inter-jurisdictional comparisons of the structure of loadings for Indigeneity**

Model	Structure of loading
Gonski	Funding to a school scaling from around 40 per cent of the base allocation with 5 to 25 per cent of Indigenous students to 100 per cent of the base for schools with over 75 per cent of Indigenous students.
SRS	Funding to a school = Rate x (20 per cent + concentration of Indigenous students).
NSW	Funding to a school based on the number and the concentration of Indigenous students.

Source: Australian Government (2011), Guide to the *Australian Education Act 2013*, NSW Resource Allocation Model Information Sheet 4

While there is a strong argument for additional support for Koorie students, it is not immediately clear whether the SRS approach, the NSW approach or an alternative funding formula should be adopted in a Victorian loading for all Koorie students. There are several important questions specific to the Victorian context that need to be addressed before ‘mainstreaming’ a loading for all Koorie students, including:

- what types of interventions should schools implement with a loading?
- what level of funding is required for these interventions to be effective?

The Closing the Gap targets in 2018 provide a good opportunity to review the approach and seek answers to these questions. Further, the EYKLNLP will have continued for 4 years and the students that received funding in Prep would have reached Grade 3 – marking the end of their eligibility to the program. The Review proposes that a program evaluation be undertaken to ensure important lessons are learned around effective interventions.

### Effective practice

Before introducing a loading for all students, DET needs to know what effective practice is and what it costs. This is a complex and sensitive task in the case of a Koorie loading, particularly since the evidence suggests that the achievement gap is related to factors other than SES, location or prior performance.

Learning from schools that display good outcomes for Koorie students is one way in which to determine practice. Common characteristics of effective schools include strong leadership, a positive and respectful school culture and sense of Koorie student identity, teacher capacity, high expectations and partnerships with families and local communities (Ockenden 2014; Commonwealth of Australia 2015).

Victoria already recognises the importance of community engagement and involvement, which is facilitated through the Koorie Education Workforce (KEW) and currently funded outside of the SRP. As detailed in Chapter 4, this funding arrangement is a consequence of the dispersion of Koorie students in Victorian schools. This is quite different from the situation in NSW, where schools receive a loading for Aboriginal background. The loading can be used for Aboriginal Education Officer and Aboriginal School Learning and Support Officer positions in schools, implying that a portion of the funding distributed via the loading is for this workforce.

In addition to funding for a workforce, building teacher and school leadership capacity in cultural inclusivity with a focus on Koorie heritage warrants further investigation.

### Impact of the distribution of students

The demographics of Indigenous students across Victoria are very different to NSW and other jurisdictions such as WA and QLD. Well over half of Aboriginal and Torres Strait Islander (ATSI) students in Victoria are in schools that have a concentration of ATSI students of less than 6 per cent. With this distribution, many ATSI students would not receive funding under the model suggested by the Gonski Review.

**Table 29. Number of ATSI enrolments by concentration of ATSI students in schools**

	3 per cent or lower	3–6 per cent	6–15 per cent	15–30 per cent	30–50 per cent	50 per cent +	Total
<b>1 – 5</b>	1436	237	142	24	3	5	<b>1,847</b>
<b>6 – 10</b>	1471	634	258	80	0	0	<b>2,443</b>
<b>11 – 15</b>	672	474	347	0	0	15	<b>1,508</b>
<b>16 – 30</b>	769	991	893	173	0	0	<b>2,827</b>
<b>31 – 50</b>	144	372	663	127	0	0	<b>1,306</b>
<b>50 +</b>	0	278	756	595	260	0	<b>1,889</b>
<b>Total</b>	<b>4,491</b>	<b>2,986</b>	<b>3,059</b>	<b>1,000</b>	<b>263</b>	<b>20</b>	<b>11,819</b>

Source: Internal DET analysis based on August School Census data

This level of dispersion has implications for the efficiency and effectiveness of a loading. The following scenarios show the effect of allocating a per student amount to all Koorie students in Victorian schools. Scenario 1 shows the effect of reprioritising EYKLN funding into a loading for all Koorie students. As is evident, the per student rate is significantly diluted and there is a question as to whether this amount could be used effectively by schools with low numbers of Koorie students. Scenario 3 shows that to get to a per student rate equivalent to that funded through the EYKLN would be at a high cost to the system and may lack efficiency.

**Table 30. Impact of a loading for all Koorie students based on a per student rate**

Scenario	Total budget	Per student rate
1	\$2 million	\$169
2	\$5 million	\$423
3	\$20 million	\$1692

Source: Internal DET analysis

The issue of dispersion and effectiveness of funds should inform the optimal structure of a loading, including whether funding should be based on the concentration of students (noting this would mean a number of schools in receipt of EYKLN would miss out) or continuing with achievement based funding (noting the issues highlighted in Table 27).

It should be noted that adopting the SRS model would cost approximately \$20 million, which is not dissimilar to the budget for Koorie related programs in schools.

#### **Recommendation 61**

DET should update the SRP to include a new 'Indigenous' loading that includes the Early Years Koorie Literacy and Numeracy Program, maintaining the existing funding criteria (with the pool of funds effectively uncapped).

In 2018, contingent on student performance against the 'closing the gap' targets in VAAF (halving the gap for Aboriginal students in reading, writing and numeracy), DET should consider whether funding should be 'mainstreamed' for all Koorie students.

#### **Accountability**

As detailed in Chapter 4, while the current accountability mechanisms for the EYKLN are thorough and provide the centre with visibility over how funds are being deployed and student outcomes, from a system level, there is merit in consolidating accountability. This should ease the reporting burden on schools, while also giving stakeholders (including Government) the transparency over funding that is needed.

Recommendation 30 introduces the Strategic Audits and Recommendation 35 introduces a new Strategic Accountability Statement, which would require schools to publish their funding data, including how this funding is to be used to improve outcomes for students. This is a vehicle through which accountability for Koorie student outcomes could reside.

#### **Recommendation 62**

DET should require schools to report on how they intend to use funding to improve outcomes for Koorie students, as part of their Strategic Accountability Statement.

## 6.6.10 Meeting the needs of students who require additional health and wellbeing support

Access to quality health and wellbeing support was widely acknowledged through stakeholder consultations as integral to good educational outcomes for many students. There was also consistent support for a more equitable allocation of resources across the system, which the analysis in Chapter 4 found was warranted. However, there was a divergence of opinions on the level of support that should be provided by the Department of Education and Training and on how this support should be delivered in schools.

Some hold the view that separate programmes should be maintained for services such as SSSOs and nurses and that DET should take a greater responsibility in raising the professional standing and funding of these workforces. In contrast, some stakeholders feel that schools should be able to use funding allocated via the SRP to cater for the day-to-day health and wellbeing needs of their students – effectively reprioritising some of the funding from existing programs towards directly funding schools and allowing them to procure services locally.

There are benefits to both approaches. Maintaining programmes arguably allows for more control to be held by the centre and more prescription over how resourcing is used. However, a more locally resourced structure moves the control towards schools, essentially putting the decision making in the hands of the people closest to the students. This model allows schools to better tailor services to their local context and, by giving them a funding line through the budget, may lead to more efficient use of resources (for example, the use of SSSOs for PSD assessments may decrease). Further, giving schools local decision making authority is in line with a broader funding architecture supported by this Review that directs a larger proportion of funding direct to schools through the SRP.

This change in funding approach does not necessarily have to change the entire service provision aspect. Many stakeholders indicated good working relationships with the allied health workforces and the Review believes that this should continue where effective. However, a shift in the funding arrangements can facilitate a wider choice of service provision for schools.

Before any shift is made towards locally procured services, careful consideration needs to be given to a range of issues relating to access and service provision.

- Some schools, due to location, may have difficulty in procuring health and wellbeing services because they operating in a ‘thin market’. There will be a key role for local areas and regions as ‘referral points’ in helping to source these services and enable collaboration between schools. However, there may also be a role for DET as service provider in areas where access is very limited.
- Partnerships with the Department of Health and Human Services should be investigated.
- To fulfil DET’s responsibility to students, a shift towards schools procuring services can only occur if it does not compromise the quality of service and there was assurance that service providers had specific educational expertise.
- The privacy and handling of student files has to be considered in a shift towards external service providers.

As an interim step in a new funding approach, schools could receive a credit in their SRP allocation that is reflective of a revised funding formula that recognises the level of student need in each region, but that is still attached to DET funded health and wellbeing workforces. This allows schools to maintain their existing arrangements, if they so wish, while also offering the flexibility to procure their own services using a credit to cash transfer. This process would allow DET to gauge demand for locally procured services, however does have budgetary implications in the event that a significant proportion of schools utilise this option and the current industrial arrangements were maintained.

## A formula-based loading

The Gonski Review explicitly excluded adjunct service costs from their proposed resourcing standard on the basis that some costs (including health and welfare) are borne differently by schools and ultimately reside with other agencies within government. This differs from the current situation in Victoria, where DET funds the health and wellbeing workforces, and for the most part services are provided on a universal basis to Victorian government schools.

In order to move to a health and wellbeing loading, a new funding formula needs to be developed. While consideration needs to be given to the indicator(s) of need underpinning this formula, the Review believes an appropriate mechanism would include a base allocation for all schools (to maintain a level of universality) plus a component that provides additional funding towards schools with higher health and wellbeing needs. This may also include extracting funding for secondary welfare coordinators out of the base allocation and including them in the loading. Further investigation needs to be undertaken, but evidence suggests that allocating purely on the basis of SES may not be the most appropriate measure given that other demographic factors impact on student health and wellbeing.

### Recommendation 63

DET should establish a new 'Health and Wellbeing' loading in the SRP to provide funding to schools to procure health and wellbeing services (welfare staff, allied health professionals, nurses and doctors). This would allow for more local and multi-disciplinary approaches to health and wellbeing, which many schools are already implementing.

## Leveraging the new regional structure

The proposed funding approach provides for greater devolution of decision making to schools in meeting the health and wellbeing needs of their students. This needs to be complemented through a strengthened regional support structure. It is the intention of DET that the new Local Area structure will be staffed by people with specialist experience, including health and wellbeing, specialist children's services and nursing. This provide an appropriate referral point for schools that need assistance in how best to access services or address particular issues.

This support will be particularly important in areas that have greater concentrations of small schools. Where larger schools may have the budget flexibility to employ and manage health and wellbeing teams within the school, this may be more difficult in smaller schools. Local areas could play an important role as the coordination point for schools, enabling collaboration and sharing of resources to increase access to services. This is helped by the fact that areas will have 'soft boundaries'.

Local areas should also play a role in health and wellbeing issues that schools cannot be expected to deal with alone through their SRP allocations. This could encompass crisis and emergency management situations, as well as providing clarity around the process for escalating complex cases, including helping to source services for schools that may not have the access or capacity. This would work most effectively if these staff had expertise in complex case management and responds to concerns raised through consultations on the new regional structure that wellbeing was a major priority with a need for expert advice and support for complex cases.

#### **Recommendation 64**

DET should consider issues relating to access and service provision for health and wellbeing services, with local areas playing an important role as referral points.

- Deliberate staged transition arrangements will be necessary, due to the current industrial arrangements across programs such as Student Support Service Officers and Primary and Secondary school nurses that currently sit outside of the SRP.
- A possible transitional arrangement would provide schools with a credit allocation to be used against the existing workforces, as is the case with the teaching workforce. Providing schools with a budget may drive more efficient and appropriate use of these workforces.
- Further, allowing schools to convert this credit to cash to be used on school procured health and wellbeing services will enable DET to gauge demand for external services, noting that this may incur one off costs.

#### **Governance**

Even if the access and service provision issues raised above cannot be resolved or hinder the introduction of a health and wellbeing loading, arrangements within the current funding approach still warrant reform. In particular, to ensure that student needs are being appropriately met, indexation and allocation of funding across regions should be recalibrated. Any additional funding that arises as a result of this recalibration should be used to support mixed models of service provision to increase flexibility for schools.

Further, in the case of SSSOs, use of coordinator schools should cease as this does not provide appropriate levels of governance and financial probity. The Review recommends that management responsibility for SSSOs move from the existing 51 networks to the local areas, which would also involve transitioning the SSS budgets from coordinator schools to the Regions. This change would strengthen financial governance, whilst also better supporting a multi-disciplinary approach to health and wellbeing.

#### **Recommendation 65**

DET should seek to reform funding arrangements for health and wellbeing workforces, even in the absence of an SRP loading.

- Indexation and allocation of funding across regions should be recalibrated to better reflect student need.
- In the case of SSSOs, use of coordinator schools should cease, with governance moving to the local areas.



## 6.6.11 Meeting the needs of disengaged students and early school leavers

Funding for student engagement and reintegration programs largely reflects incremental and historical arrangements. There is limited system, region and school level accountability for disengaged learners – both those that are at school, but disengaged, or those that have left school already.

Related to this, there is limited visibility to DET and the community on the number of students accessing programs designed to strengthen student engagement in schools or reintegrate students with mainstream schooling. There is also limited clarity around the funding that follows students under the protocol of SRP portability and the outcomes of these students. Finally, schools face disincentives to enrol students that have left school due to funding timelines.

### Intervention strategies for disengaged learners

National and international research has found that to improve school completion for students at risk of disengagement requires a series of targeted interventions and programs (student focused and school wide), underpinned by a supportive and inclusive school culture (Lamb and Rice 2008). The research showed that schools that were most successful at increasing retention and completion rates shared common principles of practice – early intervention, sustained interventions, multi-faceted approaches, context sensitivity (local solutions) and supportive cultures driven by strong school leadership. They also found that larger schools could often implement these initiatives within their SRP allocations. However, this was harder in smaller schools with less budget flexibility, suggesting a need for greater collaboration.

Addressing the needs of students that have already left school is a more complex and resource intensive issue. Davies, Lamb and Doecke (2011) found that the key components of support for these students include:

- outreach in which a school comes to understand the family, community and context of the learner
- wrap around support to ensure that the child has all of the wellbeing and assistance needed to support effective engagement,
- effective pedagogy in conjunction with good programs
- high quality pathways planning with monitoring and case management.

This is corroborated by an assessment of DET funded pilot programs across Victoria, which found that schools can often implement strategies for students at medium-to-low risk of disengagement within existing resources (though not all schools may have the capacity or experience to do so). However, higher levels of resourcing are needed for students who have already left school, showing high levels of risk/vulnerability, or those for whom mainstream settings are not feasible (KPMG 2014). This serves to illustrate that early intervention is the most cost effective way to reduce the number of early school leavers.

The pilot programs found that extra resourcing required to support the most vulnerable students could be in the form of seed or pilot funding – a submission to the Review relating to outreach programs stated that ‘within 6 months of the pilot phase, both schools had a solid number of enrolments and received enough funding via their School Census to continue into the following year. At the same time, each school was beginning to raise the issue of long term sustainability as the program gained traction within their community and issues of scale and complexity began to emerge’ (KPMG 2014). Funding could also be provided to validate interventions that are currently in practice in some schools, but that require further evaluation before disseminating as best practice.

## A three tier funding approach

The evidence above dictates a funding approach that better meets the needs of disengaged learners, and that responds to the different levels of student need:

- schools should be able to support students at medium-to-low risk of disengagement within their own resources, including using their equity funding
- where a school does not have the capacity to support a student at risk of disengagement, schools should be able to access high quality programs to keep students in school or find appropriate pathways
- where a student has already left school, extra support is available and proactively managed in partnership with non-school providers.

To ensure the funding approach maximises student outcomes over the long term, there need to be stronger and clearer lines of accountability, and early identification and intervention for at risk students.

### Supporting students at medium-to-low risk of disengagement

Schools should be able to support students at medium-to-low risk of disengagement within their own resources. The evidence is clear that early intervention is the most effective approach. It is also the most efficient use of resources; it is much less costly to keep a student engaged with learning and keep them at school than to attract back student who has left school. As evidenced in Chapter 2, there is also a strong correlation with disadvantage, suggesting that a good use of equity funding would be to address students that are disengaged and therefore at risk of dropping out. However, it is not clear how much of the new equity funding is being used for this purpose. Applied learning options also provide an important path for these students, highlighting the importance of funding equity and sustainability for VETiS programs.

What this approach means in practice is that schools need to be able to identify at risk students as early as possible, and teachers need the capacity to cater for at risk students. This should include knowing or having access to effective interventions, and partnering with other schools or community service providers where needed. However, as evidenced through the Review's consultation process, many schools may not be fully prepared to take on this responsibility. This is why schools need to be supported in the most effective use of their funding.

The new regional structure introduces an important support mechanism for schools to fulfil these responsibilities. Recommendation 20 of the Review gives an explicit role to the new Regional Areas Directors in assisting principals with strategic decision making. This is particularly relevant in the context of the additional equity funding, and how this might be used to build capacity across an Area in support of disengaged students. Introducing clearer accountability mechanisms within the regional structure is supported by stakeholders, one of whom stated that DET should 'support schools to operate in regional clusters with joint responsibility for students in their region. This would help overcome competition between schools and better support students who transition between schools or disengage from school'.

### Partnering with high quality support programs

Where a school does not have the capacity to support a disengaged student, schools should be able to partner with high quality support programs that help to keep these students at school. In line with current practice, this could be via school based programs or alternative settings in their area or could be via brokering a service from an accredited external provider. In either case, schools need to know how to access these services and there needs to be assurance around the quality of the program and outcomes for students.

As detailed in Chapter 4, the most common concern from alternative education providers is the inadequacy of funding. However, a wider concern is the general lack of awareness of such programs and their cost effectiveness.

The Review proposes a new ‘challenge fund’ dedicated to student engagement. This new fund will provide a clearer avenue for providers that are delivering high quality and evidence backed programs to partner with schools to receive additional funding.

The use of problem based funding has been found to be an effective method of investment for innovation (Bentley and Cazaly 2015). Part of the rationale for the new fund is that schools and providers are already partnering in a range of innovative ways, and that innovation in service delivery should be encouraged as more data on ‘what works’ is collected.

In implementing such a fund, consideration should be given to how best to address the issue of funding certainty to providers, as well as relevant industrial arrangements in place.

The focus of the proposed challenge fund on evidence and evaluation should support a growing awareness of both the availability of programs – both existing and new – and their cost effectiveness. This information should be visible to all actors in the system, support the stronger regional capability proposed in recent Education State announcements, and enable programs that work to be expanded or mainstreamed over time.

This funding would act to supplement the core SRP that follows the student via SRP portability. Further, by extending SRP portability to include equity funding, there is recognition of the additional resourcing needs of these students. However, the Review believes that extending SRP portability should only occur if DET has better visibility over students accessing external providers and their outcomes. As regulator, the VRQA could play an important role in this area. Increased accountability may also have the added benefit of assisting regions in approving reengagement programs, as the additional reporting will give a better indication of quality of programs.

#### Proactive support for students who have left schooling

Where a student has already left schooling, extra support should be available and proactive. As detailed in an assessment of Victorian reengagement pilots, ‘schools can only achieve outcomes in partnership with others and with appropriate levels of additional funding to enable one to one learning approaches, assertive outreach, active engagement, home visits and work with parents/families to support the student’s reengagement prospects’ (KPMG 2014). The newly funded Navigator service will provide this assertive outreach, and work with young people on pathway planning and placement back into schools or programs that are best suited to the needs of the individual.

As detailed in a submission to the Review ‘in cases where student do disengage, the emphasis should be on reconnecting them with education as quickly as possible’. In support of this view, the Student Engagement Fund should enable reintegration programs to be piloted and evaluated for cost effectiveness, alongside those programs that seek to prevent early school leaving. Further, with responsibility for Navigator and student engagement strategies residing with local areas, there is scope for a more coherent policy approach and clearer accountability.

To address the current funding disincentive for schools to take on students re-entering the school system, the Review proposes extending the current contingency for late enrolments. This is widely supported by stakeholders in the alternative education space.

### **Recommendation 66**

DET should establish a Student Engagement Fund in the 'targeted' element of the SRP, with the aim to incentivise regional and local area collaboration and innovation to keep students at school or to find appropriate pathways.

- The Fund would be competitive, open to schools or, preferably, groups of schools and their partners to apply.
- Consideration would be given to student need in the Areas to ensure an equitable distribution of funds across the State.
- Assessment criteria would require a focus on prevention of early school leaving and strengthening engagement into mainstream schooling and settings (where appropriate), through programs that take effect before students leave school.
- The Fund would also be open to programs that support reintegration into mainstream schooling of those young people that have already left school, should such programs prove more cost effective.

### **Recommendation 67**

DET should modify SRP portability rules to require the release of a proportion of equity funding to service providers who can meet the needs of students in alternative settings. This will require a new protocol for schools and accredited providers to partner to meet the needs of disengaged learners.

DET should improve system level data on schools using SRP portability, requiring external providers to report on the numbers, funding and outcomes for students in each of the local areas.

### **Recommendation 68**

DET should extend late enrolment funding to follow any early school leaver who is successfully reintegrated into the school system, as currently funding is only available for students who enter a senior-secondary reintegration program.

### Recommendation 69

DET should require schools to report on their disengagement strategies, funding and performance through their Strategic Accountability Statements.

- Local areas should monitor, estimate and report on the numbers and location of students that are disengaged in schooling and those that have already left school.
- Local areas should then work with all schools in their region on strategies to strengthen student engagement and reintegrate students who have left school. This would emphasise the value of schools to work collaboratively with other service providers in regions.
- DET should improve systems support for schools to aid in the early identification of at risk students, for example through improving the functionality of CASES21 or through introducing a new tool.
- Local areas should be actively involved in the development of the Navigator Service.

## 6.6.12 Meeting the needs of students who have fallen behind

In consultations for the Review several stakeholders raised concerns with the current catch up loading, arguing that a more effective funding mechanism would direct funding to children in primary schools, either using Year 3 NAPLAN results (rather than Year 5) or a pre-school measure of educational disadvantage. The Review agrees that early intervention is the most effective in altering a child's trajectory, however does not hold the view that an 'early years catch up' loading is the best funding mechanism to achieve this goal. There are several reasons for this.

- Using Year 3 NAPLAN results to direct additional funding to primary schools would lead to an undesirable model design, possibly creating the incentive for schools to lower their NAPLAN results.
- At present, there is no pre-school measure or indicator of need that is robust enough to inform a funding allocation.
- There is considerable overlap between a child's school readiness and other factors of disadvantage that are already funded for through other loadings.
- Greater returns on equity funding (and other loadings) can be achieved through greater collaboration and information sharing between schools and early childhood educators.

### Indicator of need

While there are a number of datasets relating to a child's development when they commence school, none in their present form are robust enough to inform funding. This is largely due to the timing and frequency of data collection, participation rates and a lack of independence of data (for example, parent filled surveys or teacher assessments).

Table 31 below summaries some key datasets that are available to DET, which have been raised as possibilities to inform funding.

**Table 31. Summary of key datasets on early years development**

Measure	Limitations
<b>Australian Early Development Census (AEDC)</b>	Only collected when children are in Prep and is a Commonwealth funded collection conducted every 3 years. Further, as the survey is done by teachers, there is also a lack of independence.
<b>Maternal Child Health Parents Evaluation of Development Status (PEDS), 3.5 years</b>	Intends to give a picture of the child’s development, with red flags for where a child is not meeting certain milestones. Only 65 per cent of children attend this MCH visit in Victoria and it is a survey filled out by the parents, and hence is subject to considerable unreliability.
<b>School Entrant Health Questionnaire</b>	Based on a parent’s observations about their child’s health and wellbeing. Provides nurses with a clinical tool, however is not necessarily aligned to educational disadvantage.
<b>Transition Learning and Development Statement</b>	Are completed when children are engaged in early childhood education and are intended to summarise a child’s learning and development as they start school and indicate how a child can be supported to continue learning. This is qualitative data that is not designed to inform a funding formula. The Review understands that these are currently used inconsistently by schools.

Source: Internal DET analysis

There is also the important question of what aspect of educational disadvantage is not targeted through loadings such as disability, social disadvantage, health and wellbeing.

The Mitchell Institute recently published a report on educational opportunity in Australia, which helps to shed some light on the scale of the issue and the extent of the overlap between students that are not school-ready and those who experience other factors of disadvantage (Lamb et al 2015). The report considered four milestones, including a pre-school measure that was based on the proportion of children who were developmentally ready as assessed by the AEDC across the domains of physical health and wellbeing, social competence, emotional maturity, language and cognitive skills, and communication and general knowledge.

They found that over a fifth of all Australian children (22 per cent) were not developmentally ready when they entered school, though this proportion was slightly lower in Victoria (19.5 per cent). However, they also found that there was a strong association between missing the milestone and other factors – see Table below. Of these factors, socioeconomic status had the strongest influence on a child’s school readiness. Further, they found that communities with relatively low proportions of children who were school ready were more likely to be served by schools with low performance.

**Table 32. Factors that impact on a student’s educational trajectory**

Factor	National finding
<b>Socioeconomic status</b>	Close to 32 per cent of students in the lowest SES quintile missed the milestone compared to 15 per cent in the highest SES quintile.
<b>Location</b>	Over 44 per cent of students in very remote communities missed the milestone compared to 21 per cent in major cities. There was also a weak worsening relationship between meeting the milestone and inner regional, outer regional and remote locations.
<b>Indigeneity</b>	Indigenous students were 2.07 times more likely to miss the milestone than non Indigenous students (43 per cent versus 21 per cent).
<b>LBOTE</b>	Close to 30 per cent of LBOTE students missed the milestone compared to 21 per cent of students with an English background.

Source: Lamb et al 2015

The report also explored the effect of missing the early years milestone on a students' educational trajectory. They found that:

- approximately one in 10 students misses out on both the early years and Year 7 milestone
- about one in eight students who missed the school entry milestone were back on track by year 7, but many students fall below the benchmark, despite being ready at school entry
- students in lowest SES groups were most likely to miss both milestones, and also the most likely to drop below after having started off well.

These findings have important implications for an early years catch up loading. Specifically, many of the factors influencing a student's school readiness are already captured through separate loadings within the SRP.

### Greater returns on current funding

A system without an early years catch up loading does not mean that primary schools cannot be better supported in using their equity funding (and other loadings) to target underperforming students. A greater connection between schools and local kindergartens has the potential to provide a valuable source of information that can inform planning prior to the start of the school year, including how best to deploy resources.

The Linking Learning Birth – 12 Project was established in 2014 in eight demonstration sites. The aim of the project was to observe and report on practices that improve the integration between early childhood services and schools to enable high quality continuous teaching and learning for children and learning. Through this project, it was observed that some schools and kindergartens were not only establishing connections, but were using outsourced assessment processes to help them understand the profile of the Prep intake in the following year and plan accordingly.

While there is debate over whether formal assessment of young children is the best approach (and this is not the remit of this Review), strengthening connections between schools and kindergartens should be encouraged. In particular, these types of connection are likely to derive greater returns in areas with greater diversity of children and family backgrounds, and in particular, in disadvantaged areas.

As well as planning benefits to individual schools, there is a system benefit in ensuring data is available to DET on the educational pathways of young people from birth to 18. These pathways are visible to DET once a child enters school through their Victorian Student Number. However, pathways in the early childhood education space are hindered by the absence of a child identifier.

#### Recommendation 70

DET should continue with the existing formula-based 'catch up' loading for secondary students.

DET should progress work on the introduction of a unique child identifier that will help to build a richer dataset on students' educational pathways from birth to 18. Once introduced, consideration could be given to whether there are aspects of educational disadvantage that are not dealt with through the current SRP loadings, which would lend support to an early years catch up loading.

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