



INDEPENDENT SCHOOLS
COUNCIL OF AUSTRALIA

Independent Update

Issue 13, 2017

The SRS Funding Model

The Schooling Resource Standard (SRS) funding model has been in place since 2014 following a major review of school funding in Australia – the ‘Gonski Review’. The SRS funding model is based on a schooling resource standard (SRS) with additional loadings to address educational disadvantage.

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 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 primary and secondary 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 is indexed annually by 3.6% to reflect estimated increases in the costs of all schools.

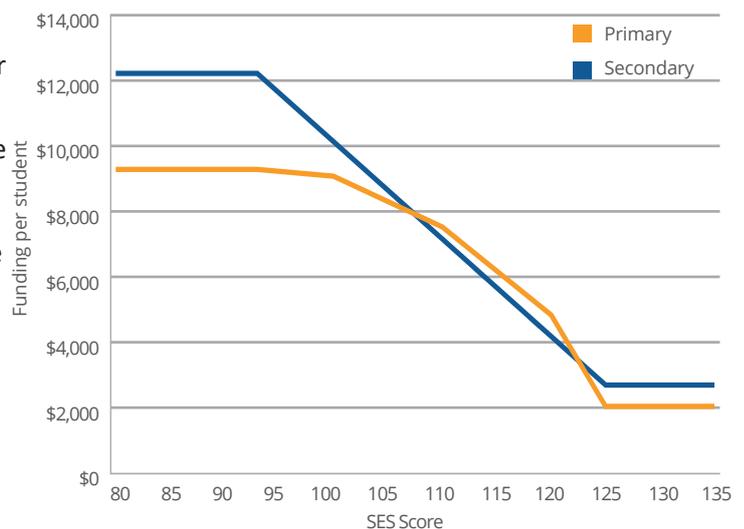
Government schools are entitled to the full amount of the base SRS however the base SRS amount for non-government schools is adjusted according to a measure known as ‘capacity to contribute’. Base funding is subject to transition arrangements.

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 student base funding. The assessment of capacity to contribute is made using schools’ socio-economic status (SES) scores.

‘Capacity to Contribute’ settings for non-government schools based on 2017 SRS



A differential ‘capacity to contribute’ line for primary and secondary was also introduced in 2014 with the effect that within a certain SES band, primary schools are entitled to a higher per capita amount than secondary students. This adds complexity to calculations.

‘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.

Non-government school systems can utilise a student weighted average SES score to calculate the amount of base funding.

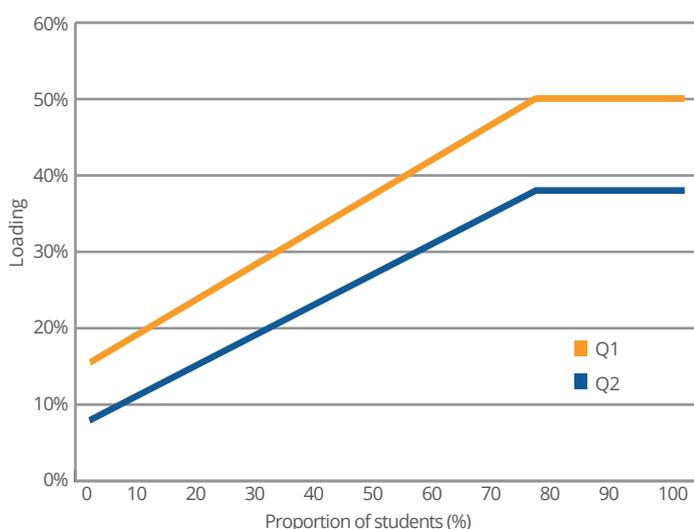
Loadings

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

While all loadings are to be fully publicly funded, as with base funding, the loadings are also subject to transition arrangements.

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 a loading of between 15% and 50% of SRS depending on the total percentage of students in the quartile. Students in Quartile 2 receive a loading of 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 (ELP)

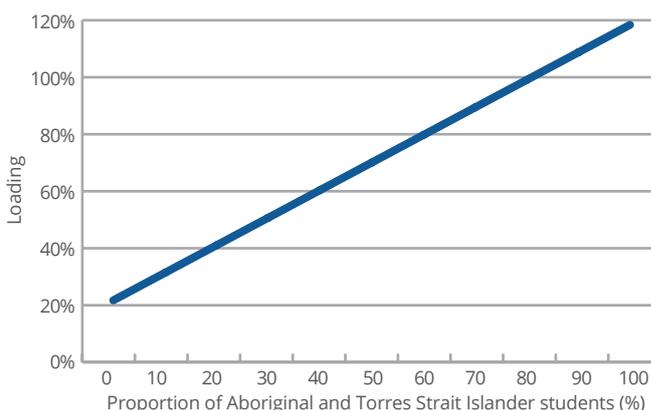
The interim loading for ELP is based on a proxy measure which looks at disadvantaged students from a language background other than English. The loading is calculated at 10% of SRS per student.

Students with Disability (SWD)

The interim loading for SWD is 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.

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 or 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 based on the number of primary or secondary enrolments at an individual school. The loading for combined schools is based on the school's proportion of primary and secondary enrolments.

Small schools:	Primary – 15 to 200 students	\$150,000
	Secondary – 100 to 500 students	\$240,000
Medium schools:	Primary – 200 to 300 students	\$150,000 reducing to zero
	Secondary – 500 to 700 students	\$240,000 reducing to zero
Large schools:	Primary – 300 plus students	No loading
	Secondary – 700 plus students	No loading

For very small schools, geographic location is also taken into account. Very small schools with an Accessibility/Remoteness Index of Australia (ARIA) Index score of 10 or more receive the maximum size loading. Very small schools with an ARIA Index score of less than 10 will attract a prorated loading which is dependent on both their enrolments and ARIA score.

Transition Arrangements

The SRS funding model commenced in January 2014 and was originally intended to be phased-in over 6 years under complex transition arrangements with the bulk of additional funding being available to schools in the last two years of the transition. The Coalition Government only committed to the first four years of implementation – 2014 to 2017.

The basis of transition funding is a calculation of the difference between an estimate of what schools would have received under the previous SES 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').

The intention of the SRS funding model was for schools in all jurisdictions to transition to 95% of their SRS entitlement by 2019, except for the ACT which was transition to 100% in 2019. However, each State and Territory has a different transition pathway and furthermore, transition rates vary between the sectors.

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

Indexation

There are differential Commonwealth 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 ('on the SRS') 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 receive core funding 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 depends 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. As the SRS is indexed at 3.6% it was intended that eventually their public funding would meet their SRS entitlement. State or territory funding depends 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 are part of an 'Approved Authority for more than one school'.

Under this arrangement, schools in the Approved Authority are collectively assessed as being 'above the SRS' or 'below the SRS' and payments made accordingly for each school. 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. Systems can continue to fund schools according to their own needs-based funding arrangements.

SRS Funding model post 2017

In June 2017, legislation was passed which amended the Australian Education Act 2013. The changes will affect all schools' funding from 2018. For more detail please see *Independent Update 1/2017 - Independent Schools and Gonski 2.0*.