The Auditor-General
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Performance Audit

National Partnership Agreement on Literacy and Numeracy

Department of Education, Employment and Workplace Relations

Australian National Audit Office

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Australian National Audit Office

Canberra ACT
14 June 2012

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Education, Employment and Workplace Relations in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit, and the accompanying brochure, to the Parliament. The report is titled *National Partnership Agreement on Literacy and Numeracy.*

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—http://www.anao.gov.au.

Yours sincerely

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

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Abbreviations

ACARA	Australian Curriculum, Assessment and Reporting Authority
ACER	Australian Council for Educational Research
AEEYSOC	Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee
ANAO	Australian National Audit Office
CFO	Chief Financial Officer
COAG	Council of Australian Governments
DEEWR	Department of Education, Employment and Workplace Relations
Education authorities	State and Territory education departments and Catholic and independent Block Grant Authorities
FMA Regulations	*Financial Management and Accountability Regulations 1997*
IGA FFR	*Intergovernmental Agreement on Federal Financial Relations*
LNNP	*National Partnership Agreement on Literacy and Numeracy*
Low SES	Low Socio-economic Status
MSS	Mean Scale Score
NAPLAN	National Assessment Program – Literacy and Numeracy
NEA	*National Education Agreement*
NMS	National Minimum Standards
NPIWG	National Partnerships Implementation Working Group

PIRLS	Progress in International Reading Literacy Study
PV	Plausible Values
SC SEEC	Standing Council on School Education and Early Childhood
SSNPs	Smarter Schools National Partnerships
States	State and territory governments
WLE	Weighted likelihood estimates

Glossary

Bilateral agreement	An agreement between the Australian Government and a state or territory providing for specific performance benchmarks and implementation arrangements for activities funded under the LNNP.
Block Grant Authorities	Bodies that represent non-government schools in the states and territories for funding purposes. There are 14 Block Grant Authorities, one for each of the two territories representing both the Catholic and independent sectors, and two in each state (one for Catholic schools and another for independent schools).
COAG Reform Council	The COAG Reform Council has the role of assessing and publicly reporting the achievement of agreed performance benchmarks before Australian Government payments are made to states and territories to reward improvements in student literacy and numeracy outcomes under the LNNP.
Co-investment	The investment made by a state or territory towards the proposed strategies under the facilitation component of the LNNP. Co-investment can include existing or redirected investments.
Education authorities	The collective term used for state and territory education departments and Catholic and independent Block Grant Authorities.
Evidence Base	A database to be developed under the LNNP to gather, organise and disseminate information about the effective literacy and numeracy strategies.
Facilitation payment	Payments to the states and territories made in recognition of the administrative and other costs of initiating nationally significant reform or pursuing continuous improvement in service delivery. For the LNNP, facilitation payments were made to support the implementation of the strategies as agreed through the implementation plan for each state and territory.

Implementation plan	The implementation plan for each state and territory provides the public with specific detail on the schools participating in the LNNP, reform activities to be undertaken and the level of co-investment.
Indigenous	People who identify as Aboriginal and/or Torres Strait Islander.
LNNP cohort	The student population in schools that LNNP initiatives were directed towards (for example, Year 3).
LNNP school/ target school	A school that has received assistance under the LNNP.
Local measure	Local measures are state or territory specific performance indicators developed in addition to NAPLAN measures.
NAPLAN	The National Assessment Program – Literacy and Numeracy (NAPLAN) is a set of nationally developed tests to measure student achievement in literacy and numeracy at Years 3, 5, 7 and 9. NAPLAN provides nationally comparable data at the student, school and state and territory level.
NAPLAN measures	Required to be specified in each bilateral agreement or implementation plan, NAPLAN measures or NAPLAN reform targets are required to measure improvements in reading and numeracy for the LNNP cohort. The NAPLAN measures set by DEEWR were: • students at or above the National Minimum Standard (NMS) for all students (reading/numeracy); • students above the NMS for all students (reading/numeracy) (this measure was not required in 2011); • Mean Scale Score (MSS) for all students (reading/numeracy); and • Indigenous students at or above the NMS (reading/numeracy).

National Minimum Standards (NMS)	National benchmarks for reading and numeracy. The benchmarks or 'National Minimum Standards' represent important and essential elements of literacy and numeracy at a minimum acceptable standard. The classification of standards enables comparable reporting of student achievement in literacy and numeracy across the nation and for different school years.
Reform target	A specific performance target for a NAPLAN or local measure. Achievement against reform targets results in reward payment. An example of a reform target is increasing the percentage of Year 3 students at or above NMS from 91 per cent (2008) to 94 per cent (2010) for reading.
Reward payment	Payments to states and territories that deliver or progress nationally significant reform. For the LNNP, reward payments are based on achievement of negotiated reform targets. Reward payments are made only after the independent assessment by the COAG Reform Council of the extent of achievement of the agreed reform targets against NAPLAN and local measures.

Summary and Recommendations

Summary

Introduction

1. Literacy and numeracy are foundations on which further learning is built. Achieving appropriate literacy and numeracy skills affects an individual's success in school and throughout life. The Department of Education, Employment and Workplace Relations (DEEWR) defines literacy and numeracy as follows:

> Literacy is the ability to read, write, speak and listen to languages in a way that allows people to communicate with each other and make sense of the world. Numeracy helps [people] use mathematics effectively to meet the general demands of day-to-day life at home, at work and in society generally.[1]

2. While Australian students are achieving good results in literacy and numeracy overall, a significant number are still failing to achieve minimum standards, particularly those from low socio-economic status (low-SES) communities and Indigenous students.[2] In 2008, 19.6 per cent of Australian students were at or below the National Minimum Standard (NMS) in reading, and 18.7 per cent were at or below the NMS in numeracy.[3] International data also shows that although Australian students ranked highly in literacy and numeracy skills compared to the rest of the world, Australian testing results have declined in reading (2000–2009) and mathematics (2003–2009).[4]

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1 Department of Education, Employment and Workplace Relations (DEEWR), *Your child's future – Literacy and Numeracy in Australia's schools* [Internet], available at: <http://www.dest.gov.au/sectors/school_education/publications_resources/summaries_brochures/your_childs_future.htm>, accessed February 2012.

2 DEEWR, *Importance of Literacy and Numeracy* [Internet], available at: <http://www.deewr.gov.au/Schooling/LiteracyandNumeracyPilotProjects/Pages/LandNPilots.aspx>, accessed February 2012.

3 ANAO analysis of 2008 National Assessment Program – Literacy and Numeracy (NAPLAN) data.

4 Council of Australian Governments (COAG) Reform Council, *Education 2010: Comparing performance across Australia*, 2011, p. 27. The comparison is based on Performance for International Student Assessment (PISA) test results. PISA is an Organisation for Economic Co-operation and Development international study that aims to evaluate education systems worldwide by testing the skills and knowledge of 15 year-old students in member and non-member countries.

National Partnership Agreement on Literacy and Numeracy

3. The *National Partnership Agreement on Literacy and Numeracy* (Literacy and Numeracy National Partnership or LNNP) aims to apply the collective resources and efforts of the Australian Government, state and territory governments (states) and education sectors, to put in place the infrastructure and practices that will deliver sustained improvement in literacy and numeracy outcomes for all students, especially those who are falling behind. The LNNP also aims to accelerate progress towards the literacy and numeracy target set by the Council of Australian Governments (COAG) to halve the gap between Indigenous and non-Indigenous students' achievement in reading, writing and numeracy within a decade.[5]

4. Commencing in 2009, the LNNP was one of the first National Partnerships operating under the new *Intergovernmental Agreement on Federal Financial Relations* (IGA FFR). It was also one of the first National Partnerships to include reward payments to states. The IGA FFR sets out broad principles for the operation of National Partnerships, including: a focus on achieving outcomes in a cooperative spirit between governments; the Australian Government making payments for progress toward outcomes and outputs (rather than payments for inputs), thereby reducing prescriptions on service delivery by the states; and improved accountability of governments through simpler, standardised and more transparent public performance reporting.

5. The LNNP commits $540 million of Australian Government funding from 2008–09 to 2011–12. This funding is comprised of:

- $150 million[6] in payments to states to support reform activities that aim to improve literacy and numeracy results ('facilitation payments') over the first two years of the LNNP (2009 and 2010);
- up to $350 million in payments to states to reward reform based on the achievement of agreed literacy and numeracy performance targets ('reward payments') over the last two years of the LNNP (2011 and 2012); and

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5 Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 4.

6 Following the agreement of the LNNP, $11 million was re-allocated from research initiatives to fund the participation of an additional 110 schools across Australia. This took the total funding for facilitation payments to $161 million.

- $40 million for research initiatives targeted at improving teaching capacity in literacy and numeracy.[7]

6. The LNNP also required that states match the Australian Government facilitation investment. The combined investment was to be focused on agreed reform activities to maximise impact, and develop a comprehensive understanding of literacy and numeracy initiatives that work in a variety of school settings and student cohorts.[8]

7. The broader objectives of the LNNP include: increasing collaboration between the government and non-government education sectors in achieving literacy and numeracy reform; and identifying and implementing evidence-based interventions which achieve accelerated and sustained improvements in literacy and numeracy outcomes for students.

8. To give effect to the LNNP, DEEWR coordinated and negotiated the development of bilateral agreements and implementation plans by respective state agencies, for consideration and agreement by the Australian Government and state education ministers. The agreements and plans outline the schools selected for participation in the LNNP by state agencies and Block Grant Authorities[9] (collectively referred to as education authorities), the agreed reform strategies for these schools, and the required reporting arrangements. Approximately 1050 government and non-government schools, or approximately 10 per cent of all Australian schools, have received assistance under the LNNP.

9. DEEWR and the respective state agencies negotiated reform targets as part of the development of bilateral agreements and implementation plans, as the basis for reward payments. The reform targets were to represent ambitious, accelerated improvements in literacy and numeracy in the participating

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7 This includes $13 million for the Australian Curriculum Assessment and Reporting Authority (ACARA), which is the independent authority responsible for the development of a national curriculum, a national assessment program and a national data collection and reporting program that supports 21st century learning for all Australian students.

8 Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 52.

9 Block Grant Authorities are bodies that represent non-government schools in the states and territories for funding purposes. There are 14 Block Grant Authorities, one for each of the two territories representing both the Catholic and independent sectors, and two in each state (one for Catholic schools and another for independent schools).

schools, based on National Assessment Program – Literacy and Numeracy (NAPLAN)[10] data and optional local measures of performance.[11]

10. Under the LNNP, the Australian Government facilitation payments were to be made to states in accordance with implementation milestones identified in bilateral agreements, with the first facilitation payment to be made on signing of the bilateral agreement. Reward payments were to be made to states following achievement of the performance (reform) targets for 2010 and 2011 identified in bilateral agreements and implementation plans, as assessed by the COAG Reform Council.[12]

11. DEEWR, on behalf of the Australian Government, had primary administrative responsibility for the LNNP with its role encompassing: planning and managing administrative arrangements for the LNNP; progressing Australian Government outputs, including a shared database of effective literacy and numeracy strategies known as the 'Evidence Base'; and monitoring and reporting on the delivery of LNNP outcomes.

Audit objectives, criteria and scope

12. The audit objective was to assess the effectiveness of DEEWR's administration of the *National Partnership Agreement on Literacy and Numeracy* (LNNP). The three high-level audit criteria used to form a conclusion examined the extent to which DEEWR:

- established sound administrative and payment arrangements consistent with government policy, including through its negotiation of bilateral agreements, implementation plans and reform targets;
- properly managed administrative and payment arrangements; and
- effectively monitored and reported on delivery and outcomes.

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[10] In 2008 NAPLAN commenced in Australian schools. Every year, all students in Years 3, 5, 7 and 9 are assessed on the same days using national tests in Reading, Writing, Language Conventions (Spelling, Grammar and Punctuation) and Numeracy.

[11] The LNNP required that reform targets were to be ambitious and aim for accelerated improvement for schools, schools communities and students involved in the LNNP, including specific targets for Indigenous students, and also reflect the different starting points in each state.

[12] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 65 and 66. The COAG Reform Council has the role of assessing and publicly reporting the achievement of agreed performance benchmarks before Australian Government reward payments are made to states under the LNNP.

13. The audit report also includes analysis of changes in NAPLAN test results for participating schools, and presents case studies of literacy and numeracy initiatives. More broadly, the report examines national trends in literacy and numeracy performance between 2008 and 2011, since the commencement of the LNNP.

14. The Australian National Audit Office (ANAO) consulted education authorities in four states and other relevant stakeholders, including the Australian Council for Educational Research (ACER)[13], the Australian Curriculum, Assessment and Reporting Authority (ACARA), the COAG Reform Council, the Treasury and several schools that received LNNP funding, to obtain their feedback on the administration and progress of the LNNP. Feedback from the stakeholders is included throughout the report, where appropriate. The audit covers the LNNP's operation from the time that the LNNP was signed in 2009 to March 2012.

Overall conclusion

15. Literacy and numeracy are the foundations on which success in further learning and life are built. Australia generally continues to perform well in international literacy and numeracy testing. However, the nation's ranking has declined over the past decade and students from low-SES and Indigenous backgrounds remain behind the rest of the population. In this context, the Australian Government announced in 2008 a $540 million commitment to the *National Partnership Agreement on Literacy and Numeracy* (LNNP)—an agreement between governments 'to put in place the infrastructure and practices that will deliver sustained improvement in literacy and numeracy outcomes for all students, especially those who are falling behind'.[14]

16. The LNNP was one of first National Partnerships to include reward payments to states for achievement of reform targets. It envisaged ambitious, accelerated improvements in students' literacy and numeracy outcomes in participating schools during the partnership timeframe, as the basis for making reward payments. The LNNP also included initiatives to disseminate effective

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[13] The Australian Council for Education Research (ACER) was commissioned by DEEWR to provide technical advice on proposed measures of improvement and reform targets for each state under the partnership.

[14] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 4.

practices which would support system-wide improvements in educational attainment. Within the framework established by the LNNP, DEEWR had responsibility on behalf of the Australian Government for negotiating specific administration arrangements with state agencies, monitoring their progress and sharing effective literacy and numeracy strategies, to help achieve the intended outcomes of the LNNP. As National Partnerships were still in their formative stages, DEEWR did not have access to formal guidance when developing the LNNP framework.

17. Australian Government expenditure to date under the LNNP is $322 million in facilitation, reward[15] and research initiatives funding, with $212 million in reward payments[16] remaining accessible to states. Through the LNNP, education authorities and schools have implemented a range of initiatives in the agreed reform areas of school leadership, quality teaching, and the effective use of student performance data, aimed at improving the literacy and numeracy outcomes for participating students. Common examples of initiatives include the engagement of literacy and numeracy coaches, and delivering professional development for teachers. Education authorities and schools consulted during the audit reported a range of positive impacts of the LNNP on schools, teachers and students, including through increased collaboration between government and non-government education sectors. However, ANAO analysis of NAPLAN data from 2008 to 2011 indicates that the LNNP is yet to make a statistically significant improvement, in any state, on the average NAPLAN results of schools that received LNNP funding, when compared to schools that did not receive funding.[17] In this respect, for some states there were less than three months and 15 months respectively, between the commencement of LNNP initiatives and NAPLAN testing for 2010 and

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[15] The Australian Government made reported reward payments totaling $138.5 million to states in June 2011 (out of $175 million in available reward funding for the period), based on the COAG Reform Council's assessment of the extent to which states achieved reform targets for 2010.

[16] This funding is subject to states' achievement against 2011 reform targets for literacy and numeracy achievement in participating schools, as assessed by the COAG Reform Council.

[17] In its response to the draft audit report, DEEWR noted some school level improvements in reading and numeracy in LNNP schools. Similarly, in its 2011 performance report on the LNNP, the COAG Reform Council noted that over the four years of the LNNP, students in participating schools generally improved their NAPLAN results in reading and numeracy. The ANAO analysis was different in that it compared the performance of LNNP schools with non-LNNP schools. The analysis examined the impact of a range of variables on changes in NAPLAN results, including the average base-year (2008) NAPLAN score; the school's sector and geo-location; and whether the school year cohort was targeted by the LNNP. After allowing for the impact of baseline NAPLAN scores, the LNNP did not result in a statistically significant improvement in average NAPLAN scores between 2008 and 2011.

2011. More broadly, national literacy and numeracy achievement has mostly been stable since the LNNP was introduced, including for low-performing and Indigenous students. In this light, it may take several years until a reliable assessment of the impact of the LNNP on literacy and numeracy outcomes can be made.

18. Overall, the effectiveness of DEEWR's administration of the LNNP has been mixed. This assessment is made in the context of National Partnerships being a new form of program delivery and the LNNP being one of the first National Partnerships to include reward payments to states. DEEWR worked collaboratively with state agencies to establish administrative and payment arrangements for the LNNP within a reasonable timeframe, and has mostly managed the administrative and payment arrangements in accordance with the requirements established by the LNNP. However, the department did not apply a structured approach to negotiating key implementation arrangements, specifically the number of participant schools, performance indicators, and the reform targets for 2010 and 2011 which were the basis for making reward payments.[18] Consequently, there was significant variability at a state level in the coverage of the LNNP and performance indicators used, and reward targets were not necessarily demanding.[19] In this respect, DEEWR could have more actively pursued the outcomes sought by governments in developing the LNNP framework.

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[18] In its 2010 performance report on the LNNP, the COAG Reform Council noted the level of variation at a state level in: the proportion of participating schools and students; the criteria for selecting participating schools; the domains, year levels, size of student cohort, student characteristics and sectors selected for measurement; targets and the methodologies for establishing baselines; starting points of the performance of participating schools; the size of expected change over time; and the number of targets. Source: The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, p. xv.

[19] The LNNP provided the states with flexibility to negotiate literacy and numeracy strategies and reform targets suitable to their particular circumstances. However, it also required that: agreed reform targets would be ambitious and aim for accelerated improvement for the schools/school communities and students involved; and that there would be consistency where possible in the measurement of improvement. Source: Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 34, 37 and 38. In its 2010 performance report on the LNNP the COAG Reform Council noted the strong references to ambition in both the IGA FFR and the LNNP, and the apparent variation in the level of ambition of state agreed reform targets. For example, three states had one or more targets that were lower than their baselines; and some reform targets were agreed based on maintaining existing achievement or small improvements. As targets involved different calculations and trends to determine improvement, it was difficult for the COAG Reform Council to determine whether targets were actual accelerated improvements. Source: The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, pp. 89–90.

19. LNNP initiatives were undertaken in approximately 10 per cent of Australian schools as chosen by education authorities, and cover approximately 10 per cent of Australian students in Years 3, 5, 7 and 9. While LNNP funding was notionally allocated based on each state's proportion of low-performing students, the estimated proportion of students targeted varied from only 3.7 per cent of students in New South Wales to almost one-quarter (24.3 per cent) of students in Western Australia. Inconsistencies in the coverage of the LNNP and the level of targeted improvement potentially disadvantaged those states that, in the spirit of the LNNP, had aimed for more challenging targets. In addition, given the proportion of students involved in the LNNP, expecting significant changes across the broader student population was also ambitious and difficult to achieve. While the coverage of the LNNP remained similar, as part of ongoing administrative improvements, DEEWR revised reform targets for 2011 in response to recommendations in the COAG Reform Council's March 2011 performance report on the LNNP, through a better designed and more transparent process.

20. In addition, DEEWR did not progress the 'Evidence Base' of effective literacy and numeracy strategies as promptly as envisaged by the LNNP.[20] Implementation of the Evidence Base within a shorter timeframe would have provided education authorities and schools with additional guidance for planning and implementing effective LNNP-funded literacy and numeracy initiatives during the National Partnership. It would also have supported broader take-up of successful literacy and numeracy strategies.

21. DEEWR's approach to ongoing monitoring of the LNNP involves making an assessment of states' annual and progress reports, and provision of advice to the Minister on LNNP performance. Evaluation of the LNNP, which is in its initial phases, will be crucial to assessing the longer-term impact of the National Partnership and in optimising learning about effective literacy and numeracy strategies. To evaluate impacts, DEEWR will need to analyse changes in NAPLAN results for participating schools and their different literacy and numeracy initiatives following the conclusion of the LNNP in 2012.

[20] DEEWR did, however, provide a forum for sharing information about effective literacy and numeracy strategies through the November 2011 National Literacy and Numeracy Partnership Forum.

22. The ANAO has made two recommendations to strengthen program and payment design for future National Partnerships, and to better assess the impact of the LNNP on literacy and numeracy outcomes for participating schools following the conclusion of the LNNP. The implementation experience of the LNNP also gives rise to a number of broader lessons for responsible agencies in establishing National Partnership payment arrangements. These include that the design of National Partnerships should allow sufficient time for initiatives funded using facilitation payments to significantly influence performance results, prior to measuring achievement against reform targets and making reward payments. The design of implementation and payment arrangements should also provide the best opportunity for achievement of intended outcomes, such as by linking accessible reward funding with the coverage of planned initiatives and targeted levels of improvement. Such an approach would be consistent with the intent of governments that National Partnerships apply 'good payment design' that gives states an 'incentive to invest appropriately to achieve agreed performance benchmarks or milestones, and trigger associated Australian Government payment'.[21] Lessons for the administration of future National Partnerships, arising from the audit, are at Appendix 2.

Key findings

Developing the LNNP Framework

23. Sound implementation planning is an important element in the successful delivery of government policies.[22] Following agreement to the LNNP by the Australian Government and states, DEEWR had responsibility (on behalf of the then Minister for Education) for developing appropriate administrative arrangements for its implementation. In this respect, DEEWR established sound relationship management mechanisms through staff assigned as contact points for each state, and formal LNNP multilateral governance arrangements which operate to enable relationships to be managed at a national level.

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[21] The Treasury, Federal Finances Circular No.2011/02, *Developing National Partnerships under the Federal Financial Relations Framework*, 9 December 2011, p. 29.

[22] Department of the Prime Minister and Cabinet, *Implementation Plan Guidelines* [Internet], available at: <http://www.dpmc.gov.au/implementation/implementation_guide.cfm> [accessed February 2012].

24. DEEWR was also responsible for negotiating bilateral agreements and implementation plans with respective state agencies, to support implementation, ongoing oversight and public accountability of LNNP-funded activities. In the absence of formal guidance, DEEWR sought clarification as appropriate from central agencies[23] within the Australian Government, as part of negotiating and finalising the bilateral agreements with each state between January 2009 and February 2010. All agreements were signed within 13 months of the signing of the LNNP. The timeframe for development of the bilateral agreements and implementation plans was reasonable in the context of, a four-year agreement, and the level of information and planning contained in the agreements. However, the LNNP requirements were not universally addressed in these documents.[24] Only two out of eight states included their specific reform targets in their publicly available bilateral agreements and/or implementation plans. The absence of reform targets in publicly available documents does not provide a point of comparison for interested stakeholders to assess performance by each state against expectations.[25] This was even more important given that the achievement of agreed reform targets was designed to be the trigger for the Australian Government to make reward payments. For five states, reform targets were settled separate to and after finalisation of bilateral agreements and implementation plans. As a result, prior to making the first round of reward payments in June 2011, a formal exchange of letters between education ministers had to occur to agree reform targets in order to make reward payments.

25. The timeframe to demonstrate improvements in literacy and numeracy as the basis for reward payments was a decision made as part of the LNNP, and was agreed to by all parties, including the Australian Government, in January 2009. However, after the finalisation of the bilateral agreements and implementation plans there was limited time (for some states less than three months) between securing agreement to proposed literacy and numeracy strategies, implementing the strategies, and students being tested to assess the effectiveness of the strategies. Given the short timeframe between the

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[23] Central agencies are: the Department of the Prime Minister and Cabinet, the Department of Finance and Deregulation and the Treasury.

[24] Requirements not met pertained to some LNNP governance, funding, monitoring and reporting arrangements.

[25] The complete set of 2010 reform targets was first published by the COAG Reform Council in its March 2011 performance report on the LNNP.

implementation of LNNP strategies and NAPLAN testing, any improvements measured for the first round of reward payments were unlikely to be significantly influenced by LNNP activities. Moreover, the LNNP NAPLAN targets did not necessarily represent ambitious targets for all states, particularly given the significant variability in the proportion of targeted students, the absence of a framework to set initial targets and a rigorous approach to assess ambition.

Ongoing Administration of the LNNP

26. Under the LNNP, DEEWR, on behalf of the Australian Government, has responsibility for advising its Minister and the Treasury on making facilitation and reward payments. LNNP facilitation payments were to be made on the basis of achieving milestones. Reward payments were to be made to the states based on their extent of achievement of reform targets, as assessed by the COAG Reform Council. The first tranche of facilitation payments occurred prior to the signing of the bilateral agreements. DEEWR advised that payments were made at this time so the implementation of the LNNP was not further delayed. Additionally, there were no explicit records made of the approval of spending proposals as required by FMA Regulations 9 and 12 for LNNP facilitation payments. Nonetheless, payments made under the LNNP were soundly based.

27. In the LNNP, co-investment from states is a requirement for receipt of facilitation and reward payments. The LNNP also required that bilateral agreements set out monitoring and reporting arrangements for state co-investments. However, states' compliance with co-investment obligations was not monitored by DEEWR, and therefore was not covered in DEEWR's payment advice and certifications. Further, acquittal data on actual LNNP co-investments, reported by states to the Treasury, but not to DEEWR, showed that co-investment obligations were not met by some states.[26] Where co-investment forms part of the requirements of a National Partnership, but is not being made in accordance with the agreement, there is an increased risk that the intended outcomes of the National Partnership will not be achieved. The reported co-investment shortfalls highlight the importance of the

[26] After all facilitation payments and the first round of reward payments were made, Queensland, South Australia, Tasmania, and the Australian Capital Territory advised the Treasury that they would be revising reported LNNP co-investments upwards in their 2011–12 acquittal report.

responsible department monitoring co-investments where such obligations are included in National Partnerships.

28. Under the LNNP, DEEWR was responsible for delivering two outputs which were partly designed to provide a legacy for the LNNP beyond its conclusion in 2012. Primary among these is the Framework for Effective Practice or 'Evidence Base' for the LNNP, which DEEWR expects to launch in the June quarter 2012, three years later than envisaged by the LNNP. The Evidence Base will be accessed through the *Teach, Learn, Share* website and should provide an important mechanism to strengthen the promulgation of information on effective practice in literacy and numeracy. DEEWR also allocated LNNP research initiatives funding to a range of projects, strategies and awards, although it could have adopted assessment criteria for funding proposals to help ensure funded initiatives were complementary and clearly aligned to the overarching objectives of the LNNP.

29. As part of its ongoing administration of the LNNP, DEEWR had responsibility for renegotiating reform targets for 2011. This was in response to the COAG Reform Council's *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, which highlighted a number of concerns with the initial target setting and made recommendations to improve the 2011 targets. Stakeholders consulted by the ANAO who were involved in the initial negotiation of reform targets also raised concerns about variation in the level of ambition of reform targets due to the bilateral approach taken in the negotiation. DEEWR encouraged and worked with the states to revise the 2011 targets and improve the target-setting process. As a result, the process for establishing performance indicators and negotiating reform targets was better designed and more transparent than the initial target setting.

30. The renegotiation of 2011 reform targets was lengthy, with negotiations being finalised while some states had access to the actual 2011 NAPLAN results.[27] In the context of a four-year National Partnership and the complex nature of negotiations, the length of negotiations highlights the importance of setting appropriate performance indicators for targets at the outset of National

[27] DEEWR sought to address this risk by requiring states to submit revised 2011 reform targets before they had access to their 2011 NAPLAN results, and by only allowing states to revise these targets upwards in ongoing negotiations once actual NAPLAN results were known. DEEWR also advised that ACER had assessed all states' revised 2011 reform targets as sufficiently ambitious prior to their accessing 2011 NAPLAN data.

Partnerships, including reaching broad agreement on the measurement approaches to be used. This was complicated in the case of the LNNP because for key NAPLAN performance data there was only one year of baseline data (and no trends) when reform targets were originally negotiated.

Monitoring, Reporting and Outcomes

31. Performance monitoring and reporting are an important element of accountability for government service delivery, and help inform service delivery improvements. DEEWR monitored the states' compliance with bilateral agreements and implementation plans by reviewing states' annual and progress reports. However, as mentioned previously, there was a gap in the monitoring of co-investment data.

32. DEEWR was also not in a position to be able to verify the accuracy of the performance results against reform targets, provided by states, as part of the performance assessment process. For future National Partnerships that use reporting from a national dataset as the basis of reward payments, administering agencies would benefit from working with states to coordinate the preparation of performance results and to consider related assurance processes. This would increase the likelihood that a consistent approach is taken to the calculation of performance results while reducing the risk of inaccurate reward payments. Additionally, such an approach offers the potential for efficiencies to the states in the preparation of their results.

33. The LNNP is one of three Smarter Schools National Partnerships for which DEEWR has commenced a national evaluation. The first phase of the evaluation was an analysis of reform activity and state evaluation efforts undertaken for each of the National Partnerships. The evaluation noted the considerable work being undertaken in schools to improve classroom practice in literacy and numeracy, and create learning environments within which students will have greater opportunity for success. However, given the complexities in measuring the effectiveness of reform activities, it may take several years until a reliable assessment of the LNNP approach can be made. DEEWR had not yet determined the scope of subsequent phases of the evaluation. To properly position the evaluation to assess the impact of the LNNP and different literacy and numeracy strategies, it will be important that subsequent phases analyse the literacy and numeracy outcomes for participating schools at an appropriate time following the conclusion of the LNNP. This would also assist create and sustain the legacy of the LNNP through dissemination of better practices.

34. For schools participating in the LNNP, education authorities and schools have reported positive impacts of the LNNP on school leadership, teacher practice and student engagement. However, ANAO analysis of NAPLAN data from 2008 to 2011 indicates that the LNNP is yet to make a statistically significant improvement, in any state, on the average NAPLAN results of schools that received LNNP funding, when compared to schools that did not receive funding. Among other things, the LNNP aims to accelerate progress towards the ambitious literacy and numeracy target set by the Council of Australian Governments to halve the gap between Indigenous and non-Indigenous students' achievement in reading, writing and numeracy within a decade. In 2008, there was a significant gap between the proportion of Indigenous and non-Indigenous students at or above the NMS for reading and numeracy in Years 3, 5, 7 and 9, as measured by NAPLAN. In 2011, there continued to be a significant gap. These findings underline the importance of ongoing analysis of NAPLAN data for LNNP participating schools and groups targeted for assistance.

Summary of agency responses

35. DEEWR provided the following summary response to the audit report:

> The Department of Education, Employment and Workplace Relations is committed to the sound administration of National Partnerships. The Auditor-General's report acknowledges the significant achievement of the Smarter Schools National Partnership for Literacy and Numeracy (LNNP), given that it was amongst the earliest partnerships and one of the first reward-based national partnerships to be implemented under the new COAG arrangements.
>
> The Department accepts the recommendations in the report, and will work with relevant agencies to clarify the roles and responsibilities of all Commonwealth agencies involved in the administration of national partnerships.
>
> The report highlights the significant challenges in enacting Government policy whilst adequately reconciling Commonwealth accountability and avoiding prescription in service delivery.
>
> The LNNP contributes to literacy and numeracy outcomes of the National Education Agreement, which are themselves broad outcomes with a number of causative elements. The LNNP's contribution to the outcomes of this Agreement is specifically aimed at supporting students falling behind, especially Indigenous students.

In relation to this targeted cohort, findings to date show that some school-level improvements have been made in increasing the proportion of students achieving above national minimum standards. Specifically, from 2008 to 2011, in year 3 reading and year 5 numeracy, 70 per cent and 80 per cent respectively, of LNNP schools improved the proportion of students above national minimum standards.

To fully measure the impact of the investment in the national partnership, a broad analysis of all four outcomes of the LNNP would be required, including recognition of the different starting points in state literacy and numeracy achievement, their reform goals and the impact of different strategies and local measures adopted within each state. The Department will continue to monitor and evaluate the impact of national partnerships.

36. DEEWR agreed with the two recommendations in this report. DEEWR's responses to the recommendations are shown in the body of the report immediately after each recommendation. DEEWR's full response is included at Appendix 1 of this report.

37. Comments were also sought, on extracts of the draft report, from the Treasury; the New South Wales Office of Education; ACARA; ACER; and the COAG Reform Council. ACARA and the COAG Reform Council advised they had no formal comments to make. Formal comments received are included in Appendix 1.

Recommendations

Recommendation No. 1

Paragraph 2.51

To inform program and payment design that provides strong performance incentives for future National Partnerships, the ANAO recommends that DEEWR review the approach taken in establishing reform targets for the LNNP as the basis of reward payments, to draw on opportunities for improvement.

DEEWR Response: *Agreed*

Recommendation No. 2

Paragraph 4.33

To assess the impact of the LNNP and different literacy and numeracy strategies, the ANAO recommends that DEEWR analyse the literacy and numeracy outcomes of participating schools at an appropriate stage following the conclusion of the National Partnership, as part of the national evaluation of the Smarter Schools National Partnerships.

DEEWR Response: *Agreed*

Audit Findings

1. Introduction

This chapter provides background on literacy and numeracy levels in Australia and the National Partnership Agreement on Literacy and Numeracy. It also outlines the audit approach and the structure of the report.

Literacy and numeracy in Australia

1.1 Literacy and numeracy are foundations on which further learning is built. Achieving appropriate literacy and numeracy skills affects an individual's success in school and throughout life. The Department of Education, Employment and Workplace Relations (DEEWR) defines literacy and numeracy as follows:

> Literacy is the ability to read, write, speak and listen to languages in a way that allows people to communicate with each other and make sense of the world. Numeracy helps [people] use mathematics effectively to meet the general demands of day-to-day life at home, at work and in society generally.[28]

1.2 While Australian students are achieving good results in literacy and numeracy overall, a significant number are still failing to achieve minimum standards.[29] In 2008, 19.6 per cent of Australian students were at or below the National Minimum Standard (NMS) in reading, and 18.7 per cent were at or below the NMS in numeracy.[30] International data also shows that although Australian students ranked highly in literacy and numeracy skills compared to the rest of the world, Australian testing results have declined in reading (2000–2009) and mathematics (2003–2009).[31]

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[28] Department of Education, Employment and Workplace Relations (DEEWR), *Your child's future – Literacy and Numeracy in Australia's schools* [Internet], available at: <http://www.dest.gov.au/sectors/school_education/publications_resources/summaries_brochures/your_childs_future.htm> [accessed February 2012].

[29] DEEWR, *Importance of Literacy and Numeracy* [Internet], available at: <http://www.deewr.gov.au/Schooling/LiteracyandNumeracyPilotProjects/Pages/LandNPilots.aspx> [accessed February 2012].

[30] ANAO analysis of 2008 National Assessment Program – Literacy and Numeracy (NAPLAN) data.

[31] Council of Australian Governments (COAG) Reform Council, *Education 2010: Comparing performance across Australia*, 2011, p. 27. The comparison is based on Performance for International Student Assessment (PISA) test results. PISA is an Organisation for Economic Co-operation and Development international study that aims to evaluate education systems worldwide by testing the skills and knowledge of 15 year-old students in member and non-member countries.

1.3 Australian students from low socio-economic families and Indigenous backgrounds have historically achieved lower levels of literacy and numeracy. In 2009, the impact of socio-economic status on the literacy and numeracy performance of Australian students was similar to that in other countries.[32] Further, between 2000 and 2009, Indigenous students were under-represented at the higher end of the literacy and mathematical proficiency scales and over-represented at the lower end relative to the broader population.[33]

1.4 To help ensure Australian students acquire the knowledge and skills to participate effectively in society, the Australian Government, and state and territory governments (states), agreed to a framework of educational reform through the 2008 National Education Agreement (NEA).

1.5 In support of the NEA, the 2008–09 Australian Government Budget announced a suite of education programs including the Smarter Schools National Partnerships (SSNPs). The three SSNPs are as follows:

- Low Socio-economic Status School (Low-SES) Communities ($1.5 billion from 2008–09 to 2014–15) to support education reform activities in up to 1500 low socio-economic status schools across the country;
- Improving Teacher Quality ($550 million from 2008–09 to 2012–13) to help attract and retain quality teachers and leaders in schools; and
- Literacy and Numeracy ($540 million from 2008–09 to 2011–12) to improve student literacy and numeracy outcomes for all students, especially those who are most in need of support.

1.6 The focus of this audit is on the SSNP concerned with literacy and numeracy.

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[32] In 2000 Australia was classified as a low-equity country in relation to the strength of the relationship between socio-economic background and performance in literacy and numeracy, that is, low socio-economic status led to a greater reduction in average performance relative to other countries. In 2003 and 2006, Australia was classified as a high equity country, and in 2009 Australia was classified as an average equity country. Council of Australian Governments Reform Council, *Education 2010: Comparing performance across Australia*, 2011, pp. 31–34.

[33] Thomson et al, *Challenges for Australian Education: Results from PISA 2009*, ACER, 2011.

National Partnership Agreement on Literacy and Numeracy

1.7 The *National Partnership Agreement on Literacy and Numeracy* (Literacy and Numeracy National Partnership or LNNP) aims to apply the collective resources and efforts of the Australian Government, states and non-government education sectors, to put in place the infrastructure and practices that will deliver sustained improvement in literacy and numeracy outcomes for all students, especially those who are falling behind. The LNNP also aims to accelerate progress towards the literacy and numeracy target set by the Council of Australian Governments (COAG) to halve the gap between Indigenous and non-Indigenous students' achievement in reading, writing and numeracy within a decade.[34]

1.8 Commencing in 2009, the LNNP was one of the first National Partnerships operating under the new *Intergovernmental Agreement on Federal Financial Relations* (IGA FFR). It was also one of the first National Partnerships to include reward payments to states. The IGA FFR sets out broad principles for the operation of National Partnerships, including: a focus on achieving outcomes in a cooperative spirit between governments; the Australian Government making payments for progress toward outcomes and outputs (rather than payments for inputs), thereby reducing prescriptions on service delivery by the states; and improved accountability of governments through simpler, standardised and more transparent public performance reporting.

1.9 The LNNP commits $540 million of Australian Government funding from 2008–09 to 2011–12. This funding is comprised of:

- $150 million[35] in payments to states to support reform activities that aim to improve literacy and numeracy results ('facilitation payments') over the first two years of the LNNP (2009 and 2010);
- up to $350 million in payments to states to reward reform based on the achievement of agreed literacy and numeracy targets ('reward payments') over the last two years of the LNNP (2011 and 2012); and

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[34] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 4.

[35] Following the agreement of the LNNP, $11 million was re-allocated from research initiatives to fund the participation of an additional 110 schools across Australia. This took the total funding for facilitation payments to $161 million.

- $40 million for research initiatives targeted at improving teaching capacity in literacy and numeracy.[36]

1.10 The notional allocation of facilitation and reward funding was determined by the number of students in each state at or below the National Minimum Standard (NMS) in reading and numeracy for Years 3, 5 and 7 (Table 1.1).[37] This was calculated based on 2008 National Assessment Program – Literacy and Numeracy (NAPLAN) data.[38]

Table 1.1

Notional allocation of facilitation and reward funding to states

	QLD	NSW	VIC	WA	SA	NT	TAS	ACT	TOTAL
Funding ($m)	142.6	138.3	91.2	63.6	41.0	15.0	13.1	6.2	511.0
Per cent of total funding (%)	**27.9**	**27.1**	**17.8**	**12.5**	**8.0**	**2.9**	**2.6**	**1.2**	**100.0**

Source: Australian Government, Smarter Schools National Partnership for Literacy and Numeracy Fast Facts.

Note: Table includes the $11 million in research initiatives funding that was re-allocated to fund the participation of an additional 110 schools across Australia.

1.11 The LNNP also required that states match the Australian Government facilitation payments. The combined investment was to be focused on agreed reform activities to maximise impact, and develop a comprehensive understanding of literacy and numeracy initiatives that work in a variety of school settings and student cohorts.[39]

1.12 The broader objectives of the LNNP include: increasing collaboration between the government and non-government education sectors in achieving

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[36] This includes $13 million for the Australian Curriculum Assessment and Reporting Authority (ACARA) which is the independent authority responsible for the development of a national curriculum, a national assessment program and a national data collection and reporting program for all Australian students.

[37] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 55.

[38] In 2008 NAPLAN commenced in Australian schools. Every year, all students in Years 3, 5, 7 and 9 are assessed on the same days using national tests in Reading, Writing, Language Conventions (Spelling, Grammar and Punctuation) and Numeracy.

[39] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 52.

literacy and numeracy reform; and identifying and implementing evidence-based interventions which achieve accelerated and sustained improvements in literacy and numeracy outcomes for students.[40]

1.13 The LNNP included two outputs to be funded, coordinated and managed by the Australian Government in support of the LNNP outcomes and objectives. These are a database of effective literacy and numeracy strategies and approaches, known as the Framework for Effective Practice or 'Evidence Base', and the research initiatives (see paragraph 1.9) designed to complement the literacy and numeracy interventions implemented by education authorities.

Operation of the National Partnership

1.14 To give effect to the LNNP, DEEWR coordinated and negotiated the development of bilateral agreements and implementation plans by respective state agencies, for consideration and agreement by the Australian Government and state education ministers. The agreements and plans outline the schools selected for participation in the LNNP by state agencies and Block Grant Authorities[41] (collectively referred to as education authorities), the agreed reform strategies for these schools, and required reporting arrangements.

1.15 DEEWR and respective state agencies negotiated the reform targets as part of the development of bilateral agreements and implementation plans, as the basis for reward payments. The reform targets were to represent ambitious, accelerated improvements in literacy and numeracy in the participating schools, based on NAPLAN data and optional local measures of performance.[42]

1.16 Under the LNNP, the Australian Government facilitation payments were to be made to states in accordance with implementation milestones identified in the bilateral agreements, with the first facilitation payment to be made on signing of the bilateral agreement. Reward payments were to be

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[40] ibid., paragraphs 17–21.

[41] Block Grant Authorities are bodies that represent non-government schools in the states and territories for funding purposes. There are 14 Block Grant Authorities, one for each of the two territories representing both the Catholic and independent sectors, and two in each state (one for Catholic schools and another for independent schools).

[42] The LNNP required that reform targets were to be ambitious and aim for accelerated improvement for schools, schools communities and students involved in the LNNP, including specific targets for Indigenous students, and also reflect the different starting points in each state.

made to states following the achievement of the performance (reform) targets for 2010 and 2011 identified in bilateral agreements and implementation plans, as assessed by the COAG Reform Council.[43]

LNNP activities

1.17 LNNP funding has been directed towards three key factors that affect students' literacy and numeracy learning outcomes. These factors are: effective and evidence-based teaching of literacy and numeracy; strong school leadership and whole-school engagement with literacy and numeracy; and monitoring of student and school literacy and numeracy performance to identify where support is needed.[44]

1.18 Education authorities and schools participating in the LNNP are provided with the flexibility to tailor literacy and numeracy activities to meet the needs of their school communities and students. A common strategy adopted has been the use of coaching and mentoring programs, including using funding to engage specialist teachers. Other funded activities have included: delivering professional development for teachers in the areas of literacy and numeracy; providing literacy and numeracy information to families and e-learning resources to schools; and assessing and monitoring student progress in literacy and numeracy.

Schools and students participating in the LNNP

1.19 As noted in paragraph 1.14, schools were identified through the development of the bilateral agreements and implementation plans. Education authorities in each jurisdiction selected schools to participate in the LNNP based on 2008 NAPLAN results, levels of Australian Government and state funding, and local knowledge about schools that would benefit the most from support initiatives.

1.20 Based on data provided by DEEWR on schools participating in the LNNP and the total number of schools, approximately 1050 government and

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[43] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 65 and 66. The COAG Reform Council has the role of assessing and publicly reporting the achievement of agreed performance benchmarks before Australian Government reward payments are made to states under the LNNP.

[44] The key factors affecting student literacy and numeracy were identified from national and international research and stakeholders' feedback.

non-government schools, or approximately 10 per cent of all Australian schools, have received assistance under the LNNP. These schools enrol approximately 13 per cent of Australia's student population—around 450 000 students. Around 14 per cent of all Indigenous students, and 14 per cent of all low-performing students, were enrolled in Years 3, 5, 7 and 9 at a school that received assistance under the LNNP.

Roles and responsibilities

1.21 The roles and responsibilities for the LNNP of the Australian Government and states are set out in Table 1.2.

Table 1.2

Roles and responsibilities of the Australian Government and states for the LNNP

Role of the Australian Government

Under the LNNP, the Australian Government's responsibilities include:

- agreeing to the reform initiatives proposed in states' implementation plans, and proposed co-investments, as a basis for determining the Australian Government's payment schedule;
- ensuring efficient processing of agreed Australian Government facilitation and reward payments, under the terms and conditions set out in the relevant bilateral agreement; and
- implementing complementary interventions required to support the LNNP.

Role of the States

Under the LNNP, the responsibilities of the states include:

- the development of the implementation plans which form the basis of the bilateral agreements and give effect to the partnership;
- ensuring full and timely implementation of agreed strategies set out in the bilateral agreements, including supporting the participating schools/school communities;
- ensuring full and timely payment of agreed state co-investment (where appropriate) as set out in the bilateral agreements; and
- providing regular reports to the Australian Government on progress in implementing the agreed reform agenda outlined in the bilateral agreements and implementation plans.

Source: Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 33–34.

1.22 DEEWR, on behalf of the Australian Government, had primary administrative responsibility for the LNNP with its role encompassing: planning and managing administrative arrangements for the LNNP; progressing Australian Government outputs; and monitoring and reporting on the delivery of LNNP outcomes.

1.23 The multilateral governance arrangements for the LNNP are set and managed through COAG and associated sub-committees. The LNNP governance arrangements are summarised below:

- the COAG Reform Council has responsibility for providing an independent assessment of whether agreed reform targets have been achieved prior to reward payments being made to states;
- the Standing Council on School Education and Early Childhood (SC SEEC)[45] agreed on 17 April 2009 to establish a National Partnerships Implementation Working Group (NPIWG), reporting to the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC).[46] The purpose of the NPIWG is to support the effective implementation of the three Smarter Schools National Partnerships[47]; and
- states established their own governance arrangements for the LNNP to deal with local issues and engage government and non-government education sectors in its implementation.

Audit approach

Audit objective, criteria and scope

1.24 The audit objective was to assess the effectiveness of DEEWR's administration of the *National Partnership Agreement on Literacy and Numeracy* (LNNP). The three high-level audit criteria used to form a conclusion examined the extent to which DEEWR:

- established sound administrative and payment arrangements consistent with government policy, including through its negotiation of bilateral agreements, implementation plans and reform targets;
- properly managed administrative and payment arrangements; and

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[45] Previously known as the Ministerial Council on Education, Early Childhood Development and Youth Affairs.

[46] Previously known as the Australian Education Systems Officials Committee.

[47] Ministerial Council for Education, Early Childhood Development and Youth Affairs, *National Partnerships Implementation Working Group*, Terms of Reference, 1.1. available at: <http://www.mceecdya.edu.au/mceecdya/national_partnerships_implementation_working_group,28458.html> [accessed February 2012].

- effectively monitored and reported on delivery and outcomes.

1.25 The audit report also includes an analysis of the changes in NAPLAN test results for participating schools, and presents case studies of literacy and numeracy initiatives. More broadly, the report examines national trends in literacy and numeracy performance between 2008 and 2011, since the commencement of the LNNP.

Audit methodology

1.26 The audit methodology included:

- examination of LNNP records held by DEEWR, including bilateral agreements and implementation plans, and states' annual and progress reports;
- interviews with Australian Government staff at DEEWR, the Treasury and the Department of the Prime Minister and Cabinet;
- discussions with education authorities in four states about DEEWR's administration of the LNNP;
- discussions with other relevant stakeholders. This included the Australian Council for Educational Research (ACER)[48], ACARA, the COAG Reform Council, the Treasury and several schools that received LNNP funding, to obtain their views on the administration and progress of the LNNP;
- assessment of the accuracy of LNNP payments;
- analysis of acquittal data provided by the Treasury for the LNNP, focusing on co-investment data; and
- analysis of NAPLAN data provided by ACARA to assess performance against LNNP performance indicators and reform targets.

1.27 The audit was conducted in accordance with Australian National Audit Office (ANAO) Auditing Standards at a cost of approximately $518 000.

[48] The Australian Council for Education Research (ACER) was commissioned by DEEWR to provide technical advice on proposed measures of improvement and reform targets for each state under the partnership.

Report structure

1.28 Following this introductory chapter, the remaining chapters of the report are:

Chapter	Chapter overview
2. Developing the LNNP Framework	Examines DEEWR's foundational activities for the LNNP. It focuses on the work undertaken by DEEWR in negotiating bilateral agreements and implementation plans with state agencies, and whether sound foundations were laid during the planning phase to support implementation of the LNNP.
3. Ongoing Administration of the LNNP	Examines DEEWR's management of key administrative responsibilities for the LNNP. It covers DEEWR's management of payments, Australian Government outputs, and the 2011 reform target renegotiation process.
4. Monitoring, Reporting and Outcomes	Examines DEEWR's monitoring, reporting and contribution to evaluating the LNNP. It also includes an analysis, using NAPLAN data, of students' literacy and numeracy performance between 2008 and 2011, since the commencement of the LNNP.

2. Developing the LNNP Framework

This chapter examines DEEWR's foundational activities for the LNNP. It focuses on the work undertaken by DEEWR in negotiating bilateral agreements and implementation plans with state agencies, and whether sound foundations were laid during the planning phase to support implementation of the LNNP.

Introduction

2.1 At the outset of a National Partnership, the parties agree the implementation, reporting and monitoring arrangements, generally to be applied over a period of years. The design of these arrangements is central to effective implementation, ongoing oversight and public accountability.

2.2 Following agreement to the LNNP by the Australian Government and states, DEEWR had responsibility (on behalf of the then Minister for Education) to develop appropriate administrative arrangements for its implementation. To assess DEEWR's administrative foundation for the LNNP, the ANAO examined:

- mechanisms established by DEEWR to manage relationships with key stakeholders;
- the development and content of bilateral agreements and implementation plans; and
- key elements of the bilateral agreements and implementation plans.

Establishment of relationship management mechanisms

2.3 An important role in successful program delivery is developing and managing relationships with delivery partners and stakeholders. For National Partnerships the importance of effective relationships is heightened, due to the focus of working collaboratively with states in favour of working prescriptively.

2.4 For the LNNP, the key relationship for DEEWR is with the relevant agencies within state governments. DEEWR does not directly fund schools to deliver LNNP reforms; the state government works directly with participating government schools and through non-government education authorities for non-government schools involved in the LNNP. To facilitate day-to-day liaison and support, DEEWR assigned staff as contact points for each state. DEEWR

also manages the formal LNNP multilateral governance arrangements which operate to enable relationships to be managed at a national level.

Governance arrangements

2.5 The National Partnerships Implementation Working Group (NPIWG) was established in July 2009 as the primary national advisory body for the LNNP, and has met regularly (16 times) since its establishment. It is chaired by a DEEWR official, and includes representatives from government and non-government education authorities in each state. The membership of NPIWG responds to:

- the LNNP requirement that the Australian Government and states work together to bring school systems from the non-government sector into the LNNP[49]; and
- the objective of the LNNP to increase collaboration between government and non-government education authorities, in achieving literacy and numeracy reform.[50]

2.6 NPIWG makes recommendations to the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC) regarding arrangements for the implementation of the three Smarter Schools National Partnerships, such as the coordination of the national evaluation. For the LNNP, NPIWG's main focus has been on the renegotiation of reform targets (discussed in Chapter 3).

2.7 While under its terms of reference NPIWG is an advisory body to AEEYSOC, it has on occasions taken on a decision-making role to settle matters of contention. For example, a process to vary the schools participating in the LNNP was not outlined in the LNNP. NPIWG subsequently developed and agreed to a standard implementation plan addendum for states to change participating schools, for instance due to school closure.

2.8 Stakeholders consulted as part of the audit advised ANAO that NPIWG provides a forum for DEEWR to communicate consistently across education authorities, and to discuss issues and strategies that have national

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[49] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 9.

[50] ibid., paragraph 17.

application.[51] They also advised that NPIWG provides for appropriate involvement of the non-government education authorities, as required by the LNNP. Overall, NPIWG is a good example of an intergovernmental advisory body that supports communication across education authorities, and the partnership approach envisaged by the *Intergovernmental Agreement on Federal Financial Relations* (IGA FFR).

Negotiation of bilateral agreements and implementation plans

2.9 The purpose of bilateral agreements and implementation plans for the LNNP was to support effective implementation, ongoing oversight and public accountability of LNNP-funded activities. The agreements and plans are schedules to the LNNP agreement that provide additional detail on how individual states intend to achieve the outcomes specified in the overarching National Partnership.[52] DEEWR coordinated and negotiated the development of bilateral agreements and implementation plans by respective state agencies, for consideration and agreement by the Australian Government and state education ministers.[53]

2.10 At the time DEEWR was negotiating the bilateral agreements and implementation plans, guidance had not been developed by Australian Government central agencies[54] on how they were to be negotiated and a recommended format was not available. For example, the Federal Finance Circular No. 2010/01, *Developing National Partnerships*, was published 14 months after the LNNP was agreed. In the absence of published guidance, DEEWR sought clarification, as appropriate, with central agencies as the negotiation process progressed and issues arose.

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[51] Some stakeholders considered more frequent NPIWG meetings would be useful, that there should be fewer members of the group and that meeting proceedings should be better documented.

[52] National Partnership arrangements and their schedules are not legally enforceable but operate under the mutual intent for achievement of an outcome(s).

[53] Under the guidelines for new National Partnership agreements issued by the Treasury (which were not available at the time of development of the LNNP), states are no longer required to develop bilateral agreements. Implementation plans may be required where a National Partnership involves different arrangements between the states. Guidelines for new agreements are available at: <http://www.federalfinancialrelations.gov.au/content/guidelines_for_new_nps.aspx> [accessed February 2012].

[54] Central agencies are: the Department of the Prime Minister and Cabinet, the Department of Finance and Deregulation and the Treasury.

2.11 The LNNP sets out seven requirements for the development of bilateral agreements and six requirements for implementation plans. Additionally, bilateral agreements and implementation plans were required to be published to ensure transparency.[55] The minimum requirements for bilateral agreements and implementation plans are provided at Appendix 3.

2.12 The ANAO considered these requirements and assessed:

- the timeliness of the development of bilateral agreements and implementation plans;
- whether the bilateral agreements and implementation plans included required information, and were published for public accountability; and
- whether the bilateral agreements and implementation plans adequately considered implementation risks.

2.13 To undertake this assessment, the ANAO examined each state's publicly available bilateral agreement and the two versions of each state's implementation plan—the final full version agreed to by ministers and the summary version published online.

Timeframe for developing bilateral agreements and implementation plans

2.14 DEEWR developed and finalised the bilateral agreements with each state between January 2009 and February 2010, with all agreements signed by responsible ministers within 13 months of the signing of the LNNP. As required by the IGA FFR, the education minister for each state signed the bilateral agreements prior to the Australian Government minister. The implementation plans were developed in parallel to the bilateral agreements with the Australian Government minister approving the plans as part of the facilitation payment process (discussed in Chapter 3).

2.15 The timeframe for development of the bilateral agreements and implementation plans was reasonable in the context of: a four-year agreement;

[55] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 39, 43 and 44.

the level of information and planning contained in the agreements; and the negotiation process with each state.[56]

Assessment against LNNP requirements

2.16 Table 2.1 summarises the extent to which the eight states' bilateral agreements and implementation plans addressed the requirements of the LNNP.

Table 2.1

Summary of analysis of bilateral agreements and implementation plans

Summary of requirements	Number of states	
	Requirement present in publicly available bilateral agreement and/or implementation plan	Requirement present in agreed implementation plan
Scope of Activity		
Agreed reform agenda, including specific initiatives	8/8	8/8
Agreed list of schools	8/8	8/8
Focus on disadvantaged students, in particular Indigenous students	8/8	8/8
Funding		
Australian Government facilitation payments and state co-investment	8/8	8/8
Level of funding provided to participating non-government schools	7/8	7/8
Specific reform targets based on NAPLAN and local measures as a basis of reward funding	2/8	3/8[57]
Monitoring and Reporting		
Monitoring and reporting arrangements, including reporting on co-investment	4/8	4/8
Monitoring and evaluation framework	5/8	6/8

[56] In December 2011, the Treasury released guidance which outlines that where an implementation plan is required, it should be developed at the same time as the National Partnership, or as soon as possible, but no later than six months from the signing of the National Partnership.

[57] Final reform targets for five states were not included in their final implementation plans agreed by ministers. Reform targets for these states were formalised through an exchange of letters between education ministers in June 2011.

Summary of requirements	Number of states	
	Requirement present in publicly available bilateral agreement and/or implementation plan	Requirement present in agreed implementation plan
Governance		
Auditing arrangements	8/8	8/8
Bilateral governance arrangements, including dispute resolution procedures	5/8	5/8
Publication		
Bilateral agreement published in the form agreed by ministers	8/8	n/a
Implementation plan published in the form agreed by ministers	1/8[58]	1/8

Source: ANAO analysis of states' publicly available bilateral agreements and implementation plans and agreed implementation plans.

Note: Where appropriate, when a requirement was included in a bilateral agreement but not in an implementation plan (or vice versa), that requirement was considered to have been met.

2.17 Table 2.1 shows that the LNNP requirements were not universally addressed in bilateral agreements and implementation plans. The most common omission was reform targets which were to be used as a basis for reward payments. The absence of final agreed reform targets meant that there was no basis for the Australian Government to make reward payments to five states. For these states, reform targets were settled separate to and after the finalisation of bilateral agreements and implementation plans. As a result, prior to making the first round of reward payments in June 2011, a formal exchange of letters between education ministers had to occur to agree reform targets in order to make reward payments.

2.18 A further omission was excluding co-investment reporting from the monitoring and reporting arrangements, with only half of the states including the requirement. Under the LNNP all states were required to match the Australian Government facilitation investment, with the combined investment to be focused on agreed reform activities to maximise impact, and develop a comprehensive understanding of interventions that work in a variety of school

[58] NSW was the only state to publish its implementation plan in the form it was agreed. For the other states a summary of their implementation plans was published.

settings and student cohorts.[59] Further discussion of the absence of co-investment monitoring and its implications is included in Chapter 3.

2.19 Table 2.1 also shows that only one of the states published its implementation plan in the form agreed by education ministers. AEEYSOC made the decision to publish summarised versions of implementation plans instead of those agreed by the ministers, based on sensitivities in releasing information contained in some of the implementation plans. However, only two of the eight states included their specific reform targets in their publicly available bilateral agreements and/or implementation plans. Publication of reform targets alongside implementation strategies provides for transparency and accountability to stakeholders concerning the use of public funds.

2.20 The absence of reform targets in publicly available documents does not provide a point of comparison for interested stakeholders to assess performance by each state against expectations.[60] This was even more important given that the achievement of agreed reform targets was designed to be the trigger for the Australian Government to make reward payments. In the event that states summarise implementation plans for a public audience, it is important to include the specific reform targets. This is consistent with the IGA FFR objective to improve the public accountability of governments for service delivery.

2.21 DEEWR had responsibility, on behalf of the Australian Government, for managing negotiations of the bilateral agreements and implementation plans with state agencies, which included seeking to ensure requirements were met. As the agreements are designed to allow necessary state flexibility in how objectives are achieved, some level of variation between states is to be expected. However, variability should not mean that less information than the requirements agreed to by the parties through the overarching National Partnership Agreement is provided.

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[59] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 52.

[60] The complete set of 2010 reform targets was first published by the COAG Reform Council in its March 2011 performance report on the LNNP. For the 2011 reform targets, states' targets were published on the Standing Council on Federal Financial Relations' website in April 2012. Targets are available at: <http://www.federalfinancialrelations.gov.au/content/national_partnership_agreements/education.aspx> [accessed April 2012].

Risk management

2.22 Appropriate risk analysis and management practices are an important part of implementation planning, to assist in avoiding unintended consequences and/or poor levels of achievement against the intended outcomes, and would generally be expected to be undertaken as part of program planning.[61] Current guidance in relation to implementation planning in National Partnerships, although not available at the time of negotiations, also recommends that implementation plans explicitly identify and address implementation challenges and risks.[62]

2.23 The states' implementation plans did not include a risk assessment, key risks and/or strategies to manage these risks.[63] Subsequent to the agreement of the implementation plans, DEEWR acknowledged the importance of appropriate risk management and requested states provide information about any challenges to LNNP implementation or progress, in milestone reporting.

2.24 In this context, the Federal Finances Circular 2011/04 on *Developing Implementation Plans for National Partnerships* emphasises risk management during planning and as an important component of implementation plans for any future National Partnerships.

Design of LNNP key elements

2.25 Three aspects of the bilateral agreements and implementation plans are of particular importance to implementation of the LNNP. The importance of these elements relates to their impact on the effectiveness of reward payments in providing an incentive for states to deliver sustained improvement in literacy and numeracy outcomes. These aspects are the:

- timeframe to demonstrate improvements;
- selection of schools to participate in the LNNP; and

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[61] Department of the Prime Minister and Cabinet and the Australian National Audit Office, Better Practice Guide, *Implementation of Programme and Policy Initiatives: Making implementation matter*, October 2006, p.19.

[62] Department of the Prime Minister and Cabinet, *Guide to Implementation Planning,* August 2011, p. 1.

[63] DEEWR undertook its own risk management process for the LNNP separate to the negotiation process with states.

- assessment of ambition for setting reform targets.[64]

Timeframe to demonstrate improvements

2.26 As previously mentioned, the bilateral agreements were signed within 13 months of the LNNP agreement, with the final agreement signed in February 2010. The first reward payment for all states was based on the results of NAPLAN testing in May 2010. For the states, this meant that there was limited time (for some states, less than three months) between securing agreement to proposed literacy and numeracy strategies, implementing the strategies, and students being tested to assess the effectiveness of the strategies.

2.27 The timeframe to demonstrate improvements in literacy and numeracy as the basis for reward payments was a decision made as part of the LNNP, and was agreed to by all parties, including the Australian Government, in January 2009. In April 2009, the states raised concerns regarding the timeframe to demonstrate improvement, with many states acknowledging that they would not have sufficiently invested in literacy and numeracy strategies to achieve demonstrable improvement. DEEWR noted the concerns of the states; however, the timeframe for reward assessment and payment had already been agreed in the LNNP. Reflecting the short timeframe, the LNNP specified that any unallocated reward funding in 2011 due to the non-achievement of targets would be rolled over into the reward funds available for the state in 2012.[65]

2.28 In the case of the LNNP, after the conclusion of negotiations, further detailed planning and preparation commenced at the state level. In many states, preparation involved procurement of resources and services, hiring staff and making changes to administrative arrangements (for example, protocols to facilitate the use of coaches in classrooms). It was only after preparation was complete (in some cases, the end of 2010) that activity commenced within schools to change school and teaching practices, and consequently influence student performance.

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[64] As previously mentioned in footnote 42, the LNNP required that reform targets will be ambitious and will aim for accelerated improvement for schools, schools communities and students involved in the LNNP, including specific targets for Indigenous students, and will also reflect the different starting points in each state. Beyond this, ambition was not formally defined in the LNNP.

[65] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 63.

2.29 The COAG Reform Council reported on each state's performance for 2010 in March 2011. This led to the Australian Government paying states part or all of their notional allocation of reward funding for 2010–11 in June 2011. Given the short timeframe between implementation of LNNP strategies and NAPLAN testing, any improvements measured for the first round of reward payments were unlikely to be significantly influenced by LNNP activities.

2.30 For future National Partnerships, the Federal Finances Circular for *Developing National Partnerships* suggests that implementation plans are drafted concurrently with the National Partnership agreement.[66] Where it is not practical to do so, appropriate time to develop and negotiate the administrative arrangements, particularly those with added complexities such as establishing reform targets, should be factored in the design of the National Partnership timeframes.

Selection of schools to participate in the LNNP

2.31 The LNNP does not outline specific criteria for selecting schools or students to participate in the LNNP, beyond stating a priority focus on those primary-age students most in need of support, especially Indigenous students.[67] Unlike the Smarter Schools National Partnership for Low Socio-Economic Status School Communities, where the selection of participating schools was based on an agreed national methodology[68], at the time of development of the LNNP, DEEWR did not have access to an equivalent national benchmarking dataset (NAPLAN data was not yet available). As such, education authorities generally selected the schools and year cohorts to participate in the LNNP in line with their context and strategic direction. Education authorities also took into account funding under the other SSNPs when selecting schools to participate in the LNNP, with some states funding the same schools under two of the SSNPs. For example, 78 schools from South Australia (SA) participated in the LNNP, and SA specified that

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[66] The Treasury, Federal Finances Circular No. 2010/01, *Developing National Partnerships,* 18 March 2010, p. 6.

[67] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 17.

[68] The methodology was based on the Australian Bureau of Statistics' Index of Relative Socio-economic Disadvantage (IRSED) and was used to identify disadvantaged schools on the basis of student address or the school location.

Years 3, 5, 7 and 9 would be the school years for NAPLAN reward measurement.

2.32 To estimate the percentage of students targeted by each state, the ANAO determined the number of students in LNNP school year cohorts (the years which would be measured for reward payment), as a proportion of the number of students in Years 3, 5, 7 and 9 in each state, using 2008 NAPLAN data. The estimated percentage of students targeted under the LNNP, including the proportion of low-performing and Indigenous students, varies considerably across states (Table 2.2).[69]

Table 2.2

Proportion of students targeted under the LNNP, by state

State	% of students[1] targeted	% of low-performing[2] students[1] targeted	% of Indigenous students[1] targeted
NSW[70]	3.7	5.9	8.2
SA	10.2	9.5	8.3
Vic	11.2	17.0	20.5
ACT	11.6	15.0	14.4
QLD	11.7	15.7	16.3
Tas	13.2	17.4	14.4
NT	16.3	16.0	12.0
WA	24.3	24.7	19.3
Australia	**10.3**	**13.8**	**13.7**

Source: ANAO analysis of 2008 NAPLAN data and list of participating schools provided by DEEWR.

Notes: [1]Percentages are based on the proportion of Year 3, 5, 7 and 9 students in target LNNP school year cohorts.
[2]Low-performing students are defined to be students at or below National Minimum Standards (NMS) in reading or numeracy.

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69 In its 2010 performance report on the LNNP, the COAG Reform Council noted the level of variation at a state level in: the proportion of participating schools and students; the criteria for selecting participating schools; the domains, year levels, size of student cohort, student characteristics and sectors selected for measurement; targets and the methodologies for establishing baselines; starting points of the performance of participating schools; the size of expected change over time; and the number of targets. Source: The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, p. xv.

70 NSW advised that it calculated different participation rates using an alternate methodology. NSW used both 2008 NAPLAN data and National Schools Statistics Collection enrolment data for 2010. NSW calculated that: 4.2 per cent of NSW students, 13.2 per cent of low-performing students, and 9.3 per cent of Indigenous students were in LNNP schools (see Appendix 1).

2.33 Table 2.2 shows that the estimated proportion of:

- all students targeted under the LNNP varied from only 3.7 per cent of students in NSW to almost one-quarter (24.3 per cent) of students in Western Australia (WA);
- low-performing students (defined to be students at or below NMS in reading or numeracy) targeted under the LNNP ranged from 5.9 per cent in NSW to 24.7 per cent in WA; and
- Indigenous students targeted under the LNNP ranged from 8.2 per cent in NSW to 20.5 per cent in Victoria.

2.34 The level of ambition of a state's reform targets is directly related to the proportion of students targeted in the LNNP. This has implications for assessing subsequent performance. It is generally harder to improve students' performance to a similar extent for a larger group of students than it is for a smaller group.

2.35 As discussed in paragraph 1.10, the notional allocation of reward funding was based on each state's share of students performing at or below the NMS in reading and numeracy for Years 3, 5 and 7 as per the 2008 NAPLAN data. Therefore NSW, as a state with one of the highest percentages of students at or below the NMS relative to other states, had potential access to more reward funding. Yet only 3.7 per cent of NSW's students were targeted under the LNNP.

2.36 To balance the interest of states in selecting schools that would enhance their ability to achieve targets and ultimately access reward payments, there was opportunity for DEEWR to ensure that participating school coverage was considered consistently when assessing the level of ambition in reform targets. This is discussed further in the subsection below on setting reform targets and assessing ambition.

2.37 Additionally, for future National Partnerships, where a dataset is available, parameters for the selection of participants (such as schools) would improve consistency in methodologies while still providing flexibility to states to take local circumstances into account.

Assessing ambition and setting reform targets

2.38 Under the LNNP, states were required to set reform targets that were ambitious and aimed for accelerated improvements in literacy and numeracy outcomes for schools, school communities and students, reflecting the starting

points of each state's literacy and numeracy achievement.[71] As mentioned in paragraph 1.8, the LNNP was one of the first National Partnerships to include reward payments linked to reform targets.

2.39 As part of developing bilateral agreements and implementation plans, DEEWR commenced negotiation of reform targets for 2010 and 2011 based on NAPLAN measures and local measures (if included) with each state. In the initial target setting process, DEEWR required each state to develop targets for four NAPLAN measures for reading and numeracy. The measures were:

1. students at or above the NMS for all students (reading/numeracy);
2. students above the NMS for all students (reading/numeracy)[72];
3. mean scale score for all students (reading/numeracy); and
4. Indigenous students at or above the NMS (reading/numeracy).[73]

2.40 An explanation of how NAPLAN is used to describe academic achievements and set reform targets under the LNNP is provided at Appendix 4.

2.41 For the NAPLAN measures, the majority of states based their reform targets on 2008 NAPLAN data only, as this was all that was available at the time of negotiation.[74] Due to the limitations of setting targets on a single year NAPLAN dataset, the 2010 targets involved a higher weighting[75] for local measures relative to NAPLAN targets (within certain boundaries)[76], as the basis for reward payment calculation. For the 2011 targets, the weighting of local measures was reduced.[77]

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[71] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 36.

[72] The measure was not required in the renegotiation process of 2011 reform targets, discussed in Chapter 3.

[73] The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, p. 7.

[74] States that signed their bilateral agreement and implementation plans in 2010 had access to 2009 NAPLAN data.

[75] The weighting of targets represents the proportion of reward payment tied to each target.

[76] For the 2010 reform target weighting, states were able to assign a maximum of 60 per cent of their reward payment to local measures (a minimum of 40 per cent on NAPLAN measures).

[77] For the 2011 reform target weighting, states were able to assign a maximum of 30 per cent of their reward payment to local measures (a minimum of 70 per cent on NAPLAN measures).

2.42 Local measures were used to provide additional indicators on the effectiveness of literacy and numeracy strategies within a state. For example, local measures include data collected from student and teacher surveys, and student attendance.

Assessment of reform targets by the Australian Council for Educational Research

2.43 As part of the reform target negotiation process, DEEWR engaged the Australian Council for Educational Research (ACER) to provide independent advice on the:

- suitability of proposed local measures[78]; and
- level of ambition in the proposed targets (NAPLAN and local), including the methodology each state used to develop their targets.

2.44 As part of its assessment of states' reform targets, ACER was required to consider the starting point for the targeted cohort of schools/students, the expected growth (against the agreed measures), and the ambition of the proposed target. ACER provided a report for each state to DEEWR on the suitability of any local measures and the ambitiousness of proposed NAPLAN and local measure reform targets. However, in documentation examined by the ANAO, there was no request from DEEWR to establish a methodology to assess ambition.[79] ACER advised it used professional judgment to assess ambition (see also ACER's comments in Appendix 1 concerning the factors considered in making these professional judgments). The reports were used by DEEWR to inform negotiations with states and ultimately, ACER's assessment of ambition helped determine the performance results necessary to access reward payments. Nevertheless, DEEWR could have applied a more rigorous approach to assess ambition.[80]

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[78] The local measures used by one state were based on an assessment instrument developed by ACER. There is potential for a perceived or actual conflict of interest in ACER making an assessment of targets based on those local measures. When engaging ACER to undertake the assessments, it would have been advisable for DEEWR to have documented any risks of the engagement, including potential conflict of interest. ACER advised that the assessment instrument is used in many schools across Australia and that it had expert knowledge to determine whether the measures based on the tool were reasonable and ambitious (see also ACER's comments at Appendix 1).

[79] It was not until the renegotiation of the 2011 targets, discussed in Chapter 3, that ACER was requested to establish technical guidelines to assist states in setting reform targets.

[80] As discussed in Chapter 3, there were improvements in the renegotiation of 2011 reform targets, and ACER was able to draw on a three year NAPLAN dataset in its assessment of the ambition of the revised targets.

2.45 A summary of the number of NAPLAN and local measures reform targets used by the states for 2010 is shown in Table 2.3.

Table 2.3

Number of 2010 reform targets agreed, by state

	No. of targets for NAPLAN measure 1	No. of targets for NAPLAN measure 2	No. of targets for NAPLAN measure 3	No. of targets for NAPLAN measure 4	No. of Local Measure targets	Total no. of targets
ACT	6	8	14	1	0	29
NSW	1	1	1	1	8	12
NT	6	8	2	8	6	30
QLD	4	4	4	4	4	20
SA	8	8	12	12	0	40
Tas	4	4	4	1	5	18
Vic	8	8	8	8	2	34
WA	6	6	6	6	5	29
Total	**43**	**47**	**51**	**41**	**30**	**212**

Source: The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance report for 2010*.

Note: The Northern Territory varied NAPLAN measure 2, instead using non-Indigenous students above the national minimum standard measure. South Australia varied NAPLAN measure 4, instead using a mean scale score for Indigenous students.

2.46 Table 2.3 shows that the total number of targets ranged from 12 in NSW to 40 in SA. NSW, for each of its four NAPLAN measures, set an aggregated Year 3 and Year 5 reading /numeracy target (and therefore only had one target per NAPLAN measure), compared to most other states which had separate targets for Year 3 and Year 5 and separate targets for reading and numeracy (and therefore had at least four targets per NAPLAN measure). SA included targets for Years 7 and 9 in addition to Years 3 and 5, and therefore had eight targets per NAPLAN measure. In the initial negotiation process there was no limit on the number of local measures agreed.

2.47 Each state negotiated bilaterally with DEEWR to set their initial reform targets (for 2010 and 2011) and the targets were not shared across states during the negotiations. The lack of visibility in reform target formation potentially added to the level of variation in the number of targets between states. The

states interviewed advised that until the COAG Reform Council published its performance report in March 2011, they were not aware of other states' reform targets.[81]

2.48 The level of variation between states' agreed reform targets was also noted by the COAG Reform Council in its report. In particular the variety in:

- how states calculated targets and the methodologies for establishing baselines;
- starting points of the performance of participating schools; and
- the size of expected change over time.[82]

2.49 The COAG Reform Council also noted that the apparent variation in the level of ambition of agreed reform targets had an impact on the understanding of levels of performance across states, in that the rating system it used to determine achievement against the targets did not necessarily hold the same meaning across the states.[83] This affected the usefulness of the COAG Reform Council's assessment, particularly in relation to gaining a national perspective on the LNNP.

2.50 When developing future National Partnerships that contain reward payments, clarity of key terms and parameters would improve public accountability and the quality of negotiated reform targets. Of particular note, when increasing the transparency of reform target negotiations to improve consistency in the types and numbers of targets used, it would be important to more strongly link the reward payment amount to the level of ambition of the reform targets, based on broadly agreed parameters.

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[81] To improve this, in the renegotiation process for 2011 reform targets, a state was able to view other states' targets once they had submitted their own. Refer to Chapter 3.

[82] The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, p. xvi.

[83] The COAG Reform Council's assessment did not take into account the level of ambition or degree of difficulty associated with achieving a reform target. In its 2010 performance report on the LNNP the COAG Reform Council noted the strong references to ambition in both the IGA FFR and the LNNP, and the apparent variation in the level of ambition of state agreed reform targets. For example, three states had one or more targets that were lower than their baselines; and some reform targets were agreed based on maintaining existing achievement or small improvements. As targets involved different calculations and trends to determine improvement, it was difficult for the COAG Reform Council to determine whether targets were actual accelerated improvements. Source: The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, pp. 89–90.

Recommendation No.1

2.51 To inform program and payment design that provides strong performance incentives for future National Partnerships, the ANAO recommends that DEEWR review the approach taken in establishing reform targets for the LNNP as the basis of reward payments, to draw on opportunities for improvement.

DEEWR response

2.52 Agreed. DEEWR advised the ANAO that:

> DEEWR has, and will continue to, review and put in place compliance arrangements that support the maximisation of outcomes, while acknowledging that the reward phase for the LNNP is complete. The Department notes that this recommendation may have broader policy implications for the operation of national partnerships with a reward component.

Conclusion

2.53 Sound implementation planning is an important element in the successful delivery of government policies.[84] Following agreement to the LNNP by the Australian Government and states, DEEWR had responsibility (on behalf of the then Minister for Education) for developing appropriate administrative arrangements for its implementation. In this respect, DEEWR established sound relationship management mechanisms through staff assigned as contact points for each state, and formal LNNP multilateral governance arrangements which operate to enable relationships to be managed at a national level.

2.54 DEEWR was also responsible for negotiating bilateral agreements and implementation plans with respective state agencies, to support implementation, ongoing oversight and public accountability of LNNP-funded activities. In the absence of formal guidance, DEEWR sought clarification as appropriate from central agencies within the Australian Government, as part of negotiating and finalising the bilateral agreements with each state between January 2009 and February 2010. All agreements were signed within 13 months

[84] Department of the Prime Minister and Cabinet, *Implementation Plan Guidelines* [Internet], available at: <http://www.dpmc.gov.au/implementation/implementation_guide.cfm> [accessed February 2012].

of the signing of the LNNP. The timeframe for development of the bilateral agreements and implementation plans was reasonable in the context of: a four-year agreement; and the level of information and planning contained in the agreements. However, the LNNP requirements were not universally addressed in these documents.[85] Only two out of eight states included their specific reform targets in their publicly available bilateral agreements and/or implementation plans. The absence of reform targets in publicly available documents does not provide a point of comparison for interested stakeholders to assess performance by each state against expectations.[86] This was even more important given the achievement of agreed reform targets results in reward payments. For five states, reform targets were settled separate to and after finalisation of bilateral agreements and implementation plans. As a result, prior to making the first round of reward payments in June 2011, a formal exchange of letters between education ministers had to occur to agree reform targets in order to make reward payments.

2.55 The timeframe to demonstrate improvements in literacy and numeracy as the basis for reward payments was a decision made as part of the LNNP, and was agreed to by all parties, including the Australian Government, in January 2009. However, after the finalisation of the bilateral agreements and implementation plans there was limited time (for some states less than three months) between securing agreement to proposed literacy and numeracy strategies, implementing the strategies, and students being tested to assess the effectiveness of the strategies. Given the short timeframe between implementation of LNNP strategies and NAPLAN testing, any improvements measured for the first round of reward payments were unlikely to be significantly influenced by LNNP activities. Moreover, the LNNP NAPLAN targets did not necessarily represent ambitious targets for all states, particularly given the significant variability in the proportion of targeted students, the absence of a framework to set initial targets and a rigorous methodology to assess ambition.

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[85] Requirements not met pertained to some LNNP governance, funding, monitoring and reporting arrangements.

[86] The complete set of 2010 reform targets was first published by the COAG Reform Council in its March 2011 performance report on the LNNP. Source: COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*.

3. Ongoing Administration of the LNNP

This chapter examines DEEWR's management of key administrative responsibilities for the LNNP. It covers DEEWR's management of payments, Australian Government outputs, and the 2011 reform target renegotiation process.

Introduction

3.1 The effective management of administrative responsibilities for a National Partnership by an Australian Government agency relies on an understanding of the complexities of implementation across states, good collaboration and communication, and focus on the outcomes being sought. Agencies with administrative responsibilities should also efficiently undertake those tasks they are directly responsible for, in accordance with overarching requirements.

3.2 DEEWR, on behalf of the Australian Government, was responsible for advising its Minister and the Treasury on making payments in accordance with the LNNP, and on two LNNP outputs to be funded, coordinated and managed by the Australian Government in support of the LNNP outcomes and objectives. DEEWR also had overall responsibility for addressing the concerns raised by the COAG Reform Council in its first performance report on the LNNP, through the renegotiation of the 2011 reform targets with the states.[87]

3.3 To assess DEEWR's management of these administrative responsibilities for the LNNP, the ANAO examined LNNP payment processes, progress in relation to Australian Government outputs, and the 2011 reform target renegotiation process.

Management of payments

3.4 The Australian Government made available $540 million in facilitation, reward, and research initiatives funding under the LNNP over the financial

[87] Initial reform targets were established through the development of the bilateral agreements and implementation plans (refer to Chapter 2). In its 2010 performance report on the LNNP, the COAG Reform Council recommended that states review their reward frameworks for the second LNNP performance assessment cycle. Source: COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, p. 93.

years 2008–09 to 2011–12. The majority of the funding was available as direct funding to states through facilitation and reward payments.[88]

3.5 As specified in the bilateral agreements, facilitation payments were dependent on the achievement of milestones.[89] Reward payments were to be triggered by the achievement of agreed reform targets, as assessed by the COAG Reform Council. Any unallocated reward funding in 2011 due to the non-achievement of targets would be rolled over into the reward funds available for the state in 2012.[90] Stipulated arrangements for making facilitation and reward payments under the IGA FFR are outlined in Appendix 5.

Assessment and approval of facilitation payments

3.6 The milestone for the first LNNP facilitation payment in 2008–09 was the signing of the relevant bilateral agreement. The second and third facilitation payments in 2009–10 were linked to the acceptance of each state's implementation plan and annual report respectively. DEEWR's role involved negotiating the bilateral agreements and implementation plans with respective state agencies, and advising the Minister on acceptance of annual reports, as a basis for the Minister's approval of facilitation payments.

Requirements of the LNNP

3.7 As noted in Chapter 2, there were some areas for improvement identified in DEEWR's finalisation of bilateral agreements and implementation plans, in that the agreements did not universally address LNNP requirements pertaining to governance, funding, monitoring and reporting arrangements.[91] Additionally, the first tranche of facilitation payments was approved by the Minister prior to the signing of bilateral agreements, and all facilitation payments were made without DEEWR monitoring states' compliance with co-investment obligations—discussed later in this chapter.[92] DEEWR advised

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88 Australian Government, Literacy and Numeracy, 2011, available at: <http://smarterschools.gov.au/nationalpartnerships/Pages/LiteracyandNumeracy.aspx> [accessed February 2012].

89 Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 68.

90 ibid., paragraphs 63 and 65.

91 Refer to Table 2.1.

92 DEEWR's monitoring of states' reporting is discussed in detail in Chapter 4.

that the first facilitation payments were made prior to signing bilateral agreements so that the implementation of the LNNP was not further delayed.

3.8 Where payments are made prior to the signing of bilateral agreements, the potential exists for issues to arise such as disputes over what was agreed by the parties. It would have been desirable for DEEWR to arrange the finalisation of implementation plans[93] prior to making payments so as to reduce the risk to the Australian Government.

Compliance with FMA Regulations

3.9 The FMA Regulations outline requirements for the expenditure of public money. Relevant FMA Regulations include: Regulation 9, which states that 'an approver must not approve a spending proposal unless the approver is satisfied, after making reasonable inquiries, that giving effect to the spending proposal would be a proper use of Australian Government resources'; Regulation 10, which requires that written approval must be sought from the Finance Minister when entering into arrangements where there is insufficient appropriation of money to meet expenditure payable under the arrangement; and Regulation 12, which requires the terms of approval for a spending proposal to be documented.

3.10 A review of DEEWR's documentation indicated that the requirements of FMA Regulation 10 were met for LNNP facilitation payments. However, there were no explicit records made of the approval of spending proposals for the facilitation payments as required by FMA Regulations 9 and 12.[94] These approvals should have been explicitly documented prior to making payments, such as at the time the Minister approved bilateral agreements and implementation plans, and accepted annual reports.[95] For accountability, and

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93 Under the March 2010 guidelines for new National Partnership agreements issued by the Treasury, states are no longer required to develop bilateral agreements. Implementation plans may be required where a National Partnership involves different arrangements between the states. The guidelines are available at: <http://www.federalfinancialrelations.gov.au/content/circulars.aspx> [accessed February 2012].

94 The Treasury, Federal Finances Circular 2011/01, *Payment Accountabilities and Certification Arrangements*, 19 January 2011, p. 4, requires that authorised certifiers explicitly provide assurance that Australian Government ministers and agencies have complied with the *Financial Management and Accountability Act 1997* and relevant FMA Regulations before payments are made.

95 Ministerial briefs on the bilateral agreements for six states did not specify the payment amount to be approved, although these amounts were contained in the attached bilateral agreements, while briefs for the remaining two states specified different payment amounts to those contained in the attached bilateral agreements.

to support good decision-making, it is important that agencies advise their minister in writing when the minister is exercising a financial delegation, and advise the relevant judgments to be applied in considering expenditure approval. Such an approach in this case would have aided compliance with the FMA Regulations.[96]

Accuracy and timeliness of facilitation and reward payments

3.11 As mentioned at paragraph 1.10, the basis of the notional LNNP funding allocation to states was their share of students performing at or below the NMS in reading and numeracy for Years 3, 5 and 7 as per the 2008 NAPLAN data.[97] The ANAO examined DEEWR's calculations underpinning the notional allocation of facilitation and reward payments, and found that the aggregate share of funding notionally allocated to each state was soundly based.

3.12 The ANAO also compared the states' bilateral agreements, DEEWR's payment advice and certifications, and the Treasury's payment determinations. Based on this analysis, all reported 25 facilitation payments made by the Treasury were consistent with the amounts included in bilateral agreements and authorised by the DEEWR CFO.[98] The analysis also showed that 14 out of 25 reported facilitation payments were paid later than initially planned (by one to three months). This was due to milestone achievement occurring later than the original schedule.

3.13 For the first round of reward funding in 2010–11, a total of $138.5 million (79.1 per cent of total reward funding available for the financial year) was reported as paid to states, as outlined in Table 3.1.

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[96] The ANAO made a similar finding in relation to DEEWR in ANAO Audit Report No.10 2010–11 *Administration of the National Partnership Agreement on Early Childhood Education*. Bilateral agreements for this National Partnership were also approved in the initial phases of the new federal financial relations arrangements and just after the release of the relevant Federal Finances Circular.

[97] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 55.

[98] Discrepancies between the notional and actual facilitation payments to states in 2008–09 and 2009–10 were minimal — with the largest variance being $2988. The discrepancies related to rounding issues. A review of departmental documentation indicates that rounding issues across the three Smarter Schools National Partnerships were previously raised internally.

Table 3.1

Notional allocation and actual reward payments, by state, 2010–11

State	Notional ($m)	Actual ($m)	Reward payments as a percentage of the notional allocation (%)
NSW	47.6	46.8	98.4
Vic	31.3	9.4	30.0
QLD	48.5	48.5	100.0
WA	21.6	11.2	51.7
SA	14.1	14.1	100.0
Tas	4.5	3.1	68.7
ACT	2.1	1.9	90.4
NT	5.2	3.4	65.4
Total	**175.0**	**138.5**	**79.1**

Source: ANAO analysis of DEEWR documentation.

Note: Totals do not add due to rounding.

3.14 The ANAO analysed DEEWR's payment calculations for the first round of reward funding, and found that reported payments aligned with the COAG Reform Council's assessment of the extent of reform target achievement for each state. Given that the notional figures for reward funding outlined in the bilateral agreements are a maximum figure and states must achieve all their targets to receive the full allocated notional reward funding, a variance in the notional and reported actual reward payments for states is not unexpected. For the first round of reward payments, only Queensland and South Australia received 100 per cent of their allocated reward funding. Any unpaid reward funds (due to the non-achievement of reform targets) were rolled over into 2011–12 to potentially form part of the relevant state's second reward payment.[99]

3.15 The first tranche of reward payments was made in June 2011, late in the relevant financial year. This reflected the time needed by the COAG Reform Council to assess each state's achievement of their targets and publish its

[99] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 63.

report,[100] and then for the Cabinet submission process undertaken by the Treasury and the Department of the Prime Minister and Cabinet to make recommendations on reward payment.

Monitoring of co-investment by states

3.16 Co-investment obligations have been included as a requirement of many National Partnerships[101] to help ensure targeted application of both Australian Government and state resources to maximise the impact of identified reforms, and to avoid cost-shifting by states to the Australian Government.[102] The risk of cost-shifting is particularly relevant given that:

- National Partnerships relate to core responsibilities of the states and territories and can be broad in scope; and
- performance indicators and benchmarks for National Partnerships may lack explanatory power with respect to the impact of the Australian Government's and states' investments, particularly during the initial phases of a National Partnership.

3.17 Under the LNNP all states are required to match the Australian Government facilitation investment, with the combined investment to be focused on agreed reform activities to maximise impact, and develop a comprehensive understanding of initiatives that work in a variety of school

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[100] States were required to submit their data by 19 November 2010 with the COAG Reform Council providing its report to COAG on 25 March 2011. Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, available at: <http://www.coagreformcouncil.gov.au/reports/education.cfm> [accessed February 2012].

[101] In addition to the LNNP, the following education-related National Partnerships contain co-investment obligations: National Partnership Agreement on Improving Teacher Quality (January 2009); National Partnership Agreement on Productivity Places Program (February 2009); National Partnership Agreement on Early Childhood Education (February 2009); National Partnership Agreement on Low Socio-Economic Status School Communities (February 2009); National Partnership Agreement to the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now (February 2009); National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care (December 2009); and the Queensland Jobs and Skills Package – Community Work Placements (June 2011), available at: <http://www.federalfinancialrelations.gov.au/content/national_partnership_agreements/education.aspx> [accessed February 2012].

[102] The ANAO has found cost-shifting to be an issue in previous performance audits. ANAO Audit Report No.31 2009–10 *Management of the AusLink Roads to Recovery Program* found that 'significant numbers of LGAs [Local Government Authorities] had not maintained their own expenditure [on road funding] in one or more years' following Australian Government investment in road funding despite the intention of this funding to be additional investment. An earlier and related report, ANAO Audit Report No.31 2005–06 *Roads to Recovery* also found that some LGAs cost-shifted 'by substituting Australian Government funding for their own in constructing, upgrading and maintaining local roads'.

settings and student cohorts.[103] Additionally, the authorisation of Australian Government facilitation and reward payments must only occur after provision of advice as to whether states have complied fully with their co-investment funding obligations.[104]

3.18 As part of the bilateral agreement negotiation process, DEEWR pursued the co-investment requirement with the states. All states agreed to match or exceed the Australian Government's contribution to the LNNP in their bilateral agreements.

3.19 In order to facilitate monitoring of co-investment obligations, the LNNP required bilateral agreements to set out monitoring and reporting arrangements for states' co-investments.[105] However, as mentioned in Chapter 2, only four of the eight states agreed to include co-investment information in LNNP annual reporting. Additionally, none of the states have actually reported on co-investment through their progress or annual reports to DEEWR.

3.20 The portfolio Minister is responsible for approving facilitation payments under the LNNP, and the DEEWR Chief Financial Officer (CFO) makes a certification to the Treasury prior to both facilitation and reward payments. The certification is required to explicitly provide assurance that the requirements set out in the LNNP have been met.[106] For both facilitation and reward payments, the approval or certification should have been subject to co-investment obligations being met.

3.21 DEEWR did not assess compliance with co-investment obligations for the LNNP because it did not have access to any co-investment data (through LNNP reports or another mechanism). As a result, there were no references to the states' co-investments in DEEWR's ministerial briefs and CFO certifications to Treasury on the approval of payments, despite this being a requirement.

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[103] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 52.

[104] ibid., paragraph 68.

[105] ibid., paragraph 44(e).

[106] The Treasury, Federal Finances Circular 2011/01, *Payment Accountabilities and Certification Arrangements*, 19 January 2011, p. 1.

3.22 In this context, the IGA FFR requires that state and territory treasurers report annually on co-investments (also referred to as co-contributions) required by National Partnerships:

> In relation to project and facilitation payments under National Partnerships, each State and Territory Treasurer will provide a report to the Standing Council for Federal Financial Relations[107] within six months of the end of every financial year, reporting total expenditure under the relevant National Partnership agreement, stating both expenditure of Australian Government project and facilitation funding and State and Territory co-contributions, where these are required by the National Partnership.[108]

3.23 The Treasury prepares this acquittal for the Standing Council on Federal Financial Relations (Standing Council) on behalf of all state and territory treasurers. The acquittal reports for 2008–09, 2009–10 and 2010–11 have all included data on states' co-investments (including for the LNNP), using data reported by states.[109]

3.24 The Treasury advised that neither it, nor the Standing Council, assesses compliance with any co-investment obligations under National Partnerships. The Treasury further advised that:

- it had sought, but not obtained agreement, from the Standing Council to share the acquittal data with relevant Australian Government agencies given their role in administering National Partnerships; and
- where a co-investment obligation is included as a requirement in a National Partnership (or an implementation plan), the agreement should specify the mechanism for monitoring these funds, and that this should provide more timely data than the acquittal reports with respect to formulating advice and certifications on National Partnership payments.

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[107] Formerly known as the Ministerial Council for Federal Financial Relations.

[108] Standing Council for Federal Financial Relations, *Intergovernmental Agreement on Federal Financial Relations, Schedule D: Payment Arrangements*, paragraph D37.

[109] The Treasury records the Australian Government facilitation funding provided during the financial year, together with the cumulative variance in any over/under spending of facilitation payments. Each state provides information on their co-investment contribution, actual expenditure, the reasons for any underspends and any other relevant information.

3.25 Table 3.2 shows the Australian Government's agreed facilitation payments, co-investments agreed to by the states in their bilateral agreements, and actual co-investments reported by the states in acquittal reports.

Table 3.2

Analysis of co-investment, by state

State	Agreed facilitation payments ($m)	Reported actual co-investment ($m)	Actual/agreed (%)
NSW	40.8	40.8	100.0
Vic	26.8	23.0	85.8
QLD	41.6	45.4	109.1
WA	18.5	18.5	100.0
SA	12.1	5.7	47.1
Tas	3.9	2.1	53.8
ACT	1.8	1.8	100.0
NT	4.5	4.5	100.0
Total	**150.0**	**141.6**	**94.4**

Source: States' bilateral agreements and ANAO analysis of the Standing Council on Federal Financial Relations' acquittal reports, 2008–09, 2009–10 and 2010–11.

Note 1: Reported actual facilitation payments varied from those agreed in the bilateral agreements due to the additional schools subsequently funded under the LNNP ($11 million in additional funding).

Note 2: After all facilitation payments and the first round of reward payments were made, Queensland, South Australia, Tasmania, and the Australian Capital Territory advised the Treasury that they would be revising reported LNNP co-investments upwards in their 2011–12 acquittal report.

3.26 The acquittal data shows that five states matched the agreed Australian Government facilitation payment. Four states have advised the Treasury that their reported co-investments are incorrect, and that they would be increasing the reported amount for the 2011–12 acquittal report.

3.27 This analysis highlights the importance of the responsible department monitoring co-investments where such obligations are included in National Partnerships. Given that state funding to sectors targeted by National Partnerships is significant, there is also a need for the responsible department to agree upfront, criteria for recognising co-investments, and how co-investments will be measured and reported. The prospective changes in reported co-investments for some states are a further indication that states

require clarity on how co-investments should be reported. This is particularly important in reform areas, such as the LNNP, where co-investment can include existing or redirected investments of states.[110] Where co-investment forms part of the policy design of a National Partnership, but is not being made in accordance with the agreement, there is an increased risk that the intended outcomes of the National Partnership will not be achieved.

Decision by governments to move away from co-investment obligations

3.28 Following a Heads of Treasuries review in 2010, and with the issue of Federal Finances Circular 2011/02 *Developing National Partnerships under the Federal Financial Relations Framework*, governments are generally seeking to avoid inclusion of co-investment obligations as part of future National Partnerships. This reflects the intent of National Partnerships to focus on the achievement of outcomes and outputs, rather than monitoring of inputs. The Federal Finances Circular adopts a broad definition of input controls, arguing that 'cost matching and cost sharing' between the Australian Government and the states (also known as co-investment) is a financial input control that is undesirable for inclusion in National Partnerships because it 'reduce[s] States' budget flexibility by prescribing how States allocate their own-source funding'. The preferred option is for future National Partnerships to have 'good payment design' that gives states an 'incentive to invest appropriately to achieve agreed performance benchmarks or milestones, and trigger associated Australian Government payment'.[111]

3.29 This approach places reliance on the quality of performance information and its ability to measure outcomes and outputs. However, the early implementation stages of a National Partnership, for example, may be focused on gaining greater understanding of performance data and/or improving the quality of performance data. This is well illustrated in the case of the LNNP with respect to the use of NAPLAN data for performance measurement (refer Chapter 4). In such circumstances, performance indicators and benchmarks are not always sufficiently robust to demonstrate levels of performance in the short to medium term, and other ways of assessing states' efforts become more important.

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[110] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 50.

[111] The Treasury, Federal Finances Circular No.2011/02, *Developing National Partnerships under the Federal Financial Relations Framework*, 9 December 2011, p. 29.

Management of Australian Government LNNP outputs

3.30 Under the LNNP, DEEWR is responsible for coordinating and managing two Australian Government outputs. These outputs are development of a database of effective literacy and numeracy strategies or approaches known as the 'Evidence Base', and research initiatives designed to complement the literacy and numeracy interventions implemented by education authorities and schools.

The National Literacy and Numeracy Evidence Base

3.31 The LNNP required that the Evidence Base be developed in consultation with states[112] and made available in early 2009. The Evidence Base was to support a literacy and numeracy learning community by providing education authorities and practitioners with information on effective literacy and numeracy strategies. The Evidence Base was also to allow for new strategies, supported by robust evidence and assessed as effective practice, to be added to the database over time, with the key features of effective programs and how to measure these features described in the database.[113] The Evidence Base will be a website known as *Teach, Learn, Share*, and will contain evidence showcasing successful literacy and numeracy initiatives.[114]

3.32 There have been significant delays in DEEWR progressing the Evidence Base. The current proposed implementation date in the June quarter 2012 is some three years after the anticipated implementation date outlined in the LNNP.[115] DEEWR advised that delays in the implementation of the Evidence Base were due to the priority given to the development of states' implementation plans across 2009 and early 2010. Also, the Evidence Base was planned to draw on findings from the pilots under the National Action Plan

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[112] DEEWR established the National Partnership Literacy and Numeracy Expert Reference Group to oversee the Evidence Base, including quality assurance. Members of the Expert Reference Group include representatives from each state, the Catholic and independent sectors, Indigenous experts, and literacy and numeracy experts.

[113] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 26–29.

[114] Australian Government, *Teach, Learn, Share: The National Literacy and Numeracy Evidence Base*, available at: <http://www.teachlearnshare.gov.au/> [accessed February 2012].

[115] The *Teach, Learn, Share* website was announced at the National Literacy and Numeracy Partnership Forum held in Brisbane on 10–11 November 2011. The website will be accessible from the Smarter Schools website and available at: <http://www.teachlearnshare.gov.au/> [accessed February 2012].

for Literacy and Numeracy in low SES school communities.[116] However, DEEWR advised that there was not sufficient high-quality evidence from this source to populate the Evidence Base.

3.33 In the absence of the Evidence Base, DEEWR has developed alternative opportunities to disseminate information about effective practice in literacy and numeracy, including the November 2011 National Literacy and Numeracy Partnership Forum for teachers, schools and education sectors to share learning through the programs that have been supported by the LNNP.[117]

3.34 Information on effective practice is an important tool for guiding and supporting stakeholders, and is one of the three priority areas for reform under the LNNP.[118] Maintaining the Evidence Base, once developed, will be an important consideration and DEEWR has identified the arrangements under which the Evidence Base will be maintained when the LNNP ends.

Research initiatives

3.35 Under the LNNP, $40 million was to be allocated for research initiatives aimed at improving teacher capacity in literacy and numeracy to assist in the accelerated improvement of literacy and numeracy for all students.[119] Of this $40 million, $13 million was allocated to the Australian Curriculum, Assessment and Reporting Authority (ACARA) for research and data collection, a further $11 million was reallocated as facilitation funding to include an additional 110 schools in the LNNP at the request of the Minister, and $400 000 was transferred to the Department of the Prime Minister and Cabinet for the Prime Minister's Literary Awards. DEEWR was responsible for allocating the remaining $15.6 million[120] and used it to support a range of projects, strategies and awards.

3.36 In allocating the research initiatives funding DEEWR did not develop a documented plan or assessment criteria. Without assessment criteria for

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[116] The Australian Government invested $41 million in 30 literacy and numeracy pilot projects which operated in around 400 schools nationally. A national evaluation of the pilots was carried out with the final report delivered to DEEWR on 22 August 2011.

[117] Australian Government, *National Literacy and Numeracy Partnerships Forum Program,* November 2011.

[118] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 6.

[119] ibid., paragraph 30.

[120] $5.5 million of the $15.6 million was returned to consolidated revenue.

research initiative proposals, the potential exists for ad hoc decisions to be made and to fund initiatives that are not complementary or clearly aligned to the overarching objectives of the LNNP.

Renegotiation of reform targets

3.37 In March 2011, the COAG Reform Council reported on states' performance against the 2010 targets. The COAG Reform Council's report highlighted a number of concerns with the initial target setting. Broadly, the COAG Reform Council recommended that states review and amend their 2011 reform targets to improve the clarity and transparency of reporting on LNNP performance and the level of ambition of reform targets.[121] The ANAO examined the actions taken by DEEWR to improve the 2011 reform targets through the renegotiation process in response to the COAG Reform Council's recommendations, and the timeliness of the 2011 reform target renegotiation process.

Response to the COAG Reform Council's recommendations

Clarity and transparency of reporting

3.38 In reviewing the initial reform targets and responding to the COAG Reform Council's recommendations, DEEWR identified the need for the following methodological improvements for the revised 2011 targets:

- the baseline year for all states would be 2008[122] with revised targets negotiated in the context of 2008, 2009 and 2010 NAPLAN results;
- a common funding model (partial reward model)[123];

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[121] As part of the bilateral agreement and implementation plan negotiations, the Australian Government and states agreed literacy and numeracy reform targets for LNNP schools for both 2010 and 2011. Under the LNNP, states can request to amend their implementation plans, including revising their 2011 reform targets.

[122] This baseline applied to those states that undertook the renegotiation process. The COAG Reform Council's recommendation did not require a single consistent baseline. Rather, the COAG Reform Council requested that baselines be explicit and that 2011 reform targets take into account 2008, 2009 and 2010 NAPLAN results.

[123] A partial payment model is used for reward payments, whereby most states receive part of the allocated reward payment if progress is made towards the target but it is not fully met. Partial payments are calculated using the formula: reward payment = % improvement x % funding attached to target x $ funding pool. In 2010 this formula applied to all but two states: South Australia and Victoria. However, the Treasury's Federal Finances Circular No. 2011/01, *Payment Accountabilities and Certification Arrangements,* released in January 2011, does not support payments for partial performance.

- a common performance reporting template;
- a reduction in the total number of reform targets; and
- appropriately weighting ambition of targets for Indigenous students.

3.39 To implement these improvements, DEEWR engaged the Australian Council for Educational Research (ACER) to develop technical guidelines on target setting to facilitate more consistent and transparent measures for improvement and reform targets across states.[124] To assist in the application of the technical guidelines, DEEWR, in consultation with the states, also established a common performance reporting template which defined key terms and how measures for improvement could be used (including their relative contribution to reward payments).[125] Any state variations from this common template were provided to the COAG Reform Council prior to finalisation. The COAG Reform Council provided advice to DEEWR on whether the variations were consistent with the recommendations from its 2010 performance report on the LNNP. Consequently, each state's revised targets were presented using consistent definitions, similar methodologies and data sources. This made the revised target-setting process more robust than the initial target-setting process.[126]

Level of ambition of reform targets

3.40 Stakeholders consulted by the ANAO who were involved in the initial reform target negotiation process raised concerns about variation in the level of ambition of reform targets due to the bilateral approach taken in the negotiation. Inconsistencies in methodologies and the level of targeted

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[124] The guidelines included instructions on how to account for exempt students, use of decimal places, the use of weighted likelihood estimates (WLEs) and requirements for explaining the methodology used for setting targets.

[125] The template included: definitions of the NAPLAN measures; target groups within participating schools; the baseline year (2008); boundaries for weighting NAPLAN targets and local measures in terms of their contribution to the reward payment; and the maximum number of local measures. The framework ensured that targets were consistently presented by states.

[126] For states, the renegotiation process was also an opportunity to reassess targets and measurement approaches in light of the 2010 results. For example, in 2010 Western Australia (WA) did not report against four local measures due to a lack of data. As a result, WA received a C rating (no performance information was provided) from the COAG Reform Council and did not obtain any reward payment for these local measures. These measures accounted for approximately 28 per cent of WA's notional 2010 reward funding. As part of the 2011 renegotiation WA removed the measures from their list of targets. DEEWR accepted this approach given the initial targets were set early in the National Partnership and with limited knowledge about the use of measures in practice.

improvement could potentially disadvantage those states that, in the spirit of the National Partnership, aimed for more challenging targets.

3.41 For the 2011 reform target renegotiation, DEEWR allowed states, having submitted their own targets, to review other states' frameworks and targets. This improved the transparency of the renegotiation process. Further, as indicated in paragraph 3.39, ACER's technical guidelines helped address some of the inconsistencies in measurement approaches for performance indicators, thereby providing a better basis for assessment of ambition.

3.42 As occurred during the initial negotiations, ACER was also engaged to assess the level of ambition of each state's revised 2011 reform targets. For the 2011 targets, ACER was able to draw on a three-year dataset to inform its assessment. ACER's assessment considered whether targets were ambitious (outcomes that are above that which would have been expected if no program had been implemented) and reasonable (targets that could be reached). However in this respect, the normal intent of a program is to improve performance beyond that otherwise anticipated, and ambitious targets could be expected to be higher than this.[127]

3.43 To improve the level of ambition in the Indigenous reform targets, DEEWR consulted with the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) regarding the weighting of Indigenous targets for reward payments. Consequently, the weighting of the Indigenous NAPLAN measure(s) could not be less than the percentage of Indigenous students enrolled in a participating school within a state.

Addressing the COAG Reform Council's recommendations

3.44 The improvements to the 2011 renegotiation process work toward addressing the COAG Reform Council's recommendations. The process for setting revised targets was better designed and more transparent than the initial target setting.[128] The limitations of the initial process can be partly

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[127] The Treasury's guidance on reward payments advises that they should be structured in a way that encourages the achievement of ambitious milestones or performance benchmarks, continuous improvement in service delivery and provide significantly better outcomes than would be expected in the absence of reform. Source: The Treasury, Federal Finances Circular No. 2010/01, *Developing National Partnerships*, 18 March 2010, p. 27.

[128] DEEWR advised that as part of the 2011 reform target renegotiation process it consulted extensively with central agencies to ensure that the COAG Reform Council's recommendations were addressed. DEEWR also advised that respective state agencies consulted with state central agencies and non-government education sectors in the state.

attributed to the lack of experience of the parties to the LNNP in terms of setting targets as the basis for reward payments at the outset of the LNNP.

3.45 In this context, one of the other Smarter Schools National Partnerships (Teacher Quality) also includes reward payments, with the first reward payments due to be made in 2011–12. As such, DEEWR is developing a practical understanding of the use of reward payments in National Partnerships, and is well-placed to advise central agencies in this regard.

3.46 The Treasury has issued guidance on developing National Partnerships[129], which includes high-level design principles for the approach to using reward payments. Now that reward payments have been made under different National Partnerships, ANAO would encourage the central agencies, in consultation with administering agencies, to consider supplementing this guidance to support effective use of reward funding in future National Partnerships. Such guidance could include advice on suitable circumstances and processes for using reward funding.

Timeliness of the renegotiation process

3.47 One of the COAG Reform Council's recommendations was to complete the 2011 reform target renegotiation process prior to the release of 2011 NAPLAN data in August 2011.[130]

3.48 It was difficult for states to meet the recommended timeframe due to: the time states needed to complete the necessary data analysis, target setting and approval processes; and the complex nature of the assessment and renegotiation process. Understandably, states also did not want to rush the process and set targets without due consideration, as the Australian Government would make reward payments only against targets that were met or partially met; and any unclaimed reward funding in the second year would not be rolled over if targets were unmet.

3.49 In order to manage the risk that states would set 2011 targets knowing actual 2011 NAPLAN results, DEEWR implemented risk mitigation controls so

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[129] The Treasury, Federal Finances Circular No. 2010/01, *Developing National Partnerships*, 18 March 2010.

[130] The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, Recommendation 1, p. xix.

that negotiations that occurred after 2011 NAPLAN data was available to the states had to meet the following conditions:

- revised 2011 reform targets had to be first submitted prior to the data being available;
- targets could only be renegotiated upwards after data became available to remove any perception that the targets were lowered once actual results were known; and
- targets were required to be assessed by ACER as reasonable and ambitious.

3.50 DEEWR also required a certification process to the signing of the addendum to the implementation plan. Each state and territory education minister was to certify that the revised 2011 reward targets were negotiated prior to the availability of NAPLAN data. The education ministers also certified that, where negotiations continued once this data was available, targets were only revised upwards to be more ambitious.[131]

3.51 As part of the renegotiation process, states advised DEEWR of when they would be able to access 2011 NAPLAN data, ranging from early August to late September. All states (except NSW, which did not submit revised targets[132]) first submitted revised targets prior to the availability of 2011 NAPLAN data. Further, DEEWR advised that ACER assessed all states' revised reform targets as sufficiently ambitious prior to the availability of their 2011 NAPLAN data. Negotiations on other aspects of the reward framework did, however, continue for several months after NAPLAN data became available. For example, to agree a partial payment model for the achievement of gain measures. Final targets were agreed by the Australian Government[133] on 20 December 2011.

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[131] DEEWR sought advice from the COAG Reform Council on how best to respond to this recommendation. As a general principle, the COAG Reform Council recommends that the process for negotiating and agreeing all improvement measures and targets should be finalised prior to performance data being available. For the LNNP, the COAG Reform Council acknowledged the controls DEEWR put in place in the case where negotiations occurred after the availability of 2011 NAPLAN data.

[132] NSW was under no obligation to revise its targets as the LNNP and underpinning agreements did not require states to revise their targets.

[133] For the 2011 reform targets, final targets required the agreement of the Prime Minister, the Treasurer and the Minister for Finance and Deregulation, prior to approval by the Minister for School Education, Early Childhood and Youth.

3.52 The renegotiation process took longer than expected, with negotiations being finalised after some states had access to actual 2011 NAPLAN results. However, considering formal negotiations could not commence until June 2011, and the complex nature of the renegotiation process, DEEWR took a reasonable approach to secure a timely outcome for determination and payment of 2011–12 reward payments.

Conclusion

3.53 Under the LNNP, DEEWR, on behalf of the Australian Government, has responsibility for advising its Minister and the Treasury on making facilitation and reward payments. LNNP facilitation payments were to be made on the basis of achieving milestones. Reward payments were to be made to the states based on the extent of their achievement of reform targets, as assessed by the COAG Reform Council. The first tranche of facilitation payments occurred prior to the signing of the bilateral agreements. DEEWR advised that payments were made at this time so the implementation of the LNNP was not further delayed. Additionally, there were no explicit records made of the approval of spending proposals as required by FMA Regulations 9 and 12 for LNNP facilitation payments. Nonetheless, payments made under the LNNP were soundly based.

3.54 In the LNNP, co-investment from states is a requirement for receipt of facilitation and reward payments. The LNNP also required that bilateral agreements set out monitoring and reporting arrangements for state co-investments. However, states' compliance with co-investment obligations was not monitored by DEEWR, and therefore was not covered in DEEWR's payment advice and certifications. Further, acquittal data on actual LNNP co-investments, reported by states to the Treasury, but not to DEEWR, showed that co-investment obligations were not met by some states. Where co-investment forms part of the requirements of a National Partnership, but is not being made in accordance with the agreement, there is an increased risk that the intended outcomes of the National Partnership will not be achieved. The reported co-investment shortfalls highlight the importance of the department monitoring co-investments where such obligations are included in National Partnerships.

3.55 Under the LNNP, DEEWR was responsible for delivering two outputs which were partly designed to provide a legacy for the LNNP beyond its conclusion in 2012. Primary among these is the Framework for Effective Practice or 'Evidence Base' for the LNNP, which DEEWR expects to launch in

the June quarter 2012, three years later than envisaged by the LNNP.[134] The Evidence Base will be accessed through the *Teach, Learn, Share* website and should provide an important mechanism to strengthen the promulgation of information on effective practice in literacy and numeracy. DEEWR also allocated LNNP research initiatives funding to a range of projects, strategies and awards, although it could have adopted clearer criteria to assess proposals to help ensure funded initiatives were complementary and clearly aligned to the overarching objectives of the LNNP.

3.56 As part of its ongoing administration of the LNNP, DEEWR had responsibility for renegotiating reform targets for 2011. This was in response to the COAG Reform Council's *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, which highlighted a number of concerns with initial target setting and made recommendations to improve the 2011 targets. DEEWR encouraged and worked with the states to revise the 2011 targets and improve the target-setting process. As a result, the process for establishing performance indicators and negotiating reform targets was better designed and more transparent than the initial target setting.

3.57 The renegotiation of 2011 reform targets was lengthy, with negotiations being finalised while some states had access to the actual 2011 NAPLAN results.[135] In the context of a four- year National Partnership and the complex nature of negotiations, the length of negotiations highlights the importance of setting appropriate performance indicators for targets at the outset of National Partnerships, including reaching broad agreement on the measurement approaches to be used. This was complicated in the case of the LNNP because for key NAPLAN performance data there was only one year of baseline data (and no trends) when reform targets were originally negotiated.

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[134] DEEWR did, however, provide a forum for sharing information about effective literacy and numeracy through the November 2011 National Literacy and Numeracy Partnership Forum.

[135] DEEWR sought to address this risk by requiring states to submit revised 2011 reform targets before they had access to their 2011 NAPLAN results, and by only allowing states to revise these targets upwards in ongoing negotiations once actual NAPLAN results were known. DEEWR also advised that ACER had assessed all states' revised 2011 reform targets as sufficiently ambitious prior to their accessing 2011 NAPLAN data.

4. Monitoring, Reporting and Outcomes

This chapter examines DEEWR's monitoring, reporting and contribution to evaluating the LNNP. It also includes an analysis, using NAPLAN data, of students' literacy and numeracy performance between 2008 and 2011, since the commencement of the LNNP.

Introduction

4.1 A sound monitoring regime is a critical element of effective administration of government programs. Monitoring is important throughout the life of a program, from implementation through ongoing management and post-implementation evaluation. It enables administering agencies to determine the extent to which funded organisations are complying with requirements, while also providing important information to allow agencies to assess and report to stakeholders on progress towards achieving program objectives.

4.2 The ANAO examined:

- the performance monitoring framework for the LNNP;
- DEEWR's monitoring of LNNP performance information and the provision of related advice to the Minister;
- public reporting on the LNNP; and
- DEEWR's contribution to evaluating the LNNP overall.

4.3 This chapter also includes analysis of changes in NAPLAN test results for schools participating in the LNNP, and cases studies of literacy and numeracy initiatives under the LNNP. More broadly, it examines national trends in literacy and numeracy performance between 2008 and 2011, since the commencement of the LNNP.

Performance monitoring framework

4.4 An effective performance monitoring framework that enables DEEWR to reliably monitor and routinely report on the progress towards achieving the intended outcomes of the LNNP is important, given the Australian Government's $540 million investment in the National Partnership and the literacy and numeracy goals it wishes to achieve nationally. The ANAO

examined the LNNP (and underpinning agreements and plans), and DEEWR's portfolio budget statements (PBS), to determine the extent to which these elements formed the basis of a sound performance monitoring framework.

LNNP performance monitoring framework

4.5 The performance monitoring framework established by the LNNP includes outcomes, priority areas for reform and performance indicators, and associated reporting arrangements. The LNNP also requires that each state's bilateral agreement and/or implementation plan identify: implementation milestones; initiatives to be funded; and measures for improvement and reform targets to be achieved, as a basis for making reward payments.[136]

4.6 The LNNP includes four key outcomes as shown in Table 4.1 below.

Table 4.1

LNNP outcomes

1. Support ambitious, nationally significant reforms which aim to improve the literacy and numeracy outcomes of all students, particularly those most in need.
2. All parties agree to implement literacy and numeracy strategies that improve literacy and numeracy outcomes for targeted schools/schools communities and students.
3. Build a national understanding of what works and a shared accountability for the literacy and numeracy achievement of Australian students.
4. Contribute to the *National Education Agreement* outcomes:
   - Young people are meeting basic literacy and numeracy standards, and overall levels of literacy and numeracy achievement are improving.
   - Australian students excel by international standards.

Source: Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 17–21.

4.7 For Outcome Four, the LNNP specified two performance indicators. The measures are literacy and numeracy achievement of Year 3, 5, 7 and 9 students in national testing (NAPLAN), and the proportion of students in the bottom and top levels of performance in international testing (for example, the Program for International Student Assessment and Trends in International Mathematics and Science Study).[137]

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[136] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 42 and 44,

[137] The international tests used in the LNNP as examples are only conducted every three to five years, and are therefore not suitable for tracking changes within the LNNP timeframe.

4.8 The measures for improvement and reform targets negotiated by DEEWR and states complement the two LNNP performance indicators under Outcome Four. These measures for improvement are:

- NAPLAN measures of the progress of LNNP participating schools for domains (reading and numeracy), year levels (Year 3, 5, 7 and 9) and student cohorts (Indigenous and non-Indigenous); and
- optional local measures that provide additional indicators of the effectiveness of LNNP-funded interventions within states, such as student attendance.

4.9 The LNNP performance indicators and measures for improvement have a number of positive features in line with the intent of the IGA FFR to improve the accountability of governments to the public. Firstly, baseline data (NAPLAN) was collected at the commencement of the LNNP against which progress could be measured and reported. Reporting was also underpinned by a nationally consistent dataset (NAPLAN) directly relevant to LNNP outcomes. Finally, local measures of the effectiveness of initiatives within a state (reflecting differences in context and approach taken under the LNNP) were incorporated into the reporting framework.

4.10 However, as indicated in Chapters 2 and 3, there was significant variability in the number and type of NAPLAN and local measures agreed by DEEWR and the states as part of the initial negotiations. This variability and lack of clarity of targets affected the ability of stakeholders to understand the improvements being sought and governments' performance. DEEWR worked with the states to address these issues as part of the 2011 reform target renegotiations (Chapter 3).

4.11 Under the LNNP, states were required to provide reports to the Australian Government against implementation milestones, and achievement of reform targets and timelines, as detailed in each state's bilateral agreement.[138] In line with this requirement, the Smarter Schools National Partnerships annual and progress reports[139] are prepared by states (with the

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[138] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 46.

[139] Department of Education, Employment and Workplace Relations, *Smarter Schools National Partnerships*, available at: <www.smarterschools.gov.au/supplementary/Pages/Resources.aspx> [accessed February 2012].

support of non-government education sectors). The reports were required to be provided to the Australian Government at six-month intervals from April 2010 (the first report was an annual report on activity during 2009).

4.12 States provided some form of reporting (draft or final) to DEEWR in the required timeframe.[140] However, it has been difficult for states to report against agreed reform targets as part of their annual and progress reports because NAPLAN data publication has not coincided with the reporting cycle. Consequently, the large majority of the states' reports have included information about implementation milestones and activities, while few reported achievement against reform targets.

4.13 States have separately provided performance results for NAPLAN and local measure reform targets to DEEWR. DEEWR provided the COAG Reform Council with performance information for all states against identified measures for improvement and reform targets, in agreed templates. The COAG Reform Council then prepared its LNNP performance assessment reports, which aggregate and assess states' performance against their reform targets. As previously discussed, the COAG Reform Council's independent assessment is considered by the Australian Government prior to authorisation of reward payments.

4.14 The states' annual and progress reports have included information useful for assessing progress against the range of LNNP outcomes. This is important, given that progress against outcomes such as building a 'national understanding of what works'[141] cannot be easily captured through quantitative measures (changes in NAPLAN scores). In this context, it is also important that other mechanisms are in place to report on performance against all outcomes at a coordinated national level, for example, through an evaluation (see paragraphs 4.29–4.32).

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[140] To assist states to complete reports, DEEWR provided partially populated templates. The templates differed for each reporting cycle, reflecting DEEWR's focus on continuous improvement in reporting. However, representatives from education authorities consulted by ANAO raised concerns about the short amount of time between receipt of templates and reports falling due. Further, some template changes increased the amount of information required beyond what was included in the LNNP and bilateral agreements. For example, in the 2010 progress report states were required to report on support for Indigenous students, which had not previously been required. Consulted representatives reported that it was difficult to retrospectively capture some of the information requested, and that the quality of reporting was lower than if more time had been available to complete the reports. In the future it would be preferable to establish a comprehensive monitoring and reporting framework up front.

[141] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 24.

DEEWR's portfolio budget statements

4.15 In accordance with the Australian Government's budget reporting framework, agencies are required to establish in their PBS deliverables and key performance indicators for each program.[142] Deliverables represent the goods and services produced and delivered by the program in meeting its objectives, while key performance indicators demonstrate the performance of the program in achieving its objectives and contributing to its respective outcome.[143,] Consequently, agency annual reporting on program performance provides stakeholders, including the Australian Government, with an indication of the relative success of a particular program.

4.16 The LNNP is the major component of the National Action Plan on Literacy and Numeracy, reported under Program 2.6 in DEEWR's 2011–12 PBS.[144] Under Program 2.6, DEEWR's PBS includes two key deliverables for the LNNP. These are the number of students and schools assisted, with targets set of over 400 000 students assisted in approximately 1045 schools between 2009–10 and 2011–12. As indicated in paragraph 1.20, approximately 1050 schools which enrol around 450 000 students have received assistance under the LNNP.

4.17 DEEWR's PBS also includes two program effectiveness indicators for the National Action Plan on Literacy and Numeracy. These are the percentage of non-Indigenous and Indigenous students at or above the NMS in reading and numeracy for Year 3, 5 7 and 9. These effectiveness indicators are for the full population of students in the relevant years.

4.18 The PBS deliverables and effectiveness indicators established by DEEWR are suitable given the objectives of the National Action Plan on Literacy and Numeracy and the LNNP. However, there would have been benefit in supplementing the deliverables with: qualitative information in the key areas of teaching, learning and effective use of student performance information; and effectiveness indicators focused on changes in students' literacy and numeracy performance in participating schools. Such effectiveness

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142 Department of Finance and Deregulation, 2012, *Guidance for the Preparation of the 2012–13 Portfolio Budget Statements*, Canberra, pp. 34–38.

143 Outcome 2 of DEEWR's 2011–12 PBS is: 'Improved learning and literacy, numeracy and educational attainment for school students, through funding for quality teaching and learning environments, workplace learning and career advice'.

144 Program 2.6 also includes literacy and numeracy pilots in low socio-economic status communities.

indicators are highly relevant given LNNP initiatives were only undertaken in approximately 10 per cent of schools, and a longer timeframe is required to identify and apply the most effective literacy and numeracy strategies more broadly.

Monitoring of the LNNP

4.19 DEEWR's monitoring of the LNNP centred on reviewing states' performance information, and the provision of advice to the Minister on program performance. As indicated in paragraph 4.13, DEEWR also provided the COAG Reform Council with performance information for all states against identified measures for improvement and reform targets, in agreed templates.

Review of states' performance information and advice to the Minister

4.20 DEEWR adopted a structured approach to review the states' annual and progress reports to assist in overseeing the progress of LNNP implementation. In its assessment of state reports, DEEWR tested if adequate information was provided—including whether sufficient information was provided about milestones and measures of improvement. However, as mentioned in paragraph 3.19, there was a gap in monitoring of co-investment data.[145]

4.21 DEEWR provided routine briefs to the Minister that summarised states' annual and progress reports. These briefs gave an informative overview of progress on reform activity, highlights of implementation, implementation challenges and, where possible, performance against targets for each state. DEEWR, through the Minister, provided feedback to states on the comprehensiveness and quality of reports. This included a request for future reports to incorporate discussion of the extent to which strategies have resolved or mitigated implementation barriers and issues. The feedback to states has improved the comprehensiveness of reporting.

Compilation of reform target performance information

4.22 In reviewing states' reform target performance information for 2010 and 2011, DEEWR liaised with states to clarify measures of improvement,

[145] DEEWR has supplemented its review of states' reporting with analysis of NAPLAN data to monitor LNNP progress, and through meetings with states and LNNP school visits.

checked consistency of measures with agreed implementation plans, collated performance information and verified final data against original confirmed templates for each measure.[146] However, there was limited review of the accuracy and reliability of performance results reported by states for NAPLAN and local measure reform targets.[147]

4.23 Quality assurance and verification of the results requires access to student-level NAPLAN data, and local measure data, and to detailed methodologies underpinning calculations of the states' results. For the 2010 performance assessment process, neither DEEWR nor the COAG Reform Council had access to the data or methodological information required to verify the accuracy of performance results reported by the states.[148] The ANAO sought to verify the NAPLAN 2010 performance results for LNNP schools reported by states, using a more detailed dataset than that available to DEEWR or the COAG Reform Council. However, states had provided DEEWR with limited information on the methodologies used to calculate the reported results which prevented verification.[149] In the absence of verification or some other method of providing assurance of states' results, there is a risk that inaccuracies in the results may lead to corresponding inaccuracies in the allocation of reward funding.[150]

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[146] The COAG Reform Council, *Matrix of performance information: National Partnership on Literacy and Numeracy*, 2010, p. 4.

[147] In this respect, the COAG Reform Council acknowledged that DEEWR's role was only to verify that performance data was complete, and to collate and submit the performance information to the COAG Reform Council. Source: The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, p. 8.

[148] For the 2011 performance assessment process, although DEEWR had access to relevant NAPLAN data, the department only had performance results for one week before needing to submit them to the COAG Reform Council. While more detailed methodological information was provided by states, DEEWR advised it did not quality assure the performance data given the short timeframe available.

[149] Details required to verify results that were absent from the reporting include: the treatment of exempt and absent students; whether the mean scale score refers to student-mean or school-mean and are based on weighted likelihood estimates (WLE) of the NAPLAN scaled scores or the plausible values (PV) estimated by ACER; whether the baseline data refers to the entire student cohort or students from schools participating in the LNNP. ACER's technical guidelines, developed as part of the renegotiation process, addressed some of these technical details. However, there was still not enough information provided by states to be able to verify performance results in 2011.

[150] A partial payment model is used for reward payments, whereby most states receive part of the allocated reward payment if progress is made towards the target but it is not fully met. Partial payments are calculated using the formula: reward payment = % improvement x % funding attached to target x $ funding pool. In 2010 this formula applied to all but two states: South Australia and Victoria. The Treasury Federal Finances Circular No. 2011/01, *Payment Accountabilities and Certification Arrangements,* released in January 2011, does not support payments for partial performance.

4.24 The aim of verifying or assuring the accuracy of results and addressing errors is to ensure that public money (in this case, reward payments) is expended appropriately. For future National Partnerships that use reporting from a national dataset (like NAPLAN) as the basis of reward payments, administering agencies would benefit from working with states to coordinate preparation of performance results and to consider related assurance processes. This would increase the likelihood that a consistent approach is taken to the calculation of performance results while reducing the risk of inaccurate reward payments. Such an approach also offers the potential for efficiencies to the states in the preparation of their results.

Public reporting on the LNNP

4.25 National Partnership reporting is expected to be simple, standardised, transparent and publicly available to enhance the accountability of governments to the public.[151] There are three key mechanisms for public reporting on the LNNP. These are the states' annual and progress reports which are required to be published[152]; the COAG Reform Council's performance reports on the LNNP[153]; and DEEWR's annual reports, which report against PBS deliverables and effectiveness indicators for the National Action Plan on Literacy and Numeracy.

4.26 DEEWR has published states' completed annual and progress reports on the Smarter Schools website.[154] These reports provide the public with an overview of progress on reform activity, highlights of implementation, implementation challenges and, where possible, performance against targets for each state (these mainly related to local measures).

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[151] Council of Australian Governments, 'Schedule C – Public Accountability and Performance Reporting', *Intergovernmental Agreement on Federal Financial Relations*, available at: <http://www.federalfinancialrelations.gov.au/content/inter_agreement_and_schedules/current/Schedule_C.pdf > [accessed February 2012].

[152] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 46.

[153] Additionally, two of the four intended outcomes of the LNNP contribute to the National Education Agreement (NEA) outcomes and are therefore reported on in the COAG Reform Council's *NEA Performance Report* and *COAG Reform Agenda Report on Progress*.

[154] The reports are saved on each state's webpage. For example, Victoria's factsheet is available at: <www.smarterschools.gov.au/ParticipatingSchools/Pages/VICOverview.aspx#factsheets> [accessed February 2012].

4.27 The COAG Reform Council's performance reports summarise states' performance against reform targets using a three-tiered rating system. As previously indicated, in its 2010 performance report on the LNNP[155], the COAG Reform Council recommended a number of improvements to states' reporting in relation to reform targets.[156] These recommendations were aimed at improving the simplicity and transparency of information, and to enhance the accountability of governments to the public. Through the reform target renegotiation process (refer to Chapter 3) DEEWR has worked with the states to address these recommendations and improve reporting against reform targets.

4.28 DEEWR's 2010–11 Annual Report included: trend NAPLAN test results for reading and numeracy by year level; the approximate number of students (over 400 000) and schools (1069) assisted by 30 June 2011 under the LNNP; and reports against effectiveness indicators for the National Action Plan in Literacy and Numeracy (the percentage of non-Indigenous, and Indigenous, students at or above the NMS in reading and numeracy for Year 3, 5 7 and 9). The annual report also examined the gap between Indigenous and non-Indigenous performance in reading, writing and numeracy.

Evaluating the LNNP

4.29 Evaluation is a valuable tool for administering agencies that are seeking to strengthen the quality of government programs and improve outcomes. Through evaluation, agencies test the extent to which programs achieve their stated objectives.

4.30 The LNNP required the Australian Government to 'provide funding to evaluate the progress of reforms though [the LN]NP.'[157] DEEWR allocated $2 million from the LNNP's $40 million in research initiatives funding to a

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[155] COAG Reform Council 2011, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, pp. 81–93.

[156] In particular, the COAG Reform Council commented on: the considerable variation in the characteristics of reform targets in different states (for example, number of targets and measurement type—gain or improvement), which did not support a comparative analysis of performance across states; and that the performance information reported by states was difficult to interpret—terminology, calculation methods and presentation differs, and annual data is sometimes presented without trend analysis. Many of the measures and targets cannot be understood without substantial background knowledge and/or additional information.

[157] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 48.

multi-phase Smarter Schools National Partnerships (SSNPs) national evaluation, and engaged a consultant to undertake the first phase of the evaluation, which has been completed.

4.31 The focus of the first phase of the national evaluation was an analysis of reform activity and state evaluation efforts, undertaken for each of the SSNPs. In relation to the LLNP, the national evaluation states:

> Analysis of evidence indicates a substantial level of activity and effort to achieve improved literacy and numeracy outcomes of students in National Partnership schools. The National Evaluation evidence shows that there is considerable work being undertaken in schools, supported by systems and sectors, to address issues of classroom practice in literacy and numeracy and to create learning environments within which students will have greater opportunity for success. In many instances, there is evidence for classrooms being transformed by challenges to past practices.
>
> Within the LNNP, the evidence points to success in activity and effort to create the conditions and environments that underpin students' progressing towards higher levels of performance in literacy and numeracy. Additionally, the implementation of the LNNP is contributing to transformations in teacher practice and is enabling identification in the school context of the link between quality teaching and improved literacy and numeracy learning outcomes. As a national initiative, the LNNP has potential to provide an extensive body of grounded evidence about the approaches and practices needed in all Australian schools for higher levels of student attainment in literacy and numeracy.[158]

4.32 Stakeholders consulted through this audit and the first phase of the evaluation indicated that five to six years was required to achieve systemic reform that would lead to widespread improvements in literacy and numeracy outcomes.[159] The LNNP timeframe to achieve performance targets assumed a shorter time needed to implement effective administrative and teacher practice changes in participating schools. In practice, participating schools had been implementing initiatives under the LNNP for just over three months, at best, prior to the 2010 NAPLAN testing taking place, and for 15 months prior to the 2011 NAPLAN testing. Additionally, DEEWR has not yet determined the

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[158] Atelier Learning Solutions for the Department of Education, Employment and Workplace Relations, *Phase 1 of the National Evaluation of the Smarter Schools National Partnerships*, November 2011, p. 75.

[159] ibid,. p.82.

scope of subsequent evaluation phases, including whether they will examine longer-term impacts of the LNNP. This underlines the importance of DEEWR monitoring the impact of the LNNP on participating schools in the coming years as part of evaluating the National Partnership. This should include analysis of NAPLAN data following the conclusion of the LNNP, to help understand the effectiveness of literacy and numeracy strategies implemented as part of the LNNP. This would also assist to create and sustain the legacy of the LNNP through dissemination of better practices.

Recommendation No.2

4.33 To assess the impact of the LNNP and different literacy and numeracy strategies, the ANAO recommends DEEWR analyse the literacy and numeracy outcomes of participating schools at an appropriate stage following the conclusion of the National Partnership, as part of the national evaluation of the Smarter Schools National Partnerships.

DEEWR response

4.34 Agreed. DEEWR advised the ANAO that:

> DEEWR will continue to monitor and evaluate the impact of national partnerships, while noting that the Smarter Schools National Partnerships national evaluation strategy was endorsed by the Ministerial Council for Education, Early Childhood Development and Youth Affairs in June 2010. DEEWR will request that the Minister for School Education take this recommendation on the national evaluation strategy to the Standing Council on School Education and Early Childhood. Separate to the national evaluation, DEEWR will also continue to monitor and analyse the impact of the LNNP.

Impact to date of the LNNP

4.35 Australian Government expenditure to date under the LNNP is $322 million in facilitation, reward and research initiatives funding, with $212 million in reward payments remaining accessible to states.[160] Given this investment and the outcomes sought, it is important to assess performance, and learn about effective literacy and numeracy strategies to support their wider dissemination. The ANAO examined the impact to date of the LNNP in

[160] This funding is subject to states' achievement against 2011 reform targets for literacy and numeracy achievement in participating schools, as assessed by the COAG Reform Council.

terms of states' performance against reform targets (as reported by the COAG Reform Council); changes in NAPLAN scores for participating, and non-participating, schools; and case studies of LNNP initiatives. The ANAO also examined literacy and numeracy outcomes for all students, since the commencement of the LNNP.

4.36 The ANAO's analysis primarily focused on changes in NAPLAN test results. As a national testing program, NAPLAN provides consistency, comparability and transferability of results across states. For these reasons it has been used as the predominant measure of LNNP performance, including for reward payments. However, there are complexities in interpreting such a performance indicator, as listed in Table 4.2.

Table 4.2

Summary of complexities in the LNNP performance measurement framework

Complexities in the LNNP performance measurement framework
• The time between actually implementing LNNP funded activities and NAPLAN testing was short, restricting schools' ability to influence results. • In common with other forms of testing, NAPLAN results can be subject to measurement, sampling and equating error. Caution must be exercised when interpreting movements in average NAPLAN results, particularly for smaller groups of students, over time. It may take a number of years before underlying changes in NAPLAN performance become evident. • Many factors, other than the LNNP, influence NAPLAN results. Information about these other factors is needed before you can confidently assert that changes in the NAPLAN results (even statistically significant changes) of LNNP target schools are due to the implementation of the LNNP. • Without unique student identifiers, it is not possible to quantify the extent to which students have moved in and out of the LNNP target schools or the extent to which this has impacted on their NAPLAN performance and the attainment of LNNP performance targets.

Source: ANAO analysis.

4.37 Notwithstanding the complexities in using NAPLAN as a performance measure, it remains the available tool to measure changes in students' literacy and numeracy performance. However, it is important that the complexities of properly using datasets are managed in the design of future National Partnerships, particularly when reward payments are dependent on performance assessments based on the dataset.

States' performance against reform targets

4.38 The COAG Reform Council is responsible for assessing the states' achievement of reform targets. As mentioned in paragraph 4.27, the COAG

Reform Council assesses achievement using a three-tiered rating system (Table 4.2).

Table 4.3

COAG Reform Council assessment rating system

Rating	Assessment
A	The performance benchmark has been achieved.
B	The performance benchmark has been only partially achieved. Where possible, the partial attainment will be quantified in terms of how much of the performance benchmark has been met.
C	No progress has been made towards the performance benchmark. No performance information was provided by the data collation body.

Source: COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 2011, p. 8.

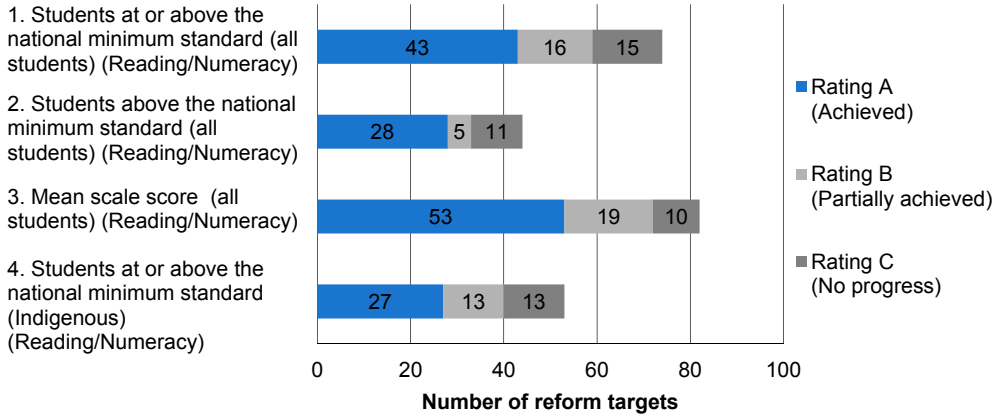
4.39 The COAG Reform Council's primary role was to assess the achievement of the targets as agreed and as such, its performance assessment process takes no account of the level of ambition or degree of difficulty associated with achieving reform targets.[161] Therefore, states receiving the same performance assessment rating have not necessarily needed to make the same degree of effort. The COAG Reform Council has reiterated that there are different circumstances and reform efforts in each state, and there is need to take these into account when considering their assessments.

4.40 Figure 4.1 summarises the COAG Reform Council's 2010 and 2011 performance assessment ratings for each of the NAPLAN measures. The 'A' rating was the most frequent across the measures with 59 per cent of reform targets achieved.

[161] The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March 2011, p. xvi.

Figure 4.1

Performance assessment of NAPLAN measures in LNNP schools



Source: ANAO analysis of COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010 and 2011.*

Notes: The Northern Territory and South Australia, for some measures, used different NAPLAN measures from those represented in Figure 4.1. Where the measures were different, the ratings have not been represented in the above figure (eight 'A' ratings, seven 'B' ratings and three 'C' ratings for the Northern Territory and ten 'A' ratings, one 'B' rating and five 'C' ratings for South Australia).

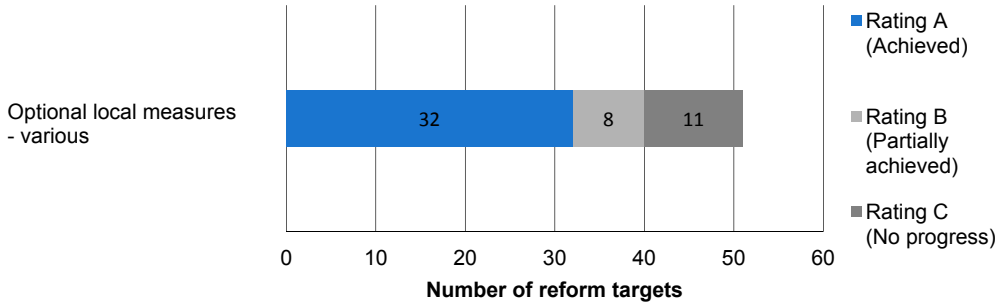
4.41 Figure 4.2 summarises the COAG Reform Council's 2010 and 2011 performance assessment ratings for the optional local measures agreed with the states.[162] The 'A' rating was the most frequent across the measures, indicating that almost two-thirds (63 per cent) of optional state targets were achieved. However, it is important to note that some local measure reform targets were to maintain existing levels of performance or for minor increases in performance.[163]

[162] As mentioned in paragraph 2.42, examples of these measures include data collected from student and teacher surveys, and student attendance.

[163] COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010*, 25 March, 2011, p. 90.

Figure 4.2

Performance assessment of optional local measures in LNNP schools



Source: ANAO analysis of COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2010 and 2011*.

Impact of the LNNP on NAPLAN scores of students in LNNP schools

4.42 To assess the impact of the LNNP on the NAPLAN scores of students in schools that received assistance, the ANAO conducted regression analyses using individual student-level NAPLAN data from 2008 to 2011.[164] The analysis took into account that demographics and the average NAPLAN baseline score of schools have a large influence on school-level changes in performance. The ANAO found that, once allowance had been made for the differing demographics of LNNP and non-LNNP schools and the generally lower base-year results of LNNP target schools, the first 15 months of implementation of the LNNP is yet to make a statistically significant

[164] The data included:

- a range of demographic variables, including the student's gender, Indigenous status, language background other than English status, date of birth, and parents' education and occupational background;
- a range of school descriptive variables, including the school's state, sector (government, Catholic, independent), location, and Index of Community Socio-Educational Advantage (ICSEA) Score;
- flag variables indicating whether the student participated in the NAPLAN (or was exempt or absent);
- the five sets of weighted likelihood estimates (WLEs) that underpin Scaled NAPLAN Scores and Banded Scores reported to individual students and schools in relation to: Reading, Writing, Grammar, Spelling and Numeracy; and
- five sets of Plausible Values (PVs) and banded PVs that underpin the reporting of NAPLAN results for states and territories on My School.

improvement on the average NAPLAN results of LNNP funded schools (compared with non-LNNP schools) in any state.[165]

4.43 As discussed, it may still be too early for such impacts to be clearly evident in the NAPLAN data, especially given the variety of factors affecting the average NAPLAN results for individual (often small) school year cohorts. Moreover, without individual student identifiers, it is not possible to quantify the extent to which students have moved in or out of LNNP target schools and the extent to which this may have impacted on the average NAPLAN results for these schools.

Case studies of the impact of the LNNP on students, schools and teachers

4.44 Schools and education authorities consulted as part of the audit indicated there is some evidence that progress has been made towards achieving reforms which aim to improve the literacy and numeracy outcomes of all students. The following case studies demonstrate stakeholder perspectives on the impact of LNNP-funded initiatives in two schools in Victoria and New South Wales.

[165] In its response to the draft audit report, DEEWR noted some school level improvements in reading and numeracy in LNNP schools. Similarly, in its 2011 performance report on the LNNP, the COAG Reform Council noted that over the four years of the LNNP, students in participating schools generally improved their NAPLAN results in reading and numeracy. The ANAO analysis was different in that it compared the performance of LNNP schools with non-LNNP schools. The analysis examined the impact of a range of variables on changes in NAPLAN results, including the average base-year (2008) NAPLAN score; the school's sector and geo-location; and whether the school year cohort was targeted by the LNNP. After allowing for the impact of baseline NAPLAN scores, the LNNP did not result in a statistically significant improvement in average NAPLAN scores between 2008 and 2011.

Case study 1

Impact of coaches in a government school in Victoria

'In one regional network in the Northern Metropolitan Region where student outcomes have been significantly below expected levels coaches were used as "saturation" teams with four coaches working intensively in one school for up to six weeks with a focus on improving writing. Initially the team worked in primary schools with all teachers and every class to build teacher capacity in the area of writing. A key feature of the model was a highly structured, scaffolded teaching approach which emphasised high expectations of all students.

In semester two the team worked with the secondary college using a similar approach. Anecdotal evidence from coaches, Principals and classroom teachers was that this was a highly effective approach to support change in teacher practice and improved student attitudes to learning and specifically writing. The standard of work achieved by some students was well beyond what they had previously achieved. NAPLAN data for the network indicates an improvement in writing:

	2009 % below [NMS]	2010 % below [NMS]
Y3	13	6
Y5	24	14
Y7	45	27
Y9	65	44

Coaches worked in close collaboration with leadership teams and learning leaders to support sustained practice in the school once the saturation team moved on.'

Source: Victorian Government, Independent Schools Victoria and Catholic Education, Commission of Victoria, *Victoria Annual Report for 2010*, April 2011, p. 20.

Case study 2

Improved classroom practice by working with peers

St Francis of Assisi Primary school, Glendenning, is part of a network of eight schools in the Diocese of Parramatta that are focusing on improving the comprehension skills of all students. With support from this network, and the financial support of the Smarter Schools National Partnership, St Francis has put in place a variety of strategies to build teachers' capacity in the teaching of comprehension, leading to improvement in the students' learning outcomes.

The strongest learning through involvement in the National Partnership has been the improvement in teachers' classroom practice by working with peers at the school and utilising the staff's expertise. Professional learning conversations have helped teachers to reflect on their own practice and that of others. This has been supported by professional reading time during staff meetings.

A large part of the financial support was devoted to employing two extra teachers (0.4 fulltime equivalent) every Monday for an 18 month period, in order to release two teachers to observe two other teachers during their comprehension lessons. During the observation, a Comprehension Question Audit Tool was completed which was designed and refined by staff. After the observation period, the two teachers were provided with the opportunity to discuss how questions are asked [of students], at what level, and how to improve the quality of the questions with a focus on inference and evaluative skills.

The success of the process is due to; each teacher experiencing both "teacher" and "observer" roles over a number of lessons during the year; teachers observing lessons across K to 6, not just within their stage; and use of a clear and precise audit tool which identified criteria for the observations. The next stage of the teacher observation process is to focus on the development of students' conversation around a text.'

Source: *New South Wales Annual Report for 2010*, April 2011, p. 82.

Literacy and numeracy outcomes for all schools

4.45 A goal of the LNNP was to improve outcomes across the student population. However, only a relatively small proportion of Australian students attend schools participating in the LNNP. Approximately 10 per cent of Australia's student population, 14 per cent of low-performing[166] students and 14 per cent of Indigenous students attend LNNP-funded schools. Given the proportion of students involved in the LNNP, expecting significant changes across the broader student population was ambitious and difficult to achieve. For example, any changes in literacy and numeracy outcomes may reflect the combined influence of a number of factors on performance beyond the LNNP, such as teacher quality and socio-economic status.

4.46 Australian students' literacy and numeracy achievement at a national level has been mostly stable over the LNNP period.[167] Since the LNNP was signed in early 2009, there has not been sustained change across year levels in the proportion of students who scored at or above the NMS in reading (used as a proxy for literacy) and numeracy at the aggregate national level from 2008 to 2011. LNNP-funded activity occurred across 2010 and 2011.

4.47 The LNNP was established to achieve sustained and accelerated improvements in educational outcomes for all students, with priority focus on those primary aged students most in need of support, especially Indigenous students.[168] As such, the LNNP has a focus on low-performing and Indigenous students. Review of public reporting on NAPLAN shows there is no overall discernable trend in the proportion of low-performing students in the reading and numeracy domains between 2008 and 2011, with the exception of Year 3 reading and Year 5 numeracy where there is some indication that the proportion of low-performing students has fallen over the period (Figure 4.3).

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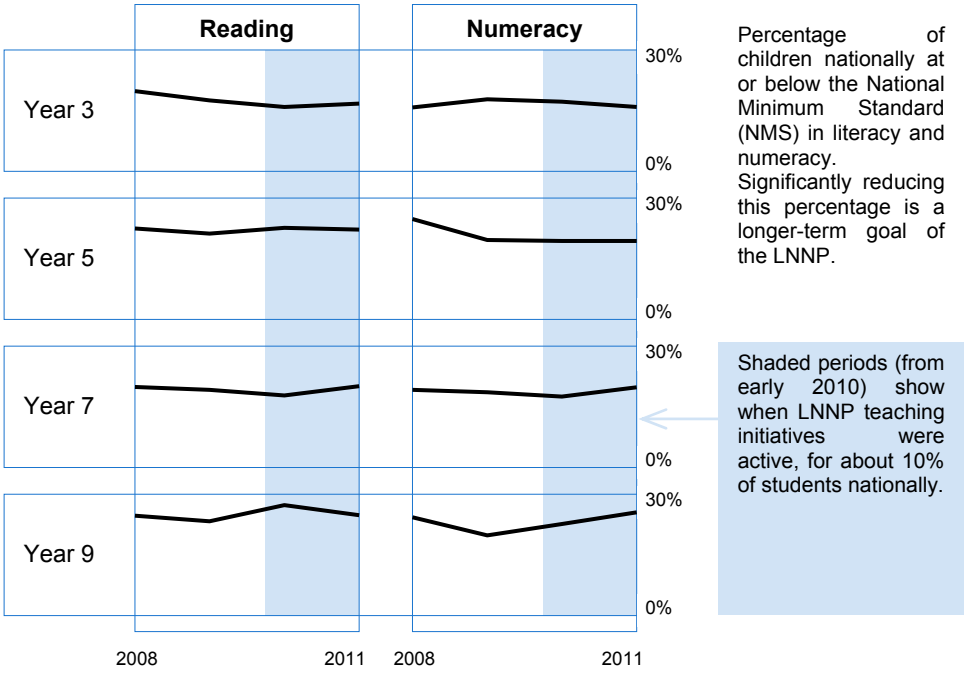
[166] Defined as students at or below NAPLAN national minimum standards (NMS) in reading or numeracy

[167] Australian Curriculum Assessment and Reporting Authority, *National Assessment Program – Literacy and Numeracy NAPLAN Report*, 2012.

[168] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 17-18.

Figure 4.3

National trends in reading and numeracy, 2008–2011



Source: ANAO analysis of ACARA, *National Assessment Program Literacy and Numeracy: National Report for 2011*, 2012.

4.48 Among other things, the LNNP aims to accelerate progress towards the ambitious literacy and numeracy target set by COAG to halve the gap between Indigenous, and non-Indigenous students' achievement in reading, writing and numeracy within a decade.[169] In 2008, there was a significant gap between the proportion of Indigenous and non-Indigenous students at or above the NMS for reading and numeracy in Years 3, 5, 7 and 9, as measured by NAPLAN. In 2011, there continued to be a significant gap.

4.49 Table 4.4 and Table 4.5 show changes in the reading and numeracy achievement for Indigenous students, represented by the proportion of Indigenous students at or below the NMS less the proportion of non-Indigenous students at or below the NMS. Negative change reflects a narrowing gap. While there continued to be a significant gap between

[169] Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraph 4.

Indigenous and non-Indigenous reading and numeracy achievement in 2011, the gap had slightly narrowed (but not to a statistically significant extent) for both domains at all year levels (with the exception of Year 9 numeracy for which the gap remained unchanged) since 2008.

Table 4.4

Reading: Change in the gap in achievement of Indigenous and non-Indigenous students, 2008–2011

	2008			2011			
Year Level	Percent of Indigenous students at or below the NMS	Percent of Non-Indigenous at or below NMS	Gap (% points)	Percent of Indigenous students at or below the NMS	Percent of Non-Indigenous at or below NMS	Gap (% points)	Change in the gap (% points)
3	53%	16.3%	36.7	46.1%	12.9%	33.2	-3.5
5	57.4%	19.0%	38.4	56.3%	18.5%	37.8	-0.6
7	54.2%	16.8%	37.4	52.5%	16.6%	35.9	-1.5
9	57.9%	21.7%	36.2	57.2%	21.5%	35.7	-0.5

Source: ANAO analysis of ACARA, *National Assessment Program Literacy and Numeracy: National Report for 2011*, 2012.

Table 4.5

Numeracy: Change in the gap in achievement of Indigenous and non-Indigenous students, 2008–2011

	2008			2011			
Year Level	Percent of Indigenous students at or below the NMS	Percent of Non-Indigenous at or below NMS	Gap (% points)	Percent of Indigenous students at or below the NMS	Percent of Non-Indigenous at or below NMS	Gap (% points)	Change in the gap (% points)
3	46.9%	12.3%	34.6	43.3%	12.3%	31.0	-3.6
5	60.6%	21.2%	39.4	52.8%	15.6%	37.2	-2.2
7	53.5%	16.1%	37.4	53.1%	16.4%	36.7	-0.7
9	60.1%	21.4%	38.7	60.9%	22.2%	38.7	0.0

Source: ANAO analysis of ACARA, *National Assessment Program Literacy and Numeracy: National Report for 2011*, 2012.

Conclusion

4.50 Performance monitoring and reporting are an important element of accountability for government service delivery and help inform service delivery improvements. DEEWR monitored the states' compliance with bilateral agreements and implementation plans by reviewing states' annual

and progress reports. However, as mentioned previously, there was a gap in the monitoring of co-investment data.

4.51 DEEWR was also not in a position to be able to verify the accuracy of the performance results against reform targets, provided by states, as part of the performance assessment process. For future National Partnerships that use reporting from a national dataset as the basis of reward payments, administering agencies would benefit from working with states to coordinate preparation of performance results and to consider related assurance processes. This would increase the likelihood that a consistent approach is taken to the calculation of performance results while reducing the risk of inaccurate reward payments. Additionally, such an approach offers the potential for efficiencies to the states in the preparation of their results.

4.52 The LNNP is one of three Smarter Schools National Partnerships for which DEEWR has commenced a national evaluation. The first phase of the evaluation was an analysis of reform activity and state evaluation efforts undertaken for each of the National Partnerships. The evaluation noted the considerable work being undertaken in schools to improve classroom practice in literacy and numeracy, and create learning environments within which students will have greater opportunity for success. However, given the complexities in measuring the effectiveness of reform activities, it may take several years until a reliable assessment of the LNNP approach can be made. To properly position the evaluation to assess the impact of the LNNP and different literacy and numeracy strategies, it will be important that subsequent phases analyse the literacy and numeracy outcomes for participating schools at an appropriate time following the conclusion of the National Partnership.

4.53 For schools participating in the LNNP, education authorities and schools have reported positive impacts of the LNNP on school leadership, teacher practice and student engagement. However, ANAO analysis of NAPLAN data from 2008 to 2011 indicates that the LNNP is yet to make a statistically significant improvement, in any state, on the average NAPLAN results of schools that received LNNP funding, when compared to schools that did not receive funding. Among other things, the LNNP aims to accelerate progress towards the ambitious literacy and numeracy target set by the Council of Australian Governments to halve the gap between Indigenous and non-Indigenous students' achievement in reading, writing and numeracy within a decade. In 2008, there was a significant gap between the proportion of Indigenous and non-Indigenous students at or above the NMS for reading and numeracy in Years 3, 5, 7 and 9, as measured by NAPLAN. In 2011, there

continued to be a significant gap. These findings underline the importance of ongoing analysis of NAPLAN data for LNNP participating schools and groups targeted for assistance

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Ian McPhee
Auditor-General

Canberra ACT
14 June 2012

Appendices

Appendix 1: Agency Responses

Comments were sought on the draft report from DEEWR. In addition, comments were also sought, on extracts of the draft report, from: the Treasury; the New South Wales Office of Education; ACARA; ACER and the COAG Reform Council. ACARA and the COAG Reform Council advised they had no formal comments to make.

Department of Education, Employment and Workplace Relations

The ANAO's report acknowledges the significant achievement of the National Partnership on Literacy and Numeracy (LNNP), given that it is amongst the earliest partnerships and one of the first reward based national partnerships to be implemented under the new Council of Australian Government (COAG) arrangements, reflecting intensive effort on the part of the Department and partner jurisdictions.

The Department notes the report's findings that the architecture of national partnerships under the Intergovernmental Agreement on Federal Financial Relations (IGA-FFR) presents significant challenges in interpreting Government policy into action whilst adequately reconciling Commonwealth accountability for outcomes and resources. This includes balancing the principles of avoiding prescription in service delivery, while providing due consideration to jurisdictional differences and the roles of the Commonwealth and other agencies as defined in the architecture of national partnerships.

The report acknowledges the strong collaboration between parties, and the National Partnership Implementation Working Group, established by education ministers to steer the on-going implementation of the partnership arrangements, as a governance mechanism.

The Department welcomes the finding that it established sound relationship management mechanisms for each state, and formal LNNP multilateral governance arrangements which operate to enable relationships to be managed at a national level.

The ANAO has provided clarity that has previously been lacking regarding which Commonwealth agency has responsibility for monitoring co-investment under national partnerships. The LNNP specifies a role for the COAG Reform Council in monitoring co-investment. The IGA-FFR has Treasury collect co-investment acquittal data and seeks to reduce the reporting burden on states and territories.

The Department will work with central agencies, in particular Treasury, to ensure that co-investment is monitored without significant increase in the reporting burden placed on states, particularly given the large number of national partnerships across the education and early childhood policy domains. DEEWR notes that as a result of the Heads of Treasuries review of national partnerships in 2010, Federal Financial Relations circular 2011/02 no longer requires the monitoring of co-investment.

The LNNP contributes to literacy and numeracy outcomes of the National Education Agreement, which are themselves broad outcomes with a number of causative elements. The LNNP's contribution to the outcomes of this Agreement is specifically aimed at supporting students falling behind, especially Indigenous students.

In relation to this targeted cohort, findings to date show that some school-level improvements have been made in increasing the proportion of students achieving above national minimum standards. Specifically, from 2008 to 2011, in year 3 reading and year 5 numeracy, 70 per cent and 80 per cent respectively, of LNNP schools improved the proportion of students above national minimum standards. These positive findings are reinforced by the COAG Reform Council's 2011 performance report on the LNNP, which found that '...from 2008 to 2011, schools participating in the National Partnership generally improved their results in Reading and Numeracy.' This report also notes that there were particularly strong improvements in the results of Indigenous students in participating (LNNP) schools, including an 11.4 and a 16.1 percentage point improvement for year 3 reading in Queensland and Northern Territory, respectively.

The Department agrees with the audit findings that more time is required for the full impact of the LNNP reforms to become evident. This would include a full analysis of all four outcomes of the LNNP. In its report, ANAO acknowledges the positive impacts from the LNNP reported by states in the key reform areas of school leadership and teacher practice, and notes improved student engagement. These results are examples of achievements in the other three outcomes of the LNNP.

The LNNP recognises that any national analysis of impact will be complemented by an understanding of the state-level outcomes and performance measures included in bilateral agreements and implementation plans, that were informed by the differing starting points across states and territories and their local emphasis on reform areas. The variation in starting

points, local conditions and reform strategies means that states' targets are not comparable. The COAG Reform Council's 2010 LNNP performance report supported this, through their finding that the diverse reform strategies being implemented in each state are not intended to support a comparative analysis of performance.

The Department will consider the implications of seeking a greater level of state consistency in implementation arrangements, particularly in national partnerships with a reward component. The principle of giving due consideration for jurisdictional differences appears to imply that reward targets should be informed by local circumstances and any assessment of ambition be informed by local perspectives. To this end, the LNNP specifically acknowledged that states had different starting points in literacy and numeracy achievement and different reform goals. Until now, the Department has not been aware of any direction, including in central agencies' guidance, that reward and reform targets should be uniform or directly comparable across jurisdictions.

As the rewards framework was new for all parties to the LNNP, the Department engaged Australian Council for Education Research (ACER), an independent technical expert on educational measurement, to provide an assessment on the ambition of states' reform targets in both years of target setting. The process was revised for 2011 in response to concerns raised by the COAG Reform Council, including the development of technical guidelines for ACER to conduct the assessment of ambition and accompanying explanatory guidelines for the states. The ANAO acknowledged the process for 2011 was better designed and more transparent.

The Treasury

Treasury generally agrees with the draft audit report, particularly the ANAO's position that the relevant department is responsible for monitoring matching payments required under the National Partnership Agreement. We note that this should occur prior to an agency authorising Treasury to make payments under the National Partnership Agreement on the Commonwealth's behalf.

As identified in your draft report, Federal Financial Circular 2011/12 *Developing National Partnerships under the Federal Financial Relations Framework* provides guidance on National Partnership design principles. The Circular reinforces the need for National Partnership Agreements to have good payment design and specifies that agreements should focus on the achievement of outcomes

and outputs. The Circular also includes information on input controls and notes that controls such as cost matching and cost sharing should generally be avoided.

The ANAO's draft report also indicates that central agencies should provide supplementary guidance to support the effective use of reward funding in future National Partnership Agreements. Following the implementation of the *Heads of Treasuries Review of Agreements under the Intergovernmental Agreement on Federal Financial Relations*, the Standing Council on Federal Financial Relations' website now provides a variety of guidance material to assist Commonwealth agencies in the development of agreements. This website link is provided below:

http://www.federalfinancialrelations.gov.au/content/guidelines_for_new_nps.aspx

Guidance to assist agencies with the preparation of National Partnership Agreements is an ongoing priority for the Treasury (and the Department of Prime Minister and Cabinet). Guidance materials are reviewed and updated on a regular basis, in consultation with other central agencies.

New South Wales Office of Education

Table 2.2 - Table showing the proportion of students targeted under the LNNP, by state. Presuming that the proportion of participating NSW students was calculated using only student numbers for years 3 and 5, then the participating percentage of NSW students has been significantly under-represented. This issue would also apply to the other columns in this table representing percentage of low-performing students participating and percentage of Indigenous students participating.

A more accurate representation of NSW participation using all students in LNNP schools would see 4.2% of all NSW students being in LNNP schools, 13.2% of NSW low-performing students being in LNNP schools, and 9.3% of NSW Indigenous students being in LNNP schools.[170] These percentages are determined using 2008 NAPLAN data on the basis of which schools were selected, and National Schools Statistics Collection enrolment data for 2010 as

[170] ANAO comment: the ANAO used a different methodology to estimate the percentage of students targeted under the LNNP, drawing on 2008 NAPLAN data and a list of participating schools provided by DEEWR (refer to paragraph 2.32 and Table 2.2). The results were very similar for the number of targeted students (3.7 per cent compared to 4.2 per cent) and the number of targeted Indigenous students (8.2 per cent compared to 9.3 per cent).

this is the most accurate point at which to quantify student participation in the LNNP.

General comments - In relation to the management of the LNNP, New South Wales has concerns about the methodology used for determination of reward payments for the second year of the Partnership.

The outcome of this process was that the NAPLAN performance of all States and Territories except NSW was assessed against a 2008 baseline, whereas NSW was assessed against a 2009 baseline.[171] This decision was out of step with the Commonwealth's and COAG Reform Council's stated desire to have national consistency in performance assessment. This inconsistency is also commented on in the COAG Reform Council's performance report on the LNNP.

The inconsistent treatment of performance assessment for NSW is a matter that impacts significantly on the effectiveness of the Partnership in meeting its aims.

Australian Council for Educational Research

Footnote 78 (from Paragraph 2.43). This footnote suggests there may have been a perception of conflict of interest, because Queensland proposed using an off-the-shelf test as a local measure. The Progressive Achievement Test (PAT) is a popular assessment instrument used in many schools across Australia. ACER's role was to assess whether the targets set by jurisdictions were reasonable and ambitious, and whether the instrument used to measure improvement or gain would provide the necessary data. In this case, ACER had expert knowledge to determine whether the targets based on the PAT were reasonable and ambitious, because ACER developed the PAT. This would be same as ACER's knowledge of NAPLAN test construction, scaling and scoring, which assisted in determining whether targets on the mandated measures were reasonable and ambitious.

Paragraph 2.44. The ANAO suggests that DEEWR and ACER should have 'established a methodology to assess ambition'. 'ACER advised it used

[171] ANAO comment: NSW was the only state that did not renegotiate its reform targets for 2011. NSW was therefore assessed against its originally agreed targets and a 2009 baseline for all measures except one local measure, which used a 2010 baseline. Source: The COAG Reform Council, *National Partnership Agreement on Literacy and Numeracy: Performance Report for 2011*, 30 April 2012. Refer also to paragraph 3.51.

professional judgment to assess ambition. … Nevertheless, DEEWR could have applied a more rigorous approach to assess ambition.' This paragraph fails to acknowledge what was considered in making a judgment about the level of ambition: the number of schools participating in each jurisdiction; the student composition of those schools; the starting levels of achievement in those schools; the numbers of students whose scores contributed to the jurisdiction's results; national and jurisdictional average NAPLAN results and changes between test cycles; relationships between achievement bands and scale scores; programs implemented under the National Partnership; individual methodologies for setting targets; and other factors. The process of professional judgment used by ACER is similar to the approach known as 'instinctive synthesis' as practised by judges when determining a person's sentence after a conviction:

> …the instinctive synthesis approach purports to derive the appropriate sentence by looking at all the relevant factors and sentencing principles, and determining their relative weights by reference to all the circumstances of the case. The balancing of all the relevant considerations takes place in a single step or synthesis, not sequentially. [172]

[172] Traynor, S. & Potas, I. (2002). Sentencing Methodology: Two-tiered or Instinctive Synthesis? *Sentencing Trends and Issues* No. 25. Judicial Commission of New South Wales, available at: <http://www.judcom.nsw.gov.au/publications/st/st25/> [accessed 11 May 2012].

Appendix 2: Lessons for Future National Partnerships

Lessons for future National Partnerships

Transparency of implementation plans and reform targets

- In accordance with National Partnership guidance, publish implementation plans in the form they are agreed by ministers, including details of any reform targets (paragraphs 2.19–2.21).

Timeframe for implementation

- Review the nature of targets and timing of reward payments with respect to implementation timeframes and realistic expectations about possible improvements (paragraph 2.26).

Setting reform targets for reward payments

- Establish a clear methodology for setting reform targets for reward payments and be transparent and consistent in the application of the methodology. Where there are state differences, for example, in the coverage of funded activities, review the implications for reward payments (paragraphs 2.31–2.50).

Approval of payments

- If co-investment forms part of the underlying policy design of an National Partnership, agree to a monitoring mechanism and monitor as part of the payment authorisation process (paragraphs 3.16–3.29).

Guidance on the use of reward payments in National Partnership

- Central agencies should consider supplementing available guidance on developing National Partnerships, with additional advice on suitable circumstances and processes for using reward funding (paragraph 3.46).

Management of Australian Government outputs

- Establish assessment criteria for funding proposals to ensure funded initiatives are clearly aligned to overarching objectives for the National Partnership (paragraph 3.36).

Monitoring of the LNNP

- Consider appropriate assurance processes in relation to performance data and results that inform the allocation of reward payments (paragraphs 4.22–4.24).

Appendix 3: LNNP Requirements for Bilateral Agreements and Implementation Plans

Bilateral agreements and implementations plans will be published to ensure transparency.

As per the LNNP, bilateral agreements will set out:

(a) an agreed reform agenda, including specific milestones for implementation of these reforms;

(b) the Australian Government facilitation payments and state co-investments to be made in support of these reforms over the life of the LNNP;

(c) how the states propose to distribute Australian Government facilitation payments and any co-investments to participating non-government schools;

(d) measurements of improvement, including State/Territory-specific indicators that might be agreed in addition to utilising NAPLAN data;

(e) monitoring and reporting arrangements to track implementation of agreed reforms, co-investment and achievement of reform targets, using agreed improvement measures;

(f) any auditing arrangements that Parties consider necessary to ensure the terms of bilateral agreements are being complied with; and

(g) bilateral governance arrangements, including dispute resolution procedures.

As per the LNNP, implementation plans between the Australian Government and states must include detail of:

(a) an agreed list of schools/school communities to participate in the LNNP;

(b) the specific initiatives that will be funded, their proof of effectiveness and their links to the priority areas for reform of the LNNP;

(c) how the initiatives/approaches will focus support for disadvantaged students, in particular Indigenous students;

(d) the state's co-investment, including the costed initiative/s that the LNNP will build on, complement or intensify;

(e) the measurement/s for improvement and the reform targets to be achieved, including for Indigenous students, with timelines for achievement (negotiated with Australian Government); and

(f) a framework or mechanism to gather, synthesise and share the monitoring and evaluation of the initiative.

Source: Council of Australian Governments, *National Partnership Agreement on Literacy and Numeracy*, January 2009, paragraphs 39, 43 and 44.

Appendix 4: Using NAPLAN to Describe Academic Achievements and Set Reform Targets

Using NAPLAN to describe academic achievements and set reform targets

NAPLAN for Individuals

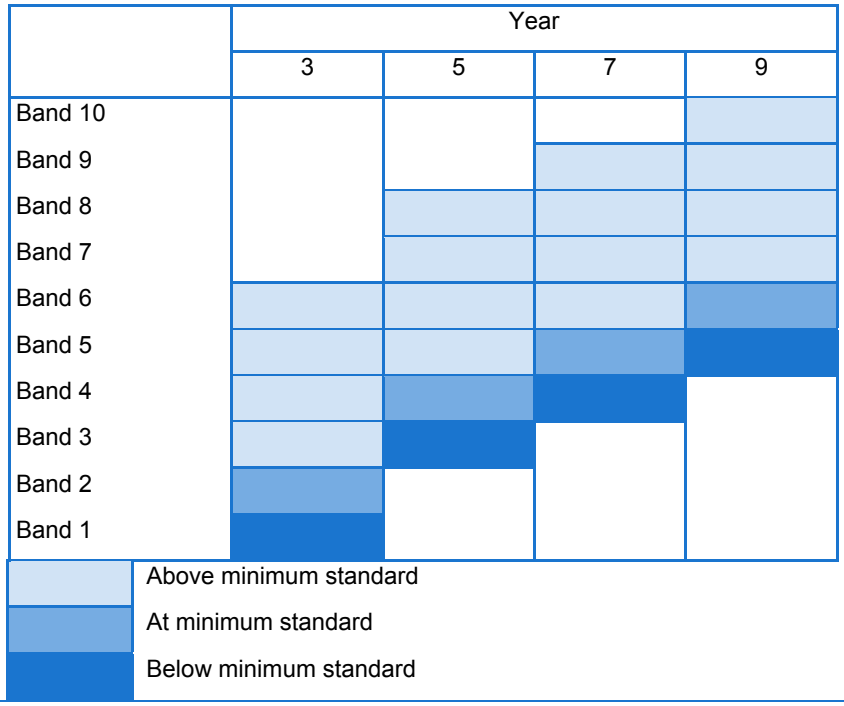
The National Assessment program – Literacy and Numeracy (NAPLAN), is an annual assessment for all students in Years 3, 5, 7 and 9. Students are assessed on the same days using national tests in four domains: Reading, Writing, Language Conventions (Spelling, Grammar and Punctuation) and Numeracy.

Each student who sits the test is given an individual score ranging between 0 and 1000 for each domain. The same scoring range is used for all years, so a student should be expected to get higher scores as they progress through school. It is important to remember that NAPLAN results refer to a single point in time only and may not reflect the full range of a student's ability.

For each year of school, experts have set ranges of scores (known as bands) which provide descriptions of the kinds of skills and expected understandings typical of students at various levels of proficiency. For each year level, a national minimum standard along the NAPLAN band has been defined.

For example, for Year 3: Band 1 is below the minimum standard, Band 2 is at minimum standard; and Bands 3 to 6 are above minimum standard. Therefore a parent will know, for example, if their child gets a score falling within Band 2, they are at the minimum standard for that domain and year.

Band structure for NAPLAN Assessments



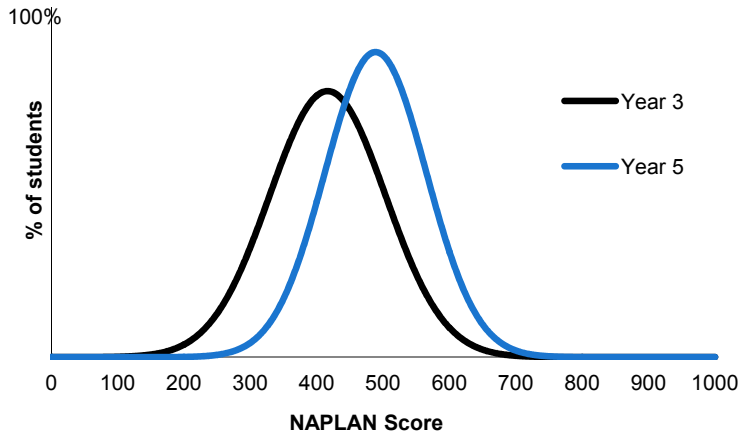
Using NAPLAN to describe academic achievements and set reform targets

NAPLAN for Student Populations

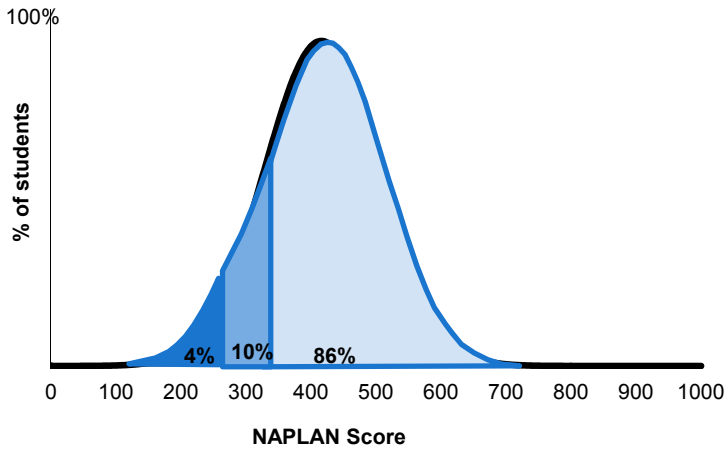
NAPLAN scores maintain their meaning over age groups, which means that they can be used to monitor achievement and growth over time for individuals and for groups of students.

For any given population (for example, Australia, states, sector, schools being funded under the LNNP) a graph can show the percentage of students attaining each score.

Graphical representation of NAPLAN scores



Applying the bands, for example to Year 3



The proportion in each band can be used to compare different populations and to assess changes over time, for example, as a result of reforms.

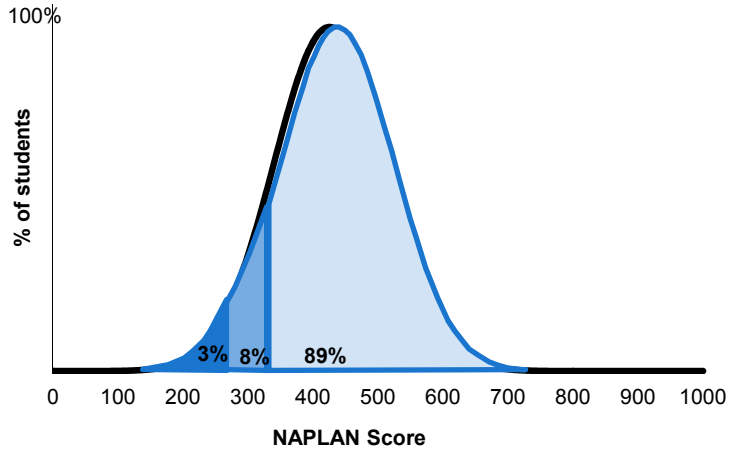
Using NAPLAN to describe academic achievements and set reform targets

NAPLAN for Target Setting

As NAPLAN scores are reported on a single scale in each domain across all year levels, and scores maintain their meaning over time, this allows two types of impact measures (or reform targets) to be developed:

1. targets that describe change in performance at a year level over time (for example Year 3 in 2008 and Year 3 in 2009) – known as improvement targets; and
2. targets that describe the change of a cohort over time (for example Year 3 in 2008 and Year 5 in 2010) – known as gain targets.

If results improve, the distribution of NAPLAN scores for the previous example might become:



So, a reform target can be expressed, for example, as

- reducing the percentage of students below minimum from 4% to 3%; or
- increasing the percentage of students above minimum standard from 86% to 89%.

Different expressions of targets will focus attention on different groups of children. For example, improving the average (or mean scale score – MSS) could be achieved through effort focused at those above minimum standard and therefore not benefiting those below the minimum.

In the LNNP, examples of the 2010 targets include:

- increasing the percentage of Year 3 students at or above minimum standard from 91 per cent (2008) to 94 per cent (2010) for reading (South Australia);
- increasing the percentage of Year 3 Indigenous students at or above minimum standard from 65 per cent (2009) to 68.8 per cent (2010) for reading (Northern Territory); and
- increasing the MSS of Year 3 students from 404.9 (2009) to 411.63 (2010) for reading (Victoria).

Source: ANAO analysis of ACARA, ACER and DEEWR documentation.

Appendix 5: Facilitation and Reward Payment Arrangements

1. schedule D, Payment Arrangements of the IGA FFR[173] sets out the arrangements for all National Partnership payments. In particular, it provides guidance on the determinations that can be made by Australian Government ministers. For the LNNP, this means that:

- the Minister for School Education, Early Childhood and Youth[174] (the Minister) approves facilitation payments based upon expenditure and performance reporting arrangements set out in the LNNP.
- the Treasurer makes a determination as to whether a reward payment will be made following receipt of a recommendation from the COAG Reform Council on the achievement of agreed reform targets.

2. the Treasury's Federal Finances Circular, *Payment Accountabilities and Certification Arrangements*[175], confirms the accountabilities of Australian Government ministers and agencies with regard to payments made under the framework for federal financial relations. Specifically, it sets out guidance to ensure that the relevant Australian Government minister determines whether milestone-based payments will be made, based upon expenditure and performance reporting arrangements set out in National Partnerships.

3. the Circular also provides for all payments to be certified by an authorised official, generally the Chief Financial Officer (CFO) of the relevant agency, to assure the Treasurer that payments made under the framework for federal financial relations are accurate, appropriate and have legal authority.

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[173] Ministerial Council for Federal Financial Relations, *Intergovernmental Agreement on Federal Financial Relations Schedule D Payment Arrangements*, January 2009, available at: <http://www.federalfinancialrelations.gov.au/content/intergovernmental_agreements.aspx> [accessed February 2012].

[174] The Minister for School Education, Early Childhood and Youth has assumed the delegated responsibilities of the Minister for Education, Employment and Workplace Relations as set out in the LNNP.

[175] The Treasury, *Federal Finances Circular No 2011/01 – Payment Accountabilities and Certification Arrangements*, January 2011, available at: <http://www.federalfinancialrelations.gov.au/content/circulars/circular_2011_01.pdf> [accessed February 2012].

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