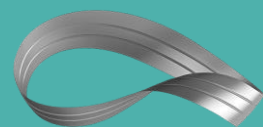

**SCHOOLING
RESOURCE
STANDARD
(SRS)
COMMONWEALTH
FUNDING MODEL**



**INDEPENDENT
SCHOOLS
AUSTRALIA**

Independent Schools Australia acknowledges the traditional custodians of Country throughout Australia and recognises the continuing connection to land, waters and community. We pay respect to Elders past and present, and commit to the ongoing journey of reconciliation.



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Independent Schools Australia | ABN 83 005 118 927

12 Thesiger Court Deakin ACT 2600 | PO Box 324 Deakin West ACT 2600

T: 02 6282 3488 | F: 02 6285 2926 | W: www.isa.edu.au | E: isa@isa.edu.au

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1.1 INTRODUCTION

Independent schools' ability to plan based on sound assumptions regarding future school funding is a key component in ensuring schools remain well-managed, sustainable and financially viable. Ensuring this outcome should be a shared goal of schools, education authorities and governments.

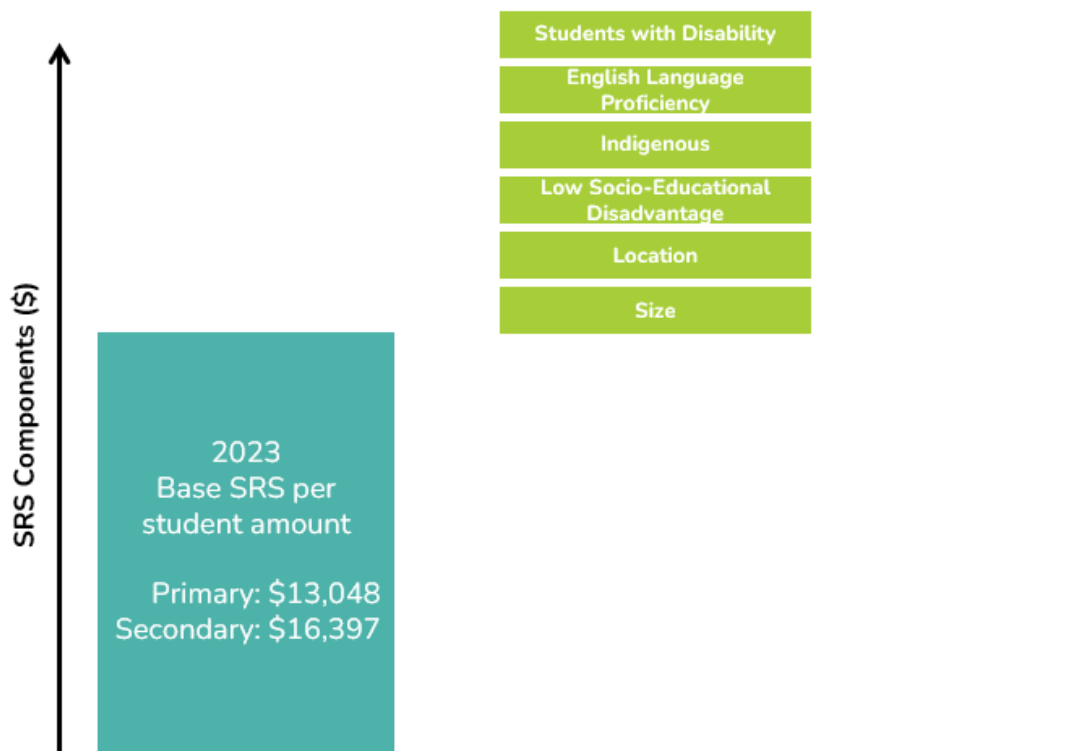
The current SRS funding model, and the associated Direct Measure of Income (DMI) Capacity to Contribute (CTC) methodology for calculating base funding, is a complex model which is far more responsive to change than previous models. While this is in many ways viewed as a positive, it has had the unintended side effect of making it extremely difficult for schools to estimate future funding and plan accordingly.

This Guide to the SRS funding model is intended to assist schools to understand the multiple elements of the SRS funding model and to plan accordingly.

1.2 SCHOOLING RESOURCE STANDARD (SRS) FUNDING MODEL

The Schooling Resource Standard (SRS) funding model is the current Australian Government needs-based funding model, largely based on recommendations from the Gonski Review of Funding for Schooling. The SRS aims to ensure that every student, regardless of their background or personal circumstances, has access to a high-quality education.

The SRS consists of two main components: Base funding and Loadings. Base funding is adjusted based on a schools Capacity to Contribute score (see page 11).



Under the Australian Education Act 2013, government schools should receive between 75% and 80% of their SRS entitlement from state and territory governments and 20% from the Australian Government.

Non-government schools receive 80% of their SRS entitlement from the Australian Government and approximately 20% from states and territories.

Each state and territory has entered into a bilateral agreement with Australian Government setting out their funding targets, with some expected to meet their targets either before or after 2029, while others' targets differ substantially from the legislated targets. (See state and territory share of SRS, p 15).

1.3 BASE FUNDING

The SRS is an estimate of how much total public funding a school needs to meet its students' educational needs and is funded on a per-student basis. In 2023, the primary SRS amount is \$13,048 per student and the secondary SRS amount is \$16,397 per student.

For most non-government schools, the base amount is reduced by the school's capacity to contribute.

In 2023, ISA estimates that base funding will account for 77% of all Australian Government recurrent funding to Independent schools nationally.

1.4 LOADINGS

These are additional funds provided on top of the base funding to help meet extra costs associated with educating students from disadvantaged backgrounds and to take into account school circumstances. Students can attract more than one loading.

There are six categories of loadings:

- Students with disability
- Aboriginal and Torres Strait Islander
- Socio-educational disadvantage
- Low-English proficiency
- School size
- School location

The combination of base funding and loadings makes up the total SRS funding entitlement for a school. The SRS amount used in loadings is not reduced by a school's Capacity to Contribute score.

1.4.1 LOADING: STUDENTS WITH DISABILITY

- Accounts for 12% of Australian Government recurrent funding in Independent schools nationally. Varies from school to school.
- Data used: NCCD from Australian Government Non-Government Schools Census.

The Students with Disability Loading provides additional funding for students with disabilities, factoring in their need for enhanced classroom support. The loading for each school is determined by the number of students requiring support, and the degree of such support.

The students with disability loading is based on data gathered through the Nationally Consistent Collection of Data on School Students with Disability (NCCD). This data is based on teacher judgement in relation to a student's required level of adjustment.

Students in the top three levels of support, namely extensive, substantial, and supplementary, are eligible for funding through the students with disability loading. The fourth level of support, 'support provided within quality differentiated teaching practice' refers to adjustments made within the classroom as part of regular teaching and does not attract funding.

Primary
Supplementary: 42% of SRS
Substantial: 146% of SRS
Extensive: 312% of SRS
Secondary
Supplementary: 33% of SRS
Substantial: 116% of SRS

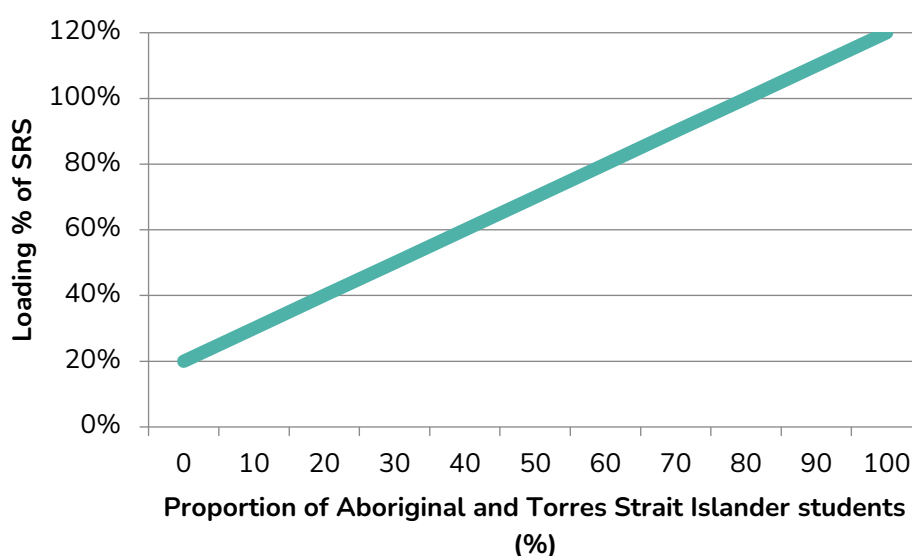
Extensive: 248% of SRS

1.4.2 LOADING: ABORIGINAL AND TORRES STRAIT ISLANDER

- Accounts for 1% of Australian Government recurrent funding in Independent schools nationally. Varies from school to school.
- Data used: ATSI FTE enrolments from Australian Government Non-Government Schools Census.

This loading provides additional funding for each Aboriginal and Torres Strait Islander student.

The loading increases as the percentage of Indigenous students in the school increases. For a school with only one Indigenous student, the loading accounts for an additional 20% of the per-student SRS funding. This percentage increases in parallel with the increase in the proportion of Indigenous students. If a school's entire student body is Indigenous, the loading will be 120% of the per-student SRS funding.



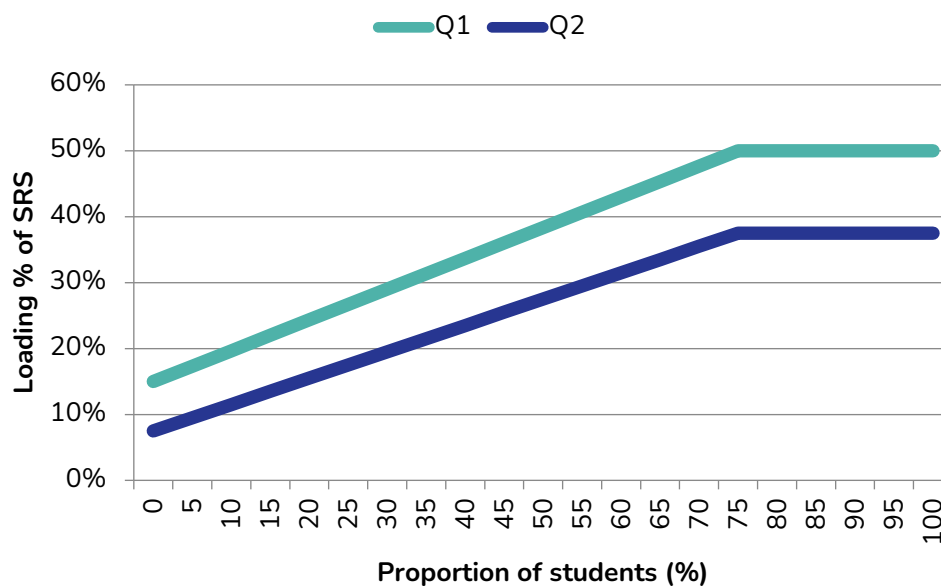
1.4.3 LOADING: SOCIO-EDUCATIONAL DISADVANTAGE

- Accounts for 7% of Australian Government recurrent funding in Independent schools nationally. Varies from school to school.
- Data used: Student Background Data (SBD) Collection from ACARA.

This loading provides additional funding for each student from a socio-educationally disadvantaged background.

The loading amount is determined by the proportion of students within the two lowest quartiles of socio-educational advantage (SEA), as determined by the Australian Curriculum, Assessment and Reporting Authority (ACARA). ACARA calculates the SEA based on the educational and occupational status of parents / carers, and includes occupation, completed school education, and highest level of post-school education.

The loading increases as the percentage of a school's students in the lower two SEA quartiles rise, with a maximum of 50 per cent of the per-student SRS funding amount allocated for Quartile 1 and 37.5 per cent for Quartile 2.



Timing of the SED loading

The SED loading is finalised towards the end of the year which can make estimating total funding for the year difficult. As the SEA quarters are calculated using the entire school population in all sectors, there is no way to estimate the movement in SEA.

Previously deemed schools

For some years there was a deeming arrangement in place for special assistance schools, special schools and majority Aboriginal and Torres Strait Islander schools which took into account the difficulty those schools had in providing background data for students. Deeming has now ceased with transition arrangements in place over the next four years.

ISA is working with the Department of Education and ACARA to improve the SBD data collection to ensure that data collected accurately reflects the educational disadvantage of students. This could include changes to the data requirements for students who are not living with their families or are in a range of living situations, and also changes to the imputation methodology and the assumptions around missing data.

1.4.4 LOADING: LOW ENGLISH LANGUAGE PROFICIENCY

- Accounts for <1% of Australian Government recurrent funding in Independent schools nationally. Varies from school to school.
- Data used: Student Background Data (SBD) Collection from ACARA.

This loading provides additional funding for students with a language background other than English and who have at least one parent has only completed their school education up to Year 9 (or equivalent) or below. This can include recent immigrants and refugees.

The loading constitutes 10 per cent of the per-student SRS funding amount and is determined using data from the Australian Curriculum, Assessment and Reporting Authority (ACARA).

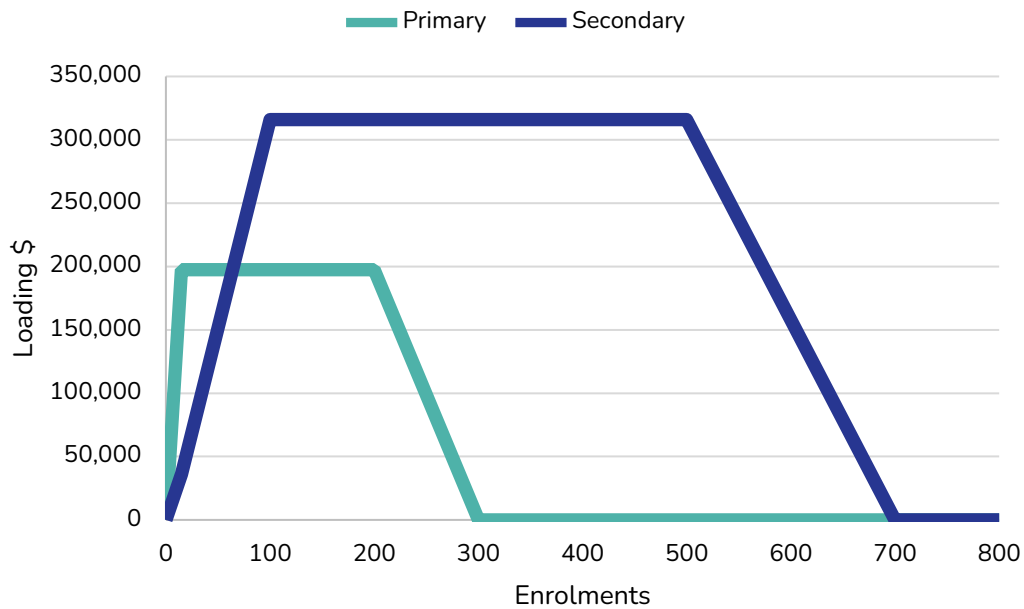
1.4.5 LOADING: SCHOOL SIZE

- Accounts for 2% of Australian Government recurrent funding in Independent schools nationally. Varies from school to school.
- Data used: Total FTE enrolments from Australian Government Non-Government Schools Census.

This loading provides additional funding to medium, small, and very small schools, acknowledging that smaller schools cannot realise the same economies of scale as larger ones. Unlike the other loadings, the calculation is based on a fixed dollar amount, not a proportion of the per-student SRS funding amount.

Both primary schools with a student count of up to 300 and secondary schools with up to 700 students are eligible for the size loading. The loading is scaled as shown in the diagram below.

In 2023, primary schools with a student population between 15 and 200 receive the maximum loading of \$205,774. Similarly, secondary schools with a student body between 100 and 500 receive the maximum loading of \$329,241.

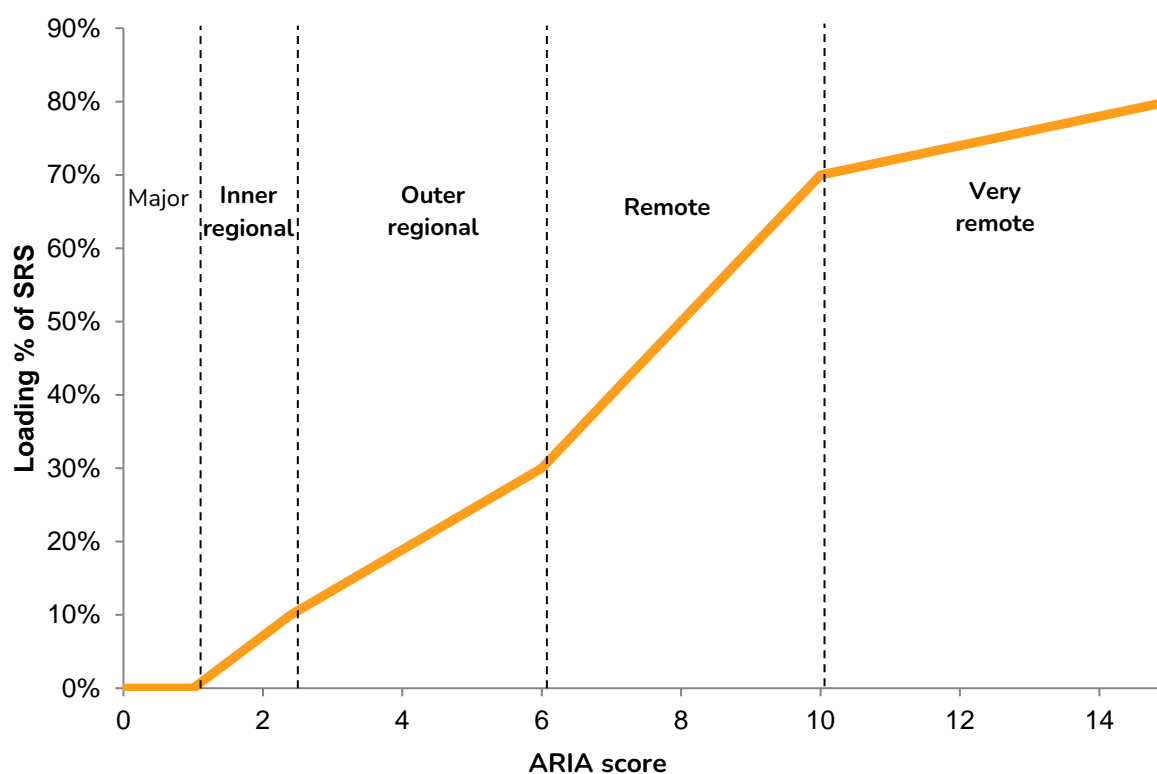


1.4.6 LOADING: SCHOOL LOCATION

- Accounts for 1% of Australian Government recurrent funding in Independent schools nationally. Varies from school to school based on geolocation.
- Data used: ARIA score, derived from school's head campus location.

This loading provides additional funding for schools located in regional and remote areas, acknowledging that educational costs in such locations are higher than those in metropolitan schools.

The loading amount is determined by a school's Accessibility/Remoteness Index of Australia + (ARIA+) score, a measurement of each Australian location's remoteness or accessibility calculated using the road distance from populated localities to the nearest Service Centres. The ARIA+ scores correlate with a percentage of the per-student SRS funding amount used to determine a school's size loading.



1.5 APPROVED SYSTEM AUTHORITIES

Approved system authorities, such as the government, Catholic and the smaller Independent school systems, redistribute Australian Government recurrent funding to individual schools in the system according to an approved needs-based methodology. This methodology must be publicly available.

1.6 INDEXATION

School funding is indexed every year to account for the increasing costs of schooling.

It is legislated as the highest number, for each given year, of:

- Floating measure of 75% Wage Price Index and 25% Consumer Price Index
- 3.00%

The floating measure is based on the June quarter Wage Price Index and Consumer Price Indexes published by the Australian Bureau of Statistics. Normally this data is published mid-August. WPI for June quarter was 3.6% and CPI for June quarter was 6.0%.

In 2023 indexation will be 4.2%, slightly lower than the initial estimation of 4.3%.

1.7 CAPACITY TO CONTRIBUTE (CTC)

'Capacity to Contribute' (CTC) reduces the SRS base amount for most non-government schools. CTC is a measure of the capacity of the parents and guardians of students at a non-government school to contribute financially to the operating costs of the school relative to the capacity at other non-government schools.

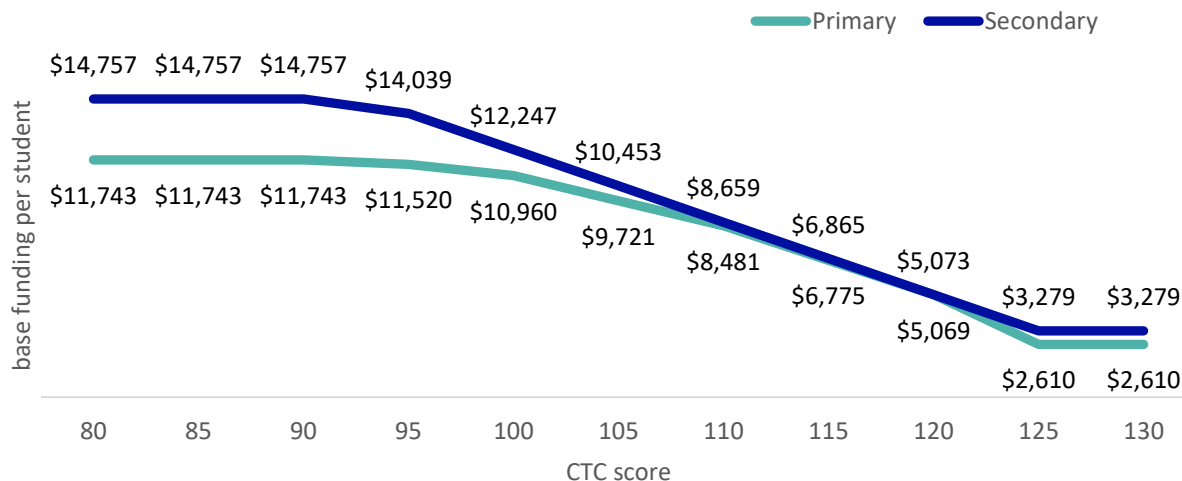
The Department annually calculates CTC scores for non-government schools, determining the funding reduction applied by the Commonwealth to a school's funding. This reduction only applies to the base funding and does not affect any loadings.

Non-Government schools can receive up to 90% of their base funding (CTC scores 93 or lower) to a minimum of 20% of their base funding (CTC scores of 125 or higher).

CTC does not apply to the following types of non-government schools, which receive 100% of their base funding:

- Majority Indigenous and Torres Strait Islander (MATSYS) schools
- Special Schools
- Special Assistance Schools (SAS)
- Remote sole providers schools

These schools are classified as 'CTC-exempt'.



1.7.1 DIRECT MEASURE OF INCOME (DMI) METHODOLOGY

CTC scores are determined using the Direct Measure of Income (DMI) methodology. The DMI refers to the median family income of a school's students for a given year, determined by linking parent / carer names and addresses with income tax data. The median family income is subsequently converted into an annual DMI score.

A school's CTC score is the average of the DMI scores for the previous three years.

When a DMI score can't be calculated for a school, a Refined Area Based (RAB) score is used. For small and very small schools, annual CTC score changes are limited to two points from the preceding year.

The average student weighted DMI score nationally across the non-government sector is 103. This figure is 106 for the Independent sector.

DMI scores can be volatile and what is now clear to the sector is that for most schools, even managing a one-point change in CTC scores can place a significant financial burden on an individual school.

For more information see - [Department of Education DMI methodology document](#)

1.7.2 REFINED AREA BASED (RAB) METHODOLOGY

When it is not possible to calculate a DMI score for a school, a RAB score is used as the school's CTC score.

A school's RAB score is calculated using income data from the areas where the students' parents / carers reside. The data comes from the annual Student Residential Address and Other Information Collection and the 2021 ABS Census of Population and Housing.

1.7.3 CTC SCORE REVIEW

There are two ways an approved authority can request a review of a school's CTC score.

Under subsection 53(2) of the Act, if a school's approved authority believes its CTC score to be inaccurate, it can apply for a review at any time.

Additionally, a decision made by the Minister's delegate regarding a CTC score is reviewable under the Act. This means that a school's approved authority can also ask for an internal review of the decision within a certain timeframe from when the decision was made - typically 30 days. Details about internal reviews are provided by the Department when it communicates the CTC scores to schools each year.

If the outcome of an internal review fails to satisfy an approved authority, it has the option to apply to the Administrative Appeals Tribunal (AAT) for an external review of the decision.

For more information see - <https://www.education.gov.au/recurrent-funding-schools/fact-sheets/capacity-contribute-ctc-score-reviews>

1.7.4 TIMING OF THE RELEASE OF CTC SCORES

DMI CTC scores are only made available at the end of the year, usually November / December, for implementation the following year. This means that schools have little to no warning regarding changes in CTC score which can significantly impact a school's funding entitlement.

1.7.5 VOLATILITY

In 2023, 14% of Independent schools experienced an increase in funding due to movements in CTC score. 68% saw no change and 18% experienced a reduction in funding.

92% of Independent schools experienced a point change of -1, no change or +1.

Changes in CTC scores have an immediate and potentially significant effect on funding. Depending on factors such as Commonwealth share trajectory, student demographics that impact loadings, primary/secondary student mix and position on the CTC curve, with a +1 or -1 change to CTC score could result in a change of between 1% to 11% in Commonwealth funding.

1.8 PAYMENT OF COMMONWEALTH RECURRENT FUNDING TO SCHOOLS

Payments to schools occur three times per year.

January

- 50% advance of the **estimated** entitlement for the school year.
- Data used:
 - Non-Government Schools Census 2022 (Enrolments, NCCD)
 - Student Background Data Collection 2022 (SED Loading, Low English Language Loading)
 - Capacity to Contribute Score 2023
- Estimated Wage Price Index and Consumer Price Index for June 2023 from the most current Federal Budget and MYEFO.

July

- 25% advance of the **estimated** entitlement for the school year.
- Data used:
 - Non-Government Schools Census 2022 (Enrolments, NCCD)
 - Student Background Data Collection 2023 (SED Loading, Low English Language Loading)
 - Capacity to Contribute Score 2023
- Estimated Wage Price Index and Consumer Price Index for June 2023 from the most current Federal Budget and MYEFO.

October

- 25% of the **actual** entitlement for the school year.
- As this payment includes any adjustments required due to the finalisation of student enrolments, indexation etc, final payment may not equal 25% of the actual entitlement once adjustments are made.
- Data used:
 - Non-Government Schools Census 2023 (Enrolments, NCCD)
 - Student Background Data Collection 2023 (SED Loading, Low English Language Loading)
 - Capacity to Contribute Score 2023
- Actual indexation based on Wage Price Index and Consumer Price Index for June 2023 quarter.

From time to time, the department may decide that specific schools should follow alternative payment schedules, such as monthly or quarterly instalments. Should this happen, the department will notify the approved authorities accordingly.

1.9 COMMONWEALTH SHARE OF SRS

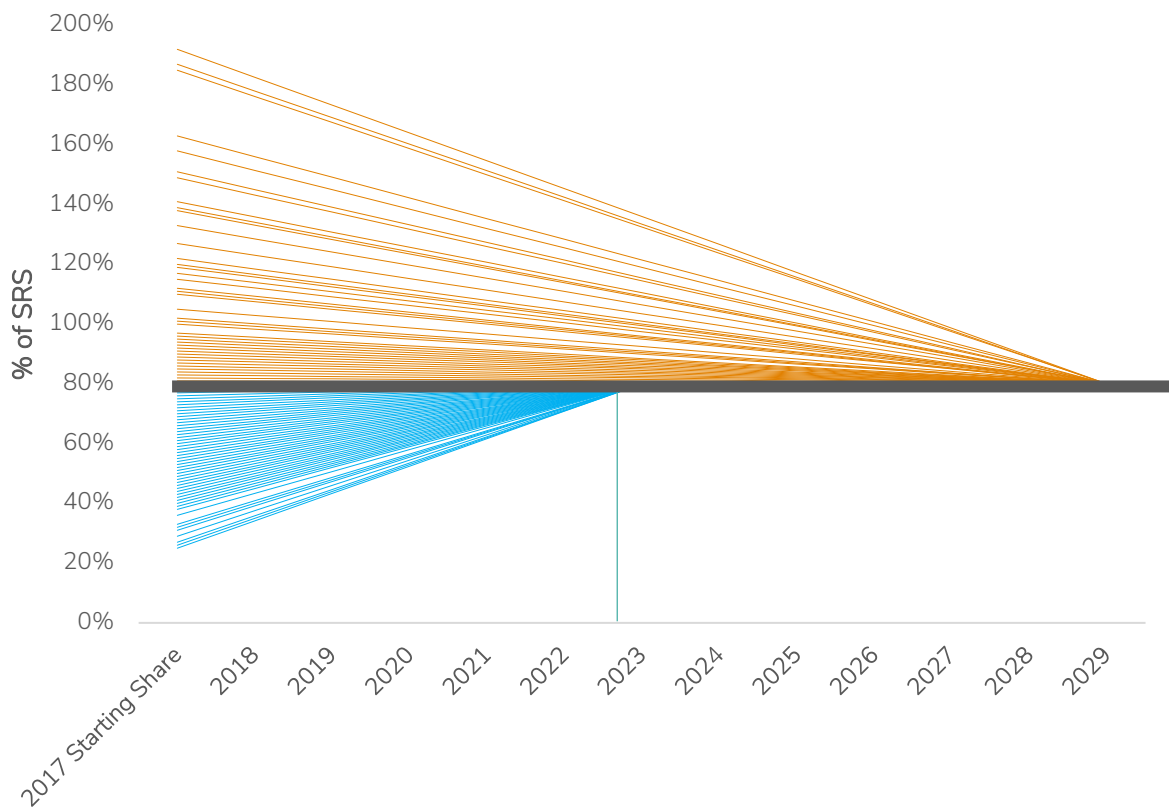
As noted earlier, under the existing legislation, the Australian Government intends to fund every non-government school at 80% of their Schooling Resource Standard (SRS) funding entitlement by 2029. This means that some schools have transitioned up to 80% and some are transitioning down to 80% of their SRS entitlement.

As of 2023, there are 367 Independent schools still above 80% and 848 schools have already transitioned to 80%.

Historically, an Independent school would have been above or below 80% of the Schooling Resource Standard (SRS) due to the settings of previous government funding models.

For Independent schools that are funded above 80% of their SRS funding entitlement, there is a transition process in place to gradually reduce their funding levels to 80% by the year 2029. This means that the percentage of funding provided by the Australian Government is gradually decreasing, in real terms, until it reaches 80% of the school’s SRS funding entitlement in 2029. The transition process allows schools time to adjust their budgets and plan for the reduction in funding.

Independent schools that were funded below 80% of their SRS funding entitlement are expected to transition to the 80% target funding level by 2023.



1.10 STATE AND TERRITORY SHARE OF SRS

Under the SRS funding model, the Commonwealth share of funding for non-government schools (Independent and Catholic schools), is set at 80% of the total SRS funding entitlement (base + loadings).

Under bilateral agreements negotiated between state and territory governments and the Australian Government, state and territory governments have agreed to fund the remaining 20%, or a lower agreed percentage of the total SRS (base + loadings) for non-government schools.

The state and territory contribution to non-government schools is dependent on the agreed percentage of SRS in the bilateral reform agreements. This varies state to state:

- NSW: 22.8% by 2023
- QLD: 20.6% by 2023
- VIC: 20.0% by 2023
- WA: 20.0% by 2023
- TAS: 20.0% by 2023
- ACT: 20.0% by 2023
- SA: 19.7% by 2023
- NT: 15.1% by 2023

In practice, most states were already funding non-government schools above 20% of the SRS, and will therefore be transitioning down to 20%, providing a reduction in real recurrent funding.

States and territories are only required to reach their agreed SRS percentage at an aggregate level. This means while in practice a state or territory may reach 20% of SRS, the percentage of each school can still vary.