



## Understanding Commonwealth funding of independent schools in 2014

**Since the first payment advice was sent to schools, the Australian Government has often presented school funding as if all schools are being funded according to the new Schooling Resource Standard (SRS) in 2014.**

In reality, in the independent sector only a few schools are being funded according to the SRS funding model. The vast majority of independent schools are in transition i.e. their funding is either increasing or decreasing over time towards the value of their SRS entitlement.

Schools in transition are not receiving the loadings as outlined in the legislation because they are not receiving funding based on the SRS funding calculation. Some schools receive less and some receive more. In the independent sector, nearly 80% of schools are 'below the SRS', so 80% of independent schools are receiving less than the "full loadings".

In 2014, the only additional money that schools in transition will receive over and above their 2013 funding is either a proportion of their additional funding entitlement, a funding safety net of 3% or indexation of 3%, as outlined below.

### The SRS Funding Model

The SRS funding model was introduced in 2014 after several years of negotiation between the then Australian Government, state and territory governments and the non-government school sectors. The aim of negotiations was to create a national funding model for all schools. This proved to be impossible. Due to the different negotiation processes and 'deals' struck, there now exist a multitude of different funding paths for schools depending on school sector and location.

The SRS funding model is extremely complex, and

misunderstandings regarding the delivery of the additional funding abound. Funding entitlements for schools have been presented in such a way that it is almost impossible for schools to understand how they are being funded. The rhetoric that all schools are being funded according to the SRS funding model, when most are not, has led to confusion not only for schools but also for the wider community, which may be under the impression that schools are receiving higher levels of support than they actually are.

The SRS funding model has two main components.

#### 1. Base funding

The base funding in the SRS funding model is a per student amount which aims to measure the cost of effective and efficient provision of schooling. The base amount will be indexed annually by 3.6% to reflect estimated increases in the costs of all schools. In 2014, the base funding amounts are;

Primary - \$9,271

Secondary - \$12,193

The amount of base funding a non-government school receives is reduced by the school community's 'capacity to contribute', measured using the previous funding model's SES scores. Some independent schools are entitled to as little as \$1,854 per student.

#### 2. Loadings for disadvantage

There are six loadings designed to address different areas of disadvantage. These are;

- Size
- Location
- Low SES
- English Language Proficiency
- Students with Disability
- Indigenous students

The loadings are intended to be fully publicly funded.

However, only new schools will be immediately funded under the new funding model. Funding for all pre-existing schools will transition from the previous funding model to the SRS funding model.

### What is the transition?

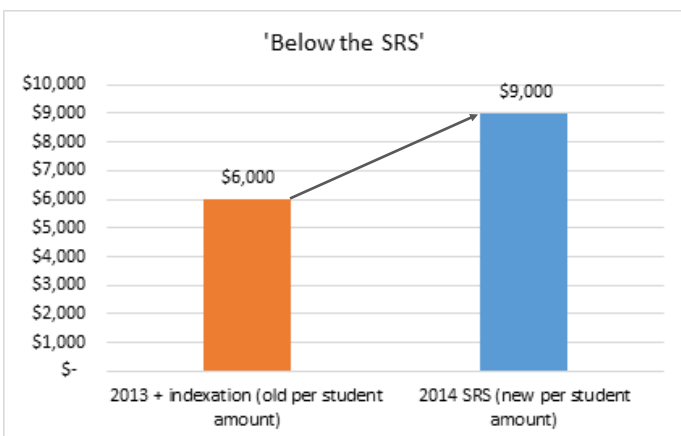
The SRS funding model was originally envisaged to include a transition period of 6 years from 2014 to 2019 to enable the full introduction of the new model, with the bulk of additional funding being available to schools in the last two years of the transition. The Coalition Government has committed to the first four years, only 2014 to 2017.

Unless this policy changes, a school's transition to its SRS will cease in 2017 irrespective of where a school is along its transition path. Hence the majority of independent schools will never receive the greater part of additional funding under the new funding model.

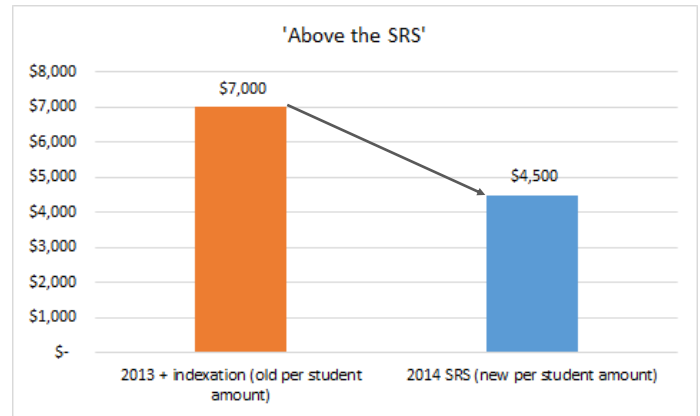
### What is transition funding?

To calculate the funding path of a school, first a comparison is made. This comparison is between a school's indexed 2013 total public recurrent funding<sup>1</sup> (an estimate of what a school would have received in 2014 under the previous funding model) and what the Department of Education calculates its 2014 funding would be if the school was funded according to the SRS funding model.

If a school's calculated SRS funding (new per student amount) is higher than its indexed 2013 funding (old per student amount), then the school is 'below the SRS' and will transition up towards the SRS over time.



If a school's indexed 2013 funding is higher than its SRS funding, then it is 'above the SRS' and it will transition down to the SRS over time.

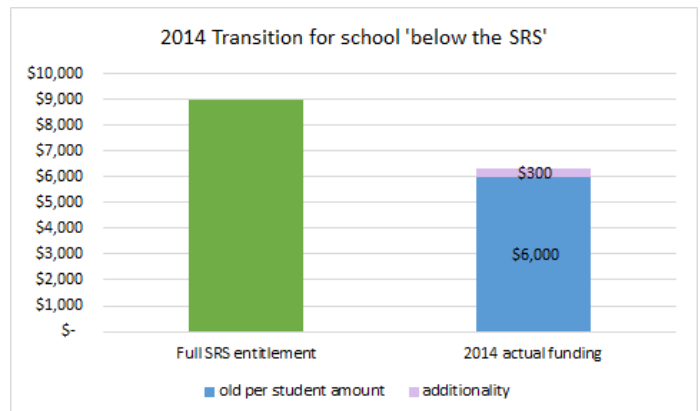


### Calculating transition funding

If a school is 'below the SRS' in 2014, its funding is based on its indexed 2013 total public recurrent funding plus a percentage of the gap between the old and new funding entitlements. The 'percentage of the gap' is referred to as 'additionality', and varies between states and territories and from year to year<sup>2</sup>. For example:

**School A** is 'below the SRS'

- Additionality in school A's state in 2014 = 10%
- Old per student amount = \$6,000
- New per student amount = \$9,000
- Difference = \$3,000
- Amount of additionality = 10% or \$300 per student
- 2014 funding = old per student amount + additionality = \$6,000 + \$300 = \$6,300



Once 2014 actual funding has been determined, the relative share of the Commonwealth and the states and territories is applied to the additionality. This is based on the proportion of funding schools received from both sources in 2013.

In the pure SRS model, a school 'below the SRS' would receive its 2013 Commonwealth recurrent funding

<sup>1</sup> In the funding model, 2013 Commonwealth funding has been indexed by 2.9% while different indexation rates have been applied to state and territory government funding in each jurisdiction.

<sup>2</sup> The proportion of additionality received by any school in a given year depends on the school's sector and state and the agreement between the Australian Government and the relevant state or territory government.

indexed to 2014 plus the Commonwealth share of additionality and the same from the state or territory government i.e. its 2013 state recurrent funding indexed to 2014 plus the state share of additionality.

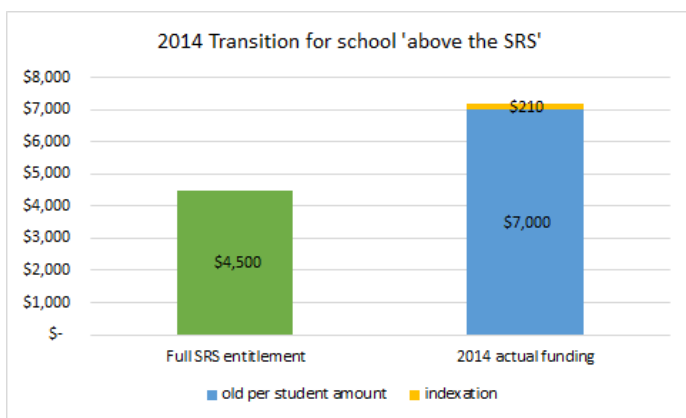
The Australian Government is committed to funding all schools in Australia according to the new SRS funding model for a quadrennium to 2017. However, not all states and territories have signed up to the new funding model. Of those that have signed, some have indicated that they will not use the SRS funding model to calculate their grants to schools.

This means that while all independent schools should receive their Commonwealth share of additionality, the extent to which they receive their state or territory share of additionality towards their SRS entitlement will vary from state to state.

If a school is 'above the SRS' in 2014, its funding will be its 2013 total public recurrent funding plus 3% indexation. For example:

**School B** is 'above the SRS'

- Old per student amount = \$7,000
- Indexation is 3%
- 2014 funding = old per student amount + indexation = \$7,000 + \$210 = \$7,210



In 2014, a school that is 'above the SRS' would receive its 2013 Commonwealth recurrent funding indexed by 3%. Under the SRS funding model the school should also receive its state recurrent funding indexed by 3%. However, as with schools that are 'below the SRS', how the school is funded by the state will vary between states.

Under the model, as the SRS is being indexed at 3.6% per year, and a school 'above the SRS' receives 3% indexation every year, eventually the gap between the funding received by a school 'above the SRS' and its SRS entitlement will slowly diminish. These schools will continue to receive 3% indexation for as long as it takes

for the SRS entitlement to catch up to the indexed amount.

So if a school is 'below the SRS' it is receiving less than its SRS entitlement, but with a higher rate of indexation and some additionality, and if a school is 'above the SRS' it is receiving more than its SRS entitlement, but with a lower rate of indexation.

Unfortunately, the payment advice provided by the Department of Education to schools fails to explain these transition arrangements and presents funding information as if all schools are being funded according to the SRS.

**Safety net funding for 2014**

In the original negotiation process with the previous Government, an undertaking was given that no school would lose money in real terms – which roughly translated to 'would receive a funding increase of no less than 3%', equivalent to the funding guarantee being provided for schools 'above the SRS'. In 2014 the indexation applied for Commonwealth funding was relatively low (2.9%) and it was conceivable that a school could be 'below the SRS' but entitled to less than its 2013 funding plus 3% indexation. For this reason a safety net was put in place that guarantees Commonwealth funding of 2013 funding plus 3% indexation for schools in this situation in 2013.

**How the Department of Education has presented transition funding**

The calculation for a school's 2014 SRS entitlement includes base funding and the various loadings for disadvantage. Using available data, the Department of Education calculates what a school would be entitled to if it were fully funded under the SRS and what proportions are accounted for by the various components. These calculations only account for Commonwealth funding for schools.

**School C – 2014 Commonwealth Funding 'Below the SRS'**

For example, the Commonwealth portion of School C's SRS funding entitlement for 2014 is calculated to be \$3.17 million made up of base and loadings. However this school is 'below the SRS' and in transition. Its actual funding entitlement is \$2.77 million, which is comprised of its indexed 2013 funding plus additionality. This represents 87% of the school's full 2014 SRS entitlement.

The payment advice however is presented as if the school is being funded according to the SRS with the same proportions, just the dollar amounts differ.

	Commonwealth SRS Entitlement		Transition Funding as if it were SRS	
	\$	%	\$	%
<b>Base funding</b>	\$ 2,196,233	69.3%	\$ 1,920,444	69.3%
<b>Location</b>	\$ 51,809	1.6%	\$ 45,303	1.6%
<b>ELP</b>	\$ 3,440	0.1%	\$ 3,008	0.1%
<b>ATSI</b>	\$ 66,896	2.1%	\$ 58,496	2.1%
<b>Low SES</b>	\$ 526,808	16.6%	\$ 460,655	16.6%
<b>SWD</b>	\$ 172,760	5.5%	\$ 151,066	5.5%
<b>Size</b>	\$ 150,161	4.7%	\$ 131,305	4.7%
<b>Total</b>	<b>\$ 3,168,108</b>	<b>100.0%</b>	<b>\$ 2,770,277</b>	<b>100.0%</b>

There are two main issues with this presentation.

First, the calculation of transition funding has very little to do with the actual SRS funding formula except for the initial comparison. For schools ‘below the SRS’, the dollars are largely determined by the funding received under a previous funding model. For schools ‘above the SRS’, the funding is entirely based on the funding received under a previous funding model, not on a base SRS plus loadings model.

Second, these figures are now being used by the Government and the Department of Education to argue that schools are receiving particular loadings for disadvantage. Given how the transition calculations actually work, this is not an accurate presentation. This presentation of a school’s funding entitlement distorts the value of the various loadings depending on how far away from the SRS the school’s funding is.

For example, School C has 11 students with disability (SWD). If it was receiving its full SRS funding in 2014, the school would get the full loading for each SWD, which for this school would be \$15,705. But because the school is transitioning up towards its SRS entitlement, it is only receiving 87% of its SWD loading, or an apparent \$13,730 per SWD, in 2014.

**School D – 2014 Commonwealth Funding ‘Above the SRS’**

Schools ‘above the SRS’ have the opposite issue as their 2014 funding is greater than their SRS entitlement. The Commonwealth portion of School D’s SRS funding entitlement for 2014 is calculated to be \$2.48 million made up of base funding and loadings. Because the school would have received more funding under the previous funding model, it is ‘above the SRS’ and in 2014 will actually receive \$2.97 million from the

Commonwealth. This represents 120% of the schools’ SRS entitlement.

However, using the Department of Education’s methodology, the figures are presented as though the school is being funded under the SRS.

	Commonwealth SRS Entitlement		Transition Funding as if it were SRS	
	\$	%	\$	%
<b>Base funding</b>	\$ 2,288,143	92.2%	\$ 2,736,870	92.2%
<b>Location</b>	\$ -	0.0%	\$ -	0.0%
<b>ELP</b>	\$ 3,667	0.1%	\$ 4,386	0.1%
<b>ATSI</b>	\$ 22,123	0.9%	\$ 26,461	0.9%
<b>Low SES</b>	\$ 41,219	1.7%	\$ 49,303	1.7%
<b>SWD</b>	\$ 125,608	5.1%	\$ 150,241	5.1%
<b>Size</b>	\$ -	0.0%	\$ -	0.0%
<b>Total</b>	<b>\$ 2,480,760</b>	<b>100.0%</b>	<b>\$ 2,967,261</b>	<b>100.0%</b>

School D has 9 students with disability. If it was receiving its SRS funding in 2014, the school would get the full loading for each SWD which for this school would be \$13,956. But because the school is transitioning down to its SRS entitlement, it receives 120 % of its SWD loading, or an apparent \$16,693 per SWD, in 2014.

**So what does this mean for your school?**

One of the main issues with the presentation of the funding advice provided by the Department of Education is that a school sees the amounts labelled ‘Students with Disability’, or ‘English Language Proficiency’ and may conclude that that is the funding it has received for that purpose, even when the amounts are not actually based on loadings calculations. These figures are in fact a school’s 2013 funding plus either a proportion of its additional funding entitlement, a safety net of 3% or indexation of 3%, depending on where it sits in the transition.

For schools which have a very large gap between their old funding and their SRS funding entitlement, the amounts shown for the various loadings in the payment advice can verge on the nonsensical.

**Schools need to exercise caution when interpreting their payment advice and apply common sense to the allocation of funds to addressing areas of disadvantage.**

## **Is my school getting extra money for loadings?**

If your school is 'on the SRS' then you are being funded according to the SRS calculations. If your school is 'below the SRS' then you are getting a small amount from additionality. If your school is 'above the SRS' then no, you are not receiving any additional funding for loadings.

## **Can I predict my funding next year?**

Not with any certainty. Funding for 2015 will be based on a recalculation of the comparison between old and new per student amounts which depends on a number of factors, including the demographic profile of your school.

## **Does this methodology apply to school systems?**

The SRS funding model is not based on the funding of schools, but rather the funding of Approved Authorities. Most independent schools are their own approved authority. However for Approved Authorities for school systems, the calculations above are worked out for the system as a whole and the system is determined to be either 'above the SRS' or 'below the SRS'. This determines the transition funding process applied to each school in the system.

Systems, including government school systems, must have an approved "needs-based funding arrangement" for the internal distribution of funds for schools. However, there is no obligation on any system to actually fund schools according to the SRS model, even in signatory states and territories. Systems can continue to fund schools according to their own needs-based funding arrangements.

For more information see **ISCA Independent Update Issue 3 2014 – The SRS Funding Model** available on the ISCA website at [www.isca.edu.au](http://www.isca.edu.au).