



The SRS Funding Model

In 2010, then Education Minister Julia Gillard commissioned a major review of school funding in Australia. A panel produced a report in February 2012 (the 'Gonski Report') which recommended that a new national funding model for all schools be based on a schooling resource standard with additional loadings to address educational disadvantage.

The Australian Government then entered into negotiations with each state and territory government as well as the independent and Catholic school sectors in an attempt to gain their 'sign-on'. Ultimately, the NSW, ACT, SA, Tasmanian and Victorian governments 'signed-on' to the new funding model but under very differing conditions, while the WA, QLD and NT governments refused to adopt it. Non-government schools had no choice but to participate.

Australian Education Act 2013

The Australian Education Act was passed in June 2013 which specifies in detail the new funding model. It also details the compliance requirements for 'approved authorities', both individual schools and school systems.

The new funding model commenced in January 2014 but it is to be phased in over many years under extremely complex transition arrangements and is significantly different to that envisaged by the funding review panel. The seamless national funding model originally proposed has not eventuated.

The legislated funding model only applies directly to the approximately 900 non-systemic independent schools. The other 8,700 schools in Australia belong to systems and the system authorities can decide how to distribute funding for their schools.

Base Funding—Schooling Resource Standard

The per-student component is based on the Schooling Resource Standard (SRS) which aims to measure the

cost of effective and efficient provision of schooling. The SRS amounts are based on the resources used by high-achieving schools (reference schools), as identified by their performance in the National Assessment Program – Literacy and Numeracy (NAPLAN). The base amount will be indexed annually by 3.6% to reflect estimated increases in the costs of all schools.

Government schools receive the full amount of the SRS.

However, the SRS amount for non-government schools is adjusted according to a measure known as 'capacity to contribute'.

Some non-government schools, such as special schools, special assistance schools, majority indigenous schools and remote 'sole provider' schools are to receive the full SRS per student amount if and when the full transition occurs.

Capacity to contribute

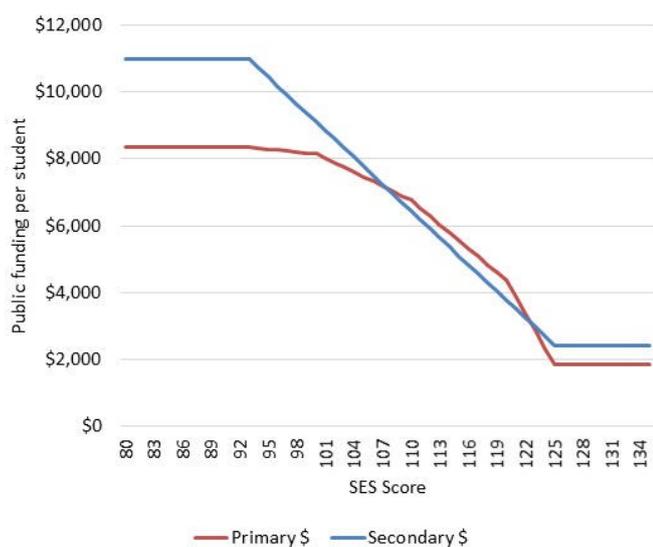
The main difference between how government and non-government schools are funded is that non-government schools' base funding is subject to 'capacity to contribute'.

This means that the amount of base funding they receive is dependent on their schools' community's estimated capacity to contribute to the cost of schooling. Schools with a higher estimated capacity to contribute receive less per capita base funding.

The assessment of capacity to contribute is made using schools' SES scores. A differential capacity to contribute line for primary and secondary has been introduced "to reflect the different fee structure in schools in the non-government sector". This adds complexity to calculations.

Non-government school systems are able to use a student weighted average SES score to calculate the amount of public funding.

Non-government sector 'capacity to contribute settings based on 2014 SRS



Loadings

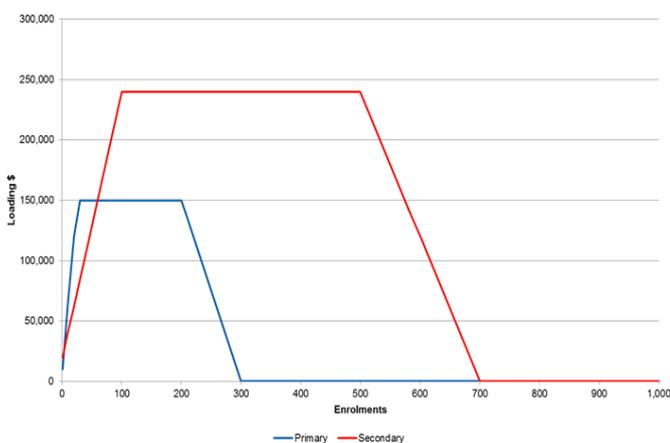
The loadings are designed to address six specific areas of disadvantage.

While all loadings are to be fully publicly funded, it is important to note that **the loadings are subject to transition arrangements**. This means that they will not be paid in full until the SRS funding arrangements are fully implemented. This will take many years.

Size

The size loading is intended to take into account particular circumstances of small schools and schools outside metropolitan areas

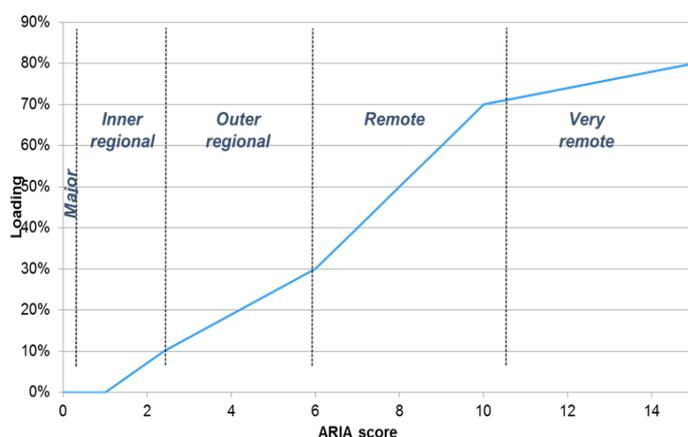
- \$150,000 for primary schools up to 200 students reducing to zero for 300 plus (capped at 15 students)
- \$240,000 for secondary schools up to 500 students reducing to zero for 700 plus (capped at 100 students)



Location

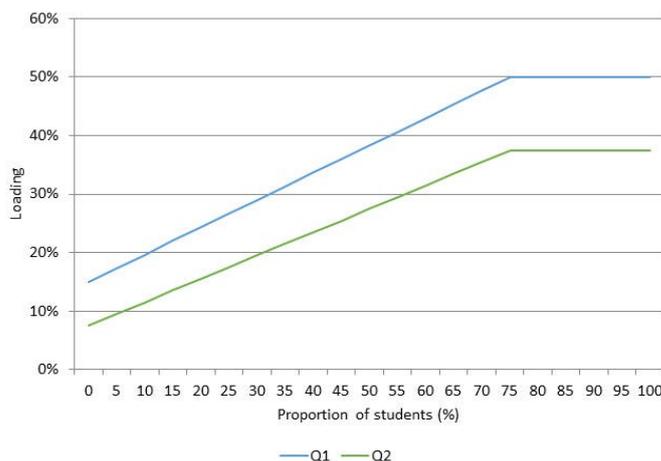
The location loading is based on Accessibility/Remote Index of Australia (ARIA).

- Inner Regional schools - up to 10% of the per student amount
- Outer Regional schools - between 10% and 30% of the per student amount
- Remote schools - between 30% and 70% of the per student amount
- Very Remote schools - between 70% and the maximum loading amount of 80% of the per student amount



Low SES

The low SES loading applies to the lowest 50% of students as measured by the Australian Curriculum, Assessment and Reporting Authority (ACARA) using the Socio-Educational Advantage (SEA) quartiles used in the calculation of the Index of Community Socio-Educational Advantage (ICSEA). Students in Quartile 1 receive between 15% and 50% of SRS depending on the total percentage of students in the quartile. Students in Quartile 2 receive between 7.5% and 37.5% of SRS depending on the total percentage of students in the quartile.



Students with Disability

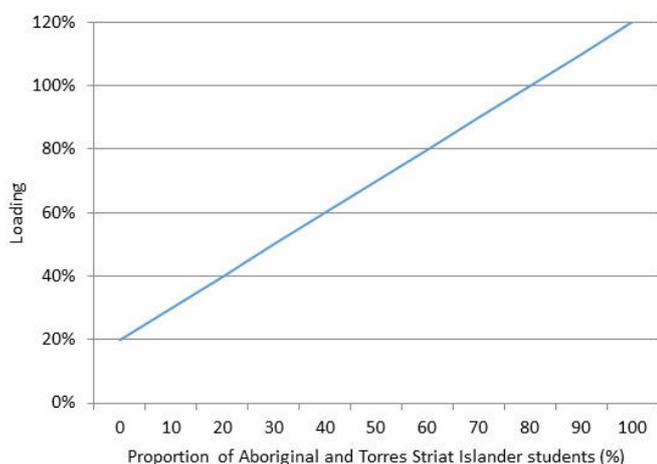
The interim disability loading has been set at 186% and current funding under the More Support for Students with Disability National Partnership has been extended for a further year for 2014. Additionally, non-government special schools will be eligible for a higher loading rate of 223% per SWD. This loading, along with all others, is being phased in over several years. It is anticipated that a nationally consistent data collection on students with disability may eventually inform the future development of a funding loading for students with disability.

Low English language proficiency

In 2014, an interim loading has been set based on an existing proxy measure of disadvantaged students from a language background other than English. The loading is calculated at 10% per student. There is on-going work to agree on a more accurate, nationally consistent way to identify students with limited English language skills who need more support.

Indigenous

Every indigenous student in every school attracts a loading. The loading starts at 20% of the per student amount for the first Aboriginal or Torres Strait Islander student in a school, increasing up to 120% for schools with 100% Aboriginal and Torres Strait Islander students.



Transition Arrangements

The new funding model is not being fully implemented immediately. The funding model was originally intended 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 only committed to the first four years – 2014 to 2017. Hence it is unlikely that the majority of schools will receive the greater part of additional funding under the new funding model.

On average, 65% of additional funds received each year ('additionality') will come from the Commonwealth and 35% from the State/Territory. All States/Territories were expected to transition to 95% of SRS entitlement by 2019 except for the ACT which was to transition to 100% in 2019. However, each State and Territory has a different transition pathway and furthermore, transition rates may vary between sectors. For example, in 2014 independent schools in NSW will receive 6.4% of additionality and independent schools in the ACT will receive 16.7% of additionality.

New schools will be funded at their SRS entitlement i.e. base funding plus loadings for disadvantage.

Signatory and non-signatory states and territories

The transition arrangements were also predicated on every state and territory adopting the new SRS funding model for their own distribution of funding to schools and committing to an indexation rate of 3%, to be achieved in either 2015 or 2016.

However, even within signatory states, some will not be funding schools according to the SRS model. Further, there is no obligation on non-signatory states to use the model or to implement any particular indexation rates in their own payments to schools.

Indexation

There are differential transition indexation arrangements in place for schools which are either currently receiving more funding than their SRS funding entitlement ('above the SRS') or which are receiving less funding than their SRS funding entitlement ('below the SRS'). Schools which are receiving their SRS funding entitlement ('at the SRS') will receive indexation of 3.6%.

Schools 'below the SRS'

Schools which will receive more funding under the SRS model are regarded as being 'below the model'. These schools will receive their existing Commonwealth funding indexed at 4.7% and a percentage of the additional funding they are entitled to under the SRS. State or territory funding will depend on the arrangements in place for that state.

Schools 'above the SRS'

Schools which would receive less funding under the SRS model are regarded as being funded 'above the model'. So that these schools do not lose funding in real terms, in 2014 they will receive their existing Commonwealth 2013 funding plus 3% indexation. They will continue to receive 3% indexation every year until their public funding meets their SRS entitlement. State or territory funding will depend on the arrangements in place for that state.

Department of Education payment advice

The figures provided to independent schools above or below the SRS in the payment advice accompanying the January 2014 payment presented schools' funding entitlements as if schools were being funded according to the new funding model i.e. funding was presented as a percentage split between their SRS base and the various loadings. In reality, a school's funding is based on the transition arrangements outlined above. The Department of Education estimated what schools would have received under the SRS funding model if fully implemented in 2014 and applied the relative proportions of base funding and loadings to schools' transitional funding entitlements. This does not reflect the actual calculation methodology of the 2014 payments and has caused significant confusion for schools.

Systems

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.

Future of the model

The Coalition government has committed to funding the first four years of the new funding model. In the 2014 Budget, the government announced its intention to base indexation on the level of CPI from 2018 on.

The Minister for Education has also announced five reviews to commence in 2014 which could affect the SRS funding model. These are:

- Legislation (reduction in red tape)
- Indexation

- Student with Disability
- English Language Proficiency
- Low Socio-Economic Status

In addition to committing to removing the "command and control" features of the Australian Education Act 2013, the Coalition government has committed to ensuring that all states and territories are receiving the full quantum of Commonwealth funding for schools committed by the previous government for the first four years, regardless of whether they have signed bilateral agreements or not.

National Commission of Audit

The report of the National Commission of Audit, released on 1 May 2014, included a specific recommendation in relation to schools funding. Recommendation 23 recommends transferring all policy and funding responsibility for government and non-government schools to the States, with annual funding provided in three separate, non-transferrable pools - one each for government schools; Catholic systemic schools and independent schools;

Further, it recommends that Commonwealth funding from 2018 onwards would be based on 2017 levels, with:

- a 2017 per student funding amount calculated for the government and non-government school sectors in each State and Territory and
- annual funding for each sector in each jurisdiction calculated as the per student amount, adjusted for the number of students enrolled in that year and indexed by a weighted average of the CPI and the relevant Wage Price Index

Under this recommendation Catholic systemic funding would be distributed by Catholic system authorities but funding for independent schools would be distributed by state and territory governments. ISCA has serious reservations about this recommendation.

More information

The Australian Education Act 2013

<http://www.comlaw.gov.au/Details/C2013A00067>

Guide to the Australian Education Act 2013

<http://aeaguide.education.gov.au/>