

Terms of Reference

Review of the Schooling Resource Standard (SRS) indexation arrangements

Commonwealth funding for schools is needs-based and is calculated with reference to the [Schooling Resource Standard \(SRS\)](#). The SRS is an estimate of how much total public recurrent funding a school needs to meet its students' educational needs and is indexed each year by the SRS indexation factor to reflect changes in prices and wages and therefore costs faced by schools.

The purpose of this Review is to consider the appropriateness of the SRS indexation arrangements to ensure arrangements reflect changes in the costs associated with meeting the educational needs of students. It fulfills a joint commitment from the Australian Government and the State and Territory Governments to review the SRS indexation arrangements in 2024 ahead of the next National School Reform Agreement.

Current SRS indexation arrangements

Since 2019, SRS funding has been indexed annually by either:

- a rate calculated as the higher of:
 - 3 per cent, or
 - a percentage derived from 75 per cent of the change of the Wage Price Index (WPI) and 25 per cent of the change of the Consumer Price Index (CPI); or
- a rate prescribed by the Minister for Education.

This approach introduced a minimum increase in funding and certainty for schools. It is weighted towards changes in wage costs reflecting that teachers' and staff salaries are a significant driver of schools' costs.

Given the current economic climate, it is prudent to review the SRS indexation arrangements to ensure it remains current and appropriate to ensure the effective delivery of school education.

Scope

The Review will 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.

In providing this advice, the Board will engage closely with State and Territory Governments and their relevant departments as well as the non-government sector. This includes seeking financial data to support the Review as required.

Timing

The Board will provide its final report to the Australian Government Minister for Education by 28 March 2024. The Minister will share the report with Education Ministers and non-government peak bodies within 5 business days of receiving the report, and will invite the Chair of the Board to present the final report to the Education Ministers Meeting.