

The SRS Funding Model

In 2010, then Education Minister Julia Gillard commissioned a major review of school funding in Australia. A review 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 (SRS) with additional loadings to address educational disadvantage.

While some state and territory governments 'signed-on' to the proposed national funding model, a number did not. Of those that did, some stated from the outset that they were not going to use the SRS funding model to distribute funds to schools. Non-government schools had no choice but to participate.

In 2013, the Coalition government committed extending the SRS funding model to all states and territories regardless of whether they signed bilateral agreements or not.

Australian Education Act 2013

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

The new funding model commenced in January 2014 but was to be phased-in over 6 years under extremely complex transition arrangements and is significantly different to the model 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

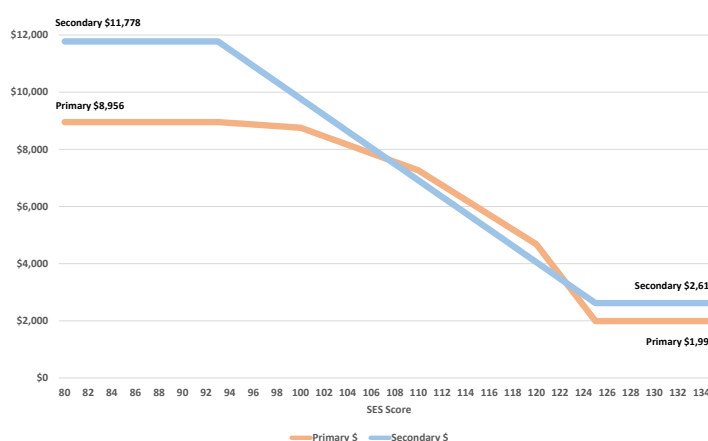
The base per-student component is based on the Schooling Resource Standard (SRS) which aims to measure the cost of effective and efficient provision of schooling. The SRS amounts are based on the resources used by high-achieving schools (reference schools), as identified by their performance in the National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

Government schools are entitled to the full amount of the base SRS however the base SRS amount for non-government schools is adjusted according to a measure known as 'capacity to contribute'. **Base funding is subject to transition arrangements.**

Capacity to contribute

The main difference between how government and non-government schools are funded is that non-government schools' base funding is adjusted according 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.

'Capacity to Contribute' settings for non-government schools based on 2016 SRS



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 some non-government primary schools. This adds complexity to calculations.

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

'Capacity to contribute' does not apply to certain categories of non-government schools such as special schools, special assistance schools, majority indigenous schools and remote 'sole provider' schools.

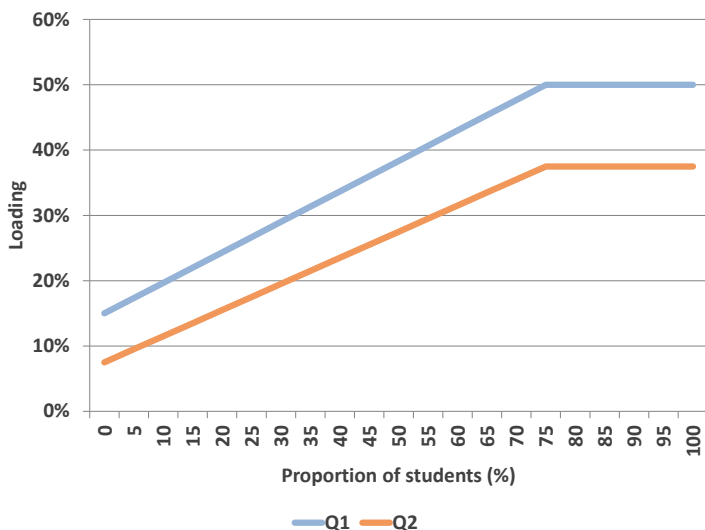
Loadings

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.

Students with low socioeconomic status

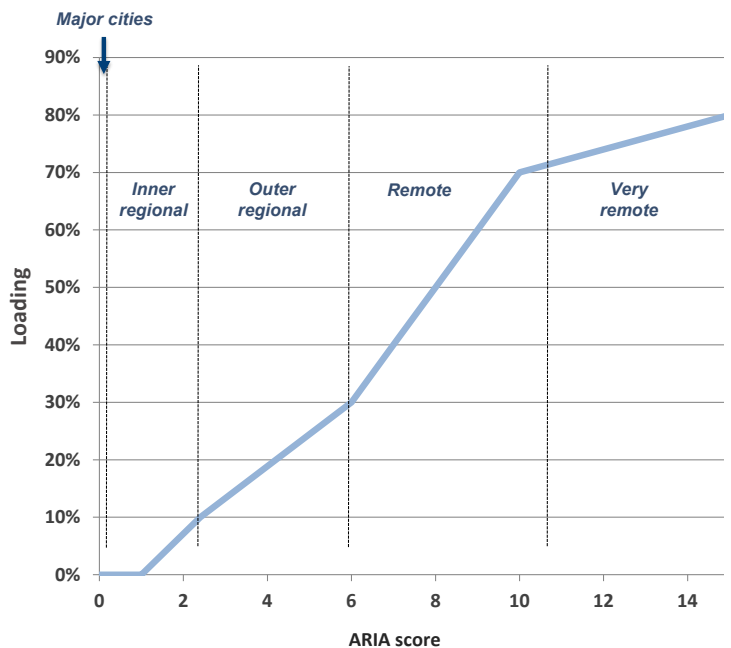
The low SES loading applies to the lowest 50% of students as measured by the Australian Curriculum, Assessment and Reporting Authority (ACARA) using the Socio-Educational Advantage (SEA) quartiles used in the calculation of the Index of Community Socio-Educational Advantage (ICSEA). Students in Quartile 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.



School 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



Students with low English language proficiency

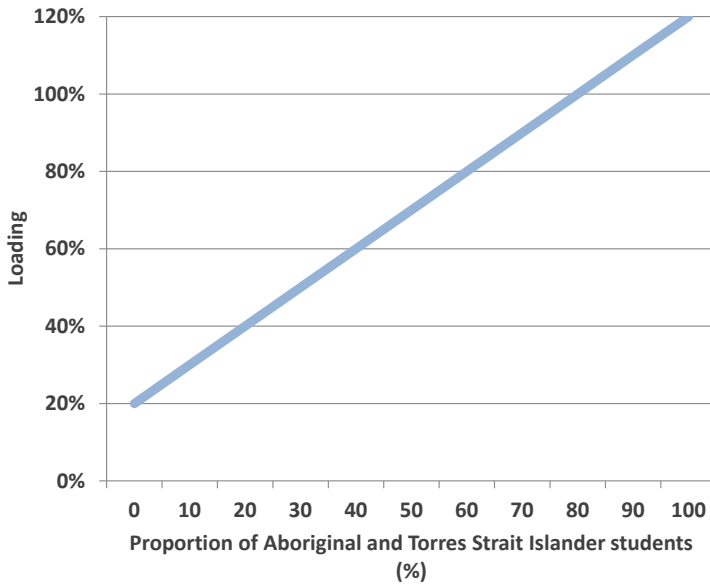
In 2014, an interim loading was set based on an existing proxy measure of disadvantaged students from a language background other than English. The loading is calculated at 10% of SRS per student.

Students with Disability

An interim loading for students with disability was set at 186% of SRS. Additionally, non-government special schools are eligible for a higher loading rate of 223% of SRS per student with disability. This loading, along with all others, is being phased in over several years.

Aboriginal and Torres Strait Islander students

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

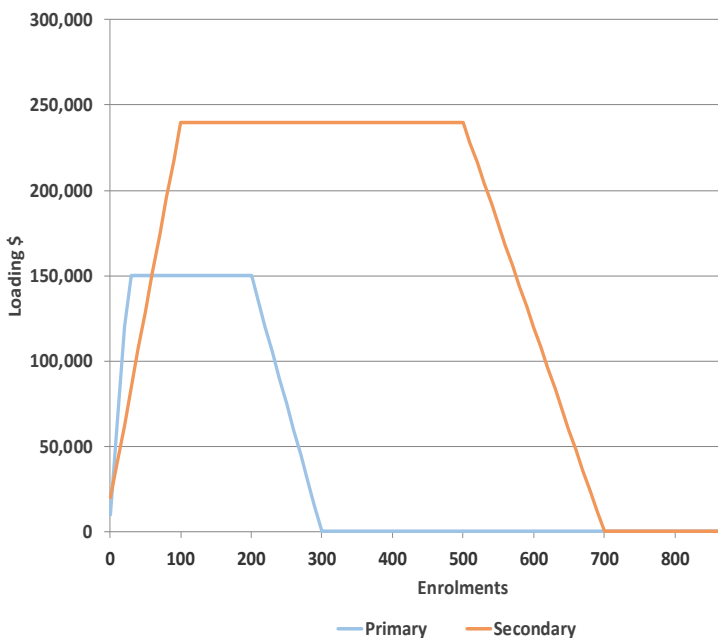


School size

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, students reducing to zero for 700 plus (capped at 100 students)



Transition Arrangements

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. Schools will not receive their full entitlement under the model unless transition continues beyond 2017.

The basis of transition funding is a calculation of the difference between an estimate of what schools would have received under the previous funding arrangements and their funding entitlement under the new SRS funding model. Where a school is entitled to more funding under the SRS model, each year they receive a percentage of the difference ('additionality').

Under the conceptual 'national funding model', Independent schools would receive, on average, 65% of their additional funding from the Commonwealth and 35% from the State/Territory. Schools in 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 vary between the sectors. For example, in 2015 Independent schools in SA will receive 7.6% of additionality and Independent schools in the ACT will receive 33.3% of additionality.

New schools are funded at their full SRS entitlement, i.e. base funding plus loadings for disadvantage, and transition arrangements do not apply.

Indexation

There are differential Commonwealth 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 ('on the SRS') will receive indexation of 3.6%.

Schools 'below the SRS'

Schools which would receive more funding under the SRS model are regarded as being 'below the SRS'. These schools' funding is based on an estimate of their funding entitlement under the previous Commonwealth funding arrangements indexed at 4.7% from 2015 plus 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 SRS'. So that these schools do not lose funding in real terms, each year they receive an estimate of their funding entitlement under the previous Commonwealth funding model plus 3% indexation. They will continue to receive 3% indexation every year until their public funding meets their SRS entitlement which is indexed at 3.6%. State or territory funding will depend on the arrangements in place for that state.

Approved Authorities for more than one school

Unlike the previous SES funding model where the Commonwealth had an individual funding agreement with each school, under the SRS funding model payments are made to 'Approved Authorities'. Most Independent schools are their own Approved Authority but there are significant number of schools which fall under 'Approved Authorities for more than one school'.

Under this arrangement the schools in the Approved Authority are collectively assessed as being 'above the SRS' or 'below the SRS' and payments made accordingly for each school. There are instances where while the 'Approved Authority for more than one school' is assessed as being 'below the SRS' overall, one school may actually be 'above the SRS' and vice versa. The Department of Education is working with these Approved Authorities and schools to resolve these issues however it remains an extremely problematic element of the new funding arrangements.

Approved authorities for more than one school do not have the capacity to redistribute funds between schools.

School Systems

As with 'Approved Authorities for more than one school', the entire system is calculated to be either below or above the SRS. 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 participating 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 SRS funding model. In the 2016-17 Budget, the Government flagged its intention to move to a new funding model after 2017 and move to a single indexation rate for all schools based on a school education specific index, estimated at 3.56% for 2018-2020.

This will in effect cease transition at the end of 2017 at which point every Independent school will be at a different stage in their transition towards their full SRS funding entitlement. This will be further exacerbated by the fact that each state and territory has a different transition path and thus some schools in some states will be at a lower point than similarly transitioning schools in other states.

More information

The Australian Education Act 2013:

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

Guide to the The Australian Education Act 2013:

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