



# Additional School Costs for Families

## Appendix A

### Victorian school funding explained





VICTORIA

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Victorian  
Auditor-General

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Ordered to be published

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VICTORIAN  
GOVERNMENT PRINTER  
February 2015

# Glossary

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## National Education Reform Agreement

Six-year school funding agreement developed by the Commonwealth Government.

## Review of funding for schooling

December 2011 David Gonski review of funding arrangements for schools across Australia.

## Student Resource Package

Department of Education and Training's school budget delivery model.

## Students First Funding Policy

Commonwealth policy that incorporates the National Education Reform Agreement and represents the majority of the Commonwealth's funding for government and non-government schools.

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ISBN 978 1 925226 06 5

## Auditor-General's comments

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The Victorian school funding model is complex. Under the current model, government schools derive funding from multiple sources for various purposes. This information piece explains where the funding comes from and what it is used for.

My intention is to shed light on one of the largest, yet most obscure areas of government funding in Victoria. In doing so, this information piece will increase public awareness of how and why government schools are funded in the way they are. I hope that this important contextual information will inform public debate about how Victoria's schools are resourced and will also serve to increase levels of accountability for the efficient, effective and economical use of this money.

Preparing this information piece was a significant exercise. While much of this information is available to schools and their communities, it has never before been consolidated in a way that allows people to clearly understand how schools are funded.

Going forward, I believe it is imperative that the Department of Education and Training (DET) build on the work of my office to compile this information and provide regular updated information to the community on future school funding arrangements.



John Doyle  
*Auditor-General*

February 2015

## Introduction

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There are three parts to this information piece:

- **Part 1: Overall funding for Victorian schools**—examines the financial investments made by the Commonwealth and Victorian governments to support all schools in Victoria. It includes the funding arrangements associated with the *National Education Reform Agreement* that arose from David Gonski's 2011 *Review of Funding for Schooling*.
- **Part 2: Victorian funding for government schools**—breaks down how Victorian government schools receive their funding and its intended purposes.
- **Part 3: School generated revenue**—examines how schools generate their own revenue including business ventures, fundraising and parental charges.

### Important note:

This information piece includes detailed disaggregated information provided by the Department of Education and Training (DET) for the completed 2013–14 financial year.

While a financial audit has been conducted by my office on the DET 2013–14 financial statements, the disaggregation of that data as presented in this information piece has not been subject to audit. Reliance has been placed on the DET systems and judgements that underpin the disaggregation of the data.

The information piece also draws on the Commonwealth and Victorian Budget Papers and the Productivity Commission's *Report on Government Services*.

## Part 1: Overall funding for Victorian schools

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### National Education Funding reform

#### Review of funding for schooling—David Gonski

In December 2011 David Gonski completed and published his *Review of Funding for Schooling*. His review examined the funding arrangements for schools across Australia. It found that:

‘current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian Government and state and territory governments across the schooling sectors.’

The review recommended a number of actions based around the principle that all schools should receive a base level of Commonwealth and state funding with loadings applied to address various disadvantages such as location, disability and socio-economic status.

#### National Education Reform Agreement

Following on from the *Review of Funding for Schooling*, the Commonwealth Government developed a new six-year funding agreement called the *National Education Reform Agreement* (NERA). NERA had two parts:

- **A heads of agreement**—set out the broad funding arrangements and principles for reform. The heads of agreement included a joint commitment between the Commonwealth and Victorian governments to provide a total of \$12 228 million over six years to Victorian schools.
- **A bilateral agreement**—detailed how the proposed reforms would be implemented.

In August 2013, Victoria signed up to the NERA heads of agreement. However, it did not sign up to the bilateral agreement.

In November 2013, the federal election returned a new Commonwealth Government which agreed to fund only the first four years of NERA. Despite this, the Victorian Government decided to contribute the full six years of funding it had committed to.

In January 2014, the Commonwealth provided the first tranche of NERA funding within the *Students First Funding* policy, which incorporates NERA and represents the majority of Commonwealth school funding.

#### National Education Reform Agreement funding model

The original six-year NERA funding model included a confirmation of \$8 400 million of previously committed funding along with a commitment to \$3 800 million in new funding. Figure A1 outlines the new and existing funding committed by both Victoria and the Commonwealth under NERA.

Figure A1

## National Education Reform Agreement six-year funding arrangements, \$ million

	New funding	Existing funding	Total
Commonwealth commitment	2 475	4 322	6 797
Victorian commitment	1 333	4 098	5 431
<b>Total commitment over six years</b>	<b>3 808</b>	<b>8 420</b>	<b>12 228</b>

Source: Victorian Auditor-General's Office.

The \$12 228 million total commitment was planned to be made available to schools progressively over the six years using the following model:

Figure A2

## National Education Reform Agreement annual funding model, \$ million

Original commitment	2014	2015	2016	2017	2018	2019	Total
Victoria	178	370	681	974	1 424	1 804	5 431
Commonwealth	242	583	868	1 173	1 413	2 518	6 797
<b>Original total</b>	<b>420</b>	<b>953</b>	<b>1 549</b>	<b>2 147</b>	<b>2 837</b>	<b>4 322</b>	<b>12 228</b>
Revised commitment	2014	2015	2016	2017	2018	2019	Total
Victoria	178	370	681	974	1 424	1 804	5 431
Commonwealth	242	583	868	1 173	tba	tba	tba
<b>Revised total</b>	<b>420</b>	<b>953</b>	<b>1 549</b>	<b>2 147</b>	<b>tba</b>	<b>tba</b>	<b>tba</b>

Source: Victorian Auditor-General's Office.

The model includes an incremental increase in funding over the six-year period. This means that the total amount of funding committed in year six of the agreement—\$4 332 million—is more than for the first three years combined. However, as shown in red in Figure A2, the Commonwealth commitment in the final two years remains unconfirmed.

## Commonwealth funding for Victorian schools

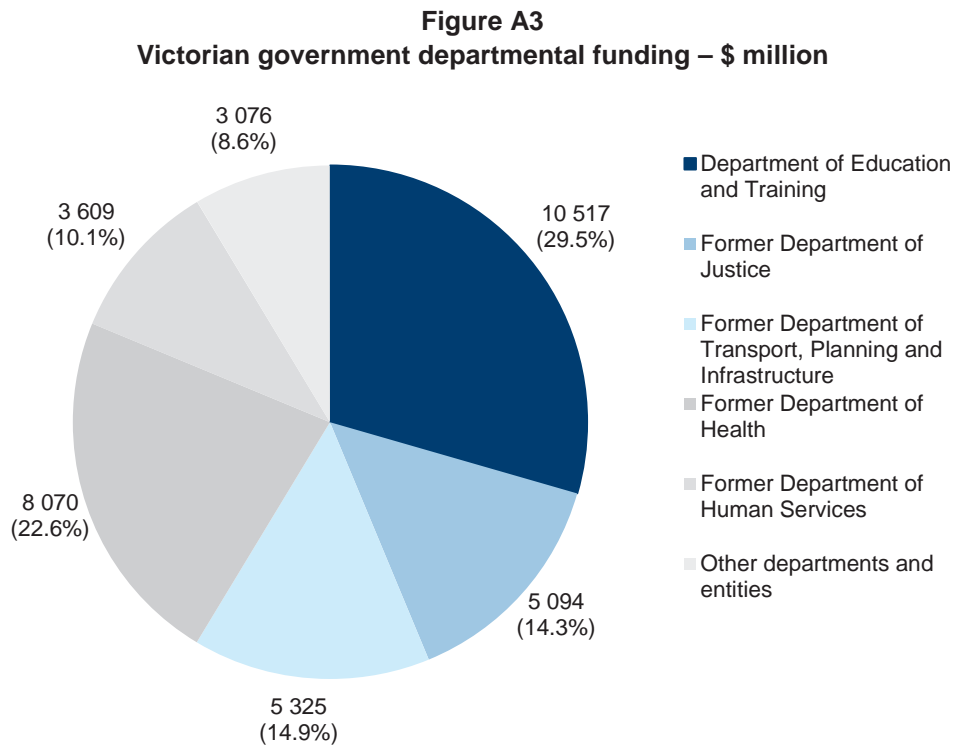
In 2013–14, the Commonwealth Government provided \$3 258 million to Victorian schools through its *Students First Funding* policy—\$1 035 million to government schools and \$2 223 million to non-government schools. The government school component of this funding was provided to the Department of Education and Training (DET) and distributed to schools through the Student Resource Package (SRP).



## Part 2: Victorian funding for government schools

DET is owner-operator of 1 526 government schools, employing 41 000 teaching staff and providing instruction to 565 000 students.

In 2013–14, DET received a total of \$10 600 million. As shown in Figure A3 this is more than any other Victorian government department.

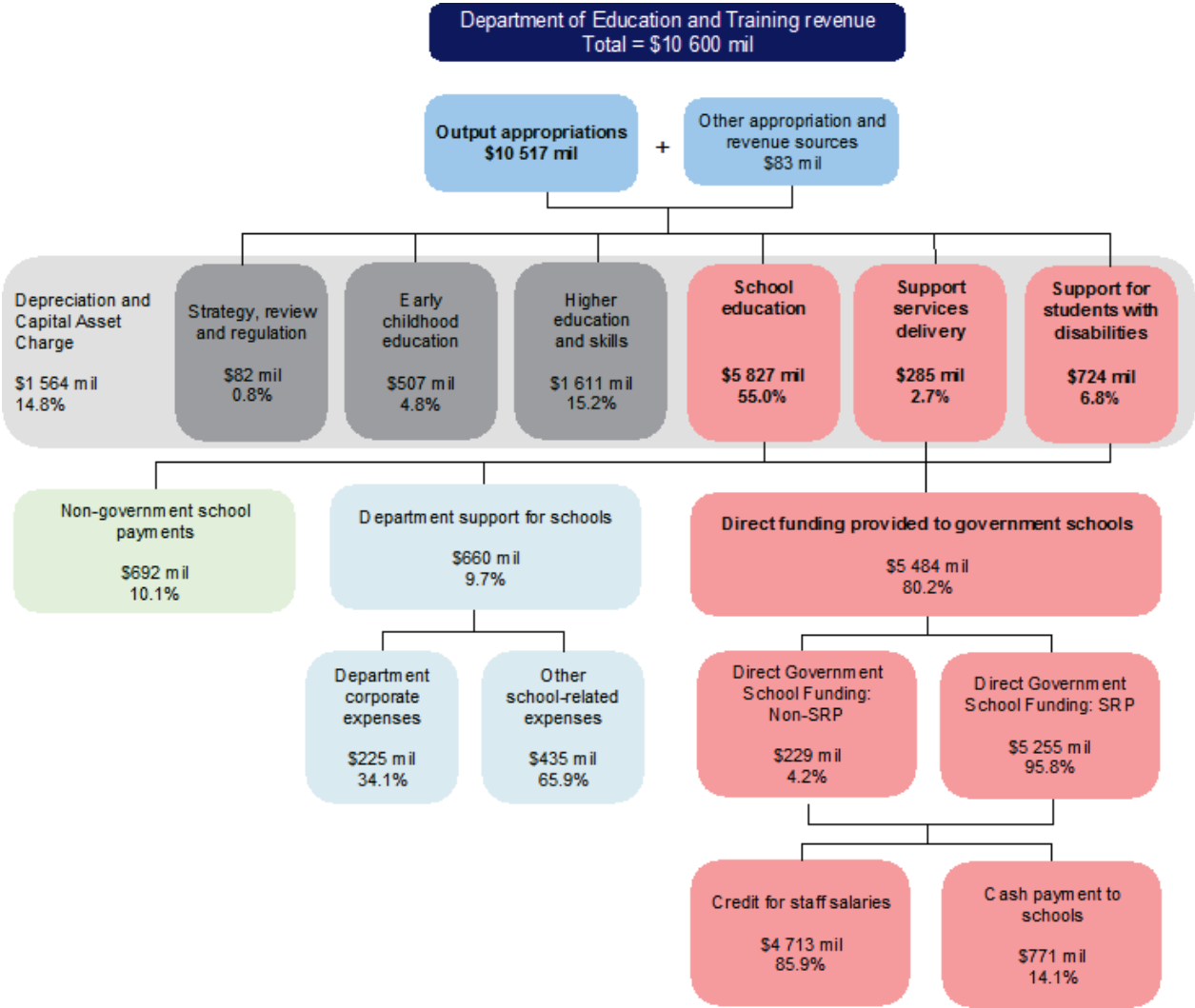


Source: Victorian Auditor-General's Office.

Sixty-five percent of this funding—\$6 836 million—was directed towards schools as follows:

- \$5 484 million to government schools
  - \$4 713 million as a credit for salaries
  - \$771 million as a cash payment
- \$692 million to non-government schools
- \$660 million on departmental expenses to support schools.

**Figure A4**  
**Department of Education and Training funding**



Source: Victorian Auditor-General's Office.

## DET support for schools

In addition to administering funding to schools, DET also provides a range of services to support schools. These include the operation of its head office in Melbourne plus nine regional offices, situated across four regions. The total cost associated with delivering these services is \$660 million. Figure A5 and A6 show the breakdown of corporate and school-related expenses incurred respectively.

**Figure A5**  
**Corporate expenses**

	Salaries (\$mil)	Non-salary (\$mil)	Salaries (% of total corporate expenses)	Non-salary (% of total corporate expenses)
Head office	70	46	31.3	20.6
Central projects	18	33	8.2	14.6
Regional administration	18	10	8.2	4.3
Leases	0	14	0.0	6.0
Victorian Regulation and Qualifications Authority	3	3	1.4	1.4
Other corporate expenses	0	6	0.0	2.5
Research	2	1	0.7	0.4
Employee housing	0	1	0.0	0.4
<b>Total</b>	<b>111</b>	<b>114</b>	<b>49.8</b>	<b>50.2</b>

*Note:* This is based on DET's assumption that 80 per cent of corporate time is spent on activities supporting schools.

*Source:* Victorian Auditor-General's Office.

**Figure A6**  
**School-related expenses**

	Amount (\$ million)	Per cent
Student transport	92	21.2
VicSmart school network	60	13.7
Victorian Curriculum and Assessment Authority	38	8.7
Education Maintenance Allowance	30	6.9
Relocatable transfers	29	6.6
Teacher professional development	25	5.8
Schools Public Private Partnership payment	22	5.1
Insurance and copyright	22	4.9
Digital Education Revolution (DER)	21	4.8
Visiting teachers	12	2.8
Other school-related programs	11	2.5
Notebook program	11	2.5
IT licences	10	2.3

**Figure A6**  
**School-related expenses – *continued***

	Amount (\$ million)	Per cent
Reinstatement	9	2.1
Local Learning and Employment Network (LLENS)	9	2.1
Outsourced payroll	9	2.1
School internet services	7	1.7
School networks senior advisers	7	1.6
Victorian Regulation and Qualifications Authority (VRQA)	6	1.4
Utranet operating costs	3	0.7
School leases	2	0.5
<b>Total</b>	<b>435</b>	<b>100</b>

Source: Victorian Auditor-General’s Office.

## Victorian government school recurrent income

In total in 2013–14, Victorian government schools received \$6 151 million—including self-generated revenue. This is an average of around \$10 880 per student. Figure A7 shows how this funding was generated.

**Figure A7**  
**Victorian government school recurrent income 2013–14**



Source: Victorian Auditor-General’s Office.

Of the \$5 484 million provided to government schools in 2013–14, \$4 713 million or 86 per cent was provided in the form of a credit for staff salaries. The remaining \$771 million was paid directly to schools to spend on school specific costs such as amenities, maintenance and music programs. Figure A8 shows the revenue received by government schools.

**Figure A8**  
**Victorian government school funding 2013–14**

	Total (\$ million)	Average per school (\$ thousand)	Average per student (\$)
DET cash payment to schools	771	505	1 364
School generated income	626	410	1 108
Direct Commonwealth payments	41	27	73
<b>Sub Total</b>	<b>1 438</b>	<b>942</b>	<b>2 545</b>
Salary Credit	4 713	3 088	8 339
<b>Total</b>	<b>6 151</b>	<b>4 030</b>	<b>10 884</b>

Note: Averages obtained using school numbers as of July 2014—1 526 government schools and 565 113 government school students.

Source: Victorian Auditor-General's Office.

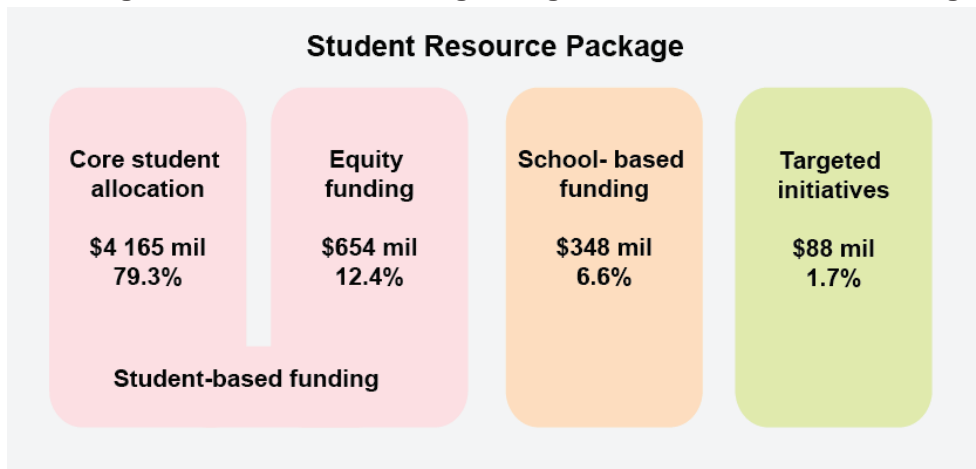
## Student Resource Package

The SRP is DET's school budget delivery model. In 2013–14, \$5 255 million, or 96 per cent, of DET-administered funding to government schools was distributed through the SRP, which has three funding components:

- student-based funding
- school-based funding
- targeted initiatives.

Figure A9 outlines the specific funding breakdown of the SRP.

**Figure A9**  
**The Department of Education and Training's allocation of government school funding through the Student Resource Package**



Source: Victorian Auditor-General's Office.

**Important note:** Government appropriations are allocated to departments and agencies on a financial year basis (July–June). SRP funding is distributed to schools on a calendar year basis (January–December). Therefore, it is not possible to provide accurate financial year SRP distributions in more detail than is contained in Figure A8. For this reason, this information piece will refer to SRP funding ratios rather than actual dollar amounts from this point forward.

**Student-based funding**  
**\$4 819 mil (91.7%)**

Student-based funding makes up the bulk of school funding—91.7 per cent of the SRP. In 2013–14, DET provided \$4 819 million to schools in student-based funding. This was an average of \$8 527 per student.

Student-based funding is intended to cover the basic cost of a typical student’s instruction in the standard curriculum program. This cost includes teaching and learning, leadership, administration, professional development, relief teachers, payroll tax and superannuation for the school. It is made up of two parts:

- core student allocation
- equity funding.

**Core student allocation**  
**\$4 165 mil (79.3%)**

The core student allocation includes a standard funding component for each student in the school. This funding is supplemented by a series of loadings designed to recognise the costs associated with different year levels, different types and sizes of schools, and the additional costs imposed by rurality and isolation. In 2014, the core funding for each student was:

- |               |         |
|---------------|---------|
| • Prep–Year 1 | \$6 684 |
| • Year 2      | \$6 206 |
| • Years 3–6   | \$5 688 |
| • Years 7–12  | \$7 554 |

**Equity funding**  
**\$654 mil (12.4%)**

Equity funding is intended to assist students who are socially and economically disadvantaged and to support students with additional learning needs. It is calculated based on:

- the student, their family and community characteristics such as the occupation of the parents
- the student’s disability and medical requirements
- whether English is a second language.

### School-based funding

**\$348 mil (6.6%)**

School-based funding is the second largest component of the SRP—6.6 per cent. In 2013–14, DET provided \$348 million to schools in school-based funding. This was an average of \$616 per student

School-based funding covers costs associated with infrastructure, such as cleaning, minor building works and grounds maintenance, as well as costs for specific programs, such as bus coordination, instrumental music programs and language assistants.

Contract cleaning and utilities such as water, gas and electricity account for the majority of school infrastructure spending. Instrumental music programs are the largest area of specific program funding—accounting for 31 per cent.

#### Infrastructure

• Contract cleaning	38 per cent
• Utilities	24 per cent
• WorkCover premiums	17 per cent
• Maintenance and minor works	14 per cent

#### Specific programs

• Instrumental music programs	31 per cent
• Curriculum support	11 per cent
• Minor supplement and urgent works	9 per cent
• Specialisation	7 per cent
• Science centres	7 per cent

### Targeted initiatives

**\$88 mil (1.7%)**

Targeted initiatives are the smallest part of the SRP—1.7 per cent. In 2013–14, DET provided \$88 million to schools in targeted initiatives funding. This was an average of \$156 per student.

Targeted initiatives provide funding for programs with specific criteria and a defined time frame. They target areas such as primary welfare, senior secondary re-engagement and vocational training. The primary welfare officer initiative accounts for the majority of targeted initiatives funding at 43 per cent, followed by Vocational education and training in schools at 28 per cent.

• Primary welfare officer initiative	43 per cent
• Vocational education and training in schools	28 per cent
• Managed individual pathways	22 per cent
• Primary and maths science specialists	6 per cent
• Senior secondary re-engagement	1 per cent

## Part 3: School generated revenue

Aside from Commonwealth and state funding, schools also generate revenue locally. Figure A10 shows a breakdown of school-generated income for 2013–14. Parent payments—for subject contributions and camps/excursions/activities—account for the majority of school-generated income at 45.9 per cent. Trading operations account for the next highest proportion at 7.9 per cent, while fundraising accounts for 7.2 per cent.

**Figure A10**  
**Breakdown of school-generated revenue for financial year 2013–14**

Revenue type	Amount (\$ million)	Proportion of total income generated (%)
Camps/excursions/activities <sup>(a)</sup>	151	23.3
Subject contributions <sup>(a)</sup>	146	22.6
Trading operations	51	7.9
Fundraising activities	47	7.2
Reimbursements—expenses recouped from staff, students or others	37	5.7
Donations—from parents and other sources <sup>(a)</sup>	29	4.4
Before/after school care	26	4.1
Hire of school facilities/equipment	24	3.7
Transfers from other schools	23	3.6
Sale of class materials <sup>(a)</sup>	21	3.2
Non-profit trading operations <sup>(b)</sup>	20	3.1
Interest	20	3.1
Other locally raised funds	18	2.7
Grants <sup>(c)</sup>	14	2.2
Special events	9	1.4
Commission <sup>(d)</sup>	4	0.7
Early childhood development funds and other revenue	3	0.5
Canteen lease	2	0.3
Coordinator school funds and other revenue	2	0.3
<b>Total</b>	<b>648</b>	<b>100.0</b>
<b>Total including year-end adjustments<sup>(e)</sup></b>	<b>626</b>	

(a) Parent payments.

(b) Money collected where school acts as agency for non-profit activity e.g. Grade six windcheater and charity collections.

(c) This includes joint community grants, early childhood development state government grants, state capital and maintenance grants, and other state government and local government grants.

(d) Commission received from student banking, school book list, uniform suppliers etc.

(e) Total year-end adjustments amount to \$22.5 million. This includes eliminations of recurrent funding paid to schools from DET and adjustments related to the reversal of schools debtors and unearned revenue.

Source: Victorian Auditor-General's Office.