Australian public secondary schools: the tensions between financial autonomy and accountability

By

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I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Charles Sturt University or any other educational institution, except where due acknowledgment is made in the thesis.

Any contribution made to the research by colleagues with whom I have worked at Charles Sturt University or elsewhere during my candidature is fully acknowledged. I agree that this thesis be accessible for the purpose of study and research in accordance with the normal conditions established by the Executive Director, Library Services or nominee, for the care, loan and reproduction of theses.

Signed:

Warwick Baines
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Ethics approval

This project was approved by the Charles Sturt University Human Research Ethics Committee on 21 May 2012 Approval No. 2012/067. Official documentation confirming ethics approval appears in Appendix A.
Abstract

There is a growing global trend to decentralise public school administration and to grant individual schools increased degrees of financial autonomy. The policy trend in all Australian jurisdictions mirrors the global trend. Government justification for this policy is that providing principals, parents and school communities with greater input into the management of their local school improves student performance. Ostensibly, this is because funds are more efficiently spent by those closest to the students, but the policy and its justifications are heavily contested. The management of and accountability for funding provided to schools, even with differing levels of autonomy, is central to this debate. It rather than education outcomes is the focus of this research.

When autonomy means significant resources are provided to the autonomous body, it usually brings the concomitant responsibility to report on resources used and outcomes achieved—accountability. However, the dictates of accountability limit the degree of autonomy in practice, which in turn can affect the discharge of accountability. The research conducted in this paper examined the iterative interrelationship between financial autonomy and accountability and how each affects the other—not only to explain that interrelationship but also contradictions between the policy intention and the reality for schools. In Australia the extent of autonomy currently available to public schools varies most significantly between its two largest jurisdictions—NSW and Victoria. Given their standing on opposite ends of the school autonomy spectrum, NSW and Victoria were the states best placed to support an effective examination of such matters. The research focused on financial outcomes of the autonomy/accountability relationship, not on educational outcomes.

The research used a field study approach at four government secondary schools—one small and one large in each state, all located in regional areas. Relevant policy and procedural documents and reports were analysed but the primary source of data for this research was in-depth semi-structured interviews conducted with stakeholders in each school. These four case study schools were selected to examine similarities and differences in size and state.
Similarities and differences were identified, both between schools and between jurisdictions. In this research size, financial management capacity, government policy and practice are all factors that impact the lived financial autonomy experience of schools and the shape of their accountability frameworks but the most significant factor was the principal. The same factors impact the tensions between financial autonomy and accountability and the nature of their resolution. All four case studies demonstrated that financial autonomy, irrespective of scope, has been championed by governments in both states without an effective implementation plan. Only the two larger case study schools, both lead by principals with departmental backgrounds and financial management skills, were in a position to remedy any of the institutional deficiencies associated with their respective department’s financial autonomy policy. Lacking such capacity, and departmental support to develop it, the two smaller case study schools essentially sought remedy in reduced financial autonomy and accountability.

The findings from this research suggest that Australian governments have yet to learn from school autonomy initiatives in countries such as the United States, United Kingdom, New Zealand, Indonesia, Italy, Israel, Denmark, Norway and Ireland. An analysis of those initiatives suggests building financial management capacity in local schools is critical for autonomy to succeed. Without a comprehensive strategy to build financial management capacity before the introduction of financial autonomy, the outcomes may not be those which were intended. The research shows the result may be the current experience in NSW and Victorian government schools—an ad hoc financial autonomy experience heavily dependent on the background of the principal and other senior staff to resolve the inevitable tensions between financial autonomy and accountability.
Chapter 1    Introduction

1.1 Background to the research
Globally, the public sector has experienced substantial and ongoing change since the late 20th century. New approaches to public sector management, shaped by private sector techniques and public choice theory (Hood, 1991), have driven a shift away from centralised control towards more autonomous management structures and more explicit accountability standards (Funnell, Cooper, & Lee, 2012). Government schools are a significant part of the public sector—new approaches to managing them have much in common with the rationales of new public management (NPM) (Tooley & Guthrie, 2007a). Of note is the growing global trend to grant individual schools increased degrees of financial autonomy. Australian jurisdictions, enthusiastic adopters of NPM (O‘Flynn, 2007), justify such reform for their schools on the grounds that funds are more efficiently spent by those closest to the students but the policy and its justifications are contested (Smyth, 2011). Importantly the extent of financial autonomy granted to Australian government schools varies significantly between jurisdictions. Financial accountability arising from autonomy rather than accountability for education outcomes is the focus of this research.

If autonomy means significant resources are provided to the autonomous body, it usually brings the concomitant responsibility to report on resources used and outcomes achieved i.e. accountability for the use of those resources. Consequently the possibility of tensions between the financial autonomy granted to individual schools and the financial accountability expected for it must be considered—certainly prior research (Funnell, et al., 2012; Smyth, 2011) indicates that such tension is likely. The research presented in this thesis examines the iterative interrelationship between financial autonomy and financial accountability and how each affects the other—not only to explain that interrelationship, and the tensions that may arise from it, but also how any tensions may be resolved. In Australia the extent of autonomy currently available to public schools varies most significantly between its two largest jurisdictions—NSW and Victoria. Given their standing on opposite ends of the school autonomy spectrum, NSW and Victoria were the states best placed to support an examination of such matters.
1.2 Research questions
The major aim of this research is to explain the nature and impact of the interplay between autonomy and accountability on the degrees of autonomy experienced by Australian public secondary schools and the diverse accountability frameworks in place at those schools. The aim is to be achieved by addressing a number of relevant research questions. The overarching research question is:

If there are tensions between financial accountability and autonomy, how are these tensions between autonomy and accountability manifested and resolved in Australian public secondary schools?

Additional related questions are:

- What degrees of autonomy are experienced by Australian public secondary schools?
- To whom and for what is accountability owed by Australian public secondary schools?
- How do Australian public secondary schools discharge their accountability obligations?
- If diversity in accountability exists, how do the accountability frameworks of Australian public secondary schools differ?

1.3 Justification for the research

Previous research has clearly identified a symbiotic relationship between autonomy and accountability (Burns & Scapens, 2000), but the form of that relationship is not always clear. This is particularly the case in the public sector (Parker & Gould, 1999) where entities such as schools, granted contrasting degrees of autonomy, may end up with homogenous management practices (Edwards, Ezzamel, Robson, & Taylor, 1996; Leithwood & Menzies, 1998). Accountability requirements may be one factor leading to such homogeneity, but accountability frameworks can themselves be rather diverse. The primary research question, which addresses the ‘interplay’ or ‘reciprocal action’ (Moore, 1993) between autonomy and accountability, is therefore an important one to ask. It is further justified by:

- the importance of Australian public school systems, both in terms of size and their impact on Australian society;
- the growing appeal of public school financial autonomy;
- the increased focus on accountability for public monies; and
- the capacity of institutional theory to explain both change and diversity.
1.3.1 Australian public school systems

Education plays an integral role in developing citizens who are able to fully participate in society (Freebairn, 2005; Harrold, 1996). State-based public school systems remain the backbone of Australia’s education systems, enrolling 65.3% or approximately 2.3 million of Australia’s school-age children in 2011 (Harrington, 2013). Educating these children cost Australian governments, and by extension Australian taxpayers, $34.5b (2.66% of GDP) in 2011 (Harrington, 2013). This is an amount set to increase significantly as the core recurrent funding recommendations of the Review of Funding for Schooling (the Gonski Review) are implemented by all Australian governments (Gonski, 2011). When parents and those directly or indirectly employed by public school systems are added to the students, the number of Australians with a vested interest in these schools is significant. Consequently, Australia’s public school systems are of utmost importance on a number of levels.

1.3.2 School autonomy

The importance and cost of public education inevitably means that governments will constantly seek ways to improve the educational performance of its schools (Harrold, 1996) for the lowest possible cost (Mante & O’Brien, 2001). The debate over how public schools are best administered has always been vigorous (Harrold, 1996; Matthews, 1983; Schneider & Keesler, 2007) and the growing global response of granting individual public schools increased autonomy over how their public funding is allocated has intensified the debate (Chan & Chui, 1997).

If the merits of the argument of each side were to be measured by recent government decisions, then the debate over school autonomy, in Australia and elsewhere, is presently being won by proponents of greater autonomy. Soon after taking office in May 2010, the United Kingdom (UK) government commenced implementation of its platform to ‘liberate’ more public schools from education authority control in teaching and management (“Michael v the machine,” 2011) by significantly increasing the number of ‘academies’². Adopting a policy from Sweden, the UK government is also seeking parents and charities to

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¹ There is now some political debate about future funding of the Gonski reforms.
² UK academies are state schools, independent of local authority control and funded directly by central government. They can be contrasted with ‘maintained’ schools, which are funded by local authorities.
set-up entirely new, entirely state funded academies known as ‘free’ schools. By November 2014 20.6% of all government funded schools (and almost 60% of government funded secondary schools) in the UK were academies of one form or another (UK Department for Education, 2015). Likewise, the US Federal Government continues to grow the number of free schools, known there as charter schools, particularly in poorer areas. In the seven years from 2007 to 2014, there was 47% increase in the number of charter schools and they now constitute 6% of the US public school system (Keaton, 2014). New Zealand recently had its twenty year old transformational initiatives in school autonomy (Fiske & Ladd, 2000b) strengthened by the creation of ‘partnership schools’. Introduced in 2013 by the current centre-right government, partnership schools effectively adopt the same UK ‘free school’ model, granting ‘greater freedom and flexibility to innovate ... in return for stronger accountability for improving educational outcomes’ (New Zealand Ministry of Education, 2013).

In Australia there has also been a trend to grant more public school autonomy, but to varying degrees between state jurisdictions. Whilst most New South Wales (NSW) schools still largely operate within a heavily centralised system, Victoria, once the clear leader in public school autonomy, has arguably been surpassed by Western Australia (Ferrari, 2010). In 2010 Western Australia (WA), under its Independent Public Schools (IPS) initiative, originally converted 34 of its public schools from centralised control, granting them a single line budget with responsibility for hiring teaching staff, curriculum decisions, and maintenance and utilities provision. By early 2015, 441 former public schools covering about 70% of WA students and teachers, had converted to IPS after completing a ‘development program’ and passing a ‘rigorous selection process’ (Western Australian Department of Education, 2014).

Despite the apparent enthusiasm for increased public school autonomy, research that seeks to explain the diversity of that autonomy in Australia has to date been limited and has not provided conclusive findings. This research aims to address this deficiency.

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3 UK free schools are academies in law, and have the same range of freedoms, but rather than being the product of a conversion or takeover of a maintained school, they are ‘new’ to the state sector (i.e. they are newly established or formerly independent schools), having been established on the basis of proposals from groups of educators, parents, charities or others.
1.3.3 Accountability

An inevitable companion to autonomy is accountability. It follows that if schools are granted greater autonomy to make their own decisions, then they should ultimately be responsible and accountable for those decisions. This leads to questions of accountability to whom, for what, and how accountability should be rendered. In 2011, Australian governments spent $34.5b on public schools (Harrington, 2013). An increasing percentage of this was spent by the schools themselves, but the majority was still allocated centrally by state government bureaucracies. Few are opposed to the concept of accountability but support for accountability in practice can be far more equivocal. A significant reason for the difference in support between concept and practice is that accountability can mean different things to different people (Bovens, 2007). The situation is further confused since organisations in the same field often have diverse accountability frameworks in place.

Within the Australian public education system there is not only a diversity of accountability frameworks in place at individual schools, but diversity in the degrees of autonomy granted to those schools. This research directly aims to examine the tensions between financial accountability and autonomy, as well as how these tensions between autonomy and accountability are manifested and resolved in Australian public secondary schools.

1.3.4 Institutional theory

In the debate over public school accountability, institutional theory has a significant role to play in the analysis (Brignall & Modell, 2000). This is not only because institutional theory is arguably the most dominant perspective in organisational analysis (Lounsbury, 2008), and also the broadest (Scott, 1987), but its natural home is in the public sector (Frumkin & Gelaskiewicz, 2004) where institutions, including those connected to education, abound. Indeed its perspectives are so broad that in relation to public sector organisations and fields, some see institutional theory as an explanation for stability and conformity (DiMaggio & Powell, 1983; Sharma & Lawrence, 2008), whereas other institutional theorists believe it explains diversity and change (Lounsbury, 2008). Other researchers have argued that this is a false dichotomy and that institutional theory can simultaneously stress ‘the stability embodied in rule-based behaviour and routine organisational systems and practices, but also recognises that rules and routines can change’ (Burns & Scapens, 2000, p. 4).
Existing financial management and accountability practices in Australian public school systems appear, at least superficially, to be as diverse as the institutional theory perspectives that may explain them. Despite the importance of public education and the significance of institutional theory, there has been little application of the theory to research in educational settings (for exceptions see Arum, 2000; Edwards, Ezzamel, Robson, & Taylor, 1995), particularly in Australian contexts. This research employs institutional theory in analysing the impact of the interplay between government policy on school autonomy and the accountability frameworks in place at Australian public secondary schools.

1.4 Contribution of the research
The implementation of financial autonomy in government schools is challenging. The research presented in this thesis contributes to elucidating those implementation challenges and suggesting ways to overcome them, particularly in regional Australia. It is important as there have been recent suggestions that increasing autonomy is the way of the future.

1.4.1 Contributions to theory
The research reported in this thesis confirms institutional theory can be used as a framework to explain stability and conformity (DiMaggio & Powell, 1983; Sharma & Lawrence, 2008) as well as diversity and change (Lounsbury, 2008) in Australian government schools. It also highlights deficiencies in departmental approaches to financial autonomy and accountability. The differing impact of normative and mimetic isomorphism on the principals of case study schools, for example, provides a plausible rationale for their divergent responses to the tensions between financial autonomy and accountability. The most significant pressures at work are coercive because the schools are still ultimately reliant on their respective education departments for funding.
1.4.2 Contributions to policy
Policies to grant government schools increased autonomy over how their public funding is used will not succeed without a comprehensive strategy to build and provide financial management capacity in those schools. This is a finding consistent with research conducted on the implementation of school autonomy policies in overseas jurisdictions (Moos, 2005; Sun, Creemers, & de Jong, 2007) and is a finding that Australian governments have, based on this research, yet to heed. There are however indications that the policy settings on government school autonomy in Australia may be changing. A recent agreement between the Australian and Victorian governments to create more ‘independent public schools’ specifically provides for more training for principals, assistant principals and business managers as well as a local administration bureau ‘which outsources time-consuming paperwork for small schools to education department experts’ (Tomazin, 2014). The research presented in this thesis demonstrates professional development and support for principals and school communities are critical in any policy to increase autonomy but especially for small regional schools.

1.4.3 Contributions to practice
The research presented in this thesis shows that in practice the disconnection between autonomy policy and support for schools implementing the policy means that school size, financial management capacity and the principal determine the financial autonomy experience. Common integrated information systems mean significant consistency in accountability frameworks. However, consistency does not necessarily mean in practice that the accountability frameworks in Australian schools are effective. This research further examines reporting requirements. As well as implementation and utility issues with integrated information systems for management and reporting, this research captures the strong view of interviewees that the mandatory annual report is ineffective for demonstrating financial accountability to stakeholders other than the various education departments.
1.5 Methodology

This research seeks to understand part of the social world by examining the iterative interrelationship between autonomy and accountability and how each affects the other in the context of Australian public secondary schools. It is clear that decisions, including those concerning school autonomy and accountability, are significantly dependent on human behaviour, but so too is the accounting information often relied upon to make those decisions. As accounting information is constructed by humans, most accounting based research questions cannot be answered ‘independently of the human behaviour and perceptions within which they are embedded’ (Bisman, 2010, p. 15). Consequently, critical realism is adopted as the research paradigm of ‘best fit’ and most capable of answering the research questions.

The research uses a field study approach (Lillis & Mundy, 2005) at four government secondary schools—one small and one large in each of Victoria and NSW, all located in regional areas of each state. Such an approach draws a larger number of observations than an in-depth case study but also facilitates more complex ‘how’ and ‘why’ questions than survey approaches. Traditional weaknesses of case study research—its lack of objectivity and inability to generalise—are partially ameliorated by a multiple case study design which enables the prediction of contrasting results but for anticipatable reasons (a theoretical replication) (Yin, 2009). Consequently the four case study schools are selected to examine similarities and differences in size and state.

To frame the public education policy and procedural context within which the research for this thesis was conducted, relevant policy and procedural documents—produced either by the case study schools or their education departments—are analysed. The primary source of data for this research, however, is in-depth semi-structured interviews conducted with stakeholders in each school. Research participants in case study interviews are selected purposively—they must have had some involvement in or responsibility for the administration of school based financial management. The sample selections are focused on the school business manager, the principal, accounting administration staff members, the chair of the school’s governing body, and teachers who demonstrated some interest and expertise in school autonomy, financial management and accountability frameworks.
Applying the saturation principle, interviews are conducted until responses began to be homogenous (Saunders, Lewis, & Thornhill, 2003). Each case study school provides an average of four interviewees. The process of analysing the data from those interviews is based on a thematic analysis approach outlined by Aronson (1994) and was supported by qualitative data analysis computer software, NVivo.

1.6 Outline of the thesis
This thesis is organised into ten chapters. Chapter 1 introduces the research. Chapter 2 analyses the broad field of literature relating to the decentralisation of public school administration. Chapter 3 turns specifically to an outline and dissection of the theoretical framework. Chapter 4 describes the methodology and research methods used to collect and analyse the research data. Chapter 5 frames the public education policy and procedural context in which the schools in this research operate and chapters 6, 7, 8 and 9 report the research findings for each of the four case study schools. Lastly Chapter 10 provides the conclusions and contributions of the study.

1.7 Summary
This chapter has provided a foundation for research into government school financial autonomy and accountability. The context that frames the research conducted for this thesis has been outlined, so too the questions that this research seeks to answer. The research justification and the outcomes and contributions to research—in terms of theory, policy and practice—were outlined.
Chapter 2    Literature review and research settings

2.1 Introduction
This chapter reviews the literature relating to the growing global trend to decentralise public school administration. The scope of the literature review has been defined by the dominant themes of public school decentralisation, including New Public Management (NPM), accountability and autonomy. Taking the form of a narrative review, this chapter provides both a descriptive and a critical assessment of that literature, which in turn justifies the research questions. These research questions (Section 1.2) emerge from the literature and are restated throughout the chapter. This chapter also informs the construction of a model (Figure 2.1) that outlines the iterative interrelationship between accountability and school autonomy.

Figure 2.1 A model of interrelationships in school autonomy decisions

To inform the context within which decisions about public school accountability and autonomy have been made, an overview of NPM is required. The chapter therefore begins with an account of the social, political and economic pressures that have driven the global rise of NPM and includes literature specifically exploring the link between autonomy and
accountability. This is followed by a focus on Australian NPM literature and the research conducted to date on the role of NPM in schools.

NPM philosophies such as the devolution of responsibilities, contracting out and contestability, efficiency targets and revised corporate governance arrangements all point to an obvious need for accountability. A review of the general accountability literature follows the discussion on NPM. The lengthy and varied history of accountability is outlined, various types of accountability considered, and the key stakeholders in accountability relationships are introduced. The accountability section of the chapter is completed by a review of the literature on annual reports, particularly annual reports from schools.

Since the research seeks to understand the iterative interrelationship between accountability and autonomy in the context of Australian public secondary schools, the final section of this chapter is concerned with the literature on autonomy in general and school autonomy in particular. The section moves from a review of school autonomy research conducted in other countries, especially in the US, UK and New Zealand, to a focus on school autonomy in Australia, with NSW and Victoria featuring prominently.

2.2 New Public Management

Defining the public sector in the 21st century can be a difficult task. Funnell, et al. (2012) argue that this difficulty is due, in no small part, to the spread of the managerial ethos throughout the public sector which has blurred and eliminated some of the differences between the public and private sectors. Nevertheless Funnell, et al. (2012) apply a broad definition used by Australian Auditors-General4, incorporating all organisations ‘which at any time have depended upon the public purse, and in which the government still retains control, as part of the public sector and are therefore accountable to the Parliament’ (pp. 5-6). In Australia there are nine parliaments: one Commonwealth, six state, and two territory parliaments. The public sector organisations accountable to these parliaments (including local councils as the third tier of government, which report to the relevant state

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4 The Federal Auditor-General and state counterparts head up the Audit Office in each jurisdiction. They are effectively the internal audit function for the public service.
parliaments) are either entirely dependent on taxation for their funding or have some
capacity to raise revenue from non-budget sources. Public education in Australia is
administered and predominantly funded by state and territory governments, but receives a
significant proportion of its funding from the Commonwealth government (Harrington,
2013). Although public schools have traditionally been classed as budget dependent, some
may argue that the spread of managerialism⁵ throughout the public sector has brought such
a definitive classification into question. A more detailed consideration of the impact of NPM
on public schools is provided in Section 2.2.4.

Although the public sector plays an important role in society, argument rages over the scope
of that role. At one end of the spectrum is the view that governments should only be
involved where markets are inefficient, and at the opposing end is the argument that
governments should be involved in everything the democratic process deems appropriate
(Aulich, Halligan, & Nutley, 2000). Today, developed nations around the world are at various
points along that spectrum. Just as contested is the related debate over how governments
should provide the services for which they are deemed responsible.

2.2.1 History of NPM

Beginning in the 1950s, critics labelled the traditional rule-based, hierarchical public
administration model ‘dysfunctional’ because of its focus on inputs and processes, and its
‘naive’ reliance on public servants acting in the public interest (Aulich, et al., 2000). Aulich,
et al. (2000) record that the problem of self-interest in the public sector began a push in the
1970s by public choice theorists to ‘restrict the size of government and move away from a
public administration model of government’ (p. 13) towards a model that, as far as possible,
allowed markets to meet the public’s needs. This thinking subsequently progressed into a
‘virtual government’ view of the public service (Sturgess, 1996) that differentiated the role
of government from the role of providing services. The distinction between the
responsibility of government to ensure the service is provided and the responsibility for the
actual provision of the service became known in contemporary public management circles
as the purchaser/provider model (Brignall & Modell, 2000). Underpinning these new

⁵ Defined as ‘the application of managerial techniques of businesses to the running of other organisations’
(Dictionary.com, 2016)
approaches to government was the interest of politicians and academics in management models from the private sector (Aulich, et al., 2000). By the end of the 1980s these myriad new approaches, shaped by private sector management techniques and public choice theory, came to be known by a common name—New Public Management (NPM) (Hood, 1991).

Unsurprisingly, given its genesis, a range of principles coalesced under the NPM banner. Hood (1991) identifies ‘seven overlapping precepts’ that ‘appear in most discussions of NPM’ (p. 4). These central tenets are outlined in Table 2.1 below, including evidence of their application in other research. The seven overlapping precepts are also used to frame a more detailed consideration of the impact of NPM on public schools as presented in Section 2.2.4.
<table>
<thead>
<tr>
<th>No.</th>
<th>Doctrine</th>
<th>Meaning</th>
<th>Typical justification</th>
<th>Application in other research</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>‘Hands-on professional management’ in the public sector</td>
<td>Active, visible, discretionary control of organisations from named persons at the top, ‘free to manage’</td>
<td>Accountability requires clear assignment of responsibility for action not diffusion of power</td>
<td>(Aulich, et al., 2000; Bradley &amp; Parker, 2006; Broadbent &amp; Guthrie, 1992; Broadbent &amp; Laughlin, 1998; Funnell, et al., 2012; Hood, 1995b; Kloot &amp; Martin, 2007; O’Flynn, 2007)</td>
</tr>
<tr>
<td>2</td>
<td>Explicit standards and measures of performance</td>
<td>Definitions of goals, targets, indicators of success, preferably expressed in quantitative terms, especially for professional services</td>
<td>Accountability requires clear statement of goals; efficiency requires ‘hard look’ at objectives</td>
<td>(Bradley &amp; Parker, 2006; Broadbent &amp; Guthrie, 1992; Broadbent &amp; Laughlin, 1998; English &amp; Guthrie, 2000; Flack &amp; Ryan, 2005; Funnell, et al., 2012; Hood, 1995b; Kaboolian, 1998; Kloot &amp; Martin, 2007; O’Flynn, 2007)</td>
</tr>
<tr>
<td>3</td>
<td>Greater emphasis on output controls</td>
<td>Resource allocation and rewards linked to measured performance; breakup of centralised bureaucracy-wide personnel management</td>
<td>Need to stress results rather than procedures</td>
<td>(Baehler, 2003; Broadbent &amp; Laughlin, 1998; Funnell, et al., 2012; Hood, 1995b; O’Flynn, 2007)</td>
</tr>
<tr>
<td>4</td>
<td>Shift to disaggregation of units in the public sector</td>
<td>Break up of formerly ‘monolithic’ units, unbundling of U-form management systems into corporatized units around products, operating on decentralised ‘one-line’ budgets and dealing with one another on an ‘arms-length’ basis</td>
<td>Need to create ‘manageable’ units, separate provision and production interests, gain efficiency advantages of use of contract or franchise arrangements inside as well as outside the public sector</td>
<td>(English &amp; Guthrie, 2000; Funnell, et al., 2012; Hood, 1995b; O’Flynn, 2007)</td>
</tr>
<tr>
<td>5</td>
<td>Shift to greater competition in public sector</td>
<td>Move to term contracts and public tendering procedures</td>
<td>Rivalry as the key to lower costs and better standards</td>
<td>(Hood, 1995b; Kaboolian, 1998; O’Flynn, 2007)</td>
</tr>
<tr>
<td>6</td>
<td>Stress on private sector styles of management practice</td>
<td>Move away from military-style ‘public service ethic’, greater flexibility in hiring and rewards, greater use of PR techniques</td>
<td>Need to use ‘proven’ private sector management tools in the public sector</td>
<td>(Bradley &amp; Parker, 2006; English &amp; Guthrie, 2000; Funnell, et al., 2012; Hood, 1995b; Kelly, 1998; Kloot &amp; Martin, 2007; Lynn, 1998; Lyons &amp; Ingersoll, 2006; O’Flynn, 2007)</td>
</tr>
<tr>
<td>7</td>
<td>Stress on greater discipline and parsimony in resource use</td>
<td>Cutting direct costs, raising labour discipline, resisting union demands, limiting ‘compliance costs’ to business</td>
<td>Need to check resource demands of public sector and ‘do more with less’</td>
<td>(Hood, 1995b; Kloot &amp; Martin, 2007; O’Flynn, 2007)</td>
</tr>
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Adapted from: Hood (1991, pp. 4-5)
2.2.2 Criticisms of NPM

NPM reaches across numerous countries, political ideologies, levels of government, policy fields, and organisations (Hood, 1991) but it is not without its critics. Indeed the claim of universality is one of the most criticised (Hood, 1991). Critics argue that ‘NPM seems to have had much less impact on international bureaucracies than on national ones, and less on controlling departments than on front-line delivery units’ (p. 8). Proponents counter that this may well be an issue of NPM implementation rather than one of incompatibility with certain contexts and argue that its bipartisan support indicates political universality (Hood, 1991; Hughes, 1998). Of course, the level of current political support is not necessarily a valid measure for the effectiveness of an approach to public sector management.

Another major criticism is that it is not really a coherent theory about the organisation and management of public institutions, but rather a set of loosely connected ideas (Aulich, et al., 2000). A charge of incoherence would tend to indicate a lack of maturity in the NPM literature, but others (Hood & Peters, 2004) have essentially criticised NPM for being middle-aged, supporting an entire industry of ‘consultants, conventional scholars, staff of international agencies, senior public servants, politicians and spin doctors’ (p. 267). Such a picture is in sharp contrast to the efficient and responsive public sector that was supposed to be ushered in by NPM. Indeed, the same critics (Hood & Peters, 2004) have argued, based on research conducted in the 1990s, that bureaucratic activity under NPM is in many domains ‘even more rules based and process driven than the traditional forms of public bureaucracy that NPM was meant to supplant’ (p. 271). Literature that specifically explores the link between autonomy and accountability in publicly funded organisations makes similar points. NPM reforms have left universities with ‘low actual autonomy’ (Christensen, 2010, p. 515), unresolved tensions ‘between autonomy and control’ (Christensen & Laegreid, 2007, p. 518) in Norwegian homeland security and telecommunications agencies, and strong resistance to increased accountability requirements among UK general medicine practices (Broadbent, Jacobs & Laughlin, 2001).

Behn (1998) questions whether the implementation of NPM means accountability and therefore legitimacy is sacrificed in the drive for effectiveness and efficiency. ‘It does not make any difference how well your paradigm works for private sector organisations.
Government is different...if your system does not ensure accountability to the citizens, then it is by definition unacceptable’ (p. 132). Funnell, et al. (2012) make the same point that ‘Government is very different to the private sector both in form and function’ (p. 62), and they raise the same concerns about NPM’s impact on the traditional model of Westminster public sector accountability. ‘To many public servants, the pendulum of accountability has swung so far in their direction, and away from politicians directly, that they are crying ‘enough’” (p. 77).

The tension between the expectation of accountability in public administration and the demand for it to be more productive and responsive is an undoubted challenge for NPM and best captured in what Behn described as the Moore Paradox: ‘On one hand, because personal leadership and responsibility seem to be key to successful innovations, they should be valued. On the other hand, the arrogance and flashy style that often accompany personal leadership often attracts hostility and suspicion in the public sector’ (Moore, 1993, pp. 133-134 cited in Behn, 1998). Behn (1998) also argues, however, that public administration advocates are being disingenuous if they think that public servants do not make policy under the public administration paradigm. The impact of NPM on accountability is further explored in Section 2.3.

The criticisms of NPM outlined above centre on an inability to deliver on its claims of a more effective public sector, despite its apparently detrimental impact on public sector accountability. There are, of course, responses to such criticisms, particularly in Australia and New Zealand: countries which ‘were perceived as the international ‘movers and shakers’ in the field’ (Hood & Peters, 2004, p. 268). NPM in Australia is the focus of the next section.

2.2.3 NPM in Australia
Among the most enthusiastic and earliest adopters of NPM were consecutive Australian federal and state governments (Hood & Peters, 2004; O’Faircheallaigh, Wanna, & Weller, 1999; O’Flynn, 2007), led in turn by political parties of supposedly opposing ideologies. The nature of the genesis of NPM (as outlined in Section 2.2.1), allowed both the Australian
Labor Party on the left, and the Liberal-National parties on the right, to champion NPM at national and state levels of government (Funnell, et al., 2012). While the beginnings of a global NPM movement can be traced back to the 1950s, the move towards a style of public administration that allowed the market to meet the public’s needs only gained momentum in the 1970s and the timeline of NPM reform in Australia accords with this movement.

'It is generally agreed that the major impetus for public sector reforms was embedded in the harsh economic climate forced upon Australia by world events in the 1970s and early 1980s (Funnell, et al., 2012, p. 125). Australian governments responded, in part, by undertaking inquiries into public sector performance. Between 1974 and 1977, there were two such inquiries in the state of NSW, one each in the states of South Australia and Victoria, and another at the federal level of government—the Royal Commission on Australian Government Administration (RCAGA). The overarching theme of the RCAGA recommendations was to give public servants more autonomy in an endeavour to promote them to ‘act entrepreneurially’, but to also make them more accountable for their actions (Funnell, et al., 2012, p. 129). The centre-right federal government of this era held a further three inquiries into public sector administration. However, this government’s attempts to implement the recommendations of various inquiries, including those of the RCAGA, were largely unsuccessful.

It then fell to a centre-left government, which took office in 1983, to implement a more managerial approach in the public sector and act on numerous recommendations that emerged from government inquiries of the 1970s. ‘The vehicle chosen for the reforms was called the Financial Management Improvement Program (FMIP)’ (Funnell, et al., 2012, p. 131). At the heart of the FMIP and associated reforms was the devolution of further authority to public sector managers, reform of the budget and the introduction of program management and budgeting, the establishment of clear management objectives, and the evaluation of management performance (Funnell, et al., 2012, p. 133).

O'Faircheallaigh et al. (1999) argue that the 1980s and 1990s represented two distinct periods of public sector reform in Australia. They note that in the 1980s, as outlined above,
By the 1990s Australian public sector reform was focused on what government should own and control ‘with an expectation that public provision would be found less effective if an alternative was available’ (O’Faircheallaigh, et al., 1999, p. 295). The 1996 election of a centre-right government heightened this emphasis and marked the beginning of the next critical phase in the reform of the Australia public sector—the Outcome and Outputs Framework. This Framework was ‘meant to direct management’s attention from inputs to results and promote better decision making by government and accountability to the Parliament’ (Funnell, et al., 2012, pp. 134-135), but there were (and remain) questions about whether this has actually been achieved. For example, in 2007, the Australian National Audit Office (ANAO) argued that in trying to provide autonomy for managers the Outcome and Outputs Framework was ‘so imprecise and open-ended’ (p. 138) that it diminished the government’s accountability to the Parliament for appropriations.

The criticisms by the ANAO neatly capture the dilemma and the debate surrounding NPM in Australia—there are tensions between autonomy and accountability and they can be difficult to resolve. Findings from other research conducted on Australian public sector organisations, including local government (Kloot & Martin, 2001, 2007), state government departments (Mack & Ryan, 2007; Taylor & Rosair, 2000), government-owned corporations (Mack & Ryan, 2007; C. Ryan, Dunstan, & Brown, 2002) and Auditors General (English & Guthrie, 2000) reinforce this view. Some commentators (Funnell, et al., 2012) argue that NPM has made the Australian public sector inherently more complicated, whilst others believe that too much was expected of NPM. ‘New theories and their consequences cannot settle questions regarding the nature of public programs or their appropriateness’ (O’Faircheallaigh, et al., 1999, p. 298).

The bureaucratic predecessor to NPM also exhibited a range of weaknesses and so there is little enthusiasm for its reinstatement—instead, new discourses of public management are being proposed (O’Flynn, 2007). Even if new models were to be adopted, the inherently political nature of the state, and its role in society, will remain unchanged. ‘Working with
this dilemma is the challenge for the public sector. That is why public sector management remains a unique activity' (O'Faircheallaigh, et al., 1999, p. 299). For the time being, NPM remains a dominant approach to public sector management in Australia. Indeed, as far as Australian schools are concerned, the influence of NPM is increasing. Accompanying that increased influence is a heightened possibility of tensions between autonomy and accountability, as highlighted by the ANAO (O'Faircheallaigh, et al., 1999), manifesting in Australian schools. The role of NPM in schools in Australia and in other jurisdictions is the focus of the next section.

2.2.4 NPM in schools

The previous section highlighted the significant impact NPM has had at all levels of government and in all forms of public sector organisations. Public school management is no exception. Whether NPM concepts are labelled as ideas (Aulich, et al., 2000) or doctrines (Hood, 1991), there is significant common ground between the rationales and canons of NPM and the development of new approaches to public school management (Ezzamel, Robson, Stapleton, & McLean, 2007; Moos, 2005; Tooley & Guthrie, 2007b), such as the self managing school (SMS). Some commentators have forcefully argued that this shift in doctrine has had a very negative impact on schools. ‘What this reform [the SMS] has done is virtually dismantle public education and privatise it without public debate or proper scrutiny’ (Smyth, 2011, p. 95). Worse still, this disassembling of public education appears to have been undertaken deceptively. ‘An apparently straightforward and seductive idea [SMS] was ‘sold’ to different audiences [teachers, parents, administrators, business, policy makers] in different ways - invoking a different register in each case’ (Smyth, 2011, p. 102).

Although little real evidence is offered to support his claims, Smyth (2011) identifies what should be the overarching rationale for NPM-influenced approaches to school management such as SMS; this key objective being improved student learning outcomes. ‘The most striking feature [of SMS] was its ‘conspicuous lack of engagement with the very people who are the objects of policy change and for whom the actual experience of its implementation constitutes the new reality which [was] so fervently desired’ (p. 109). However, research concerning UK school autonomy led to the claim that ‘there is little evidence from this
sample of schools of local management stimulating any significant changes in the ways
schools operate with respect to their core technology of teaching and learning' (Levačić,
1995, p. 105). Proponents of NPM dispute this and cite Organisation for Economic Co-
operation and Development (OECD) statistics, claiming a positive correlation between
increased autonomy and academic achievement (OECD, 2010). Comprehensive OECD
research on school-based management (SBM) concludes control over the budget is at the
heart of SBM but that is ‘closely connected to ... the defining of roles and the hiring and
development of staff’ (Abu-Duhou, 1999, p. 35).

Although his views are contentious, Smyth (2011) also highlights the possible tension
between autonomy and accountability in schools:

‘The argument made at the time, and the reason it was sold so successfully, was that it was
hard to object to the logic behind what was presented as the apparent exit of government
from activities like education. That turned out to be not the case, largely because
government did not actually disappear - rather it retreated into an even more powerful role
of ’policy’ setting - steering at a distance, while increasing control through a range of
outcomes driven performance indicators' (p. 112).

Others argue that NPM’s impact on public school management has been significant,
although not with respect to student learning outcomes. For example, after reviewing
seventy seven case studies of SBM implementation, Leithwood and Menzies (1998) believe
that ‘SBM has yet to demonstrate its value in improving the educational experiences of
students’ (pp. 235-236). Leithwood and Menzies (1998) go on to contend that NPM ‘does
seem promising as a means of reducing central administrative costs, democratizing the
school workplace ... and increasing schools' accountability to their local communities' (p.
236).

The literature reviewed in this section suggests that NPM’s influence on approaches to
school management may have given rise to tensions between financial autonomy and
accountability. Two examples are Smyth’s (2011) contention that NPM has diminished
autonomy and increased accountability for schools and Leithwood and Menzies’ (1998) view
that financial autonomy reduces costs but increases accountability to local communities. As
the literature reviewed provides little evidence to support such suggestions there is
justification for research that seeks to establish whether there are tensions between financial accountability and autonomy in Australian public secondary schools. If indeed there are tensions then, given the claims about NPM’s influences on approaches to school management, research that seeks to explain how those tensions are manifested and resolved in Australian public secondary schools is also worthy of consideration. The tension between autonomy and accountability from a financial perspective is the focus of the research in this thesis and consequently forms the basis of the overarching research question. The educational outcomes of students of the participant schools are not considered, limiting the scope of the research. Accountability is the focus of the next section.

2.3 Accountability
Defining the meaning and boundaries of accountability is always difficult, but the requirement for government to ‘be responsible not just to some collection of interested stakeholders but to the entire polity’ (Behn, 1998, p. 132) renders public sector accountability especially complex (Kloot & Martin, 2000; C. Ryan, et al., 2002). Whilst there is some debate over whether NPM (as outlined above in Section 2.2) has enhanced or diminished public sector accountability, it has certainly further complicated an already complex understanding of accountability (Bovens, 2007; Parker & Gould, 1999). This section of the literature review not only seeks to analyse the differences between private and public sector accountability, but also to settle on meanings and boundaries of accountability relevant to the research undertaken in government schools. The section begins with a history of accountability prior to moving on to consider what public sector entities should be accountable for, and to whom they should be accountable. The ‘for what’ and ‘to whom’ dilemma is perhaps best illustrated in the annual report, and thus the role of the annual report, in general, as well as for government schools, is the focus of the concluding part of this section.

2.3.1 History of accountability
Bovens (2007) points out that accountability was originally quite tightly defined. Its origins can be traced back to the second millennium BC when, as recorded in the Bible in the Book
of Exodus, Moses presented a statement of account to his people closely tied to both the concept of stewardship and to the basic function of bookkeeping (Barlev, 2006). Later books of the Bible, Leviticus and 1 Corinthians among them, acknowledge the role of being accountable for returning property at a predetermined time (Moerman, 2008), the gifts some have in being able to render an account, and the expectation that leaders entrusted with the monies of others should give an account (Irvine, 2005). Thousands of years after Moses’ account, the concept of accountability remained quite tightly defined. In 1085 King William I of England required all property holders render a count of what they possessed (Bovens, 2007, p. 448).

In the intervening centuries, accountability slowly ‘wrestled free’ from its ‘bondage’ to accounting (Bovens, 2007), but it was not until relatively recently that a major transformation in the traditional functions of accountability occurred. The shift from financial accounting to a broader view of public accountability occurred in the late twentieth century and ran parallel with the introduction of NPM in a number of Anglo-Saxon countries (Bovens, 2007). Taylor and Rosair (2000) contend that rather than running in parallel with a broader view of public accountability, NPM was actually the catalyst for that broader view. NPM highlighted the fact that the ‘traditional tools of accountability have been inadequate for measuring the efficiency of government and have failed to hold it accountable for expenditure’ (pp. 80-81).

This apparent liberation, however, has proven to be somewhat of a double edged sword. Sinclair (1995) described accountability as ‘residing in a bottomless swamp where the more definitive we attempt to render the concept the more murky it becomes’ (p. 221). In the years since Sinclair’s assessment, very little appears to have changed. Bovens (2007) also acknowledges the apparent cost of this by conceding that ‘today (accountability) resembles a dustbin filled with good intentions, loosely defined concepts and vague images of good governance’ (p. 449). Similarly, Ebrahim (2009) warns that accountability reforms risk being counter-productive by ‘generating layer upon layer of needless management, thereby confusing rather than tightening accountability’ (p. 900). Content analysis by Crofts and Bisman (2010) of 114 accountability related journal articles published after 2000 concluded that Sinclair’s (1995) observation remains strikingly appropriate and relevant. Kloot and
Martin (2000) strongly criticise the prevailing exclusive focus of accounting and accountability on financial performance, but also the ineffectiveness of other measures currently used in local government. Funnell, et al. (2012) lay the blame for the apparent murkiness squarely at the foot of NPM, contending that, ‘the assaults on public administration by management reforms over the last three decades have made the meaning and practice of accountability contestable and have caused it to be in a continual state of flux’ (p. 47).

Despite the so called assaults on the public sector by NPM, Funnell, et al. (2012) nevertheless believe that relevant definitions of public sector accountability exist and have a crucial role to play for individuals who are accountable and responsible for providing accountability information and accountability reports. In making this argument they cite Stewart’s (1984) comprehensive definition:

>a responsible person or institution is one on whom is laid a task, function or role to perform, together with the capability to carry it out. There is also conferred some discretion and the liability to account for the performance of the duty, which should induce the person or institution to act with concern for the consequences of the decisions made and, in so deciding, to act in conformity with the wishes and needs of those who conferred the authority and receive the account (p. 15)

Similarly, Sinclair (1995) offers a definition that centres on requiring ‘those with delegated authority to be answerable for producing outputs or the use of resources to achieve certain ends’ (p. 222). Taylor and Rosair (2000) list a range of definitions of accountability promulgated by US Accounting Standards Boards, Chartered Accountants Australia and New Zealand, CPA Australia, and researchers of public sector accounting and accountability. All of these definitions share a common view that accountees have a right to ask accountors for information, and those accountors should provide that performance or compliance related information. Bovens’ (2007) response to apparent problems with contemporary notions of accountability is, for the purposes of his own paper, to stay ‘close to its historical roots’ (p. 450) and define it much more narrowly as ‘the obligation to explain and justify conduct’ (p. 450).
Boven’s viewpoint may be convenient but staying close to accountability’s roots reinstates its connections to account-giving and financial accounting, the very thing from which it had supposedly wrestled free. Indeed, Kloot and Martin (2000), in their review of local government annual reports, strongly criticise the continued focus on financial performance to the exclusion of other aspects of performance. ‘Such measures lack the requisite variety to give decision makers the range of information they need to manage the process’ (p. 234). Although there may be agreement that ‘the key to successful accountability is access to relevant information about performance’ (Funnell, et al., 2012, p. 49), there is a lack of consensus about what constitutes relevant information. Sinclair (1995) argues that this is because ‘accountability is subjectively constructed and changes with context’ (p. 219). This means that accountability is ultimately defined by the specific items to be accounted for and the people to whom the account must be given. The more discretion public sector service providers, such as individual public schools, are granted over their resources, the greater the need for rigorous public accounts to be given (Tooley & Guthrie, 2007b). Types of accountability and accountability stakeholders are thus the focus of the next two sections.

2.3.2 Types of accountability (accountability ‘for what’?)

The previous section suggested that definitions of accountability have historically centred on financial accountability. Within Australian government agencies, financial accountability has largely focused on fiduciary accountability—the traditional parliamentary concern for the probity and legality of expenditures (Funnell, et al., 2012; Kloot & Martin, 2001; C. Ryan, et al., 2002). The previous section also outlined the argument that NPM, for good or ill, has played a key role in broadening the scope of public sector accountability beyond a simple account for what has been spent. ‘The traditional systems of accountability were designed to establish and enhance the public’s trust in its government’s probity but now we need a new system of accountability to establish and enhance the public’s trust in its government’s performance’ (Behn, 1998, pp. 159-160). Beginning with fiduciary accountability, the current section offers a consideration of what public sector entities should be accountable for through an examination of the range of accountability types inherent within the NPM paradigm.
The importance of fiduciary accountability in Westminster style governments, including the nine Australian Federal, State and Territory governments and hundreds of local governments, is longstanding and deeply held because it arises from the privilege of raising money from the community. The ability to raise money, through taxation, necessarily raises an expectation that those entrusted with the community’s resources will spend those funds honestly. Fiduciary accountability is therefore a relationship of trust, focused on ensuring that resources provided by the taxpayer can be tracked to specific uses allowed by the Parliament to the Executive arm of government. Fiduciary accountability is fundamentally concerned with meeting the requirements of established processes and, as outlined in Figure 2.2 below, remains a foundation upon which other types of accountability are based (Funnell, et al., 2012).

Whilst it may be foundational to public sector accountability, the rise of NPM has laid bare the limitation of fiduciary accountability and overturned many long held Australian public sector beliefs, practices and doctrines. 'No longer is the accountability of public servants interpreted narrowly ... for the legal use of funds entrusted into their care' (Funnell, et al., 2012, p. 26). Understanding of accountability in the non-profit sector has also been challenged to recognise its ‘multidimensional and relational nature rather than reducing it to a concept enforced through oversight and regulatory mechanisms’ (Ebrahim, 2003, p. 208). Taylor and Rosair (2000) argue that the limitations of fiduciary accountability were self-evident, with or without NPM. Widespread Australian public sector fiscal problems in the late 1980s ‘exposed fiduciary accountability as inadequate for measuring the efficiency of government’ (pp. 80-81). Whether it was causation or correlation ‘the adoption of an approach to delivering government services which sought to mimic private sector management practices’ (Funnell, et al., 2012, p. 26) was accompanied by the requirement to give an account for the performance of program and policy goals (Kloot & Martin, 2000). In short, public servants were no longer merely accountable for the input of resources entrusted to them, but also for the outcomes achieved by the use of those resources.

The types of public sector accountability most strongly connected to outcomes relate to the achievement of efficiency and effectiveness. As outlined in Figure 2.2, both require more sophisticated forms of accountability than fiduciary accountability or economic
accountability, but, as a result, are much more difficult to measure in the public sector and are more controversial. Although it can be contended that efficiency is simply an ‘inputs v outputs’ calculation, Funnell, et al. (2012) define it as ‘a technical measure of the success with which inputs have been used to produce the outputs essential to fulfil the objectives of government policies to achieve desirable outcomes’ (p. 56). There is, therefore, a clear distinction between outputs—the tangible results of utilising financial inputs—and outcomes. For example, public education outputs may include the number of students taught and teachers employed, whereas outcomes, assuming that achievement of outcomes is a policy objective, may be improved literacy levels. Obtaining precise measures of the relationships between inputs and outcomes to assess the efficiency of such a program is difficult.

**Figure 2.2 The public sector accountability and performance continuum**

The comparatively poor efficiency of the public sector has been the key justification for governments to ‘purchase’ services and infrastructure from the private sector, often in the form of public private partnerships (PPPs). However Funnell, et al. (2012) argue that these comparisons have overlooked the fact that public sector entities are operating under different constraints ‘of equity, transparency, consultation and accountability’ (p. 62), and
that the comparative efficiency of the private sector, particularly in relation to PPPs, is actually far more equivocal.

Although accountability for efficiency is important, accountability for effectiveness is more significant because it is solely concerned with whether the goals of the government have actually been achieved. To continue with the example of literacy programs, if the overarching objective to move Australia’s literacy performance into the world’s top five countries is not met, then the fact there has been an efficiency improvement in Australia’s school literacy programs is largely irrelevant. ‘Government is established to meet the needs of society ... and only retains the support of the society [it] purports to serve as long as it meets society’s expectations’ (Funnell, et al., 2012, p. 63).

Given the range of different types of accountability explored in the literature, financial accountability could be described as the only way in which finances are managed to meet the needs of the organisation/stakeholders. Whether or not NPM was the catalyst for accountability change there now appears to be little disagreement that public sector entities should be accountable not just for the probity of their spending but also for the results of their spending. How those results are interpreted and used is, however, a source of significant debate, and so the question over what a public entity, including government schools, should actually be accountable for remains substantially unresolved. Consequently in the context of this research, there is justification for a research question that asks for what is accountability owed by Australian public secondary schools. An equally significant debate surrounds the question about to whom public sector entities should be accountable. This concern is the focus of the next section.

2.3.3 Accountability stakeholders (accountability ‘to whom’?)
Not only has NPM complicated the question about what the public sector should be accountable for, it has also broadened the stakeholders to whom the public sector must give an account and the range of ‘actors’ responsible for giving that account. Bovens (2007) describes the challenge of public institutions being ‘accountable to a plethora of different forums all of which apply a different set of criteria’ as the ‘problem of many eyes’ (p.455).
Those stakeholders receiving an account can also face similar problems. ‘It is often particularly difficult to unravel who has contributed in what way to the conduct of an agency or to the implementation of a policy and who, and to what degree, can be brought to account for it. This is the problem of many hands’ (Bovens, 2007, p. 457). This section outlines the contemporary public sector accountability stakeholder picture and considers how it has become more complex through the advent of NPM. This complexity is also contrasted with the relatively straightforward processes of private sector accountability before examining the implications for how accountability in the public sector might be effectively rendered.

The current public sector accountability stakeholder picture is complex, in large part because of the quantity and diversity of its stakeholders. This inevitably leads to significant diversity in the accountability demands placed upon public institutions by that disparate range of stakeholders. Kloot and Martin (2001) illustrated this point by citing the example of local government. 'Managers in local government have to contend with multiple accountabilities to multiple stakeholders: ratepayers, the wider community, councillors, and their state governments' (p. 51).

When other public sector bodies are considered, the quantity and diversity of public sector stakeholders becomes more complex. In a study of government departments, local government, and government owned corporations, Mack and Ryan (2007) asked respondents to classify themselves as either ratepayers/taxpayers, other resource providers, elected officials, other recipients of services, oversight bodies, internal management and other like entities. In an attempt to simplify analysis, Mack and Ryan (2007) combined such multiple public sector stakeholders into just two groups: internal and external.

External stakeholders are those to whom an accountability obligation is owed, and they rely on the organisation to provide information. Internal stakeholders are those stakeholders who have a defined role within the organisation and thus have access to information sources themselves. They are not dependent on the organisation to provide the information (p. 141).
An internal/external stakeholder dichotomy may look neater, but it is too simplistic—even Mack and Ryan (2007) acknowledged significant differences between the priorities of external stakeholders of government owned corporations and local governments.

Why is the public sector accountability stakeholder picture so complex? Funnell, et al. (2012) strongly argue that NPM is to blame, particularly in relation to the range of ‘actors’ responsible for giving an account. NPM has meant a move away from the traditional model of Westminster accountability and of service delivery. ‘Coincident with the arrival of NPM is the shift from providing services in government departments to the use of agencies and autonomous business units (p. 26)’. This has allowed government ministers to reduce their exposure to the problems agencies may experience.

Increasingly, politicians have been prepared to separate themselves from the performance of the agencies, nominally under the control of their departments, by claiming that the greater decision making freedom given to managers is accompanied by a greater level of management accountability for performance (Funnell, et al., 2012, p. 27)

Tooley and Guthrie (2007a) think it reasonable that granting service providers greater discretion over their resources necessarily increases the need for public accountability.

Funnell, et al. (2012), however, argue that ‘to many public servants, the pendulum of accountability has swung so far in their direction, and away from politicians directly, that they are crying ‘enough”’(p. 77).

NPM may have exacerbated the complexity of public sector accountability, but it could also be the case that, in comparison to the private sector, public sector accountability has always been more complex. Rutherford (1992) points out the significant differences between the expectations of internal and external stakeholders in the public sector, which exist to a point where it is often difficult to distinguish between some of them.

The character of the user-community differs between the public and private sectors: in the public sector the dichotomy between internal and external users which is so obvious in the profit-seeking sector is much less marked. Rather users spread out along a spectrum with fully internal, managerial users at one end and fully external users at the other. In the middle
are a variety of intermediate users, internal from some perspectives and external from others (p. 271).

In other words, it is far easier to distinguish between the accountability needs of internal and external stakeholders in the private sector. A number of studies (Jones, 1992; Kloot & Martin, 2000; Mack & Ryan, 2007) have affirmed that public sector accountability is more complicated. This, of course, may impact how and what is reported by public sector organisations, and by whom and when. Some researchers argue that the complexity of public sector accountability results in most procedures being unable to cater to the needs of all stakeholders. Taylor and Rosair (2000) believe that external stakeholders in the public sector are often ignored when it comes to external reporting because ‘the primary aim of external reporting by government departments is heavily related to satisfying accountability obligations to selected ‘within-government' groups of users’ (p. 94). Consequently in the context of this research, there is justification for a research question that asks to whom is accountability owed by Australian public secondary schools.

The apparent focus of external reporting on satisfying ‘within-government’ stakeholders has significant implications for the capacity of external annual reports to render an account to stakeholders outside government. The next two sections consider the role of annual reports in rendering that account; first more generally, and then specifically in relation to public schools.

2.3.4 Accountability and annual reports

The complexity of the current public sector accountability picture is due, in large part, to the quantity and diversity of public sector stakeholders. The annual report is a widely used attempt by both public and private sector organisations to universally meet the accountability expectations of their stakeholders, but such reports have many critics. It is the attempt to be ‘all things to all people’ that has rendered the annual report of little use to anyone. In a comprehensive study on the uses and usefulness of annual reports in the private sector, Sims and Clift (2001) reported a general lack of interest in them because ‘the problem of a perceived lack of usefulness of financial reports has not been resolved' (p. 305).
Given that public sector accountability expectations are more complex than those experienced in the private sector, it would be reasonable to anticipate that the lack of interest in public sector annual reports is even greater than that identified by Sims and Clift (2001). C. Ryan, et al. (2002) argue that ‘there is little empirical evidence about the value of the annual report in the public sector’ (p. 62). In consequence, the current section considers the value of the annual report as a general accountability mechanism, followed by examinations of the differences between public and private sector annual reports and the usefulness of non-financial information in annual reports.

**Usefulness of annual reports**

Criticism over the apparent lack of usefulness is widespread but the annual report remains a ubiquitous reporting mechanism—almost every public and private sector organisation produces one. This may be the result of the annual report's apparent ‘monopoly position’ in serving the accountability needs of many external stakeholders, where the ‘annual report is the only comprehensive statement of stewardship available to the public’ (Boyne & Law, 1991, p. 179). Anderson and Epstein (1995) challenge the idea of a ‘monopoly position’, but still agree that the annual report is well regarded—‘although investors did not regard the annual report as their most important source of information, they still considered it to be a valuable document’ (p. 27).

Research conducted across a period of more than twenty years also recognises that while the annual report is not the only vehicle by which to discharge accountability, it is certainly a key mechanism (Stewart, 1984; Tooley & Guthrie, 2007b). Mack and Ryan (2007) similarly support the view that public sector ‘agencies are beginning to place more emphasis on annual reporting as a way of directly engaging with their stakeholders’ (p. 143). Nevertheless, despite clear regard for a process that attempts to give an account to all of its stakeholders, questions persist over the usefulness of the annual report.

**Public and private sector annual reports**

While questions exist concerning the usefulness of the annual report, there is the related issue of whether such questions are more persistent for the public or private sectors. Are
there differences, other than perceived usefulness, between public and private sector annual reports? It was established in Section 2.3.3 that public sector accountability expectations are more complex than are those for the private sector. Rutherford (1992) asserts that the public has only a cursory interest in the annual reports of public sector entities, and Jones (1992) believes that ‘the publication of financial statements is not in the public interest, because the public has no interest’ (p. 262).

After conducting a detailed survey of principal accounting officers (PAOs) in Australian State government departments, coupled with a content analysis of related annual reports, Taylor and Rosair (2000) provided some insights into the public’s lack of interest. Their key finding was that the level of accountability based disclosure is really only influenced by those user groups that directly participate in the decision processes of the department. These interested parties comprise, at least, treasury, the relevant minister, departmental CEO and lobby groups, and not the ultimate accountees of governments that are taxpayers and the recipients of public goods and services. Mack and Ryan (2007) also noted differences in the level of importance attached to the annual report by different public sector stakeholder groups (p. 134). They found that the annual report is not regarded as equally important across all public sector entity types. Of the public sector external stakeholders they surveyed, only respondents from government-owned corporations viewed the annual report as a ‘very important’ source of information (p. 142).

Somewhat surprisingly, research into the use of annual reports by private sector stakeholders also indicated a relatively low level of interest. Lee and Tweedie (1974) found that most users ‘mainly skimmed over the annual reports’ and that ‘shareholders placed more emphasis on the directors’ report ... than on the actual published reports’ (p. 301). More recent research (Skaerbaek, 2005; Stanton & Stanton, 2002) endorses this assessment and also argues that companies appear prepared to sacrifice the accountability function of their annual reports for the sake of strengthening their marketing approach or business case.

Other researchers have focused on the use of financial statements in public sector annual reporting contexts. Rutherford (1992) used ‘voters’ as a substitute term for external users
and was quite disdainful of the general usefulness of public sector financial statements. 'It is not clear that there could be anything in general purpose financial reports, no matter how they were prepared... that would provide sufficient incremental information to justify the time involved in reading them' (p. 268). Jones (1992) is of the firm view that financial statements are not useful to most public or private sector stakeholders. 'What remains clear, for the private and public sector, is that we have no generally-accepted theory or evidence about the purpose of the publication of financial statements: from the trial balance onwards, the reasons for what is done become extremely problematic' (p. 260). This begs the question of whether non-financial statement information renders a more effective means for or level of accountability.

**Accountability reporting beyond financial statements**

The challenges in defining accountability when it moves away from its historical connections to account-giving and financial accounting (Bovens, 2007) were highlighted in Section 2.3.1. Nevertheless, there are reporting mechanisms, other than the financial statements, for rendering an account to public and/or private stakeholders including, but not limited to, financial information contained outside financial statements. It is, therefore, worth considering the contexts where non-financial statement information, both within the annual report and elsewhere, provides a more effective means for or enhanced level of accountability.

One context more suited to an account being rendered by non-financial information is where the emphasis of the reporting entity is on service provision (C. Ryan, et al, 2002), as is generally the case for public sector organisations. In such situations 'a small more concise specifically written document which highlights service achievements is more likely to be a more effective communication device in discharging accountabilities' (p. 71). A similar point was made in much earlier research conducted on shareholder use of annual reports (Lee & Tweedie, 1974), revealed that the chairman’s report, which is, in effect, a report specifically highlighting service achievements, was ‘the most widely read part of the annual report’ (p. 281). This report was also read by a higher percentage of shareholders than was the profit and loss account. Subsequent research by the same authors (Lee & Tweedie, 1975) on shareholder understanding of annual reports gave some insight into why the chairman’s
report, which only contains some financial information and is generally presented in a more engaging and understandable format might be more popular than traditional financial statements. Lee and Tweedie (1975) found that, when tested, less than half of the shareholders they researched actually understood the most basic financial statement information.

If those to whom an account is being rendered do not understand the financial statements being provided to render that account, then it is difficult to argue that financial information presented in the format of financial statements represents an effective accountability mechanism. Some local governments understood this problem as early as the 1920s and embarked on innovative ways to communicate financial information to their ratepayers outside of the annual report. These alternative methods included radio programmes, billboards, open house meetings, short films, daily newspaper inserts, and equivalent comparisons to daily budget items (Lee, 2004, pp. 175-176). Lee (2004) argued that such initiatives constituted the practical application of the theory of public reporting enabling citizens to hold government accountable without an unrealistic level of involvement.

Despite such intentions, the practice of public reporting by local government began to fade from the 1950s and was largely replaced by the annual report so commonly used and criticised today. 'The practice of a broad program of public reporting gradually declined, atrophying largely to the vestigial annual report, uninspired and unreadable' (Lee, 2004, p. 176). Thus, it is understandable that Kloot and Martin (2000), in their review of performance management systems in local government, strongly criticise the continued focus on financial performance to the exclusion of other aspects of performance, and C. Ryan, et al. (2002) argue for the annual report of public sector organisations to be replaced by more specific accountability devices (p. 70). It is clear that ‘these findings have important implications for policy makers with respect to the information content of public sector annual reports’ (Mack & Ryan, 2007, p. 134). Mack and Ryan (2007) go on to conclude that the findings ‘with respect to Australian local governments ... reinforce the importance of personal contact as an information source' (p. 141).
The current section has demonstrated that the financial information contained in annual reports does not, in and of itself, satisfy accountability obligations, needs and wants, particularly in the public sector setting. And yet, the annual report is becoming increasingly important as a tool for communicating and discharging these functions. A more balanced and diversified approach to accountability advocated by researchers of local government (Kloot & Martin, 2001; Lee, 2004; Mack & Ryan, 2007) which uses non-financial information, as well as financial information outside of the traditional financial statement forum, should be considered for other public sector organisations. Local governments have a great deal in common with local public schools, particularly in terms of the type of stakeholders to whom they are required to give an account. The role and usefulness of the annual report for government schools and their stakeholders is the focus of the next section.

2.3.5 Annual reports and schools

As well as highlighting that virtually all public and a significant number of private sector organisations produce an annual report, the previous section also demonstrated that the role and usefulness of the annual report has been comprehensively researched. Although the annual reports of public schools appear to be as ubiquitous as are those for any other part of the public (or private) sector research on the role and usefulness of the school annual report is relatively sparse. One of few research studies to have considered school annual reports centred on New Zealand (NZ) government schools (Tooley and Guthrie, 2007b), which have been required to prepare an annual report since 1989. This requirement was instituted as part of significant reform of the NZ school sector that ‘resulted in a reduced education bureaucracy and the creation of devolved systems of schooling, entailing significant degrees of institutional autonomy, emphasising a form of school-based management’ (Tooley & Guthrie, 2007b, p. 351).

Originally, the annual report was only mandated to include a set of audited general purpose financial statements. Changes to the legislation governing NZ schools in 2003 expanded annual report content to include ‘an analysis of variances between school performance and the relevant aims, objectives, directions, priorities, or targets as set by the school’ (Tooley & Hooks, 2010, p. 44). In effect the changes made each NZ school’s board of trustees ‘publicly
accountable’ not only for their school’s financial governance, but also for the impact they were able to have on educational outcomes for their students.

Whether the published information each school provides in its annual report renders it sufficiently accountable is a major question. In assessing the informational value of NZ school annual reports, Tooley and Guthrie (2007b) found that the answer was generally negative, but financial disclosures were found to be more complete than non-financial disclosures and that the strongest correlation was ‘between informational scores and total revenue’ (p. 363). A further important question, however, is whether there is an automatic correlation between informational value and accountability. Even if the annual report contains sufficient disclosure, would that by definition render the school accountable? It would be difficult to make such a claim unless that information is actually used by relevant stakeholders.

Participants' views in the Tooley and Hooks (2010) study on the perceived usefulness of school annual reports resulted in the conclusion that it ‘has a useful but perhaps overemphasised role as a source of information in the discharge of accountability’ (p. 54). It was noted, however, that information about financial performance was perceived by all users to be the most important information in the annual report but that ‘public accountability may be discharged more effectively through media other than the annual report’ (Tooley & Hooks, 2010, p. 54). Although Tooley and Hooks (2010) identified understandability as a key criterion, consistent with the findings of Lee and Tweedie (1975) 35 years earlier, readers of school annual reports did not find them understandable. The paradox of the annual report, particularly the financial statements component, appears to be universal. Although key public accountability researchers believe that financial information has a ‘special role’ within the framework of public accountability (Stewart, 1984), and that ‘the annual report is an important component of the overall accountability framework’ (Tooley & Guthrie, 2007b, p. 352), the same researchers argue that on its own it is inadequate. Consequently in the context of this research, there is justification for a research question that asks how Australian public secondary schools discharge their accountability obligations, and if the annual report is part of the discharge. That the strengths and deficiencies of a school annual report are similar to those of other public
sector annual reports is an important point and relevant within the context of this discussion presented in the following section on multiple aspects of school autonomy.

2.4 Autonomy
In a similar vein to the concept of accountability, there is significant diversity in the understanding of autonomy. Autonomy can be granted over and for various aspects of public school administration and so before delineating notions of autonomy relevant to this research, it is therefore appropriate to critique a wide range of autonomy definitions. The major section of this thesis commences with a general history of autonomy, followed by a specific focus on school autonomy. Consideration is then given to how autonomy is made manifest in school systems around the world. School systems in the United Kingdom, the United States and New Zealand are considered at some length, followed by an overview of school autonomy in other countries. The impact and extent of school autonomy in Australia, particularly in the most populous states of Victoria and New South Wales, is the focus of the concluding part of this section.

2.4.1 History and definitions of autonomy
In its most simple form, autonomy can be defined as either ‘self-government’ or ‘personal freedom’ (Moore, 1993, p. 61). For millennia, humans have experienced a strong desire to organise ourselves, collectively and individually, free from the interference of external or central authority. In more recent times, definitions of autonomy have also been aligned with specific minorities, such as indigenous or ethnic groups, or applied in specific contexts, such as human rights or ethics. Although concepts of autonomy may now be applied to a wider range of contexts or specific people and groups, the basic notion that autonomy involves some degree of self determination or self-government has largely remained unchanged across history.

The degree of self-determination sufficient to constitute autonomy is, however, somewhat more difficult to determine. The extent to which regions, social groups, organisations and even nations can govern their own affairs varies significantly. There is an argument, for example, that nations within the European Union (EU), particularly those using the common
currency, are not as autonomous as those nations outside the EU (Blankenburg, King, Konzelmann, & Wilkinson, 2013). A general definition of autonomy that relates well to the school context, from the Greenwood Dictionary of Education (Collins & O'Brien, 2011) specifies autonomy as ‘synonymous with a feeling of independence, it is the ability to accomplish a task, unassisted or to take care of oneself... At the level of the individual: not under the control of another. At the aggregate level of the teaching profession: self-governing’ (p. 42). School autonomy is thus the focus of the next section.

2.4.2 School autonomy

The importance and cost of public education inevitably means that governments will constantly seek ways to improve the educational performance of state funded schools (Harrold, 1996) for the lowest possible cost (Mante & O'Brien, 2001). The debate over how public schools are best administered has always been vigorous (Harrold, 1996; Matthews, 1983; Schneider & Keesler, 2007), and the growing global response of granting individual public schools increased autonomy over how their public funding is allocated has simply intensified that debate (Chan & Chui, 1997). Australian proponents of greater school autonomy, chief among them Caldwell (1995), have argued that granting schools increased autonomy allows them to respond more efficiently and effectively to the unique learning needs of their local communities. The current Australian government agrees and is pursuing initiatives with the states and territories to create more independent public schools (Tomazin, 2014). Other advocates also view SBM as a catalyst for improving school pedagogical performance and effectiveness (Belfield & Levin, 2002) and teacher motivation and accountability (Burke, 1992). Those who challenge such claims contend that the benefits of greater autonomy cannot be clearly demonstrated in improved learning outcomes (Harrold, 1996; Jensen, 2013; Leithwood & Menzies, 1998).

In Section 2.2.4 it was established that there is common ground between NPM and the development of new approaches to public school management (Ezzamel, et al., 2007; Tooley & Guthrie, 2007b), but the specifics of these new approaches require further elucidation. An OECD-developed framework (Ainley & McKenzie, 2000, p. 141) summarises the levels at which public school management decisions occur, the fields over which those decision are made, and the way (or mode) by which those decisions are undertaken. Table
2.2 illustrates the substantial variety in what can be understood as constituting school autonomy.

**Table 2.2: Dimensions of the OECD surveys on the loci of decision making**

<table>
<thead>
<tr>
<th>Level of decision</th>
<th>Fields of decision</th>
<th>Modes of decision</th>
</tr>
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<tbody>
<tr>
<td><strong>School, School Board or Committee:</strong> school administrators and teachers or a school board or committee established exclusively for the individual school</td>
<td><strong>Organisation of Instruction:</strong> bodies determining school attendance, student promotion and transfer, instruction time, choice of textbooks, criteria for grouping students, additional support for students with learning difficulties, teaching methods, assessments of students’ regular work</td>
<td><strong>Full autonomy:</strong> subject only to constraints contained in the constitution or in legislation outside the education system itself</td>
</tr>
<tr>
<td><strong>Local Authorities or Governments:</strong> the municipality or community that is the smallest territorial unit in the nation with a governing authority</td>
<td><strong>Personnel Management:</strong> (principals, teachers, non-teaching posts): hiring and dismissal, duties and conditions of service, fixing of salary scales, influences over the careers of staff</td>
<td><strong>In conjunction or after consultation:</strong> with bodies located at another level in the education system</td>
</tr>
<tr>
<td><strong>Sub-regional or Inter-municipal Authorities or Governments:</strong> the second territorial unit below the nation in countries that do not have a federal or similar types of governmental structure</td>
<td><strong>Planning and Structures:</strong> creation or closure of schools, determining programs of study for a particular type of school, definition of course content, setting of qualifying examinations for a certificate or diploma</td>
<td><strong>Independently but within a framework set by a higher authority:</strong> e.g. a binding law, a pre-established list of possibilities or a budgetary limit</td>
</tr>
<tr>
<td><strong>Provincial or Regional Authorities or Governments:</strong> the first territorial unit below the national level in countries that do not have a federal type of governmental structure; and the second territorial unit below the nation in countries that have a federal or similar type of governmental structure</td>
<td><strong>Resources:</strong> (for teaching staff, non-teaching staff, other current expenditures): allocation of resources to the school, use of resources in the school</td>
<td></td>
</tr>
<tr>
<td><strong>State Governments:</strong> the first territorial unit below the nation in federal countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Central Government:</strong> all bodies at national level that make decisions or participate in different aspects of decision making</td>
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*Source: Ainley and McKenzie (2000)*
Other research conducted by the OECD has argued that for school autonomy to exist there must be some degree of decision making at the first level listed in Table 2.2, that is, at the school level. Consistent with the definition of autonomy outlined in Section 2.4.1, Abu-Duhou (1999) defines school based management as ‘the management of resources at the school level rather than at a system or centralised level’ (p. 35). Further, in alignment with the origins of accountability (Section 2.3.1), Abu-Duhou (1999) argues that the most important field of decision making is the last one listed in column 2 of Table 2.2, being resources, since control over resources ultimately dictates decision making in the other fields. ‘Control over the budget is considered at the heart of SBM efforts (but) closely connected to budgetary discretion is control over the defining of roles and the hiring and development of staff’ (p. 35). This is a fact acknowledged even by opponents of SBM. Teachers’ unions see government schools being provided budget allocations for staff based on a notional universally applicable average salary as an attempt by the ‘New Right’ (effectively advocates of NPM) to remove national pay scales and break-up union activity (Abu-Duhou, 1999, p. 110).

An alternative approach to using the loci of decision making, as outlined in Table 2.2, in classifying forms of school autonomy was presented by Leithwood and Menzies (1998). They argue that SBM is distinguished by ‘where the locus of decision making power lies: administrators, school professionals, or members of the community served by the school’ (p. 233). Administrative control is aimed at increasing accountability to ‘head office’ for the efficient expenditure of resources which are ‘to be realised by giving local administrators authority over such key decision areas as budget, personnel and curriculum’ (Leithwood & Menzies, 1998, p. 234). Professional control puts teachers in the ‘decision-making driver’s seat’ which, advocates argue, holds the greatest promise for contributing to student growth. Community control is generally aimed at increasing accountability to parents and the community at large. Not surprisingly, community controlled SBM has a school governance model dominated by parents and community members who are best placed to ensure that the school reflects community values and priorities.

Even though resource management is a key field for decision making, this is not an end in itself. The primary objective for delegation of financial management to schools is ultimately
improved school effectiveness, defined rather vaguely by the US Secretary for Education as improved educational standards (Abu-Duhou, 1999, p. 95). Caldwell and Spinks (1998), central figures in the establishment of SBM in Victoria, concede that while 'meta-analysis of research on school based management continues to grow, for the most part, they continue to reveal little or no impact on student learning' (p. 101). More recent research provides a more nuanced view. The 2012 Programme for International Student Assessment (PISA) report (OECD, 2013) presented evidence that compared to students at less autonomous schools, those attending more autonomous schools generally had superior educational outcomes, in terms of higher scores in academic results. Such superior performance however was only evident in relation to autonomy over curricula and assessment, not finances, which is the focus of this research. ‘In contrast, greater responsibility in managing resources appears to be unrelated to a school system’s overall performance’ (OECD, 2013, p. 52). Although debate over the effectiveness for educational outcomes of SBM, and indeed the meaning of school effectiveness, is important it is not the focus of this research.

More difficult to ascertain is the most significant mode of school autonomy decision making; the focus of the final column in Table 2.2. There are school systems undertaking decisions within each of the broad parameters outlined in that final column, but ‘full autonomy’ mode is the least common. Most schools and school systems have some external, usually governmental, constraints placed on their decision making. When school autonomy means significant resources are provided to the autonomous body, i.e. the local school, it generally brings with it the concomitant responsibility to report on resources used and outcomes achieved—that is, accountability. It is this iterative interrelationship between autonomy and accountability and how each affects the other that is the focus of this research. By the end of the 20th century England and Wales (United Kingdom) and Victoria (Australia) had, according to the OECD, the most decentralised school systems (Abu-Duhou, 1999).

2.4.3 Current state and history of school autonomy globally
If the merits of each side’s argument in the SBM debate were to be assessed on the basis of recent government decisions, then the predominant view on school autonomy, globally, is currently quite mixed. The OECD reported that in 2003, in 14 out of 19 countries more decisions about school management were being taken at a decentralised level than in 1998
Over the next decade, however, the global trend was somewhat reversed. Although in 2012 ‘the largest proportion of itemised decisions tracked in this survey are still taken at school level ... this share is clearly shrinking in 10 of 21 countries, while only 4 countries show an increase’ (OECD, 2012, p. 500). Significantly, the OECD believes the shift to more centralised decision making can be partly explained by a renewed focus on ensuring accountability. Therefore, while a key aim of education reform had been to place more decision-making authority at lower levels, ‘at the same time, many countries have strengthened the influence of central authorities in setting standards, curricula and assessments’ (OECD, 2012, p. 500). Such a recentralising trend, arising from the tension between autonomy and accountability in the management of government schools around the world, neatly captures the rationale for this doctoral research and justifies the overarching research question.

In English speaking countries, the situation in relation to the management of government schools contrasts somewhat with the global trend. One of the 4 countries to show an increase (to 50%) in the proportion of itemised decisions at the school level was Australia (OECD, 2012). Victoria, once the clear leader in public school autonomy, has arguably been surpassed in recent times by Western Australia (Western Australian Department of Education, 2014).

The UK was not one of the other countries to show an increase in school based autonomy levels from 2003 to 2012, but 80% of decisions on the management of government schools in England, which constitutes most of the UK’s population of schools, continue to take place at the school level—the second highest proportion in the OECD. It is worth noting that although part of the UK, Scotland’s school system is run separately from England’s and has been classified separately by the OECD (2012). The proportion of decisions taken at the school level in Scotland is just under 50%, although close to another 35% of government school management decisions are made at the school district level, leaving just 15% undertaken at the central level, representing one of the lowest proportions of centralised school education decision making in the OECD.
Recent policy pronouncements suggest that the extent of government school management decisions taken outside the central or state level in the UK is likely to remain high. Soon after taking office in May 2010, the UK government commenced implementation of its platform to ‘liberate’ public schools from education authority control in teaching and management ("Michael v the machine," 2011). To date, this has been achieved at one in six UK public secondary schools and a final 2015 conversion target of one in two has been set. Adopting a policy from Sweden, the UK government is also seeking the support of parents and charities to set-up entirely new, entirely state funded ‘free’ schools. As the name suggests, free schools charge no fees, but are administered as independent schools and seek to add capacity and spur improvement in nearby state-run schools.

The OECD reports that the two other English speaking countries for which data was available, the US and Canada, have a relatively low proportion of decisions made at the school level. This is somewhat misleading because they have ‘the largest share of decisions taken at the local level, meaning local school districts’ (OECD, 2012, p. 502). Taking the school and local level together, both countries have decisions about the management of their public schools being made by local communities in close to 70% of cases, more than almost all mainland European countries. As in the UK, attempts are being made at the US policy level to expand and enhance local decision making. The US Federal Government is aiming to increase the number of free schools, known there as charter schools, particularly in socio-economically disadvantaged areas ("Is it a bird? Is it a plane?," 2010).

After considering the evidence presented in this section, it is reasonable to conclude that SBM has been and continues to be particularly prevalent in English speaking countries and that this is perhaps a reflection of its origins (Abu-Duhou, 1999). The common ground between the rationales and canons of NPM and the development of new approaches to public school management (Ezzamel, et al., 2007; Tooley & Guthrie, 2007b) were established in Section 2.2.4. As NPM’s history largely began in English speaking countries, it is not surprising that the origins of SBM are similar and that a significant percentage of SBM research is focused on those same countries. This conclusion does not mean that English speaking countries have had a monopoly on the implementation of SBM or on the research concerning SBM.
As this research seeks to understand how the implications of and tensions between autonomy and accountability are manifested in Australian secondary schools, the focus of the research is on the practice of SBM within schools rather than on SBM policies per se. What is purported to occur under a school autonomy policy and what actually occurs can be significantly different. Consequently, it is appropriate that the school autonomy literature reviewed in this chapter focuses on the prior empirical and case study research that has engaged participants in schools. Such a focus effectively constitutes a purposive delimitation. Table 2.3 below captures empirical and case study research conducted on SBM in non-English speaking countries across the globe.
<table>
<thead>
<tr>
<th>Country</th>
<th>Author(s)</th>
<th>Subjects</th>
<th>Source instruments</th>
<th>Achieved sample</th>
<th>Key findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Bandur (2012)</td>
<td>School council members in one province</td>
<td>Questionnaire, interviews and focus groups</td>
<td>504 and 48</td>
<td>SBM facilitates participatory school decision making but support required to build local capacity</td>
</tr>
<tr>
<td>Italy</td>
<td>Bracci (2009)</td>
<td>Principals, head teachers and business managers in three schools</td>
<td>Interview, document analysis</td>
<td>30 interviews</td>
<td>SBM can result in accountability dualism with Principals accountable externally to regional offices on financial and education measures, but not accountable to the school community. Principals have limited ability to manage the teaching staff for which they are accountable.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Sun, et al. (2007)</td>
<td>Researchers of school improvement programmes in 8 European countries and their school level case studies</td>
<td>Textual analysis, audio and video recordings, interviews</td>
<td>31</td>
<td>Autonomy in teacher recruitment/dismissal is crucial to effective school improvement, as is strong and 'empowered' local school leadership. Neither complete centralisation nor decentralisation of school systems supports effective school improvement. Depending on the national context, some aspects of school systems are best centralised, such as setting and monitoring of educational goals, standards and curriculum, and others are best decentralised for achieving goals (how, when, and in what way to teach), decision making power over personnel and school administration.</td>
</tr>
<tr>
<td>Israel</td>
<td>Nir and Miran</td>
<td>Financial reports of 31 primary schools (1999-2002) in one local education authority (LEA)</td>
<td>Financial reports</td>
<td>124</td>
<td>SBM has 'institutional' constraints and contradictions. For example, schools granted financial autonomy still have salaries controlled by a central authority. Differentiated funding from the central Authority.</td>
</tr>
<tr>
<td>Location</td>
<td>Reference</td>
<td>Participants</td>
<td>Methodology</td>
<td>Sample Size</td>
<td>Findings</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------</td>
<td>------------------------------------------------------------------------------</td>
<td>---------------</td>
<td>-------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Nir and Eyal (2003)</td>
<td>Superintendents (business managers) in 10 schools</td>
<td>Interviews</td>
<td>10</td>
<td>Superintendents (Business Managers) may be obstacles to the implementation of SBM in a centralized educational system, but the role is still needed because Principals have limitations.</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Lam (2005)</td>
<td>Teachers in 29 secondary schools</td>
<td>Questionnaire</td>
<td>1,330</td>
<td>Teachers believed that granting them greater autonomy had a positive impact on student learning.</td>
</tr>
<tr>
<td>Denmark, Norway, Ireland (and UK)</td>
<td>Moos (2005)</td>
<td>Principals (evenly split less than 3, 4-15, more than 15 years experience)</td>
<td>Interviews (4 per subject)</td>
<td>12</td>
<td>The school leader is pivotal in making SBM ‘work’ by balancing relations with external authorities and communities and internal agents such as staff. The ‘traditional’ professional accountability towards pupils, teachers and parents often clashes with the ‘new’ managerial forms of accountability towards local authorities.</td>
</tr>
</tbody>
</table>
The research summarised in Table 2.3 reinforces the notion of diversity in SBM policies and experiences. While there is support for the principle of SBM at the government level, and indeed in local school communities, its actual implementation in schools can present significant challenges. After a comprehensive review of case studies in both English and non-English speaking countries (including Hong Kong, The Netherlands, Belgium, Spain and Hungary), the OECD concluded that ‘the leadership role of principals at the school level would seem to be crucial to the success of self-management’ (Abu-Duhou, 1999, pp. 20-21). In a paper that analysed self-governing school models developed in Australia, the USA, the UK, Spain, the Czech Republic, NZ, South Africa, Hong Kong and Thailand, Gamage and Zajda (2005) similarly concluded that the key is to build capacity in the local school to run the schools. 'Unless these measures broadly described ... as 'capacity building' and 'capacity utilisation' have been successful, the introduction of school-based management may have no impact’ (p. 54).

Given the relative prevalence of SBM practices in English speaking countries, both historically and currently, it is not surprising to find that the majority of the school autonomy literature focuses on those same countries. The next sections of this thesis cover the school autonomy literature specifically concerning the UK, US, NZ and Australia.

2.4.4 School autonomy in the United Kingdom

In the UK differing forms of school autonomy, as defined in 2.4.2, have been in place for more than two decades and have been the subject of research for a similar length of time. Unlike Australia, some UK research has focused on the capacity of schools to manage their own budgets. Edwards, et al. (1996) studied the impact of the 1988 Education Reform Act (ERA) on three Local Education Authorities (LEAs). Despite marked variation in the scope of school autonomy within each LEA, when charged with the responsibility for implementing a budgeting and financial system that reflected their own strategic needs, all three LEA’s defaulted to an incremental budget based on past allocations. Edwards, et al. (1996) contended that the prevalence of budget incrementalism, even in the face of a significant change such as school autonomy, could be significantly explained by a desire to maintain consensus ‘in the face of multiple conflicting goals’ (p. 29). Bell (2002) argued that UK education reform had actually increased centralisation.
One of the most comprehensive early pieces of research into school autonomy questioned the point of schools having budgets to manage locally if such autonomy was not going to impact learning and teaching. Levačić (1995) undertook a number of case studies of English schools (soon after ERA was implemented) that involved semi-structured interviews, observation of governors and of finance meetings, and analysis of documents concerned with financial decision stressed that ‘there is a lack of strong theoretical argument and empirical evidence on how delegated budgeting improves the quality of teaching and learning as claimed by the government’ (p. xi). Subsequent work by the same author produced similar findings. ‘Links between changed management structures and incentives ... and improvements in teaching and learning involve highly complex processes which are difficult to investigate. The empirical evidence to date on the impact of LMS on pupil learning is extremely thin’ (Levačić, 1998, p. 343). Levačić’s findings readily demonstrate the challenge in attempting to measure the effectiveness of school autonomy on the basis of student outcomes when so many variables can impact student outcomes. A more feasible challenge, and the objective of this research, is to understand how the implications of and tensions between autonomy and accountability are manifested and resolved in Australian secondary schools.

Other early case study based research into the impacts of adopting school autonomy, known in the UK as Local Management of Schools (LMS), was undertaken by Laughlin, Broadbent, Shearn, and Willig-Atherton (1994). Staff members who were largely responsible for managing the financial resources devolved to the school were labelled the ‘absorbing group’ because they ‘absorbed’ the additional work created by LMS to ‘allow the real work of the school to go on unhindered’ (Laughlin, et al., 1994, p. 60). Although there was significant variation in group composition and divisions of responsibility within the absorbing group, there was also an acknowledgement that the accountability requirements placed upon them by the government structured their processes and, as a result, homogenised their accountability reports.

Financial devolution is tacitly to allow these units freedom to decide on the best use of the finances made available to them, while at the same time developing constraints (invariably measurable output expectations aligned to input resource usage) around this apparent freedom. (Laughlin, et al., 1994, p. 59)
In other words increased autonomy gives rise to increased accountability requirements that can actually have the effect of limiting autonomy. This apparent interplay between public school autonomy and accountability identified by Laughlin, et al. (1994) was further reinforced in a more recent and equally comprehensive UK study. In an examination of the understandings and processes of accountability post-LMS implementation, Ezzamel, et al. (2007) found that many of their interviewees now struggled to understand accountability in anything other than institutionalised financial terms. However, in conclusion, Ezzamel, et al. (2007) acknowledge that different conceptions of accountability may be drawn out in different work contexts and that this finding ‘can form the basis for further studies of accounting and accountability in action’ (p. 169). In the key findings of a study of school improvement programmes in eight European countries (summarised in Table 2.3), the UK was seen as a leader (Sun, et al., 2007). In particular, the study cited the UK as a school improvement success story because of the accountability framework involved (p. 109), and also because of its strong and ‘empowered’ local school leadership (p. 112). Another noteworthy phenomenon is that a change in national government in the UK did not signal a retreat from the decentralisation of school management. ‘Indeed it was extended by Blair’s New Labour’ (Caldwell, 2008, p. 237).

More recent developments in the management of UK schools, including the implementation of free schools, were outlined in Section 2.4.3 which discussed the current state and history of school based autonomy globally. Supported by OECD (2012) compiled data, the UK remains a global leader in school autonomy, such that 80% of decisions on the management of government schools in England, which constitute most of the UK’s school population, continue to take place at the school level.

2.4.5 School autonomy in the United States

Of all OECD countries, the United States (US) reports the second largest share of decision making concerning public secondary schools (53%) taking place at local school district level (OECD, 2012). This significant statistic is, however, averaged across the 50 states of the US who retain ultimate responsibility for public education, and is balanced against the comparatively minimal role the US central government has in public secondary school decision making (OECD, 2012). It is, therefore, not surprising that the degree of school autonomy
autonomy can vary significantly between school districts (Beck, 2004; Grumet, 2004). This significant variation is ably demonstrated in statistics on charter schools, the most common and most rapidly growing form of SBM in the US (NSW Department of Education and Communities, 2012a), now covering 5% of all US school students. In New Orleans, nearly 80% of children attend charter schools and yet, by way of contrast, eight states still do not allow them (Lambert, 2013).

In studies of Los Angeles school districts, Beck (2004) argued that despite significant differences in the degree of autonomy, US school districts, like their UK counterparts, often had quite homogenous school management policies. Ortiz and Ogawa (2000) argued that this homogeneity may be due to the significant accountability demands placed on principals of schools that have autonomy. ‘In response, school organisations have grown in size and complexity and become increasingly bureaucratic, calling for decisions based on the rational appraisal of alternatives’ (p. 489). Similarly, in an analysis of over 70 mostly US-based studies of school autonomy implementations, Leithwood and Menzies (1998) found that no matter the intended form of school autonomy, ‘there is a huge cost, in principals' and teachers' time and effort required to make any form of SBM work even reasonably well’ (p. 236).

2.4.6 School autonomy in New Zealand
New Zealand (NZ) began the process of decentralising power and authority to schools later than was the case in the UK and US, but once moves were underway in 1989 in NZ, progress was rapid. NZ’s plan, known as ‘Tomorrow’s Schools’, has been described as ‘arguably the most thorough and dramatic transformation of a state system of compulsory education ever undertaken by an industrialised country’ (Fiske & Ladd, 2000a, p. 3). NPM is more ideologically aligned with the right but the ‘Tomorrow’s Schools’ reforms were introduced by a centre-left government. Indeed this government was noted for leading the world in the implementation of many other NPM based policies, including the removal of industry subsidies, dismantling trade barriers, restructuring the public service, and selling state assets. Such policies, which are usually associated with the political right, became known as ‘Rogernomics’, named after the government’s finance minister Roger Douglas, who was charged with their implementation.
As well as turning over control of its nearly 2,700 primary and secondary schools to locally elected boards of trustees, this centre-left government also established new school financing and accountability systems (Fiske & Ladd, 2000b) that resulted in a greatly reduced education bureaucracy (Tooley & Guthrie, 2007b). In 1991, the newly elected centre-right government continued and expanded the ‘Tomorrow’s Schools’ reforms by abolishing zoning and giving parents the right to choose the public school their children would attend. At the same time, public schools were granted even greater autonomy over the management of their finances, as well complete autonomy over enrolment and the years (or grades) they offered. As a result, government schools ‘found themselves competing for students against other schools in an educational marketplace’ (Fiske & Ladd, 2000a, p. 4). This raised some broad questions about the applicability of market concepts to public education (Fiske & Ladd, 2000a). Indeed, Jensen (2013) argues that a market for school education does not exist.

By the end of the 1990s, the same centre-right government conceded that complete autonomy did not work effectively in schools located in areas of lower socioeconomic privilege as such communities often lacked the social capital to provide effective community management for their schools (Fiske & Ladd, 2000a). In response the government provided more centralised support, coupled with tighter accountability provisions for schools in lower socioeconomic areas. In addition, all public schools had some limitations placed on their enrolment policies and the grades they could teach. Despite the managerial assistance provided to schools in lower socioeconomic areas to compete effectively in the education marketplace, they were still unable to do so. Fiske and Ladd (2000a) argue that ‘some direct intervention from the centre will always be necessary for such schools, and provision for such assistance should be anticipated from the outset’ (p. 4). This experience for the government demonstrates the wisdom in a flexible application of NPM principles.

A centre-left government elected in December 1999 placed further, although relatively minor, restrictions on public school autonomy, reintroducing zoning and taking away the power of schools to control admissions (Adams, 2009). The government also imposed increased accountability responsibilities on schools. The introduction of the Education
The reforms appear to have been strengthened with the recent implementation of the *Education Amendment Act 2013* by the current centre-right government, elected in 2008. The centrepiece of this legislation is the creation of ‘partnership schools’, effectively using the same free school model, outlined above in Section 2.4.3, and which operate in the UK and Sweden. ‘These schools will have greater freedom and flexibility to innovate and engage with their students in return for stronger accountability for improving educational outcomes’ (New Zealand Ministry of Education, 2013). Given the problematic experience of the previous governments in relation to autonomy for schools in low socio-economic areas, partnership schools will specifically focus on the Government’s priority groups: Maori, Pasifika, learners from low socio-economic backgrounds, and learners with special education needs. The *Education Amendment Act 2013* also defines students’ education as the key function of school boards, permits greater flexibility with their timetabling of the school day, and introduces electronic publishing of school’s annual fiscal statements. Today, NZ schools remain some of the most autonomous amongst OECD countries, with 76% of management decisions taken at the school level (Pont, Toledo, Zapata, & Fraccola, 2013).
With its range of autonomy and accountability measures, the *Education Amendment Act 2013* neatly captures the ongoing tension between autonomy and accountability in the management of NZ government schools.

### 2.4.7 School autonomy in Australia

Current trends in school autonomy in Australia have been very similar to those experienced in the UK, US and NZ. Caldwell (2008) asserts that the origins of school self-management in Australia can be traced to the 1973 *Interim Report of the Australian Schools Commission*, which supported less centralised control over the operation of schools and devolution of responsibility to relevant stakeholders. Gamage (2008) argues that the catalyst for SBM was actually the earlier 1967 *Report on An Independent Education Authority for the Australian Capital Territory (ACT)*, which led to a public debate in the print media that ‘spread to all other Australian systems resulting in several different approaches to introduce SBM’ (p. 666).

In the ensuing decades the spread of SBM to Australian school systems has been uneven. Some states and territories were early and extensive adopters, while others have only engaged with SBM relatively recently. The ACT has had a policy of school-based management since 1976, which was extended in 1997 to include whole budget management responsibility and facilities management (NSW Department of Education and Communities, 2012a). In 2009, an extensive review of SBM in the ACT found that ‘the flexibility in financial and human resource management afforded under school-based management is considered an important strength that must be retained over the longer term’ (Allen Consulting Group, 2009). By way of contrast, Western Australia (WA) has been a relatively late adopter, but is now an SBM leader (Ferrari, 2010). In 2010, under its Independent Public Schools (IPS) initiative, WA converted 34 of its public schools from centralised control, granting schools a single line budget and with responsibility for hiring teaching staff, curriculum decisions, and maintenance and utilities provision. The initiative has proved popular. A further 221 WA public schools have volunteered to convert to IPS in the three years since. An initial evaluation of the IPS initiative commissioned by the WA Department of Education (University of Melbourne, 2013) was overwhelmingly positive and a recent report on school enrolment trends identified WA with a growing government
school share of the total school student population (ABC, 2014). By early 2015 441 former public schools, covering about 70% of WA students and teachers, had converted to IPS after completing a ‘development program’ and passing a ‘rigorous selection process’ (Western Australian Department of Education, 2014).

Although in 1972 South Australia became the first Australian school system to establish mandatory school councils, they were not granted any authority or responsibilities (Gamage & Zajda, 2005) until a 1999 SBM initiative called ‘Partnerships 21’ (Kilvert, Tunbridge, & Dow, 2001). Partnerships 21 granted the renamed ‘governing council’ authority to approve and monitor the school’s policies, strategic plan and, most significantly, a global budget (Kilvert, et al., 2001, p. 150). Queensland legislated for its own model of SBM later than most other Australian school systems, embarking on a state-wide implementation known as the Leading School Program (Gamage & Zajda, 2005) in 1997. This was reworked in 1999 by the incoming Labor Government to offer three SBM options at differing levels of autonomy. Only school councils under Enhanced Flexibility Model 2 (EO2) have the power to approve and monitor budgets (Nobbs, 2006), but all school based officers ‘have some input into which resources are provided to schools and how they are spent’ (NSW Department of Education and Communities, 2012a, p. 33).

Despite these changes, management of the Australian education system remains far from homogeneous or uncontested (Ainley & McKenzie, 2000). There is still significant diversity between Australian jurisdictions in the levels, fields, and modes of decision making management at schools, adequately summarised in an OECD developed framework. That diversity is bookended by the two largest states that collectively educate well over half of Australia’s children (2010). Victoria’s largely decentralised system stands at one end of the spectrum and the predominantly centralised system in New South Wales at the other. Consequently, these contrasting systems are the focus of the research reported in this thesis. Detailed information on school autonomy reforms in both states is provided in sections 2.4.8 and 2.4.9, providing necessary background and scene-setting data crucial to the research.
2.4.8 School autonomy in Victoria

As noted in the previous section, Australia took its first steps towards decentralising power and authority to schools in the 1970s. The state of Victoria played a key role in those initial steps and became ‘Australia’s flagship for many of the moves towards a fully decentralised system of education’ (Abu-Duhou, 1999, p. 63). The current section provides a detailed discussion of school autonomy reforms in Victoria which is essential given that Victoria is one of the states investigated in this research. This section commences with an overview of the historical and political background to Victorian reforms, before considering the role of NPM in Victorian SBM. An outline of key accountability requirements, arrangements and practices in Victorian schools under SBM, with a particular focus on annual reports, is then provided. Finally, the section concludes with a consideration of levels of autonomy and loci of decision making in Victorian schools.

A public debate on the relationship between school and community initiated by the Victorian Director General of Education in late 1973 led to a 1975 amendment to the Education Act, which facilitated the establishment of school councils (Gamage, 2008). Later moves in the 1980s, under a new centre-left government, gave school councils the responsibility for determining school policy and the selection of the school principal (Abu-Duhou, 1999). However, it was the election of a centre-right government in 1992 that precipitated major and rapid steps toward significant school autonomy. Partly informed by a discussion paper produced by the previous government, the “Schools of the Future (SOF)” framework was introduced in 1993, which aimed at ‘improving the quality of education for students by moving to schools the responsibility to make decisions, set priorities and control resources’ (Abu-Duhou, 1999, p. 69). UNESCO believed SOF was unique in comparison to any other form of SBM in place at the time. The two particularly unique aspects were the involvement of both internal and external constituencies (principal, staff, parents, community), and decentralisation and devolution of power to the school level as opposed to the district and/or local education authority level (Abu-Duhou, 1999, p. 68).

A centre-left government was returned to power in 1999 ‘but an inquiry commissioned by it supported the retention of the broad reforms introduced under the SOF framework’ (Gamage, 2008, p. 669). Indeed, this government enhanced and expanded the finance
functions of school councils (Gamage, 2008, p. 671) under the ‘Blueprint for Government Schools’ agenda, and today Victorian school principals ‘are responsible for the allocation of 94% of a schools budget’ (2012a, p. 32).

The reach of NPM across countries, political ideologies, levels of government, policy fields, and organisations (Hood, 1991) was discussed in Section 2.2.2, and the enthusiastic adoption of NPM initiatives from the 1970s by consecutive Australian federal and state governments was outlined in Section 2.2.3 (Hood & Peters, 2004; O’Faircheallaigh, et al., 1999; O’Flynn, 2007). Finally, Section 2.2.4 highlighted the significant common ground between the rationales and canons of NPM and the development of new approaches to public school management (Ezzamel, et al., 2007; Moos, 2005; Tooley & Guthrie, 2007b). Arguably, the most significant Australian proponent of NPM over the last few decades was the centre-right government, which came to power in Victoria in October 1992. At that time, Victoria was in a state of economic malaise with high unemployment and a significant amount of net public debt. The urgent need to rapidly reduce that debt and to free up the arms of government to reinvigorate the state economy afforded the government the rare opportunity to implement sweeping NPM based reforms in health, transport, industrial relations, local government, and education that would otherwise have met with stronger opposition (Green, 2012).

The 1993 SOF reforms to Victorian education exhibited many of the doctrinal components of NPM outlined by Hood (1991) (see Table 2.1). For example, the closure of 300 schools and a 6,500 person reduction in the teacher workforce (Caldwell & Hayward, 1998) represented a greater parsimony in resource use. A 60 per cent reduction in the then Victorian Department of Education’s (‘the department’) out of school workforce, and devolved accountability for over 90 percent of recurrent budgets is a clear example of a shift to unit disaggregation, whereas the devolution of staff selection to each school (Caldwell, 2008) was the result of an increased focus on private sector management practice. Caldwell and Hayward (1998) claimed that the devolved budget process was ‘designed to ensure that the school can be held fully accountable for its expenditure at all times’ (p. 50).

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6 ‘When elected in 1992, Kennett inherited a $2.2 billion budget deficit and net public debt of $33 billion’ (Packham, 2013)
However, schools were not only accountable for expenditure. The SOF reform devolved responsibility for significant aspects of the curriculum (by providing a framework within which schools were able to create their own programmes) and staff (local selection of staff, staffing flexibility, workforce planning), as well as resources. For the school, the key document for rendering an account for the curriculum, people and resources in their charge was the school charter. The school charter served as the formal understanding between the school community and the department and included: the curriculum profile; codes of practice; students’ code of conduct; accountability arrangements; budget summary; and an agreement to ensure that schools met their objectives within the limits of available resources (Abu-Duhou, 1999). Under SOF, other aspects of the local school accountability framework, working in a complementary relationship with the charter, were the school council, annual reports, and triennial reviews. The SOF accountability framework and the requirements, arrangements and practices within it are presented in summary form in Figure 2.3.

**Figure 2.3 Local accountability framework**

As outlined above the centre-left government which came to power in 1999 essentially continued and even expanded the 1993 SOF reforms of the previous government. More than twenty years later, again under a centre-left government (after four years between 2010 and 2014 under a centre-right government), most of the key accountability requirements, arrangements and practices introduced under SOF are still in place. First granted under SOF, school councils continue to have the authority as governing bodies to
determine the educational policies of the school within the framework of the school charter. They are responsible for the selection of principals, the employment of non-teaching staff and the use of teachers on short-term contracts for particular projects. Chan and Chui (1997) found that school councils operated most successfully when there was mutual acceptance of the respective roles played by parents and teachers.

The school councils are accountable to their local communities and the department to whom they report through the annual report. Although the annual report is focused on educational achievements, it also contains independently audited financial information (Abu-Duhou, 1999) comprising a summary of the school council’s financial performance (revenue/expenditure) and position (funds available/financial commitments) for the school year, as well as a commentary on the school’s financial performance (Victorian Department of Education and Early Childhood Development, 2013b).

The most significant change from the 1993 SOF reforms was in relation to the school charter and triennial review process. Along with community consultation via the school self-assessment process and the independent department verification of that process, the annual reports constituted a crucial component of the triennial review process. The review process then informed the development of an updated school charter and three year plan. This has now been replaced by a four year school strategic plan. Like the school charter, the school strategic plan ‘is a formal understanding between the school council, the school community and the department’ (Victorian Department of Education and Early Childhood Development, 2009, p. 4). The plan sets out the school’s goals and targets for the next four years, the strategies for achieving those goals and targets, and timelines for the implementation of those strategies.

These reforms have left Victorian schools controlling over 93 percent of the state’s education budget, rendering the Victorian school system as one of the most devolved in the world (Jensen, 2013). However, the question remains as to the impact of the reforms. Some of the research that has been undertaken into the Victorian school autonomy experience challenges Brignall and Modell (2000)’s view that services of high quality and economy are difficult for the public sector to deliver simultaneously. Other research supports that view.
Caldwell and Hayward (1998) contended that school autonomy has played a key role in driving the ‘low expenditure and good performance’ (p. 407) of the Australian education system. Fifteen years later PISA data showed ‘no relationship between increases in expenditure and changes in performance’ (OECD, 2013, p. 42). Although Australia’s educational performance continues to be above the OECD average, a 15% increase in average spending per student between 2003 and 2012 actually saw Australia’s performance in mathematics decline by 20 points. That such a decline has occurred in Australia, one of only 4 OECD countries in the past decade to show an increase (to 50%) in the proportion of itemised decisions at the school level (OECD, 2012), as outlined above in Section 2.4.3, challenges Caldwell and Hayward’s (1998) contention. Mante and O’Brien (2001) attempted to measure the educational performance of public secondary schools in Victoria. They argued that, given the educational outputs, secondary schools in Victoria were generally making an efficient use of the resources they were provided. Similarly, in a submission to an inquiry into the largely centralised NSW public school system, Harrold and Buckingham (2001) argued that the more autonomous Victorian system had achieved superior quality and efficiency outcomes.

The much lower rate of attrition of student numbers in Victorian public schools over the last decade, compared with previous decades and with other states, indicates that public satisfaction with public schools in Victoria may have increased with the introduction of the school-based management reforms (Harrold & Buckingham, 2001, p. 14).

This apparent satisfaction was achieved despite Victoria having the lowest per capita expenditure on government schools of any state or territory in Australia (Harrold & Buckingham, 2001). While Harrold and Buckingham’s (2001) arguments may have some merit, the supporting evidence they cite is rather anaemic and covers only the attrition dimension of school system performance. Additionally, their conclusion is not helped by the lack of comparative studies between Australian school systems with contrasting degrees of school autonomy, thus providing a further sound justification for the research presented in this thesis which is concerned with school autonomy in contrasting Australian contexts. Specifically there is justification for a research question that asks what degrees of autonomy are experienced by Australian public secondary schools.
That Victoria’s current performance on national and international reading and mathematical literacy assessments is ‘not significantly different from NSW where autonomy is much lower’ (Jensen, 2013, p. 25) justified ‘the third wave of school reform’ announced in 2012 (Victorian Department of Education and Early Childhood Development, 2012, p. 1). Far from conceding that school autonomy had failed, the education minister argued that Victoria has performed below expectations because ‘schools have not used the flexibilities available to them and ... have been subject to central direction and control that has inhibited local decision making’ (Victorian Department of Education and Early Childhood Development, 2012, p. 3). In response, the ‘third wave of school reform’ (known as Towards Victoria as a Learning Community) commits to increased autonomy in ‘a range of critical areas, including curriculum, reporting, behaviour management, workforce, funding, infrastructure, and governance’ (Victorian Department of Education and Early Childhood Development, 2012, p. 13). In relation to governance improvements, this can include expert membership on school councils, partnerships with non-school organisations, federated models to enable high performing school leaders to work across multiple schools, and capacity for the school council to manage the performance of the school principal (Victorian Department of Education and Early Childhood Development, 2012, p. 18).

The proposals outlined in Towards Victoria as a Learning Community (2012) are yet to be implemented and so, with reference to Table 2.2, it is prudent to consider the current levels of autonomy and loci of decision making at Victorian government schools. Despite determined SBM initiatives in Victoria at the school level, there remain considerable constraints on schools and significant demands on principals. There is significant decision making responsibility for the organisation of instruction, but a principal’s role in personnel management is limited—school councils can hire casual teaching and permanent non-teaching staff, but currently have no ability to vary conditions of service or to set salaries. Principals and school councils of Victorian schools also have little say in determining the program of study their students will follow, but are able to decide how most resources granted to the school are allocated.

The tasks related to resource allocation carry onerous responsibilities for both ‘upward’ accountability and reporting to the department and education minister, as well as ‘outward’
through the members of the School Council to staff, students, parents and the community (Abu-Duhou, 1999, p. 88). It would be difficult to argue that a Victorian school has full autonomy, as defined in Table 2.2, in respect to any particular field of decision. Decision making is either undertaken in conjunction with higher levels of management within the education system, or independently but within the framework set by the department and the Minister of Education. 'The ambiguity of the decentralisation process lies in the transfer of responsibility for resource allocation to the school but the retention of authority (centrally) to assess, review and redirect the activities at any school site' (Abu-Duhou, 1999, pp. 90-91). In other words, granting financial autonomy to Victorian government schools has apparently not diminished the financial accountability requirements placed on them by government. Such a claim is similar to the one made by Smyth (2011) and justifies a research question that seeks to establish whether there are tensions between financial autonomy and accountability in Australian government schools, and if there are how they are manifested and resolved.

2.4.9 School autonomy in New South Wales
The current section follows a similar structure to the section on Victoria (2.4.8) and provides a discussion of school autonomy reforms in NSW, as NSW is the other focal state investigated in this research. This section commences with an overview of the historical and political background to NSW SBM reforms, before considering the role of NPM in NSW in enabling reform. An outline of the accountability framework: key accountability requirements, arrangements and practices in NSW schools under SBM, with a particular focus on annual reports, is then provided. Finally, the section concludes with a consideration of levels of autonomy and loci of decision making in NSW schools.

In the previous section it was noted that the level of school autonomy in NSW is ‘much lower’ than in Victoria. NSW remains the most heavily centralised education system in Australia. However, there have been attempts to introduce school autonomy in NSW over the past few decades, but such initiatives, beginning in 1974, have proven to be far less successful than has been the case in Victoria.
According to Gamage (2002), the first attempt at introducing SBM in NSW was around the same time as Victoria made its initial moves to establish school councils. In 1974, a centre-right NSW Government also introduced school councils but, due to strong opposition from the NSW Teachers Federation (NSWTF), school councils were not mandatory nor did they have any real corporate governance function. In 1983, a Labor NSW Government attempted to enhance the role that school councils played in school governance, but ongoing opposition from the NSWTF meant that the initiative was also unsuccessful. However, by 1988, ‘influenced by the Conservative policies of the then British Government, the Liberal and National coalition parties were determined to implement the concept of community participation in school management’ (Gamage, 2002, p. 57).

Upon election in 1988 the centre-right coalition government, informed by a consultant’s report, dismantled many centralised Department of School Education (DSE) structures, strengthened regional offices of education, and established ‘clusters’ to provide more extensive support to schools (Gamage, 2002). Continued opposition by the NSWTF to any form of decentralisation, combined with the fact that most personnel appointed to positions of cluster directors were bureaucrats from central administration rather than collegial educational leaders, saw the reforms falter. Importantly, school councils never possessed any real power because ‘the NSW Government policy did not go beyond the delegation of authority to school principals leaving the councils voluntary, advisory bodies with no authority of their own’ (Gamage, 2002, p. 61). A 1991/92 research project showed that this lack of authority meant that positions on NSW school councils were not sought after, with 44% of parents and 53% of teachers elected unopposed (Gamage, 2002).

In contrast to the 1999 election of a centre-left government in Victoria, which continued and expanded the SBM initiatives of their centre-right predecessor, the 1995 election of a centre-left government in NSW resulted in the reversal of even the modest SBM initiatives established by the previous government. Education regions and clusters were abolished, and replaced with district offices and a strengthened head office.

‘This centralising tendency of the 1995 reforms reduced the degree of systemic support and encouragement for the establishment and operation of school councils. The district offices
were made to operate as outposts of the centre rather than allowing them to operate as semi-autonomous units' (Gamage, 2002, p. 68).

In consequence, schools were left to manage less than 10% of the total NSW school education budget, and little changed in NSW public school governance for the next decade and a half. In 2009, the now Department of Education and Communities (the department) began a two year pilot, known as the School Based Management Pilot, which granted 47 volunteer schools increased control over recruitment, staffing, and funding. A subsequent evaluation found that pilot schools: built workforce capability and quality in learning and teaching, involved parents and community in improvement initiatives, gained valuable leadership experience, and valued managing their whole budget (NSW Department of Education and Communities, 2012a). The centre-right government elected in 2011 used those findings to inform comprehensive plans for a wider roll-out of SBM. By 2015, the NSW Government, under its Local Schools, Local Decisions policy, had planned to grant all public schools the responsibility for managing more than 70% of the total public school education budget (NSW Department of Education and Communities, 2012b) but this is running behind schedule.

The reversal of the modest SBM initiatives in 1995 and the fact that the current government’s Local Schools, Local Decisions policy has yet to be fully implemented means that the current governance model of public schools in NSW exhibit few of the doctrinal components of NPM as outlined by Hood (1991) in Table 2.1. Table 2.2 summarises the levels at which public school management decisions occur, the fields over which those decision are made, and the way (or mode) by which those decisions are undertaken, but it is prudent to consider current rather than potential levels of autonomy and loci of decision making at NSW government schools. At present, fields of decision at the school level are limited but, in relation to personnel management, principals do have the power to hire casual teachers, and some permanent staff can be appointed by a locally convened merit panel. Similarly, principals are responsible for managing the resources related to employing casual teachers, as well as utilities and other consumables, although this constitutes less than 10% of the total NSW school education budget.
The stated purpose of the annual report for schools in NSW is similar to their more autonomous Victorian counterparts. The department website states that the annual report is an important component of a school’s accountability requirements to its parents and community, to the department, and to the Commonwealth Government (NSW Department of Education and Communities, 2013a). As in Victoria, the NSW annual report is focused on educational achievements, but it also contains a summary of the school’s financial performance (revenue/expenditure). Nevertheless, in NSW this financial reporting only covers the minority of funds (as a percentage of the school’s total operating costs) that move through school accounts.

Planned changes to both Victorian and NSW school systems are likely to increase the level of public school autonomy in both states in the near future but Victoria’s largely decentralised system remains at one end of the school autonomy spectrum, and the predominantly centralised system in NSW remains at the other. The literature may indicate that this is the autonomy experience for government schools of NSW and Victoria but later sections of this chapter (2.4.8 and 2.4.9) demonstrate that evidence gathered from within schools in those states is limited. Consequently there is justification for a research question that asks what degrees of autonomy are experienced by Australian public secondary schools. Although this section has focused on the degree of autonomy experienced by government schools the literature has also highlighted apparent diversity in their accountability frameworks. For example the accountability frameworks of NSW government schools appear less comprehensive than their Victorian counterparts (Section 2.4.8). Therefore a further research question that first seeks to establish whether there is diversity in accountability, before ascertaining how the accountability frameworks of Australian public secondary schools differ, is also justified.

Answers to both research questions restated in the paragraph above as well as the other questions, restated as they emerged from the literature in this chapter, are important for answering the overarching research question. This is because each question addresses different aspects of autonomy and accountability. Indeed the apparent tensions between financial autonomy and accountability in the public sector (Section 2.2), in government schools around the world (sections 2.4.3, 2.4.4 and 2.4.6) and in Australian government
schools (Section 2.4.8) has emerged from the literature in this chapter. Consequently there is justification for research that seeks to establish whether there are tensions between financial accountability and autonomy in Australian public secondary schools, as well as how those tensions are manifested and resolved.
Chapter 3  Conceptual framework

3.1 Introduction
In seeking to understand how the tensions, if any, between autonomy and accountability are manifested and resolved in Australian public secondary schools, institutional theory may have a significant role to play (Brignall & Modell, 2000). It may prove crucial in explaining the differences between government policy on school autonomy and the accountability frameworks in place at Australian public secondary schools. Not only is institutional theory arguably the most dominant perspective in organisational analysis (Lounsbury, 2008), and also the broadest (Scott, 1987), but its natural home is in the public sector (Frumkin & Gelaskiewicz, 2004) where institutions, including those connected to education, abound. Indeed, institutional theory perspectives are so varied in the setting of public sector organisations and fields, that some theorists have suggested the theory can be applied to explain stability and conformity (DiMaggio & Powell, 1983; Sharma & Lawrence, 2008) while, by way of contrast, others suggest it explains diversity and change (Lounsbury, 2008). Burns and Scapens (2000) have argued that this is a false dichotomy and that institutional theory can simultaneously stress ‘the stability embodied in rule-based behaviour and routine organisational systems and practices, but also recognises that rules and routines can change’ (p. 4). Others have also championed the variety and depth of institutional theory. Oliver’s seminal work (1991) extended institutional theory by proposing a version that can accommodate and predict different strategic responses to institutional pressures.

Existing financial management and accountability practices in Australian public school systems appear, at least superficially, to be as diverse and as contested as the institutional theory perspectives that may explain them. Despite the importance of public education and the significance of institutional theory, there has been little application of the theory to research in educational settings (for dated exceptions see Arum, 2000; Edwards, et al., 1995; Covaleski and Dirsmith, 1998), much less to Australian contexts. Consequently this research makes a contribution by utilising institutional theory to analyse Australian public school systems.
This chapter outlines the history of institutional theory and the debates over its various theoretical perspectives, moving on to consider its application to the public sector, and public schools in particular. Given the potential usefulness of institutional theory in exploring and explicating relationships between actions and institutions, the chapter concludes with a consideration of the effectiveness of this conceptual framework for examining the data collected in this research.

3.2 History of institutional theory
A traditional view of institutional theory is that organisations are faced with institutional pressures and, as a result of these pressures; organisations within a field tend to become similar in their forms and practices (Deegan, 2014). DiMaggio and Powell (1983) advanced the development of institutional theory by identifying coercive, mimetic and normative institutional pressures causing organisations and organisational fields, via a process they called ‘isomorphism’, to become more homogenous. These three categories of isomorphic pressures may not always be distinguishable. Carpenter and Feroz (2001, p. 573) noted that two or more of these pressures may be operating simultaneously, which can make it difficult to determine which form of institutional pressure is more potent.

3.2.1 Coercive, mimetic and normative isomorphism
According to DiMaggio and Powell (1983), ‘coercive isomorphism results from both formal and informal pressures exerted on organisations by other organisations upon which they are dependent’ (p. 150) for their continued operation. The concentration of vital resources within a field gives those few entities significant power to dictate to those dependent on them. If all organisations in a field are equally dependent on the same few entities, imposing the same terms upon which resources are made available, then it is likely those same terms will shape the internal processes of the dependent organisations in a similar manner.

Mimetic isomorphism takes place when one organisation attempts to imitate (mimic) a more successful organisation. It is rare for an individual organisation in any field to develop a completely unique set of its own strategies or structures. Instead, a desire to emulate proven organisational models, as well as make efficient use of limited resources, generally sees most organisations adopt pre-existing models, either partially or entirely. Such a desire
extends to organisational fields facing ambiguity or uncertainty—an organisation within that field will model itself after organisations perceived to be successful in coping with the ambiguity. If a majority of organisations operating in a field adopt such a strategy to counter the inherent uncertainty, then the number of organisational models in the field becomes limited, and ultimately one or two models may dominate.

Normative isomorphism is the result of the professional occupation that dominates an organisation (for example, teachers at schools) collectively influencing conditions and methods of work (Dillard, Rigsby, & Goodman, 2004). Professionals undergo a socialisation process during their professional training, where the reigning norms and dominant organisational models in the profession are internalised. Relational networks are then further strengthened by professional associations once individuals are in practice. If organisations within a field are populated by staff trained in common methods, then those common approaches will be widely adopted within the field (DiMaggio & Powell, 1983). By way of example, Carpenter and Feroz (2001) found the influence of professional accountants who continued to network with each other when practicing in state government bureaucracies was crucial in influencing four United States (US) state governments to adopt US Generally Accepted Accounting Principles (GAAP). For teachers, this may include having teaching models inculcated from an early stage of their training.

3.2.2 The debate over institutional theory

More recently, other researchers in the field have argued that the traditional view of institutionalisation via isomorphism is an anachronism and has contributed to a narrow conceptualisation of institutional dynamics that is inconsistent with early formulations of the theory (Lounsbury, 2008). Lounsbury (2008) cites Meyer and Rowan (1977), arguing that the ‘technical properties of outputs are socially defined and do not exist in some concrete sense that allows them to be empirically discovered’ (p. 351). Similar criticism of traditional institutionalism’s current state is levelled by Sharma and Lawrence (2008), who believe that far from a theory that explains change, it has actually become one that can only explain stability and the status quo.
This is not a universal view. Frumkin and Gelaskiewicz (2004) believe that institutional isomorphism has ‘moved research away from overly rationalistic explanations of organisational behaviour to explanations that recognise that organisations are embedded in larger cultural and political contexts’ (p. 283). In a similar vein, Mizruchi and Fein (1999) argue that DiMaggio and Powell’s seminal work was entirely consistent with Meyer and Rowan’s social constructivist view that organisations become similar, not because of competition or objective requirements, but in quests to attain legitimacy. These quests for legitimacy mean organisations (and their managers) are prone to construct stories about their actions that correspond to socially prescribed dictates about what such an organisation was supposed to do. ‘These stories did not necessarily have connection to what the organisation actually did, but rather, they were used as forms of symbolic reassurance to mollify potentially influential publics’ (Mizruchi & Fein, 1999, p. 656). A review of 26 articles using DiMaggio and Powell’s model lead Mizruchi and Fein (1999) to conclude that authors have selectively applied aspects of the model to the point where many have effectively misrepresented the theory.

Mizruchi and Fein (1999) argued that DiMaggio and Powell have been unfairly implicated as accessories to the limited picture of institutional theory criticised above. They call for an understanding of the ways in which socially constructed knowledge provides a particular representation of the world, so that future portrayals of institutionalism and their application to various fields of study may be broader and richer. Rather than simply criticise institutional theory’s limitations Oliver (1991) proposed a version that can accommodate ‘different strategic responses that organisations enact as a result of the institutional pressures toward them’ and developed ‘a preliminary conceptual framework for predicting the occurrences of the alternative strategies’ (p.145).

### 3.3 Institutional theory and the public sector

A significant body of institutional theory research has centred on the public sector. The prevalence of the theory’s application in such settings may be because the state and various professions, the two main actors in contemporary society according to DiMaggio and Powell (1983), are key players in any framework advanced out of institutional theory. Although it has arisen from and been grounded in the study of organisations, institutional theory is
increasingly being applied in accounting research (Brignall & Modell, 2000; Carpenter & Feroz, 2001; Dillard, et al., 2004; Sharma & Lawrence, 2008) to study the practice of accounting in public sector organisations. These researchers also recognise that institutional theory provides a complementary perspective to legitimacy theory because it links organisational practices (such as accounting) to the values a society requires of its organisations in order for them to be considered ‘normal’ (Deegan, 2014).

The need to be seen as ‘legitimate’ is particularly important when the organisational field is largely reliant on state funding. Such an organisational field, the public education system, is the specific focus of the research described in this thesis. The social visibility of the public education system and the need to be accountable not only to government funders, but also to school staff, parents and the public, may function to encourage organisations to engage in legitimating practices.

These complementary theoretical perspectives provide sound explanations for why organisations in a particular field tend to become similar in their forms and practices, but they also flag some potential difficulties in ensuring optimum performance of an organisation. Meyer and Rowan (1977) noted that ‘moving towards the status in society of a subunit rather than an independent system can enable an organisation to remain successful by social definition, buffering it from failure’ (p. 349). In effect, they argued that support is guaranteed by agreement instead of depending entirely on performance, and illustrate their argument with the case of American school districts that have near monopolies on students.

They must conform to wider rules about proper classifications and credentials of teachers and students and of topics. But they are protected by rules which make education as defined by these classifications compulsory ... organisations which innovate in important structural ways bear considerable costs in legitimacy (Meyer & Rowan, 1977, p. 352).

Carpenter and Feroz (2001) put the issue rather bluntly: ‘institutional theory assumes that organisations adopt frameworks and management practices that are considered legitimate by other organisations in their fields, regardless of their actual usefulness’ (p. 569). In a similar vein, NPM has been criticised for emphasising the use of financial measures that are, in practice, inadequate proxies for real service delivery. Organisations can move towards a
common approach to achieve legitimacy and ensure longevity, but the risk is that these become their objectives and the original objective of service delivery is ignored.

The implications of institutional theory for performance measurement in public sector organisations were explored by Brignall and Modell (2000). They used studies of health, social care and local government organisations in the UK and Sweden that had been given autonomy to provide services. Despite Sweden’s system of governance and funding being more decentralised than that of the UK, they concluded that:

> there is evidence of uniform tendency towards heavier managerial reliance on financial performance measures in response to growing pressures from fund-granting bodies, which may conflict with ... non-financial aspects such as quality and innovation (Brignall & Modell, 2000, p. 294).

Paradoxically, whilst public sector organisations had, in theory, been granted devolved power and flexibility to make service decisions, the strict enforcement of budgetary performance measures by the funding providers effectively meant that their autonomy had been straight-jacketed. Brignall and Modell’s research questions the ability of institutional theory to explain change, and is consistent with Sharma and Lawrence’s (2008) view that it is a theory of stability rather than one of change. Although Brignall and Modell’s (2000) performance measurement framework is well outlined, the authors themselves note their paper is a ‘theoretical skeleton’ requiring a longitudinal case study to add flesh to the framework. Rather scathingly, Lounsbury (2008) criticises Brignall and Modell’s (2000) use of institutional theory as ‘relatively dated and caricatured’ (p. 350) because its narrow conceptualisation maintained a focus on the non-rational features of organisations.

On the measure of research conducted to date, Lounsbury’s (2008) criticisms appear to have merit. Rather than undertaking any original empirical work, most accounting research on institutional theory in the public sector has only listed ad hoc examples and cited other research conducted. The work of Carpenter, Cheng, and Feroz (2007), who applied DiMaggio and Powell’s (1983) institutional isomorphism theory to the process of adopting Generally Accepted Accounting Principles (GAAP) in a study of four US state governments, is one of few exceptions. Despite its prominent use in public sector contexts, an extensive
review of the literature shows that the scarce mobilisation of institutional theory in accounting related case studies is even more pronounced in public education settings (Section 3.1).

3.4 A framework for examination

Although institutional theory has yet to be applied in any significant way to Australian public education, the literature reviewed in this chapter illustrates the potential usefulness of institutional theory in explaining relationships between actions and institutions, particularly public institutions. Indeed, the literature reviewed in the current chapter combined with that on new public management (Section 2.2), accountability (Section 2.3) and autonomy (Section 2.4) presented in the previous chapter, has informed the development of an original conceptual model (Figure 3.1).

Figure 3.1 A model of interrelationships in school autonomy decisions (part 2)

The main objective of the research described in this thesis is to investigate how the implications of, and the tensions (if any) between autonomy and accountability are manifested and resolved in Australian public secondary schools. Central to that objective is the interplay between the degrees of autonomy experienced by Australian public secondary schools and the diverse accountability frameworks in place at those schools, and how that is impacted by government policy and the financial management frameworks established by
government policy. Given its usefulness in aiding understanding of behaviours and practices in and between public organisations, institutional theory is an appropriate conceptual ‘umbrella’ for the research.

The isomorphic pressures outlined by DiMaggio and Powell (1983) can, for example, explain how autonomy is operationalised by managers in individual schools and how that impacts the accountability frameworks they establish in their schools. Requirements to adopt certain accounting procedures, as mandated by the state, is likely to result in individual schools adopting the mandated accounting procedures, since failure to do so may risk the loss of some resources (coercive isomorphism). Conversely Oliver’s (1991) identification of different organisational responses to such isomorphic pressures can explain why some schools may be in a position to resist whereas others pursue compromise or avoidance. Consequently responses to institutional pressures are integral to the framework used for the analysis of the data and in drawing specific conclusions for each research question (Section 10.1).

The four components of the model under the institutional theory conceptual ‘umbrella’ are government policy, degrees of school autonomy, accountability frameworks, and financial management frameworks. These components, as well as the nature of the relationships between them are outlined below.

By definition the Australian public education system remains overwhelmingly reliant on government to fund its ongoing operations. Federal and state government priorities, as reflected in policies, inevitably and directly impact on the degrees of school autonomy permitted in each jurisdiction and the financial management and accountability frameworks in place at both departmental and school levels. This impact of government policy on the other three components is represented in the conceptual model by the unbroken and one-way directional arrows.

In relation to the degrees of school autonomy experienced by different schools, it is government policy that dictates the levels at which public school management decisions occur, the fields over which those decision are made, and the way (or mode) by which those
decisions are undertaken (see Table 2.2). For example, consideration of the school autonomy experience in Victoria (Section 2.4.8) demonstrated that it was the implementation of policies by the state government that facilitated decentralisation and devolution of power to the school level as opposed to the district and/or local education authority level (Abu-Duhou, 1999, p. 68).

Tooley and Guthrie (2007b) argued that granting service providers greater discretion over their resources necessarily increases the need for public accountability (Section 2.3.3). Inevitably, government policy that devolves power to the school level requires more sophisticated forms of accountability than simple fiduciary or economic accountability (see Figure 2.2). Schools are increasingly required to report on ‘the success with which inputs have been used to produce the outputs essential to fulfil the objectives of government policies to achieve desirable outcomes’ (Funnell, et al., 2012, p. 56). Accountability frameworks at the school and government department levels that provide ‘access to relevant information about performance’ (Funnell, et al., 2012, p. 49) have supposedly been established to facilitate such reporting requirements but there are significant questions about the effectiveness of those frameworks.

A key part of any accountability framework is the structures and procedures in place to ensure that the significant amounts of public funding committed to public education are well managed. Governments, (treasury and the relevant education department in each jurisdiction) determine the financial management framework through which those public monies are managed. The fact that it is an essential part of the overall accountability framework in place for school autonomy is the reason for the dotted border around the ‘Financial accountability framework’ heading in the conceptual model presented in Figure 3.1.

Financial management, rather than educational outcomes, is the focus of this research but financial management frameworks do impact educational outcomes and are impacted by the overall accountability framework in place. This is because the ‘provision of quality education depends greatly on the effective and efficient management of the resources available to schools’ (Victorian Auditor-General, 2009, p. v). Consequently the relationship
between the financial management accountability frameworks and the overall accountability frameworks is represented in the conceptual model by the unbroken two-way directional arrow. The degrees of autonomy can often be explained by the percentage of a school’s operating costs controlled at the school level. In Victoria, for example, school principals ‘are responsible for the allocation of 94% of a schools budget’ (NSW Department of Education and Communities, 2012a, p. 32). There is a reasonable expectation, therefore, that the greater the percentage of its budget for which a school is directly responsible, the more sophisticated the financial management framework. This association is represented by the one-directional broken line in the conceptual framework (Figure 3.1).

Finally to investigate if and how tensions between autonomy and accountability are manifested and resolved in Australian public secondary schools, the iterative and central nature of that relationship is captured in the two-way and unbroken arrow between the headings. The methods used in undertaking the research are described in the next chapter.
Chapter 4  Methods and design

4.1 Introduction

Research design ‘is the logic that links data to be collected (and the conclusions to be drawn) to the initial questions of the study’ (Yin, 2009, p. 24). The objective of this thesis was to determine if and how the implications of and the tensions between autonomy and accountability were manifested and resolved in Australian public secondary schools. To achieve this objective a case study approach, focusing on semi-structured interviews, was adopted. The case studies were conducted in four public secondary schools in NSW and Victoria. This chapter begins with a broad discussion of the paradigms that researchers in this field generally ascribe to before moving on to a rationale for the critical realist paradigm selected for this thesis. Also discussed is the validity and reliability of mixed methods multiple case study design, the characteristics of the interview participants and the data analysis techniques used to produce the results presented in the chapters 6 to 9 of the thesis.

4.2 Research Paradigms

Researchers, consciously or unconsciously, base their endeavours on differing beliefs or paradigms about how research should be conducted and what the results of the research should accomplish (Cavana, Delahay, & Sekaran, 2001). In the context of business research, Veal (2005) defines a paradigm as:

A shared framework of assumptions held within a discipline, sub discipline or school of thought within a discipline. It reflects a basic set of philosophical beliefs about the nature of the world, the scientific problems which it presents and the types of solutions which arise from research. It therefore provides guidelines and principles concerning the way research is conducted within the discipline (p. 24).

The differences between research paradigms are driven by their different ontological, epistemological and methodological assumptions (Guba & Lincoln, 2005). ‘The central problem of epistemology is how we can acquire knowledge’ (B. Ryan, Scapens, & Theobald, 2002, p. 11)—essentially what criteria must be satisfied before something can be categorised as ‘true’ or ‘false’? How that question is answered will be determined by the
researcher’s objective or subjective perspectives of reality, which is the concern of ontology (B. Ryan, et al., 2002). In other words, a researchers’ ontological viewpoints shape their epistemological beliefs (Bisman, 2010). Methodology, in contrast to epistemology, focuses on the practical aspects of approaches to research and whether quantitative and/or qualitative methods of data collection is most suitable (Grafton & Lillis, 2011).

4.2.1 Positivist and interpretivist paradigms
The research methodology literature has traditionally coalesced around either a positivist or interpretivist paradigm—both have their strengths and weaknesses. Rooted in the natural sciences, positivists assert that it is possible to ‘remain aloof and separate from the research subjects to ensure total objectivity during data gathering and analysis’ (Cavana, et al., 2001, p. 8). Not surprisingly quantitative research methods are generally the norm for positivist research (Saunders, et al., 2003; Veal, 2005) which implies results can be generalised beyond the initial research sample. Most critics of the positivist paradigm challenge the claim that an objective measure of reality is attainable because they argue that a purely independent researcher, completely free from bias, is a myth (Cavana, et al., 2001). Another criticism of the positivist paradigm laments the fact that generalisations, whilst possible and statistically meaningful, have no applicability to individual cases and ignore the meaning and purpose of human behaviour (Guba & Lincoln, 2005; Saunders, et al., 2003).

By contrast, interpretivists (also known as constructivists) believe that people experience physical and social reality in different ways and assume that the world is largely what people understand it to be. Reality is therefore socially constructed (Cavana, et al., 2001) and it is ‘the role of the interpretivist to seek to understand the subject reality of those that they study in order to be able to make sense of and understand their motives, actions and intentions’ (Saunders, et al., 2003). Interpretivists most frequently use qualitative research methods because of the ability of these methods to provide insight into meaning and experience. The methods are frequently criticised by positivists as unscientific and the validity and reliability of the findings is often questioned. The inability to replicate qualitative studies or to produce generalisable results outside the research sample are also common criticisms.
4.2.2 Critical realism paradigm

The choice of an appropriate research paradigm should depend on the research questions and the status of the existing body of research (Brownell, 1995). The research questions that this thesis sought to answer were outlined in Section 1.2 and are summarised below in Table 4.3. Whilst both positivist and interpretivist approaches are valuable, the section above also outlined their unique limitations. Bisman (2010) argues that those limitations are not diminished when applied to accounting research and offers a ‘middle-ground’ solution that attempts to draw on the strengths of positivism and interpretivism:

Consequently, studies examining human behaviours in connection with, or as a reaction to, accounting information could well benefit from applying multiple or mixed research methods ... A research paradigm that features mixed methods is critical realism (p. 7)

Receiving increased recognition in recent decades (Bisman, 2010; Guba & Lincoln, 2005; Modell, 2009, 2010) critical realism holds that an objective reality exists but that a researcher’s beliefs and experiences are not independent of or detached from their inquiry. It recognises the importance of generalisation, but also the value of context. Bisman (2010) traced the origins of critical realism to two schools of thought. The first is the relatively short lived American critical realist movement of the early twentieth century and the second is a more contemporary movement founded by Roy Bhaskar, critical realism’s most original and influential proponent (Collier, 1994). In asserting that critical realism sees the world as ‘structured, differentiated and changing’ Bhaskar (1989) holds that:

We will only be able to understand ... the social world if we identify the structures at work that generate those events or discourses ... Social phenomena (like most natural phenomena) are the product of a plurality of structures (p. 2).

Put another way, critical realism concerns multiple perceptions about a single, mind-independent reality (Healy & Perry, 2000). The research in this thesis sought to understand part of the social world by examining the tensions between autonomy and financial accountability in the context of Australian public secondary schools. It is clear that decisions, including those concerning school autonomy and accountability, are significantly dependent on human behaviour, but so too is the accounting information often relied upon to make those decisions. As accounting information is human-made, most accounting based research questions cannot be answered ‘independently of the human behaviour and perceptions
within which they are embedded’ (Bisman, 2010, p. 15). Consequently, critical realism was adopted as the research paradigm of ‘best fit’ and most capable of answering the research questions previously outlined in Section 1.2 and summarised below in Table 4.3.

### 4.3 Mixed methods

As illustrated in Figure 4.1, critical realism’s ‘middle-ground’ approach in relation to the roles of the individual and of context is complemented by its ‘middle-ground’ support for mixed methods within the ambit of the paradigm (Healy & Perry, 2000). This section begins with a consideration of the diversity in mixed methods understandings, before moving on to the validity and reliability of cases studies in general and the multiple case study design applied to this research in particular. Also discussed is an outline of the key data collection procedure used in this thesis—interviews—which in turn provides a clear link into the next section of this chapter, the characteristics of the interview participants.

**Figure 4.1: Characteristics of the qualitative – quantitative research continuum**

![Characteristics of the qualitative – quantitative research continuum](image)

*Adapted from: Bisman (2010)*

#### 4.3.1 An introduction to mixed methods

There is significant variation in the definition of mixed methods research but most within the accounting discipline agree that it includes both a quantitative and qualitative component (Grafton & Lillis, 2011). This agreement extends to the wider field of business
research: Saunders, et al. (2003) understand mixed methods as a combination of quantitative and qualitative methods using primary and secondary sources. The agreement also extends to leaders in case study research such as Yin (2009) who views mixed methods as a ‘class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study’ (pp. 62-66).

General agreement may exist in relation to the components of mixed methods research but there are areas of disagreement in relation to the appropriate weighting between qualitative and quantitative components of a study, the stages of the study at which quantitative and qualitative components are mixed and the order in which quantitative and qualitative the methods are used. Bisman (2010) illustrates this by suggesting that within the critical realist paradigm research may initially be qualitative ‘enabling issues, propositions and models to be clarified and modified’ (p. 10) and then followed by quantitative approaches ‘to unearth knowledge concerning broader mechanisms and tendencies’ (p. 10). Rather than promoting qualitative methods’ pre-eminence in mixed-methods, Denzin and Lincoln (2005), the editors of a comprehensive handbook on qualitative research, argue that qualitative researchers should not participate in the mixed-methods movement because they posit it is detrimental to qualitative methods, removing it from its natural home ‘within the critical, interpretive framework’ (p. 9) and weakening its democratic dimensions. By contrast Grafton and Lillis (2011) argue that the key rationale for pursuing mixed methods research is that ‘the weakness in each individual method will be compensated by the counter-balancing strengths of the other’ (p. 11). Tashakkori and Creswell (2007) surmise that the diversity in mixed methods understandings arises because mixed methods studies appear to use two types of one or more of the following: research questions (with qualitative and quantitative approaches), sampling procedures (e.g. probability and purposive), data collection procedures (e.g. focus groups and surveys), data (numerical and textual), data analysis (statistical and thematic) and conclusions (objective and subjective).

Although adoption of a critical realist research paradigm, which supports and reflects a combined methodological approach, meant that mixed methods was a contender for the
research approach in this thesis the nature of the research questions, data, data analysis and conclusions was essentially qualitative. Consequently the research undertaken in this thesis can be classified as qualitative.

4.3.2 Research context
To identify the ‘discourses of accountability accompanying school financial management reforms’ (Ezzamel, et al., 2007, p. 158) NSW and Victorian government policy and procedure documents detailing the scope of the autonomy granted by the state to its public schools, procedural documents covering school accountability requirements, and reports to either government about the impact of current and future school autonomy policies were analysed. These included, but were not limited to, the policy and procedural documents outlined in sections 2.4.8 (Victoria) and 2.4.9 (NSW). In addition to informing the contextual conditions related to each case, analysis of NSW and Victorian government policy and procedural documents assisted in answering several research questions (see Section 1.2). These questions concerned the degree of autonomy granted to public secondary schools in the two states, the diversity of accountability frameworks in place at those schools, and the nature of their accountabilities.

National and international measures of school performance are often used to assess the impact of government policies and procedures. This includes PISA tests, referred to in Section 2.4.2, and the Australian Government’s National Assessment Program—Literacy and Numeracy (NAPLAN) published on the My School website. Although important, academic performance is not a part of the research context for this thesis. Rather, references to school performance in this thesis concern finances—particularly how much is received and from whom. As well as publishing NAPLAN results, the operators of the My School website, the Australian Curriculum, Assessment and Reporting Authority (ACARA) summarise the sources and amount of income for every school in Australia ‘together with its capital expenditure’ (ACARA, 2014). Such information was able to elucidate and triangulate financial information provided by the four case study schools (chapters 6 to 9). It also informed the context within which the research for this thesis was conducted and assisted

7 The My School website is operated by the Australian Curriculum, Assessment and Reporting Authority (ACARA) and provides current data on the performance of and resources available to more than 9,500 Australian schools. The site also allows comparisons to be made between schools.
in answering research questions concerning the nature of accountabilities and the manner in which that accountability is discharged.

4.3.3 Case study
The case study is not a homogenous method—it can be descriptive, illustrative, experimental, exploratory or explanatory (B. Ryan, et al., 2002). Despite such diversity in type, Yin (2009) argues that a common, two fold, definition can be applied. The first part focuses on scope and defines a case study as an ‘empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident’ (p.18). Saunders, et al. (2003) provide a similar definition but also point out that the case study inquiry is undertaken using multiple sources of evidence, and Sekaran and Bougie (2010) emphasise the in-depth nature of case study research. The second part of Yin’s (2009) two fold definition acknowledges both those points and covers the logic of design, data collection techniques, and specific approaches to data analysis. The case study inquiry:

- copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
- relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
- benefits from the prior development of theoretical propositions to guide data collection and analysis (Yin, 2009, p. 18).

Indeed Bloomberg and Volpe (2012) concur with Yin’s (2009) two fold definition by acknowledging that ‘case study is both a methodology (a type of design in qualitative inquiry) and an object of study’ (p. 31). Just as there are many different types of case studies, there are many different ways in which case study research methods can be used (Bloomberg & Volpe, 2012), all relying on ‘quite different theoretical and methodological perspectives’ (B. Ryan, et al., 2002, p. 143). Irrespective of perspective Yin (2009) argues that case studies are the preferred method when:

(a) ‘how’ or ‘why’ questions are being posed; and
(b) the investigator has little control over events; and
(c) the focus is on contemporary phenomena within a real-life context.
Alternative research methods in social science, such as experiments, surveys, archival analysis and histories, may address some of the above situations outlined by Yin (2009), but the case study is the most effective in addressing all three (Table 4.1). ‘What’, ‘who’ and ‘where’ questions are most useful when the aim is to describe the incidence of a phenomenon or to be predictive about certain outcomes—these questions are most suited to surveys and archival analysis. Like case studies, experiments and histories ask ‘how’ and ‘why’ questions, but experiments require an investigator to manipulate behaviour ‘directly, precisely and systematically’ (Yin, 2009, p. 11) and histories, by definition, are not generally about contemporary events.

Table 4.1 Components of the research design in answering research questions

<table>
<thead>
<tr>
<th>Method</th>
<th>(a) form of research question</th>
<th>(b) requires control of behavioural events?</th>
<th>(c) focuses on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: (Yin, 2009, p. 8)

Consistent with Yin (2009), Saunders, et al. (2003) note that case studies have ‘considerable ability to generate answers to the question ‘why’ as well as, to a lesser extent, the ‘what’ and the ‘how’ questions’ (p. 93). Other researchers have also considered the situations that case study research is most suited to, both in general business contexts and accounting contexts in particular, but have also outlined their weaknesses. B. Ryan, et al. (2002) suggest that case studies offer the possibility of being able to understand the nature of
accounting in practice ‘both in terms of the techniques, procedures, systems etc. which are used and the way in which they are used’ (p. 143).

Sekaran and Bougie (2010) believe that current case study research is not suited to problem solving for organisations because studies dealing with problems experienced by a particular organisation of a particular size and in a particular setting are rare. B. Ryan, et al. (2002) concede this point but go on to argue that good accounting case study research ‘should provide the subjects concerned with a deeper and richer understanding of the social context in which they work and make them aware of the problems, and the possibilities for solutions’ (p. 161). Such a goal for ‘good accounting case study research’ does however give rise to other challenges. The interpretivist perspective certainly emphasises the importance of locating ‘accounting practices within the wider organisational, economic and social systems of which they are a part’ (B. Ryan, et al., 2002, p. 159). Case study researchers however must draw boundaries around the subject matter of the case lest they study ‘everything’ in a more superficial, survey like, manner.

As a solution to the challenge of breadth and depth, Lillis and Mundy (2005) promote the cross-sectional field study method as a mid-point approach ‘lying somewhere between in depth cases and broad-based surveys’ (p. 120). It involves limited-depth studies conducted at a non-random selection of field sites. The rationale for the cases selected to be part of the research is outlined in Section 4.4. Such an approach draws ‘on a larger number of observations than in-depth case studies, but can also deal with more complex ‘how’ and ‘why’ questions than survey approaches’ (p. 131). Other suggested weaknesses of case study research are its lack of objectivity and inability to generalise beyond the immediate case study but these are challenges of any social science research method (B. Ryan, et al., 2002). They can be substantially dealt with by a multiple case study design, as outlined in Section 4.3.4.

The research in this thesis sought to answer ‘how’ and ‘why’ research questions that focus on contemporary issues in Australian public secondary schools where the boundaries between the data being studied (the ‘phenomenon’) and data external to the study (the ‘context’) are not clear. To adequately answer those questions, interaction with people who
work in Australian public secondary schools has been essential. Given the research paradigm adopted here, a multiple-site case study was considered to be the research method best placed to answer the research questions (Section 1.2) and it was therefore the key component of the research design.

4.3.4 Multiple case study design

Although there are circumstances where a single-case study would be appropriate—for example where the case is critical, unique, representative, revelatory or longitudinal (Yin, 2009)—single cases do have significant limitations. Not least of these is the difficulty, referred to in the previous section, in being able to generalise beyond the immediate case study. At a more pragmatic level Yin (2009) raises the risk of ‘putting all your eggs in one basket’ (p. 61) with a single case study design because the case may later turn out to be not the case it was thought to be.

The need for multiple case studies can therefore be justified on the grounds of validity and theory development. With the exception of rare or unusual cases, ‘the evidence from multiple cases is often considered more compelling and the overall study is therefore regarded as being more robust’ (Yin, 2009, p. 53). Likewise, analytic generalisations from theory to case study findings can be more strongly made if there are two or more cases to compare with previously developed theory and potentially claim replication. In reporting on cross-sectional field studies undertaken in an accounting context, Lillis and Mundy (2005) argue that the same objective of generalisation beyond the immediate case study can be achieved with a larger ‘number of units of study’ (p. 131) but at less depth. After reviewing a significant amount of literature on this issue Perry and Coote (1994) conclude that somewhere between four and twelve cases are appropriate for a PhD thesis.

The research outlined in this thesis therefore adopted a multiple-case design and used replication logic when selecting cases. According to both Lillis and Mundy (2005) and Yin (2009), this meant that each case is purposively selected ‘so that it either predicts similar results (a literal replication) or predicts contrasting results but for anticipatable reasons (a theoretical replication)’ (Yin, 2009, p. 54). Yin (2009) suggested that two or three cases should be literal replications and that two or three cases should be theoretical replications.
Similarly, Wollin (1996) advocated using multiple case studies to compare and, if necessary, modify or replace existing theory with theory emerging from case analysis. ‘The process is repeated on additional theory-rich cases until there is substantial agreement between all cases and the emerging theory’ (p. 1). As outlined below in Section 4.4, after taking into account the above discussion about the efficacy of multiple case study research design and the fact that the level of autonomy granted to schools in NSW and Victoria is significantly different, as shown by Baines (2007), four case studies were chosen for this thesis—two from NSW and two from Victoria.

The multiple case study research design seeks to logically outline how the initial set of research questions (see Table 4.3), may be answered, as well as how a set of conclusions may be drawn about those questions. Central to this objective, and a fundamental challenge for case study researchers, is defining the unit/s of analysis and the number of units to study. These decisions have implications for whether or not case study research can be theoretically generalised, whether or not the research design is valid, and the type of design to be adopted. Yin (2009) contends that the definition of the unit of analysis (or ‘case’) will be primarily informed by the initial research question. Lillis and Mundy (2005) define the unit of analysis in cross-sectional field studies more flexibly as ‘an observable occurrence of the phenomenon under study’ (p. 131) but concede that this may not constitute the level of aggregation to meet the definition of a case. With reference to the primary research question (Table 4.3) the unit of analysis for the research was an Australian state government secondary school.

**4.3.5 Data source: school annual reports**

An annual report provides context and communicates what the organisation producing it values and to whom they believe they are responsible. Section 2.3.4 notes the annual report is an attempt by both public and private sector organisations to universally meet the accountability expectations of their stakeholders. The same section also noted that the attempt to be ‘all things to all people’ raised persistent questions about the annual report’s usefulness but argued that despite such questions, it remains a ubiquitous accountability mechanism. Mack and Ryan (2007) support the view that public sector ‘agencies are beginning to place more emphasis on annual reporting as a way of directly engaging with
their stakeholders’ (p. 143). Research on the use of school annual reports (see Section 2.3.5) concluded that the strengths, deficiencies and widespread use of annual reports are just as prevalent in the school sector as they are in other parts of the public sector.

Despite widespread criticism in relation to stakeholders’ interest in and understandability of financial statements, one of their key advantages is relative objectivity. Information about financial performance was seen by all users to be the most important in the annual report (Tooley & Hooks, 2010). School annual reports are widely used by governments yet there is an apparent tension between their usefulness and objectivity, particularly the financial components. Such tension justified including the annual reports of case study schools as part of the overall research design. The annual reports of the case study schools assisted in answering several research questions (Section 1.2) concerning the nature of accountabilities and the manner in which that accountability is discharged.

4.3.6 Date source: interviews
An interview is ‘a purposeful discussion between two or more people’ (Saunders, et al., 2003, p. 245) that can assist in gathering valid and reliable data relevant to research questions. Yin (2009) argues that this makes interviews an essential source of effective case study evidence because case studies are invariably about ‘human affairs or behavioural events’ (p. 108). The research conducted for this thesis sought to answer ‘how’ and ‘why’ research questions that examined human behaviour in the interrelationships between the autonomy experienced by Australian public secondary schools and the accountability frameworks in place at those schools (sections 4.3.3 and 4.3.4). Interaction with school employees was essential, thus interviews were an obvious approach to facilitating that interaction.

Just as important was establishing the type of interview best suited to the research conducted for this thesis. There are multiple typologies for interviews but a common typology is one related to the level of formality and structure. ‘Interviews may be highly formalised and structured, using standardised questions for each respondent, or they may be informal and unstructured conversations (Saunders, et al., 2003). In between there are intermediate positions’ (Saunders, et al., 2003, p. 246) such as the semi-structured
interview, for which the interviewer will have a list of themes and questions to be covered. Depending on the organisational context and the flow of the conversation, the order and number of questions in a semi-structured interview may be added to or subtracted from the list.

According to Cavana, et al. (2001) the objective of the unstructured interview ‘is to cause some preliminary issues to surface so that the researchers can decide what variables need further in-depth investigation’ (p. 148). Similarly, Saunders, et al. (2003) believe that semi-structured interviews may be used ‘in order to understand the relationship between variables’ (p. 248). The research for this thesis was explanatory in nature and sought to explain how the implications of and tensions between autonomy and accountability, if any, are manifested and resolved in Australian public secondary schools. Therefore the semi-structured approach was selected as the most appropriate type of interview.

As each school was expected to have some unique characteristics, a more structured approach to questioning may have resulted in some important information not being collected. Providing some structure to the interviews assisted in comparing the views of those interviewed within each school and between schools (Cavana, et al., 2001). Although such an approach afforded research participants the opportunity to raise any issues during the interview, development and testing of the semi-structured questions was undertaken in pilots with academics and with a school based participant whose school was not part of the study. The semi-structured questions are included as an appendix to this chapter. These interviews were used in answering the research questions, summarised below in Table 4.3. The questions concerned the target of accountability obligations, the diversity of accountability frameworks in place at those schools, and the nature of their accountabilities.

4.4 Research population
State-based government school systems remain the backbone of Australia’s education enterprise, enrolling 65.3% or approximately 2.3 million of Australia’s school-age children in 2011 (Harrington, 2013). The number of students attending schools that were the subject of the research conducted for this thesis numbered only several thousand, a small fraction of the total government school student population, but the research population selected was
not intended to be a representative sample. Instead, as outlined in Section 4.3.4, the multiple case study design was adopted to support theory generalisation using replication logic.

The number of schools selected for a multiple case study design proved challenging as there seemed to be little consensus about the optimum size for multiple case (field) studies. The level of autonomy granted to schools in NSW and Victoria is significantly different (Baines, 2007). Thus, selecting schools from both states was considered important. Each of the schools shared similar characteristics and metrics to just one of the schools in the other state. This is because two of the schools—one in NSW and one in Victoria—represented large regional secondary schools and are located in major regional centres of their respective states. The other two schools—one in NSW and one in Victoria—represented small regional secondary schools and are located in small rural towns. The rationale for exclusively selecting case study schools located in regional areas is that financial autonomy for regional schools incurs costs that schools in metropolitan areas do not face. These costs impact on the way financial autonomy is managed at the school level. The key statistics of four public secondary schools selected for case study—two in NSW and the other two in Victoria are outlined in Table 4.2.

The two NSW case study schools were less than an one hour drive from each other and part of the same non-metropolitan region as defined by the NSW Department of Education and Communities. Similarly the two Victorian case study schools were just on an hour’s drive from each other and also part of the same non-metropolitan component of a region defined by the Victorian Department of Education and Training (formerly the Department of Education and Early Childhood Development⁸). Consistent with Yin’s approach (Section 4.3.4) these four case study schools with differences (in size and state jurisdiction) as well as similarities (in size and state jurisdiction) were selected so that it ‘predicts contrasting results but for anticipatable reasons (a theoretical replication)’ (Yin, 2009 p.54). Comparative statistics related to each school are presented in Table 4.2.

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⁸ In 2013 the then Victorian Department of Education and Early Childhood Development merged the four former metropolitan and five former non-metropolitan administrative regions into four, each with a metropolitan and non-metropolitan component. There are 21 government secondary schools located in the non-metropolitan local government areas of the selected region.
Table 4.2 Selected key statistics of case study schools

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Source</th>
<th>NSW 1</th>
<th>VIC 1</th>
<th>NSW 2</th>
<th>VIC 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGA(^9) size</td>
<td>ABS (2012)(^10)</td>
<td>40,108</td>
<td>36,626</td>
<td>13,481</td>
<td>12,138</td>
</tr>
<tr>
<td>Current enrolment</td>
<td>Annual report</td>
<td>1,000</td>
<td>937</td>
<td>231</td>
<td>175</td>
</tr>
<tr>
<td>ICSEA(^11) value</td>
<td>My School</td>
<td>979</td>
<td>960</td>
<td>938</td>
<td>1021</td>
</tr>
<tr>
<td>Staff numbers (teaching)</td>
<td>My School</td>
<td>74.8</td>
<td>73.7</td>
<td>25.7</td>
<td>19.1</td>
</tr>
<tr>
<td>Staff numbers (non-teaching)</td>
<td>My School</td>
<td>16.9</td>
<td>28.8</td>
<td>5.9</td>
<td>4.2</td>
</tr>
<tr>
<td>Total revenue</td>
<td>My School</td>
<td>$13.4m</td>
<td>$13.2m</td>
<td>$4.6m</td>
<td>$3.0m</td>
</tr>
<tr>
<td>Total revenue</td>
<td>Annual report</td>
<td>$1.8m</td>
<td>$4.2m</td>
<td>$0.5m</td>
<td>$0.7m</td>
</tr>
</tbody>
</table>

4.5 Interview analysis

Interviews were conducted at the four case study schools (see Section 4.3.6). Research participants in case study interviews were selected purposively—they must have had some involvement in or responsibility for the administration of school based financial management. The sample selections were focused on the school business manager, the principal, accounting administration staff members, the chair of the school’s governing body, and teachers who demonstrated some interest and expertise in school autonomy, financial management and accountability frameworks. Applying the saturation principle, interviews were conducted until responses began to be homogenous (Saunders, et al., 2003). Each case study school therefore provided an average of four interviewees. The research protocols were approved by the university’s Human Ethics in Research Committee (HREC) and the NSW Department of Education and Communities and the then Victorian Department of Education and Early Childhood Development, now known as the Department of Education and Training.

The actual process of analysing the data from those interviews was based on a thematic analysis approach outlined by Aronson (1994) that should enhance the validity of the data collected. Identified themes were documented and analysed using qualitative data analysis computer software, NVivo. The steps were as follows:

1. data collection: all interviews were taped and transcribed in their entirety to allow patterns of experiences, from either direct quotes or paraphrasing common ideas, to be

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\(^9\) Local Government Area—towns in which NSW2 and VIC2 located are much smaller with populations of around 2,000 people

\(^10\) Australian Bureau of Statistics 2012 data

\(^11\) The Index of Community Socio-Educational Advantage (ICSEA) is a scale of socio-educational advantage that is computed for each school by ACARA specifically to enable meaningful comparisons of NAPLAN test achievement by students in schools across Australia. ICSEA values are calculated on a scale which has a median of 1000 and a standard deviation of 100—the higher the value the greater the educational advantage.
listed. All interviewees were sent their transcript and asked to confirm that the record of their interview was an accurate and fair representation of what was said.

2. expounding of listed patterns: any discussion that aligned with a listed pattern was identified and placed with the corresponding pattern.

3. patterns combined into sub-themes: themes were identified by understanding how ideas or components, which in isolation may have appeared meaningless, actually fitted together.

4. valid argument for choosing the themes built: this was achieved by referring back to the related literature.

5. theme statements to develop a story line formulated: literature was interwoven with the findings to construct a story that ‘stands with merit’.

Questions asked in interviews concerned understanding to whom Australian public secondary schools owe accountability, how that accountability is discharged, and the diversity of accountability frameworks in place at those schools. Further details about both research and interview questions are provided in Section 4.3.6 and Appendix 4.1.

4.5.1 Critical multiplism

Most of the data collected was value-laden (Bisman, 2010) and therefore open to charges of significant bias. A traditional response to this problem has been triangulation, which seeks to promote greater confidence in the observed findings by combining two or more theories, data sources, methods, or investigators in the study of a single phenomenon (Letourneau & Allen, 1999). However, triangulation has been criticised in some literature as an illegitimate validation technique where research straddles functionalist and interpretive paradigms (Modell, 2009).

An attempt was made to avoid such criticism by instead using critical multiplism. ‘Critical’ refers to rational, empirical and social efforts to identify biases present in the methods and theories chosen to investigate a phenomenon, and ‘multiplism’ refers to the observation that research questions can be approached from several perspectives (Letourneau & Allen, 1999). Both triangulation and critical multiplism seek to eliminate inherent bias in the chosen research method, but critical multiplism goes further by encouraging ‘the exhaustive
study of phenomena from as many perspectives as possible’ (Letourneau & Allen, 1999, p. 625). The key critical multiplism strategies, as outlined by Letourneau and Allen (1999), articulated above and employed were:

1. research programmes based on multiple interconnected studies
2. the synthesis of multiple studies conducted in different contexts with different measures
3. involvement of multiple stakeholders (school principals, school administration staff and teachers), beyond mere investigators, in the research process.

4.6 Conclusion
This chapter has provided an overview of the researcher’s use of the interpretivist paradigm to explore the research questions (Section 1.2) summarised below in Table 4.3. The development and administration of the interviews at four different case study sites has also been detailed as have the review of government documents, including the annual reports of the case study schools. Importantly this chapter identified the strengths and weaknesses of mixed methods multiple case study design and has discussed the ways in which the reliability and validity of the research findings were maximised. The information provided here provides context for the results presented in the following chapter.

Table 4.3 Key sources of evidence for research questions

<table>
<thead>
<tr>
<th>Research question</th>
<th>Government documents</th>
<th>Annual reports: case study schools</th>
<th>Interviews: case study schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. If there are tensions between financial accountability and autonomy, how are these tensions between autonomy and accountability manifested and resolved in Australian public secondary schools?</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2. What degrees of autonomy are experienced by Australian public secondary schools?</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. To whom and for what is accountability owed by Australian public secondary schools?</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>4. How do Australian public secondary schools discharge their accountability obligations?</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5. If diversity in accountability exists, how do the accountability frameworks of Australian public secondary schools differ?</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 4.1 Semi-structured interview questions

1. Current role?

2. Your views on autonomy for government schools?

3. How much autonomy should your school have over its financial resources (operating costs\textsuperscript{12} and capital expenditure)?

4. Who do you think your school is accountable to?

5. What do you think your school is accountable for?

6. How does your school discharge those accountability obligations?

7. Is the information produced by your school adequate to make effective decisions about the allocation of financial resources?

8. How do you view the adequacy of your own skills and experience to perform your financial management role in the school?

9. Your thoughts on the support provided by the Department of Education for effective decision making by your school about the allocation of financial resources?

\textsuperscript{12} Per the Australian Curriculum Assessment and Reporting Authority (ACARA), recurrent income is the ‘income received by a school that is available for expenditure relating to the ongoing operating costs of schools (e.g. teaching and non-teaching staff salaries, school operating costs)’. This includes income received directly from Australian governments and local sources as well as expenses incurred on the school’s behalf by state governments e.g. centrally funded payroll.
Chapter 5    Policy and procedural context

5.1 Introduction
This chapter frames the public education policy and procedural context in which the schools in this research operate. Documents detailing the scope of the financial autonomy granted by the state to its public schools, procedural documents covering school financial accountability requirements, and reports to and by governments about the impact of current and future school financial autonomy policies were analysed. Key milestones in the development of school autonomy policies for NSW and Victoria are summarised below in Figure 5.1.

Figure 5.1: NSW and Victoria school autonomy policy timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>Schools of the Future framework implemented</td>
</tr>
<tr>
<td>1999</td>
<td>Schools of the Future expanded</td>
</tr>
<tr>
<td>2012 (Mar)</td>
<td>Local Schools, Local Decisions (LSLD) policy: report on consultation</td>
</tr>
<tr>
<td>2012 (Apr)</td>
<td>NSW &amp; VIC Empowering Local Schools agreement signed with Australian Government</td>
</tr>
<tr>
<td>2013 (Oct)</td>
<td>Resource Allocation Model (RAM) announced</td>
</tr>
<tr>
<td>2013 (Nov)</td>
<td>Victoria as a Learning Community policy announced</td>
</tr>
<tr>
<td>2013 (Dec)</td>
<td>NSW LSLD: 229 pilot schools receive total budget allocation, all schools receive two components of RAM</td>
</tr>
</tbody>
</table>

5.2 NSW
5.2.1 NSW policy
Financial management policies are consistently defined in this research as the ‘principles, rules and guidelines formulated or adopted by an organisation to reach its long-term goals’ (WebFinance, 2014). The key policy document in relation to financial autonomy and accountability for schools in NSW is known as Local Schools, Local Decisions. Currently schools manage just 10% of the total state public education budget (NSW Department of Education and Communities, 2013c). Local Schools, Local Decisions seeks to significantly expand the degree of autonomy experienced by NSW public schools from 10% to 70%. Extensive consultation about eleven proposed reform outcomes underpinned the policy’s implementation plans. The consultation resulted in a pilot implementation at 229 primary

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13 As at 18th December 2015 no further update on LSLD implementation had been provided.
and secondary schools, the same NSW schools originally part of an Australian Government program *Empowering Local Schools*. Consistently formatted around five *reform areas*—staffing, managing resources, red tape, working locally and making decisions—*factsheets* (produced by the NSW Department of Education and Communities in February and April 2014) not only outline the policy’s implementation plans but also report on progress to date against them.

An essential accompaniment to *Local Schools, Local Decisions* is a new policy for determining the amount of funding over which each school has autonomy, the *Resource Allocation Model* (the ‘RAM’). The catalyst for the RAM was a bilateral agreement signed in 2013 between the NSW and Australian Governments, as part of the *National Education Reform Agreement*, commonly known as ‘Gonski’¹⁴. The details of the policy to be applied to NSW government schools were informed by global professional services firm PricewaterhouseCoopers (PwC). PwC staff worked collaboratively with department representatives to develop an approach to resource allocation focused on student and school needs, based on evidence and consistent with the Gonski framework. Essentially RAM seeks to end the provision of ‘staffing entitlements and layers of funding to cover set costs’ to instead ‘provide schools with the resources to purchase the staffing, and goods and services, required to operate their school’ (PricewaterhouseCoopers, 2013, p. 4). Key details about the RAM, from its rationale to funding formulae to implementation phase, have been provided by the department in a series of nine information sheets. An overview is provided at Appendix 5.1. Currently only the 229 *Local Schools, Local Decisions* pilot schools are permitted to receive all their recurrent funding under the RAM. For all other NSW government schools only equity loadings for indigenous and low socio economic students, a relatively small portion of total recurrent funding, are currently provided under the RAM. Progress on the RAM’s implementation is included as part of the *Local Schools, Local Decisions* reporting referred to above.

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¹⁴The colloquial name for the agreement is in reference to the chair (David Gonski) of a substantial national inquiry, commissioned by the previous Labor federal government, into schools funding. The recommendations of ‘Gonski’ which championed the adoption of a consistent, needs-based approach to funding schools in all sectors were the basis of the bilateral agreements. NSW was the first state to sign a 6 year ‘Gonski’ agreement in early 2013 but the Liberal/National federal government elected in late 2013 has to date only committed to funding the first 4 years.
5.2.2 NSW processes and procedures

Financial management processes are defined in this research as ‘a sequence of interdependent and linked procedures which convert inputs into outputs’ and procedures are defined as a ‘fixed, step-by-step sequence of activities ... that must be followed in the same order to correctly perform a task’ (WebFinance, 2014). With the exception of the 229 schools participating in the Local Schools, Local Decisions pilot, the most important set of processes and procedures for school level financial management in NSW continues to be the department’s School Manual on Financial Management (NSW Department of Education and Communities, 2012c). The manual is essentially a guide to applying the finance module of the department’s Office Administration and School Information System (OASIS) \(^{15}\) to every aspect of financial management in schools—for example budgeting, receipting and banking, procurement of goods and services. It includes detailed steps, process flow charts, sample documents, worksheets, and reports and leaves little room for schools to undertake their own approach to using the financial management information system.

Indeed the department’s rationale for introducing an integrated school administration system and accompanying procedures was to address the piecemeal way in which schools, left to make their own decisions, had been managing the computerisation of their administration in the late 1980s. In analysing OASIS’s implementation Pegler (1993) argues that given the wide variability in the financial management and information technology capacity of schools, departmental control was essential for ensuring that finances were appropriately accounted for in all regional offices, at head office and in all schools.

‘Control has been imposed from above ... which while it may cause some resentment and misunderstanding, has been necessary due to the potential proliferation of administration solutions, the general low levels of expertise and the need to ensure departmental requirements were met ... it has relieved school personnel from the burden of planning and designing the administrative information system within the school’ (Pegler, 1993, p. 28).

The control exercised by the department via OASIS related processes and procedures has arguably limited the autonomy experienced by NSW government schools and dictated the

\(^{15}\) OASIS was first introduced to NSW government schools in 1988 and has been through several iterations since. It is due to be replaced by a new SAP based integrated system, known as Learning Management Business Reform (LMBR), as part of the Local Schools Local Decisions reforms, but to date this had only been rolled out to the 229 pilot schools.
framework within which those same schools are called to give an account. Although these processes and procedures meet the accountability needs of the department there is no evidence that it meets the needs of others to whom the school management is accountable, particularly in relation to ensuring effective outcomes. The Local Schools, Local Decisions policy aspires to a significant increase in autonomy for NSW government schools but it may well be that the processes and procedures of Learning Management Business Reform (LMBR)\(^{16}\), currently applied to only 229 NSW schools, determine whether that increase in autonomy is actually experienced by those schools. The capacity of the Local Schools, Local Decisions policies and associated processes and procedures to impact autonomy and accountability for NSW government schools is analysed in Table 5.1.

\(^{16}\)The new SAP based integrated information system currently being trialled in 229 NSW schools, including NSW2, to support the Local Schools Local Decisions initiative.
### Table 5.1 NSW policies and procedures: potential impact on financial autonomy and accountability

<table>
<thead>
<tr>
<th>Reform</th>
<th>Reference</th>
<th>Policy/procedure detail</th>
<th>Impact on autonomy and/or accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing</td>
<td>LSLD March 2014</td>
<td>Schools permitted to fill every second vacancy and to offer local incentives within their global budgets to attract staff. Pilot schools to ‘determine the number and mix of staff to meet the learning needs of students’ (p.1), including employment of a business manager.</td>
<td>March 2014 report card indicates 60% of all vacancies are now filled by school principals but selection and appointment process will consume significant school resources and no additional funding provided to offer incentives. Should enhance autonomy and the capacity to manage the accompanying accountability (i.e. a business manager) but guidelines include a number of constraints e.g. requirement to adhere to class sizes policy. March 2014 report card indicates that to date only 38 schools have chosen to vary mix of staff, suggesting a lack of capacity and/or lack of interest.</td>
</tr>
<tr>
<td>Staff mix</td>
<td>RAM Oct 2013</td>
<td>Funding of schools based on student and school need (rather than being ‘on’ or ‘off’ a particular program), calculated using a transparent and universally applied model. LMBR roll-out is crucial to success of RAM and requires staff development.</td>
<td>Funding based on need protects schools from funding variability due to small variances in enrolments or their student profile and therefore strengthens school autonomy; transparent model enhances accountability of department to schools and communities. A centrally controlled LMBR may enhance accountability but not autonomy. The Auditor-General (2013) reports that there have been major delays in implementing the LMBR finance module.</td>
</tr>
<tr>
<td>Staff mix</td>
<td>LSLD March 2014</td>
<td>Schools to manage more than 70% of the school education budget (up from 10%).</td>
<td>Significant increase in the scope of autonomy but only possible if schools have the capacity to manage it, including an effective accounting information system and an appropriately qualified business manager. Report on LSLD consultation (March 2012) indicated strong support for appointing local business managers but although additional support has been announced for principals (NSW Department of Education and Communities, 2015), there is no indication that additional resources would be provided to fund business managers.</td>
</tr>
<tr>
<td>Red tape</td>
<td>LSLD March 2014</td>
<td>120 policy related documents deleted, merged or identified for amalgamation.</td>
<td>Designed to enhance efficiency in rendering an account but as details have not been provided no assessment can be made.</td>
</tr>
<tr>
<td>Red tape</td>
<td>LSLD May 2014</td>
<td>One comprehensive school plan and annual report connected to student learning outcomes and budget.</td>
<td>Provides protection for schools but arguably abrogates them of the accountability that should accompany financial autonomy. If the standard cost is set materially higher than the salary for graduate teachers it may be harder for graduate teachers to be employed because their cost advantage is eliminated.</td>
</tr>
<tr>
<td>Red tape</td>
<td>LSLD May 2014</td>
<td>From 2015 schools to be charged a standard cost for teachers in their global budgets to ensure that the ‘quality of the teacher is the primary consideration rather than cost’ (p.2).</td>
<td>Provides protection for schools but arguably abrogates them of the accountability that should accompany financial autonomy. If the standard cost is set materially higher than the salary for graduate teachers it may be harder for graduate teachers to be employed because their cost advantage is eliminated.</td>
</tr>
<tr>
<td>Red tape</td>
<td>LSLD May 2014</td>
<td>Once LMBR implemented for all schools, the department to operate a single banking system—i.e. no school level bank accounts.</td>
<td>Auditors-General (2013) reported that NSW government schools held $652m in their own bank accounts at an average of $697k for secondary schools. A single banking system is likely to decrease autonomy for schools but enhance accountability to the department.</td>
</tr>
<tr>
<td>Working locally</td>
<td>LSLD May 2014</td>
<td>Opportunities to ‘jointly create administrative, management and leadership structures [networks] across schools’ (2014, p. 4), which include sharing resources and purchasing in bulk.</td>
<td>Strong links to student learning outcomes enhances the accountability effectiveness of both the school plan and the annual report but only if connections to the financial resources that underpin the plan are also made clear. To date this has not been demonstrated in annual reports.</td>
</tr>
<tr>
<td>Working locally</td>
<td>LSLD May 2014</td>
<td>Principals free to make ‘more local decisions for purchases up to $5,000’.</td>
<td>A $5,000 limit means that financial autonomy is only granted over minor works, unnecessarily constraining schools or networks of schools with capacity to manage larger local purchases.</td>
</tr>
<tr>
<td>Making decisions</td>
<td>LSLD May 2014</td>
<td>State office to be significantly reduced, schools to ‘make most decisions’ (p.5).</td>
<td>March 2014 report card indicates that 6,713 principals, teachers and schools administrative staff have participated in staff PD on local decision making but this constitutes less than 10% of staff in those roles and no indication given about its effectiveness in supporting expanded autonomy.</td>
</tr>
</tbody>
</table>

5.3 Victoria
5.3.1 Victorian policy

Victorian government schools enjoy a high degree of autonomy (Section 2.4.8). Indeed Victoria’s *Empowering Local Schools* agreement with the Australian government acknowledges Victoria as having one of the most devolved school management approaches among the OECD (Australian Department of Education Early Childhood and Youth, 2012). Nevertheless the agreement included specific initiatives to increase local decision making because ‘while Victorian schools already have significant autonomy at a legislative and policy level ... a cultural shift is still required to enable all schools to exercise their existing autonomy’ (Australian Department of Education Early Childhood and Youth, 2012, p. 5). Indeed in recent years Western Australia may have surpassed Victoria as a leader in school autonomy (Western Australian Department of Education, 2014). Section 5.3.1 considers the likely impact of the apparently significant financial autonomy at a policy and even procedures level on the experience of financial autonomy and accountability in Victorian government schools. That impact is informed in part by a report from the Victorian Auditor-General.

The current key policy document in relation to financial autonomy and accountability for schools in Victoria is *Victoria as a Learning Community*. An initiative of the government elected in 2010 (and subsequently voted out in 2014), the central objective of the policy is to make the autonomy ‘cultural shift’ at school level that the government believed was required, as documented in *Empowering Local Schools*. Its particular focus is on professional practice and development. In an introductory paper for a new performance framework the then Victorian Department of Education and Early Childhood Development\(^{17}\) (‘the department’) cited academic research to justify its approach.

> ‘Research shows that for real and sustained school improvement to take hold, teachers, principals and communities more broadly must be empowered to take greater responsibility for the outcomes they influence (Elmore, 2005), and that accountability mechanisms must be balanced against the degree of autonomy exercised (Caldwell 2011 in Victorian Department of Education and Early Childhood Development, 2013c, p. 8).

\(^{17}\) The Victorian Department of Education and Early Childhood Development was renamed the Department of Education and Training after the change of government in November 2014.
In 2009 the Victorian Auditor-General (VAGO) examined the quality of school fund management. It had a particular focus on whether cooperatives\textsuperscript{18}, established to borrow funds for major school projects, were consistent with legislation. The Auditor-General’s justification for undertaking such an examination was the ‘provision of quality education depends greatly on the effective and efficient management of the resources available to schools’ (Victorian Auditor-General, 2009, p. v). VAGO found that most schools examined were managing funds appropriately but noted some instances of non-compliance—investing in shares, not minuting investment policies, overdrawn bank accounts and material financial statement errors. Despite these instances of non-compliance, schools believed the support and guidance provided by the department for the management of funds was satisfactory. Indeed the Victorian Auditor-General ‘found that schools are significantly reliant on the department for guidance, training and advice on various aspects of financial management and implementation of the department’s financial management policies’ (Victorian Auditor-General, 2009, p. 11).

5.3.2 Victorian processes and procedures

The most important mechanism for applying financial autonomy policy in Victoria is the Finance Manual for Victorian Government Schools (Victorian Department of Education and Early Childhood Development, 2014a). Developed and consistently updated by the department, the manual begins with an overview of school level financial responsibilities and finance policy best practice on issues as diverse as investing school funds, fundraising and paying accounts. The second half of the manual outlines key finance related procedures likely to be encountered by Victorian government schools—for example budgeting, asset management, school level payroll and operating canteens. In contrast to the NSW School Manual on Financial Management detailed steps, process flow charts, worksheets and the like are not included in the Finance Manual for Victorian Government Schools. Essentially some scope is provided for schools to undertake their own approach to financial management. The capacity of the Finance Manual for Victorian Government Schools,\textsuperscript{18} Under the Co-operatives Act 1996, a school community may establish a cooperative as a ‘non-trading’ incorporated entity with limited liability, for the purpose of borrowing funds to construct or improve facilities on school grounds. Membership is voluntary and open to any person (parent, staff and/or supporter who has a link with the school). The school has primary responsibility for repaying these loans, through their ‘own sourced’ income, although the borrowings are ultimately guaranteed by the Treasurer of Victoria.
Victoria as a Learning Community policy and other financial autonomy policies and procedures to impact financial autonomy and accountability at Victorian government schools is analysed in Table 5.2.
Table 5.2 Victorian policies and procedures: potential impact on financial autonomy and accountability

<table>
<thead>
<tr>
<th>Reference</th>
<th>Policy/procedure detail</th>
<th>Impact on autonomy and/or accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIC learning community Nov 2012</td>
<td>Acknowledged need for enhanced professional development of school councils and councillors. Review of school governance undertaken to ‘consider the most effective ways to support school councils’ (p.10).</td>
<td>The capacity of staff is arguably the most significant hindrance to effective financial autonomy for schools. However no details were provided about how the enhanced professional development would produce effective financial autonomy.</td>
</tr>
<tr>
<td>Financial commitment summary guidelines</td>
<td>Schools to complete a ‘Financial Commitment Summary’ to identify the intended use and allocation of funds held by the school that ‘are in excess of the school’s Cash Reserve Benchmark’ (p.1). The summary is reported in the annual school report’s financial statement summary.</td>
<td>Although not a full balance sheet it does provide a snapshot of a school’s ‘short and long term plans, budget and cash flow projections’ (p.1). If completed correctly should enhance the effectiveness of their financial management and their financial accountability to the school community, the intended audience of the annual report.</td>
</tr>
<tr>
<td>Annual report guidelines Dec 2013</td>
<td>Now a single template for all sections of the annual report. Only three sections—including commentary on ‘financial position and performance summary’—allow any input from the school and all three are accompanied by detailed instructions about what should be said. No requirement to report against implementation of the school strategic plan.</td>
<td>Although no rationale was provided, a single annual report template ensures a consistent standard of reporting but with so little opportunity for school input it does not necessarily render a more effective account. Conversely it could be argued that schools should have autonomy over how financial resources are allocated but little autonomy over how that allocation is recorded or represented. Not reporting against the strategic plan increases the risk that the school misdirects its financial resources.</td>
</tr>
<tr>
<td>School policy and advisory guide</td>
<td>Sourced from a range of legislative and regulatory requirements, this website provides government schools with advice and summaries of governance and operational policies. Most material is also covered in the finance manual.</td>
<td>Making policies more accessible (in summary format, online and accompanied by advice) should make them more readily applicable and strengthen the quality of accountability to the department.</td>
</tr>
<tr>
<td>Finance Manual v5.14 (2014)</td>
<td>This is comprehensive guidance for school councils covering all aspects of financial management, who is responsible for them and how the CASE21 finance system is utilised. Key aspects are outlined and analysed below.</td>
<td>A detailed finance manual should improve the quality of the account rendered by schools to government but unless there is some choice in relation to some financial management procedures autonomy tends to be limited.</td>
</tr>
<tr>
<td>School Council</td>
<td>Ensure that all moneys received by the school are expended for proper purposes and that an effective accounting information system is maintained. Co-sign payments and develops the annual budget with the principal.</td>
<td>The success of a school council in financial management will depend on the awareness the principal and the school councillors have of their roles in managing the school’s finance’ (p.10). This underlines the importance of capacity building.</td>
</tr>
<tr>
<td>Principal</td>
<td>Day to day administration of school finances but ‘in line with council decisions’ (p.10). Works with council to ‘develop appropriate financial procedures’ (p.10).</td>
<td>Although the principal works closely with the school council, their own financial management skills need to be sufficient to take advantage of the autonomy they are granted.</td>
</tr>
<tr>
<td>Bank accounts</td>
<td>The school’s operating account is the school council official account’ (p.16) All payments for goods and services must be paid from this account. Schools have choice over the financial institution at which to hold their official account.</td>
<td>School council is ultimately accountable for the probity of spending from school accounts. Choice of institution at which to hold the account grants some autonomy to schools to maximise benefits and support their local community e.g. credit union.</td>
</tr>
<tr>
<td>Investment of funds</td>
<td>School council responsible for investing surplus funds with reference to cash reserve benchmarks. Risk needs to be minimised so schools are encouraged to use a department established High Yield Investment Account (HYIA).</td>
<td>If the school chooses not to use a HYIA it must develop and regularly review its investment policy, ensuring that it complies with a detailed departmental checklist. This approach demonstrates an attempt at balance between accountability and autonomy.</td>
</tr>
<tr>
<td>Budget</td>
<td>Details six stage process over ten pages for developing, adjusting, approving and reviewing an annual budget. Strong emphasis on the need to link to ‘strategic plan as they are the underlying drivers of financial activity’ (p.4).</td>
<td>Requires school council to invite submissions from head teachers and recommends a joint meeting between the finance and curriculum committees. This arguably limits autonomy somewhat but does ensure wide school level consultation on the budget.</td>
</tr>
<tr>
<td>Borrowing</td>
<td>Can borrow via a Cooperative loan for buildings, grounds equipment.</td>
<td>Need to comply with strict reporting requirements but it does provide some autonomy.</td>
</tr>
</tbody>
</table>

5.4 Chapter summary

This chapter has examined the policy contexts impacting on school autonomy and accountability for Victorian and NSW schools. When complete the implementation of the *Local Schools, Local Decisions* policy is expected to expand the degree of autonomy experienced by NSW public schools. Currently there are clear differences between the policy and procedural context in which NSW schools operate and the context for Victorian schools. The differences are a product of the history of public school autonomy in each state (Figure 5.1, sections 2.4.8 and 2.4.9). NSW policy and procedure accountability requirements imposed by government (Table 5.1) allow lower school level autonomy and lower support to build capacity for autonomy than the Victorian equivalents (Table 5.2). Examples of this include: the information systems (OASIS and LMBR in NSW, CASES21 in Victoria) and associated manual, bank accounts (under LMBR all NSW school bank accounts are to close), investment (NSW policy is not as prominent or supportive as Victorian policy) and governance (no requirement for a school council in NSW meaning heavy reliance on the principal, mandated school council in Victoria).

Victoria’s longer history in seeking resolution to possible tensions between autonomy and accountability in its public schools has not removed all challenges. Victoria’s *Empowering Local Schools* agreement (Australian Department of Education Early Childhood and Youth, 2012) with the Australian government raised doubts about whether policies and procedures that were expected to facilitate autonomy were being effectively applied. Indeed the objective of the 2013 *Victoria as Learning Community* policy is to enhance the capacity of schools and reduce the level of departmental reliance highlighted by VAGO. The next four chapters examine the financial autonomy and accountability reality for two schools in each of the two states. The schools demonstrate the actuality of policy implementation. This chapter in contrast has examined policies, processes and procedures developed and announced by the respective departments, but left to schools to implement.
Appendix 5.1 Components of the NSW Resource Allocation Model (RAM)

Components of the RAM explained

1. **TARGETED (INDIVIDUAL STUDENT) FUNDING**
   - provided for a student where there is a requirement for specific additional support, or to schools to meet specific student needs.

2. **EQUITY LOADINGs**
   - per student or per school to improve transparency and fairness in the allocation of resources to address student needs.

3. **BASE SCHOOL ALLOCATION**
   - Funding to cover the base cost of educating a school’s students and operating a school.

**Low level adjustment for disability**
- The loading is based on the number of students with low level disability and learning support needs.

**Aboriginal background**
- The loading reflects both percentage and number of Aboriginal students in the school.

**English language proficiency**
- The loading reflects English language proficiency based on school assessment of English as a Second Language (ESL) phases.

**Socio-economic background**
- The rate of funding per student will be determined based on a combination of individual student and school needs using the Family Occupation and Education Index (FOEI).

This component of the RAM is the most complex as it includes a number of new school site specific loadings:
- school buildings and facilities
- climate
- location.

For 2014, all schools will receive the sum of existing formulae used for global allocations, including the $50 primary school allowance, teacher professional learning, computer coordinator allowance and maintenance related allocations.

229 schools in the Empowering Local Schools National Partnership (ELSNP) will receive a staffing budget allocation based on the current staff entitlement at standard cost, adhering to the class size policy.

Source: (NSW Department of Education and Communities, 2013c)
Chapter 6  Case study: NSW1

6.1 Introduction
This chapter reports the research findings for the large NSW regional secondary school. The following three chapters report the findings for the other three schools. The chapter first provides non-identifying demographic and contextual information about the school and its interview participants, followed by a consideration of finance policies and procedures developed and used by it. Arranged under key themes that were informed by responses to the semi-structured interview questions (Appendix 4.1), the final section of this chapter is the analysis of the interviews conducted with each of the participants which includes specific connections to the extant literature discussed in the literature review. This pattern is followed in Chapters 7, 8 and 9. Chapter 10 provides a cross case analysis and compares the views between schools.

6.2 Background
Founded in 1912, NSW1 was the first government secondary school to be established in its region and is located in a major regional city of just over 40,000 residents. Now, in addition to NSW1, this regional city has one other government secondary school of around 800 students, one Catholic secondary school of just under 1,000 students and three independently run K-1219 schools with secondary cohorts of 750, 150 and 100 students respectively. NSW1 has been located on its current site for the past 55 years and has a current enrolment of 1,013 students across years 7-12. Ten percent of the students identify as indigenous. There are 75 full-time equivalent (FTE) teaching staff and 17 FTE non-teaching staff20, organised into 11 faculties as outlined in Figure 6.1).

19 Kindergarten to Year 12
20 Per information provided by My School site
Figure 6.1 NSW1 organisational structure

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Head Teachers</th>
<th>Classroom Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative and Performing Arts (CAPA)</td>
<td>1.0</td>
<td>9.0</td>
</tr>
<tr>
<td>English</td>
<td>1.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Mathematics</td>
<td>1.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Human Society and its Environment</td>
<td>1.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Science</td>
<td>1.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Library</td>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td>Personal Development, Health and Physical Education (PDHPE)</td>
<td>1.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Technical and Applied Studies (TAS)</td>
<td>3.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Language</td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>Careers</td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>Learning Support</td>
<td>1.0</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.0</strong></td>
<td><strong>63.0</strong></td>
</tr>
</tbody>
</table>

Specialist Head Teachers:
- Administration (2)
- Teaching and Learning (1)
- Welfare (1)

NSW1’s organisational structure was determined using information provided on the school’s website and by interview participants, as outlined in section 6.2.1. For the purposes of reconciling with the FTE numbers stated on the My School site the specialist head teachers and the principal (along with the school administration manager and 11 other administration staff) are included as part of the FTE non-teaching staff (for a total of 17), whereas the two deputy principals, 10 faculty head teachers and 63 classroom teachers have been classified as part of the teaching staff (for a total of 75). The senior executive of NSW1 consists of the principal and the two deputy principals.
The current principal moved from a regional education director role with the NSW Department of Education and Communities (DEC or ‘the department’) to commence in the position at the beginning of 2013. His predecessor had been principal for 7 years from 2006 to 2012 and on retirement expressed strong support for increased school autonomy over staffing and funding allocation\(^{22}\). Prior to his regional director role, the current principal of NSW1 was briefly the principal of NSW2 (Chapter 8).

### 6.2.1 Interview participants

After an introductory face to face meeting in late June 2014, the principal formally approved the school’s participation in early July 2014. During that introductory meeting the key objectives of the research and the selection criteria for research participants were outlined—they must have had involvement in or responsibility for the administration of school based financial management. The principal subsequently arranged the interviews of all other NSW1 participants: both deputy principals, two of the school’s fourteen head teachers and the school administration manager. In total there were six NSW1 interview participants\(^{23}\).

**Deputy Principal 1 NSW1** has been on staff for over ten years, first as a Personal Development, Health and Physical Education (PDHPE) classroom teacher and then as the head teacher of her faculty. She was promoted to deputy principal five years ago. **Deputy Principal 2 NSW1** was appointed substantively to the position at the end of 2014. She began as a classroom teacher of English at a large government secondary school in a nearby regional city before relieving as the head teacher for administration at the same school for three years. Deputy Principal 2 was permanently appointed to Head Teacher Administration NSW1 in 2009 and is also attached to the English faculty. She currently has charge of technology integration, one of the school’s five strategic plan priorities.

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\(^{22}\) These comments were made to the local newspaper in December 2012. The exact citation cannot be provided as it would identify the school.

\(^{23}\) Although the principal arranged the interviews, it was clearly explained to the other participants that participation was voluntary.
Head Teacher 1 NSW1 was appointed as head teacher for Creative and Performing Arts (CAPA) at the beginning of 2013. This is her third appointment as a CAPA head teacher. She has responsibility for the gifted and talented program, one of the school’s five strategic plan priorities. Head Teacher 2 NSW1 was an English classroom teacher at a secondary school in Sydney for 13 years before moving to NSW1 in 2009. She began relieving in the head teacher English role late in that same year and was permanently appointed to it 12 months later.

Still completing her Certificate IV in Business Administration and Management, School Administration Manager NSW1 originally came to the school for a five week period in 2009, from a small primary school in the same regional city in which NSW1 is located. She was permanently appointed to the position later in 2009 after a merit selection process.

6.2.2 Financial management structures and policies

Financial management structures are defined in this research as ‘a framework employed by an organisation to acquire and support resources necessary for its operations’ (WebFinance, 2014). Financial management policies were defined in the previous chapter (Section 5.2.1). In accordance with current NSW policy (NSW Department of Education and Communities, 2013c), barely 15% of the revenue required to operate the school is made available to and managed by the school (Table 6.1), and even less than that receives input from anyone other than the principal or the school administration manager. Nevertheless NSW1 has financial management structures, policies, processes and procedures in place to manage the revenue it receives. This section focuses on the structures and policies developed by the school, and the following section on its processes and procedures.

Soon after his appointment to NSW1 the principal initiated a complete overhaul of key financial management structures. The finance committee—a small group of selected school executive members and one elected staff representative—had effectively disenfranchised faculties by their approach to funding allocations. ‘My understanding is that that model evolved over time under different leadership into a centralised model of each faculty being given a percentage of available funds based on historical data with no direct correlation with
strategic faculty plans or accountabilities’ (Principal NSW1). Similarly the teaching and learning committee was an informal collection of ‘good teachers that acted as more of a think tank rather than a group with a clear purpose and identified role’ (Principal NSW1). Funding submissions to both committees must now demonstrate congruence with the school strategic plan (Section 6.2.3). Information about those committees, as currently constituted, is provided in Table 6.1.

Table 6.1: NSW1 key financial management structures

<table>
<thead>
<tr>
<th>Committee</th>
<th>Finance</th>
<th>Teaching and Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Principal</td>
<td>HT Teaching and Learning</td>
</tr>
<tr>
<td>Members</td>
<td>Both DPs and 14HTs (4 specialist and 10 faculty)</td>
<td>HT for Administration, 2 other HTs, 2 classroom teachers</td>
</tr>
<tr>
<td>Selection process</td>
<td>Automatic by virtue of position</td>
<td>Expressions of interest considered by Principal and HT T&amp;L</td>
</tr>
<tr>
<td>Meeting frequency</td>
<td>Twice yearly</td>
<td>Weekly (every Monday lunchtime during term)</td>
</tr>
<tr>
<td>Budget ($) (^{24}) % of revenue:</td>
<td>$212,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>• received by school (^{25})</td>
<td>11.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>• required by school (^{26})</td>
<td>1.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Source(s) of funding</td>
<td>Department provided global funds and fees levied on some subjects</td>
<td>Department provided tied funding for Teacher Professional Learning (TPL) and beginning teachers</td>
</tr>
<tr>
<td>Main role</td>
<td>Allocation of funding to faculties in accordance with school strategic plan</td>
<td>Professional learning planning and delivery including the consideration and approval of staff application’s for professional learning in accordance with the department’s guidelines, school strategic plan and individual staff professional learning plans</td>
</tr>
</tbody>
</table>

Although both committees are now playing an enhanced role in the school’s financial management, they still have autonomy over only a comparatively small percentage of revenue received by the school and an even smaller percentage of the funds required to run the school. Essentially the estimated $13.4m required to operate NSW1 can be divided into three components. By far the largest component is the $11.6m (86.5%) entirely controlled

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\(^{24}\) Per 2013 Annual Financial Statement (AFS) for NSW1

\(^{25}\) Calculated by dividing the committee’s budget with total receipts of $1.829m in 2013 (per the school’s AFS)

\(^{26}\) Calculated by dividing the committee’s budget with total revenue of $13.4m per My School
by the department—this is consumed by permanent salaries and major maintenance. It is not received by NSW1 or recorded in its financial statements.

Of the $1.8m (13.5%) made available to and managed by NSW1, a number of relatively major budget items—such as costs for administration, utilities and minor maintenance—are managed solely by the principal and the school administration manager. The rationale for the lack of input from the school’s committees is that there is little discretion over these costs—they simply need to be paid. In the final component are funding for faculties and professional learning. Largely the preserve of the head teacher administration, some casual teacher expenditure is also part of that final component.

Detailed financial information produced from the Office Automation and School Information System (OASIS)\(^{27}\), which reports on income and expenditure against budget, is not tabled at finance committee meetings. The Budget Income Performance Reports and the Budget Expenditure Performance Reports, known respectively as H1 and H2, are printed regularly by the school administration manager and the relevant sections are distributed to the appropriate cost centre manager. The complete reports are reviewed only by the school administration manager and the principal—the focus of half-yearly finance committee meetings is on allocating funding to faculties. No minutes are currently kept of these meetings.

The school’s financial management policy in relation to funding for faculties and professional learning is intended to be consistent with the school’s strategic direction. The policy is well understood (Section 6.3.2) but it has not yet been formally documented nor, as outlined in the next section, does it have accompanying processes and procedures. ‘Guess I am a little hesitant to do it without a clear understanding...of the emerging state level requirements’ (Principal NSW1).

\(^{27}\) OASIS is used by most NSW DEC schools (all except those 229 schools such as NSW2 trialling the new SAP based system) for school management. It comprises a number of interrelated modules including financial management.
The historically centralised nature of school management in NSW and the relatively small percentage of the school budget over which schools currently have autonomy has delayed the development of financial management structures and policies by schools, for schools. The clear understanding of policies, processes and procedures in relation to funding faculties and professional development—confirmed by the interviews analysed in Section 6.3.2—may be lost if key staff leave and no progress has been made on documentation. Overall the school has not had much autonomy over its finances and is looking to the department for guidance about how to go about it.

### 6.2.3 Locally developed processes and procedures

Financial management processes and procedures were both defined in the previous chapter (Section 5.2.2). The school’s financial management processes, and the procedures that form part of each process in relation to funding its faculties and staff professional learning are the focus of this section.

The faculty funding submission process begins with a faculty strategic plan (refer Appendix 6.1) aligned with the school’s strategic plan. Every strategy on each faculty’s plan indicates the financial resources required for implementation. Head teachers then use the Faculty Financial Summary (refer Appendix 6.2) to formally request the funding they require for the semester\(^{28}\). At the half-yearly finance committee meetings all head teachers have the opportunity to review the funding submissions of their colleagues. Decisions about allocations are therefore made transparently and collegially but according to need.

Although the process has yet to be formally documented (Section 6.3.2) an email was sent by the principal to the school’s leaders outlining the process for the 2014 Semester 2 budget (Appendix 6.3). With reference to the definition provided above, this email constitutes a procedure because it contains specific instructions necessary to perform part of a process. Similarly the process in relation to supporting professional learning is not yet formally documented but the Head Teacher Teaching and Learning NSW1, who was not an

\(^{28}\) ‘Semester’ is a term used by NSW1 for two consecutive terms i.e. Semester 1 for terms 1 and 2 and semester 2 for terms 3 and 4.
interviewee, did outline some details in an email sent to the researcher. The process begins with the submission of a Teacher Professional Learning Application (Appendix 6.4). 

Requests are then sent through SAM [School Administration Manager] for financial sign off and the head teacher admin (staff) to ensure casual cover is available. The team discusses requests [every Monday lunchtime] and assesses them against school priorities, individual staff professional learning plans, relevance and transfer of material/skills back to school and budget considerations. (Head Teacher Teaching and Learning NSW1)

Minutes of the teaching and learning committee are not currently kept but decisions about funding allocations are effectively already documented on the Teacher Professional Learning Application (Appendix 6.4) as noted by the head teacher teaching and learning. Indeed the application could be classified as a school developed financial management procedure because it contains specific instructions necessary to perform a task as part of the budget process. Once members of staff apply to spend their approved budgets they are required to complete and have approved a purchase order requisition (Appendix 6.5).
### 6.3 Interview analysis

A summary of responses—by participant and question—is shown in Table 6.2 below.

#### Table 6.2 NSW1 interviewee response summary

<table>
<thead>
<tr>
<th>Questions</th>
<th>Principal</th>
<th>SAM</th>
<th>Deputy Principal1</th>
<th>Deputy Principal2</th>
<th>Head Teacher1</th>
<th>Head Teacher2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Your views on autonomy for government schools?</td>
<td>supportive, staff selection, value for money, rural schools may find challenging</td>
<td>supportive, staff selection, every school different</td>
<td>supportive, every school different, principal crucial, value for money</td>
<td>supportive, staff selection, every school different, principal crucial, value for money</td>
<td>supportive, staff selection, every school different, principal crucial</td>
<td>supportive, staff selection</td>
</tr>
<tr>
<td>2. How much autonomy should your school have over its financial resources (operating costs and capital expenditure)?</td>
<td>faculty resourcing, teacher professional development, all operating funding but with support in long term. Concerns about autonomy for capital works</td>
<td>faculty resourcing, teacher professional development, utilities, casual staff, tax deductible fund. Concerns about managing permanent salaries and investments</td>
<td>faculty resourcing, teacher professional development, reluctant on all operating funding</td>
<td>faculty resourcing, teacher professional development, reluctant on all operating funding, casual staff</td>
<td>faculty resourcing, teacher professional development</td>
<td>faculty resourcing, teacher professional development</td>
</tr>
<tr>
<td>3. Who do you think your school is accountable to?</td>
<td>DEC local director, students P&amp;C, school community</td>
<td>DEC, staff, school community</td>
<td>school community (especially parents)</td>
<td>DEC local director, principal</td>
<td>students, school community (especially parents)</td>
<td>students, principal</td>
</tr>
<tr>
<td>4. What do you think your school is accountable for?</td>
<td>educational outcomes, financial management but secondary</td>
<td>educational outcomes, financial management</td>
<td>educational outcomes, specialised funding for which I’m responsible</td>
<td>educational outcomes, specialised funding which is my responsibility</td>
<td>community funded projects and equipment e.g. music</td>
<td>educational outcomes, funding allocated to my faculty</td>
</tr>
<tr>
<td>5. How does your school discharge those accountability obligations?</td>
<td>multi-faceted, P&amp;C presentations, strategic plan, newsletter, audit process</td>
<td>annual report but universally low interest in it, annual report template poor, audit process</td>
<td>annual report but universally low interest in it, annual report template poor</td>
<td>annual report but universally low interest in it, multi-faced, strategic plan, website annual report template poor</td>
<td>annual report but universally low interest in it multi-faced, strategic plan, website annual report template poor</td>
<td>multi-faced</td>
</tr>
<tr>
<td>6. Is the information produced by your school adequate to make effective decisions about the allocation of financial resources?</td>
<td>yes (regular OASIS reports from SAM)</td>
<td>yes but systems don’t talk to each other (e.g. H1 and H2) third party software also problematic</td>
<td>not answered</td>
<td>yes (regular OASIS reports from SAM)</td>
<td>yes (regular OASIS reports from SAM)</td>
<td>yes (regular OASIS reports from SAM)</td>
</tr>
<tr>
<td>7. How do you view the adequacy of your own skills and experience to perform your financial management role in the school?</td>
<td>prior experience as director has helped, can see need for a business manager especially when LSLD implemented</td>
<td>Cert IV in Business Management, current experience has helped confidence, inadequate if responsibility increased</td>
<td>inadequate if responsibility increased, can see need for a business manager, reliant on SAM for support</td>
<td>current experience has helped confidence, reliant on SAM for support</td>
<td>inadequate if responsibility increased, can see need for a business manager, reliant on SAM for support</td>
<td>current experience has helped confidence</td>
</tr>
<tr>
<td>8. Your thoughts on the support provided by the Department of Education for effective decision making by your school about the allocation of financial resources?</td>
<td>reasonable professional development, policy documentation lacking</td>
<td>unaware of professional development but good finance support helpline, finance manual a helpful reference guide</td>
<td>relies on principal for professional development, didn’t engage with DEC provided professional development</td>
<td>support would be better provided at school level</td>
<td>not answered</td>
<td>not answered</td>
</tr>
</tbody>
</table>


6.3.1 General views on autonomy for government schools

All six NSW1 interviewees support the principle of autonomy for government schools but there is diversity in the rationale for such support and some support is qualified. The ability of schools to select their own staff is a feature of the *Local Schools Local Decisions* policy. That ability featured most prominently among the comments supportive of government school autonomy—it was explicitly stated by five of the six NSW1 interviewees. They tied their support to the argument that every local school has unique needs and that schools are better placed than a centralised staffing process to choose the staff that will most effectively meet those needs.

*No one knows better than the school team what the school’s requirements are... it [school level staff selection] allows schools to differentiate to their learning community, to the parents and the students, and to provide programs that are appropriate to that specific setting.* (Head Teacher 1 NSW1)

Increased autonomy for government schools presents opportunities for financial efficiency. NSW1’s senior executive cited the ability to replace ‘a very archaic timetabling software system’ (Deputy Principal 2 NSW1) with an integrated and more intuitive system using funding from the school’s global budget as one example. Using local contractors who could offer good prices ‘rather than going through a very centralised, very red tape, private organisation such as X’ to do more maintenance‘ (Principal NSW1) was a second example. The next section focuses specifically on autonomy over financial resources at NSW1.

6.3.2 Autonomy over the school’s financial resources

Given the universal support among NSW1 interviewees for the principle of autonomy for government schools it was not surprising that the interviewees were broadly positive about having autonomy over financial resources required to operate NSW1. Mostly the interviewees limited their comments to activities in which they had some involvement and therefore on which they felt qualified to speak. As a result the principal was the most expansive, followed by the school administration manager and the two deputy principals whereas the two head teachers only commented on the resourcing of faculties and teacher

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29 Under the policy 60% of all vacancies are now filled by school principals (refer Table 5.1 in Section 5.2.2)

30 Large regional construction company
professional development. This section analyses the areas over which interviewees believed NSW1 should have financial autonomy as well as the points at which they believed financial autonomy at NSW1 reaches its limit.

The current principal’s appointment to the school precipitated an overhaul of the approach to financing faculties and professional learning (Section 6.2.2). Several interviewees specifically referred to this overhaul and every interviewee was able to outline the process and procedures for financing faculties and professional learning with remarkable consistency. The following comment about the need to align faculty plans with strategic plans is a representative example of that understanding and support for the approach, and also demonstrates the principal’s drive to implement it.

He [Principal NSW1] doesn’t want to know about it, unless you actually have a strategic plan in front of you the way that he wants to do it, so that he can account for the dollars. And I think that’s fair enough. Some parents and staff resist it, and he’s said “if you don’t put your faculty plan in the way I want it aligned with the strategic plan and dollars next to it, then you don’t get any funding”. You don’t get any simpler than that! (Deputy Principal2 NSW1)

Not only was there an understanding of and support for the changes, some also reported feeling more autonomous and accountable as a result. This is despite the relatively small amount allocated to faculty funding and professional learning remaining unchanged (see Table 6.1). The collegial nature of the decision making process appears to have made the difference. ‘In the past, we’ve just been given, here’s your budget, that’s all you get...I think it’s been a lot more open and transparent in terms of “this is the pool of money that we’ve got available to us. These are all of the requests. What can we do?”’ (Head Teacher2 NSW1)

Totalling $228,295 in 201331, the amount spent on casual relief teachers by NSW1 exceeds that allocated to faculties or for professional learning32. Yet unlike those areas of financial autonomy where funding allocations are made by a committee, at NSW1 just two staff—the

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31 Per 2013 NSW1 Annual School Report, spending on casual relief teachers constitutes 12.4% of the total funding received by the school—calculated by dividing the casual relief teacher spending by total receipts of $1,829m
32 Spending on faculty allocations and teacher professional development previously reported in Section 6.2.2 of this chapter, particularly Table 6.1
school administration manager and the head teacher administration—have responsibility for casual relief teaching. The small number of staff involved is a reflection of the unique nature of spending on casual relief teachers—it is part discretionary and part obligatory—and its uniqueness explains its challenge. Teachers can be absent from their classrooms for any number of reasons, including illness, excursions, extra curricula activities, professional learning, acting in higher positions, long service leave. Every absence needs to be managed but only some of those absences are controlled by NSW1.

By far the most significant cause of teacher absence from classrooms is illness. In the main this is unavoidable but NSW1 has implemented some strategies to more effectively manage absences from class due to illness. Staff that appear to have a pattern of excessive sick leave are offered assistance.

*If they need it to help them either personally or professionally, and if they need counselling, [we] give them the EAP [employee assistance program] card. And if they do need a significant amount of time off so that they can stop taking that one day off a week, then, we’ll plan that with them.* (Deputy Principal2 NSW1)

As well as seeking to have a positive impact on staff welfare and the student learning experience, such a strategy can also free up financial resources that can be applied more productively elsewhere, at the discretion of NSW1. This is because the funding provided by the department, ostensibly for casual relief teaching, is an untied part of NSW1’s global budget. The flexibility provided by a global budget is not without its challenges and aptly demonstrates the tensions between autonomy and accountability. Whilst there was some ambiguity around how the department determined the casual relief teaching component of each school’s global funding—*‘I’ve got no idea ... they probably have a formula where they look at your ICSEA, which is the demographics of your area’* (Deputy Principal 2 NSW1)—both interviewees agreed that often it was not sufficient.

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33 As indicated in Section 6.2.1, Deputy Principal2 had been relieving in a deputy principal role for the past 12 months, at the time of interview, and was due to return to her substantive role as Head Teacher Administration at the end of 2014. She was therefore in a strong position to comment on the key role played by the head teacher administration in the management of casual relief teachers.
Previously schools had a form of ‘safety net’ known as supplementation. ‘If you went over your budget for casual relief, you could apply with the department for supplementation, and that means they would give you a portion [of the deficit]’ (Deputy Principal2 NSW1). Supplementation is now being phased out in NSW and schools are effectively being asked to fund any deficit themselves. A corollary of this phase out is the growth in innovative strategies to minimise the financial impact of staff absences. ‘I’ll try and amalgamate two people’s leave with one casual, if I can. If someone has got a light load for the day, and another person has got three periods for the day, you can amalgamate them, so long as they’re not falling on the same times’ (Deputy Principal2 NSW1). Other strategies seek to shift the costs for some absences onto the department.

Innovation in managing expenditure on casual relief teachers does not automatically drive innovation in other aspects of the financial autonomy NSW1 currently experiences. For example the school administration manager is reluctant to more actively manage the school’s $651,000 in cash 34 for fear of leaving it unable to meet its operating costs. Neither is there widespread enthusiasm for significantly expanding the scope of NSW1’s financial autonomy. ‘Yeah, I don’t think I want to manage the payroll for the whole school. I’d be happy not to do that! [laughs]’ (School Administration Manager NSW1). Resistance to managing cash reserves and the permanent staff payroll are a manifestation of the limited skills and experience in financial management currently possessed by NSW1 staff. ‘With more autonomy comes more responsibility, and I guess as leaders of schools, financially, we don’t really have the background in those areas’ (Deputy Principal1 NSW1).

The task of expanding NSW1’s capacity for financial autonomy therefore falls to the principal. Given current capacity, autonomy over the entire $13.5m required to operate NSW1 cannot be swiftly achieved. ‘As a long term developmental process with systems and processes in place that supported it, happy to do it. I’d like the challenge, in the long term’ (Principal NSW1). The adequacy of the financial management skills and experience required by each interviewee to undertake their financial management roles at NSW1 is considered in Section 6.3.7.

34 As at 30 November 2013 NSW1 held all of its $651k in a low interest general cheque account. Previously NSW1 held some of its cash reserves in a higher interest bearing investment account.
Other areas of expenditure highlight similar tensions between accountability and autonomy for financial resources at NSW1. The principal and school administration manager have sole responsibility for relatively minor maintenance ($96,807 expended in 2013\textsuperscript{35}). The principal’s frustrations about his inability to use more local and potentially more efficient maintenance contractors have been noted (Section 6.3.1) but there is significant tension between that objective and assuming responsibilities for managing larger budgets. No interviewee could articulate a resolution to that tension but the NSW1 Principal at least acknowledges the need for resolution.

\begin{quote}
I’m quite happy to take on the whole lot, but I guess I worry a little bit about long term maintenance of schools. It’s much more attractive to spend money on paint and carpets when, maybe the plumbing needs replacing, and the plumbing can be patched up, patched up, patched up. Ten years later there can be a real issue with that. So there is a real balance in that somewhere. (Principal NSW1)
\end{quote}

There is an inverse relationship between maintenance and capital works. Increased autonomy over and accountability for maintenance of school buildings is problematic if global funding from the department has not considered the age of the school’s buildings. It would be reasonable to expect that a school like NSW1, with a predominance of older buildings, would require significant expenditure on maintenance. ‘\textit{Compare that to a brand new school that was built, there’s obviously an inequity there}’ (Principal NSW1). Financial autonomy over capital works is one area that has limits. The principal understands these limits and argues for an ‘equitable’ and a ‘clear process from a government perspective, in terms of deciding on where that capital money is allocated’ (Principal NSW1).

The principal’s desire to limit the extent of school autonomy over capital works projects does not mean NSW1 has had no involvement with them. Indeed fifty percent of the funding required for a recently opened music recital room was provided by the parent music support group with matching funding from the department. Although NSW1 did not manage the building project, the school office was involved in receiving over $300,000\textsuperscript{36} and recording it into a tax deductible school building fund. In relative terms this is a significant

\begin{footnotes}
\item[35] Per 2013 NSW1 Annual School Report
\item[36] Per discussion with the School Administration Manager, and note 4 of the 2013 Annual Financial Statement (AFS)
\end{footnotes}
amount of money for NSW1—more than is spent on casual relief teaching, faculty resource allocations, maintenance or professional learning. Clearly this is a level of involvement in the financial management of capital works that NSW1 can currently manage.

This section has listed some of the challenges and opportunities financial autonomy can present. It has analysed the areas over which interviewees believed NSW1 should have financial autonomy as well as the points at which they believed financial autonomy at NSW1 reaches its limit. Consistent with literature that has explored the link between autonomy and accountability (Christensen, 2010; Christen & Laegreid, 2007; Broadbent, et al., 2001) interviewees appeared to be conflicted between more financial autonomy and the increased accountability and administration that would inevitably accompany it, which would require new skill sets. No interviewee appeared, at this stage, to want financial autonomy over every area, particularly capital works. ‘I guess in terms of autonomy of finance, I’m happy to work within parameters and broad boundaries’ (Principal NSW1). The next two sections consider key aspects of accountability.

6.3.3 Accountability to whom?
In Section 2.3.3 it was argued a key impact of the New Public Management (NPM) approach to government was an increase in the number and diversity of the stakeholders to whom the public sector must give an account (Bovens, 2007). Stakeholders of NSW1 were identified as: the department, the principal, students, staff, school community (particularly parents), Parents and Citizens (P&C) and the department’s regional director. Based on interviewee responses the most universally important stakeholder is the school community (more specifically parents) followed by the students. As demonstrated in the next section, these two groups of stakeholders groups command identical accountability priorities—educational outcomes.

Although not individually significant there was a prevailing view among interviewees that they were also accountable to their immediate supervisor—i.e. the principal to the department’s regional director, a deputy principal as well as a head teacher to the principal—for ‘everything from educational outcomes through to financial audits’ (Principal
The acknowledgement of accountability to an immediate supervisor is a reflection of the hierarchical structure of schools and their accompanying processes. Despite establishing a more collegial and transparent approach to faculty budgeting, it was clear to all involved that the principal reviews all applications to ensure their alignment with the school plan. Little wonder therefore that those submitting budget applications felt accountable to the one initially reviewing them. There is also correlation between proximity and accountability priority in relation to distinct elements of the school community. The P&C are a higher accountability priority than the wider parent body ‘because they’re connected with the school and understand the school and the history ... they understand the direction far more’ (Principal NSW1).

### 6.3.4 Accountability for what?

Just as it was argued in Section 2.3.3 that NPM had resulted in an increase in the number and diversity of the stakeholders to whom the public sector must give an account (Bovens, 2007), it was argued in Section 2.3.2 that NPM had played a key role in broadening the scope of public sector accountability beyond a simple account for what had been spent (Behn, 1998). Public sector entities should be accountable not just for the probity of their spending but also for the results of their spending. By confirming educational outcomes as their accountability priority, NSW1 interviewees reached the same conclusion. This section also considers the role that direct financial contributions from parents and the wider school community play in views about accountability priorities.

Four of five interviewees, including the school administration manager, listed educational outcomes first, and several of those interviewees made a point of specifically arguing for it over and above other accountabilities, including financial management. Given the educator background of almost all interviewees, the school’s accountability priorities are unsurprising. ‘The way that I would describe it is that I would see those things [financial management processes and procedures] as supporting the educational process, not the other way around ... if I was an accountant I would probably have a different perspective’ (Principal NSW1).
The perceived priorities of parents were also influential in prioritising accountability for educational outcomes. Parental interest in accountability for financial management and the result of prudent financial management can also be demonstrated. A direct financial contribution to a local project that seeks to enhance educational opportunity often establishes an emotional connection between donor and recipient that is simply not present when the project is entirely funded by the taxpayer. For example, the parent music support group raised half the cost of a recently opened recital room at NSW1, funds for which were received and managed locally by NSW1. The head teacher subsequently reported a heightened sense of accountability towards the parents of her music students.

_I certainly am highly conscious about looking after the beautiful equipment and building that they’ve helped give us. I feel the weight of that. But it’s not, you know, a huge burden. The kids are very respectful of how we’ve achieved this, and they look after it_ (Head Teacher1 NSW1)

The interest of other staff in accountability for financial management also tended to be limited to their specific areas of responsibility. This included: specific school priority areas such as technology (Deputy Principal2); tied funding from the department for specific programs such as the tutoring of indigenous students (Deputy Principal1); or faculty budgets that had been granted by the school’s finance committee—’_I am always really conscious of the fact that we are a public school with a limited budget and limited resources and not to just willy-nilly buy class sets of texts just for the sake if it_’ (Head Teacher2 NSW1).

In summary, outcomes for students are the highest accountability priority for interviewees and accountability for the financial resources that produce those outcomes are a secondary concern, although significant to the interviewees. Accountability is often limited to an interviewee’s specific area of responsibility or driven by a direct connection to the provider of those financial resources. This assessment is underlined in the following section outlining how accountability at NSW1 is discharged.

**6.3.5 Discharge of accountability**

The previous section confirmed educational outcomes as the accountability priority for NSW1 stakeholders, and of more import than accountability for financial resources.
Nevertheless quality educational opportunities and outcomes are dependent on effective management of financial resources (Victorian Auditor-General, 2009). Without effective financial management there are not the resources to give the students a broad learning experience, for example the recital room project (see above). Acknowledging that dependence, the specific focus of this research is on accountability for financial resources rather than educational outcomes. Like all NSW government schools, NSW1 must submit an annual report to both its school community and the department to, among other things, account for financial resources provided to it. Consistent with annual report literature (Sims and Clift, 2001; C. Ryan, et al., 2002) NSW1’s annual reports do not perform that accountability role effectively. This section considers why the NSW1 annual report fails as an effective financial accountability mechanism to its stakeholders and examines the efficacy of alternatives.

The most significant failing of the NSW1 annual report is a failure to engage potential readers. Four interviewees hold identical opinions: there is little general interest in annual reports but even less interest in reporting how financial resources have been expended. Rather ‘I truly believe that most people are more interested in the outcomes in terms of what’s going on in the school’ (Deputy Principal2 NSW1). Lack of interest in the NSW1 annual report even extends to staff responsible for preparing key parts of it. ‘All I do is give these figures. I don’t have much to do with it, but as a parent, and my kids, I’ve got four children, have all gone through public education, I’ve never picked up one of these [annual reports] from a school and had a look at it’ (School Administration Manager NSW1).

The rigidity of the annual report template, is another contribution to failure—‘You’re driven by the way that the department wants it, you don’t really have a lot of flexibility which is a bit of a challenge for principals’ (Deputy Principal2 NSW1). The format of the annual report’s one page financial summary (refer Appendix 6.6 for example) is tightly controlled but the rest, which largely focuses on educational outcomes, offers too much flexibility. A 2004 NSW Auditor-General review of annual reports found that they ‘seldom provide a complete and informative picture of achievements in key learning areas’ (p. 9). Inevitably this means that the annual report in its current form provides no effective reconciliation between the financial resources deployed and the educational outcomes achieved. The NSW Auditor-
General (2004) recommended the annual report be refocused to report against the school plan more than ten years ago. Only now are changes being contemplated. ‘I guess it’s the one document [school strategic plan] that tries to meet that whole continuum. I understand that it will be significantly changed in the new era’ (Principal NSW1).

Alternative approaches to providing an account were canvassed. Examples cited include online newsletters, parent teacher nights, phone calls to parents and presentations to the P&C. These alternatives however have the same challenges in engaging the school community as the annual report and similarly fail to demonstrate that without effective funds management there are not the resources to support high quality educational outcomes. ‘To be honest, our P&C, I think, don’t have a real interest. You can sort of see the eyes glaze over when you start talking dollars’ (NSW Principal 1). The next section considers the adequacy of information provided to making decisions about the allocation of financial resources.

6.3.6 Adequacy of information for decision making
Carlon et al. (2012) contend that ‘the primary function of accounting is to provide reliable and relevant financial information for decision making’. All NSW1 interviewees have some responsibility for spending. OASIS\(^{37}\) is adequate for the decisions they need to make but there is heavy reliance on the school administration manager producing, distributing and explaining OASIS budget expenditure performance reports on a regular basis. ‘I always check in with her [school administration manager]... you know, how much money do I have left? What have I spent? Although we’ve got all our own records and things, I just know that she’s got the overall big picture’ (Head Teacher 2 NSW 1). The interviewees had a consistent view of the process—the school administrative manager distributes budget expenditure performance reports ‘a couple of times a term’ to budget managers and ‘they can get printouts anytime they like’ (Principal NSW1). This indicates a sound understanding of at least some school-level financial management processes even if they are not formally documented.

\(^{37}\) OASIS is used by most NSW DEC schools (all except those 229 schools such as NSW2 trialling the new SAP based system) for school management. It comprises a number of interrelated modules including financial management.
Not surprisingly given her more frequent and extensive engagement with OASIS, the school administration manager identified limitations—the budget income performance report (known as H1) and the budget expenditure performance report (known as H2) are not integrated. For a complete picture of income and expenditure against budget, the school administration manager manually adds H1 and H2 together on a spreadsheet. The school administration manager’s skills are sufficient to produce a more decision-useful income and expenditure report against budget but apparently not to solve wider integration issues with NSW1’s accounting information system. Nor are they likely to be solved by implementation of the department’s new LMBR program. ‘I sincerely want one system that gives you everything, but I don’t think that’s going to be the case. We have third party software in the school, and a lot of schools do. It’s very confusing’ (School Administration Manager NSW1). At the time of the interviews the LMBR program was significantly behind schedule and encountering significant implementation difficulties.

6.3.7 Adequacy of skills and experience

The previous section reported widespread reliance on the school administration manager to produce, distribute and explain financial information for making financial management decisions. ‘If I’m not sure, I can always ask questions or go and see [Principal NSW1] or go and see [School Administration Manager NSW1] and make sure that I’m on the right track’ (Deputy Principal 2 NSW1). Indeed support provided by the school administration manager and the principal, combined with the relatively small amounts of financial resources currently involved, have fostered confidence in the skills and experience of those charged with managing NSW1’s autonomy. ‘If I was given more money and that would mean more responsibility, I reckon I can do it’ (Deputy Principal 2 NSW1). However the confidence of others, a Certificate IV in Business Administration and Management and ‘on the job’ experience are currently only just sufficient for the school administration manager. She would see any increase in the amount of money for which she is responsible as ‘a huge step up’ (School Administration Manager NSW1).

The principal’s resolution, hypothetical at this stage, to the tension between the possibility of increased financial autonomy and the capacity to adequately manage it sits between the confidence of the deputy principal and the limitations of the school administration manager.
It is a resolution that acknowledges there would be a need to employ a business manager with the requisite skills and experience if the principal’s aspiration for the school to have autonomy over a budget of $13.5m were realised (Section 6.3.8). ‘That person I envisage would have specific accounting or business services related skills’ and would also be crucial for ‘cushioning the principal’s office from becoming a finance office and that’s the way I’m certainly looking at setting up here, in the medium term’ (Principal NSW1). There would also be a need for other senior staff to be trained in appropriate financial management should school autonomy be increased. Given NSW1’s size and the background of its principal, pursuing such a resolution over such a timeframe is realistic and prudent.

**6.3.8 Department support**

The employment of a business manager would build NSW1’s financial management capacity but it is the department which will decide to grant the school greater autonomy and to dictate the accompanying accountability constraints. There is as yet little indication of when increased autonomy might be granted: ‘We haven’t been shown a distinct policy document or anything like that, that shows clearly how that accountability process is going to occur’ (Principal NSW1). Furthermore departmental support for capacity building in schools has to date also been poor. All four interviewees who commented on departmental support found the financial management professional development the department provided to be unengaging and rarely available in regional areas, but there was regard for the department’s school finance office. ‘They’re a small group who work from Sydney and support all NSW schools. They’re very professional and very talented’ (School Administration Manager NSW1). A professional business manager with the skills envisaged by the principal (refer previous section) would reduce but not eliminate NSW1’s dependence on the department. Difficulty for the department in supporting the current level of financial autonomy granted to NSW government schools would suggest that opportunities for NSW1 to expand the scope of its financial autonomy and accompanying accountability framework will be frustrated in the short term.

**6.4 Chapter summary**

Measured as a percentage of total funding required for its operation, the degree of financial autonomy experienced by NSW1 has been, and continues to be, significantly limited.
Increases to the degree of financial autonomy experienced by NSW1 are expected but the extent and timing of any changes remains a decision for the department. Nevertheless there are significant findings in relation to the school’s financial management capacity, its dependence on the department and the principal for that capacity and the resulting impact on resolving tensions between financial autonomy and accountability. This summary outlines those findings and contextualises them with the literature.

NSW1 interviewees indicate that the principal’s changes to the school’s financial management structures and policies have enhanced their own experience of financial autonomy because of the collegial way in which allocation decisions were resolved. That experience may have increased in-principle support for more financial autonomy but interviewees are aware of tensions. They are concerned about their own capacity to manage the accountability implications and would be reluctant to be personally involved in more significant areas such as paying permanent staff or managing major capital works should the department offer more autonomy in these areas. For NSW1 staff, such tensions between financial autonomy and accountability are largely resolved by a continued reliance on the department to play a significant role in managing NSW1’s budget. That reliance, which represents an ‘acquiesce’ response to institutional processes (Oliver, 1991), has been cultivated by departmental insistence that their information system (OASIS), associated procedures and accompanying professional development be used in decisions about the allocation of financial resources. This is despite deficiencies in OASIS, which encompasses the school annual report, that weaken the efficacy of NSW1’s accountability framework (Section 6.3.6). The identification of such deficiencies supports previous assessments about the limited effectiveness of financial statement information in rendering an account (C. Ryan, et al., 2002; Kloot and Martin, 2000).

Limited scope to demonstrate increased capacity for financial autonomy, coupled with limited existing skills in financial management mean that most NSW1 interviewees are reluctant to pursue increased financial autonomy. Further, staff have a view as educators that accountability for educational outcomes is a higher priority than financial accountability, which also results in limited interest in increased financial autonomy. In contrast to his colleagues, the principal has both the confidence to pursue increased
financial autonomy for NSW1 and a background in departmental management. Some of the principal’s confidence is a legacy of his background and there is already some evidence of NSW1’s capacity for financial management innovation—strategies for managing casual relief teacher costs and the music recital room project are two examples. None of that financial capacity however was formally provided by the department, an important finding given the literature (Moos, 2005; Sun, et al., 2007) suggests that building financial management capacity in local schools is critical for autonomy to succeed.

Given the lack of departmental capacity building the principal’s reluctance to take on increased autonomy over all school expenditure is unsurprising—he was resistant to the idea of being responsible for major maintenance and capital works on buildings because to date no account had been taken of the age of buildings at NSW1. Such examples notwithstanding, crucial to any future possible substantial and sustainable increase in NSW1’s degree of financial autonomy would be the recruitment by the school of appropriately skilled staff ‘with systems and processes in place that supported it’ (Principal NSW1). Although the enhanced capacity for effective financial management at NSW1 should lead to a more balanced resolution of tensions between NSW1’s financial autonomy and its accountability, the department’s inability to provide the capacity has currently left the school with ‘low actual autonomy’ (Christensen, 2010, p. 515).
## Appendix 6.1 Excerpt from NSW1 Creative and Performing Arts (CAPA) strategic plan

<table>
<thead>
<tr>
<th>Activity</th>
<th>Strategy</th>
<th>Personnel</th>
<th>When</th>
<th>Indicators / Evidence of Progress</th>
<th>Finance</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey of CAPA faculty strengths and weaknesses</td>
<td>▪ Staff complete a survey and feedback activity to provide for group assessment of needs and expertise.</td>
<td>Term 1</td>
<td></td>
<td>▪ Knowledge and skills gaps are identified and targeted.</td>
<td>NIL</td>
<td></td>
</tr>
<tr>
<td>Facilitate Professional Learning in existing CAPA technology based resources</td>
<td>▪ Peer teaching activities in faculty time enables sharing of expertise. Other best practice staff are sourced from within the school to provide professional learning in faculty meetings. ▪ Professional learning activities and courses external to the school's resources are sourced and CAPA teachers are enrolled.</td>
<td>CAPA teachers, according to expertise. Term 2 and 3</td>
<td></td>
<td>▪ CAPA teachers increase their skills and understanding of technology and confidently use it in the delivery of lesson content and the preparation of teaching resources.</td>
<td>NIL</td>
<td></td>
</tr>
<tr>
<td>Enhancement of CAPA technology hardware</td>
<td>▪ Existing PCs in A4 are assessed. Poorly functioning equipment is repaired or replaced. ▪ Two more PCs are added to those in A4 in order to reduce the student:to:computer ratio in CAPA classes to 1:2. ▪ Eight more automatic digital cameras are acquired to supplement the existing digital cameras to enable Photographic and Digital Media students to use one camera between to in any given class.</td>
<td>HT and Music teachers Ongoing 2014</td>
<td></td>
<td>▪ Increased student engagement in CAPA ICT lessons and in Photographic and Digital Media classes.</td>
<td>$1000</td>
<td>$500</td>
</tr>
</tbody>
</table>
Appendix 6.2 NSW1 semester 2 faculty financial summary

<table>
<thead>
<tr>
<th>School Priority</th>
<th>Items</th>
<th>Global</th>
<th>ICT</th>
<th>VET</th>
<th>Capital</th>
<th>Grants</th>
<th>Ag Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>X KLA</td>
<td>Purchase 50 copies of Truch at $15.25 each for Aust Curriculum</td>
<td>760</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1000</td>
<td>Purchase 30 Maths Extension Text Books as per School Plan</td>
<td>840</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1200</td>
<td>Purchase 60 copies of Mt Touchdown for Aust Curriculum</td>
<td>800</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1500</td>
<td>Resource new HSC Prescriptions - Preliminary Texts - specific amount unknown at this stage</td>
<td>500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1500</td>
<td>Purchase 2 new microscopes to facilitate dot point 5 of Biology Syllabi</td>
<td>1500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1500</td>
<td>Purchase 21 New Legal Studies Texts</td>
<td>800</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Requests</td>
<td></td>
<td>5400</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Appendix 6.3 NSW1 semester 2 budget process (email)

As you will remember, our last budget was allocated on a Semester basis – hence the need to meet to allocate this semester’s financial resources. In order to do this, we need to review our KLA plans,

- mark complete in the right hand column those strategies that are now completed
- review and adjust strategies not complete including in some cases removing items planned if they are no longer relevant
- add new strategies and finances as driven by teaching and learning in 2014
- complete a ‘Semester 2 Financial Summary’ as per the attached and previous.

Please note it is not intended this be a huge rewrite but rather a tweak and fine tune. It is on the basis of this that we will then meet to allocate Semester 2 funds.

Hopefully later this week or early next we will have the actual quantum of financial resources available for distribution.

Proposed Timeline
Friday Week 3 – KLA Strategic plans reviewed and where required updated. Plans and ‘Semester 2 Financial Summary’ completed and emailed (discussed in person where you think it is necessary) to

Monday Week 4 – distribution of collated 'Semester 2 Financial Summary' requests to the OHS Leadership Team for consideration prior to the formal meeting

Monday Week 5 – Budget Meeting of the Leadership team

Happy to discuss, amend and improve as needed!

Regards

---

38 Semester 2 is a term used by NSW1 for terms 3 and 4.
Appendix 6.4 NSW1 teacher professional learning application

Teacher Professional Learning Application

<table>
<thead>
<tr>
<th>Name:</th>
<th>Date of Submission</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Allow 2 weeks, before registration closes, for request to be processed and approved)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed Professional Learning Activity</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Please attach relevant information to application)</td>
<td>(Teaching &amp; Learning Team to complete)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Venue:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dates:</td>
<td>Check school Calendar</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PLP/School/Faculty Priority Area/s Addressed</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>AITSL Standards</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Institute Endorsed Course? (Please circle)</th>
<th>Y</th>
<th>N</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Strategies for delivering PL back to school</th>
</tr>
</thead>
</table>
Appendix 6.4 continued

Teacher Professional Learning Application
Leave & Finance Details

<table>
<thead>
<tr>
<th>Staff Member:</th>
<th>Activity:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Anticipated Costs</th>
<th>Approved Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>250 Course Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>260 Teacher Relief</td>
<td></td>
<td></td>
</tr>
<tr>
<td>280 Accommodation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>290 Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>436 /412 Beginner Teacher</th>
<th>440 Syllabus Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>437 Technology [ICT]</td>
<td>441 Career Development</td>
</tr>
<tr>
<td>438 Literacy &amp; Numeracy</td>
<td>442 Welfare &amp; Equity</td>
</tr>
<tr>
<td>ILNNP</td>
<td>ESES</td>
</tr>
<tr>
<td>439 Quality Teaching</td>
<td>New Curriculum</td>
</tr>
</tbody>
</table>

Financial Approval Sign: ____________________________________________

<table>
<thead>
<tr>
<th>Professional Learning Activity Dates</th>
<th>Total no. of days</th>
<th>Relief Approved / Booked</th>
<th>Y</th>
<th>N</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>HT Admin Sign</td>
<td></td>
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</table>
Appendix 6.5 NSW1 purchase order requisition

<table>
<thead>
<tr>
<th>EXHIBITION NUMBER</th>
<th>SUPPLIER'S ITEM CODE</th>
<th>ITEM DESCRIPTION</th>
<th>QTY</th>
<th>UNIT COST INCLUDING GST</th>
<th>TOTAL COST INCLUDING GST</th>
<th>GST COST</th>
<th>GST PAYABLE</th>
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<tbody>
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</table>

(TOTAL COST EX GST) incl GST will be charged to your faculty and (TOTAL COST OF GST) incl GST is charged to GST-499-849-599 - TOTAL COST P1 OF ORDER x

Government Contracts must be used except for procurement up to $100k - local market knowledge may be used

<table>
<thead>
<tr>
<th>QUOTE:</th>
<th>Required on the front of all orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Written (not in contract) - Over $1,000 and under $20,000</td>
</tr>
<tr>
<td>2</td>
<td>Written (not in contract) - Between $20,000 &amp; $150,000</td>
</tr>
<tr>
<td>3</td>
<td>Written (not in contract) - Between $150,000 &amp; $1,000,000</td>
</tr>
</tbody>
</table>

(Please attach written quotes)

Reason for accepting quote:

NSW1
Appendix 6.6: 2012 Annual school report NSW1—financial summary

Financial summary

This summary covers funds for operating costs and does not involve expenditure areas such as permanent salaries, building and major maintenance.

<table>
<thead>
<tr>
<th>Date of financial summary</th>
<th>30/11/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
</tr>
<tr>
<td>Balance brought forward</td>
<td>626 419.20</td>
</tr>
<tr>
<td>Global funds</td>
<td>966 271.38</td>
</tr>
<tr>
<td>Tied funds</td>
<td>627 126.36</td>
</tr>
<tr>
<td>School &amp; community sources</td>
<td>479 122.41</td>
</tr>
<tr>
<td>Interest</td>
<td>33 503.08</td>
</tr>
<tr>
<td>Trust receipts</td>
<td>418 032.69</td>
</tr>
<tr>
<td>Canteen</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>2 524 055.92</td>
</tr>
</tbody>
</table>

| **Expenditure**            |            |
| Teaching & learning        |            |
| Key learning areas         | 216 484.35 |
| Excursions                 | 180 481.59 |
| Extracurricular dissections| 286 504.64 |
| Library                    | 5 070.32   |
| Training & development     | 4 586.88   |
| Tied funds                 | 335 244.26 |
| Casual relief teachers     | 161 019.19 |
| Administration & office    | 207 449.91 |
| School-operated canteen    | 0.00       |
| Utilities                  | 202 142.52 |
| Maintenance                | 101 020.94 |
| Trust accounts             | 262 941.78 |
| Capital programs           | 108 042.73 |
| **Total expenditure**      | 2 070 989.11 |

| **Balance carried forward**| 1 079 486.01 |

Included in the balance carried forward is $650,000 for the Music extension. The school community raised $350,000, and this was supplemented by a state government contribution, through joint funding.
Chapter 7  Case study: VIC1

7.1 Introduction
This chapter reports on research findings for the large Victorian regional senior secondary school and adopts an identical structure to other case study chapters. The chapter first provides non-identifying demographic and contextual information about the school and its interview participants, followed by a consideration of finance policies and procedures developed and used by VIC1. Arranged under key themes that were informed by responses to the semi-structured interview questions (Appendix 4.1), the final section of this chapter is the analysis of the interviews conducted with each of the participants, which includes specific connections to the extant literature discussed in the literature review.

7.2 Background
Although a government secondary school has been located on the site now occupied by VIC1 since 1955, VIC1 itself was only established in 2006 after a reorganisation of three government secondary schools in the major regional city that it serves. Previously all three schools catered to students across all secondary levels—Years 7 to 12. The reorganisation converted VIC1 into a senior school, enrolling students in Years 10 to 12 only, and the other two government secondary schools became constituent parts of one government middle school located on two campuses. In addition to VIC1 and the government middle school of 930 students, this regional city has one Catholic secondary school of just under 1,100 students and an independently run K-12 school with a secondary cohort of 240 students.

According to the My School site and the annual report, VIC1 had an enrolment in 2013 of 938 students across years 10-12, but the school’s internally developed workplace plan for 2014 projected only 809 students. This significant difference is reconciled in the opening sentence of the workforce plan. It states that ‘only the enrolment and staffing of the main campus of the college have been considered’ and that specialised off campus programs and centres, ‘which account for about 120 enrolments each year, do not feature in our

---

39 Kindergarten to Year 12
40 literacy, alternate study pathways and theatre programs
planning because in 2014 they were managed separately. Five percent of the students identify as indigenous. There are 62.5 full-time equivalent (FTE) teaching staff and 23.6 FTE non-teaching staff, organised into 13 functions. At the time of interview, a major building project planned since VIC1’s establishment to renew most of the school’s teaching and administration facilities had just been completed.

The mechanism for providing financial resources to Victorian government schools is the Student Resource Package (SRP). In 2014, financial resources provided to VIC1 by the Victorian Department of Education and Training (‘the department’) totalled $10.06m with over 80% of that amount in the form of a credit account held centrally by the department. Costs incurred by VIC1 under the credit component of the SRP, mostly salaries for permanent staff, are not paid from VIC1 bank accounts but paid centrally by the department and charged to VIC1’s account.

Direct quotes from opening sentence of VIC1 2013-2014 workforce plan
Per information provided by VIC1 2013-2014 workforce plan
Equivalent to faculties
2014 VIC1 SRP provided by the department totalled $10.06m of which $1.97m (19.6%) was cash and $8.09m (80.4%) was credit. The difference between the department funding of $10.02m and VIC1’s total funding of $13.2m, as reported by the My School site, is funding provided by the Commonwealth Government, fees, charges, parent contributions and other private sources.
VIC1’s organisational structure was determined using information provided in the VIC1 2013-2014 Workforce Plan. The Principal, the Business Manager and AP1 constitute the school’s executive and assume responsibility for its daily operation. AP2 and AP3 are less senior than AP1 but have responsibility for specific portfolios. AP1 was the only assistant principal interviewed. All subsequent references in this chapter to the Assistant Principal are to AP1.

*the Graduate Program is a VIC1 initiative ‘on top of the normal curriculum. It is designed for self growth, community involvement, things for the students to be able to talk about in the university interview or to get early entry or to get a job, an apprenticeship’ (Assistant Principal VIC1). AVID ‘Advancement via Individual Determination’ is a program that seeks to accelerate student learning to access and be successful at university level studies.
7.2.1 Interview participants

After an introductory email, followed by an information package sent by mail, the principal formally approved the school’s participation in early July 2014. The introductory email and information package both outlined the key objectives of the research and the selection criteria of the required research participants—they must have had involvement in or responsibility for the administration of school based financial management. The principal arranged interviews with two other participants: one of the school’s three assistant principals and the business manager. An interview with the school council president was subsequently arranged, for the same day the other interviews were conducted. In total there were four VIC1 interview participants.

Principal VIC1 began his career in 1976, and has extensive leadership experience, having served as principal of several government schools of varying sizes in the region in which VIC1 is located. He has also held number of departmental positions in metropolitan and regional locations. In 2006, after a year of acting in the role, he was appointed as inaugural principal of the government middle school for the regional city in which VIC1 is located in 2006. He commenced as Principal VIC1 in 2012.

Assistant Principal VIC1 has been an assistant principal at VIC1 for the past five years and currently has responsibility for capital works, facilities, student transition and vocational education and training (VET). He is well placed to oversee VET—just over ten years ago he was employed in the private sector, initially as a diesel mechanic and then as a service manager and workshop foreman, before retraining and beginning his career in education as a metal trades teacher at one of the city’s predecessor year 7-12 secondary schools.

Business Manager VIC1 was appointed to the position at VIC1 in September 2010. It is his first paid role in the education sector but follows time spent as a parent representative on the school council. He had previously held a number of private sector roles—in banking, accounting public practice and most recently in insurance as a business manager. During his time in public practice he acquired an accounting degree at a nearby university and is the first business manager at VIC1 to hold such a qualification.
School Council President VIC1 has been president since the beginning of 2012 and was part of the panel that appointed the current principal to his position. She was elected directly to the presidency with no prior role on school council but, like the business manager, her children have attended VIC1. She continues to practice as the principal of a local financial planning firm.

7.2.2 Financial management structures and policies

Financial management structures and policies were defined in Section 6.2.2 (WebFinance, 2014). Section 5.3 profiled a range of department developed financial management requirements applicable for schools. Most comprehensive is the ‘Finance Manual for Victorian Government Schools’ (Victorian Department of Education and Early Childhood Development, 2014a). It outlines financial management policies, procedures and structures that schools are required to adhere to. The manual’s opening statement makes clear that the key financial management structure in place at a Victorian government school is the school council. Citing the Education and Training Reform Act 2006, it states that ‘the school council has the duty to ensure that all moneys ... are expended for proper purposes’ (p. 8). This specifically includes responsibility for developing the annual budget in conjunction with the principal (Section 5.3). Not mentioned in the finance manual is the role of the finance committee—VIC1’s primary financial management structure. As well as the roles of the school council and the finance committee, this section considers the financial management policies VIC1 develops and implements.

Information about the VIC1 school council and finance committee, as currently constituted, is provided in Table 7.1. Part of the information in Table 7.1 is sourced from a position paper produced by the principal (Appendix 7.1). That position paper confirms the school council’s responsibility for approving the annual budget and maintenance plan but, despite the imperative of the department’s finance manual (Section 5.3), is silent on the level of responsibility for developing the budget. Steps were also taken to ensure that the finance committee included members with financial management skills. As a result both the finance committee’s community members are practicing accountants. The VIC1 finance committee
is viewed as a sub-committee of the school council—all its members are also members of the school council.

Table 7.1 VIC 1 key financial management structures

<table>
<thead>
<tr>
<th>Committee</th>
<th>School council</th>
<th>Finance committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>School council president (must not be an employee of the department)</td>
<td>School council president</td>
</tr>
<tr>
<td>Members</td>
<td>5 staff representatives (including the principal), 6 parent representatives, 2 community members (including the current school council president, who must not be a department employee), 2 student representatives, business manager</td>
<td>4 staff representatives (including the principal), 1 parent representative, 2 community members (including the current school council president), the business manager</td>
</tr>
<tr>
<td>Selection process</td>
<td>Except principal, staff representatives are elected, as are parent representatives. Community members and student representatives are co-opted</td>
<td>All members of finance committee are also members of the school council. Except the principal, staff representatives are elected, as are parent representatives. Community member representatives are co-opted. Steps are taken to ensure some members have financial management skills</td>
</tr>
<tr>
<td>Meeting frequency</td>
<td>Monthly</td>
<td>Monthly</td>
</tr>
<tr>
<td>Main role</td>
<td>Approval of operating budget, maintenance plan and purchases of facilities.</td>
<td>Monitors revenue and expenditure against budget, cash flow, debtors and creditors</td>
</tr>
</tbody>
</table>

The estimated $13.2m in annual revenue required to operate VIC1 can be divided into three components. By far the largest is the credit component\(^46\) of the SRP—entirely consumed by permanent staff salaries and related on-costs. In Victorian government schools staffing decisions which ultimately generate those costs are made by the school. At VIC1 the principal ‘does most of the staffing’ (Business Manager VIC1). Of the $1.97m cash component of the SRP\(^47\) provided to VIC1 and the $1.07m\(^48\) it raises from local sources,

\(^{46}\) As previously reported $8.09m (80.4%) of the SRP was provided in credit. In 2014 VIC1 expects to spend $8.46m on permanent staff salaries and related on-costs—resulting in a credit deficit of $0.37m.

\(^{47}\) Per 2014 VIC1 SRP

\(^{48}\) Per the 2013 VIC1 annual report
much is consumed by administration, utilities and minor maintenance. All of those expense items are solely managed by the business manager and/or principal. In the final component is funding for faculties (known at VIC1 as Key Learning Areas) and professional development. The business manager initiates conversations with the head of each KLA about their needs for the next year. Professional development needs, informed by submitted professional development plans, are coordinated by other administrative staff.

All three major components outlined above are consolidated into the budget and then reviewed by the finance committee. Despite the principal’s assertion that the finance committee should work with him to prepare the annual budget, it plays no pro-active role in constructing any aspect of the budget. ‘The finance committee probably don’t get involved, but we’ve got to take the draft budget to them’ (Business Manager VIC1). Detailed financial information produced from CASES21 Finance—including bank reconciliations, operating statements, balance sheets, annual sub-program budget and payment reports—are tabled and reviewed at monthly meetings. Finance committee minutes indicated these reports and the issues arising from them are discussed in detail and actioned where warranted. School council meeting minutes confirmed that the school council relies on the finance committee to inform its mandated financial approval and review role. Such an approach has something in common with corporate boards, who seek the advice of experts before making significant decisions.

A review of VIC1’s policies on its website found only one policy specifically related to finance—fees and levies. The business manager subsequently provided 15 other finance related policies via email (Appendix 7.2). That the fees and levies policy is the only one publicly available is not surprising—fees and levies are of immense interest to current and prospective parents so publishing the related policy enhances VIC1’s reputation for accountability and transparency. By contrast the intended audience for the other 15 policies is essentially VIC1 staff. Templates for all of these policies are provided in the School Policy and Advisory Guide produced and regularly updated by the department. The scope for VIC1

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49 CASES21 is the Computerised Administrative System Environment in Schools used by Victorian department schools for school management. It comprises a number of interrelated modules including finance.

50 All schools are expected to maintain their own websites.
to adapt an individual policy template for its own unique circumstances is limited. ‘You can’t tweak it too much it’s pretty much their [the department] chart of accounts, their instructions’ (Business Manager VIC1). Indeed the opening statement on the School Policy and Advisory Guide makes clear that it is backed by legislation. Nevertheless some policies do appear to be tailored to VIC1’s needs. For example the school hosts a trade training centre that serves all secondary schools in the region and has a policy specifically for the purchase of capital equipment for the centre, using funding allocated for all partner schools.

Consistent with the definition of financial management policies provided in Section 6.2.2 (WebFinance, 2014), most VIC1 finance related policies simply contain general rules and guidelines. Nevertheless some policies also contain details that could be construed as processes (related activities that produce a specific service), or procedures (specific instructions necessary to perform a task as part of a process). For example, as well as providing some guidelines, the purchasing policy for the trade training centre sets out the purchasing process in some detail. Other policies claim to be about procedures, but are not. For example the school’s refund policy includes a sub-heading entitled ‘Procedures’ but the items listed underneath that heading are principles rather than procedures. Budget related processes and procedures, developed by VIC1, are the focus of the next section.

7.2.3 Locally developed processes and procedures
VIC1’s budget development process and related procedures are not formally documented but the business manager, and to a lesser extent the principal, indicate that there is a formal process. The largest component of VIC1’s estimated $13.2m operating budget is permanent staff salaries and related on-costs. The process for developing this component of the budget is led by the principal, as noted above. Every November he develops the school workforce plan to predict student enrolments and therefore inform projected staffing needs. That workforce plan must align with the school’s strategic plan and the priorities included within them.

Both permanent and contract staff are part of the plan and funding for all staff is sourced from the same credit component of the SRP. ‘It [the VIC1 workforce plan] includes
everything, because we don’t differentiate. I mean, we have permanent members and contractors, contract people, but it’s all still out of the same bucket’ (Principal VIC1). VIC1 employs an administrative officer with dual responsibility for timetabling and human resources. This administrative officer advises the principal about what class configurations will work with available staff and within the SRP, as well as managing casual staff to cover short and long-term absences. In consultation with both the principal and the human resources officer, the business manager calculates all staff employment costs on a spreadsheet. He constantly monitors those costs against the fortnightly SRP funding report.

The business manager’s involvement in budgeting for the much smaller cash component of the SRP and the revenue it directly raises is significant. He calculates major budget items such as utilities and insurance. The initial reference point for such calculations is the current year’s expenditure which can be problematic when there has been significant change such as the new building development. ‘So I’ve got to base it on the current year, and it’s sometimes a little bit hard because for example ... I know in this first month we’ve been here [in the new building] power has jumped a lot’ (Business Manager VIC1).

The business manager also leads the budget development process for the final component of the SRP, funding for KLAs. He requires input from the head of each KLA about their needs for the next year. The process does not appear to be particularly onerous.

So, pretty shortly I’ll, September before the end of Term Three anyway, go to the KLA heads of maths, science etc, and say ‘righto, we need to plan for the 2015 budget. Set out what you intend to spend for the next year, so I can put it back into that spreadsheet’ (Business Manager VIC1).

The professional development budget is calculated by the professional development coordinator and is similarly unsophisticated ‘He’s probably based it on previous years and he might have a discussion with [Principal VIC1] of approximate cost per staff member and what people put into their PD plan’ (Business Manager VIC1). The professional development coordinator and an assistant principal formally approve staff attendance at PD events.
Once collated, the budget is sent to the finance committee for review, comment and amendment before being submitted to the school council for approval. On approval the business manager enters the budget into CASES and the ongoing monitoring role, largely undertaken by the finance committee, begins. The major driver for any amendment to the approved budget is a material difference between projected student numbers—upon which the school council approved budget is based—and actual student numbers at census date, which determines final funding from the department. A loss of 20 students would be material and require an amended budget ‘because that’s seventy grand’ (Business Manager VIC1) but VIC1 does not currently have a process or procedures in place to reconcile the department’s final SRP calculations with its own. ‘To be honest, I probably should, you know, mistakes do happen, have they calculated it correctly? It’s a good point, I suppose’ (Business Manager VIC1). Such an admission is noteworthy given the background of the business manager. If a professional accountant is not undertaking such reconciliations it raises questions about the ability of other schools without such capacity to effectively account for the financial autonomy granted.

### 7.3 Interview analysis

A summary of responses—by participant and question—is shown in Table 7.2 below.
Table 7.2 VIC1 interviewee response summary

<table>
<thead>
<tr>
<th>Questions</th>
<th>Principal</th>
<th>Business Manager</th>
<th>Assistant Principal</th>
<th>Council Chair</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Your views on autonomy for government schools?</td>
<td>current form has adversely impacted regional schools, propose regional board as a solution</td>
<td>supportive of staff selection</td>
<td>supportive of local input into building projects, every school different, not aware of any other approach, some requirements becoming onerous</td>
<td>supportive of staff selection every school different, requirements becoming onerous, propose regional board as a solution</td>
</tr>
<tr>
<td>2. How much autonomy should your school have over its financial resources (operating costs and capital expenditure)?</td>
<td>increased autonomy for capital works, SRP funding challenges and opportunities, rigorous budget process, regional approach to financial management</td>
<td>larger schools have greater capacity, Increased autonomy for capital works, SRP funding challenges and opportunities, rigorous budget process</td>
<td>larger schools have greater capacity, Increased autonomy for capital works, rigorous budget process</td>
<td>regional approach to management</td>
</tr>
<tr>
<td>3. Who do you think your school is accountable to?</td>
<td>department local director, school council</td>
<td>department, school community, school council</td>
<td>department, school community</td>
<td>department, school community</td>
</tr>
<tr>
<td>4. What do you think your school is accountable for?</td>
<td>financial management (including budget process), hiring and training teaching staff</td>
<td>educational outcomes, financial management</td>
<td>educational outcomes, financial management</td>
<td>educational outcomes, financial management</td>
</tr>
<tr>
<td>5. How does your school discharge those accountability obligations?</td>
<td>annual report but template poor, priority reviews by DEECD, regular meetings with school council and sub-committees</td>
<td>annual report but universally low interest, social media</td>
<td>annual report but universally low interest, report template poor, priority reviews by DEECD, newsletter, information nights, email, SMS, social media</td>
<td>annual report but universally low interest, financial audits</td>
</tr>
<tr>
<td>6. Is the information produced by your school adequate to make effective decisions about the allocation of financial resources?</td>
<td>did not answer</td>
<td>CASES21 has some deficiencies</td>
<td>CASES21 has significant deficiencies</td>
<td>CASES21 has significant deficiencies</td>
</tr>
<tr>
<td>7. How do you view the adequacy of your own skills and experience to perform your financial management role in the school?</td>
<td>current and prior experience important, some deficiencies, need specialist staff as school is a business, regional government schools board is the solution</td>
<td>current and prior experience important, some deficiencies, need specialist staff as school is a business</td>
<td>current and prior experience important, some deficiencies</td>
<td>current and prior experience important, need specialist staff as school is a business</td>
</tr>
<tr>
<td>8. Your thoughts on the support provided by the Department of Education for effective decision making by your school about the allocation of financial resources?</td>
<td>more support needs to be provided regionally, regional government schools board is the solution</td>
<td>professional development and networking fine but not many based regionally</td>
<td>do not know so cannot comment</td>
<td>poor, non-existent, website poor</td>
</tr>
</tbody>
</table>
7.3.1 General views on autonomy for government schools

All four interviewees support the principle of autonomy for government schools, but there is diversity in the rationale for such support and some support, most notably from the principal, is qualified. As well as considering the capacity for staff selection and management of local building projects, this section also introduces a proposed regional resolution to government school autonomy that seeks to more appropriately balance the tensions between the opportunities autonomy affords and the capacity of schools to manage the challenges that accompany it.

The opportunity for schools to select their own staff is supported by three of four interviewees but only one applied the argument that every local school has unique needs and that staff are best placed to address them. 'No one but the principal, and the assistant principals and the people that work at this school know how this school operates' (School Council President VIC1). The lower level of support from others may be because the ability of Victorian government schools to hire their own teaching staff, introduced in 1993 (see Section 2.4.8), precedes their own association with them. I have just never experienced that [centrally based staffing and funding] in the Victorian system. It has always been that you can hire whoever you want to ... I guess that’s all I’ve known, is this system (Assistant Principal VIC1).

Granting government schools autonomy over the selection of their staff has allowed the department to shift costs, adversely impacting the experience of autonomy for regional schools. By virtue of their size schools in metropolitan areas have the capacity to bear the cost of organising advertisements, reviewing applications, short listing applicants, interviewing them, undertaking reference checks and making an offer of appointment to the preferred candidate. Regional schools bear the same recruitment and appointment costs as a metropolitan school but, by virtue of their size, often have less capacity to do so and have much less certainty about being able to appoint an appropriate candidate. This can lead not only to a waste of scarce financial resources for the regional school but also to an inequity in the appointment of quality teachers.

Has it worked any better? I think in Melbourne, it’s worked infinitely better. In the bush? No. When we were centralised staffing, Murrayville [relatively remote regional Victorian town]
had the same right to a teacher as Balwyn [relatively wealthy inner Melbourne suburb] did. So therefore, when we had people who wanted a job they got appointed, they were offered a job in Murrayville. If they knocked it back, they couldn’t get a job with us [the department] for three months. Now what we’ve got, this is what happens to me, I appoint people, like a music teacher, after a state-wide advertisement. And then, as happened so many times, the second last day of school, before school goes on holidays, for Christmas, the teacher rings me up and says, ‘I’ve been offered a job in the eastern suburbs of Melbourne, I won’t be taking your position’. So what we’ve had is this balance which has been what was a fairly equitable system is now getting like that. (Principal VIC1)

Despite its regional location VIC1 has demonstrated significant capacity for financial autonomy. In the past few years two major building projects have been undertaken on the VIC1 site: a trade training centre funded by the Federal Government and a major new teaching and administrative building valued at $10m (details provided below). VIC1’s high level of involvement in both projects is largely due to the skills and experience of some senior staff, in particular an assistant principal, rather than its relatively large size. For schools, irrespective of size, without such capacity for autonomy within its leadership ranks, more departmental involvement is prudent.

I come from a trade background and I’ve been in buildings and I’ve done project management and things like that. So for me, I can talk to the builders and I know what they’re talking about. In a lot of schools, you don’t have someone like that. So do you really want a ten million dollar project being managed by a school, you know, with the science teacher who doesn’t really know anything about buildings being in any sort of control? (Assistant Principal VIC1)

The above examples in relation to staffing and capital works demonstrate that the approach schools take to resolving the tensions between financial autonomy and accountability is dependent on their capacity to manage those tensions. If that capacity is not present within the school, invariably the solution has been to seek a limit to or even a reduction in the degree of autonomy it experiences. Of course such a move runs counter to support expressed by staff for the principle of autonomy for government schools.
An alternative to ceding any autonomy directly back to the department either to Melbourne or to a regional office is a ‘ground up, not from the top down’ regional school board championed by the principal and school council president. Not only would a regional board aim to provide local schools with the necessary capacity to support their autonomy but it would use a representative governance structure—involving all local schools—to enhance the efficient allocation of resources. ‘By putting a school board in place that is looking after ten schools ... you’re working together to be able to provide services and policies and whatever on a more cost efficient way of doing it. It just makes logical sense’ (Principal VIC1). Of course the structure and composition of the board would need to ensure that the interests of larger schools are not pursued to the detriment of smaller schools. Broad ideas for a regional board, jointly developed by the principal and school council president (summarised in Appendix 7.3), have been presented to colleagues at other local schools. This was followed by a survey of all government schools in the region, conducted by consultants, to gauge support and garner further ideas. ‘There was an overall consensus that this is really worth looking at’ (School Council President VIC1). Although the department has also been positively involved in preliminary discussions the change of government in November 2014 slowed progress in developing detailed plans. Consequently the potential effectiveness of a regional board as a locally developed resolution to the tensions between the opportunities autonomy affords and the capacity of schools to meet the challenges accompanying autonomy cannot currently be assessed. Beginning with the story of VIC1’s involvement in the recently completed teaching and administration building as an illustrative example, the next section focuses on the school’s approach to managing the financial resources over which it has autonomy.

7.3.2 Autonomy over the school’s financial resources
VIC1’s involvement in the recently completed project, to renew most of its teaching and administration space, demonstrated the benefits that can accrue to both schools and governments if schools have the capacity to manage financial resources effectively and are granted the autonomy to do it. To illustrate those benefits, this section begins with an analysis of the teaching and administration building project before considering the application of VIC1’s financial management strategies to other aspects of its operations.
The catalyst for VIC1’s determination for more financial control over the teaching and administration space building project was their 2008 experience with a federal government funded $8m trade training centre project. Initially VIC1 was to have the same extensive autonomy over planning, tendering and construction as schools in the Catholic and independent systems with similar projects but the state government department intervened. ‘When we first started it was going to be ‘here’s your 8 million bucks, build it’\(^51\). The state government got wind of ‘hang on we’re going to lose our slice out of this’ so then it had to go through Victorian treasury and then come back out of the department to us’ (Assistant Principal VIC1). That intervention mandated the use of government provided project administrators and government approved contractors who all charged the project substantial administration and management fees. The approved contractors included a Melbourne based quantity surveyor who significantly overstated the trade training centre’s cost. ‘I would say they [the Catholic system] get 20-30% better value for money than we do ... because we just have everyone taking a slice off the top on the way through’ (Assistant Principal VIC1).

The quantity surveyor and architect approved by the state government and appointed to the trade training centre project were also appointed by the department to VIC1’s teaching and administration building project. As their estimated cost of $13.5 million significantly exceeded the department’s $10m allocation, the quantity surveyor and architect amended the design to three quarters of the original size. The skills and experience of VIC1’s senior leadership with major building projects, including the trade training centre, gave them confidence to challenge that estimate and argue for the right to call their own tenders to build to the original design. ‘We knew because on the trade centre that we did over there that he was $2m out on a $6m build. Same architect, same quantity surveyor so we just knew, or we had a fair idea, that he’d be very wrong’ (Assistant Principal VIC1). Permission for VIC1 to call tenders was granted but only from an approved list and only after they were charged $60,000 to change the building plans back to the original design. The result of the tender process was a vindication of VIC1’s approach and a demonstration of the benefits in

\(^{51}\) The $8m funding for the trade training centre project was provided by the Australian Government. The Victorian Government subsequently sought to assume management for the project and charge a fee for related management services.
granting significant financial autonomy to regional schools with the capacity to manage it. All three regionally based construction companies submitted tenders for less than the $10m budget to build to the original full scale design whereas two Melbourne based companies submitted at the quantity surveyor estimate of $13.5m.

And we said ‘no, no, no, we’ll test the market we believe we’ll get a good deal so we want you to put not only your design which is the three quarter design but we want you to put out the original design as well’. And low and behold a tender comes in to do the whole lot at about $8.7m and they [the Department] go ‘what a fantastic outcome, that’s fantastic, you’ve really got some cheap builders up there you know’. Good value for money (Principal VIC1).

Some of VIC1’s responses to the challenges and opportunities of the annual operating budget are less assured than their responses to and involvement in capital works projects. The permanent staff payroll is the largest component of any school’s operating budget—currently it is managed and paid centrally by the department. Funding to pay permanent staff is allocated via the credit component of the SRP and is based on student numbers at an average salary cost. This presents two potential risks. First, a drop in student numbers may effectively eliminate funding for one or more teaching position(s). With a high number of defence force families in the school community, VIC1 is susceptible to fluctuating student numbers. Second, an older, more experienced staff profile sees the school paying salaries at higher rates than the average for which it is funded.

Nevertheless other responses to the challenges and opportunities of the annual operating budget are more astute. By virtue of its size and role as a regional service provider, the credit component of the SRP also currently provides VIC1 with an opportunity to maximise its cash flow52. Provided VIC1 always has sufficient cash reserves on hand to cover any SRP credit deficit it does not need to be ‘repaid’53 to the department for 18 months, effectively providing VIC1 with an interest free line of credit. VIC1 is able to maintain sufficient cash reserves because it regularly receives upfront cash grants to provide programs run by

52 A recent Victorian corruption inquiry identified significant corruption among some so-called ‘banker schools’. Depending on subsequent recommendations arising from the inquiry, VIC1 may no longer receive funds for other schools (Jacks, Cook, & Preiss, 2015).
53 According to the Business Manager the Department of Education ensures ‘repayment’ by reducing future cash grants by the amount that covers the credit deficit.
specialist staff for the entire region. As the specialist staff are on the department’s centralised payroll system they are paid from the credit component of VIC1’s SRP. Therefore whilst cash is received up front into VIC1’s bank account, the associated payroll expenses incurred by VIC1 need not be repaid for 18 months. ‘So we’re nearly 18 months without paying interest on the money’ (Business Manager VIC1).

Such a cash flow strategy is not universally available. Larger schools are most likely to receive funding for specialised programs because they are more likely to have the capacity to provide them. That capacity can, however, directly benefit smaller schools. For example VIC1 uses its SRP allocation for information technology services to employ 1.4 FTE software developers. Among other innovations, the developers have produced a tailored student information management system (SIMS) that VIC1 has shared—at a nominal cost—with other schools in the region. Not only has financial autonomy facilitated VIC1’s development of SIMS, the development of SIMS has in turn enhanced the financial management capacity of other schools using it. VIC1 is currently in discussions with a leading school management software provider to further develop SIMS.

VIC1 is a large school and the diverse background of its senior leadership leaves it particularly well placed to manage the financial resources over which it is granted autonomy. Such capabilities may not be available to schools without a diverse leadership background, particularly smaller schools. ‘Being an accountant coming into a school that’s probably helped the school, I think. I’m not trying to piss in my own pocket … but I think they probably need more accounting type people in schools’ (Business Manager VIC1). Even so this VIC1’s financial management capacity does not render it immune to risks associated with financial autonomy nor has it embraced every opportunity to increase the scope of its autonomy. The next two sections consider key aspects of accountability.

7.3.3 Accountability to whom?
Interviewees identified various stakeholders: the department, school council, school/parent community and the department’s regional director. Two stakeholders are equally important—the department and the school community—but their accountability priorities differ markedly. ‘There’s two separate things. There’s the financial management—education
department—and there’s the education of its students—community’ (School Council President VIC1). Of note is that stakeholders in closer proximity to interviewees—such as the department’s regional director and the school council—are seen as less important and that only one interviewee included students as a stakeholder group. This indicates an acknowledgement that the entity responsible for allocating financial resources to VIC1—the department—and the community which via taxation and other fees ultimately provides VIC1 with its financial resources, command greater accountability than more proximate stakeholders. The public sector accountability stakeholder picture is complex (Funnell, et al., 2012; Bovens, 2007; Kloot and Martin, 2000), and this finding supports the view of Taylor and Rosair (2000) that ‘within-government groups of users’ (p. 94) can take precedence.

7.3.4 Accountability for what?
Interviewees identified two main accountabilities: educational outcomes and financial management. The previous section established that both accountabilities have direct connections to specific stakeholder groups—the community and the department respectively—but they are also mutually interdependent.

To be quite honest, I don’t think you can have one without the other. I mean, there is no point running a school that doesn’t serve the kids or serve the community. But you also can’t serve the community if you’re not managing your dollars right, if you’ve got no teachers or all of a sudden you’re bankrupt or something. So the two have to go hand in hand, I reckon (Assistant Principal VIC).

Nevertheless three of four interviewees see educational outcomes as the higher accountability priority. Although the business manager and school council president are not educators they are both parents of former VIC1 students enabling them to share a parental stakeholder perspective. Indeed perceptions about parental priorities and even perceptions about financial management literacy appear to have influenced interviewee responses. This is despite the fact that only one interviewee identified students, the ultimate beneficiaries of improvements in educational outcomes, as stakeholders. ‘I don’t think the community would understand how the school runs. There’s not enough people in the community that would know’ (School Council President VIC1). By contrast the principal’s direct responsibility
for the day to day administration of school finances, as mandated by the department’s finance manual (refer Section 5.3), likely influenced his view that accountability for financial management is the priority. How accountability is discharged is the focus of the next section.

7.3.5 Discharge of accountability

The annual report may be the most common mechanism for discharging accountability to stakeholders in both the public and private sectors but annual reports often fail to effectively perform that role (Sims and Clift, 2001; C. Ryan, et al., 2002). This is the story for the VIC1 annual report. Like all government schools in Victoria, VIC1 is required to adopt a template which now sees most of its annual report pre-populated with data sourced from surveys, external assessments and CASES21 Finance. VIC1’s stakeholders, even some of those responsible for making contributions to the annual report, have little interest in the annual report. ‘I don’t know if anybody ever reads it to be quite honest. I could be wrong, I’ve written the thing a few times. I’ve never read it, but I’ve written it a few times. I have no time for it, really. I think it is just something that schools put out (Assistant Principal VIC1)’.

This section considers why the VIC1 annual report fails as an effective accountability mechanism to its stakeholders and examines the efficacy of alternatives.

Adherence to the department’s template means that the average length of a Victorian school’s annual report is less than 10 pages—VIC1’s most recent annual report was 7 pages. There is little scope for the school to present its own perspective in the annual report about the year just completed but it appears VIC1 has not canvassed the idea of producing a companion to the annual report.

Well, when I first started, I produced annual reports of about 80 pages, and it was a great way to put what’s happened in the school, all the various things about structure, student achievement, staff achievement, financial, all of that type of stuff. Now, it’s been totally formalised by them [the department] and about the only thing I can change now is the photograph on the front (Principal VIC1).

A specifically written companion would effectively adopt the approach advocated by C. Ryan, et al. (2002) (refer Section 2.3.4) where the emphasis of the reporting entity (VIC1) is
on service provision (educational outcomes). Given the analysis in the previous two sections of VIC1’s stakeholders and their accountability priorities, a companion is ‘more likely to be a more effective communication device in discharging accountabilities’ (C. Ryan, et al., 2002, p. 71) to the VIC1 school community. Yet discharging accountabilities to the VIC1 school community would likely exclusively focus on educational outcomes—not only is it the perception the community does not want to know about how the school’s finances have been managed (Section 7.3.4), but there is a further perception the school community does not need to know about them. Arguing that an annual report’s financial information is only for the benefit of the department overlooks the fact that the department already has access to much of the information.

*The school’s main purpose is to educate kids and get good outcomes for kids. That’s what we report on. Sure, the department needs to know if you’re going broke or whether you’re doing the wrong thing, but why does the public need to know? What difference does it make to Joe Bloggs whether I’ve got a million dollars in the bank or I’ve got two dollars in the bank?* (Assistant Principal VIC1)

Alternative approaches to providing an account were canvassed. Examples of VIC1 initiated accountability mechanisms are: newsletters (which could be construed as a form of companion to the annual report), information nights, email, SMS and social media. All are targeted at the school community and all focused on providing an account for the school’s educational activities. Many of these alternatives are similar to those suggested by Lee (2004) but have the same challenges in engaging the school community as the annual report, raising questions about the effectiveness of any formal companion to the annual report. Some challenges have been exacerbated by the school catering only to senior students whose parents are less engaged with the school. ‘*The students that we’ve got are 16, 17, 18 years old. Most parents have sort of gone, ’well at that age, it’s up to the student’. So we do have a significant issue with engaging the community in a meaningful sort of way*’ (Assistant Principal VIC1).
Other alternative accountability mechanisms canvassed are requirements of the department. They include departmental priority reviews and financial audits, annual workforce plans, and monthly meetings with the school council and their related sub-committees. Many of them were detailed in the chapter covering school autonomy and accountability documents produced by NSW and Victorian governments (refer Section 5.3). All of them are focused on rendering an account to the department rather than the school community and some—priority reviews and financial audits—arguably diminish VIC1’s autonomy. ‘We almost need to have an audit on how many fence palings we’ve got at the moment, because we’ve been audited on everything else’ (School Council President VIC1). It is noteworthy that the departmental requirement to produce a four year strategic plan (Section 2.4.9), supposedly a key component in any schools accountability framework, was not mentioned by any VIC1 interviewee. This may be explained by the fact that annual report guidelines do not require annual school reports to include an account of their implementation of the school plan (Section 5.3.2), an example of disconnection between departmental policy and practice.

This section has demonstrated congruence between the experiences related to VIC1’s annual report and the limitations of annual reports discussed in the literature (Sims and Clift, 2001; C. Ryan, et al., 2002). A companion to the annual report may enhance its accountability and effectiveness to the school community but it is untried at VIC1. Other alternatives, such as information nights and social media, have been introduced by VIC1 but to date they have faced similar challenges in effectively engaging the school community. Findings in this section largely reinforce the connections between VIC1’s important stakeholders and their accountability priorities identified in the previous two sections. VIC1 initiated accountability mechanisms for the school community are exclusively focused on educational activities and outcomes. Even if interviewees agree that ‘the provision of quality education depends greatly on the effective and efficient management of the resources available to schools’ (Victorian Auditor-General, 2009, p. v) they do not believe it warrants an account to the school community for the use of those resources. Some accountability

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54 A priority review is implemented ‘when a school does not demonstrate sufficient progress or where there is other evidence of significant risk to students’ achievement, wellbeing or engagement’ (DEECD, 2013 p.9). An independent team undertakes a four day intensive analysis of the school’s performance, reporting back to both school and department.
mechanisms required by the department, such as the annual report, also discharge an
account for educational outcomes but a number such as financial audits and annual
workforce plans are focused on discharging an account for the financial resources VIC1 has
autonomy over. The next section considers whether information provided to VIC1
interviewees is relevant and reliable enough for effective decisions about allocating VIC1’s
financial resources.

7.3.6 Adequacy of information for decision making
CASES21 (Section 7.2.2) is heavily relied upon to provide information for decisions about
allocating VIC1’s financial resources but three interviewees, with responsibility for
authorising and monitoring spending, had difficulty understanding a number of the reports
CASES21 produces. ‘I’ve been on School Council for about five years, and heaven help the
poor buggers that come on for their first or second year, because ... as a person who’s not
trained in finance, it’s virtually impossible to understand’ (Assistant Principal VIC1).

Indeed the accounting background of the school council president enabled her to highlight
deficiencies that non-accountants may well have missed, deficiencies that hinder the ability
of the finance committee to monitor VIC1’s spending. ‘At no point in time can we say ‘the
school costs that much to run this week or this month or this quarter or this term, and we’ve
got that much’. There’s no balance sheet and profit and loss ... there’s got to be something
wrong with the system’ (School Council President VIC1).

Rather than immediately seek more user friendly reports from the department, the business
manager’s interim solution was to produce his own reports showing actual income and
expenditure against budget. These are widely used by the finance committee and the school
council. A school without the skills of the VIC1 Business Manager to produce more decision-
useful reports could be at risk of making less optimal decisions about the allocation of
financial resources. The accountability of VIC1 for the financial resources entrusted to it for
‘the provision of quality education’ (Victorian Auditor-General, 2009, p. v) would certainly
be diminished. The adequacy of the interviewees’ skills and experience to perform their
financial management roles is the focus of the next section.
7.3.7 Adequacy of skills and experience

The skills and experience among VIC1’s senior leadership leave the school well placed for considerable financial autonomy. Nevertheless, interviewees expressed doubts about their ability to discharge all of the responsibilities that accompany such autonomy (Section 7.3.6) and there is some reluctance to take on more autonomy (see Section 7.3.2 in relation managing payroll for permanent staff). ‘I get a broad picture. Do I understand the in-depth? I still struggle some nights. Some nights [at finance committee or school council meetings] I’m sitting there going, ‘this just doesn’t make sense.’’ (Assistant Principal VIC1). Recognising such limitations, VIC1 has a strategy to employ or second staff and community members with the requisite specialist skills to ensure that its financial management capacity is commensurate with its financial management autonomy.

I say this with the greatest of respect. When I became a Council member, we had a couple of ladies, God love them, who were like the old P&C cake stall type Council members. You know, it was basically the P&C. Are we going to have a cake stall or are we going to have a lamington drive? That sort of stuff. But this is a multi-million dollar business, and that’s why we, the staff in particular, the senior staff of this school made a concerted effort to get some business people onto the committee. And it certainly has worked and it was vital. (School Council President VIC1)

There is a need for people with financial management skills and experience to be placed in schools but there is a challenge in achieving this for small regional schools. An assistant principal, with a unique background in project and service management, has allowed VIC1 to have more autonomy over recent building projects but this is capacity that other schools simply do not possess. Seeking to replicate such financial management capacity in each school, particularly small schools, is unrealistic. ‘Just in [the regional city that VIC1 serves], we need a specialist OH&S person. We need a specialist Work Cover person. We need a specialist HR. Now, you can imagine that some person who’s got that expertise working for the 10 schools’ (Principal VIC1). The principal of VIC1 has, as noted in Section 7.3.1, suggested a regional school board as a way forward in enhancing financial management skills within this group of schools, and has received some encouragement from other

55 The 10 government schools, primary and secondary in the regional city that VIC1 serves
schools. The department’s effectiveness in enhancing the financial management capacity of regional schools is considered in the next section.

### 7.3.8 Department support

Advocacy by the principal and others for a regional government schools board suggests that departmental support for financial management capacity building in regional schools is inadequate. It is suggested this inadequacy is accepted by the department as such. *They [the department] won’t say this publicly, they want groups of schools to get together ... [to] build their own structures whereby they sort out these particular issues and then come to government and say ‘this is what we need, this is our priority’* [Principal VIC1].

Departmental support appears inadequate even for members of the school council, who are acknowledged by the department as members of the key financial management structure in place at Victorian government schools (refer Section 7.2.2). The school council president runs training sessions for new VIC1 school councillors herself, as the department does not provide them. She sees this as part of her role to ensure that new council members are appropriately trained. *‘Absolutely, because I didn’t know what was going on [when I started]’*. For school staff, department-provided face to face CASES courses are appreciated as opportunities for networking to occur, but too few are run locally.

*Most professional development is run in Melbourne. For me, and my staff, that’s a seven hour round trip. We get no compensation for the fact that we’re expected to get up at four in the morning, get down there by nine, and then drive home straight after it at five o’clock and be back teaching the next day* (Principal VIC1)

### 7.4 Chapter summary

When the ability to employ staff and be accountable for their salary against an operating budget is factored in, the degree of autonomy experienced by VIC1 is significant. This chapter has demonstrated skills and experience among VIC1’s senior leadership that have facilitated financial management innovation—the recently completed teaching and administration building, an effective 18 month interest free line of credit and in-house development of school management software are three examples. This summary outlines how VIC1 is well placed for the responsibility of considerable financial autonomy but heavily
reliant on its current senior leadership to manage tension with the accompanying accountability.

The recruitment of more financially literate members to key financial management structures, such as the finance committee and school council, have enhanced VIC1’s financial management capacity but in practice neither entity currently plays an integral role in managing VIC1’s financial autonomy. The effectiveness of their roles has been further limited by the quality of department-provided finance reports and professional development related to financial management issues. Similarly VIC1’s accountability for the management of its financial resources has been limited by a department mandated annual report template that fails to reconcile the use of financial resources to educational outcomes or to the school’s four year strategic plan or engage any school based stakeholders. Such a finding is significant because it suggests that the department has ignored the advice of its own Auditor-General. ‘The provision of quality education depends greatly on the effective and efficient management of the resources available to schools’ (Victorian Auditor-General, 2009, p. v). Consistent with Lee (2004) school based attempts at accountability such as newsletters, information nights, email, SMS and social media have also failed to engage stakeholders.

VIC1’s senior leadership appears to have understood the literature, which suggests that building financial management capacity in local schools is critical for autonomy to succeed (Moos, 2005; Sun, et al., 2007), more effectively than their department. Their championing of a regional school board for government schools seeks to support financial autonomy for schools, particularly for smaller schools in regional areas. As well as resolving the tensions between financial autonomy and accountability specifically faced by VIC1, the regional board initiative seeks to more appropriately balance the need for scale to provide effective financial management capacity. It would assist schools without that capacity themselves to maintain their financial management autonomy. Detailed plans for such a board have yet to be developed—consequently its potential effectiveness cannot currently be assessed. While it awaits progress on a regional government schools board, VIC1 continues its focus on building capacity among its staff to manage increased autonomy and the accompanying accountability.
Appendix 7.1 VIC1 division of roles between principal and school council

Listed below are some sample tasks essential to the operation of a school. In some cases both the Principal and the Council have a role to play whilst in other cases the task is the responsibility of the Principal only.

<table>
<thead>
<tr>
<th>Budget Preparation</th>
<th>Principal Class</th>
<th>School Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervises annual cycle of Budget preparation with assistance of Finance Committee.</td>
<td>Approves Budget having been satisfied that it reflects Strategic Plan.</td>
<td>Subsequently monitors expenditure against Budget.</td>
</tr>
<tr>
<td>Consults with relevant groups.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presents and recommends Budget to Council.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Curriculum Plan</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopts an annual cycle for assistance of Education Committee.</td>
<td>Approves curriculum having been satisfied that it is in accordance with DEECD, VCAA, VRQA Strategic Plan and AIP priorities.</td>
<td></td>
</tr>
<tr>
<td>Designs a curriculum in line with DEECD policy and available resources.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presents and recommends curriculum plan to Council.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Teacher selection</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifies vacancy. Prepares role description and selection criteria.</td>
<td>No role.</td>
<td></td>
</tr>
<tr>
<td>Supervises selection ensuring that DEECD, MPB and IR requirements are met.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informs Council.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-teaching staff selection School Council Employee</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approves recommendation of Selection Panel</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Teacher Performance</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Takes full responsibility for the level of performance of teachers, including review process and complaints process.</td>
<td>No role.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Facilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares responsibility for maintenance with Council. Prepares Maintenance Plan with Finance Sub-Committee.</td>
<td>Shares responsibility for maintenance with Principal.</td>
<td></td>
</tr>
<tr>
<td>Consults with Teams and Learning Areas regarding needs.</td>
<td>Approves Maintenance Plan.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Student Wellbeing and Management</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In consultation with appropriate staff formulates College Student Wellbeing and Management Policies.</td>
<td>Being satisfied that the Policies conforms with DEECD guidelines.</td>
<td></td>
</tr>
<tr>
<td>Recommends Policies to Council.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible for the application of the Student Wellbeing Policies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administers Suspension and Expulsion processes</td>
<td>No role</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix 7.2 VIC1 finance related policies

<table>
<thead>
<tr>
<th>Number</th>
<th>Name of policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>400</td>
<td>Parent payments</td>
</tr>
<tr>
<td>401</td>
<td>Travel</td>
</tr>
<tr>
<td>410</td>
<td>Standing orders</td>
</tr>
<tr>
<td>412</td>
<td>Fees and levy</td>
</tr>
<tr>
<td>413</td>
<td>Refunds</td>
</tr>
<tr>
<td>414</td>
<td>Authorisation of orders and payments</td>
</tr>
<tr>
<td>415</td>
<td>Purchasing</td>
</tr>
<tr>
<td>415.1</td>
<td>Purchasing card</td>
</tr>
<tr>
<td>415b</td>
<td>Trade Training Centre purchasing</td>
</tr>
<tr>
<td>416</td>
<td>Investment</td>
</tr>
<tr>
<td>417</td>
<td>College budgeting</td>
</tr>
<tr>
<td>418</td>
<td>Payments</td>
</tr>
<tr>
<td>420</td>
<td>Corporate Sponsorship</td>
</tr>
<tr>
<td>421</td>
<td>Fundraising</td>
</tr>
<tr>
<td>425</td>
<td>Phone credit card payments</td>
</tr>
<tr>
<td>718</td>
<td>EFTPOS</td>
</tr>
</tbody>
</table>
Appendix 7.3 Regional schools board proposal overview\textsuperscript{56}

\textsuperscript{56} The information contained in the light green coloured second most inner circle constitutes the initials of the participating schools in the regional government schools board. They cannot be indentified and the name of the region has also been blanked out.
Chapter 8  Case study: NSW2

8.1 Introduction and background
This chapter adopts an identical structure to other case study chapters for reporting the research findings for the small NSW regional secondary school (NSW2). NSW2 bears the name of the small regional town of around 2,000 residents in which it is located but also serves a number of surrounding villages and properties. Since 1992 NSW2 has been the sole secondary school in the town. The nearest alternative secondary schooling is available 30 km away in a larger regional town—a 670 student Year 7-12 government secondary school and a K-10 Catholic central school with 153 students in the secondary years. NSW2 has been located on its current site for 38 years, the same period of time it has had the status of a Year 7-12 secondary school. Prior to 1976 NSW2 was a K-10 government central school located at a different site in the same town.

According to the My School site and the annual school report NSW2 had a 2013 enrolment of 231 students across years 7-12. 6% of the students identify as indigenous. There are 26 full-time equivalent (FTE) teaching staff and 6 FTE non-teaching staff, organised into 9 faculties (Figure 8.1). NSW2 is one of 229 primary and secondary government schools across the state chosen by the NSW Department of Education and Communities (‘the department’) to pilot the new approach to school management in NSW ‘Local Schools, Local Decisions’. At the time of interview this pilot had been in operation for six months. Many of the interviewee responses are informed by their initial experiences of and with Local Schools, Local Decisions.
8.1.1 Interview participants

After an introductory email, an information package sent by mail, and a phone conversation the principal formally approved the school’s participation in mid June 2014. The introductory email and information package both outlined the key objectives of the research and the selection criteria for research participants—they must have had some involvement in or responsibility for the administration of school based financial management. The principal arranged the interviews of two other participants: the school administration manager and one of the school’s four head teachers who also serve on the

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NSW2’s organisational structure was determined using information provided on the school’s website and annual report, My School website and by the interview participants. To reconcile with the FTE numbers stated on the My School site the principal and deputy principal are part of the teaching staff (a total of 26). The School Administration Manager and five administrative staff are included as part of the FTE non-teaching staff (a total of 6).
finance committee. During the initial interview with the principal it was agreed that the
deputy principal would also be invited to participate. The deputy principal was subsequently
interviewed in late July, on the same day as the head teacher who had been on long service
leave at the time of the first visit. In total there were four NSW2 interview participants.

**Principal NSW2** is a very experienced principal. At the beginning of 2013 she moved, for
personal reasons, from a government secondary school with more than three times the
enrolment of NSW2, where she had been principal since 2005. Prior to her appointment at
NSW2, the school had had a series of acting or short-term appointments in the principal role
(including at one time the current principal of NSW1). At the time of interview the **Deputy
Principal NSW2** had only been on staff for three months, and consequently had not been
involved in any budget preparation. This is his first appointment as a deputy principal. To
take up the position he moved from a medium sized regional high school of 450 students
250km away where he had served as the mathematics head teacher for 8 years.

The **School Administration Manager NSW2** has been in her position since 2007—
completing a Certificate III in Education Support during that time—but has worked at the
school since 1993. Prior to her position at NSW2 she worked as a quality assurance officer at
the local hospital. **Head Teacher NSW2** was appointed as the mathematics head teacher five
years ago. He has served as the teacher representative on the finance committee for the
past two years. At the end of 2013 he was chosen to spend four weeks testing the new
integrated information system—known as Learning Management and Business Reform
(LMBR)—designed to support *Local Schools, Local Decisions*.

**8.1.2 Financial management structures and policies**

Prominent among the financial management policies developed by the department (Section
5.2) was the *Local Schools, Local Decisions* initiative, piloted in 229 schools, including NSW2.
*Local Schools, Local Decisions* and the accompanying Resource Allocation Model (RAM)—
which allocates funding to individual schools on the basis of need—seek to provide schools
with ‘a greater say over how they allocate and use their available resources to best meet the
needs of their students’ (NSW Department of Education and Communities, 2013b). How
that ‘greater say’ is applied at the school level is a matter for the school. Certainly
challenges with implementing the integrated information system (LMBR), fundamental to *Local Schools, Local Decisions*, justified maintenance of the status quo. ‘Because of the new system and because the head teachers hadn’t had the training ... they suggested that we try and stick with the top-down budget’ (Principal NSW2). Consequently NSW2 has yet to develop any financial management policies of its own and the only significant financial management structure in place is a finance committee (Table 8.1) with a very limited role. Not only are the amounts involved relatively small but the finance committee is only involved in the initial allocation decision—monitoring of actual faculty spending against allocated budget is undertaken by the principal. Indeed the initial faculty funding allocation decision is the only one the finance committee really makes. Details about the funding submission process are provided in the next section.

**Table 8.1 NSW2 key financial management structure**

<table>
<thead>
<tr>
<th>Committee</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Principal</td>
</tr>
<tr>
<td>Members</td>
<td>School Administration Manager, Head Teacher Mathematics</td>
</tr>
<tr>
<td>Selection process</td>
<td>Principal and School Administration Manager by virtue of position, Head Teacher elected by staff</td>
</tr>
<tr>
<td>Meeting frequency</td>
<td>Twice yearly</td>
</tr>
<tr>
<td>Budget ($)$\textsuperscript{58}</td>
<td>$46,413</td>
</tr>
<tr>
<td>% of revenue:</td>
<td>9.5%</td>
</tr>
<tr>
<td>• received by school\textsuperscript{59}</td>
<td>1.1%</td>
</tr>
<tr>
<td>• required to run school\textsuperscript{60}</td>
<td></td>
</tr>
<tr>
<td>Source(s) of funding</td>
<td>Department provided global funds and fees levied on some subjects</td>
</tr>
<tr>
<td>Main role</td>
<td>Allocation of funding to faculties in accordance with school strategic plan</td>
</tr>
</tbody>
</table>

\textsuperscript{58} Per 2013 Annual Financial Statement (AFS) for NSW2

\textsuperscript{59} Calculated by dividing the committee’s budget with total receipts of $486k in 2013 (per the school’s AFS)

\textsuperscript{60} Calculated by dividing the committee’s budget with total revenue of $4.6m per *My School* (as recorded in Table 6.1)
8.1.3 Locally developed processes and procedures

By far the largest component of the $4.6m required to operate NSW2 is funding for permanent staff salaries and related on-costs. Although not directly received, NSW2’s status as a pilot school means that the funding is visible on the RAM and there is opportunity to vary the staffing mix (Section 5.2.2). Most of the $486,000 actually made available to and managed by NSW2—to cover costs for administration, utilities and minor maintenance—is managed solely by the principal and the school administration manager. Interestingly the only components subject to any process requiring input from others are some of the smallest—funding for faculties (mentioned previously) and professional learning—with allocations of just $46,000 (Table 8.1) and $25,000 respectively. Processes for both are in operation but they remain undocumented and unaccompanied by procedures.

The faculty funding submission process begins with each faculty submitting a plan (example at Appendix 8.1) that is expected to reconcile with the school’s strategic plan, developed by the school executive. Submissions are considered by the finance committee at its November meeting, recommendations are then made to and ratified by the entire school executive—including all four head teachers, the principal and the deputy principal. Detailed minutes of finance committee meetings are not kept but information about allocations to faculties is reported in school executive minutes. Applications to fund professional learning are submitted to a head teacher for initial approval and then sent to the principal for final approval with no input from the finance committee. The principal provides feedback on applications (refer Appendix 8.2 for blank example), ‘she might go, “why do you need it, what’s the purpose, can we do this another way?”’ (Head Teacher NSW2), but the criteria upon which the principal makes her final decision are not clear. It would also be difficult to argue that the form constitutes a school-developed financial procedure because it does not contain specific instructions necessary to perform a task as part of the budget process.

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61 According to My School for 2013 this $4.6m can be broken into $3.7m from the department, $800k from the federal government, and $100k from fees, charges and contributions.
62 According to the 2014 RAM, 86.8% of the department funding was for permanent staff funding. Variations between the RAM (2014) and My School (2013) can be explained by different source years (largely driven by an inevitable difference in student numbers) and that My School also reports funding from the federal government, something omitted from the RAM.
63 $25,028 per the 2013 Annual Financial Statement (AFS) for NSW2
64 NSW2 executive comprises the principal, deputy principal and all head teachers.
8.2 Interview analysis

A summary of responses—by participant and question—is shown in Table 8.2 below.

Table 8.2 NSW2 interviewee response summary

<table>
<thead>
<tr>
<th>Questions</th>
<th>Principal</th>
<th>SAM</th>
<th>Deputy Principal</th>
<th>Head Teacher</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Your views on autonomy for government schools?</td>
<td>supportive but concerns about capacity, skill set of principal crucial</td>
<td>supportive, every school different</td>
<td>supportive but concerns about capacity, business manager needed, every school different</td>
<td>supportive but concerns about capacity, business manager needed</td>
</tr>
<tr>
<td>2. How much autonomy should your school have over its financial resources (operating costs and capital expenditure)?</td>
<td>reinstate local bank accounts and control over paying suppliers, effective implementation of information systems crucial, faculty resourcing ‘temporarily’ centralised and incremental but with reference to school plan, limited interest in changing the staffing mix</td>
<td>reinstate local bank account and control over paying suppliers, effective implementation of information systems crucial, centralised and tight control over disciplines within faculties</td>
<td>effective implementation of information systems crucial, concerns over untied funding for casuals</td>
<td>academic resourcing has input from faculties and aligns with school plan but driven by budget, limited flexibility over teacher professional learning, concerns over untied funding for casuals</td>
</tr>
<tr>
<td>3. Who do you think your school is accountable to?</td>
<td>department, department local director, students, P&amp;C , school community</td>
<td>department, principal</td>
<td>department</td>
<td>school community (especially parents)</td>
</tr>
<tr>
<td>4. What do you think your school is accountable for?</td>
<td>educational outcomes, financial management but secondary</td>
<td>financial management</td>
<td>educational outcomes</td>
<td>educational outcomes, financial management but secondary</td>
</tr>
<tr>
<td>5. How does your school discharge those accountability obligations?</td>
<td>annual report (but low interest), school newsletters</td>
<td>annual report (but low interest), annual financial statement, financial audits</td>
<td>annual report (but low interest), parent/teachers nights (but limited effectiveness)</td>
<td>annual report (but low interest), town newspaper</td>
</tr>
<tr>
<td>6. Is the information produced by your school adequate to make effective decisions about the allocation of financial resources?</td>
<td>RAM helpful but LMBR has adversely impacted information, inferior to OASIS</td>
<td>LMBR has adversely impacted information, inferior to OASIS</td>
<td>did not answer</td>
<td>LMBR has adversely impacted information, inferior to OASIS</td>
</tr>
<tr>
<td>7. How do you view the adequacy of your own skills and experience to perform your financial management role in the school?</td>
<td>background in maths has assisted, LMBR means accounting skills are required</td>
<td>LMBR means accounting skills are required</td>
<td>background in maths has assisted, LMBR means business manager role is required</td>
<td>background in maths has assisted, LMBR means business manager role is required</td>
</tr>
<tr>
<td>8. Your thoughts on the support provided by the Department of Education for effective decision making by your school about the allocation of financial resources?</td>
<td>poor implementation of new systems, lack of timely face to face support but expects LMBR support to improve</td>
<td>poor implementation of new systems, lack of timely face to face support but expects LMBR support to improve</td>
<td>did not answer</td>
<td>poor implementation of new systems</td>
</tr>
</tbody>
</table>
8.2.1 General views on autonomy for government schools

Every local school’s unique needs, best addressed locally by schools themselves, was the most prominent supporting argument for government school autonomy. ‘Managing a school here and managing a school in central Sydney, it’s completely different. Very different schools, very different issues, very different, everything’ (Deputy Principal NSW2). Interestingly that acknowledged diversity justified limits to any increase in autonomy lest it leave the school responsible for items they have neither the financial or management capacity to manage. A prime example is maintenance. Older school buildings in particular are susceptible to unexpected and expensive problems—a school with autonomy over maintenance would need to find the funds to address maintenance problems, a prospect that encountered resistance at NSW2. ‘I don’t want those responsibilities... I mean the buildings are 30 plus years old so your maintenance is a huge expenditure, and I don’t have the training for that either’ (Principal NSW2).

Concern over a school’s capacity to effectively manage increased autonomy could be addressed by appointing a business manager with the requisite skills. ‘If you’re going to run a school as a business in terms of budgeting and deciding where the money is spent and all of that sort of stuff, I think you need that sort of support’ (Deputy Principal NSW2). Whether it was intended or not, the case for people with business management skills to be employed in government schools and play a key role in their management is consistent with key doctrines of New Public Management (NPM) in relation to private sector styles of management practice (Section 2.2.4). Despite its involvement in the Local Schools, Local Decisions pilot, which seeks to significantly expand the degree of autonomy experienced by NSW public schools (Section 5.2.1), NSW2 does not have a business manager—a plausible explanation for the current concentration of school level financial autonomy in the hands of the principal and school administration manager. The next section focuses specifically on autonomy over financial resources at NSW2.

8.2.2 Autonomy over the school’s financial resources

Rather than expanding the degree of financial autonomy experienced at the school level, on balance and to date, NSW2’s involvement in the Local Schools, Local Decisions pilot has diminished its autonomy over financial resources. To illustrate that impact, this section
begins with an analysis of the LMBR driven purchasing and payments system before considering the application of NSW2’s financial management strategies to other aspects of its operations.

The right to pay local suppliers who have been legitimately engaged to provide goods and services is a basic tenet of financial autonomy. Perversely however, the school’s participation in the Local Schools, Local Decisions pilot has seen NSW2 forced to close its bank account and instead submit its payments to suppliers for approval via a centralised supplier payments system. ‘If we get an account, it goes off to Sydney. From the day we process it here, til the day that it is dealt with down there, it is 28 days’ (School Administration Manager NSW2). Not only is it difficult to argue that a school without its own bank account can have any financial autonomy but the resultant 28 day payment system has adversely impacted NSW2’s relationships with local suppliers—many of them operate on 7 day credit terms and rely on the school ‘as the biggest employer in town’ (School Administration Manager NSW2) for a significant share of their business.

The negative impact on suppliers’ cash flow, and relationships with NSW2, can be exacerbated if there are issues inside the department’s centralised payments process. ‘Well I have an account that has not been paid since April ... and our account has been suspended for fuel and now I wait for them to fix us up and I don’t know if they [the local fuel company] are going to continue our account’ (School Administration Manager NSW2). After ‘lots of talking’ the account has been continued but other local suppliers have similar concerns. Soon after NSW2 joined the Local Schools, Local Decisions pilot a local grocery store, impacted by the experience of seeking payment through the health department for supplying the local hospital, threatened to cut off NSW2’s account with them.

Whilst NSW2 confronts such external challenges to its financial autonomy, the degree of autonomy experienced internally during the annual operating budget process is also worthy of consideration. The limited involvement of staff in the budget formulation and monitoring process has already been canvassed (Section 8.2.1) but not yet the efficacy of such a move.

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65 This interview was conducted in late June 2014
Faculties are allocated funding and then asked to develop a plan that aligns with the school plan within that funding envelope. ‘We took historical data ... from their previous budgets looked at the number of students we thought were going to be in each subject and then developed a budget [incremental budget]. Then what they had to do is a program budget around what they were allocated (Principal NSW2)’.

The principal has three key justifications for maintaining a ‘top down’ approach to faculty budgeting with limited input from others. One—the lack of staff familiarity with the LMBR—has already been considered (Section 8.1.2). Secondly an incremental approach to budgeting, in which next year’s budget is based on slight changes from the preceding period’s budgeted or actual results, is a widely accepted practice in many organisations. Incremental budgeting is less resource intensive than zero budgeting, a key advantage for NSW2 given its limited financial management capacity, but is still informed by strategic planning. This is similar to Edwards, et al. (1996) who found that Local Education Authorities (LEAs) in the UK defaulted to an incremental budget based on past allocations despite being given responsibility for implementing budgeting system that reflected their own strategic needs. ‘Yes our faculty plans definitely align with the school plan and the school plan, well it’s derived from the budget’ (Head Teacher NSW2). Third, the principal and school manager not only lack confidence in the familiarity of NSW2 staff with LMBR, they also lack confidence in the ability of some colleagues—particularly those in faculties comprising multiple disciplines—to effectively manage any funding allocation.

If we don’t give them separate budgets here somebody will overspend ... Some people just have no idea about running a budget. No matter how many times you say to them ‘you’ve got to work out what you need for the year, and what you’re going to have in your pracs and how much this will approximately cost’ ... it’s just not their priority. (School Administration Manager NSW2)

The top down, limited input approach to the annual budget process is applied to most of the annual operating budget process. The permanent staff payroll is the largest component of the $4.6m required to operate NSW2 (Section 8.2.3) and its participation in the Local School Local Decisions pilot means the funding for permanent staff is now visible on the RAM.

66 Zero budgeting is a method of budgeting in which all expenses must be justified for each new period.
Despite that visibility being accompanied by some autonomy over the mix of staff for which they are funded the principal states her ability to change the staffing mix is little different to ‘what I was doing previously’. The principal’s assessment is supported by the fact that NSW2’s permanent staff payroll continues to be managed centrally and an analysis of the policy (NSW Department of Education and Communities, 2014b) indicates no cost implications for NSW2 of any staffing change. Nevertheless she did recount a recent discussion about whether to appoint a part-time careers adviser and part-time librarian or continue with a full-time librarian. ‘Well, we negotiated, we discussed that with staff. They saw what the priorities were and ... we’ve jointly decided that we do need a full librarian load with the option that they [the librarian] can help with senior studies’ (Principal NSW2).

There is no interest from any interviewee in taking on the responsibility at a school level for managing permanent staff payroll. Until there are budget challenges and opportunities for changing staff mix and the capacity in place at NSW2 to effectively manage permanent staff payroll this lack of interest is likely to continue.

Challenges are already apparent in managing non-permanent staff, responsibility for which predates Local Schools, Local Decisions. In 2013 NSW2 spent $20,000 from its global budget on casual relief teachers to cover absences caused by illness, excursions and extra curricula activities. Previously schools had a form of safety net known as ‘supplementation’ which allowed them to seek reimbursement for a portion of any casual relief overruns. As supplementation is now being phased out schools must cover any overruns in casual relief spending from other sources. NSW2’s sole strategy to minimise spending on casual relief teachers is to ask permanent teachers on free periods to cover for their absent colleagues—no attempt has been made to reduce the level of absenteeism itself. Instead there was a call for the reintroduction of supplementation. ‘You need a safety net, because you can’t just rely on the goodwill of staff to keep giving up their free time’ (Head Teacher NSW2).

Although its professional development budget is also allocated centrally on a per capita basis, NSW2’s approach to managing the challenges of it is more assured. For a small regional school such as NSW2, costs for face to face training are generally higher than

67 $19,569 per the NSW2 Annual Financial Statement
metropolitan schools. Travel and accommodation costs are necessarily incurred and casual teachers needed to cover classes of professional learning attendees need to stay in place longer. Of the $25,028\textsuperscript{68} spent by NSW2 on professional learning in 2013, $20,003 was spent on replacement casual staff. NSW2 has been able to limit spending on travel and accommodation to just $1,351 by maximising the amount of professional learning undertaken locally—’We will do a lot of our professional learning online or here at school. So we get smart about it’ (Head Teacher NSW2). Although financially prudent, such an approach limits networking opportunities and the range of professional development topics that may be covered. For example, the school based professional learning has to date not covered financial management.

NSW2’s participation in the Local Schools, Local Decisions pilot has to date diminished rather than enhanced its experience of financial autonomy. The principal maintained a ‘top down’ approach to faculty budgeting. A reluctance for school level involvement in other aspects of the annual operating budget can be attributed either to a lack of confidence in the capacity of school staff to manage financial autonomy or to a view that their involvement is unnecessary or both.

School-based autonomy is related to the level of decision making delegated to a school, regardless of how the school then undertakes its own decision making. A school will be no less autonomous from the department’s perspective if power over the allocation of delegated financial resources largely remains in the hands of the principal but it does bring renewed focus on the financial management skills of and the support received by the principal to make financial management decisions. The skills and experience of NSW2 interviewees to effectively manage financial autonomy, and its attending accountability, is considered in Section 8.3.7. The next two sections consider key aspects of accountability.

8.2.3 Accountability to whom?

The interviewees perceive the stakeholders to whom NSW2 owes an account as: the department, the community, the principal, the department’s local director, students and the

\textsuperscript{68} Per the NSW2 Annual Financial Statement, it constitutes 5.1% of total funding received by the school, calculated by dividing the professional learning spending by total receipts of $486,293.
Parents and Citizens (P&C). Such a range appears to be consistent with the argument NPM has increased the number and diversity of stakeholders (Bovens, 2007; Kloot and Martin, 2001) but there is a hierarchy. Based on interviewee responses, the most important stakeholders are the department and the community but their perceived accountability priorities differ. ‘I have accountabilities to students, teachers, and parents and the community. But the financial side of this place really comes down to the department’ (Principal NSW2). Despite heavy principal involvement in the annual budget process, as outlined in the previous section, only the school administration manager conceded accountability to NSW2’s principal. Although this is an understandable acknowledgement that the entity responsible for allocating financial resources to NSW2—‘the people who provide the money of course, the department’ (Deputy Principal NSW2)—commands significant accountability, it is noteworthy that immediate supervisors such as the principal are not accorded similar status. Whether that is because interviewees simply view the principal as the department’s representative, and therefore do not delineate, or whether the principal is seen as inconsequential in the accountability process could not be discerned.

8.2.4 Accountability for what?
Public sector entities should be accountable not just for the probity of their spending but also for the results of their spending (Funnell, et al., 2012; Taylor and Rosair, 2000). The responses reported in this section confirm that outcomes for students are a universally higher accountability priority for interviewees at NSW2 than the financial resources that produce those outcomes. Three of the four interviewees made a point of specifically arguing for the priority of student outcomes over and above other accountabilities, unsurprising given those three interviewees are educators. Perceptions about accountability priorities for parents also influenced interviewee responses, despite the fact that it is the community which ultimately provides NSW2 with its financial resources via taxation and other fees to educate their children. ‘The community ... just want to make sure that the kids have an education’ (Principal NSW2). Interviewees felt accountable to the community for delivering that education but were largely silent on the role of financial management in making that possible. How accountability is discharged is the focus of the next section.
8.2.5 Discharge of accountability

The previous section confirmed accountability for financial resources is secondary to educational outcomes in the opinion of NSW2 interviewees. Essentially there was no acknowledgement that without effective financial management there may be negative implications for educational outcomes. ‘If my kids brought home an annual financial report for the school, I would probably look at the total spend in the place but I don’t think I’d go past that’ (Deputy Principal NSW2). Like all NSW government schools NSW2 must submit an annual report to account for financial resources provided to it, among other things. Consistent with the annual report literature (Sims and Clift, 2001; C. Ryan, et al., 2002) NSW2’s annual reports do not perform that accountability role effectively. This section considers why the NSW2 annual report fails as an effective accountability mechanism to its stakeholders and examines the effectiveness of alternatives.

The most significant failing of the NSW2 annual report is its failure to engage both staff—as the deputy principal indicated above—and the general community. All four interviewees hold identical opinions: there is little general interest in annual reports. ‘I don’t think many community people read it [the Annual Report], honestly ... I’d say you could count on one hand the number of people who read it’ (School Administration Manager NSW2). The department’s annual report template is another reason for the ineffectiveness of NSW2’s annual report. The format of the one page financial summary (refer Appendix 6.6 for example) is tightly controlled but the remainder of the annual report, which largely focuses on educational outcomes, offers NSW2 significant flexibility to celebrate its achievements. The current template provides no guidance about how schools reconcile the financial resources deployed and the educational outcomes achieved. Whether limited by the skills and experience of its staff (Section 8.2.7) or a view that it would mean little to its annual report users, no attempt has been made by NSW2 to present financial information in the annual report more innovatively as suggested by C. Ryan, et al. (2002). Indeed any innovation in discharging an account via the NSW2 annual report appears dependent on department driven changes. ‘I think the fact that the department is moving away from them [annual reports] in its current form says a lot’ (Principal NSW2).
Presentations to P&C meetings and newsletters are two alternative accountability mechanisms initiated by NSW2 but, consistent with previously stated priorities, they are focused on rendering an account for educational outcomes rather than financial resources. Only the school administration manager specifically mentioned mechanisms that rendered an account for financial resources—the annual financial statement and financial audits. Both are requirements of the department and both are focused on rendering an account to the department, not the NSW2 school community. Indeed the school administration manager was unaware of the standard note in the annual school report declaring that a more detailed financial summary is presented at the P&C’s Annual General Meeting.

This section has demonstrated clear compatibility between the experience of NSW2 interviewees with annual reports and the limitations of annual reports reported in Section 2.3.4 (C. Ryan, et al., 2002; Sims and Clift, 2001; Taylor and Rosair, 2000; Jones, 1992). Accountability mechanisms for the school community initiated by NSW2 are exclusively focused on educational activities and outcomes whereas accountability mechanisms concerning the use of financial resources are driven by and only rendered to the department. It may be argued that given NSW2 currently only controls 9.5% of the funding required for its operation (Table 8.1) that accountability is not important. The contrary view is that if there is to be further delegation of financial autonomy to schools then schools must first demonstrate their capacity to effectively manage relatively small amounts of money. The next section considers the adequacy of information provided to those making decisions about the allocation of financial resources within NSW2.

8.2.6 Adequacy of information for decision making

As one of 229 schools participating in the Local Schools, Local Decisions pilot, NSW2 should be utilising the accompanying LMBR integrated information system to inform their resource allocation decisions. Systemic LMBR implementation issues, perceived incompatibility with a school of NSW2’s size and a greater confidence in the predecessor system are all explanations for why LMBR has, to date, been underutilised at NSW2. With reference to LMBR, this section considers the adequacy of the information provided to make effective decisions about the allocation of financial resources at NSW2.
Major delays in implementing the LMBR finance module beyond the 229 pilot schools, discussed in Section 5.2.2, indicate systemic issues for the department. For the school administration manager and the principal, the two staff members with responsibility for the majority of funding made available to and managed by NSW2, LMBR implementation issues have generated significant concerns. ‘It’s quite horrific. I’m scared about it, you know. There’s no way I want to overspend’ (School Administration Manager NSW2). Paradoxically whilst NSW2’s status as a pilot school means that total funding required for its operation is visible on the RAM (Section 8.2.3), timely information about expenditure against budget is not currently available. ‘We haven’t been able to actually monitor the budget as effectively as it would have been on the old system [OASIS]. So we don’t know exactly how much is sitting there at this stage’ (Principal NSW2). In response, the school administration manager is manually constructing a spreadsheet using information from the LMBR ‘to see what somebody has in their budget now’ but that information is not being disseminated to faculties as it was previously. The mathematics head teacher reported that he ‘used to get weekly updates on my budget’ but that in the first year of LMBR’s operation he has received ‘no reports’.

The principal’s concerns, expressed above, about ineffective budget monitoring are interesting. Were more appropriately timed and complete information to be available from LMBR it would be unlikely to make much impact on NSW2’s overall approach to managing the allocation of its financial resources. ‘I imagine in a bigger school with a different budget with different needs, there’s more scope, but I mean for us, we’re a fairly traditional school. The subjects we choose are fairly traditional’ (Principal NSW2).

The experience with LMBR in its first six months at NSW2 evoked some strong emotions in the school administration manager about the importance of timely and reliable information for effective decision making about financial resources. Not only is she anxious about unwittingly spending financial resources to which the school is not entitled, she is nostalgic for the system in place before LMBR. ‘I had to go back in [to OASIS] the other day to finalise our bank account, and I thought “I feel like I’ve come home”, you know [laughs]’ ... It was just simple’ (School Administration Manager NSW2). A school without the capacity to
compensate for the current deficiencies or to fully utilise the affordances of LMBR would be at risk of making less optimal decisions about the allocation of financial resources. The adequacy of interviewees’ skills and experience to perform their financial management roles is the focus of the next section.

8.2.7 Adequacy of skills and experience
Consistent with Christensen (2010) participation in the *Local Schools, Local Decisions* pilot has to date diminished rather than enhanced NSW2’s autonomy over its financial resources (Section 8.2.2) but it has also crystallised inadequacies in NSW2’s financial management skills and experience, in the context of a poorly implemented departmental decision. Two remedies to those apparent inadequacies were proposed by interviewees: enhancing the financial management skills of existing staff (suggested by the principal and school administration manager) and employing additional staff such as a business manager with the requisite skills (suggested by the head teacher). To date however the only remedy implemented has been to restrict the access of other staff to LMBR. ‘Because of the instability of the whole system I think it might be a case of the least amount of people playing with it, the better’ (Principal NSW2). The principal’s confidence in the financial management skills of head teachers is low and consequently autonomy over their current modest budgets is also restricted (Section 8.2.2). Part of the principal’s motivation for maintaining tight control over the school’s financial autonomy is her personal accountability for it. ‘It is important that we get it right. We [principal and school administration manager] make the decisions and we do the planning, but in the long run, if we stuff it we’re gone [laughs]’ (Principal NSW2). Such tight control may also point to the inability of the principal to move her thinking, and consequently the thinking of her staff, beyond the traditional approach to school level financial management. If deficiencies in financial management skills and experience are not remedied, then the school will be unable to effectively account for increased financial autonomy even if the department improves its implementation processes.

8.2.8 Department support
As a small regional school, NSW2 is significantly dependent on departmental support to enhance its financial management capacity. The quality of that support has been brought
into sharp focus by the implementation of LMBR. All three NSW2 interviewees who commented found that departmental support for LMBR had to date been poor. ‘It [LMBR] just was not ready ... I was nearly to the stage where “that’s it. If I can win the lottery, I’m gone” [laughs]! It’s not quite that bad now. I still think they should give a bit more support right at the workplace’ (Principal NSW2). The frustration is exacerbated by the pre-implementation testing which proved to the department that LMBR was not ready for implementation, even among the 229 pilot schools.

Last year I did two, two week sessions, and I refused to sign off on it [LMBR] to say it was ready, because I knew that it wasn’t ... So many errors and to get around an error they would develop a work around, and half the time the work around would fail (Head Teacher NSW2).

There were also errors in the training designed to support LMBR implementation. For example training for the budgeting module was delivered two years before it was to be used in the pilot schools. There is however some regard for the support provided by the department’s school finance office and some confidence that the quality of departmental support for those in the Local Schools, Local Decisions pilot may improve. ‘Give it another 12 months or so, there’ll be a huge improvement because there’s been a huge improvement since December last year’ (Principal NSW2). If there is no improvement then it is unlikely that any attempt by NSW2 to expand the scope of its financial autonomy and accompanying accountability framework will be successful. Indeed its LMBR experience significantly explains NSW2’s current reluctance to embrace financial autonomy.

8.3 Chapter summary

Despite its participation in the Local Schools, Local Decisions pilot the degree of financial autonomy experienced by NSW2 continues to be significantly limited. This is a significant finding because although continued limited autonomy runs counter to the stated objective of the reform it is consistent with literature that states NPM reforms have left public institutions with ‘low actual autonomy’ (Christensen, 2010, p. 515) and unresolved tensions ‘between autonomy and control’ (Christensen & Laegreid, 2007, p. 518). Indeed NSW2’s experience of financial autonomy may actually diminish the likelihood of NSW2 seeking further autonomy as a consequence of its participation. Such an experience demonstrates how disconnection between departmental policy and practice can impact the tension
between financial autonomy and accountability. Adherence to the *Local Schools, Local Decisions* policy has meant the loss of the school’s own bank account and LMBR implementation issues has reduced access to timely expenditure information.

The experience has forced interviewees to consider the school’s capacity for increased autonomy over its financial resources. The principal and the school administration manager have considered additional training in financial management but training provided by the department has to date been poorly timed and inadequate, further exacerbating tensions between financial autonomy and accountability. The head teacher has argued for the appointment of a business manager with accounting qualifications but the school does not have the financial autonomy to implement such a remedy.

For the leadership of NSW2 the manifest tensions between financial autonomy and accountability are currently resolved by concentrating responsibility for budget management in the hands of the principal and school administration manager. Without departmental intervention the status quo is unlikely to change—accountability for educational outcomes is seen as a higher priority than financial accountability and NSW2 lacks the capacity to build a substantial and sustainable increase in its degree of financial autonomy. This is an important finding given the literature (Moos, 2005; Sun, et al., 2007) suggests that building financial management capacity in local schools is critical for autonomy to succeed.
Appendix 8.1 NSW2 cost centre plan

## Cost Centre Plan

**Name of Faculty:** English

**Allocated Budget:** $4000

### Resources Required

<table>
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<th>Purchase</th>
<th>Cost</th>
<th>When</th>
<th>School Management Plan</th>
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<td>Term 1 - new class sets</td>
<td>$3500</td>
<td>Term 3</td>
<td>Literacy 1.1, 1.2, 1.4</td>
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<tr>
<td>30 x picture book (Stage 4)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>30 x verse novel (Stage 5)</td>
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</tr>
<tr>
<td>60 x graphic novel (1 set Stage 6, 2 set Stage 2)</td>
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<tr>
<td>1-pod apps</td>
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<td>Term 1</td>
<td>IEP 3.1, 3.2</td>
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<td>Textbooks - 4 texts</td>
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<td>Term 3</td>
<td>Community 5.1</td>
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<td>Stationery</td>
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<td>Term 1</td>
<td>Leadership and Management 5.1</td>
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<td>3 sets of refillable whiteboard markers</td>
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<td>Texts - 15 xutto coloring sets</td>
<td>$250</td>
<td>Term 2</td>
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### Other:

### Expenditure

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**Total:** 4000
Appendix 8.2 NSW2 request to hold professional learning activity

**REQUEST TO HOLD PROFESSIONAL LEARNING ACTIVITY**

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<th>TITLE OF ACTIVITY:</th>
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**PURPOSE OF REQUEST (Agenda, Course, Activity, Visit):**

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<table>
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<th>TEACHER(S) INVOLVED</th>
<th>DATE(S) REQUIRED</th>
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**COSTING:** (show details) $$_

**REGISTRATION:** $$_

**RELIEF:** (assume $327/day) $$_

**SOURCE OF FUNDS:**

**TOTAL:** $$_

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Chapter 9  
Case study: VIC2

9.1 Introduction and background

This chapter reports on research findings for the small Victorian regional secondary school (VIC2). VIC2 bears the name of the small regional town of around 1,000 residents in which it is located. It also serves a number of surrounding villages and properties. Established in 1963 on its current site, VIC2 has always been the town’s only secondary school. The nearest alternative secondary schooling is 30km away in a slightly larger regional town—a 413 student K-12 government school with 225 students in the secondary years. VIC2 had a 2013 enrolment of 175 students across years 7-12. 1% of the students identify as indigenous. There are 20 full-time equivalent (FTE) teaching staff and 4 FTE non-teaching staff. A list provided by the principal indicates that those staff are organised into 4 faculties as outlined in the diagram (Figure 9.1) below.

Figure 9.1 VIC2 organisational structure

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69 My School website
70 VIC2's organisational structure was determined using information provided by the principal, the annual report, My School website and—as outlined in section 10.2.1—by the interview participants themselves.
9.1.1 Interview participants

At the time of interview Principal VIC2 was acting in the role. Several months after the interviews were conducted the incumbent, who had served in the role for the past 10 years, completed a period of long service leave and retired. The position was then advertised and the current principal appointed to the substantive position for the next 5 years. For the 13 years prior to her current role, the principal had been a full-time classroom teacher at VIC2. This was preceded by a brief period of casual relief teaching upon graduation from university at various government schools in Melbourne.

After an introductory email and accompanying information package sent by mail, followed by a phone conversation, the principal formally approved the school’s participation in late June 2014. The introductory email and information package both outlined the key objectives of the research and the selection criteria of the required research participants—they must have had some involvement in or responsibility for school based financial management. The principal arranged the interviews of four other VIC2 participants: the assistant principal, the business manager, the school council president and the chair of the school’s finance committee. In total there were five interview participants.

The Assistant Principal VIC2 has been on staff for 15 years, a similar length of time to the current principal, and a teacher for 40 years. She was appointed to the assistant principal role at VIC2 eight years ago. The Business Manager VIC2 has been employed at the school for 25 years. She began in 1989 as the bursar but the position was renamed in the early 1990s soon after the first wave of school management reform in Victoria (Section 2.4.8). Although she has no formal business management qualifications, the business manager has business and financial management experience—she previously managed the finances at a local medical practice and she continues to undertake the bookkeeping role for her family’s farming business.

The Finance Committee Community Member VIC2 was appointed to the role four years ago immediately upon joining the school council. He was initially invited to join the school council as a community representative because his business skills—he is the owner and manager of the town’s only supermarket—were seen as an asset. Now that he has children
at VIC2 he is also one of the school council’s parent representatives. The School Council President VIC2 has served on the school’s council for seven years as a parent representative and was elected president three years ago. Previously he had served on the council of the town’s only government primary school and was approached to join the VIC2 School Council when his eldest daughter began attending the school. A local builder, he will end his term on the school council when his youngest daughter leaves VIC2 at the end of 2015.

9.1.2 Financial management structures and policies
As outlined in Section 7.2.2, financial management structures and policies in Victorian schools are expected to comply with the ‘Finance Manual for Victorian Schools’ (Victorian Department of Education and Early Childhood Development, 2014a). VIC2’s central financial management structures are the school council and the finance committee. This section considers their roles and the financial management policies they develop and implement.

Information about the school council and the finance committee as currently constituted is provided at Table 9.1. The VIC2 finance committee is a sub-committee of the school council. Although no roles have been formally documented, statements from interviewees and a review of papers tabled at finance committee meetings suggest the school council has minimal input into VIC2’s financial management decisions. To enhance the quality of their discussion and analysis, ‘Three or four days before the meeting’ the business manager circulates detailed financial information produced from CASES21 Finance—including bank reconciliations, operating statements, balance sheets, cash payment and cash receipt reports—to the finance committee.

By contrast, subsequent monthly meetings of the school council only consider a one page summary of the school’s financial position. ‘Well, they [members of school council] wouldn’t read it [a more detailed finance report]. They would not read it, and they wouldn’t understand it, because none of them have anything to do with the finances anyway’ (Business Manager VIC2). As every member of the finance committee is also a member of the school council there is likely an element of hyperbole in the business manager’s assessment. Nonetheless even key finance committee members concede minimal involvement in the construction of VIC2’s budget. ‘Very little in terms of budgeting ...
there’s nothing that I can really offer in terms of that. I think in terms of the finance committee, it is just really a set of eyes that understands finance to a certain extent and can see how it’s tracking really’ (Finance Committee community member VIC2). There may be differing degrees of rigour applied but the financial management role undertaken by both the finance committee and the school council is effectively identical: review. This leaves the school significantly reliant on the business manager to undertake almost all financial management roles, including production and implementation of the budget. ‘... it’s basically [Business Manager] driven, so she knows the ins and the outs of the bank details and the expenditure and stuff’ (Principal VIC2).

Table 9.1: VIC2 key financial management structures

<table>
<thead>
<tr>
<th>Committee</th>
<th>School council</th>
<th>Finance committee</th>
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<tbody>
<tr>
<td>Chair</td>
<td>School council president (must not be an employee of the department)</td>
<td>Principal</td>
</tr>
<tr>
<td>Members</td>
<td>5 staff representatives (including the principal) 5 parent representatives, (including the current school council president, who must not be a department employee), business manager</td>
<td>All members of finance committee are also members of the School Council. Except for the principal, the staff representative is elected, as is the parent representative. The community members representative is co-opted</td>
</tr>
<tr>
<td>Selection process</td>
<td>Except principal, staff representatives are elected, as are parent representatives. Community members and student representatives are co-opted</td>
<td>All members of finance committee are also members of the school council. Except the principal, staff representatives are elected, as are parent representatives. Community member representatives are co-opted.</td>
</tr>
<tr>
<td>Meeting frequency</td>
<td>Monthly</td>
<td>Monthly</td>
</tr>
<tr>
<td>Main role</td>
<td>Approval of operating budget, maintenance plan and purchasing of facilities.</td>
<td>Monitors revenue and expenditure against budget, cash flow, debtors and creditors</td>
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</tbody>
</table>

Victorian schools are required to maintain a policy manual but a review of the contents page of VIC2’s hard copy version of its policy manual (Appendix 9.1) indicated it had not been updated since 1999. The business manager claimed that policies are now updated and filed electronically but, with the exception of the investment policy, the principal had difficulty
locating them. Such difficulty is noteworthy given the approval of VIC2’s policies in the year prior to interview. ‘So to be able to pass your [registration] review, we showed those particular policies and they [the Victorian Registration and Qualifications Authority] okayed it’ (Principal VIC2).

The evidence suggests that at VIC2 investment has pre-eminence over other aspects of financial management. It is the only policy regularly submitted to either the finance committee or school council for review and approval. Three versions of the investment policy—spanning a 12 year period from May 2002 to February 2014—were sighted and subtle differences in emphasis were noted. The current version of the investment policy is focused on principles such as minimum account balances in operating accounts and decisions about rolling over versus reinvesting surplus funds. Budget related processes and procedures, developed by VIC2, are the focus of the next section.

9.1.3 Locally developed processes and procedures
The most significant financial management process undertaken by VIC2 is the production, approval and monitoring of its annual budget. As noted above much of the annual budget production process is the business manager’s preserve. This section will demonstrate that the business manager also has control over the how much of budget is spent. Although it is not formally recorded, the responses of interviewees and supporting documents provide some detail about the process for budget development at VIC2. The largest component of any school’s operating budget is the amount set aside for permanent staff salaries and related on-costs. In Victoria this is funded by the credit component of the Student Resource Package (SRP) (refer Appendix 4.1). At VIC2 the credit component is currently 83% of the total SRP. The previous principal was adept at keeping staff costs in alignment with funding by meeting some staffing needs via the use of temporary contracts. Any fall in student numbers would result in reduced staff numbers by terminating the appropriate number of temporary staff contracts. Relative inexperience in the role and a lower percentage of temporary staff has limited but not eliminated the current principal’s options. For example there is some opportunity to hire cheaper but less experienced staff. “Once you’ve got that

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71 2013 VIC2 Student Resource Package (SRP) totalled $2.48m of which $2.07m was for staffing costs = 83%
[SRP allocation] you can then start planning. If you need to hire teachers and things like that, you can work out whether you’re going to have to get some graduates ... for the following year” (Principal VIC2).

The other two major components of the VIC2 budget are both funded by cash transferred directly into the school’s bank accounts as part of the SRP. These are funding for Key Learning Areas (KLAs) and items such as utilities, maintenance, extracurricular activities and casual relief teaching. Only the process for KLA funding seeks the input of others beyond the principal and business manager and even that input is cursory. Requests for faculty allocations for the forthcoming year must be submitted by the end of October using a ‘Sub-program budget request form’ (Appendix 9.3). Once the requests are submitted final decisions about the allocation of financial resources to KLAs are made only by the business manager and principal, not the finance committee. Indeed the business manager’s ‘final decisions’ are accompanied by some blunt assessments about the efficacy of many KLA budget submissions. ‘A lot of teachers will have little dream worlds, so you’ve just got to eliminate those. And then I present them with a confirmed budget before the end of the year’ (Business Manager VIC2). Only after the business manager finalises her calculations is the budget reviewed by the finance committee and then submitted to the school council for approval.

9.2 Interview analysis

A summary of responses—by participant and question—is shown in Table 9.2 below.
Table 9.2 VIC2 interviewee response summary

<table>
<thead>
<tr>
<th>Questions</th>
<th>Principal</th>
<th>Business Manager</th>
<th>Assistant Principal</th>
<th>Finance Committee</th>
<th>Council President</th>
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<tbody>
<tr>
<td>1. Your views on autonomy for government schools?</td>
<td>supportive, every school different but tight accountability required, need safety net for staffing costs</td>
<td>need ‘safety net’ for school fees,</td>
<td>supportive but tight accountability required, need ‘safety net’ for staffing costs, VIC2 has more capacity</td>
<td>every school different with different capacities to manage autonomy, VIC2 has more capacity</td>
<td></td>
</tr>
<tr>
<td>2. How much autonomy should your school have over its financial resources (operating costs and capital expenditure)?</td>
<td>SRP challenges and opportunities (maintenance, casuals and budgeting process), financial skills of principal crucial, arguably reduced autonomy</td>
<td>SRP challenges and opportunities (permanent staff and budgeting process), financial skills of principal crucial, local bank accounts and investments, concerns about managing permanent salaries, current level of autonomy adequate</td>
<td>SRP challenges and opportunities (permanent staff and budgeting process), financial skills of principal crucial, minimal involvement of finance committee</td>
<td>SRP challenges and opportunities (maintenance and budgeting process), level of autonomy should be increased</td>
<td></td>
</tr>
<tr>
<td>3. Who do you think your school is accountable to?</td>
<td>department, parents, students</td>
<td>department, school community</td>
<td>department, parents, students, School Council</td>
<td>parents, students</td>
<td></td>
</tr>
<tr>
<td>4. What do think your school is accountable for?</td>
<td>educational outcomes, financial management</td>
<td>financial management</td>
<td>financial management</td>
<td>educational outcomes, financial management</td>
<td></td>
</tr>
<tr>
<td>5. How does your school discharge those accountability obligations?</td>
<td>annual report (but low interest), school council (but low interest), review of strategic plan</td>
<td>school council (but low interest), financial audit</td>
<td>annual report (but low interest particularly financial information), no alternative to annual report</td>
<td>annual report (but low interest), no alternative to annual report</td>
<td></td>
</tr>
<tr>
<td>6. Is the information produced by your school adequate to make effective decisions about the allocation of financial resources?</td>
<td>CASES21 generally adequate, information provided is very timely</td>
<td>CASES21 generally adequate, information provided is very timely, including to finance committee and KLA leaders</td>
<td>CASES21 generally adequate, information provided is very timely</td>
<td>CASES21 has small deficiencies, information provided is very timely</td>
<td></td>
</tr>
<tr>
<td>7. How do you view the adequacy of your own skills and experience to perform your financial management role in the school?</td>
<td>acquired through experience, reliant on business manager</td>
<td>acquired through experience</td>
<td>reliant on principal</td>
<td>acquired through experience, reliant on finance committee members</td>
<td></td>
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<tr>
<td>8. Your thoughts on the support provided by the Department of Education for effective decision making by your school about the allocation of financial resources?</td>
<td>professional development (PD) courses disappointing to date (including some online), manuals more useful, travel to attend PD an issue</td>
<td>PD course mixed, travel to attend PD an issue</td>
<td>travel to attend PD an issue</td>
<td>did not answer</td>
<td>did not answer</td>
</tr>
</tbody>
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9.2.1 General views on autonomy for government schools

The responses of VIC2 interviewees articulated the need to match the opportunities autonomy affords with the capacity of schools to meet the challenges that accompany it. Four of five VIC2 interviewees support autonomy for government schools but they talk about the need for a ‘safety net’\(^2\) in relation to staff costs and student numbers. Three interviewees also argued for autonomy to be accompanied by strict accountability constraints to ensure schools do not mismanage the financial resources provided to them.

Support for government school autonomy is driven by the view that every school has unique needs that are most effectively met by each school. ‘I think that there needs to be some autonomy, because every school is different and how they want to spend their budget really is up to them,’ (Principal VIC2). For the principal, autonomy should not extend to financial accountability for the school’s staffing profile. As noted above the most significant component of any school’s operating budget is the amount set aside for permanent staff salaries and related on-costs. Every Victorian school is funded at a state wide average cost per teacher that does not consider the staff profile at each school.

*I really strongly don’t like the way that you get a whole chunk of money and your teacher wages, you have to take out of that, and then whatever’s left you can spend on the kids and school facilities and stuff. Because we’ve got quite an old teacher population at our school, so they’re all at the top level, they’re all ongoing, so you can’t get rid of them. So that means more of your money has to be spent on the teachers and less can be spent on the kids and the school itself. And I think teacher wages should be completely separate. The department should deal with all of that, and then you get the chunk of money that you’re going to spend on your school and the kids* (Principal VIC2).

Were costs for teachers to be entirely borne by the department, with no impact on school operating budgets, then it is likely that schools would see their autonomy over the appointment of teachers significantly curtailed, reduced to the level currently experienced by most NSW schools. To do otherwise would raise concerns about schools employing only the most experienced and therefore the most expensive staff—not only would the department incur increased expenditure but less experienced and therefore cheaper

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\(^2\)A ‘safety net’ is an undertaking by the government to meet the school’s costs of a particular activity beyond a predetermined point
teachers would see their employment opportunities diminished. This would be an interesting outcome given the current principal was herself originally appointed to VIC2 as an inexperienced classroom teacher and, as outlined in the previous section, appointing graduates is one budget management option the principal was specifically prepared to consider. However if budget pressures force schools to hire only inexperienced and therefore cheaper teachers then educational outcomes will likely be diminished—hiring decisions driven entirely by the cost of teachers, and who bears that cost, have sub-optimal consequences and run contrary to expectations of public sector accountability in relation to effective outcomes (Funnell, et al., 2012). Whether or not the VIC2 principal thought through the implications of ceding responsibility for permanent staff to the department, the issue is a major example of the challenges faced by schools in resolving the tensions between financial autonomy and accountability.

The issue of autonomy and accountability for permanent staff and their costs is particularly significant for small and regional schools such as VIC2. Small schools are less able to contend with movements in student numbers and schools in regional areas are more likely to experience such movements. Employment in the region VIC2 serves can be seasonal and dependent on a small number of large employers. As funding to Victorian schools is significantly driven by student numbers, a decline in student numbers driven by a fall in local employment and family relocation necessarily leads to a reduction in funding. For a school with all or most of its staff on permanent contracts, industrial relations constraints mean it can be difficult to affect a commensurate decline in staff costs. This inevitably leads to the school incurring deficits and in the same situation as they would be with an above average staff experience profile.

*That’s the big problem I see with the autonomy thing, is that ... we may not be able to run a very good school, if suddenly our numbers reduced. Because you know how your money is based on your numbers, so we’ve got all our staff, many of them are permanent, our numbers get reduced they only give us so much money. You know, we can’t pay the wages. We can’t keep the school running if our numbers drop suddenly. So I see that as a problem* (Assistant Principal VIC2).
Although difficult it is possible to reduce staff costs even if all or most staff are on permanent contracts. Schools can declare a position to be ‘in excess’ and then follow a series of steps, including retraining, redeployment and retrenchment to get their budget deficit down. Their efforts may be complicated by the human resources (HR) implications of declaring staff in excess, particularly in a small town where other employment opportunities are limited. Small, regional schools however may be less able to manage such financial challenges because they may not possess staff with the requisite financial management skills and experience. The school council president contends that VIC2 has ‘a good history of financial management’ and should be granted increased financial autonomy but this section has highlighted a case, made by the current principal, for significantly reducing the scope of the school’s financial autonomy. This is a constant dilemma for governments and demonstrates the tension—provide more financial autonomy to schools and risk that ‘it could all go pear shaped’ (School Council President VIC2) through lack of financial capacity, or restrict the amount of cash over which schools have autonomy until they have the requisite financial management capacity in place. To date the government has not accounted for the financial management capacity differences between its schools, an important finding given there are suggestions (Moos, 2005; Sun, et al., 2007) building financial management capacity in local schools is critical for autonomy to succeed. The next section focuses specifically on autonomy over financial resources at VIC2.

9.2.2 Autonomy over the school’s financial resources

Despite near universal support among interviewees for the principle of government school autonomy the current VIC2 principal made a case, detailed in the previous section, for significantly reducing the scope of her school’s financial autonomy, an ‘avoidance’ strategy within the range of organisational responses to isomorphic pressures (Oliver, 1991). The rationale is that the risks of bearing financial accountability for teaching staff are too great for small regional schools but the school had hitherto implemented strategies to mitigate that risk. These strategies were the initiative of the recently retired principal who, among other things, maintained a reasonable percentage of non-permanent teaching staff. The VIC2 principal acknowledges the benefits of such strategies—‘we’re in a pretty good position, [principal VIC2’s predecessor] was very canny financially, he made sure that the
staffing profile was sort of balanced enough’—but, as outlined in the previous section, the principal is now reluctant for the school to pursue those strategies.

Other VIC2 responses to the challenges and opportunities of the annual operating budget are similarly modest, but not without justification. For example the department does not consider the age of buildings when calculating SRP allocations. This is problematic for VIC2 in a similar vein to its dilemma about the cost of hiring teachers.

I mean, the buildings are old! This is a 1960’s building. It’s in really good condition compared to other schools that were built in the same time and the same format—I’ve heard that from lots of people. But that’s because over the years [Principal VIC2’s predecessor] has spent money on making sure that they keep water tight. If there’s a leak, he gets it fixed rather than letting it go which is what other people have done because they don’t want to spend the money out of their budget to fix it (Principal VIC2).

It may be prudent and it may prevent assets deteriorating, but additional maintenance spending has impacted VIC2’s operating budget. Consistent with her proposed solution to the challenges of financial accountability for and autonomy over teaching staff the principal argues for the burden of all maintenance costs to be removed from schools and paid for centrally. Unsurprisingly the result would be similar—VIC2 would lose autonomy over any maintenance decisions at the school along with the funding for school based maintenance. Given the quality of maintenance assistance currently rendered by the department, any loss of autonomy over maintenance funding would likely result in a sub-optimal outcome for VIC2.

Over the years I’ve seen them [the department] come in and do any number of building audits. We’ve got the PRIM scheme whichprioritises the work that needs to be done. So they spend all this money working out what needs to be done and what the priority is, and the order it should be done, and they say right, this is what needs to happen ... but we’re not going to actually give you any money to do that ... Basically they spend a lot of money working out what they’re not going to fund first (laughs) (School Council President VIC2).

VIC2’s strategies for effectively managing key aspects of its financial autonomy are dependent on the department but they are also reliant on the capacity of its own staff and community. The school’s relatively strong financial position can be largely credited to the
immediate predecessor but despite her apparent timidity, there is respect for the current
principals’ financial management capacity. ‘She is a fabulous replacement for [VIC2
Principal’s predecessor]’ (Assistant Principal VIC2). Respondents perceive an apparent lack
of financial management skills and expertise at nearby small regional schools has
contributed to their comparatively weaker financial positions. ‘Most of the schools around
us have got massive debts ... [they] just keep adding people on’ (Assistant Principal VIC2).

There is a need for people with financial management skills and experience to be placed in
schools (Moos, 2005; Sun, et al., 2007) but there is a challenge in achieving this for small
regional schools. The expertise of the long-serving business manager and the legacy of the
recently retired principal have contributed to VIC2’s financial strength but its continued
financial strength is to a significant extent dependent on the current principal. ‘The most
important thing that I would do, personally, is help appoint the principal. The principal has a
huge effect on the school, and you know we’ve seen in the past that this school, what having
a bad principal does and what having a good principal does’ (School Council President VIC2).

Further financial management experience and skill development may see the current
principal more confident in embracing opportunities for increased financial autonomy but
even increased financial management capacity does not render VIC2 immune to risks
associated with financial autonomy. The next two sections consider key aspects of
accountability.

9.2.3 Accountability to whom?
Interviwees identified various stakeholders: school community, school council, the
department, parents and students. The latter three stakeholders were seen as most
important but whilst the accountability priorities of parents and students are common they
differ markedly from those of the department. More proximate stakeholders such as the
school council and the principal commanded less accountability because there was clear
acknowledgement of those ultimately responsible for providing the financial resources to
VIC2. ‘We’re all public servants and we’re all being paid by taxpayers’ money, and the
parents pay the taxes. So of course the department because they pay our wages and they
make all the rules, but when I do my job I’m doing it for the kids and the parents’ (Assistant
Principal VIC2).
9.2.4 Accountability for what?
Contrary to suggestions ‘within-government groups of users’ (Taylor & Rosair, 2000 p. 94) take precedence, the previous section outlined the prioritisation of parents and students over the department and other stakeholders. VIC2 interviewees identified two main accountabilities: educational outcomes and financial management. It was noteworthy that financial management was perceived as an accountability priority by more interviewees than were educational outcomes. An explanation for this apparent contradiction is provided by two interviewees, the principal and assistant principal, who linked strong educational outcomes with prudent financial management. This is a view entirely consistent with the Victorian Auditor-General who stated that ‘the provision of quality education depends greatly on the effective and efficient management of the resources available to schools’ (Auditor-General, 2009 p. v). Citing the example of the school’s recently acquired bus, the principal concurred.

‘I think, being able to account for every dollar that is spent and that it is spent wisely and not just chucked away on frivolous things ... some people might think a bus is a bit frivolous, but for our school, it’s important because we have quite small VCE classes. There’s 22 Year twelves this year. So by having a mini bus you can drive a class of kids to somewhere for an excursion, rather than having to hire one from the local bus people which is quite pricey’ (Principal VIC2).

9.2.5 Discharge of accountability
Annual reporting to the community and to the department is one possible way to demonstrate accountability. Consistent with the literature (Sims & Clift, 2001; C. Ryan, et al., 2002) VIC2’s annual reports do not perform that accountability role effectively, neither in relation to educational outcomes nor financial management. Nor do VIC2 annual reports articulate a clear connection between the two accountabilities. This section considers why the VIC2 annual report fails as an effective accountability mechanism to its stakeholders and examines the efficacy of alternatives.

The most significant failing of the VIC2 annual report is a failure to engage readers. All five interviewees hold identical opinions: there is little general interest in annual reports but even less interest in reporting how financial resources have been expended. Consequently
‘the annual report is a big waste of somebody’s time. We have copies in here, and let parents know that they’re available. I don’t think I’ve ever had anyone come in and ask for a copy’ (Business Manager VIC2). Another contributing factor is the annual report template mandated by the department for all Victorian schools. Only three small sections of the template, collectively barely a page, allow any form of school input: an introductory paragraph about the school; commentary on performance in relation to student achievement, engagement and wellbeing; and a brief analysis of financial performance and position. Most of VIC2’s annual report is pre-populated with data sourced from surveys, external assessments and CASES21 Finance. Including that brief analysis the entire finance section of the report is now itself barely a page. This could be considered unbefitting, given the quantum of public money involved. ‘I think they [the school community] would probably prefer it had a bit more scope ... there are huge amounts of money being managed here, and by the department as well, and to bring that down into a couple of lines probably doesn’t justify it’ (School Council President VIC2). Of course report length is not necessarily a determinant of accountability effectiveness but it is noteworthy that the current template provides no opportunity to articulate how the application of financial resources has impacted educational outcomes. This is despite the Victorian Auditor-General advocating the importance of such a relationship, as recorded in the previous section.

VIC2 could itself articulate the impact of financial resources on educational outcomes in a companion to the annual report, as advocated by C. Ryan, et al. (2002) (Section 2.3.4), but at present it has chosen not to do that. The inexperience of the current principal makes it unlikely that any innovation in annual reports will occur at VIC2 in the near future. Indeed she was appreciative of the current template ‘because it gives me a guide of what I should be talking about and what they feel is important’ (Principal VIC2) but the comment does raise questions about the annual report’s intended audience as well as the autonomy VIC2 has over the account that it discharges.

Despite its limitations as an effective mechanism for discharging financial accountability two interviewees conceded that there was no ‘better way than the annual report’ (Assistant Principal VIC2) and few alternatives were canvassed. Prominent among a limited list was the school council itself as an accountability mechanism. It was seen as an appropriate forum
for interested parties to not only observe and have their questions answered about how the school was being managed, but to also play a role in management themselves. Parents and other stakeholders however have yet to show much interest in either attending school council meetings or asking questions of school council members. ‘Well not in my experience yet ... I hope that if parents were interested, they’d just come in and say ‘hey, can you sit down with me and talk about how you’re spending the money?’’ (Principal VIC2).

Other alternative accountability mechanisms canvassed—financial audits and a strategic plan review—are requirements of the department and are focused on rendering an account to the department rather than the school community. Both alternative mechanisms have minimal support among interviewees. Lack of support for the strategic plan review can in part be explained by the fact that annual report guidelines do not require annual school reports to include an account of their implementation of the school plan (Victorian Department of Education and Early Childhood Development, 2013b). Without an acknowledgement that quality educational outcomes are dependent on effective management of financial resources it is unlikely that any financial accountability mechanism will be effective in engaging VIC2’s stakeholders. The next section considers whether information provided is relevant and reliable enough for decisions about allocating VIC2’s financial resources.

9.2.6 Adequacy of information for decision making

CASES21 is heavily relied upon to provide information for decisions about allocating VIC2’s financial resources. Indeed that reliance is effectively universal because Victorian government schools are not permitted to use any other accounting information system. Consequently, via the CASES21 Finance module, the department has complete and constant visibility of every school’s financial information. Nevertheless VIC2 still has autonomy over and accountability for the financial resources entrusted to it and its leaders are therefore interested in the decision usefulness of the financial information provided to them.

The business background of the finance committee’s community representative enabled him to highlight deficiencies that those without such a background may have missed. Indeed
he was the only interviewee to express any concerns about deficiencies in CASES21 hindering the finance committee’s ability to monitor VIC2’s spending. ‘I say it would be far easier to understand if you pro rata that annual budget against the actual expenditure or income to date, and then you can see much better how to track it’ (Finance Committee Chair VIC2). Rather than immediately seek more user friendly reports from the department, the business manager’s interim solution has been to produce her own reports showing actual income and expenditure against budget.

Indeed VIC2 interviewees generally have high regard for information produced by CASES21 and this may be due to the frequency with which financial information is produced and made available by the business manager. ‘We get, we will see everything, every transaction. [Business Manager VIC2] gives us every transaction, every month’ (Finance Committee Community Representative). A similar approach with leaders of Key Learning Areas (KLAs) enables them to not only make well informed and timely decisions but to be accountable for them. ‘I do the comparison report, hand it to the faculty, I print them off, check them, hand it to the coordinators and it’s up to them to then work to that budget’ (Business Manager VIC2). A school without the skills of the VIC2 Business Manager to produce more decision useful reports could be at risk of making less optimal decisions about the allocation of financial resources. The adequacy of the interviewees’ skills and experience to perform their financial management roles is the focus of the next section.

9.2.7 Adequacy of own skills and experience

Limited financial management skills and experience, coupled with an indifferent attitude to acquiring more, leave VIC2 less able to respond to pressures on its financial autonomy such as a drop in student numbers or an ageing staff profile. None of the VIC2 interviewees—including the business manager—have financial management qualifications (section 9.2.1) and, unless necessity demanded otherwise, they were not particularly enthusiastic about acquiring any qualifications or further experience. ‘I think if I was to have more involvement in actually generating a budget, I’d probably need to understand more of the internal workings of the education system’ (Finance Committee Community Representative VIC2). This approach has meant a heavy reliance on the skills, experience and integrity of the principal:
I suppose if I got a dodgy principal, I probably would go to them to find out what was going on. But there’s been no need because I just say to [previous Principal VIC2] or [Principal VIC2] ‘what does that mean again? I’ve forgotten how this works’. They just explain it ... So I think that, I’ve been led into this complacent sort of situation because of who I’ve been surrounded by’ [Assistant Principal VIC2].

Reliance on the principal is noteworthy given her inexperience in the role, and her own and indeed the school’s heavy dependence on the business manager (refer Section 9.2.3). ‘I do rely on [Business Manager VIC2] a lot to be giving me correct information. You know, if she was hopeless and didn’t know, I think I’d be panicking. But she’s really good’ (Principal VIC2). Small regional schools, like VIC2, face greater challenges in recruiting and developing staff with financial management skills and experiences than their larger metropolitan counterparts. By their own admission however staff at VIC2 could be doing more to ensure the school has the requisite capacity to effectively manage challenges to its financial autonomy. They apparently fail to understand the exposed position of VIC2 were the business manager to be incapacitated or resign. To date only the principal and business manager have undertaken financial management training provided by the department.

9.2.8 Department support

A partial explanation for the minimal engagement of VIC2 staff and school council members with financial management skill development is the variable quality of support provided by the department. All three interviewees who commented on face to face training run by the department saw some as ‘useful’ and the others ‘a waste of a trip down to [regional centre] because it’s a two hour trip down there’ (Business Manager VIC2). The need for VIC2 staff to travel significant distances for professional development was seen by two interviewees as a stumbling block. One remedy is to utilise department produced online resources but the quality is just as variable and networking opportunities are sacrificed. ‘Look, to be honest, I didn’t get that much out of it [online course on the SRP]. So I ended up afterwards just printing the SRP manual from the website and, you know, I got more out of that, I think, than the day that I spent doing the training’ (Principal VIC2). Interviewees failed to suggest other solutions such as networking with other schools. Difficulties for the department in supporting schools and a significant lack of enthusiasm among VIC2 interviewees for
enhancing their own financial management skills render any expansion to the scope of VIC2’s financial autonomy in the short term unlikely.

9.3 Chapter summary
Like all Victorian schools, VIC2 has the ability to employ staff within a budget determined by student numbers and is accountable for their salary as part of the operating budget. The degree of autonomy VIC2 experiences is therefore significant but the most important finding of this chapter is that VIC2’s size makes it less able to compensate for the cost consequences of fluctuations in student numbers while at the same time being no less accountable for it. This chapter has also found that, for VIC2, its size and capacity is the significant tension between financial autonomy and accountability. Both key findings are outlined in the summary below and contextualised with the literature.

The retirement of a more experienced and financially literate principal has resulted in solutions to that tension more focused on ceding responsibility for staff and maintenance costs to the department were such actions possible. Suggesting the school might cede significant autonomy back to the department is at odds with the initial support for autonomy (Table 9.2) and key doctrinal components of NPM (Hood, 1991). It perhaps demonstrates a wish for a parent/child relationship with the department, with very limited autonomy and accountability, an avoidance strategy within the range of organisational responses to isomorphic pressures (Oliver, 1991). It is important to acknowledge that small regional schools such as VIC2 are less able to manage financial management challenges such as a fall in student numbers or a blow out in maintenance costs unless they are able to access staff with the requisite financial management skills and experience. Although some authors specifically explored the link between autonomy and accountability in publicly funded organisations highlights detrimental impacts of NPM reforms (Christensen, 2010; Christensen & Laegreid, 2007; Broadbent, et al., 2001), none specifically considered the role that an organisation’s size plays. Consequently challenges VIC2 faces due to its size, as outlined in this chapter, is a significant contribution to the research.
VIC2 certainly has limited financial management capacity but this chapter has raised questions about whether it is making best use of its scarce financial management resources. The financial management role undertaken by both the finance committee and the school council is one of review. Members of both financial management structures appear reluctant to acquire the skills necessary to play a more significant financial management role, due in part to the poor quality of some training, lack of time and travel time to access training. This leaves the school significantly reliant on an experienced but not formally qualified business manager to undertake almost all financial management roles including the poorly received discharging of financial accountability via the annual report. There is no desire for attempting other mechanisms for discharging an account, such as newsletters, as suggested in the literature (Lee, 2004). Unless the department enhances the support it provides to small regional schools to develop their own financial management capacity (Moos, 2005; Sun, et al., 2007), or a solution involving larger regional schools is initiated, then it is unlikely that VIC2 will pursue increased financial autonomy. Indeed it may seek a reduction.
Appendix 9.1 VIC2 policy manual table of contents

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Appendix 9.2 VIC2 college council investment policy

INVESTMENT POLICY:

The College will operate two types of financial account:

1. **Official Account – CBA Cash Investment Account**
   1.1 This will comprise those funds required to meet the day-to-day operational needs of the College.
   1.2 The Official Account credit balance will be maintained with sufficient to meet any predicted short-term financial obligations of the College.
   1.3 The College will maintain a credit balance of $50,000 or less in the Official Account at all times.

2. **Investment Accounts – Westpac High Yield Investment Account and Bendigo Bank**
   2.1 These will comprise those funds surplus to the day-to-day operational needs of the College.
   2.2 College funds surplus to short-term needs will be invested so as to maximise interest returns for the College.
   2.3 College funds will be invested only in Government-guaranteed banking institutions.
   2.4 The term of any other investment (30/60/90 days, etc) will be decided to gain maximum interest return for the College.
   2.5 The proportion of funds invested are to be reviewed on an ongoing basis by the Finance Committee to gain maximum interest return for the College.
   2.6 Ordinarily, any term investment will automatically be rolled-over at maturity. Where circumstances warrant it, the decision regarding roll-over versus re-invest will be referred to the Finance Committee which will formulate a recommendation for Council.
   2.7 Investment funds will be placed such that the College will maintain maximum short-term access to those funds.
   2.8 All decisions regarding investment of College funds will be taken by Council on the advice and recommendation of the Finance Committee.

ELECTRONIC FUNDS MANAGEMENT:

1. **Direct Deposit via Internet Banking Facility**:
   1.1 The current cheque account signatories will be the personnel with administrative/payment authorization responsibilities (ie. Principal, Assistant Principal/School Council President);
   1.2 The CASES21 setting up to be carried out by the Bursar;
   1.3 The authorization of transfer of funds from the Official Account to payee account(s) to be the nominated persons above;
   1.4 Processing of the transfer of funds to be carried out by the Bursar, or alternative person in the Bursar's absence.

Updated 14/02/2014
Appendix 9.3 VIC2 2013 sub-program budget request

16th October, 2013,

To: Faculty/Department Co-ordinators

From: 

Re: Expenditure Budget for 2014

Attached: - Budget calculation sheet for 2014
- Budget Variance report for this year to date 2013, use this as your guide when completing your budget request.

Return: Please return completed budget requests to Susan by FRIDAY 1st NOVEMBER *** Please see Susan if you have any problems with calculating your budget requests.

Please Note: We request that all expenditure (where possible) for this year to be completed by Friday 1st November - NO orders to be written after this date except with prior approval. This is to enable all accounts to be paid from this year’s budget before last day of term in December. Orders for 2014 may be written once the budgets have been confirmed in writing by WM- late November. NO funds will be carried forward from this year to next unless requested in writing on the Budget request sheet.
**Budget 2014**

Sub Program Name & Code: .................................................................

Sub Program Coordinator Name: .................................................................

Total Estimated Carried forward: Nil unless otherwise arranged

**Instructions**

Please ensure you use the attached general ledger expenditure codes and descriptions when preparing your budget request. The top section is to be used for consumables and the lower section is to be used for equipment greater than $1,000.

**Proposed Recurrent Expenditure**

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<td>89302</td>
<td>Camps &amp; Excursions</td>
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Total Proposed Recurrent Expenditure: $          $
Chapter 10  Cross case study analysis and conclusions

10.1 Missteps and steps forward
At least some Australian governments have yet to learn from school autonomy initiatives in countries such as the United States, United Kingdom, New Zealand, Indonesia, Italy, Israel, Denmark, Norway and Ireland (Moos, 2005; Sun, et al., 2007). An analysis of those initiatives suggest building financial management capacity in local schools is critical for autonomy to succeed and, as the Victorian Auditor-General reports (Section 5.3.1), schools are significantly reliant on their education departments to provide that capacity, and training for it. Without a comprehensive strategy to build financial management capacity before the introduction of financial autonomy, the outcomes may not be those which were intended. This current research shows the result may well be an ad hoc financial autonomy experience heavily dependent on the background of the principal and other senior staff to resolve the tensions between financial autonomy and accountability.

This research has found that government policy and support are factors that affect the financial autonomy experience of schools and the shape of their accountability frameworks (Moos, 2005; Sun, et al., 2007) but so too the size, financial management capacity and the principal of each school. This research has also found that the same five factors impact the tensions between financial autonomy and accountability and the nature of their resolution. Given that most of the extant literature on the tensions between autonomy and accountability in publicly funded organisations (Christensen, 2010; Christensen & Laegreid, 2007; Broadbent, et al., 2001) has focused on the result of the tensions, the identification of five factors that impact those tensions is a significant contribution. Beginning with government policy, this concluding chapter analyses the impact of the five factors listed above on the financial autonomy experience across all four case study schools, and the shape of their accountability frameworks. Responses to institutional pressures (Oliver, 1991) form the framework for the analysis and specific conclusions are drawn for each research question. The final sections of the chapter detail the contribution of the research to theory, policy and practice as well as its limitations and the opportunities provided by it for future research.
10.2 Autonomy and accountability

10.2.1 The autonomy experience

There is a substantial policy difference in the extent of financial autonomy granted to public schools in Australia’s two most populous states—NSW and Victoria (Gamage, 2008; Gamage 2002; Abu-Duhou, 1999). Victorian government schools are accountable for expending and managing more than 90 percent of their recurrent budgets whereas NSW government schools, except those participating in the Local Schools, Local Decisions pilot, manage less than 10 percent of their school education budgets. The differentiating factor is that all Victorian schools are financially accountable for their own staff costs, the most significant component of any school’s operating budget, but most NSW schools are not. Indeed autonomy may be nothing more than words on a page: NSW2’s participation in the Local Schools, Local Decisions pilot has to date diminished rather than enhanced its experience of financial autonomy (Section 8.2.2). Although it can vary staffing mix (Section 8.2.2) and all of the funding required for its operation is visible, NSW2 is not yet financially accountable for its staff profile (Section 8.2.3), unlike its Victorian counterparts. Schools may appear to have been granted autonomy, but may be unable to unwind the consequences of decisions made elsewhere or at an earlier time (Broadbent, et al., 2001). The Victorian government’s policy of funding schools using a state wide average cost per teacher, rather than the actual cost of each teacher, exposes its smaller schools with stable and experienced staff profiles to cost consequences of fluctuations in student numbers. If student numbers are stable or rising, schools have better prospects of managing their staff costs. If however students numbers decline, funding at an average cost per teacher will be insufficient to pay the stable and experienced staff cohort, often resulting in a deficit until the numbers of permanent staff are reduced. Effective government support to manage such challenges is unlikely in the short term. All case study schools labelled the financial management professional development provided by the department as inadequate (sections 6.3.8, 7.3.8, 8.3.8 and 9.3.8). Such professional development does not for example touch on change management and is often limited to senior staff. All schools also reported limitations with their departments’ integrated accounting systems particularly in relation to the financial information produced (sections
These difficulties, most readily demonstrated at NSW2, raise legitimate questions about the ability of education departments to ensure effective implementation of their own school level financial autonomy policies. The identification of such deficiencies also supports previous assessments about the limited effectiveness of financial statement information in rendering an account (C. Ryan, et al., 2002; Kloot and Martin, 2000).

The disconnection between a government’s financial autonomy policies and the support it provides to ensure effective implementation mean that other factors necessarily impact the financial autonomy experience. **School size** (Table 10.1) is an important determinant of the financial autonomy experience and of processes, both proposed and already practiced, to resolving the tensions between financial autonomy and accountability. Larger schools benefit from economies of scale that provide them with greater budget flexibility. NSW1 examples include resources to reduce staff absenteeism, and frequent opportunities to reduce the costs of replacement staff by replacing two absent full time staff with just one casual (Section 6.3.2). VIC1 on a temporary basis receives funding subsequently allocated to other local schools, effectively providing it with an interest free 18 month line of credit (Section 7.3.2) simply not available to small schools73. Indeed the key rationale for establishing a regional government schools board, a proposal suggested by the VIC1 principal and VIC1 school council president but now with the support of principals and school councils of 7 other government schools in the region, is the opportunity for financial autonomy that scale provides particularly for small schools (Section 7.3.1). Even without a regional government schools board, VIC1’s size is already benefitting smaller schools in the region—at nominal cost it has shared with them a tailored student information management system (SIMS).

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73 This practice is under review following allegations of education department corruption.
Table 10.1 Key annual report information of case study schools

<table>
<thead>
<tr>
<th>School</th>
<th>ICSEA value</th>
<th>Current enrolment</th>
<th>Total revenue per My School $^74$ (Sm)</th>
<th>Total revenue per annual report $^75$ ($m)</th>
<th>Total revenue per annual report v My School (%)</th>
<th>Non-government revenue per annual report ($m)</th>
</tr>
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<tr>
<td>NSW 1</td>
<td>979</td>
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<td>13.2</td>
<td>4.2</td>
<td>32.2</td>
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<td>176</td>
<td>3.0</td>
<td>0.7</td>
<td>23.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: 2013 Annual reports: case study schools

Certainly there is a strong correlation between school size and **capacity for managing financial resources**. Size increases the pool of experience in the leadership and in the school/parent community, resulting in an increased likelihood of obtaining the required expertise, but it does not explain every aspect of each case study school’s financial management capacity. This is most clearly demonstrated by VIC1’s recently completed project to renew most of its teaching and administration space. VIC1’s senior leadership team has skills and experience with major building projects, including a previously completed trade training centre. This gave them confidence to challenge cost estimates and push for a locally run tender process that essentially delivered the building as originally planned at a saving of $3.5m. Similarly sized and even larger government schools in both states, including NSW1, do not have building project experts on staff and would therefore not be in the same fortunate position as VIC1 to manage such a major project. VIC1 has demonstrated that a school with a high level of expertise is in a stronger position to resist coercive institutional pressures and pursue compromise (Oliver, 1991) with the department.

An essential component of every school’s capacity to effectively manage financial matters is the skills, qualifications and experience of the business or school administration manager. VIC1’s current business manager is both the first university qualified accountant to hold the position and the first appointee with prior private sector financial experience. Consequently his appointment has brought to bear normative pressures on VIC1’s approaches to financial

$^74$ Revenue reported per the My School website includes income received directly from Australian governments and local sources as well as expenses incurred on the school’s behalf by state governments e.g. centrally funded payroll.

$^75$ Total revenue is income received directly by the school from Australian governments and local sources.
management, pressures that it had not previously experienced. One example is the financial management innovation in relation to the 18 month interest free line of credit. By contrast his NSW1 counterpart is reluctant to be involved in innovations such as management of her school’s relatively substantial cash reserves. Although experienced in her current role she had yet to complete her Certificate IV in Business Administration and Management. It is unsurprising therefore that the NSW1 principal notes the need for staff with accounting qualifications to be appointed were his school to be successful in increasing its financial autonomy (Section 6.3.2).

The experience and qualifications of the business or administration manager at the two smaller case study schools (NSW2 and VIC2) are similar to the NSW1 school administration manager—highly experienced in administration, not necessarily in financial administration, and holding minimal or no financial management qualifications. This is problematic. Smaller regional schools are certainly more dependent on their school administration or business managers for providing financial management capacity and little is being done to develop or employ additional staff to assist with financial management. VIC2 staff do not take up development opportunities for enhancing their own financial management capacity (Section 9.3.8) and the NSW2 principal’s lack of confidence in the financial management skills of her staff has seen her restrict their already modest involvement in the budget process (Section 8.3.7). That lack of financial management expertise renders VIC2 and NSW2, and even NSW1, less capable of financial management innovation. Consequently compliance with the process (Oliver, 1991) is a more common response to coercive institutional pressures brought to bear by the department. Simple compliance may not result in the most efficacious management of financial resources when such management is not well understood.

Community members of school councils can provide Victorian government schools with an alternative external source of financial management capacity but their impact on the financial autonomy experience has to date been limited. The recent recruitment of more financially literate community members to the VIC1 school council has enhanced the financial management capacity of its finance committee but in practice neither entity currently plays an integral role in the school’s financial autonomy. It is noteworthy that the
current VIC1 school council president, principal of a local financial planning firm, has applied her skills to championing the idea of a regional government schools board which would assist financial management in smaller schools, but the unsolicited proposal has yet to be evaluated by the department. Although some community members of the VIC2 school council have financial management experience from the local businesses they run, none possesses any financial management qualifications and, as is the case at VIC1, the VIC2 finance committee plays a minor role in the school’s financial autonomy.

The most significant determinants of a school’s financial autonomy experience are the priorities and background of its principal. The principals of NSW1 and VIC1 are able to lead financial management innovation that meets the challenges presented by financial autonomy in a manner that enhances the financial autonomy experience. Both principals have the confidence to pursue further financial autonomy innovation, but given differing starting points in relation to the degree of autonomy their respective schools currently experience, as well as the financial management capacity of community members and other senior staff, that innovation manifests itself in different ways. For the VIC1 principal it is a proposal for a regional government schools board that would enhance the autonomy experience not just for VIC1 but also for surrounding schools (Section 7.3.1). NSW1 currently experiences the most limited financial autonomy of the four case study schools. It has no visibility of or financial accountability for the costs of its staff but its principal embraces the prospect of building NSW1’s financial management capacity to enable it to manage the entire $13.5m required for its operation (Section 6.3.2).

It is noteworthy that both the NSW1 and VIC1 principals have significant experience in departmental management positions, a background that has likely given both the confidence to undertake the necessary interactions with education department bureaucracy in the pursuit of further financial autonomy innovation. The music recital room project (Section 6.3.2) and a faculty funding process acknowledged as more transparent and collegial (Section 6.2.3) are two NSW1 examples, and the major building project and in-house development of school management software are two VIC1 examples of the ability of the principals to drive positive autonomy. The concept of normative isomorphism assists in explaining that ability and its impact. Although all professionals undergo a socialisation
process during their professional training, the departmental experience of both principals has further strengthened their relational networks and inculcated them in the processes of government. They have subsequently brought influence to bear on financial management initiatives within their own schools—working creatively within the boundaries of departmental processes has enhanced the effectiveness of their initiatives.

In contrast the NSW2 and VIC2 principals do not have departmental management backgrounds. Beginning as classroom teachers they have both remained in schools, without experience of working in the department, for the duration of their careers. Consequently the normative pressures brought to bear on the principals of NSW2 and VIC2 have been entirely educational. Their response to presenting financial autonomy challenges has been to concentrate responsibility for financial management in their own hands or to propose abdication of financial responsibility to the department. For example cost exposure to fluctuations in student numbers has motivated the VIC2 principal to advocate for exemption from financial accountability for staff costs (Section 9.3.1). Were it available, such a remedy would give VIC2 the same protections as those currently enjoyed by NSW2, and other participants in the Local Schools, Local Decisions pilot, but it would significantly reduce the scope of the school’s financial autonomy. The reaction of the VIC2 principal to such institutional pressures is symptomatic of a dramatic avoidance response known as ‘escape’ (Oliver, 1991), whereby an organisation seeks to exit the domain within which the pressure is exerted.

School size increases the pool of experience in the leadership team and in the school/parent community but the different approaches adopted by principals to the financial management of their schools is not necessarily a function of school size. VIC2’s most recently departed principal was more financially literate than the current principal—his apparent astuteness in staff recruitment and retention is credited for the school’s relatively strong financial position (Section 9.3.2). The NSW2 principal’s reluctance to involve other staff in financial management is in part due to implementation issues associated with its participation in the Local Schools, Local Decisions pilot. The lack of confidence both principals have in their own financial management skills and experience has directly impacted the financial autonomy experience of their schools. Neither principal has handled the change process well. Neither
appears to have been given an opportunity for professional development related to change management. The relative lack of financial management capacity of both smaller school principals and the lack of administrative financial capacity within their schools, means their schools are at times simply unable to respond effectively to coercive pressures.

A principal’s high level of confidence in his/her own financial management skills does not mean unlimited opportunities for school level financial autonomy—the other factors analysed in this section are also at play. For example all four principals resisted any suggestion of assuming autonomy over major building maintenance, should it be offered, because there was no confidence that it would be supported by sufficient departmental resources, particularly given previous decisions around maintenance which would impact on the cost in the future.

In summary a school’s experience of autonomy is influenced by three factors. First, the larger the size of the school, the greater the access to skills and resources needed to successfully manage it. Second, the greater the financial management capacity of the school leadership (both internal and external i.e. school council) the better the school’s experience. The third factor is the ability of the school principal to provide leadership and capability for financial management—this factor is in part an outcome of the principal’s prior diversity of experience and his/her priorities. These three factors are particularly important when there is a disconnection between the government’s financial autonomy policies and the support it provides for effective implementation but they are not currently sufficient to overcome that disconnection. The extant literature is clear that building financial management capacity in local schools is critical for autonomy to succeed (Moos, 2005; Sun, et al., 2007). This research makes a significant contribution by identifying the key factors that, in the absence of government supported capacity, impact a school’s autonomy experience.

### 10.2.2 Accountability

A clear imperative of policies to grant schools greater autonomy is that financial resources are spent more efficiently and effectively. Educational outcomes are outside the scope of this research but it is noteworthy that interviewees generally failed to identify the connection between the input of resources entrusted to them and the outcomes achieved...
by the use of those resources. Instead most focused on the connection between stakeholders and accountabilities—to whom and for what the school was accountable. The consensus among interviewees in both states is that the school is accountable for educational outcomes to the community and for financial management to the department. This section analyses those two relationships before considering the reasons for their precedence over an input and outcomes accountability relationship. The section concludes by considering the ramifications of those accountability priorities.

The importance of fiduciary accountability in Westminster style governments, such as those in NSW and Victoria, is longstanding and deeply held because it arises from the privilege of raising money from the community (Funnell, et al., 2012). Despite the view that public servants are no longer merely accountable for the input of resources entrusted to them but also for the outcomes achieved by the use of those resources (Funnell, et al., 2012, Taylor and Rosair, 2000; Kloot & Martin, 2000), in relation to financial resources, interviewees almost exclusively focused on fiduciary accountability. In their estimation, accountability for financial management merely involves rendering an account to the department for the expenditure of financial resources. Most interviewees conceptualise the key accountability stakeholder for financial management as an institution—an account is simply discharged to ‘the department’. Some NSW1 interviewees also acknowledged accountability to their immediate supervisor, such as the department’s regional director, and a more personalised accountability relationship to parents. The NSW1 principal’s close association with school level accountability initiatives (Section 6.2.3) and parental contributions to the music recital room project (Section 6.2.4), are examples of this.

With the exception of some NSW1 interviewees, only one other stakeholder group featured prominently—the school community. This limited number of stakeholders is a somewhat unexpected finding given the literature suggests that there is now a broader and more complex group of stakeholders to whom the public sector must give an account (Bovens,

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76 Fiduciary accountability is defined in section 2.3.2 as the traditional parliamentary concern for the probity and legality of expenditures.
77 School community was effectively defined by interviewees as the parents of current students but at NSW1 there are more distinct elements within the parent body such as the members of the parents and citizens (P&C) association
There was no interest in rendering a fiduciary account to the school community, because no one believed that the school community had any interest in how financial resources were expended. Instead the accountability priority of the school community is educational outcomes. The education focused background of most interviewees renders such a response unsurprising. Many teachers rarely think about costs except when it impacts on what can be done in the classroom. There are exceptions. The VIC1 assistant principal identified the mutually dependent relationship between ‘managing your dollars right’ and educational outcomes, as did VIC2’s principal and assistant principal. That only interviewees from Victorian case study schools articulated a relationship may be explained by policy differences in financial autonomy between the two states. Victorian schools are financially accountable for their staff, the most significant component of any school’s operating budget, whereas most NSW schools are not.

There is a disconnection between accountability for financial management and accountability for educational outcomes. Any relationship is obscured by the ‘vertical’ connection between two key stakeholders (the department and the community) and their specific accountabilities. Near universal lack of interest among the school community in how the money is spent demonstrate that disconnection. Institutional theory provides an explanation. According to DiMaggio and Powell (1983) the state and various professions are two of the main actors in contemporary society and are therefore key players in any framework advanced out of institutional theory. As the majority of interviewees are education professionals they are cognisant of the coercive pressures exerted by ‘the department’ as government funders. Consequently they support legitimating practices such as providing an account to the department but the nature of that account is determined by the perceived priorities of government stakeholders. The departments are supposedly concerned with both educational outcomes and financial management but coercive institutionalised reporting processes fail to recognise the relationship between financial resources deployed and educational outcomes achieved (Section 10.2.3).

The accountability priorities of both the department and the school community mean that, contrary to the policy imperative (Funnell, et al., 2012), schools continue to render a fiduciary account for the financial resources entrusted to them and are assessed separately
on educational outcomes. In relation to financial management, the priority is simply to meet the requirements of institutionalised processes to track resources to specific uses, and to render an account for that to the department. The next section demonstrates how various accountability mechanisms are ineffective in either engaging accountability stakeholders or in rendering anything other than a simple fiduciary account.

10.2.3 Discharge of accountability

Across the private and public sector, the annual report is a ubiquitous but frequently ineffective mechanism for discharging accountability (C. Ryan, et al. 2002; Sims & Clift, 2001; Taylor & Rosair; Jones, 1992). Annual report ubiquity and ineffectiveness features across the government school sector (Tooley & Hooks 2010; Tooley & Guthrie, 2007b) and in all four case study schools. This section specifically considers whether the annual school report, and alternatives to it, fail as effective financial accountability mechanisms at the case study schools and concludes by contemplating the implications of that apparent failure.

It is clear that the annual report fails to engage potential readers. Almost all interviewees at every case study school hold the same opinion: parents and others have little general interest in annual reports and even less interest in reading reports on how financial resources have been expended. A question then arises as to why the stakeholders do not request other forms of accountability reporting if they are not interested in the annual report. A plausible answer is that, with the exception of the department, financial accountability is simply not a priority for other stakeholders and so there is little motivation to either request or provide alternative accountability reports. Interviewees rightly acknowledge the department as the salient stakeholder because there are consequences for not discharging an account to them but there are apparently none for an equivalent failure with the school community. Such a finding is consistent with Taylor and Rossair’s (2000) belief that stakeholders external to the department are often ignored because ‘the primary aim of external reporting by government departments is heavily related to satisfying accountability obligations to selected ‘within-government’ groups of users’ (p. 94).

Exacerbating community disengagement from financial accountability is the rigidity of annual report templates, mandated by the departments in both states. Although there is
extensive freedom within the NSW annual report template to demonstrate an account of educational outcomes, the annual report’s one page finance section must consist solely of a hybrid summary statement of financial performance sourced entirely from the department’s accounting information system (Section 6.3.5). Victorian schools are required to adopt a template which now sees most of its annual report pre-populated with data sourced from surveys, external assessments and CASES21 Finance. Only three small sections of the template, collectively barely a page, allow any form of school input. These are: an introductory paragraph about the school; commentary on performance in relation to student achievement, engagement and wellbeing; and a brief analysis of financial performance and position. Such a strict enforcement of performance measures restricts autonomy and reinforces the view that coercive institutional pressures drive conformity and stability (Sharma & Lawrence, 2008).

Alternative approaches to providing an account, consistent with those suggested by Lee (2004) were reported on in sections 6.3.5, 7.3.5, 8.3.5, 9.3.5. Many of the same initiatives are in place across all four schools. Examples include: newsletters (which could be construed as a form of companion to the annual report), information nights, email, SMS and social media. All are targeted at the school community and all focused on providing an account for educational rather than financial outcomes. Consequently none of the school-initiated accountability mechanisms can demonstrate that ‘the provision of quality education depends greatly on the effective and efficient management of the resources available to schools’ (Victorian Auditor-General, 2009, p. v). If school-initiated accountability mechanisms, informed more by community expectations than by their departmental expectations, are not demonstrating that dependent relationship then it is reasonable to conclude that the school community is not interested in how well school finances are managed.

Departmental accountability mechanisms, most notably the annual report, similarly lack reconciliation between the financial resources deployed and the educational outcomes achieved. This is a curious approach by government given that the major policy justification for increased school autonomy is enhanced educational outcomes. The annual school reports, as mandated by the education departments, are unable to demonstrate
accountability for outcomes achieved from the financial inputs provided. This aspect also runs counter to the expectation placed on public servants to do exactly that (Funnell, et al., 2012; Behn, 1998). The policy expectations of financial accountability are neither reflected in the annual report templates provided by government nor in the level of engagement from the school community. The research indicates that irrespective of the school’s size, financial management capacity or the ability of the principal, no real accountability to the community in financial terms is expected. Consequently it is difficult to see any value for schools in pursuing innovations to the current mechanisms for discharging financial accountability. This is a significant result: despite the government’s rhetoric around autonomy and accountability, and while one would expect some requirement for accountability for expenditure, there is apparently virtually none in financial terms, only in educational terms.

10.2.4 Diversity in financial accountability frameworks

The lack of interest in a comprehensive account of how school finances have been managed does not negate the real need for finances to be well managed. The structures, processes and procedures in place to ensure that public funding committed to public education is well managed constitute the key components of an accountability framework. As Victorian government schools are accountable for more than 90 percent of their recurrent budgets (Gamage, 2008; Abu-Duhou, 1999) it is reasonable to expect that they possess more sophisticated financial accountability frameworks than their NSW counterparts. Indeed an analysis of the policy context impacting on accountability for Victorian and NSW schools confirmed that NSW policy accountability requirements imposed by government are currently less demanding than Victorian equivalents (Section 5.4). As governments fund their schools it is also reasonable to expect that governments determine the financial accountability frameworks that operate in their schools. Consistent with the wide range of institutional theory perspectives, results from this research suggest that government policy and support explains both diversity and conformity in school level financial accountability frameworks. Indeed these two factors of policy and support have more impact on school level financial accountability frameworks than they do on the school’s autonomy experience (Section 10.2.1). Consequently other factors such as school size, financial management
capacity and principal’s background are less influential on both the extent and effectiveness of a school’s financial accountability framework.

The impact of government policy on school level financial accountability is different in each state, and in some cases different for selected schools within that state. For example NSW2’s participation in the Local Schools, Local Decisions pilot surprisingly forced it to close its bank account and instead submit its payments to suppliers for approval via a centralised supplier payments system. School level financial management policies are another example—templates for them are produced and regularly updated by the Victorian department (Section 7.2.2). The ability to adapt an individual policy template for a school’s own unique circumstances is limited but there is some evidence of that in both Victorian case study schools. NSW does not provide similar financial templates—consequently neither NSW case study school has yet formally developed financial management policies. Victorian government policy on school councils is a further example. It not only mandates that all of its schools establish and operate a school council but it also dictates the school council’s broad composition and role. Consequently both Victorian case study schools operate school councils. School councils are optional parts of the accountability framework in NSW and have little real power—neither NSW case study school has one78.

Central to government support provided for the financial accountability framework at case study schools in both states is the information system (OASIS and LMBR in NSW, CASES21 in Victoria) and their accompanying manuals. The rationale for an institutionalised school administration ICT system is to ensure that, assuming a wide variability in the financial management and information technology capacity of schools, departmental finances are consistently accounted for in all schools (Section 5.2.2). This research not only confirms the wide variety in financial management capacity (Section 10.2.1) but also the consistency of accounting practices across case study schools to compensate for that wide variety. Support extends to limited professional development about financial management, and none about the management of change induced by these policies. Regardless of the percentage of

78 NSW schools do have P&C groups, but they are essentially fundraising bodies for the school, and have no role whatsoever in managing school finances, whereas a NSW school council (if it was constituted) would have a limited review role.
recurrent funding granted every school level financial transaction must be recorded via the departmental information system in accordance with department mandated procedures. Consequently there is little room for anything other than compliance with how those transactions are summarised, analysed and reported to the department (coercive isomorphism).

That departmental imperative has implications both for how schools discharge an account to the department—via the information system rather than the annual report (Section 10.2.3)—and for school level decisions about the allocation of scarce resources. Budget performance reports that inform those decisions are sourced from the same departmental information systems but deficiencies in those reports weaken the efficacy of a school’s accountability framework. NSW1 (Section 6.3.6), VIC1 (Section 7.3.6), and VIC2 (Section 9.3.6) interviewees all raised concerns about the completeness and clarity of income and expenditure compared to budget information. Their NSW2 counterparts (Section 8.3.6) decried the inability of the new LMBR information system to produce any budget information at all. In response to such deficiencies, all case study schools developed their own internal management reports to compare actual and budget expenditure across departments.

The significant impact of government policies and support on the financial accountability framework of case study schools has reduced but not eliminated the impact of other factors. For example school size has played some role in the recruitment of community members with special skills or experience to Victorian school councils (sections 7.2.1 and 9.2.1), permitted under departmental policy. There are clear differences between the financial management experiences and qualifications of the community members recruited by VIC1 (a financial planner and an accountant) and by VIC2 (owner of the local supermarket). Given the respective pools of experience available for each school community to recruit from, those clear differences are unsurprising, but there are some consequences for each school’s financial management capacity. VIC1’s school council president has applied her skills to training new members of school council (Section 7.3.8) and suggesting a proposal for a regional government schools board (Section 7.3.1) whereas VIC2’s community
recruit concedes a minimal interest and involvement in the school’s financial management and particularly the budget process (Section 9.3.7).

The impact of those differences on accountability frameworks is, however, negligible. Both school councils, through their finance sub-committees, fulfil their oversight role in the accountability framework to ensure ‘that all moneys received by the school are expended for proper purposes’ (Victorian Department of Education and Early Childhood Development, 2014a) by reviewing payment reports each month and approving the annual budget. NSW1’s finance committee arguably undertakes the most transparent funding allocation process of any case study school in either state but like its smaller NSW counterpart it only has responsibility for a very small share of the school’s recurrent funding. Consequently finance committees at NSW government schools remain minor components of their financial accountability framework.

The skills, qualifications, experience and confidence of the principal vary significantly across the four case study schools (see Section 10.2.1 for analysis). This has some implications for a school’s financial accountability framework because, at the school level, the principal is its most consequential element. Principals develop the annual budget and many of the material expenditure items—such as costs for administration, utilities and minor maintenance—are managed directly by them. The VIC1 principal takes particular responsibility for managing workforce planning (Section 7.2.3) which ultimately impacts staff costs. His counterpart at VIC2 has no such confidence and argues (to this researcher at least) for her school to be exempt from financial accountability for staff costs (Section 9.3.1). NSW2, the case study school with the least developed accountability framework, relies heavily on its principal to manage its financial accountability (Section 8.3.2). Ultimately however, government policy and the support governments (through the relevant education departments) provide are the key determinants of a school’s accountability framework. Other factors such as size, financial management capacity and the principal will only be of greater consequence if government policy and practice, particularly in relation to

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79 Both NSW1 and NSW2 finance committees are limited to funding allocations to faculties which constitute barely 10% of total funding received and just 1% of total funding required for running either school (Table 7.1 and Table 9.1). This is despite the fact that NSW2 is a participant in the Local Schools Local Decisions pilot.
integrated accounting systems, gives schools more autonomy over their financial accountability frameworks.

10.3 The tensions between financial autonomy and accountability

Government policy sets the level of autonomy in each school yet the schools are frequently accountable for factors over which they have minimal control. How each case study school resolves these tensions between autonomy and accountability is a result of the combined interaction with each school’s size, its financial management capacity and principal. As the strength of these factors varies between case study schools the tensions, and solutions to them, manifest themselves differently.

Contributing to the existing literature that specifically explores the link between autonomy and accountability in publicly funded organisations (Christensen, 2010; Christensen & Laegrid, 2007), this research has identified that disconnection between departmental policy and practice can impact the tension between financial autonomy and accountability. The case study school that exhibits these tensions most profoundly is NSW2. The intention of the Local Schools, Local Decisions policy is to enhance autonomy for schools but for NSW2 its participation in the pilot has had the opposite effect. In the name of strengthened accountability, departmental practice required NSW2 to close its bank account and instead submit its payments to suppliers for approval via a centralised supplier payments system (Section 8.3.2). Similarly the policy intention of the accompanying Resource Allocation Model (RAM) to ‘provide schools with [autonomy over] the resources to purchase the staffing, and goods and services, required to operate their school’ (Section 5.2.1) has in practice been thwarted by implementation issues with the accompanying integrated information system (LMBR). For example: total funding required for NSW2’s operation is visible on the RAM (Section 8.2.3) but information about its expenditure against budget is not (Section 8.3.6). LMBR training has been provided by the department but it was poorly timed and inadequate (Section 8.3.8). Tensions between accountability and autonomy were also in evidence at other case study schools. For example all labelled as inadequate the professional development provided by their department to support financial autonomy policy and all reported limitations with the accompanying integrated information system.
Essentially, the department in both states was attempting to achieve normative isomorphism through the training but failed. Similarly none of the annual reports of case study schools, as mandated by their education departments, are able to demonstrate accountability for outcomes achieved from the financial inputs provided.

Other factors have a profound impact on the tension between financial autonomy and accountability. For example NSW2’s relatively small size leaves it more exposed to LMBR implementation issues—it has less financial resources to compensate for current deficiencies. Despite being accountable for ensuring local suppliers are paid, NSW2’s size means it has less influence with the department to have delays in the centralised payments system (Section 8.3.2) resolved. Similarly the Victorian government’s policy on school funding leaves its smaller schools, such as VIC2, less able to compensate for the cost consequences of fluctuations in student numbers but no less accountable for it (Section 9.3.1). By contrast the economies of scale enjoyed by larger schools make them more able to resolve tensions between financial autonomy and accountability. For example schools in both states have autonomy over funding allocated for casual relief teaching but are accountable for any overruns. NSW1 has resources to reduce absenteeism and frequent opportunities to reduce the cost of replacement staff that its smaller counterpart does not have. A large size has enabled VIC1 to partially compensate for current deficiencies in departmental accountability practices by recruiting community members with special skills and experience to the school council (Section 7.2.1). These skilled community members may pass on their knowledge, resulting in better practices through normative isomorphism.

Both departments seek to compensate for wide variability in the financial management capacity of their schools by implementing a common integrated information system across their schools (Section 5.2.2). Ironically that variability is due, in large part, to the failure of departments to support the development of financial management capacity in their schools. Consequently size can determine a school’s financial management capacity. A small school is less likely to have financial management skills and resources incidentally present among either staff or parents—for example NSW2 has no one within its ranks to resolve its LMBR implementation issues. Without departmental support to build financial management capacity, the NSW2 principal—who concedes her own financial management limitations—
seeks to resolve the tensions between financial autonomy and accountability by concentrating accountability for financial management in her own hands (Section 8.3.2).

NSW2’s small school counterpart, VIC2, also lacks departmental support. It has a similar lack of financial management capacity and similar challenges in managing the tensions between financial autonomy and accountability—most clearly on display in relation to accountability for staff costs. Those tensions are less likely to be resolved however while VIC2 staff neglect opportunities to develop their own financial management capacity (Section 9.3.8). Size is not the sole determinant of financial management capacity and its impact on financial autonomy and accountability. By enrolment NSW1 and VIC1 are both large schools but Victoria’s school autonomy policy, despite its lack of accompanying support, has made the appointment of a qualified accountant to the role of business manager possible. He has enhanced the school’s financial management capacity to innovatively resolve tensions between financial autonomy and accountability—the 18 month interest free line of credit is a key example (Section 8.3.2). NSW1 cannot currently make a similar appointment. For most of NSW1’s staff, tensions between financial autonomy and accountability are resolved by continued reliance on the department.

The NSW1 principal, with a background in departmental management, has a different view to most of his staff—tensions between financial autonomy and accountability are seen as challenges that can be solved locally rather than as burdens to be removed. His leadership of financial management innovations—such as a restructuring of NSW1’s finance committee and its processes—demonstrate this. By contrast the retirement of a more experienced and financially literate principal at VIC2, and the hiring of a less experienced principal, has resulted in a lack of solutions to that tension. Were such actions possible, which they are not, the VIC2 principal would cede financial accountability for staff to the department. This demonstrates avoidance behaviour (Oliver, 1991) and will probably lead to significant problems for the school in the future. The VIC1 principal, with a similar background in departmental management to his NSW1 counterpart, is also fortunate to have senior staff alongside him with complementary financial management skills and backgrounds. Consequently VIC1 is the case study school best placed to resolve tensions between financial autonomy and accountability, with the recently completed teaching and
administration building as an example. When direct departmental support is lacking, a principal with departmental or equivalent experience appears to be critical in initiating local solutions to the tensions between financial autonomy and accountability. Without such a principal the resolution has been to limit financial management decisions to the principal (NSW2), or to hope for change in policy (VIC2). Neither of these responses will further the implementation of autonomy.

10.4 Conclusions
School autonomy initiatives have been attempted all over the world. Research conducted on overseas initiatives is extensive (Section 2.4) and the findings similar—financial management capacity building (Gamage & Zajda, 2005) and ‘the leadership role of principals at the school level would seem crucial to the success of self-management’ (Abu-Duhou, 1999 pp.20-21). It is therefore surprising that, to date, at least two Australian state governments appear to have ignored those critical success factors when seeking to implement their own school autonomy initiatives. The research outlined in this thesis demonstrates that the approach schools take to resolving the tensions between financial autonomy and accountability is indeed dependent on their capacity to manage those tensions. Neither the NSW nor Victorian departments have accompanied their school autonomy initiatives with any serious attempt to build financial management or change management capacity in their schools. Instead, consistent with the previously highlighted (Section 5.2.2) findings of Pegler (1993), both departments appear content to cater for wide variability in the financial management capacity of their schools by insisting on a common integrated information system.

In summarising conclusions to the research questions identified in Section 1.2, this section reiterates the differing autonomy experience for case study schools and, consequently, their different and often suboptimal responses to resolving tensions between financial autonomy and accountability.
10.4.1 Specific conclusions to research questions

Responses to the research questions have been analysed in the four case study chapters and synthesised in this chapter. In summary the following specific conclusions were drawn from:

What degrees of autonomy are experienced by Australian public secondary schools?

- Victorian schools experience a high level of autonomy, being responsible for more than 90% of their operating budgets. In contrast, NSW schools experience a low level of autonomy. Although ostensibly further autonomy is to be granted to them, the experience of a NSW school in this research suggests that actual autonomy may decline.
- All schools experience a disconnection between the government’s financial autonomy policies and the support it provides for effective implementation.
- Disconnection between autonomy policy and support means that school size, financial management capacity and particularly the ability and experience of the principal are key determinants of the financial autonomy experience but they are not sufficient to overcome the disconnection.
- There is a relationship between school size and financial management capacity.
- Schools lead by principals with a departmental or equivalent background have more positive financial autonomy experiences than those who do not.

To whom and for what is accountability owed by Australian public secondary schools?

- Contrary to the literature, which suggests that the total group of stakeholders to whom the public sector must give an account has broadened and become more complex, only two key stakeholder groups—the department and the school community—are of any importance in this research.
- There is no interest among interviewees in rendering a financial account to the school community, because none believes that the school community has any interest in how financial resources are expended.
- The relevant departments are ostensibly concerned with both educational outcomes and financial management but their reporting processes imposed on schools fail to reconcile the financial resources deployed with the educational outcomes achieved.
• The accountability priorities of both the department and the school community mean that, contrary to the policy imperative to render an account for outcomes, schools continue to render a fiduciary account for the financial resources (inputs) entrusted to them, not outcomes.

**How do Australian public secondary schools discharge their accountability obligations?**

• Consistent with the literature, annual reports featured across all case study schools. These reports are however considered by interviewees to be ineffective in demonstrating accountability to other than the relevant department.

• The policy expectations of financial accountability are reflected in neither the annual report templates provided by government nor in the level of engagement from the school community.

• School initiated mechanisms for discharging accountability were similar and consistent with the lack of interest from the school community. None of the data collected via interviews, school newsletters or reports demonstrated any reporting on the connection between financial resources deployed and educational outcomes achieved.

**If diversity in accountability exists, how do the accountability frameworks of Australian public secondary schools differ?**

• Government policy, particularly in relation to integrated information systems, drives significant consistency in the accountability frameworks of schools within each state. The autonomy to determine accountability frameworks themselves within the context of government policy does not exist.

• Consequently school size, financial management capacity and the principal have minimal impact on the accountability frameworks of Australian public secondary schools.

**If there are tensions between financial accountability and autonomy, how are the tensions between autonomy and accountability manifested and resolved in Australian public secondary schools?**

• Significant tensions between financial accountability and autonomy in Australian public secondary schools were found. Those tensions are manifested by a disconnection
between government policy and practice but can be exacerbated by a school’s financial management capacity.

- Wide variability in the financial management capacity of government schools is addressed by each government (department) implementing a common integrated information system across its own schools. A centralised common ICT system may give the appearance of consistency, but does not resolve the tensions experienced locally.

- If financial management capacity is not present within the school, the resolution has been to limit the financial management decisions to the principal, or to hope for change in policy. Neither of these responses will further the implementation of autonomy.

10.4.2 Contribution of the research

This thesis makes a unique and timely contribution to understanding the challenges encountered in implementing financial autonomy in government schools. State-based public school systems remain the backbone of Australia’s education enterprise, with a high percentage of children enrolled in public schools and a consequently high accompanying cost (Section 1.3.1). The research is of particular relevance to school autonomy initiatives in regional areas of Australia’s two most populous states, which are quite divergent in terms of financial autonomy granted to their schools. It has the capacity to expand theory, policy and practice. It is of even more relevance to those states yet to fully embark on implementing financial autonomy, as it provides some guidance on what and what not to do. Further, there are signs more autonomy may be imposed as governments continually look for ways of improving education’s efficiency and effectiveness. An agreement between the Australian and Victorian governments to create more ‘independent public schools’ (Tomazin, 2014) is an example.

Despite the importance of public education and the significance of institutional theory, there has been little application of this theory to research in educational settings (for exceptions see Edwards et al., (1995); Arum (2000)), much less to Australian contexts. As far as financial autonomy and accountability is concerned, stability and conformity (DiMaggio &

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80 Section 2.4.7 reviewed the literature on school autonomy in Australian states and territories other than NSW and Victoria. There remains significant diversity between Australian jurisdictions in the levels, fields, and modes of decision making management at schools,
Powell, 1983; Sharma & Lawrence, 2008) as well as diversity and change (Lounsbury, 2008) are the reality in Australian government schools. The research reported in this thesis has confirmed institutional theory’s ability to explain that reality, including different strategic responses to institutional pressures (Oliver, 1991), but also its capacity to highlight deficiencies in departmental approaches to financial autonomy and accountability. The impact of differing normative and coercive isomorphism (DiMaggio & Powell, 1983) on the principals of case study schools, for example, provides a plausible rationale for their divergent and in some cases sub-optimal responses to the tensions between financial autonomy and accountability. The most significant pressures at work are coercive because there is little provision or take-up of professional development to help foster effective normative change. This research has demonstrated that coercive changes do not have the intended impact because granting schools autonomy without the resources to undertake it leaves them with diminished capacity and therefore limited autonomy. This is a finding consistent with the literature on autonomy and accountability in universities (Christensen, 2010) as well as wider the NPM literature (Hood & Peters, 2004).

The research reported in this thesis has also demonstrated that policies to grant government schools increased autonomy over how their public funding is used will not succeed without a comprehensive strategy to build and provide financial management capacity in those schools. This is a finding consistent with research conducted on the implementation of school autonomy policies in overseas jurisdictions (Moos, 2005; Sun, et al., 2007) and is a finding that Australian governments have, based on this research, yet to heed. There are however indications that the policy settings on government school autonomy in Australia may be changing. An agreement between the Australian and Victorian governments to create more ‘independent public schools’ specifically provides for more training for principals, assistant principals and business managers as well as a local administration bureau ‘which outsources time-consuming paperwork for small schools to education department experts’ (Tomazin, 2014). That policy change is appropriate because, as the research presented in this thesis has demonstrated, professional development and support for principals and school communities are critical in any policy to increase autonomy but especially for small regional schools.
Indeed the research presented in this thesis has shown that the disconnection between autonomy policy and support means that school size, financial management capacity and the principal determine the financial autonomy experience in practice. This research makes a significant contribution to the literature on the link between autonomy and accountability (Christensen, 2010; Christensen & Laegreid, 2007; Broadbent, et al., 2001) by identifying the key factors that, in the absence government supported capacity, impact a school’s autonomy experience (Figure 3.1). Common integrated information systems mean significant consistency in accountability frameworks but that consistency does not necessarily mean in practice that the accountability frameworks in Australian schools are effective. As well as implementation and utility issues with integrated information systems this research has captured the strong view of interviewees that the mandatory annual report is ineffective for demonstrating accountability (Sims & Clift, 2001; C. Ryan, et al., 2002; Kloot & Martin, 2000).

10.4.3 Limitations
The schools involved in this study were government owned and regional, within one defined geographic boundary in each state. The research findings may not be transferable to other schools, particularly to those in metropolitan areas. Although the research undertaken adopted a multiple-case design ‘so that... it predicts contrasting results but for anticipatable reasons (a theoretical replication)’ (Yin, 2009 p.54) only four case study schools were part of this research. Consequently the generalisability of the findings may be restricted.

10.4.4 Future research
Principals and other interviewees articulated a desire for enhanced financial management capacity at the school level. The research has demonstrated the consequences for the successful introduction of financial autonomy if such capacity is not present. Future research opportunities therefore include a broad based survey or audits of all government schools to assess their current financial management capacity and inform strategies for addressing deficiencies, particularly in relation to change management. The research also raised questions about the ability of education departments to ensure effective implementation of their own school level financial autonomy policies. Consequently a study
of education departments focused on their ability to build financial management capacity in their schools would be appropriate.

Further school case studies, including metropolitan areas and/or additional participants in the Local Schools, Local Decisions pilot, is also suggested. If these additional school case studies were undertaken over a period of several years it would provide more information on how autonomy changes over time. In contrast to financial autonomy implementation in NSW and Victoria, WA’s approach is for its government schools to be individually granted financial autonomy only after completing a ‘development program’ and passing a ‘rigorous selection process’ (Western Australian Department of Education, 2014). It would therefore be useful to undertake additional case studies from WA to compare how autonomy is impacted by training and without training.

Additionally this research demonstrated that departmental accountability mechanisms, most notably the mandated annual report template, lack reconciliation between the financial resources deployed and the educational outcomes achieved. It was also clear that the school annual report fails to engage potential readers. Research that considers more effective ways for schools to discharge an account for financial resources, particularly those that can demonstrate the relationship between financial resources deployed and the educational outcomes achieved is therefore suggested.
References


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Appendix A Ethics approval letters

Charles Sturt University

21 May 2012

Mr Warwick Baines
School of Accounting
BATHURST CAMPUS

Dear Mr Baines,

Thank you for the additional information forwarded in response to a request from the Human Research Ethics Committee (HREC).

The CSU HREC reviews projects in accordance with the National Health and Medical Research Council’s National Statement on Ethical Conduct in Research Involving Humans.

I am pleased to advise that your project entitled “Australian Public Secondary Schools: The Tensions Between Autonomy And Accountability” meets the requirements of the National Statement, and ethical approval for this research is granted for a twelve-month period from 21/05/2012.

The protocol number issued with respect to this project is 2012/067. Please be sure to quote this number when responding to any request made by the Committee.

Please note the following conditions of approval:

- all Consent Forms and Information Sheets are to be printed on Charles Sturt University letterhead. Students should liaise with their Supervisor to arrange to have these documents printed;
- you must notify the Committee immediately in writing should your research differ in any way from that proposed. Forms are available at: http://www.csu.edu.au/datas/assets/word_doc/0100/170833/ehrc_anwrep.doc
- you must notify the Committee immediately if any serious and or unexpected adverse events or outcomes occur associated with your research, that might affect the participants and therefore ethical acceptability of the project. An Adverse Incident form is available from the website as above;
- amendments to the research design must be reviewed and approved by the Human Research Ethics Committee before commencement. Forms are available at the website above;
- if an extension of the approval period is required, a request must be submitted to the Human Research Ethics Committee. Forms are available at the website above;
- you are required to complete a Progress Report form, which can be downloaded as above, by 21/05/2013 if your research has not been completed by that date;
• you are required to submit a final report, the form is available from the website above.

YOU ARE REMINDED THAT AN APPROVAL LETTER FROM THE CSU HREC CONSTITUTES ETHICAL APPROVAL ONLY.

If your research involves the use of radiation, biological materials, chemicals or animals a separate approval is required from the appropriate University Committee.

The Committee wishes you well in your research and please do not hesitate to contact the Executive Officer on telephone (02) 6338 4628 or email ethics@csu.edu.au if you have any enquiries.

Yours sincerely

[Signature]

Julie Hiles  
Executive Officer  
Human Research Ethics Committee  
Direct Telephone: (02) 6338 4628  
Email: ethics@csu.edu.au  
Cc: Associate Professor Joyce Blumen Ms Kay Fung
10 April 2015

Mr Warwick Baines
School of Accounting and Finance
BATHURST CAMPUS

Dear Mr Baines,

The CSU Human Research Ethics Committee (HREC) operates in accordance with the National Health and Medical Research Council's National Statement on Ethical Conduct in Research Involving Humans.

The HREC has reviewed your report requesting an extension for your research project "Australian public secondary schools: the tensions between autonomy and accountability", protocol number 2012/067 and I am pleased to advise that this request for an extension meets the requirements of the National Statement; and an extension for this research is granted for a twelve month period from 10 April 2015.

Please note the following conditions of approval:

- all Consent Forms and Information Sheets are to be printed on Charles Sturt University letterhead. Students should liaise with their Supervisor to arrange to have these documents printed;
- you must notify the Committee immediately in writing should your research differ in any way from that proposed. Forms are available at http://www.csu.edu.au/data/assets/word_doc/0012/963768/Report-on-Research-Project_20130503.doc (please copy the above link and paste into your browser to access the form) you must notify the Committee immediately if any serious and or unexpected adverse events or outcomes occur associated with your research, that might affect the participants and therefore ethical acceptability of the project. An Adverse Incident Form is available from the website; as above;
- amendments to the research design must be reviewed and approved by the Human Research Ethics Committee before commencement. Forms are available at the website above;
- if an extension of the approval period is required, a request must be submitted to the Human Research Ethics Committee. Forms are available at the website above;
- you are required to complete a Progress Report Form, which can be downloaded as above, by 12 February 2016 if your research has not been completed by that date;

Extension.doc

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Last updated: March 2015
Next review: March 2016
• you are required to submit a final report, the form is available from the
website above.

You are reminded that an approval letter from the CSU HREC constitutes **ethical**
approval only.

If your research involves the use of radiation, biological materials or chemicals
separate approval is required from the appropriate University Committee.

Please don’t hesitate to contact the Executive Officer: telephone (02) 6338 4628 or
email ethics@csu.edu.au if you have any enquiries about this matter.

Yours sincerely,

[Signature]

Julie Hicks
Executive Officer
Human Research Ethics Committee
Direct Telephone: (02) 6338 4628
Email: ethics@csu.edu.au

Cc: Dr Louise Eklund

This HREC is constituted and operates in accordance with the National Health and
Medical Research Council’s (NHMRC) *National Statement on Ethical Conduct in
Human Research* (2007)