



Australian Government

# National School Resourcing Board

Annual review of state and territory compliance with section 22A of the *Australian Education Act 2013*



2022 funding year





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section 22A of the *Australian Education Act 2013*

**2022** funding year

## Board members

Professor Bronwyn Fredericks (Chair)

Professor Janet Clinton

Ms Valerie Gould

Professor John Firth

Professor Andrew Whitehouse

Professor Lee Anne Perry AM was appointed on 15 March 2024 and assisted with the finalisation of this review.

Professor Elizabeth Labone resigned on 6 March 2024 and contributed to this review.

Annual review of state and territory compliance with section 22A of the *Australian Education Act 2013*

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As this is an independent review authored by the National School Resourcing Board, the report does not necessarily reflect the views of the Australian Government.

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# National School Resourcing Board

The Hon Jason Clare MP  
Minister for Education  
Parliament House  
CANBERRA ACT 2600

Dear Minister

## **Review of state & territory compliance with section 22A of the *Australian Education Act (2013)***

The National School Resourcing Board has completed its annual review of state and territory compliance with section 22A of the *Australian Education Act 2013* (section 22A) for 2022.

The Board regards its legislated responsibility to conduct these reviews as a valuable element of the schools funding process. State and territory compliance with section 22A is essential in providing confidence to the Australian Government and the broader community that schools are being funded at the levels agreed by all governments.

In undertaking the review, the Board examined states' and territories' certified financial reports, received expert audit advice, and undertook desktop research. One jurisdiction accepted the Board's invitation to participate in consultations.

The Board's assessment is that, at the time of their reporting, seven states and territories were compliant with their minimum funding contribution requirements for 2022. The remaining jurisdiction submitted a mitigating factor to address their contribution shortfall for the government sector, and this was quantified in their auditor's assurance processes. After discussions with the jurisdiction, the Board concluded that their mitigating factor appeared reasonable.

On behalf of the Board, I commend to you the Board's review of state and territory compliance with section 22A for 2022.

Yours sincerely



Professor Bronwyn Fredericks  
Chair, National School Resourcing Board

20 March 2024

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# Glossary

Term	Definition
<b>Approved authorities</b>	Legal entities that can receive Australian Government recurrent funding for one or more schools.
<b>Approved system authorities</b>	Approved authorities for more than one school that distribute funding according to their own needs-based funding arrangement. This includes state and territory governments.
<b>Australian Curriculum, Assessment and Reporting Authority (ACARA)</b>	An independent statutory authority that provides advice on national curriculum, assessment and reporting to all Australian education ministers.
<b>Australian Government Department of Education</b>	Commonwealth department that creates opportunities and drives better outcomes through access to quality education and learning.
<b>Bilateral agreements</b>	Agreements under the National School Reform Agreement between each state and territory and the Commonwealth that sets out actions to improve student outcomes. The agreements also set out minimum state and territory funding contribution requirements as a condition of receiving Commonwealth school funding.
<b>Capacity to Contribute (CTC)</b>	An adjustment of Australian Government base funding of non-government schools, taking into account the assessed capacity of the school community to financially contribute to the school's operating costs.
<b>Funding Estimation Tool (FET)</b>	Provides approved system authorities with data of each system's schools, modified by the Department of Education as needed to reflect updates to its source data, such as school census returns.
<b>Immaterial shortfall</b>	A state or territory is not considered non-compliant if its reported contribution falls short by an immaterial amount. This is included in bilateral agreements (except for the ACT), which stipulate that 0.6 per cent of the total SRS for a sector, or another immaterial amount agreed by the Commonwealth Minister for Education, is considered 'immaterial'.
<b>Mitigating factors/ circumstances</b>	Described in the <i>Guidance to Reporting</i> – factors that may have contributed to a funding shortfall, including (but not limited to): <ul style="list-style-type: none"> <li>• fluctuations from year-to-year in funding</li> <li>• unintended and unexpected budget pressures</li> <li>• fluctuations in enrolment numbers or student characteristics</li> <li>• significant differences in allocated funding compared to actual school expenditure</li> <li>• financial accounting impacts (e.g. new accounting standards such as AASB 16 (Leases)) and</li> <li>• unforeseeable circumstances (e.g. natural disasters).</li> </ul>

Term	Definition
<b>National School Reform Agreement</b>	A joint agreement between the Commonwealth, states and territories to lift student outcomes across Australian schools.
<b>Net Recurrent Income Per Student (NRIPS)</b>	The base instrument for measuring state and territory contributions to schools.
<b>Non-government representative body (NGRB)</b>	A financially viable, fit and proper, not-for-profit body corporate that is approved under Division 4 of the <i>Australian Education Act 2013</i> to administer funding to independent schools.
<b>Schooling Resource Standard (SRS)</b>	An estimate of how much total public funding a school needs to meet its students' educational needs.
<b>Year T</b>	The calendar year on which funding is being reported. For this report, Year T is 2022.
<b>Year T+1</b>	The year following Year T. For this report, Year T is 2022, so Year T+1 is 2023.
<b>Year T+2</b>	The year two years after Year T. For this report, Year T is 2022, so Year T+2 is 2024.



# Executive summary

The *Australian Education Act 2013* (the Act) requires the National School Resourcing Board (the Board) to undertake an annual review of state and territory compliance with section 22A of the Act (s 22A). This section of the Act requires states and territories to meet minimum school funding contributions for the government and non-government sectors as a condition of Commonwealth financial assistance.

States and territories' minimum school funding shares are set out in s 22A. These are standard unless the jurisdiction's bilateral agreement under the National School Reform Agreement specifies otherwise. All states and territories' funding arrangements with the Commonwealth are set out in their respective bilateral agreements.

Under the terms of reference for this review, the Board is required to consider and provide its assessment relating to the compliance of a state or territory with s 22A, subject to the terms of that jurisdiction's bilateral agreement, including:

1. whether the reported state or territory funding for the given year equals or exceeds the minimum funding contribution requirements under s 22A for both government and non-government sectors;
2. any contributing or mitigating circumstances; and
3. suggestions for adjustments to current reporting processes that impact the ability of a state or territory to comply with the requirements under s 22A.

Contributing or mitigating circumstances may include:

- unintended and unforeseeable budget pressures in the state budget process
- other unforeseeable circumstances (such as natural disasters)
- fluctuations in enrolment numbers or student characteristics that exceed what could be reasonably anticipated
- significant differences in funding provided to schools compared to actual school allocation or school expenditure, that is outside the control of state governments
- other relevant circumstances, supported by data and information from the relevant jurisdiction.<sup>1</sup>

The Board based its review on certified annual reports and accompanying information provided by the jurisdictions. The Board offered all states and territories the opportunity to discuss compliance issues and provide feedback about the reporting process, and subsequently met with one jurisdiction. The Board also commissioned expert advice on the jurisdictions' assurance engagements and undertook desktop research to support its analyses.

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1. p.2. National School Resourcing Board, Terms of Reference: Review of state and territory compliance with section 22A of the Australian Education Act 2013, viewed 4 March 2024 at <https://www.education.gov.au/national-school-resourcing-board/resources/22a-terms-reference-document>

The Board found that seven states and territories (New South Wales, Victoria, South Australia, Queensland, Tasmania, Western Australia, and Australian Capital Territory) complied with s 22A at the time of reporting for the 2022 funding year. The Board considered that the mitigating factors of the jurisdiction assessed as non-compliant (Northern Territory) appeared reasonable.

The Board's assessment, supported by the advice of an expert consultant, is that by engaging an independent auditor to undertake a 'reasonable assurance engagement', all the states and territories completed the required assurance process for the 2022 funding year. By providing documentation, certification and assurance, all jurisdictions contribute to ensuring the broader community's confidence that schools are being funded at the levels agreed by all governments.

# Findings

## Finding 1

While the timing for jurisdictions' submission of their annual reports is relatively tight, it is not unreasonable. The majority of states and territories have met reporting deadlines for recent funding years.

## Finding 2

For the third year, all jurisdictions have completed the required assurance process by engaging an independent auditor to undertake a 'reasonable assurance engagement'.

## Finding 3

All states and territories provided annual reports consistent with the Department of Education's *Guidance to Reporting*.

## Finding 4

The Board found that seven out of eight states and territories were compliant with their minimum funding requirements for the 2022 funding year under section 22A of the *Australian Education Act 2013*.

## Finding 5

The Board found that the Northern Territory's funding contribution requirements for the government sector were non-compliant as its Schooling Resource Standard (SRS) reported share is lower than its required share of the SRS under its bilateral agreement (by 2.02 per cent).

## Finding 6

The Board found that the Northern Territory mitigating circumstances were reasonable, based on further discussions with the Northern Territory.

# Part 1: Introduction

## 1.1 The task

Under the *Australian Education Act 2013* (the Act) the Board is responsible for reviewing different parts of the Australian Government funding model for schools.<sup>2</sup> These reviews help ensure public confidence in the funding model.

Under s 128(6A) of the Act, the Board is required to conduct an annual review of state and territory compliance with s 22A. As a condition of Commonwealth financial assistance, states and territories must meet minimum school funding contributions agreed as part of the bilateral agreements that support the National School Reform Agreement.

Section 35 of the *Australian Education Regulations 2023* (the Regulations) requires that states and territories report annually to the Australian Government Department of Education on the funding they provide to government and non-government schools. They must also report to the Australian Curriculum, Assessment and Reporting Authority (ACARA) to enable the publication of school level financial data on *My School*.<sup>3</sup>

On 4 October 2019, the Hon Dan Tehan MP, then Australian Government Minister for Education, commissioned the Board to undertake an annual review of state and territory compliance with s 22A. The terms of reference for the review ask the Board to consider funding compliance for each calendar year, mitigating factors that may have contributed to any non-compliance, and recommended adjustments to reporting processes. The terms of reference are at Appendix A.

While the Board assesses each state and territory's compliance with s 22A, it does not have a role in providing recommendations on potential compliance action by the Minister. Under the Act, the Minister has the discretion to determine compliance and any sanctions.

The Australian Government and state and territory governments are the public funders of government and non-government schooling in Australia. Under the Act, s 22A requires states and territories to meet minimum school funding contributions, and sections 35A and 35B (s 35A and B) require the Australian Government to meet minimum school funding contributions. The s 22A review focusses on state and territory funding obligations.

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2. *Australian Education Act 2013* s.128

3. *Australian Education Regulation 2013* s.52(3) and s.55

## 1.2 The review process

To undertake the review, the Board considered each state and territory's certified annual report and any additional information provided. The Board also commissioned expert audit advice to inform its assessment.

States and territories were offered the opportunity to provide feedback on the draft report, and to provide additional information for inclusion in the report.

## 1.3 Background

### Public funding for schools in Australia

State and territory governments are responsible for delivering school education in their jurisdictions. The Australian Government supports the delivery of education through the provision of funding. The Australian Government is the majority funder for the non-government sector, while the states and territories are the majority funder for the government sector.

Funding to schools is provided by both the Australian Government and all state and territory governments, as agreed through the National School Reform Agreement and each jurisdiction's bilateral agreement. The amount of funding is calculated using the Schooling Resource Standard (SRS).

### The Schooling Resource Standard

The SRS is designed to help overcome educational disadvantage and ensure that schools are adequately resourced to cater for the needs of all students. It is an estimate of how much total public funding a school needs to meet its students' educational needs.<sup>4</sup>

The Australian and state and territory government contributions are set as a percentage of the total SRS for each sector. This allows for variation due to enrolment numbers, indexation and student or school characteristics.

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

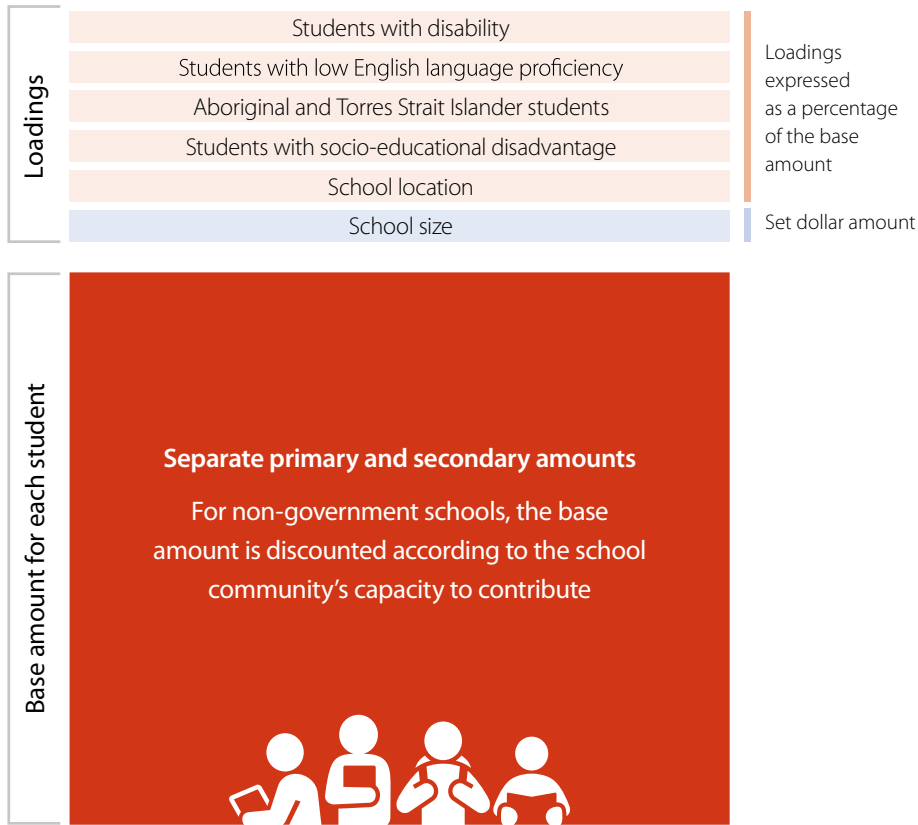
- a base amount for every primary and secondary student
- six loadings to provide extra funding for disadvantaged students and schools.

The formula to calculate a school's SRS is outlined in Part 3, Division 2 of the Act.

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4. The SRS is based on recommendations from the 2011 *Review of Funding for Schooling—Final Report*. D Gonski, K Boston, K Greiner, C Lawrence, B Scales and P Tannock (2011) *Review of Funding for Schooling—Final Report*, Australian Government Department of Education, Employment and Workplace Relations: Canberra.

**Figure 1. The SRS determines total public funding for schooling**



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

### **Australian Government funding arrangements**

The Act is the mechanism through which the Commonwealth provides funding to state and territory treasury departments to distribute to approved authorities. Approved authorities are legal entities who receive Australian Government recurrent funding for one or more schools. Australian Government funding is allocated to approved authorities based on the SRS.

In line with the requirements of s 35A and B of the Act, the Australian Government has been moving towards consistently funding:

- 20 per cent of the SRS for government schools
- 80 per cent of the SRS for non-government schools.

## **State and territory government funding arrangements**

The Act requires state and territory governments to contribute a minimum amount of funding at a total sector level to each of the government and non-government school sectors, in order for that state or territory to receive the Australian Government contributions. All states and territories have agreed with the Australian Government regarding how to calculate required shares.

The state and territory bilateral agreements also included an agreed funding transition pathway for each calendar year from 2018 until 2023. Each state and territory was expected to contribute minimum funding using the appropriate shares in their agreed transition pathways and the SRS for the appropriate sector.

State and territory governments had discretion to fund above these requirements.

## Part 2: Reporting processes

To assist states and territories in meeting their reporting obligations under s 22A, the Department of Education (the Department) publishes [Guidance to reporting – state and territory funding contribution requirements \(Guidance to Reporting\)](#) on its website. The document is updated, in consultation with all jurisdictions, to reflect changes made to processes as a result of the Board's findings and recommendations.

Reporting for this review (of the 2022 funding year) is based on the *Guidance to Reporting* published on the Department's website in August 2023 (see Appendix C). Based on recommendations 1 and 2 of the Board's review of 2019 funding compliance, the *Guidance to Reporting* addressed the impact of the changed accounting standard (AASB 16 (Leases)) and also (recommendation 4) requested that '... to the extent possible, any mitigating factors be quantified'. The *Guidance to Reporting* required that all jurisdictions:

- report to the Commonwealth by 30 November (Year T+1)
- provide 'evidence that the amount has been certified and is consistent with the agreed methodology as set out in the bilateral agreement through a reasonable assurance engagement in line with the Australian Auditing and Assurance Standards'
- report leases against Australian Accounting Standards Board Standard (AASB) 16 Leases (AASB16)
- separately identify and attribute by sector (where possible) any education regulatory costs agreed in the jurisdiction's bilateral agreement
- only count school education reform costs that are new, time-limited expenditure provided for the benefit of school education
- quantify, and where possible, certify each mitigating factor through the reasonable assurance engagement.

The *Guidance to Reporting* refers to adjustments made to the base methodology for counting state and territory contributions. This includes:

- *My School* adjustments to remove year 1 minus 2 (preschool) and full-fee-paying students, which do not attract funding under the SRS
- use of allocated rather than actual funding
- other expenditure counted (e.g. from other government departments, if necessary)
- additional expenditure and adjustments (e.g. how funding in the 4% cap is counted and what proportion).



## 2.1 Reporting minimum funding contributions

The reporting processes for provision of financial data to the Department and ACARA by states and territories are separate but interrelated, as both include Net Recurrent Income Per Student (NRIPS) data (calculated using the ACARA methodology). The Department's and ACARA guidelines prescribe the timeframes for required reporting and assurance activities.

States and territories report NRIPS for government schools to ACARA for the calendar year (Year T) in October following the funding year (Year T+1). At the same time, the Department reports NRIPS data for the non-government schools sector to ACARA. These data are then reviewed, and quality assured by ACARA and the approved independent quality assurance practitioner.<sup>5</sup>

The key date for state and territory reporting on s 22A compliance is 30 November of the year following the funding year (Year T+1), by which time states and territories are required to provide to the Department:

1. An annual report, which includes:
  - certified NRIPS data, for the government and non-government sectors
  - certified data on additional expenditure and both reform and regulatory costs.
2. Evidence of certification of the adjusted methodology for the government and non-government sectors.

### Section 22A reporting requirements are fit for purpose

States and territories were offered the opportunity to raise matters of compliance and the reporting process with the Board.

Bilateral agreements require states and territories to provide the Australian Government Department of Education with annual reports demonstrating their compliance with section 22A.<sup>6</sup> The *Guidance to Reporting* indicates that the reports are due by 30 November each year, subject to agreement by state and territory Education Ministers.<sup>7</sup> The Board observes that the majority of states and territories have met reporting deadlines in recent years, which suggests that the tight timeline for submission of reports is not unreasonable.

#### Finding 1

While the timing for jurisdictions' submission of their annual reports is relatively tight, it is not unreasonable. The majority of states and territories have met reporting deadlines for recent funding years.

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5. p.7, Australian Curriculum, Assessment and Reporting Authority (ACARA), 2023, *My School Financial Reporting – Key Principles and Methodology 2023 Version 8.8*, viewed 4 March 2024 at <https://www.myschool.edu.au/media/1930/my-school-financial-reporting-key-principles-and-methodology-v88.pdf>

6. ACT clause 34, NSW clause 31, NT clause 53, QLD clause 39, SA clause 44, TAS clause 45, VIC clause 37 and WA clause 38.

7. p.1, *Guidance to Reporting – State and Territory Funding Contribution Requirements* as at 21 April 2022, at <https://www.education.gov.au/download/4691/guidance-reporting-state-and-territory-funding-contribution-requirements/27299/guidance-reporting-state-and-territory-funding-contribution-requirements/pdf/en>

## 2.2 Certification of reported funding contributions

Under their bilateral agreements, states and territories have agreed to provide annual reports to the Department that are consistent with the agreed adjusted methodology and certified by:

- the Auditor-General of the state or territory
- an independent qualified accountant
- an independent qualified accountant engaged by ACARA for NRIPS funding, or
- the Director-General or equivalent of the education portfolio for the state or territory, but only for up to 0.1 per cent of the SRS for the state or territory for all reported funding.

The Department updated the *Guidance to Reporting* following the Board's report on funding for the 2018 school year, to require states and territories to provide 'evidence that the amount has been certified and is consistent with the agreed methodology as set out in the bilateral agreement through a reasonable assurance engagement in line with the Australian Auditing and Assurance Standards'.

In this context, the term 'reasonable assurance' has a specific meaning. According to the Auditing and Assurance Standards Board (AUASB), reasonable assurance means a high, but not absolute, level of assurance. Compliance with AUASB standards such as Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100) also carries a range of detailed obligations addressing issues such as evidence, ethics, independence and quality control.<sup>8</sup>

Seven of the eight jurisdictions engaged the auditor used by ACARA. Western Australia again engaged a local audit and assurance firm. All jurisdictions provided reports supported by certifications from reasonable assurance engagements.

Both accounting for and providing assurance on state and territory reported school funding contribution amounts is complex. By necessity, the accounting advice provided by states and territories to their nominated assurer is detailed and comprehensive. Requiring a 'reasonable assurance' engagement in accordance with the AUASB standards provides the Board with a high level of assurance with consistency and transparency about the assurance process and outcomes.

## 2.3 Assessment of reports

The Board's assessment is that all the states and territories completed the required assurance process for the 2022 funding year by engaging an independent auditor to undertake a 'reasonable assurance engagement'. The Board reached this view after examining certified annual reports provided by the states and territories. This is the third year in which all jurisdictions have met this revised assurance requirement, providing the Board with a consistent and high level of assurance to support the Board's consideration of compliance.

### Finding 2

For the third year, all jurisdictions have completed the required assurance process by engaging an independent auditor to undertake a 'reasonable assurance engagement'.

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8. *Standard on Assurance Engagements ASAE 3100 Compliance Engagements* – ASAE 3100, February 2017, Auditing and Assurance Standards Board at [https://www.auasb.gov.au/admin/file/content102/c3/ASAE\\_3100\\_Compliance\\_Engagements.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ASAE_3100_Compliance_Engagements.pdf)

# Part 3: Funding compliance

## 3.1 Assessment

The Board has assessed that seven out of eight states and territories complied with s 22A requirements for their agreed minimum funding share for government schools at the time of reporting for the 2022 funding year. At that time, two states fell within the 0.6 per cent immateriality clause for their agreed funding contribution amounts for government schools and two states fell within the 0.6 per cent clause for their agreed funding contribution amounts for non-government schools. The Board based this view on certified annual reports and accompanying information provided by states and territories and the Australian Government Department of Education.

## 3.2 Measuring funding contributions

Measuring state and territory minimum funding contributions to school education across jurisdictions is not straightforward. The states and territories differ in their overall schooling structures, their accounting processes, and their approaches to budgeting. These differences notwithstanding, each state and territory has agreed to a nationally consistent method of measuring funding contributions. This measure allows for small adjustments for each jurisdiction.

### Base methodology

To avoid duplication, the instrument for determining s 22A contributions leverages the existing ACARA *My School Financial Reporting* framework. This was developed by ACARA to enable nationally consistent reporting of school income information for the purposes of the *My School* website. Its key financial measure is NRIPS, which forms the basis of the adjusted methodology for measuring contributions under s 22A.

The ACARA methodology<sup>9</sup> has been developed over several years and is now mature. The ACARA Finance Data Working Group is a forum to discuss and address any issues arising from the reporting methodology and processes, and includes representatives from all government education departments, the Catholic and independent school sectors and other relevant stakeholders.

### Adjusted methodology

To measure state and territory contributions under s 22A, the ACARA methodology was adjusted to account for differences in the delivery of education across jurisdictions. The adjustments differ between jurisdictions and are set out in their bilateral agreements.

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9. Australian Curriculum, Assessment and Reporting Authority, *My School Financial Reporting: key principles and methodology* (2020, version 8.5), viewed on 16 February 2023, <https://www.myschool.edu.au/media/1688/2019-my-school-financial-reporting-key-principles-and-methodology.pdf>

The adjusted methodology uses the state and territory component of the NRIPS for school years Year 1 minus 1 to Year 12, with the following modifications:

- exclusion of funding for Year 1 minus 2 and full fee paying overseas students
- inclusion of allocated (budgeted) funding as well as school expenditure for the government sector
- inclusion of additional expenditure, which may include one or more of the following:
  - reform costs
  - education regulatory costs
  - other costs up to 4 per cent of the SRS for the government sector, e.g. capital depreciation, direct student transport, Year 1 minus 2 and/or early childhood.

The Department's *Guidance to Reporting* sets out the requirements for the adjusted methodology, including details about what expenditure can be included in calculating state and territory reported contributions and the certification requirements for each expenditure amount. This guidance has been updated to incorporate enhancements to the reporting process based on the Board's previous review findings and recommendations, as discussed in Part 2.

The Board considers that the adjusted methodology is sound and provides the necessary clarity. It assists in reporting and plays an important role in providing assurance that reported amounts comply with the requirements of s 22A.

### **Reported minimum funding contributions**

A state or territory's minimum funding contributions for a funding year are calculated based on its required share of the SRS for that year, as outlined in its bilateral agreement, and final student enrolments.

With the exception of the Australian Capital Territory (ACT), a state or territory is not considered non-compliant if its reported contribution falls short by an immaterial amount. This is included in their bilateral agreements, which stipulate that 0.6 per cent of the total SRS is considered 'immaterial'. (The ACT does not have an immaterial shortfall clause included in its bilateral agreement.)

The immaterial shortfall is included to account for the timing constraint of state budget processes being finalised in advance of the year, and the required contribution for the reporting year being finalised at the end of the year following the annual School Census. For example, budgeted funding for the 2022 calendar year is based on 2020 and 2021 enrolment data and in January 2023, final 2022 enrolment data is used to determine state and territory minimum contributions.

### ***Reporting according to the pro-forma***

Based on the annual reports provided to the Department of Education, the Board considers that all eight states and territories have accurately applied their adjusted methodology, as per their bilateral agreement, to determine their final reported minimum funding contribution.

#### **Finding 3**

All states and territories provided annual reports consistent with the Department of Education's *Guidance to Reporting*.

### 3.3 Compliance with funding contribution amounts

This section provides a high level discussion of state and territory compliance with s 22A before setting out the mitigating factors which may apply to non-compliant jurisdictions. The reporting of the non-compliant jurisdictions is then discussed in more detail, along with their mitigating factors.

#### **Funding for government schools**

At the time of their reporting, seven out of eight states and territories fell within the 0.6 per cent immateriality clause, met or exceeded their agreed funding contribution amounts for government schools in the 2022 funding year. A table of jurisdictions' required and reported funding is at Appendix D.

Two jurisdictions fell within the 0.6 per cent immateriality threshold. One jurisdiction contributed below their agreed share for government schools by more than the 0.6 per cent immateriality shortfall amount. This jurisdiction provided a mitigating factor to the Board for consideration.

#### **Funding for non-government schools**

At the time of their reporting, six out of eight states and territories met or exceeded their agreed funding contribution amounts for non-government schools in the 2022 funding year. Two jurisdictions fell within the 0.6 per cent immateriality threshold.

#### **Non-compliant jurisdictions**

##### ***Mitigating factors***

The review's terms of reference and the bilateral agreements outline that the Board may take into account mitigating factors that have contributed to non-compliance, including, but not limited to:

- fluctuations from year- to- year in funding which could be assessed through, for example, the application of a three year rolling average if funding has fallen below the required amount
- unintended and unforeseeable budget pressures in the state budget process
- financial accounting impacts (e.g. actuarial assessments and timing of expenditures due to reporting dates)
- fluctuations in enrolment numbers or student characteristics that exceed what could have been reasonably anticipated
- significant differences in funding provided to schools compared to actual school allocation or school expenditure, that is outside the control of state governments
- mitigation or rectification processes proposed by the state or territory
- other unforeseeable circumstances (e.g. natural disasters)
- other relevant circumstances, supported by data and information from the relevant jurisdiction.<sup>10</sup>

The terms of reference also state that the Board may make a finding of compliant or non-compliant taking into account immaterial shortfalls and mitigating factors.

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10. p.2, National School Resourcing Board, Terms of Reference - Annual review of state and territory compliance with section 22A of the *Australian Education Act, 2013*.

## Northern Territory

Based on the information provided to the Board, the Northern Territory appears compliant with its funding contributions for the non-government sector, as its SRS reported funding contribution fell within the 0.6 per cent immateriality clause (0.59 per cent) for its required share of the SRS under its bilateral agreement.

The Northern Territory appears non-compliant with its funding contribution requirements for the government sector, as its SRS reported funding contribution is lower than its required share of the SRS under its bilateral agreement (by 2.02 per cent).

**Table 1 Required and reported funding for the Northern Territory – 2022 funding year**

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
<b>Total SRS</b>	952.617		251.548	
<b>Required contribution</b>	557.281	58.5	37.959	15.09
<b>Reported contribution</b>	538.081	56.48	36.464	14.5
<b>Allowed immaterial shortfall</b>	-5.716	-0.6	-1.509	-0.6
<b>Utilised immaterial shortfall</b>	-5.716	-0.6	-1.495	-0.59
<b>Material shortfall</b>	-13.484	-1.42	N/A	N/A
<b>Total shortfall</b>	-19.2	-2.02	-1.495	-0.59
<b>4% cap on inclusions</b>	38.105 <sup>11</sup>		N/A	
<b>Regulatory costs</b>	N/A		N/A	

The Northern Territory attributed its funding shortfall to one mitigating factor quantified in its independent assurance reporting to a total of \$23.360 million.<sup>12</sup>

In its reporting, the Northern Territory identified its mitigating factors as follows:

### School employee underspends

The national teacher shortage is a key priority for all state and territory governments – National Teacher Workforce Action Plan. It is a challenge for school communities across Australia, and is ‘particularly acute in rural, regional and remote areas’ - Australian Government.

Due to acute teacher shortages, school employee expenditure was \$23.360 million under budget - outside the control of the Northern Territory Government. This represents approximately 5.7% of budgeted employee costs - ‘quarantined’ by the department for school staff.

11. In line with their bilateral agreement, the Northern Territory can include: additional expenditure up to 4 per cent of the total SRS for the government sector each year for depreciation, direct school transport, and early childhood; plus reform costs.

12. p.7, PricewaterhouseCoopers, Independent Assurance report on the Department of Education, Northern Territory’s compliance with the Section 22A(1) of the Australian Education Act 2013 for the period 1 January 2022 to 31 December 2022 dated 27 November 2023.

The in-scope school staff budget for 2022 was \$365.267 million, compared to an expenditure of \$345.515 million. The underspend of \$19.752 million would have offset the funding shortfall to government schools. This underspend was quarantined and carried over by schools into the 2023 calendar year.

## Comments

The Board observes a pattern of non-compliance with its obligations under s 22A of the *Australian Education Act 2013*, with Northern Territory's government sector contributions being non-compliant in the 2020, 2021 and 2022 funding years after exceeding its required contributions in 2018 and 2019.<sup>13</sup>

In the 2020 funding year, the Northern Territory attributed its funding shortfall to the impacts of the COVID-19 pandemic.

In 2021, the Northern Territory attributed its funding shortfall to three mitigating factors, all of which were quantified in its assurance reporting: school employee underspends, continued impact of COVID-19 and regulatory expenditure. In each of the previous funding years, the Board assessed these mitigating factors as 'reasonable'.

Table 2 summarises Northern Territory's s 22A compliance as follows: C – compliant; M – within immaterial threshold; and NC – not compliant.

**Table 2 Northern Territory s 22A compliance**

Sector	Funding year				
	2018	2019	2020	2021	2022
<b>Government</b>	C	C	NC	NC	NC
<b>Non-Government</b>	C	C	M	C	M

That funding shortfalls persist is concerning to the Board in what is frequently described as an underfunded system. The NT department has previously raised the issue that it is a 'small jurisdiction with high levels of need and limited revenue raising capacity. The NT government initiated budget repair measures from 2019, driven by unprecedented reductions in the jurisdiction's largest revenue source (GST), along with moderating economic conditions and increasing service demands.<sup>14</sup>

The Board notes that this is the second year in succession that the NT has attributed its non-compliance to staffing underspends.<sup>15</sup> Is it reasonable, in an environment where teacher shortages are a national concern, that staffing underspends because of difficulties in recruiting and retaining teachers would eventuate, regardless of the strategies in place?

13. p.18, National School Resourcing Board, 2023, *Annual review of state and territory compliance with section 22A of the Australian Education Act 2013 – 2020 funding year*, Viewed 13 February 2024 at <https://www.education.gov.au/national-school-resourcing-board/annual-review-state-and-territory-funding-contributions>

14. p.15, National School Resourcing Board, 2023, *Annual review of state and territory compliance with section 22A of the Australian Education Act 2013 – 2021 funding year*, viewed 13 February 2024 at <https://www.education.gov.au/national-school-resourcing-board/annual-review-state-and-territory-funding-contributions>

15. p.4, National School Resourcing Board, 2023, *Annual review of state and territory compliance with section 22A of the Australian Education Act 2013 – 2021 funding year*, viewed 13 February 2024 at <https://www.education.gov.au/national-school-resourcing-board/annual-review-state-and-territory-funding-contributions>

The Board raised these issues in its consultation meeting with representatives from the Northern Territory Departments of Education and Treasury and Finance. The NT representatives pointed to the post-COVID economic projections, which forecast surplus labour, elevated unemployment levels and little prospect for wages growth. That Australia – and the Northern Territory – bounced back faster than forecast, leading to a tight labour market, was not foreseeable.

The NT also pointed out during the consultation and in its feedback on the draft report that ‘The NT government school system operates in Australia’s most challenging socio-economic and geographic context. The NT has the highest concentration of very small schools in remote and very remote areas, and significant student need when compared to national benchmarks. The NT context is characterised by: geographic dispersion; high levels of disadvantage and poverty (socio economic and education); cultural and linguistic diversity; high student mobility and high incidence and severity of disability. Staff in the NT deliver education services in the most complex operating environment in Australia, which also impacts the NT’s ability to attract, recruit and retain this workforce.’<sup>16</sup> (See Appendix E.)

The NT representatives advised that due to the high level of school autonomy in recruitment processes, the difference in employee expenditure compared to the allocated budget was outside the control of the Northern Territory Government.

As the Education Ministers Meeting acknowledged in their communique on the National Action Plan on Teacher Shortage, ‘... Teacher shortage is a key issue for all States, Territories and sectors. It is ... particularly acute in rural, regional and remote areas...’<sup>17</sup> In the NT, teacher shortage is especially problematic due to high teacher mobility and turnover – and the jurisdiction’s heavy reliance on recruiting teachers from interstate.

The NT representatives described a range of current strategies in place to address workforce challenges, including:

- creating permanent classroom teacher positions<sup>18</sup>
- increasing the number of Highly Accomplished and Lead Teachers (HALTs)<sup>19</sup>
- redeploying corporate-based registered teachers
- Remote Aboriginal Teacher Education (RATE) building capacity of existing Aboriginal educators in remote education settings, and creating opportunities for those who aspire to become qualified teachers.<sup>20</sup> During 2022-23, 261 Aboriginal educators across 47 remote and very remote schools were supported to gain training and qualifications such as workplace skills, early childhood education and care, education and education support.<sup>21</sup>

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16. Northern Territory Government, Department of Education, Ref T50:F24:3533, Letter from Karen Weston, Chief Executive to Chair of the National School Resourcing Board, Professor Bronwyn Fredericks, dated 1 March 2024.

17. Education Ministers Meeting, August 2022, Communique *National Action Plan on Teacher Shortage*, 12 August 2022, Viewed 1 March 2024 at <https://www.education.gov.au/download/14569/education-ministers-meeting-communique-12-august-2022/29900/document/PDF>

18. p. 30, Northern Territory Department of Education, *Annual Report 2021-2022*, Viewed 1 March 2024 at [https://education.nt.gov.au/\\_data/assets/pdf\\_file/0010/1157374/doe-annual-report-2021-22.pdf](https://education.nt.gov.au/_data/assets/pdf_file/0010/1157374/doe-annual-report-2021-22.pdf)

19. The number of HALTs in NT education roles increased from 63 in 2020-21 to 70 in 2021-22. During 2022-23, 60 certified HALTs worked in the department, with 44 eligible for allowances as classroom teachers in NT government schools.

20. Northern Territory Government, Department of Education, *Aboriginal Educator Workforce Initiatives – Remote Aboriginal Teacher Education*, Viewed 1 March 2024 at <https://education.nt.gov.au/careers-in-education/aboriginal-educator-workforce-initiatives>.

21. p.49, Northern Territory Department of Education, *Department of Education 2022-23 Annual Report*, Viewed 1 March 2024 at [https://education.nt.gov.au/\\_data/assets/pdf\\_file/0005/1290749/doe-annual-report-2022-2023.PDF](https://education.nt.gov.au/_data/assets/pdf_file/0005/1290749/doe-annual-report-2022-2023.PDF)



The NT also flagged future strategies aimed at addressing workforce challenges, including:

- negotiation of a new enterprise agreement (the current agreement has a nominal expiry date of 11 October 2025)<sup>22</sup>
- providing incentives to retired educators who return to the workforce
- growing and investing in the Aboriginal workforce<sup>23</sup>
- reviewing school workforce models – for example, the NT teachers’ enterprise agreement includes measures to reduce administrative workloads for educators, as well as additional attraction and retention incentives such as 5 fixed pupil free days per year for schools to undertake whole-of-school professional development.<sup>24</sup>
- investigating alternatives to recruitment.

NT was non-compliant in their funding obligations for the government sector in the 2022 funding year. The Board finds the mitigating factors are reasonable, but notes that there is a pattern of non-compliance and expresses concern that NT may not have the appropriate infrastructure and adequate system oversight to achieve the outcomes of their strategies within the desired timeframes.

#### **Finding 4**

The Board found that seven out of eight states and territories were compliant with their minimum funding requirements for the 2022 funding year under section 22A of the *Australian Education Act 2013*.

#### **Finding 5**

The Board found that the Northern Territory’s funding contribution requirements for the government sector were non-compliant as its Schooling Resource Standard (SRS) reported share is lower than its required share of the SRS under its bilateral agreement (by 2.02 per cent).

#### **Finding 6**

The Board found that the Northern Territory mitigation circumstances were reasonable, based on further discussions with the Northern Territory.

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22. p. 10, Office of the Commissioner for Public Employment, *Northern Territory Public Sector Non-Contract Principals, Teachers and Assistant Teachers’ 2021-2025 Enterprise Agreement*, Viewed 1 March 2024 at [https://ocpe.nt.gov.au/\\_data/assets/pdf\\_file/0019/1095040/proposed-NTPS-non-contract-principals-teachers-and-assistant-teachers-2021-2025-enterprise-agreement.pdf](https://ocpe.nt.gov.au/_data/assets/pdf_file/0019/1095040/proposed-NTPS-non-contract-principals-teachers-and-assistant-teachers-2021-2025-enterprise-agreement.pdf)

23. p. 20, Northern Territory Department of Education, *Education NT Strategy 2021-2025*, Viewed 1 March 2024 at [https://education.nt.gov.au/\\_data/assets/pdf\\_file/0007/1061386/education-NT-strategy-2021-2025.pdf](https://education.nt.gov.au/_data/assets/pdf_file/0007/1061386/education-NT-strategy-2021-2025.pdf)

24. p.48, Northern Territory Department of Education, *Department of Education 2022-23 Annual Report*, Viewed 1 March 2024 at [https://education.nt.gov.au/\\_data/assets/pdf\\_file/0005/1290749/doe-annual-report-2022-2023.PDF](https://education.nt.gov.au/_data/assets/pdf_file/0005/1290749/doe-annual-report-2022-2023.PDF)

## Appendix A – Terms of reference<sup>25</sup>

The *Australian Education Act 2013* (the Act) sets out conditions of financial assistance for state and territories (states) to receive Commonwealth financial assistance for government and non-government schools in that state or territory. This includes default requirements for minimum state funding contributions for the government and non-government sectors under section 22A of the Act.

Section 22A of the Act provides that a payment of financial assistance under the Act to a state is subject to the total amount of funding provided by the state for a year for:

- government schools located in the state equalling or exceeding the state contribution amount for government schools in the state for the year.
- non-government schools located in the state equalling or exceeding the state contribution amount for non-government schools in the state for the year.

Bilateral school education reform agreements (bilateral agreements) have been agreed as part of the new national schooling reform arrangements. Bilateral agreements take account of states' individual circumstances, and each bilateral agreement outlines the state's commitments to the implementation of reforms. The agreements include agreed minimum state funding contributions, as well as the agreed approach to measuring these contributions and treatment for immaterial shortfall, for the government and non-government sectors where arrangements vary from the default calculations set out in section 22A of the Act.

The total amount of funding provided by the state for a year will be calculated in accordance with the methodology set out in a state's bilateral agreement.

The National School Resourcing Board (the Board) has been established under section 128 of the Act. Subsection 128(7) requires an annual independent review of compliance by states with section 22A of the Act.

Consistent with the Act, the annual review will assess total funding for the government and non-government at the sector level, not school level. States will continue to have the discretion to allocate funding to schools according to their own funding distribution models.

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25. The enduring Terms of Reference were issued by the then Minister for Education, the Hon Dan Tehan MP, in 2019, to initiate the Board's annual s 22A reviews.

## Scope

The Board will consider and provide its assessment relating to compliance by a state subject to the terms of its bilateral agreement, including:

1. Whether the reported state funding for the given year equals or exceeds the minimum funding contribution requirements under section 22A of the Act for both government and non-government sectors;
2. Contributing or mitigating circumstances;
3. Suggestions for adjustments to current reporting processes that impact the ability of states to comply with the requirements under section 22A of the Act.

## Contributing or mitigating circumstances

The Board is to take into account mitigating factors that have contributed to non-compliance. This may include, but is not be limited to, the following:

- fluctuations from year-to-year in funding which could be assessed through, for example, the application of a three year rolling average if funding has fallen below the required amount. This may include consideration of funding in the previous or subsequent year, to the assessment year, where funding provided or budgeted for schools is above minimum requirements. The additional funding provided in the previous years could be considered a mitigating/contributing circumstance for the shortfall experienced in the assessment year. Evidence of future Budgets could also assist the Board in assessing compliance.
- unintended and unforeseeable budget pressures in the state budget process
- other unforeseeable circumstances (e.g. such as natural disasters)
- fluctuations in enrolment numbers or student characteristics that exceed what could have been reasonably anticipated
- significant differences in funding provided to schools compared to actual school allocation or school expenditure, that is outside the control of state governments
- financial accounting impacts (e.g. actuarial assessment and timing of expenditure due to reporting dates)
- mitigation or rectification processes proposed by the state or territory
- other relevant circumstances, supported by data and information from the relevant jurisdiction.

The Board should also have regard to the timing of state budget processes and recognise jurisdictions may set budget appropriations for schools in advance of the state funding contribution amount being finalised based on actual data for the year.

The Board may make a finding of compliant or non-compliant taking into account immaterial shortfalls and mitigating factors.

The Board does not have a role in providing recommendations on potential compliance action by the Minister. Under Section 110 of the Act, the Minister has discretion to determine compliance and any sanction action.

Consistent with the terms of reference, the Board will produce a final report containing assessments of overall compliance for each state.

## Information to support the reviews

The bilateral agreements require states to provide the Australian Government Department of Education with annual reports demonstrating their compliance with section 22A of the Act for a year for the government and non-government sector by 30 November of the following year (unless otherwise set out in the bilateral agreement).

States may also provide any additional information they wish to have considered in the assessment of compliance.

This information will be provided to the Board along with any additional information on context and mitigating factors that the Board requests to support its deliberations.

States will not usually be required to report separately to the Board. If the Board seeks additional information from states, a formal request will be made by the Australian Government Department of Education, consistent with the arrangements outlined in section 65 (1)(aa) of the Australian Education Regulations 2023.

## Consultation

The Board will consult with states and territories in undertaking its review, including consultation with the Education Council, and may also consult with other parties as required.

The Board will provide relevant sections of the draft review report to each state and territory, who will have the opportunity to provide further information for the Board's consideration. States and territories may request that their response, if any, is included as an annexure to the final report.

## Timing

The Board is expected to provide its final report to the Australian Government Minister for Education by April two years following the reported year.

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

## Appendix B – Review process

On 4 October 2019 the then Australian Government Minister for Education, the Hon Dan Tehan MP, commissioned the Board to undertake annual independent reviews of state and territory compliance with s 22A of the *Australian Education Act 2013*. The Board has an enduring terms of reference that reflect its legislated responsibility to conduct this annual review process.

To complete its assessment, the Board reviewed each state and territory’s annual report and any additional information provided to the Board, as well as considered expert financial audit advice. The Board also offered states and territories the opportunity to provide feedback on the draft report, particularly in relation to their funding contributions and reporting processes. Representatives from the Northern Territory met with the Board.

In line with the terms of reference, the Board also provided the draft report to jurisdictions and welcomed any further information. Both the Northern Territory and Victoria took the opportunity to provide responses to be included in Appendix E.

### National School Resourcing Board members

Professor Bronwyn Fredericks (Chair)

Professor Janet Clinton

Ms Valerie Gould

Professor John Firth

Professor Andrew Whitehouse

Professor Lee Anne Perry AM was appointed on 15 March 2024 and assisted with the finalisation of this review.

Professor Elizabeth Labone resigned on 6 March 2024 and contributed to this review.

### Expert financial audit advisor

The Board acknowledges and thanks Mr Colin Murphy PSM for his advice and assistance with the conduct of this review.

### Review Secretariat

A secretariat from the Australian Government Department of Education supported the Board in the conduct of its business and the review process.

Ms Robyn Beutel, Assistant Secretary

Ms Emma Freeman, Director

Ms Susan Jones, Acting Assistant Secretary

Ms Pon Chaleune, Assistant Director

Ms Jeanie Mackinder, Assistant Director

Ms Rachel Howe, Policy Officer

Ms June Fan, Assistant Director

# Appendix C – Guidance to reporting state and territory funding contribution requirements



## Guidance to reporting – State and Territory Funding Contribution Requirements

Under subsection 22A(1) of the *Australian Education Act 2013* (the Act), states and territories can count funding provided for schools towards their required state-territory shares.

Required shares for each state or territory are currently set out in individual bilateral agreements with the Commonwealth. Bilateral agreements also include the agreed measurement of contributions and requirements for annual reporting to the Commonwealth. Due to differences between individual bilateral agreements, and state or territory specific circumstances, not all elements of this guidance will be applicable for each state and territory.

Under the bilateral agreements, states and territories are due to report to the Commonwealth by 30 November<sup>1</sup> each year on funding requirements for the previous year.

The reporting guidance has been reviewed and updated following assessment of the 2019, 2020 and 2021 reporting years to reflect recommendations made by the National School Resourcing Board as well as minor administrative updates.

The base methodology for measuring state and territory contributions uses the adjusted Net Recurrent Income Per Student (NRIPS) component of the Australian Curriculum, Assessment and Reporting Authority (ACARA) financial data reporting methodology. References to NRIPS in this document refer only to the state and territory funding component. Under the bilateral agreements, certain other expenditure types (additional expenditure) can be included as part of a state or territory's funding contribution in addition to NRIPS.

### Base methodology for measuring recurrent expenditure (ACARA financial methodology)

The base methodology for measuring state and territory funding contributions is the state and territory government component of NRIPS for school years Year 1 minus 1 to Year 12 as calculated under the ACARA financial data reporting methodology.

To ensure consistency with the SRS, funding for Year 1 minus 2 and for full-fee paying overseas students is separately identified and removed for the purposes of measuring state and territory funding contributions where it is otherwise included in the data reported to ACARA.

### Adjustment to NRIPS for Year 1 minus 2 (if required to jurisdictions that do not currently exclude this in MySchool reporting)

The ACARA financial methodology excludes costs relating to Year 1 minus 2 except where specifically identified. For the purpose of measuring the NRIPS component of state and territory funding contributions in the circumstance where Year 1 minus 2 costs are included in the state or territory's ACARA reporting:

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<sup>1</sup> As agreed by state and territory Education Ministers.

#### Guidance to reporting – State and Territory Funding Contribution Requirements

- Recurrent/variable costs for delivering Year 1 minus 2 should be removed. This should be calculated based on the incremental cost of an additional Year 1 minus 2 enrolment place. Such costs would include teacher salaries, premises costs and consumable costs.
- Overhead costs which are sunk costs (e.g. on-site delivery as part of a school) should be counted.
- Overhead costs which are not sunk costs (e.g. off-site delivery separate from school) should be removed.
- Any Year 1 minus 2 costs should be the net of any other funding received for these services (e.g. the National Partnership on Universal Access to Early Childhood Education and Care funding).

Year 1 minus 2 costs will need to be identified and removed on an ongoing basis from the NRIPS amount from the ACARA methodology used in states and territories' annual report, using certified data of actual or allocated expenditure and a methodology consistent with the guidance above. The annual report should set out the methodology used by the state or territory to exclude these students and include the certified data.

Where it is not possible to separate Year 1 minus 2 cost, the Australian Government will work with the state or territory to resolve the issue. This may occur where there is a material, unexplained difference between the total full-time equivalent enrolments (FTE) in the annual and the total FTE enrolments reported annually for the purpose of Australian Government funding due to the inclusion of funding for these students.

The methodology used may be to discount funding for Year 1 minus 2 through a notional apportionment of funding based on student numbers reported for Australian Government funding.

Should Year 1 minus 3 costs also be included in the ACARA financial methodology, these should also be excluded on the same basis.

#### Adjustment to NRIPS for full-fee paying overseas students (if required, applies to jurisdictions that do not currently exclude this in *MySchool* reporting)

The ACARA financial methodology may include costs relating to full-fee paying overseas students; however, these students are not funded under the SRS. To ensure funding reported by states and territories relates to the same cohort of students captured in the SRS, funding for full-fee paying overseas students must be separately identified and removed for the purpose of measuring the NRIPS component of state and territory funding contributions.

Full-fee paying overseas students costs will need to be identified and removed on an ongoing basis from the NRIPS amount from the ACARA methodology used in states and territories' annual report, using certified data of actual or allocated expenditure and a methodology determined by the state or territory government. The annual report should set out the methodology used by the state or territory to exclude these students and include the certified data.

Where a state or territory is unable to provide certified data identifying actual or allocated funding for full-fee paying overseas students, the Australian Government will work with the state or territory to resolve the issue. This may occur if there is a material, unexplained difference between the total



FTE in the annual and the total FTE enrolments reported annually for the purpose of Australian Government funding due to the inclusion of funding for these students.

The methodology used may be to discount funding for full-fee paying overseas students through a notional apportionment of funding based on student numbers reported for Australian Government funding.

### Allocated funding or actual expenditure

For government schools, the ACARA financial methodology is based on actual expenditure reported by schools. However, for the purposes of contribution requirements under section 22A of the Act, states and territories may report the funding provided by the state or territory government to schools (i.e., allocated funding) as well as funding spent by schools (i.e., actual school expenditure), so long as the funding types reported are consistent with NRIPS and the agreed methodology.

This means funding allocated to schools for a year, but expended by the school in a later year, can be counted towards the state or territory funding contribution for the year it is provided. This also means that centralised costs incurred by the state or territory government for a year can be counted towards the state or territory funding contribution for a year. However, expenditure allocated by the state or territory government to schools and counted as a contribution for one year cannot be counted in a subsequent year when spent by the school.

States and territories can adjust the NRIPS amount from the ACARA methodology to include funding permitted in base methodology but not included in NRIPS (i.e., this could include centralised expenditure allocated to schools for some states and territories). The methodology for adjustments to the NRIPS amount, along with certified data, must be set out in the annual report if it is different to the ACARA methodology. Note, where a state or territory's bilateral agreement specifies that additional expenditure types in addition to NRIPS (the base methodology), the amounts for each specified expenditure type must be individually identified in the annual report.

Under the ACARA financial reporting arrangements, non-government school expenditure is reported by these schools to the Australian Government through the annual Financial Questionnaire and supplied to ACARA by the Australian Government. For the purpose of the annual reporting arrangements for state and territory funding contributions, states and territories will report to the Commonwealth the funding types consistent with the NRIPS methodology allocated by the state or territory to non-government schools.

States and territories can also include budgeted funding in their annual report to the National School Resourcing Board as contextual information, but each state or territory will be assessed against allocated funding or actual expenditure. To ensure consistency and transparency, the methodology should be consistently applied each year (i.e., states and territories should not vary between reporting allocated funding or actual expenditure).

### Attribution of expenditure

Expenditure can only count towards a state or territory's funding contribution for the sector for which the funding was incurred. Expenditure should not be double counted for multiple inter-governmental agreements.

Expenditure counted as part of state and territory funding contributions must also be reported as net of Australian Government funding.

### AASB 16 (Leases)

AASB 16 was a new lease accounting standard published by the Australian Accounting Standards Board (AASB) which came into effect from 1 July 2019. The principal change resulted in removing the distinction between an operating lease and a finance lease, treating all leasing transactions consistently.

For the purposes of school funding, principal payments for operating leases were previously considered under the accounting standard to be a recurrent expense. From the 2019 financial year these expenses are now considered a capital expense.

As recommended by the National School Resourcing Board in its report on 2019 funding compliance, the impact of the changed accounting standard may be included towards a state's funding contribution requirement. For this to occur, the impact of the change on a state's recurrent expenditure may be itemised in table 1.4 of the reporting template and included in the total state and territory contribution in table 1.3.

## Additional expenditure

Where stipulated in the bilateral agreements, additional expenditure in discrete circumstances can be included as part of a state or territory's funding contribution in addition to NRIPS.

Where additional expenditure types are to be included as part of a state or territory's funding contribution, this expenditure must be reflected in the starting state-territory shares. This excludes new or time-limited reform costs.

### Reform costs that can be counted

Consistent with section 22A of the Act, any reform costs counted as part of a state or territory's funding contribution must be funding provided for the benefit of school education. Further, any reform costs should:

- Be new, time-limited expenditure (noting existing expenditure should have been included in starting shares); and
- Not double count other funding already counted towards a state or territory's funding requirements (i.e., NRIPS, regulatory costs or other expenditure included in the four per cent cap).

### Regulatory costs that can be counted

If education regulatory costs have been agreed in a state or territory's bilateral agreement, these will need to be separately identified and attributed to each sector where possible. In some states and territories, the education regulatory costs for the non-government sector are immaterial so the total cost can be attributed to the government sector.

## Other expenditure that can be counted up to four per cent of the SRS for the government sector

Other expenditure types specified in a state or territory's bilateral agreement up to a cap of four per cent of the SRS can be included for the government sector only. These can only be counted if specifically identified in a state or territory's bilateral agreement.

The agreed expenditure types that may be included in a bilateral agreement are capital depreciation, direct student transport costs, Year 1 minus 2 costs and early childhood costs. Where included in the bilateral agreement, each expenditure type will need to be separately accounted for when reporting on compliance.

Direct student transport costs include dedicated school buses but exclude general concessional student fares for public transport. Transport for students with disability may also be included as direct school transport cost. However, where transport for students with disability is counted as a contribution to the National Disability Insurance Scheme (NDIS), this expenditure cannot also be counted towards a state or territory's school funding requirements.

Costs for Year 1 minus 2 costs and early childhood learning are included where they are incurred in a school setting or are shown to have a direct impact on school outcomes in line with the Act's requirement for funding contributions to be provided for schools.

## Certification requirements

For each expenditure amount included in bilateral agreements, the state or territory should include evidence that the amount has been certified and is consistent with the agreed methodology as set out in the bilateral agreement through a reasonable assurance engagement in line with the Australian Auditing and Assurance Standards by either:

- the Auditor-General of the state or territory;
- an independent qualified accountant;
- an independent qualified accounting organisation engaged by ACARA for NRIPS; or
- the Director-General or equivalent of the education portfolio for the state or territory, but only up to 0.1 per cent of the SRS for all reported funding.

In addition, it is requested that, to the extent possible, any mitigating factors be quantified. Subject to being able to quantify the factors, these may then be certified through the reasonable assurance engagement.

## Reporting pro forma

This pro forma supports annual reporting requirements set out in bilateral agreements between governments relating to state and territory minimum annual contribution amounts for schooling.

The pro forma can be edited or adapted as required by states and territories (e.g. further years could be added to tables, or additional columns may be added to justify adjustments).

If a state or territory considers that this pro forma does not cover the relevant issues that need to be highlighted, the state or territory may add additional information to this pro forma; or use another format (e.g. spreadsheets or published information from its government). This information should meet the same evidence requirements as outlined in the template.

The report and any additional information should be sent to:

[Section22AReporting@education.gov.au](mailto:Section22AReporting@education.gov.au)

**[Insert State or Territory]****Part 1 – Summary of reported state or territory funding contributions****1.1 Contact details**

Primary executive contact	Alternative contact (optional)
Name:	Name:
Position:	Position:
Email:	Email:
Phone:	Phone:

**1.2 State or territory funding contribution requirements**

The required funding contributions are expressed as a percentage of the Schooling Resource Standard (SRS) are calculated under the *Australian Education Act 2013* (the Act).

**Required minimum funding contribution requirements**

		[insert year]
<b>Government</b>	Required contribution (% SRS) <sup>^*</sup>	
	Enrolments (FTE) <sup>^</sup>	
	Total SRS (\$)	
	Required contribution of SRS(\$) <sup>^#</sup>	
<b>Non-government</b>	Required contribution (% SRS) <sup>^*</sup>	
	Enrolments (FTE) <sup>^</sup>	
	Total SRS (\$)	
	Required contribution of SRS (\$) <sup>^#</sup>	

\* As listed in the bilateral agreement

<sup>^</sup> Must be sourced from the Funding Estimation Tool (FET) provided by the Department of Education in the January following the funding year (e.g., for the 2022 year, it is the Supplementary 2022 Q4 FET which is provided in January 2023). Note the required contribution will reflect any agreed adjustments as per Clause 61 of the National School Reform Agreement.

<sup>#</sup>The required contribution of the SRS (\$) reflects any pro-rata adjustments, as sourced from the FET, for schools that closed or opened part way through the school year.

**1.3 Total reported state or territory funding contributions for each sector****Total state or territory contribution**

		[insert year]
<b>Government</b>	Total contribution (\$)	
	Enrolments (FTE)	
	% of SRS	
<b>Non-government</b>	Total contribution (\$)	
	Enrolments (FTE)	
	% of SRS	

**1.4 Reported state or territory funding contributions by expenditure type**

Reported state and territory contribution by funding type (\$)

	Data source (\$)	Adjustment (if required)*	Revised (\$)
	Description		
<b>Government</b>	Net Recurrent Income for Government Schools (NRIPS) as per ACARA Methodology 1,2	[e.g. Removed \$Y as full-fee paying overseas students by X methodology]	\$X-\$Y
	Capital depreciation <sup>3</sup>		
	Direct school transport <sup>3,4</sup>	[e.g. Removed underspend (\$Y)]	\$X-\$Y
	Regulatory costs <sup>3</sup>		
	Early learning 1,3		
	Reform costs (excluding capital funding) <sup>5</sup>		
	Other costs as agreed in bilateral agreement	[e.g. Adjustment for funding allocated/ budgeted]	
	Impact of AASB 16 (leases) <sup>6</sup>		
<b>TOTAL Government</b>			
<b>Non-government</b>	Net Recurrent Income for non-Government Schools (NRIPS) as per ACARA Methodology 1,2		
	Other costs as agreed in bilateral agreement		
	Impact of AASB 16 (leases) <sup>6</sup>		
<b>TOTAL Non-Government</b>			

[1] Year 1 minus 2 costs will need to be identified and removed on an ongoing basis from the NRIPS amount (if not already excluded), using data of actual or allocated expenditure. Overhead costs which are sunk costs (e.g. on-site delivery as part of a school) should be counted, but not sunk costs (e.g. off-site delivery should be removed). Any costs of Year 1 minus 2 that are counted should be net of any other funding received for these services (e.g., National Partnership on Universal Access to Early Childhood Education and Care).

The ACARA NRIPS financial methodology is based on actual expenditure reported by schools. For the purposes of contribution requirements, states and territories may report the funding provided by the state or territory government (i.e., allocated funding) as long as the funding types are consistent with NRIPS.

[2] Full-fee paying overseas students costs will need to be identified and removed on an ongoing basis from the NRIPS amount (if not already excluded), using data of actual or allocated expenditure and a methodology consistent with the guidance.

## Attachment A

[3] Other expenditure that can be counted as part of the SRS as agreed in bilateral agreements. Only WA and NT can include early childhood costs consistent with their bilateral agreements. Only Vic, Qld, SA, WA, Tas and NT can include direct school transport costs consistent with their bilateral agreements.

[4] Direct student transport costs include dedicated school buses but exclude general concessional student fares for public transport. Transport for students with disability may also be included as a direct school transport cost. However, where transport for students with disability is counted as a contribution to the National Disability Insurance Scheme (NDIS), this expenditure cannot also be counted towards a state or territory's school funding requirements.

[5] Reform costs should be new, time-limited expenditure and should not double count any other funding requirements (e.g., NRIPS, regulatory costs or other expenditure included in the four per cent cap). May not be applicable if reform costs are included as part of NRIPS. In this instance, reform costs do not need to be separately identified.

\* Budgeted expenditure cannot be included in this table without also providing certification in this report that the amount also reflects the actual funding allocated to schools. If Budgeted expenditure does not reflect actual funding allocated, it may still be included in this report but must be provided in addition to this table.

\*\* If using an existing, independently certified dataset then additional adjustments to be consistent with the bilateral agreement should be outlined in this table (e.g., NRIPS as reported to ACARA would be shown in the first column and the adjustment columns would be used to show the removal of Full-fee paying overseas students).

[6] Under AASB 16, cash funding sources used for principal payments of leases are considered as cash capital appropriations. Previously, these were considered as cash recurrent appropriations. The cash capital appropriation for repayments of leases under AASB 16 may be itemised in this table and included as part of the total contribution in table 1.3.

## Part 2 – Certification of funding contribution requirements

### 2.1 Certification of funding types

Description of each expenditure type listed in 1.4 <sup>^</sup>	Sector(s) impacted	Data source	Level of assurance*
<i>[e.g. NRIPS]</i>	<i>[e.g. Government Non-government]</i>	<i>[e.g. Reported ACARA]</i>	<i>[e.g. signed off by PwC]</i>
<i>[Adjustment to NRIPS for Full-fee paying overseas students (FFPOS), only if required]</i>	<i>[e.g. Government Non-government]</i>	<i>[e.g. Departmental modelling]</i>	<i>[e.g. Independent auditor or Secretary if less than 0.1% SRS]</i>
<i>[Mitigating factor]</i>	<i>[e.g. Government Non-government]</i>	<i>[e.g. Annual Financial Statement]</i>	<i>[e.g. signed off by PwC ]</i>

<sup>^</sup> Any adjustments will need to be separately listed in this table.

\* Notes on assurance requirements

For each expenditure amount included in the bilateral agreements and for any reported mitigating factor (to the extent possible), the state or territory should include evidence that the amount has been certified and is consistent with the agreed methodology through a reasonable assurance engagement in line with the Australian Auditing and Assurance Standards by one of the following:

- the Auditor-General of the state or territory;
- an independent qualified accounting organisation; or
- an independent qualified accounting organisation engaged by ACARA for NRIPS.

The Director-General or equivalent of the education portfolio for the state or territory, may certify only up to 0.1 per cent of the SRS for all reported funding.



### Part 3 – Mitigation factors (if required)

This part may be used to describe any mitigating factors that may have contributed to a funding shortfall including an immaterial shortfall as set out in the bilateral agreements. This may include (but is not limited to):

- fluctuations from year-to-year in funding;
- unintended and unexpected budget pressures;
- fluctuations in enrolment numbers or student characteristics;
- significant differences in allocated funding compared to actual school expenditure;
- financial accounting impacts (e.g., new accounting standards such as AASB 16 (leases));
- unfinalised adjustments to required shares in bilateral agreements; and
- unforeseeable circumstances (e.g., natural disasters).

Any explanations of variations in contributions should be supported by relevant data and information (e.g. a three-year rolling average if funding is below the required amount, budget documents and reports from a recognised source). Additionally, jurisdictions may provide advice regarding where unspent allocated funding has been carried forward or re-directed when applicable.

Each mitigating factor should be quantified and, where possible, certified through the reasonable assurance engagement.

**Part 4 – Secretary/Director-General approval**

*I certify, as at [DD Month YYYY] that, to the best of my knowledge and after making diligent inquiry, that the information provided in this proposal is true and accurate.*

[Secretary/Director-General Name]

[Portfolio]

[Date]

# Appendix D – Jurisdictions’ reporting

## Australian Capital Territory

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
Total SRS	767.394		282.984	
Required contribution	613.915	80.0	56.597	20.0
Reported contribution	688.296	89.69	61.616	21.77
Allowed immaterial shortfall	N/A	-0.6	N/A	-0.6
Utilised immaterial shortfall	N/A	N/A	N/A	N/A
Material shortfall	N/A	N/A	N/A	N/A
4% cap on inclusions	N/A	N/A	N/A	N/A
Regulatory costs	N/A	N/A	N/A	N/A

## New South Wales

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
Total SRS	15,335.734		5,756.755	
Required contribution	11,011.057	71.8	1,326.356	23.04
Reported contribution	12,034.203	78.47	1,386.910	24.09
Allowed immaterial shortfall	N/A	-0.6	N/A	-0.6
Utilised immaterial shortfall	N/A		N/A	N/A
Material shortfall	N/A		N/A	
4% cap on inclusions	613.429 <sup>26</sup>		N/A	
Regulatory costs	N/A		N/A	

26. New South Wales can include additional expenditure up to 4 per cent of the total SRS for the government sector each year for capital depreciation and NSW Education Standards Authority. (Bilateral clause 25)

### Northern Territory

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
<b>Total SRS</b>	952.617		251.548	
<b>Required contribution</b>	557.281	58.5	37.959	15.09
<b>Reported contribution</b>	538.081	56.48	36.464	14.5
<b>Allowed immaterial shortfall</b>	-5.716	-0.6	-1.509	-0.6
<b>Utilised immaterial shortfall</b>	-5.716	-0.6	-1.495	-0.59
<b>Material shortfall</b>	-13.484	-1.42	N/A	
<b>4% cap on inclusions</b>	38.105 <sup>27</sup>		N/A	
<b>Regulatory costs</b>	N/A	N/A	N/A	

### Queensland

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
<b>Total SRS</b>	11,289.786		4,067.754	
<b>Required contribution</b>	7,819.306	69.26	862.364	21.2
<b>Reported contribution</b>	7,924.017	70.19	860.184	21.15
<b>Allowed immaterial shortfall</b>	N/A	-0.6	-24.407	-0.6
<b>Utilised immaterial shortfall</b>	N/A		-2.18	-0.05
<b>Material shortfall</b>	N/A		N/A	
<b>4% cap on inclusions</b>	451.591 <sup>28</sup>		N/A	
<b>Regulatory costs</b>	82.544		N/A	

27. The Northern Territory can include: additional expenditure up to 4 per cent of the total SRS for the government sector each year for depreciation, direct school transport, and early childhood; plus reform costs. (Bilateral clause 49)

28. Queensland can include: additional expenditure up to 4 per cent of the total SRS for the government sector each year for capital depreciation and direct school transport; plus all regulatory funding provided by the government for the purpose of Queensland Curriculum and Assessment Authority; and reform costs. (Bilateral clause 31)

### South Australia

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
<b>Total SRS</b>	3,491.920		1,446.306	
<b>Required contribution</b>	2,618.940	75.0	285.212	19.72
<b>Reported contribution</b>	2,599.887	74.45	334.205	23.11
<b>Allowed immaterial shortfall</b>	-20.952	-0.6	N/A	-0.6
<b>Utilised immaterial shortfall</b>	-19.053	-0.55	N/A	
<b>Material shortfall</b>	N/A	N/A	N/A	
<b>4% cap on inclusions</b>	139,677 <sup>29</sup>		N/A	
<b>Regulatory costs</b>	22.361		N/A	

### Tasmania

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
<b>Total SRS</b>	1,154.386		425.094	
<b>Required contribution</b>	852.514	73.85	86.294	20.3
<b>Reported contribution</b>	876.035	75.89	87.723	20.64
<b>Allowed immaterial shortfall</b>	N/A	-0.6	N/A	-0.6
<b>Utilised immaterial shortfall</b>	N/A		N/A	
<b>Material shortfall</b>	N/A		N/A	
<b>4% cap on inclusions</b>	46.175 <sup>30</sup>		N/A	
<b>Regulatory costs</b>	6.953		N/A	

29. South Australia can include: additional expenditure up to 4 per cent of the total SRS for the government sector each year for depreciation on assets and direct school transport; plus regulatory funding for SACE Board of South Australia and Education Standards Board and reform costs. (Bilateral clause 40)

30. Tasmania can include: additional expenditure up to 4 per cent of the total SRS for the government sector each year for direct transport and depreciation; plus regulatory funding for the Office of the Tasmanian Assessment, Standards and Certification and the Teachers Registration Board and reform costs. (Bilateral clause 40)

## Victoria

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
<b>Total SRS</b>	12,160.937		4,878.282	
<b>Required contribution</b>	8,473.741	69.68	972.729	19.94
<b>Reported contribution</b>	8,411.219	69.17	1,107.003	22.69
<b>Allowed immaterial shortfall</b>	-72.966	-0.6	N/A	-0.6
<b>Utilised immaterial shortfall</b>	-62.522	-0.51	N/A	
<b>Material shortfall</b>	N/A	N/A	N/A	
<b>4% cap on inclusions</b>	486.437 <sup>31</sup>		N/A	
<b>Regulatory costs</b>	77.465		N/A	

## Western Australia

Funding	Government sector (\$m)	Government sector %	Non-government sector (\$m)	Non-government sector %
<b>Total SRS</b>	5,575.480		1,924.395	
<b>Required contribution</b>	4,181.610	75	384.879	20
<b>Reported contribution</b>	4,356.035	78.13	413.010	21.46
<b>Allowed immaterial shortfall</b>	N/A	-0.6	N/A	-0.6
<b>Utilised immaterial shortfall</b>	N/A	N/A	N/A	
<b>Material shortfall</b>	N/A	N/A	N/A	
<b>4% cap on inclusions</b>	223.019 <sup>32</sup>		N/A	
<b>Regulatory costs</b>	N/A		N/A	

31. Victoria can include: additional expenditure up to 4 per cent of the total SRS for the government sector each year for depreciation of capital assets and the School Bus Program for rural and regional Victoria; plus funding for curriculum and regulation activity including the Victorian Curriculum and Assessment Authority and Victorian Registration and Qualifications Authority, and reform costs. (Bilateral clause 32)

32. Western Australia can include: additional expenditure up to 4 per cent of the total SRS for the government sector each year for capital depreciation, direct school transport and kindergarten; plus regulatory funding for the School Curriculum and Standards Authority and the (former) Department of Education Services' regulatory functions, and reform costs. (Bilateral clause 34)

# Appendix E – State and Territory responses

## Northern Territory

Response from the Minister for Education, Hon Mark Monaghan MLA

- For the 2022 funding year, the Northern Territory met its Bilateral Agreement required share of the Schooling Resource Standard (SRS) for the non-government schooling sector.
- For the 2022 funding year, the Northern Territory reported a funding contribution lower than the required share of the SRS (58.5%) under its bilateral agreement by 2.02%.
- The NT government school system operates in Australia's most challenging socio-economic and geographic context. The NT has the highest Australian concentration of very small schools in remote and very remote areas, and significant student need when compared to national benchmarks, characterised by: geographic dispersion; high levels of disadvantage and poverty (socio-economic and education); cultural and linguistic diversity; high student mobility and high incidence and severity of disability.
- NT staff deliver education services in the most complex operating environment in Australia, which impacts the NT's ability to attract, recruit and retain this workforce.
- The shortfall in the government schooling target related to school employee underspends.
- Workforce costs are the NT's major schooling input for meeting the SRS target. The employment expenditure reported by the NT in 2022 did not achieve the level allocated to and budgeted by schools, which was outside of the control of the NT Government despite undertaking a range of system wide and targeted strategies and initiatives.
- The NT notes that workforce challenges are not unique to the Territory as it is a key national issue that all jurisdictions are seeking to address collectively through the National Teacher Workforce Action Plan with Ministerial agreement in December 2022.
- The NT has an ambitious reform agenda and is committed to improving our system and enhancing education delivery to meet the needs of children and young people.
- When taking into account the employee underspends, a factor largely outside of the control of the Territory, the NT would have been compliant with the required SRS contribution.



The Hon. Ben Carroll MP

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COR24135817

Professor Bronwyn Fredericks  
Chair  
National School Resourcing Board  
[Education-NSRBSecretariat@education.gov.au](mailto:Education-NSRBSecretariat@education.gov.au)

Dear Professor Fredericks

Thank you for your correspondence regarding the National School Resourcing Board's draft Annual review of state and territory compliance with section 22A of the *Australian Education Act 2013*.

I am pleased to see that Victoria has been found to be compliant against funding requirements for both government schools and non-government schools in 2022.

I note that funding provided in 2022 for both government and non-government schools in Victoria included significant one-off expenditure on the response to the COVID-19 pandemic. The above target outcome for non-government schools in 2022 directly relates to this important health and safety related expenditure.

I request that this letter be published as part of the Board's final report.

Yours sincerely

**The Hon. Ben Carroll MP**  
Deputy Premier  
Minister for Education  
Minister for Medical Research

4/5/24



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