



Australian Government
Department of Education

National School Resourcing Board's Review of the Schooling Resource Standard Indexation Arrangements

Australian Government Response





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Summary

The Australian Government welcomes the National School Resourcing Board's (the Board) report on its Review of the Schooling Resource Standard (SRS) indexation arrangements. The Government is committed to ensuring every child has access to high-quality education and is supported to achieve regardless of their location, background, or socio-economic status.

Commonwealth funding is based on the Schooling Resource Standard (SRS), which is a total public funding model set out in the *Australian Education Act 2013*. The SRS is made up of a base amount for all primary and secondary students and six loadings to support disadvantaged schools and facilitate achievement of priority cohorts, based on recommendations by the 2011 Review of Funding for Schooling, chaired by Mr David Gonski AC.

The SRS base amount and the size loading amount is indexed each year by the SRS indexation factor. Other loadings are calculated as percentages of the SRS base amount each year and increase in line with the SRS indexation factor. The intention of indexation is to allow schools to purchase the same level of education inputs as specified by the SRS, by compensating for increases in the costs faced by schools over time.

On 1 February 2024, the Board was commissioned by the Minister for Education to conduct the Review of the SRS Indexation Arrangements and to provide its final report by 31 March 2024. In the Review's terms of reference the Board was asked to consider and provide advice on the appropriateness of the SRS indexation arrangements including the suitability of the current indexation floor, the composite structure (75% of Wage Price Index and 25% of Consumer Price Index) and timing of application.

This Review was a commitment by all Education Ministers under National School Reform Agreement extension. The review was commissioned to be completed prior to the finalisation of negotiations for the next national agreement on schooling, to provide for well-informed negotiations.

Overall, the Board found that current indexation arrangements are considered appropriate. The Board made four recommendations: including that the Australian Government should maintain an indexation floor at 3 per cent and retain the current composite index split of 75 per cent Wage Price Index (WPI) and 25 per cent Consumer Price Index (CPI). The Board did however recommend the further consultation on and examination of alternative composite indices and the timing of SRS indexation arrangements. The Board also recommended that the setting of the indexation floor be re-evaluated as necessary.

The Australian Government would like to thank all those who contributed to the Review, with particular thanks to the Chair of the Board, Professor Bronwyn Fredericks, and board members; Professor Janet Clinton, Ms Valerie Gould, Professor Andrew Whitehouse, and Professor John Firth. The Australian Government would also like to thank Professor Elizabeth Labone, who resigned on 6 March 2024, who also contributed to this report.

Context for the Review

The Australian Government is providing an estimated \$29 billion in school recurrent funding in 2024.

The Board was established on 1 November 2017 under section 128 of the Australian Education Act 2013 (the Act) to provide independent oversight over Commonwealth school funding and ensure the funding model is using the best available data and methodologies, as well as making sure funding is used in line with the Act.

The Board undertook the Review in order to consider and provide advice on:

1. The **appropriateness of current SRS indexation arrangements**, including whether the operation of the SRS indexation arrangements has kept pace with average schooling cost increases since 2018.
2. The **suitability of the current SRS indexation floor** of 3 per cent.
3. The **appropriateness of the composite index**, including its structure, weighting and possible alternatives to the current composite index – currently set as 75 per cent Wage Price Index and 25 per cent Consumer Price Index.
4. The **timing of SRS indexation** rates, including;
 - a) the reference period for source WPI and CPI data,
 - b) the date at which the indexation rate is confirmed for the school year, and its impact on systems and schools' ability to effectively budget.

The Board consulted with a range of stakeholders to inform its findings and recommendations. Consultations with state and territory governments, Independent Schools Australia and the National Catholic Education Commission were held from 27 February 2024 to 4 March 2024. These discussions were informed by an Issues Paper the Board circulated on 26 February 2024. The Board also received eight written stakeholder submissions in response to the Issues Paper. Given the technical nature of the review terms of reference, the Board also commissioned Deloitte Touche Tohmatsu (Deloitte) to provide an independent assessment of the current indexation arrangements. The data underpinning the review was largely derived from publicly available sources, which was then verified by data received from stakeholders.

The Board delivered its report to the Australian Government Minister for Education on 28 March 2024.

Australian Government Response to Recommendations

The Australian Government broadly supports the recommendations from the 2024 Review of the Schooling Resource Standard (SRS) indexation arrangements.

Board Recommendations	Australian Government response
<p>Recommendation 1 <i>The Australian Government should maintain an SRS indexation floor as a feature of SRS indexation arrangements.</i></p>	<p>The Australian Government supports recommendations 1 & 2.</p> <p>The Government will continue to monitor the risks associated with indexation arrangements during low inflationary periods and will consult with stakeholders on the re-evaluation of the indexation floor settings if necessary.</p>
<p>Recommendation 2 <i>In the current environment, the Australian Government should maintain the indexation floor at 3 per cent. In a low inflation environment, the Australian Government, in consultation with jurisdictions and sectors, should consider the risks associated with potential over-compensation for price changes and – if necessary – re-evaluate the setting of the indexation floor.</i></p>	
<p>Recommendation 3 <i>The Australian Government should continue to use the current composite index split of 75 per cent WPI and 25 per cent CPI as the basis for determining the composite indexation rate. As time constraints during this review did not allow for deep analysis, future consultation should be undertaken to examine alternative indices.</i></p>	<p>The Australian Government supports recommendation 3 in-principle.</p> <p>The Government supports the continued use of the current composite index.</p> <p>The Government notes that time constraints did not allow for deep analysis of alternative indices. In future, as more data relevant to cost changes in the education sector becomes available, the Government will consider the value of undertaking further consultation on alternative indices.</p>
<p>Recommendation 4 <i>On balance, there is insufficient evidence to support a specific change to the indexation timing arrangements at this point. Further consultation should be undertaken to examine alternative timing and transition arrangements.</i></p>	<p>The Australian Government supports recommendation 4.</p> <p>The Department of Education will consult with jurisdictions and the non-government sector on the most appropriate timing for indexation updates.</p>