

NEEDS-BASED FUNDING DISTRIBUTION POLICY

Organisation: LESNW
Department: Finance
Policy Title: Needs-Based Funding Distribution Policy
Policy Code: LESNW-POL-FN004 v2.0
Date of Implementation: 28 February 2026
Last Review Date: 18 April 2019
Next Review Date: 28 February 2029 or as required

1. POLICY IMPLEMENTATION

- 1.1 This policy is made in compliance with the Australian Education Act 2013 (Cwth) (the Act)\ and Australian Education Regulation 2023.
- 1.2 Lutheran Education SA, NT And WA (LESNW) will distribute to each school the school-specific Commonwealth Recurrent Funding amount calculated by the Commonwealth Government using the SRS funding model payable under Division 2 of Part 3 (funding formula for schools) of the Act.
- 1.3 Where LESNW receives other funding grants tied to specific programs or conditions from the Commonwealth and /or relevant State/Territory Governments, LESNW will allocate and acquit those funds in accordance with those specific grant conditions.
- 1.4 LESNW acknowledges that schools are best placed to identify and respond to local community needs, while the system is best placed to provide centralised compliance capability, stewardship, and coordinated needs-based support to its system of member schools.
- 1.5 A record of this policy is to be made publicly available on the LESNW website and upon specific request.

2. DEFINITIONS

- 2.1 Board refers to LESNW's Committee of Management (including delegated standing committees), acting as the governing body of the incorporated association. The Board will approve this policy and oversee system stewardship to ensure compliance with statutory obligations for needs-based funding distribution.
- 2.2 Commonwealth Recurrent Funding refers to the funding provided by the Australian Government to LESNW for the day-to-day operation of schools, calculated using the SRS model.
- 2.3 Lutheran Education SA, NT & WA (LESNW) is an incorporated not-for-profit association and registered charity that allocates resources in alignment with its constitutional objects. LESNW is regarded as a non-government system authority in accordance with the Act and is self-governed by the Board.
- 2.4 Schooling Resource Standard (SRS) funding model consists of a base amount plus six needs-based loadings, calculated using formulas in Part 3 of the Act.
- 2.5 System Development Fund (SDF) Levy is a LESNW needs-based system levy calculated as a floating percentage of each school's Commonwealth Recurrent

Funding, approved annually by the Board and charged separately. The SDF Levy is used to mitigate system risk, fund system-wide initiatives, limit exposure to historical liabilities, and pursue system expansion opportunities aligned with LESNW’s strategic intentions.

3. NEEDS-BASED FUNDING DISTRIBUTION MODEL

3.1 LESNW distributes Commonwealth Recurrent Funding to each school based on the Commonwealth Government’s calculation of the SRS model for that school (base amount plus loadings). The SRS is calculated under Part 3 of the Australian Education Act 2013. The needs-based loadings referenced in section 78(5)(b) are provided as calculated to each school and its students.

The six needs-based loadings are:

1. Students with disability (SWD);
2. Aboriginal and Torres Strait Islander students (ATSI);
3. Students with socio-educational disadvantage (SED);
4. Students with low English language proficiency (LEP);
5. Schools based on location (LOC);
6. Schools based on size (SIZE).

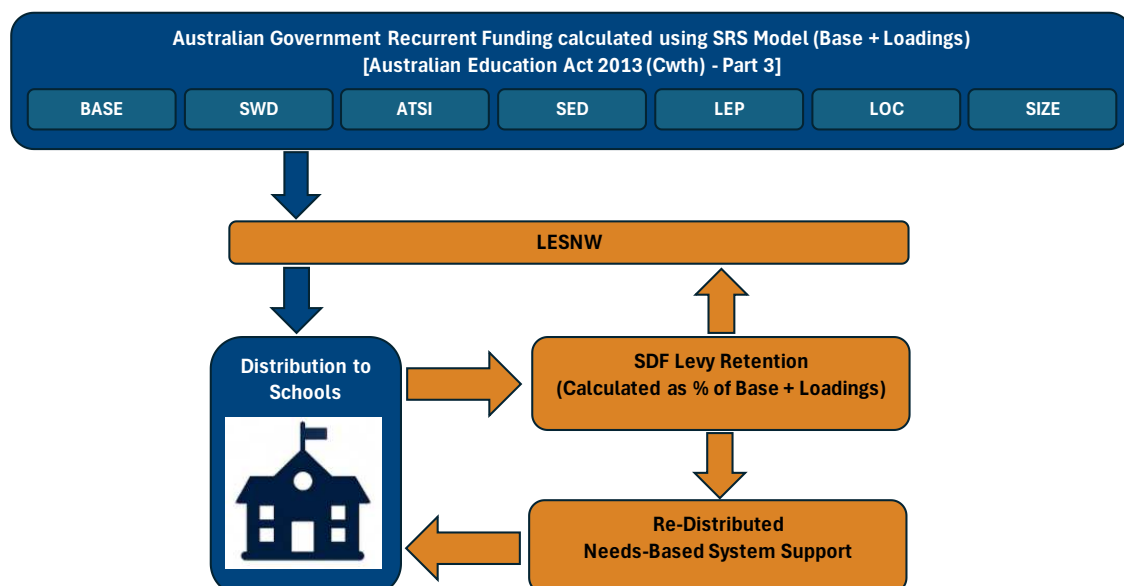
4. SYSTEM DEVELOPMENT FUND (SDF) LEVY

4.1 The SDF Levy provides a cost-recovery mechanism for LESNW as an approved system authority to mitigate system risk, fund system-wide initiatives, limit system exposure to historical liabilities, and pursue system expansion opportunities aligned with LESNW’s strategic intentions, under the guidance of the LESNW Board (or delegated subcommittee) and in partnership with system schools. The SDF levy percentage for the forthcoming year is estimated based on expected SDF commitments and is approved through LESNW budgetary and governance processes.

4.2 The SDF Levy is reconciled annually to reflect changes in current-year enrolment levels and movements in SDF commitments.

4.3 The effectiveness of the SDF relies on all member schools contributing equitably. Funds contributed by members to the SDF do not remain the property of the member school and are administered by the Board (or a delegated subcommittee), as applicable.

4.4 The operation of the SDF is in alignment with the LESNW-TOR-FN002 (Terms of Reference – System Development Fund Policy).



5. POLICY MANAGEMENT & EVALUATION

- 5.1 Board refers to LESNW's Committee of Management (including delegated standing committees), acting as the governing body of the incorporated association. The Board will approve this policy and oversee system stewardship to ensure compliance with statutory obligations for needs-based funding distribution.

6. APPROVAL OF POLICY

This policy has been ratified.

SYSTEM DEVELOPMENT FUND TERMS OF REFERENCE

Organisation:	LESNW
Department:	Finance
Policy Title:	Terms of Reference – System Development Fund Policy
Policy Code:	LESNW-TOR-FN002 v2.0
Date of Implementation:	28 February 2026
Last Review Date:	9 April 2019
Next Review Date:	28 February 2029 or as required

1. BACKGROUND & PURPOSE

- 1.1 The System Development Fund (SDF) provides a cost-recovery mechanism for Lutheran Education SA, NT and WA Inc. (LESNW) as an approved system authority under the Australian Education Act 2013 (Cwth) to mitigate system risk, fund system-wide initiatives, limit system exposure to historical liabilities, and pursue system expansion opportunities aligned with LESNW’s strategic intentions, under the guidance of the LESNW Board (or delegated sub-committee) and in partnership with system schools.
- 1.2 Historically, the SDF has been funded by redistributing a percentage of Australian Government recurrent funding in line with previous policy determinations and practices. Whilst this method was appropriate for managing system requirements, changes to the recurrent funding distribution model since 2018 have required additional transparency and accountability in disbursing these funds to the LESNW system.
- 1.3 From 2018, the SDF is funded via a needs-based system levy calculated as a floating percentage of each school’s Commonwealth Recurrent Funding entitlement, approved annually by the LESNW Board (or delegated sub- committee) and charged separately.
- 1.4 The SDF exists to provide stakeholders with confidence that member schools are operating in a “going concern”
- 1.5 capacity, ensuring the ongoing delivery of quality educational outcomes for their respective communities. The SDF operates within LESNW’s existing financial monitoring and risk management frameworks.

2. SOURCE & CALCULATION OF THE FUND

- 2.1 The SDF levy is calculated as a percentage of each school’s allocated Commonwealth Recurrent Funding (base plus Loadings) for the forthcoming year and is estimated based on expected SDF commitments. The SDF levy is approved annually through the LESNW budgetary and governance processes.

- 2.2 The SDF levy (including any distributions) may be reviewed annually by the LESNW member schools via a requested Extraordinary General Meeting or as deemed appropriate by the LESNW Board.
- 2.3 The effectiveness of the SDF relies on all member schools contributing equitably. Funds contributed by member schools to the SDF do not remain the property of the school and are administered by the LESNW Board (or delegated sub-committee), as applicable.
- 2.4 The SDF levy will be charged in instalments in alignment with the Australian Government's recurrent funding distribution schedule. The final SDF levy for any calendar year will be adjusted for any changes to a member school's Commonwealth recurrent funding entitlement.
- 2.5 The SDF levy is reconciled annually at the end of each calendar year, with the distribution of any surplus SDF monies determined by the LESNW Board (or delegated sub-committee).
- 2.6 The operation of the SDF complements the LESNW-POL-FN004 (Needs-Based Funding Distribution Policy).

3. DEFINITION AND ELIGIBILITY

- 3.1 LESNW system schools experiencing current or foreseeable financial distress or demonstrated need are eligible to request access to SDF assistance upon written application.
- 3.2 Each written application will be assessed on its own merits by the LESNW Finance Risk and Audit Committee (hereafter FRAC), who has delegated authority granted by the LESNW Board, and if deemed successful, financial assistance will be provided to the applying member in support of their request.
- 3.3 The LESNW FRAC will be responsible for conducting a risk assessment as part of the application review process and determine strategies to mitigate against further risk exposure. Any identified third-party costs associated with conducting an appropriate risk assessment may be recoverable from the SDF upon LESNW FRAC endorsement of substantiated documents.
- 3.4 The risk assessment will have the authority to assess and make recommendations on the following areas:
 - leadership structures,
 - governance effectiveness,
 - management activities,
 - enrolment trends and competitor analysis,
 - curriculum and pastoral care programs,
 - internal process controls,
 - supplier agreements,
 - fee structures,
 - debt arrangements, and
 - financial models and benchmarks.
- 3.5 The LESNW FRAC's risk assessment will help identify the most effective strategies to best address the member's circumstance.
- 3.6 Data gathered in the risk assessment process will confirm demonstrated need and eligibility for financial assistance if it demonstrates that:
 - circumstances exist which have been unexpected or unintended;
 - the circumstances are contributing to severe financial distress requiring the applicant member to compromise on the educational program offering,

and/or significantly reduce the quality of education with a resultant impact upon parent/student satisfaction;

- the applicant member's governing body can demonstrate that it has exhausted all options to remedy the financial situation of the school and an immediate need for financial assistance still exists;
- the financial hardship is regarded as short to medium term to the extent that any financial assistance provided will be reasonably expected to improve the circumstances for the school facilitating them to re- establish an operating position that is sustainable and financial obligations can be met.

3.7 By making application to access the SDF, successful members are obligated to comply fully with the conditions and strategies identified by LESNW FRAC for the duration of the assistance.

3.8 Application, to access the SDF can also be made to the LESNW Regional Office Finance Team (e: finance@lesnw.edu.au).

3.9 Any beneficial system-wide initiatives allocated to the SDF will be managed and reviewed regularly on their own merits by the LESNW FRAC with endorsement provided where appropriate.

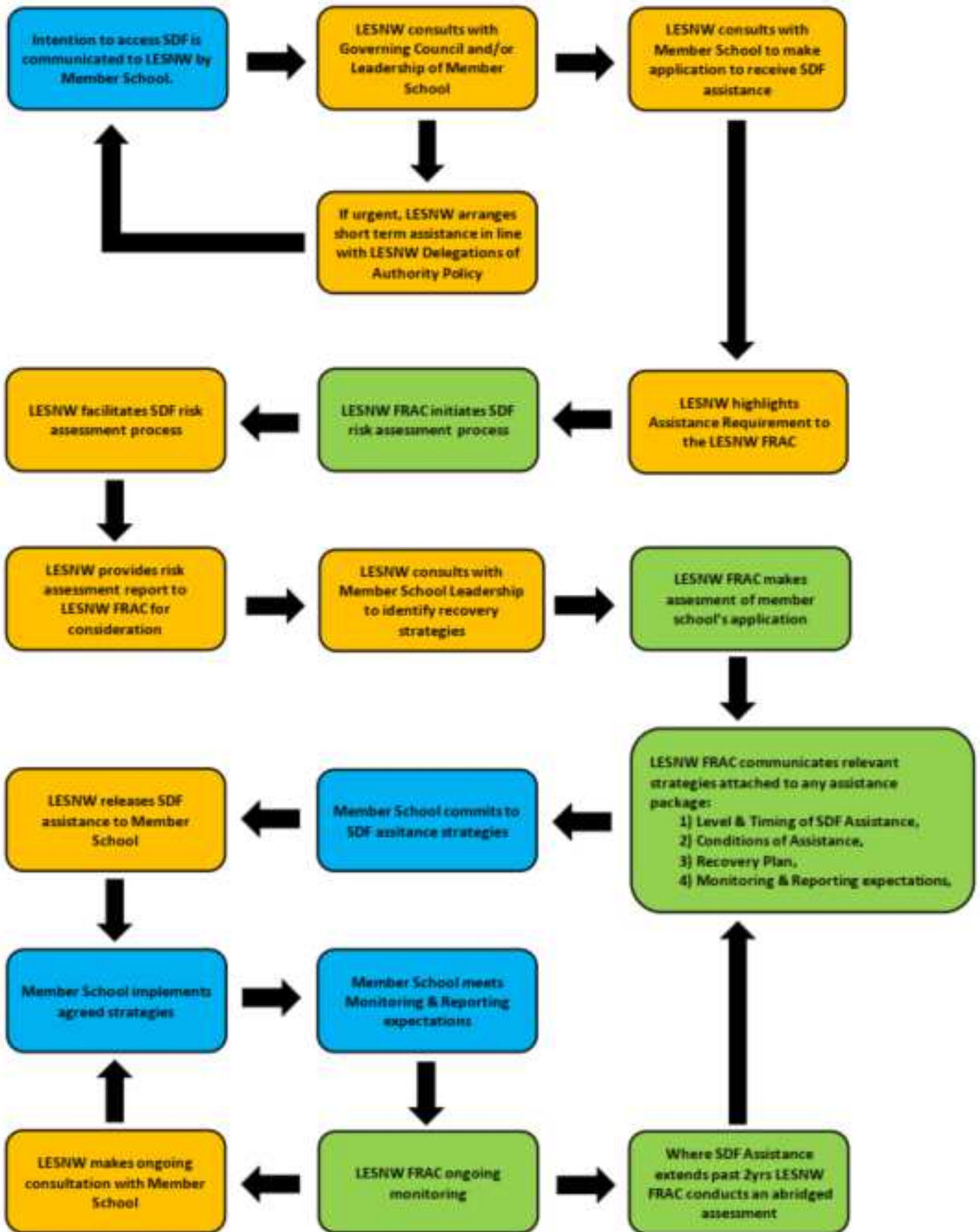
4. PRINCIPES OF FINANCIAL ASSISTANCE

4.1 The SDF is a mechanism for providing financial assistance within a timeframe that enables the school to mitigate current and foreseeable financial hardship, reducing the likelihood of ongoing financial distress. The SDF relies on those members accessing the fund to work cooperatively with LESNW FRAC to support financial sustainability.

4.2 Member Schools receiving financial assistance from the SDF agree to demonstrate regular compliance with any agreed recovery plan and with the conditions required by the LESNW FRAC. Continued review and monitoring by LESNW FRAC may continue even if SDF financial assistance has ceased.

4.3 Where SDF assistance is required beyond two calendar year periods, the LESNW FRAC may reassess the third and future years' assistance via an abridged assessment process to ensure that the SDF mechanism is the most appropriate for the member school's circumstances. The nature of an abridged review process will be determined by LESNW FRAC on a case-by-case basis, and outcomes communicated to the assisted member school in line with appropriate practices.

5. SYSTEM DEVELOPMENT FUND APPLICATION & REVIEW PROCESS



6. POLICY MANAGEMENT & EVALUATION

6.1 This policy is to be read in conjunction with the LESNW-POL-FN004 (Needs-Based Funding Distribution Policy) and reviewed as a need arises.

7. APPROVAL OF POLICY

This policy has been ratified.