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Effective Enrolment Review – Summary Report

Northern Territory Department of Education

October 2022

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Introduction to the Review

The Northern Territory Department of Education (the Department) engaged Deloitte Access Economics in partnership with Charles Darwin University's Northern Institute (CDUNI) to conduct a review of the use of Effective Enrolment (the Review) in the School Resourcing Model (SRM).

Context

As set out in the Education NT 2021-2025 Strategy, the Department is on a journey towards becoming the most improving education system in Australia. Engaging every student in learning is a key system priority on the path to achieve this ambition, with a headline improvement target being to "increase in the number of days students attend school each year by 10 days".

School funding plays a critical role in ensuring schools have the resources they require to meet the needs of their student community in their local context. Effective funding model design can enable the system to direct resources towards driving outcomes for students, as well as signalling policy priorities to schools and communities. Although effective funding design is an essential enabler, on its own it is not sufficient to drive system-wide improvement. Other determinants include school leadership and teacher quality.

The role and optimal design of the funding model should therefore be considered as part of a broader set of interdependent policy levers that work cohesively to improve student outcomes.

Purpose of the Review

This Review performs an independent analysis of the effective enrolment methodology component currently used as part of the Department's SRM. In particular, this analysis includes:
- the current effective enrolment measure and its appropriateness to allocate a funding pool equitably, subject to budget parameters
- the current methodology to apply effective enrolment within the SRM and its impacts on funding volatility
- how the effective enrolment methodology interacts with other components of the SRM, such as the various weightings for equity factors in the Student Needs Based Funding (SNBF) model, and the small school supplement.

In addition, this Review aims to provide options on alternative methodologies to allocate a funding pool to schools based on student numbers as part of the broader SRM allocation.

In analysing and proposing alternative methodologies, this Review acknowledges the role of other policy levers in system improvement – such as regional supports, workforce strategy, accountability mechanisms, and improvement initiatives – and that recommendations made as part of the Review may have implications on these policy levers too.

This document

This high level summary report provides an overview of the key findings and recommendations presented in the full Effective Enrolment Review report.

Full details on the Review's findings and recommendations are included in the full report, which should be read in conjunction with this summary.

Terminology when referring to First Nations people

In line with NT Government conventions, this report adopts the term 'Aboriginal' when referring to First Nations people. While not always explicitly stated, this term is also taken to include Torres Strait Islander peoples living in the Northern Territory.

Understanding effective enrolment

Effective enrolment is a measure currently used to determine the number of 'effectively' funded students for the purposes of allocating the variable funding component of the SRM to NT Government funded schools. Both variable funding within the SRM, and the SRM generally, form part of the overall model of resourcing for Northern Territory Government schools.

Northern Territory funding for government schools

In the Northern Territory (NT), government schools are allocated funds through the School Resourcing Model (SRM), which was implemented in 2015. A review of the SRM conducted in 2017 outlined 20 recommendations, including a recommendation regarding the way students in the NT are counted for the purposes of funding allocation. Currently, the SRM allocates NT and Commonwealth Government funding to schools through several channels, including through targeted funding programs, fixed funding for property management and essential services, and student needs-based variable funding (variable funding) (Figure 1).

Variable funding is the largest component of the SRM, accounting for approximately 65% of total school funding in 2021. The variable funding allocation to schools is influenced by several factors, including effective enrolment (the method of student count at each school – the focus of this Review), as well as weightings for each student based on their relative needs (student-needs based weights). In addition to the SRM, there are centrally administered programs across the NT to promote attendance and engagement, such as funding through collaborations with the Stars Foundation and Clontarf Foundation. The role and impact of these programs has not been reviewed as part of this project but should be considered alongside the SRM and the findings of this Review with respect to effective enrolment.

Effective enrolment

Effective enrolment is a measure currently used to determine the number of 'effectively' funded students for the purposes of allocating the variable funding component of the SRM to NT Government funded schools. Effective enrolment is calculated by averaging the two highest non-consecutive weeks of attendance in each term over four terms (one year). While all measures of enrolment include some basic threshold of attendance to determine whether students are functionally enrolled at a school, at present the NT is the only jurisdiction in Australia that uses a combination of school enrolment and attendance data to pro-rate school enrolments for the purposes of allocating student needs-based funding resources.

The 2017 review of the SRM recommended to "continue with the effective enrolment measure as the most efficient way to distribute the current levels of finite funding." It was also acknowledged that the application of the effective enrolment measure is perceived to add an element of uncertainty around school funding. Although the recommendation to retain effective enrolment was accepted by the Department, there was also a commitment to reviewing the effective enrolment methodology in the future once sufficient data was gathered over time since the introduction of the SRM.

Figure 1: The NT Government School Resourcing Model
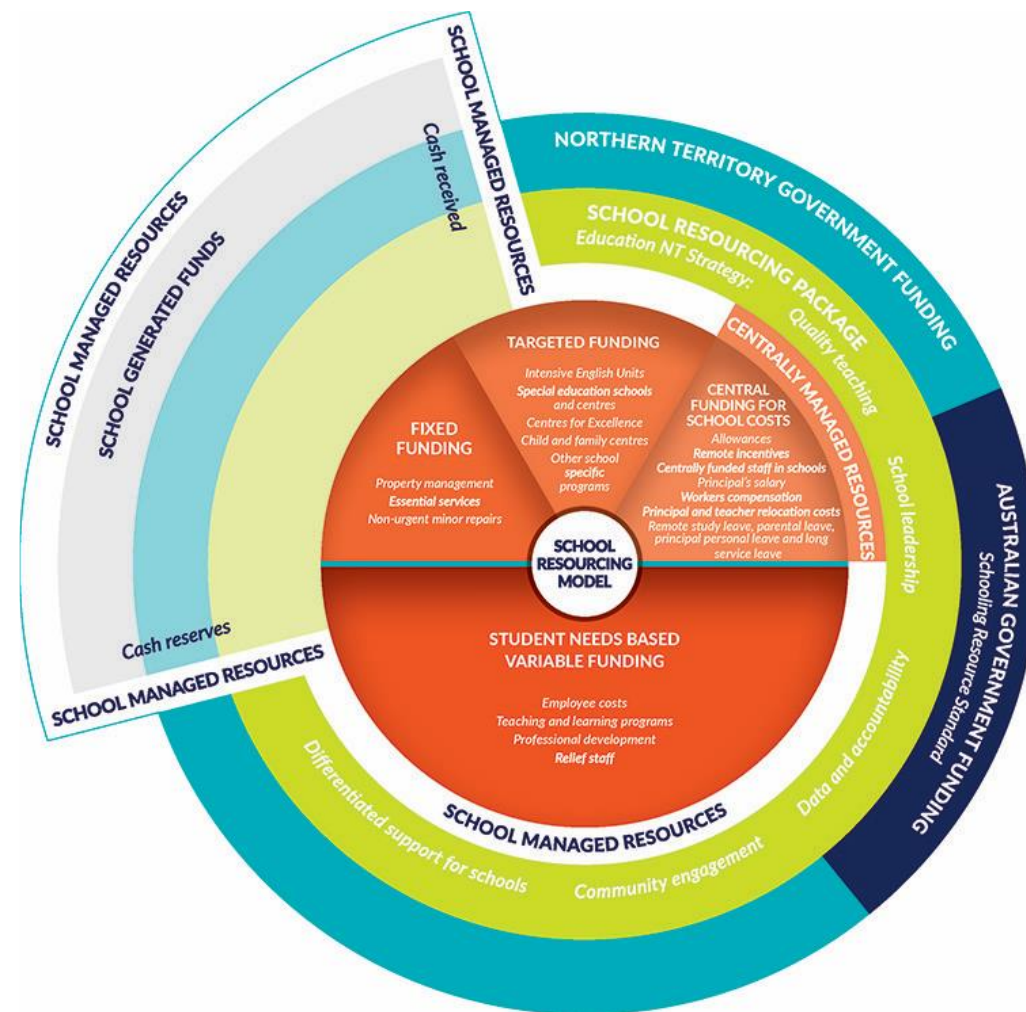
Approach to the Review

This Review's approach combines a desktop review of policy documentation and other relevant literature, detailed data analysis and modelling, as well as engagement with schools, policymakers, representatives of peak body organisations, other jurisdictions and subject matter experts.

Guiding policy framework

The approach is guided by a policy framework, against which both the Review is conducted, and recommendations made. The framework and its application is anchored in a number of policy objectives and principles outlined in the Department's brief for the project. This, for instance, includes:

- considering that the SRM was implemented in 2015 *"with the aim of providing schools with more autonomy and resourcing arrangements that were simpler, transparent and flexible and based on the needs of students and schools"*

- and, that the Department seeks to refine the SRM *"to ensure that the model meets the needs of schools and students and that the model allocates funding in an equitable, transparent and efficient manner (…) [and] improve funding certainty for schools to provide schools with the confidence to plan for staffing and operations in the longer term"*

Another consideration is to ensure that modelling of potential alternative methodology options aims to:

"allocate the school funding pool to schools based on student numbers that would ensure equity, funding certainty, stability and transparency while aligning to the Australian Government's needs-based funding arrangement requirements under the Australian Education Act 2013."

Guiding principles

Effectiveness: The funding model should be needs-based and calibrated to support the system in achieving its overarching equity and excellence goals.

Sufficiency: The funding model should ensure that funds are sufficient to provide an acceptable level of quality education for all learners.

Practicality: The funding model should facilitate effective school resourcing and planning, while being responsive to changing school needs.

Continuity: Any changes to the funding model should be implemented in a way that minimises disruptions to existing effective practice.

Transparency: The funding formula is accessible, clear and simple to understand for stakeholders.

Engagement with stakeholders

Co-design sessions with schools: co-design workshops with a group of twenty schools (advisory group) selected to represent different contexts within the NT.

Case study data collection: in-depth consultations with school principals and business managers of eight schools to develop a deeper understanding of how schools manage their budgets, allocate their resources and respond to student needs.

System-wide survey: A system-wide voluntary survey for all Government schools designed to collect systematic data across the system on cost drivers, budget management, and identify most pressing gaps in provision (see Appendix G for response rate detail).

Knowledge sharing sessions: knowledge sharing sessions with other jurisdictions, including Western Australia, California (US), Alberta (Canada) and Manitoba (Canada).

Department workshops: two workshops with nominated Department staff with expertise relevant to the Review were held. The purpose of the workshops was to develop the guiding principles for the Review, present preliminary results of the modelling and data analysis, and to seek feedback on model parameters and underlying assumptions.

Targeted consultations: additional targeted consultations with representatives from:
- the Department of Education, the Department of Treasury and Finance, and the Department of the Chief Minister and Cabinet
- peak body organisations including the Northern Territory Council of Government Schools (NT COGSO), the Australian Education Union (AEU), Northern Territory Principals Association (NTPA), the Association of Teachers of English to Speakers of Other Languages (ATESOL), and North Australian Aboriginal Justice Agency (NAAJA) subject matter experts.

Key findings

The Review's six key findings and ten recommendations are organised under **two themes**, which are directed at evaluating and refining the SRM to ensure that it supports the Department in achieving its Education NT 2021-2025 Strategy and the Education Engagement Strategy 2022-2031.

Theme 1

Appropriateness **of the effective enrolment measure within the SRM** considers effective enrolment as a measure used as part of the needs-based resourcing allocation to NT Government schools and its impact on an equitable distribution of funding and student engagement.

The NT government schooling system operates in Australia's most challenging socio-economic and geographic context, requiring significant expertise and resources to deliver quality education for all. The NT government schooling system is made up of 153 schools, 146 of which are funded through the variable funding component of the SRM (these schools are impacted by the effective enrolment methodology). Over 70 per cent of schools are located in remote or very remote regions, and 27 per cent of schools had less than 50 enrolments in 2021. Remote regions of the Northern Territory, in particular, are characterised by significant diversity and multidimensional needs of students. Due to the dispersal of population over vast distances and the complexity of need faced by students and their families, service delivery is costly. While other Australian jurisdictions have similarly remote and small schools, the relative concentration of such schools in the NT context is unique.

As a result of these characteristics, the NT Government provides the highest amount of funding per student in the country at over $15,100 on average in 2020. Total net recurrent income, which includes Australian Government funding and other sources of income, was on average $23,500 per student in 2020 – also the highest in Australia. However, NT Government schools are funded at the lowest proportion of their estimated Schooling Resource Standard (SRS) in the country – approximately 78 per cent of $29,800 in 2020, of which 55 percentage points represents NT Government funding.

Although the NT Government is the only jurisdiction in Australia that allocates school funding based on an attendance-weighted metric, there are examples of other attendance-based approaches internationally. A literature scan of jurisdictions, and targeted engagement with select international systems, indicates that the use of attendance as a measure to determine school funding allocation is usually underpinned by either or both of the following:
- as an activity-based measure of resource use to prioritise resource allocation (often at a region or district level, rather than a school level)
- as an incentive or an accountability mechanism for schools to increase student attendance.

The evidence collected as part of this Review suggests that the effective enrolment methodology has limitations both as a resource prioritisation mechanism and an incentive, with impacts on equity within the system. As such, the Review finds that alternative enrolment-based methodology options should be considered.

Theme 2

Application **of the effective enrolment measure within the SRM** focuses on the way the effective enrolment measure is applied within the SRM and its implications on funding volatility and school understanding of the methodology.

Government schools within the Northern Territory operate under highly uncertain budgets. While general enrolment variability is the main driver of funding variability over time for NT schools, this Review finds that the design and implementation of the effective enrolment measure does contribute to added funding variability.

Generally speaking, improving budget certainty has potential to provide schools with confidence to plan for staffing and operations in the longer term. Although budget certainty is by no means sufficient to improve staffing continuity and performance, it is an important enabler of effective planning and implementation.

Key findings

Appropriateness of the effective enrolment measure within the SRM

Key finding 1: The number of effective enrolments is not an accurate measure of activity or effort required from schools to support students in line with the Department's objectives and strategy.
- Higher levels of educational need is strongly linked with low school attendance.
- On average, across the system, the effective enrolment measure largely offsets the effect of student needs-based weightings within the variable funding component of the SRM.
- Effective enrolment measure does not align well with schools' resourcing needs.

The link between lower attendance rates and socio-economic disadvantage is well evidenced. Analysis of student data consistently shows that low attendance rates across the NT government schools are associated with proxies for higher educational needs.

Schools can, in some circumstances, influence attendance in their community through additional targeted programs and supports; programs that often require a multi-agency response. The NT Department of Education does centrally fund programs that respond to student needs such as engagement programs, bi-lingual programs and allied health staff. Absences often occur for reasons that are beyond schools' control, such as housing issues, employment programs, and population mobility – factors which tend to be associated with students with higher educational needs to a greater extent than lower needs students.

Insights from consultations with schools and peak body organisations highlighted several reasons the effective enrolment methodology does not align well with school resourcing needs. These reasons can be summarised under four themes:
1. The primary effort and therefore cost driver for schools is the number of unique students teachers are responsible for, rather than peak average attendance
2. Acknowledging that while there are programs outside of the SRM that engage students, attendance-based funding reduces the ability of schools to effectively invest in student re-engagement
3. It is difficult for a school to realise any cost savings from student absences
4. The current methodology does not have a minimum and therefore does not recognise minimum provision requirements in different contexts, except for a small school supplement.

While the current design of the SRM does have an explicit level of minimum funding for small schools (through the small school supplement), this minimum amount is based on a primary school provision model. As a result, the above issues tend to be particularly acute in the context of schools that need to provide a diverse curriculum (e.g., secondary schools), or provide education across multiple campuses (e.g., homeland learning centres).

The Commonwealth's Education Act (2013) subsection 78(5) states that a needs-based funding arrangement must provide weights to students and schools with additional needs to support student achievement. While the SRM does have mechanisms to allocate greater levels of funding to students with higher needs through need-based weights, the impacts of these mechanisms on variable funding within the SRM, on average, across the system, are largely offset by the effective enrolment measure due to average lower rates of attendance of students with higher needs.

For example, in 2021, enrolled Aboriginal students attracted similar amounts of funding (approx. $10,800) to non-Aboriginal students (approx. $10,400). However, if funding was based on enrolment, Aboriginal enrolled students would, on average, attract 1.3 times the funding a non-Aboriginal student would attract, or approximately $3,000 more assuming current base rate per FTE (Chart 1).

Chart 1: The impact of effective enrolment on the **average variable funding** received per student; Aboriginal students versus other students

Key findings

Appropriateness of the effective enrolment measure within the SRM

Key finding 2: Based on survey findings from schools and stakeholders, there is limited evidence that the effective enrolment methodology acts as an effective incentive or accountability mechanism to improve student attendance.

- It is not clear whether the effective enrolment measure is intended as an incentive for attendance.
- School absences are often beyond the control of teachers and school leaders, due to other social determinants.
- Effective enrolment is believed to negatively impact incentives and behaviours by school principals.

Key finding 3: Although enrolment-based student count methodologies Based would be better aligned to system strategy and objectives, defining enrolment for the purposes of funding allocation in the NT context is not straightforward.

- The intent of the effective enrolment measure is in dissonance with the Department's policy goals, notwithstanding the fact that there are programs funded outside of the SRM that support schools to engage with students.
- Capturing an accurate picture of enrolments in NT schools is not straightforward due, for example, to student mobility and attendance by students at multiple schools. It therefore requires careful design and consideration. Further work would be required to develop enrolment count criteria with integrity and accuracy.

When the Global School Budget (now the SRM) was introduced in 2015, the effective enrolment methodology was designed as a way to distribute and prioritise a finite pool of resources to "schools with children attending and in front of the teacher",   rather than an incentive to improve attendance. However, the coinciding increase in school autonomy and responsibility to manage their own budgets meant that the effective enrolment methodology was perceived by many stakeholders as designed to incentivise schools to focus on attendance.

Insights from consultations with schools and peak body organisations highlighted a number of reasons the effective enrolment methodology does not serve as an effective incentive or an accountability mechanism for improving student attendance. These reasons can be summarised under four themes:

1. The methodology is perceived as a punitive mechanism targeted at socio-economic factors that are often seen as outside of schools' control.
2. The methodology is seen to encourage 'band-aid' solutions to boosting attendance, rather than investments in engagement which is complex and often requires long-term commitment. This can take attention away from investing in quality education delivery, and can disincentivise schools to engage at-risk disengaged students.
3. When in conjunction with other systemic barriers to attendance, the potential incentives related to attendance-based funding are not being realised.
4. Some schools agree that the effective enrolment measure encourages positive behaviours, such as building community relationships. However, the majority of schools identified that they had insufficient resources to do this effectively.

An enrolment, rather than attendance-based student count methodology, would better align to system-wide strategies and objectives of the Department. However, due to the complicated nature of mobility and attendance patterns across schools within the NT, an enrolment count for the purposes of funding allocation is difficult to measure. This is due to challenges including (but not limited to):

- **allocation of funding for highly mobile students** – with high levels of population mobility it is not always practical for funding to 'follow' the student
- **determining the appropriate point in time to count students** – some schools face seasonal enrolment fluctuations; these patterns are not consistent across the system and therefore any point in time count will inevitably be a less accurate estimation of resourcing need for some schools
- **enrolment duplications** – there are instances of duplicated enrolments due to dual enrolment in distance education, administrative errors and non-compliance with policy
- **students no longer enrolled without notifying schools** – there are instances of enrolment records of non-attending students that should no longer be enrolled (e.g., moved interstate or to the non-government sector, or to another community) but are still on the current roll in NT government schools
- **determining the right channels of support** – some students that are difficult to engage require alternative channels of support through non-school settings. While the Department does provide non-school supports to engage students through engagement officers and the Remote School Attendance Strategy (RSAS) – which are funded by the Australian Government – it appears that these programs and supports, and their relationship to the Department's enrolment policies, may not be well understood by schools.

Key findings

Application of the effective enrolment measure within the SRM

Key finding 4: Funding variability, primarily driven by enrolment fluctuations, combined with a poor understanding of how effective enrolment works, leads to budget uncertainty for schools.

- Government schools in the NT can experience fluctuations in their year-on-year funding, which is mainly driven by fluctuations in enrolments each year.

- The effective enrolment student count method contributes to, but is not the primary driver of, variability in SRM variable funding.

- In many instances, year-on-year variability in final funding cancels out over time. This means that final funding fluctuates around a more constant average trend of enrolments over time, potentially due to student mobility in remote regions. This indicates that schools could be supported to manage their budgets over time to reduce the impact of volatility on school resource planning.

- The effective enrolment methodology does not have a mechanism that establishes a minimum funding standard for education delivery. Therefore, there is no effective limit to the amount that funding can decline on a year-on-year basis for most schools (outside of the small school supplement). However, it is acknowledged that the Department provides supports to schools through an early school support program, which supports schools in circumstances where education delivery is negatively impacted by factors such as declines in funding.

Key finding 5: Budget uncertainty combined with schools' autonomy to manage aspects of their resources concentrates financial risk at a school-level and could lead to additional workforce attraction and retention issues, separate from supply-side constraints to workforce.

- Combined with a poor understanding of how effective enrolment works, funding variability leads to additional budget uncertainty for schools.

- Budget uncertainty can negatively impact schools' ability to effectively engage in long-term strategic workforce planning.

- Budget uncertainty has been reported by schools to be a contributing factor to higher levels of staff turnover and a reliance on short-term contracts by school principals.

- While existing budget policies grant schools a level of autonomy, they also concentrate financial risk at a school-level, without always providing schools with the support needed to manage this. This is particularly impactful on small, remote schools.

A variety of factors can drive total school funding variability including (but not limited to) the number of enrolments (captured in Week 4 of Term 1), the number of effective enrolments (i.e., student attendance patterns), the base rate per FTE, the composition of student needs profile, eligibility for targeted funding, and the level of external grants a school receives from both the Australian Government and Northern Territory Government.

The analysis conducted to inform this Review shows that the greatest contributor to funding variability is fluctuations in enrolment numbers. Fluctuations in *effective* enrolments year-to-year are only partially contributing to funding variability. Replacing effective enrolments with enrolments in the methodology will therefore not remove budget uncertainty fully, as the greatest source of funding variability in the current model stems from year-to-year Week 4 Term 1 enrolment count adjustments.

It is not the funding variability on its own that leads to budget uncertainty for schools. Rather, it is funding variability combined with a poor understanding of how effective enrolment works. While most schools consulted for the purposes of this Review understood the effective enrolment methodology at a high level, very few school leaders were confident in their understanding. There is a strong appetite from schools for a simpler formula that can be estimated by schools in-house and be more easily explained to staff and families.

Budget uncertainty combined with schools' autonomy to manage their resources, concentrates financial risk at the school-level and can lead to workforce attraction and retention issues (noting current supply challenges). Greater budget certainty has the potential to support longer term planning and stability for staff, which could contribute to improved student outcomes over time.

The Review found that this issue is particularly concentrated in small, remote schools, which are most impacted by funding volatility, and often have limited resources to undertake effective budget planning over time. In response to this financial risk, schools reported engaging in precautionary saving to build-up their cash reserves to protect themselves against a potential future funding decline. However, reasons for cash reserve accumulation are many and appear to also be related to highly specific school and student contexts (e.g., strategic cash accumulation for a significant investment; schools struggling to fill vacancies due to hard to fill roles or shortages).

Key findings

Key finding 6: Point-in-time measures of enrolment tend to be more variable over time and are less representative of resource needs of a school over a school year. The preferred approach to applying a measure of enrolment for the purposes of funding is one that balances the need for funding to be responsive to school needs while minimising exposure to excessive funding variability and being practical to administer.

Throughout jurisdictions across Australia, resourcing needs for an upcoming school year are based on enrolment counts at the start of a school year (usually between week 2 to 4 of a school year). However, reviews of education systems across Australia find two drawbacks with this method, including:

- Enrolment counts at the beginning of the school year are poor measures of resource needs for schools with highly transient populations (particularly an issue in remote schools in WA)

- Enrolment counts at the beginning of the school year are not conducive to school resource planning, which primarily occurs over the period October to December in the prior year (and even commences earlier in some schools).

These issues are particularly relevant for the context of the NT, which is categorised by a large proportion of small, remote-located schools with a highly transient population. As shown throughout this Review, a large proportion of schools tend to experience significant unexpected funding variability which impacts resource planning within schools. Further, many schools experience peak enrolment post week 4, term 1 due to student mobility.

There is a careful balance to be struck in the determination of how enrolments are measured for the purposes of allocating funding. Funding allocations should be contemporary and responsive, to reflect the needs of students facing schools at a point in time, while also minimising exposure to excessive funding variability and support effective budget planning.

This Review has found that stakeholders (especially those in more remote and small schools) significantly preference the certainty, transparency and practicality of the funding model, over its responsiveness. On this basis, an over-time and partly lagged measure of enrolment is considered preferable for the purposes of allocating variable funding under the SRM.

The Review has identified a preferred approach to determining enrolment, which builds on the current approach to determine school funding and changes which have been made to support school planning and budgeting in recent years. This would comprise the following calculations for the preliminary and final funding determinations:

- **Preliminary funding**: The average of enrolment at week 4, term 1 in the previous school year and the Department's measure of enrolment at the time of the August Age Grade Census of the previous school year.

- **Final Funding**: The average of enrolment at week 4, term 1 in the current school year and the Department's measure of enrolment at the time of the August Age Grade Census of the previous school year.

With this approach, any changes to funding between preliminary and final funding are due to changes in week 4, term 1 from the previous to current year. This measure of student count is considered to be the most effective because it:

- **Improves a school's ability to plan compared to point-in-time measures**: The measure is more conducive to school planning than simply using a point-in-time measure at week 4, term 1 of the current school year as it provides schools with some certainty on the funding levels in August (when the majority of school planning occurs). Further, an average of week 4, term 1 and August Age Grade Census enrolments reduces year-on-year funding variability compared to point-in-time measures of student count.

- **Improves the measure of student count over the course of a school year**: Using an average of week 4, term 1 and August Age Grade Census enrolments allows for a measurement of student count over two points throughout a school year (term 1 and Term 3). Analysis shows that this measure of student count slightly improves the alignment of student count for funding purposes to average enrolment levels throughout the year, particularly for schools that experience enrolment surges later in the school year.

- **Improves alignment to school funding allocation received by the Commonwealth Government**: Using August enrolment figures to partly inform funding levels improves the alignment of school funding distributed by the NT to schools, with funding received by the NT Department of Education by the Commonwealth Government.

Recommendations

This Review recommends moving towards an enrolment-based methodology in line with that used in other Australian schooling jurisdictions, with additional school supports to manage funding variability.

Theme 1: Appropriateness of the effective enrolment measure within the SRM

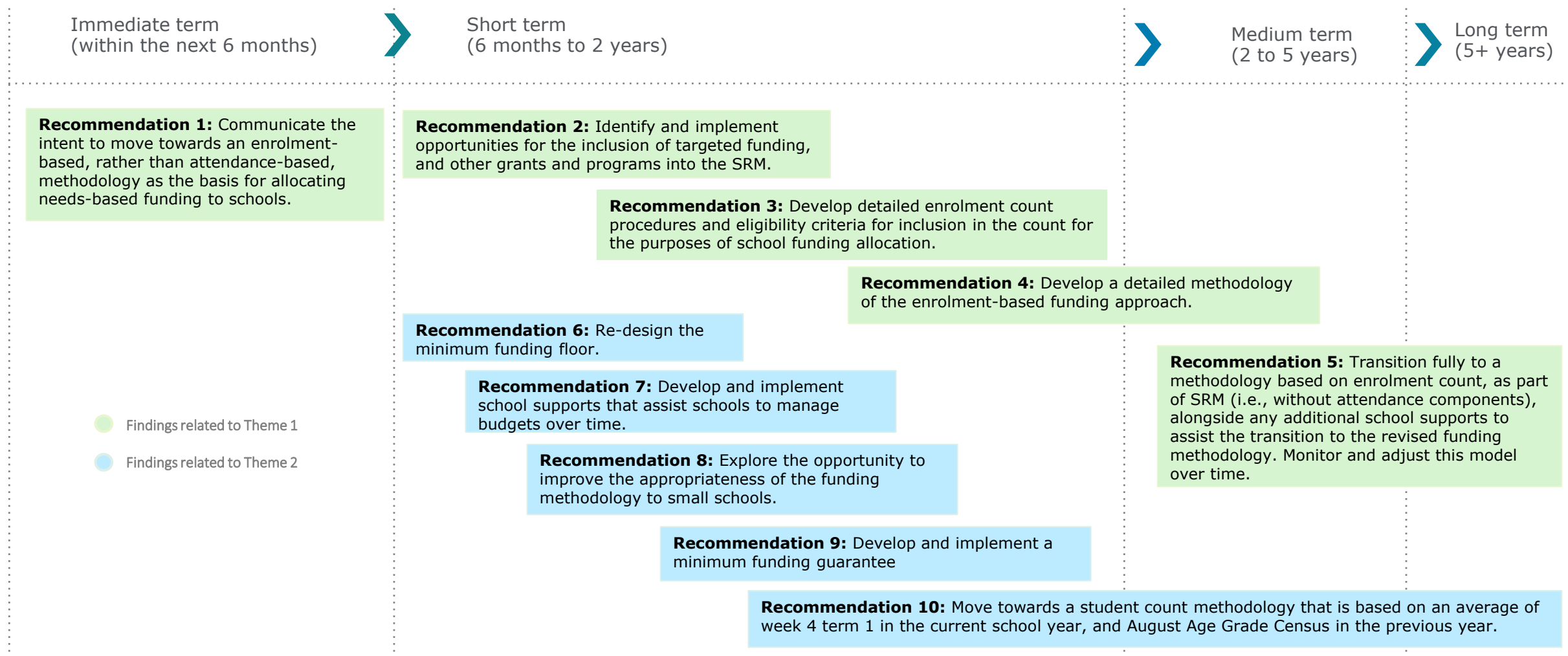|	
Recommendation 1: Communicate the intent to move towards an enrolment-based, rather than attendance-based, methodology as the basis for allocating needs-based funding to schools.	The department should be clear and effectively communicate that it intends to implement an enrolment-based methodology as the basis for allocating needs-based funding to schools. Further, the Department should outline an indicative timeline for when milestones of implementation will be reached, such as when the methodology of the enrolment-based methodology will be released.
Recommendation 2: Identify and implement opportunities for the inclusion of targeted funding, and other grants and programs into the SRM.	The objective of this process would be to determine if funding allocated through these mechanisms would be more appropriately allocated via the student-needs based funding model of the SRM, under an enrolment-based methodology. The outcome of this would inform the projected budget envelope to be allocated through an enrolment-based methodology, alongside outcomes from the future National Schools Reform Agreement and subsequent bi-lateral negotiations with the NT Government.
Recommendation 3: Develop detailed enrolment count procedures and eligibility criteria for inclusion in the count for the purposes of school funding allocation.	This should include (but is not limited to): • clarity on whether and how potential time fractions are determined (if students are enrolled part time or dual enrolled) • procedures supporting the integrity of the student count. Over the long term, the Department should continue to invest in enhancing the understanding of the relationships of student mobility to educational outcomes and consider whether this more sophisticated understanding of student mobility can be used to refine the enrolment count procedures, definition and eligibility criteria.
Recommendation 4: Develop a detailed methodology for the enrolment-based funding approach.	The development of the methodology of the enrolment-based measure will include (but is not limited to): • the enrolment count method • the timing of funding allocation (such as preliminary and final funding) • the base rate funding amount to be allocated to schools • detailed description of additional school supports provided to support budget management • detailed impact modelling of the implementation of an enrolment-based measure on individual schools • providing clearer guidance on the expectations regarding the type of expenditure and supports that are provided by the Department outside of the SRM. This guidance should align with the system's expectations of the role of schools in supporting students with different needs. The Department should ensure that the methodology is explained clearly and in a way that allows schools to replicate it for the purposes of their internal planning. This includes ensuring that the naming convention reflects the nature of the methodology and is interpreted correctly by schools. Once established, this methodology should be made accessible to all schools and stakeholders across the sector. In particular, the impact of the transition to the revised funding model should be clear to all schools.
Recommendation 5: Transition fully over time to a methodology based on enrolment count, as part of SRM (i.e., without attendance components), alongside any additional school supports to assist the transition to the revised funding methodology. Monitor and adjust this model over time.	The Department should completely transition to an enrolment-based measure of enrolment for funding purposes. This includes: • develop and deliver budget planning tools to support schools to plan resources with the enrolment-based funding model • continue to monitor how the revised methodology impacts individual schools and identify potential areas for improvement and further calibration to avoid systematic under- or over-funding of schools • continue to invest in enhancing the understanding of the relationships of student mobility to educational outcomes and consider whether this more sophisticated understanding of student mobility can be used to refine the enrolment count procedures, definition and eligibility criteria. The Department should continue monitoring schools' perceptions of the model and whether it results in any unintended incentives.

Recommendations

This Review recommends moving towards an enrolment-based methodology in line with that used in other Australian schooling jurisdictions, with additional school supports to manage funding variability.

Theme 2: Application of the effective enrolment measure within the SRM

Recommendation 6: Re-design the minimum funding floor.	The Department should re-design the small school supplement to make it applicable across multiple school contexts, including secondary schools and larger remote schools. The objective of this minimum funding floor is to provide all schools with additional certainty on the minimum funding that they are guaranteed to receive each year, based on their enrolment levels and school context.
Recommendation 7: Develop and implement school supports that assist schools to manage budgets over time.	The Department should continue to administer the early school support program to assist schools in managing variation in student funding over time.
	The Department should develop practices and guidance related to managing funding deficits and surpluses (including the impacts of the School Resourcing Fund policy) to support schools in managing funding variability over time.
	The Department should develop and implement an allowance for schools experiencing an exceptional surge in student numbers (surge allowance). The development of this allowance should include:
	• Develop eligibility criteria for a surge allowance for different types of schools based on quantitative (e.g., number of late enrolments) and qualitative evidence (e.g., written justification of a resourcing need).
	• Determine the process for applying and obtaining surge allowance support. This should include automatic funding allocations instigated by the Department, as well as applications that schools can submit if they require additional funding.
	• Model the likely demand for surge allowance based on the agreed criteria and historical data and determine the size of the surge allowance support pool.
Recommendation 8: Explore the opportunity to improve the appropriateness of the funding methodology to small schools.	This should consider:
	• actions that reduce barriers to spending faced by remote schools
	• practices related to managing funding deficits and surpluses (including the impacts of the School Resourcing Fund policy)
	• supports for budget planning and managing capability gaps
	• supports for workforce recruitment and retention issues
	• effective place-based resource sharing solutions, such as the Group Schools model.
Recommendation 9: Develop and implement a minimum funding guarantee.	Any alternative enrolment count methodologies should include a funding guarantee provided as part of the preliminary budget to support more effective planning. The funding guarantee should cover at least a year. The implementation of the minimum funding guarantee should include:
	• Developing minimum funding guarantee levels for different school types by defining what constitutes a *significant variation* in funding between preliminary and final funding allocation. The definition of a *significant variation* should consider what level of negative funding variation is significantly disruptive to school planning and resourcing decisions, and what level of certainty would reduce excessive risk aversion practices by schools.
	• Determining how parameters that inform minimum funding guarantee levels are adjusted annually. Annual parameter adjustments should consider changes in variation of funded student counts over time, as well as changes in the index rate of the budget envelope.
	• Implementing the minimum funding guarantee, with clear guidelines on minimum funding guarantee levels of each school each year, how levels are determined, and how levels are adjusted each year.
Recommendation 10: Move towards a student count methodology that is based on an average of week 4 term 1 in the current school year, and August Age Grade Census in the previous year.	This approach to enrolment count would balance the need for greater budget certainty for schools, with the inherent responsiveness of a student-driven needs-based resourcing model. The implementation of this approach to enrolment count could occur prior to, or in conjunction with, the recommended move away from effective enrolment to an enrolment based methodology for the purpose of allocating variable funding through the SRM.

Sequencing of the recommendations

The below schematic outlines the recommended sequence and indicative timing of the implementation of the Review's recommendations, noting there are interdependencies between these recommendations and broader reviews and policy reforms under consideration by the Department. In planning for the implementation of these recommendations, prioritisation should not merely be guided by what can be implemented with the greatest level of ease. Consideration must be given to the sequence of actions that will maximise the likelihood of achieving the end goal of transitioning to a more equitable and effective model of school funding.

Immediate term (within the next 6 months)	Short term (6 months to 2 years)	Medium term (2 to 5 years)	Long term (5+ years)

Recommendation 1: Communicate the intent to move towards an enrolment-based, rather than attendance-based, methodology as the basis for allocating needs-based funding to schools.

Recommendation 2: Identify and implement opportunities for the inclusion of targeted funding, and other grants and programs into the SRM.

Recommendation 3: Develop detailed enrolment count procedures and eligibility criteria for inclusion in the count for the purposes of school funding allocation.

Recommendation 4: Develop a detailed methodology of the enrolment-based funding approach.

Recommendation 6: Re-design the minimum funding floor.

Recommendation 5: Transition fully to a methodology based on enrolment count, as part of SRM (i.e., without attendance components), alongside any additional school supports to assist the transition to the revised funding methodology. Monitor and adjust this model over time.

Recommendation 7: Develop and implement school supports that assist schools to manage budgets over time.

Recommendation 8: Explore the opportunity to improve the appropriateness of the funding methodology to small schools.

Recommendation 9: Develop and implement a minimum funding guarantee

Recommendation 10: Move towards a student count methodology that is based on an average of week 4 term 1 in the current school year, and August Age Grade Census in the previous year.

- Findings related to Theme 1
- Findings related to Theme 2

Conclusion

While the recommendations presented in this report represent a significant departure from the current approach and have the potential to cause disruption to schools during implementation, the benefits from their implementation stand to be significant. The benefits will arise from a more equitable distribution of resources that is aligned to the Department's strategic goals; that provides greater certainty and stability for schools; and, ultimately, supports improved student outcomes.

Interdependencies for reform

Although the Review has focused primarily on the effective enrolment methodology component of the SRM, the proposed changes should not be considered in isolation to other funding components, reforms to service delivery models and other elements in the broader SRM and system. Many of the identified challenges with the current model stem from complex and often intertwined issues that extend beyond the funding model alone. Transitioning to a revised funding methodology will take time and require considerations of interdependencies with other:
- elements of the variable funding design
- components of the SRM
- broader system levers and policy reforms.

For instance, revisions to funding of small schools, senior secondary provision, homeland learning centres, and students with disability will all be critical to ensuring that the funding model meets the needs of schools and students. Any changes to the funding model will need to be supported by policy developments that ensure that the additional funding is spent on supports and initiatives that make a difference to student outcomes in different contexts, including contexts of high disengagement.

The benefits of reform

The Government has a clear strategy to improve student attendance, engagement in learning and learning outcomes. By moving from the current model of effective enrolment to a model based on enrolment, there would be greater alignment of funding to educational need – i.e., towards students and schools that require the greatest level of support to drive the outcomes sought by Government.

It is clear that this cannot be achieved in a budget neutral way as there is not a strong case from the evidence available to this Review that schools with higher levels of attendance are over-funded. The redistribution of funding that would be required to implement a move towards an enrolment-based methodology, while maintaining budget neutrality, has the potential to risk undermining service delivery and outcomes in settings that currently experience higher levels of attendance.

Finally, it should be emphasised that the model of funding distribution alone is not sufficient to drive improvements in attendance and student engagement. Rather, it is the strategies and practices that are put in place around it – and the extent to which funding enables these to be effectively implemented. While there is evidence that funding constraints are a barrier to some schools implementing more effective strategies for student engagement, this does not mean that greater investments guarantee improved outcomes. Additional strategies and improved practices will be required if the potential benefits of a more equitable distribution of resources are to be realised. The outcomes of these strategies and practices would extend beyond just attendance at school, but also towards meaningful engagement in learning more generally, as well as higher rates of achievement of sustainable pathways from school.

Deloitte.

Limitation of our work

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