



Review of Regional Schooling

Resource Standard Loadings

Submission from the Australian Government
Department of Education, Skills and Employment
to the National School Resourcing Board

The Australian Government Department of Education, Skills and Employment (the department) welcomes the opportunity to make a submission to the National School Resourcing Board's Review of Regional Schooling Resource Standard Loadings.

Under the *Australian Education 2013* (the Act), the Australian Government is providing an estimated \$314.7 billion in school recurrent funding over 2018 to 2029. Of this, an estimated \$70.9 billion is benefitting schools and students in regional and remote areas. This includes \$11.4 billion through the school location loading and the school size loading under the Schooling Resource Standard (SRS).

The Commonwealth works closely with all states and territories to ensure that students, regardless of where they live, have access to high quality education and experience the same educational opportunities as other students. States and territories are also required to meet their share of the SRS including for schools and students in regional and remote areas.

The small size of regional and remote communities and the often small size of schools in these communities makes provision of schooling services more expensive than in major cities. There are also regional differences in student performance. While some improvements have been observed in recent years, the National Assessment Program Literacy and Numeracy (NAPLAN) and the Programme for International Student Assessment (PISA) for students in remote areas show results are much lower than for those in major cities.

The department welcomes the Board's review to ensure the SRS and Commonwealth's investment are appropriate and targeted to the needs of regional and remote students. The department does not have specific views on the focus questions but would instead like to make several key observations for the Board's consideration.

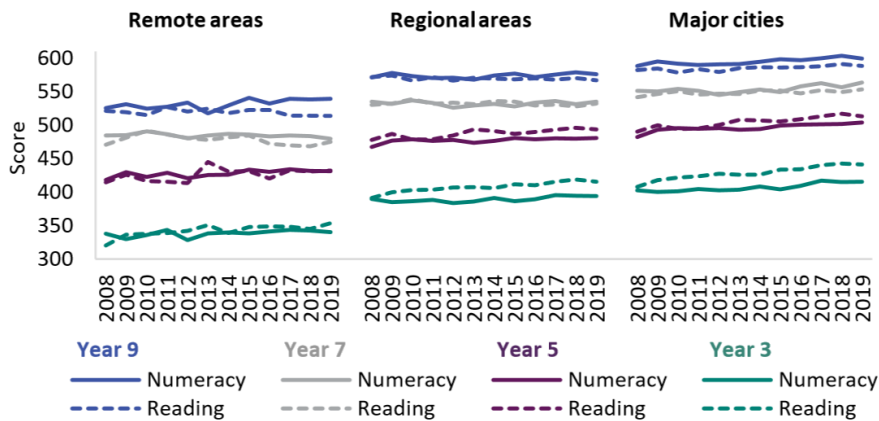
1. Background

Students in regional and remote areas experience barriers in accessing quality education

Students in regional and remote areas face a range of significant barriers to accessing a quality school education. These factors are reflected in lower attendance and lower academic outputs recorded by NAPLAN and PISA.

While some improvements are observed, NAPLAN results for students in remote areas are much lower than for those in regional areas or major cities (see Figure 1).

Figure 1: Average NAPLAN achievement from 2008 to 2019



Source: Internal departmental estimates derived from ACARA NAPLAN 2008 to 2019.

The report of Australian students’ performance on the 2015 PISA assessment indicated that as distance from metropolitan centres increased, scores decreased (see Figure 2).¹

Figure 2: PISA 2015 Average scores in mathematical literacy and reading literacy (ACER Report)

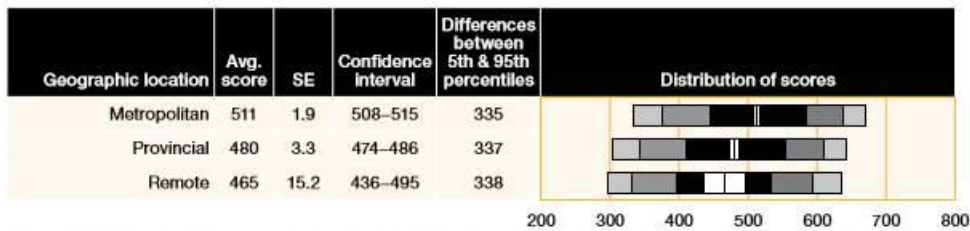


FIGURE 4.19 Average scores and distribution of students’ performance on the reading literacy scale, by geographic location

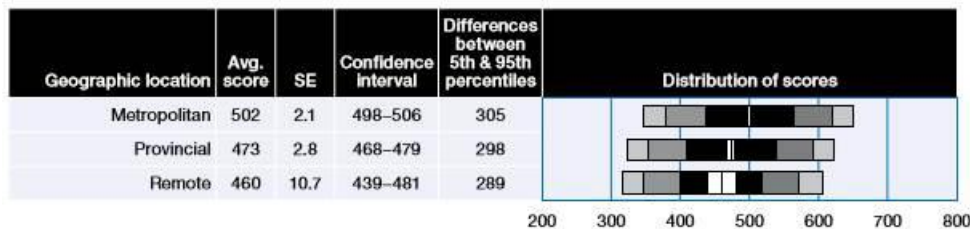


FIGURE 5.19 Average scores and distribution of students’ performance on the mathematical literacy scale, by geographic location

¹ Thomas, S., De Bortoli, L., & Underwood, C. (2017) PISA 2015: Reporting Australia’s results. Australian Council for Educational Research. p. 129 & p. 183. Accessed at: <https://research.acer.edu.au/ozpisa/>

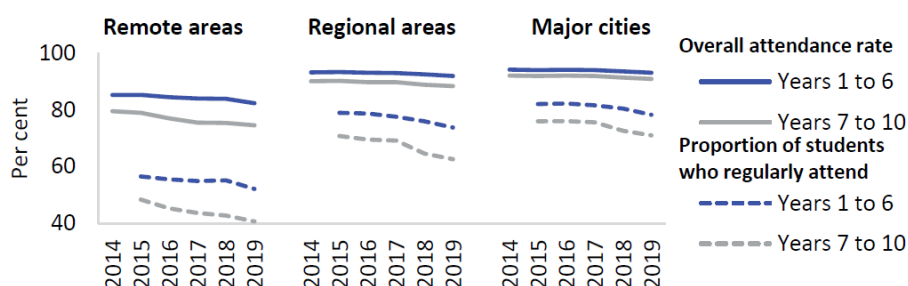
A proportion of these differences, up to 30 per cent, is attributable to student and school characteristics, such as socio-economic status or rurality. However, after accounting for this:

- students in regional areas remain seven months behind those in metropolitan areas
- students in remote areas are eight months behind their metropolitan peers.

The Organisation for Economic Co-operation and Development (OECD) noted what they termed an “urban advantage” in student performance in PISA results and reported “*that children from poor households, ethnic minorities or rural areas are significantly less likely to make the transition from primary to lower secondary school and from lower to upper secondary school, and are more likely to be delayed in their progression through the grade levels*”.²

Students in remote areas are also less likely to attend school than students in regional areas or major cities, particularly in Years 7 to 10. Departmental attendance data shows that generally, the share of students who attend school regularly (90 per cent of the time or more) has dropped slightly since 2015, regardless of their location (see Figure 3).

Figure 3: School attendance by remoteness area, 2014 to 2019



Note: Comparable data are not available for earlier years.

Source: Internal departmental estimates derived from National Report on Schooling (ACARA) data portal.

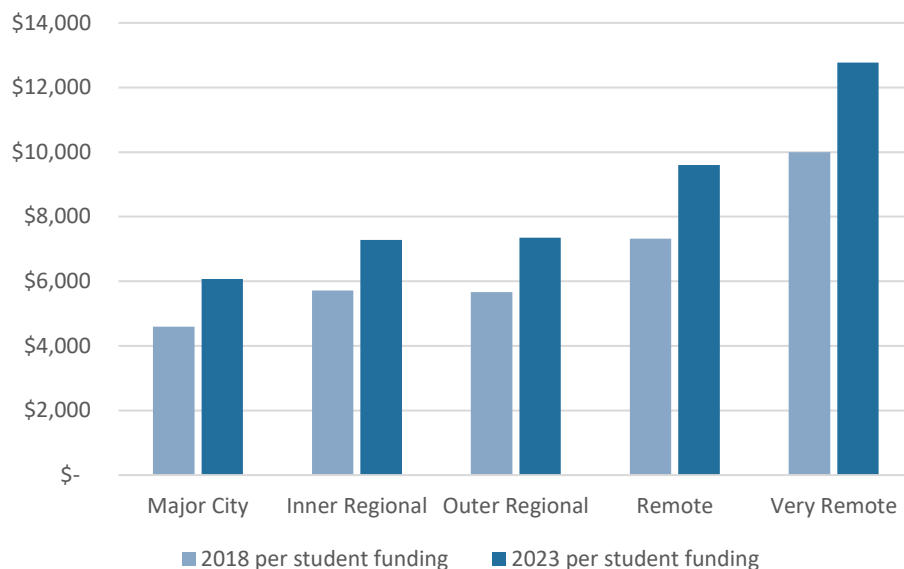
Commonwealth recurrent funding for regional and remote schools is increasing and will continue to do so

Under the Act, total Commonwealth funding for students in regional and remote Australia is growing from \$4.4 billion in 2018 to an estimated \$7.3 billion in 2029 – an increase of 66.9 per cent. On average, per student funding for students in regional and remote areas will grow by 3.7 per cent per year over this period.

As shown in Figure 4, in 2023 this will provide an average of \$7,350 per each student in outer regional areas, \$9,598 for those in remote increasing to \$12,774 in very remote locations.

² Organisation for Economic Development and Cooperation (2016) *Excellence and Equity in Education*, OECD Publishing, Paris. p.210.

Figure 4: Average per student Commonwealth funding for all schools by geographic location in 2018 and 2023



Commonwealth funding is needs-based

Commonwealth recurrent funding is based on the SRS which was developed based on recommendations from the *2011 Review of Funding for Schooling* (the Gonski review), led by Mr David Gonski AC. The SRS is made up of a base amount for every primary and secondary student and six needs-based loadings to provide extra funding for student priority cohorts and disadvantaged schools. This includes two school-based loadings intended to address the additional costs associated with certain school settings such as regional and remote location.

In relation to regional and remote schools, the Gonski review recommended “a range of loadings for all schools in [regional and remote] areas to reflect costs as well as school size”³ in recognition that there are additional costs associated with operating schools and educating students in these areas. The Gonski review did not take a clear position on whether there should be a single or two separate loadings for size and location but noted there was a link between school size and remoteness.

The school location loading

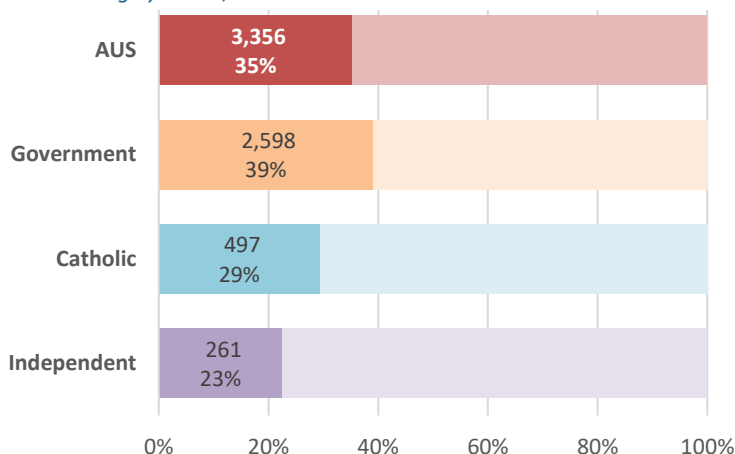
Schools that are not in major city areas attract the school location loading. The loading, estimated to provide \$6.9 billion over 2018 to 2029, recognises that it generally costs more to educate students attending schools in regional and remote areas than it does to educate students in city-based schools. There is also evidence that the performance of students in remote schools is significantly below that of students in city schools.

³ Gonski, D., Boston, K., Greiner, K., Lawrence, C., Scales, B., & Tannock, P. (2011). *Review of Funding for Schooling-Final Report*. Canberra: DEEWR. p168.

In 2019, 3,356 schools attracted the school location loading including 39 per cent of government schools, 29 per cent of Catholic schools and 23 per cent of Independent schools (see Figure 5).⁴

It is estimated the school location loading will account for 2.2 per cent of Commonwealth recurrent funding in 2020. The loading is estimated to grow, on average, by 4.8 per cent each year over 2018 to 2029.

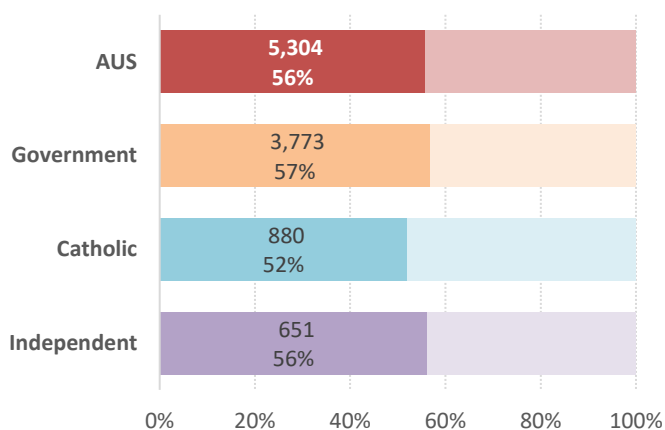
Figure 5: Number and proportion of schools that attract the location loading by sector, 2019



The school size loading

Primary schools with less than 300 enrolments and secondary schools with less than 700 enrolments attract the school size loading. This loading, estimated to provide \$4.5 billion over 2018 to 2029, recognises that some schools are small by necessity, for reasons such as being in regional and remote areas, and cannot achieve the same efficiencies of scale as a large school.

Figure 6: Number and proportion of schools that attract the size loading by sector, 2019



In 2019, there were 5,304 schools that attracted the size loading in 2019 including 57 per cent of government schools, 52 per cent of Catholic schools and 56 per cent of Independent schools (see Figure 6).

It is estimated the school size loading will account for 1.6 per cent of Commonwealth recurrent school funding in 2020. The school size loading is estimated to grow, on average, by 3.4 per cent each year over 2018 to 2029.

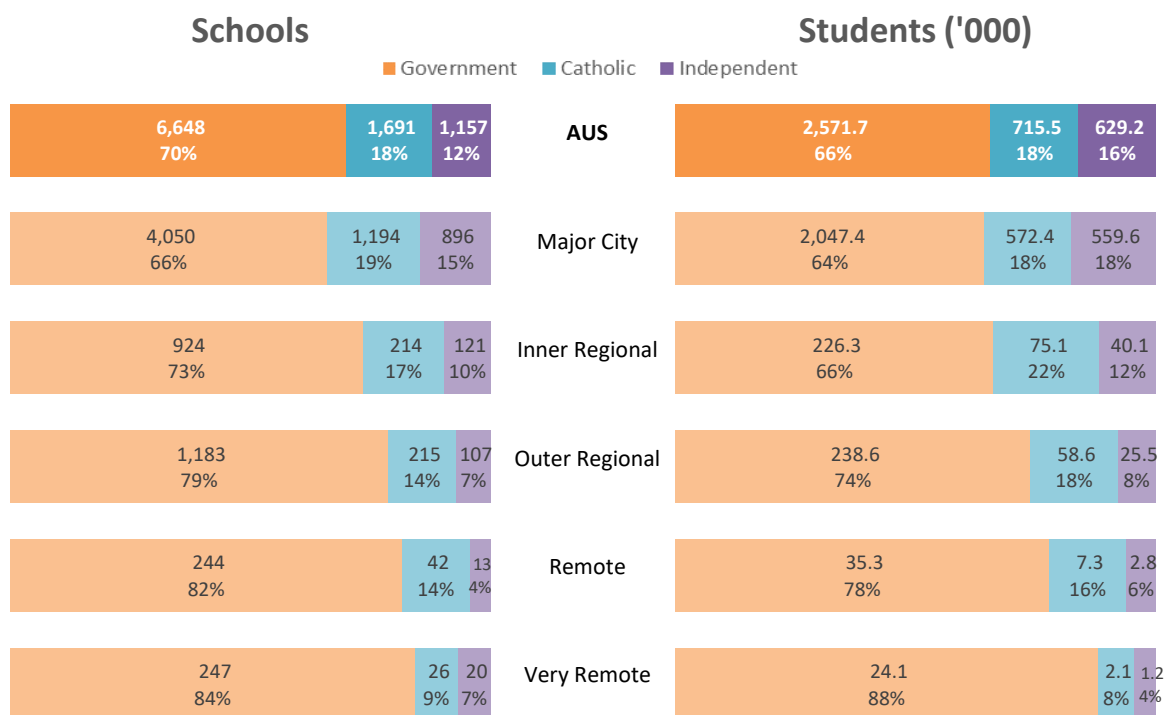
2. Government schools attract the most funding under the size and location loadings

Some schooling communities attract more support through the school location and school size loadings than others, including schools in those states and territories with a large number of regional or remote schools (e.g. the Northern Territory, Tasmania, Queensland and Western Australia).

⁴ Note 2019 enrolment data has been used as the 2020 enrolment data was not available at the time of submission.

In particular, a large proportion of the funding distributed through the location loading is provided for government schools. Not only do government schools educate the majority of Australian students, they also account for a higher proportion of schools and students in more remote areas. As shown in Figure 7, 84 per cent of very remote schools are owned and operated by state and territory governments.

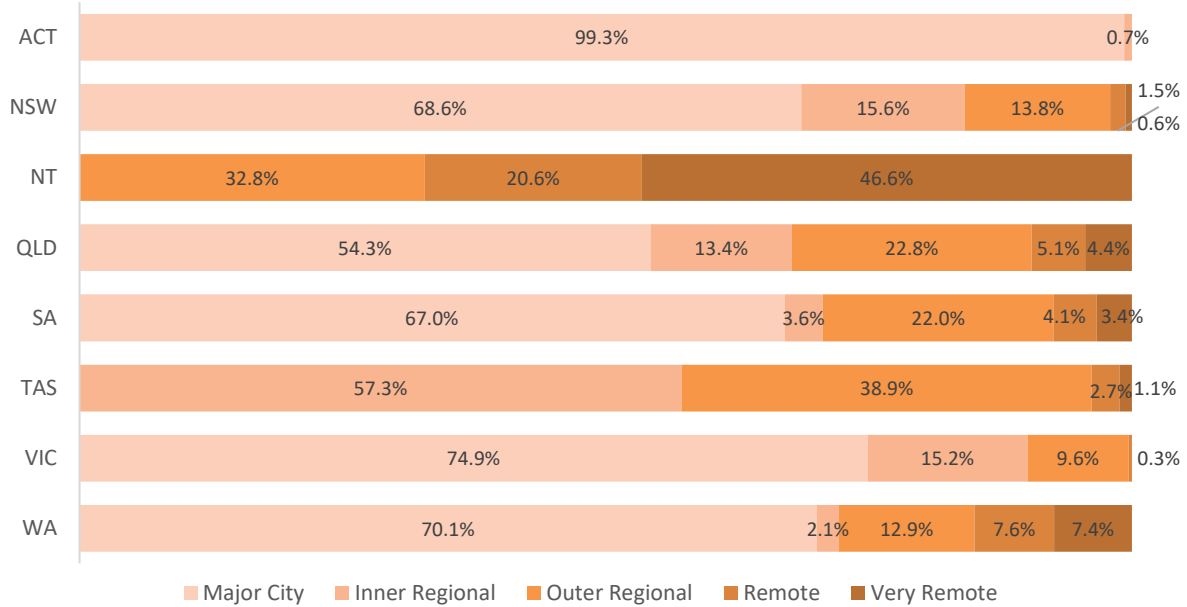
Figure 7: Number and proportion of schools and students by sector and remoteness area, 2019



The proportion of schools in regional and remote areas differ between states and territories and those with a comparatively large number of schools outside of major city areas also benefit more from the current loadings. As shown in Figure 8, the Northern Territory, Tasmania, Queensland and Western Australia have a greater proportion of schools in outer regional and remote areas. Conversely, the Australian Capital Territory only has schools in major city or inner regional areas.⁵

⁵ The sole ACT inner regional school is located in Jervis Bay

Figure 8: Proportion of schools by remoteness area and state and territory, 2019

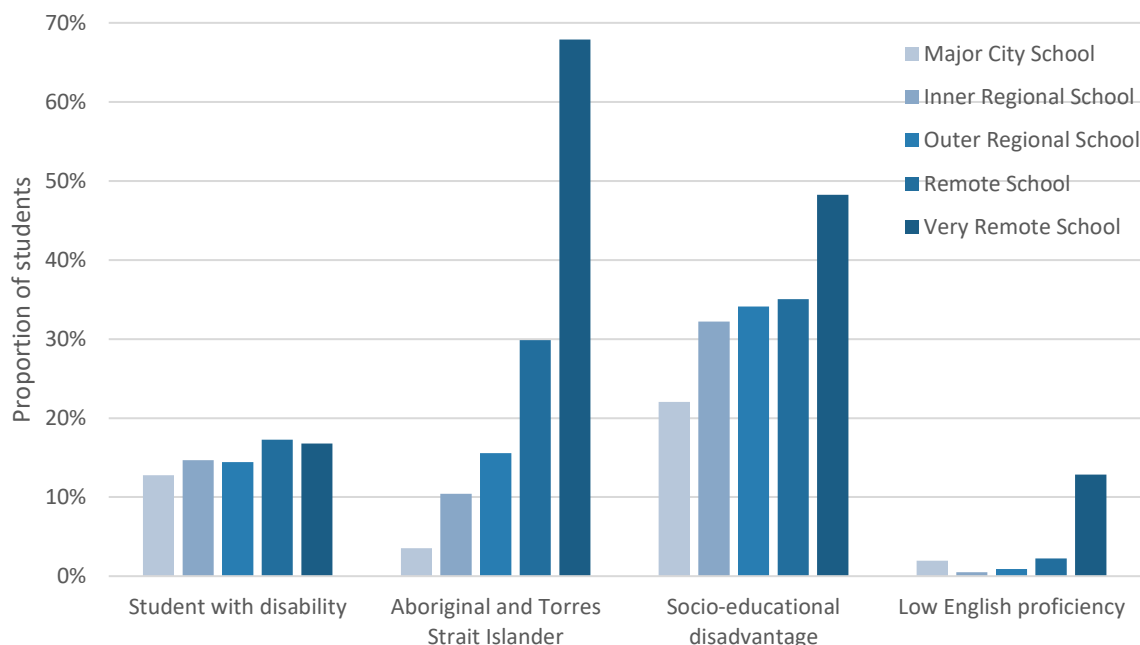


Particular student priority cohorts are more likely to attract the location and size loadings. The Gonski review noted there is “a compounding effect of disadvantage and there is a strong interaction between Indigeneity, low socioeconomic status and attending school in a remote or very remote location”.⁶ While the student-based SRS loadings are out-of-scope for the review, it is important to note that students in regional and remote areas also attract additional support through these loadings.

In very remote areas, a significantly higher proportion of students also attract funding through the Aboriginal and Torres Strait Islander, socio-educational disadvantage and low English proficiency loadings compared to students in major city areas (Figure 9).

⁶ Gonski, D., Boston, K., Greiner, K., Lawrence, C., Scales, B., & Tannock, P. (2011). *Review of Funding for Schooling-Final Report*. Canberra: DEEWR. p168.

Figure 9: Proportion of students who attract other loadings in each remoteness area, 2019



3. Multiple factors influence the actual funding received by regional and remote schools

While Commonwealth recurrent funding is allocated based on the SRS, there are several factors that impact the amount of funding received by schools in regional and remote areas.

State share of funding

Funding responsibility for schools in Australia is shared between the Commonwealth and state and territory governments. Under the Act, both levels of government are required to fund a certain share of the SRS for both the government and non-government sector. Each state and territory has a bilateral agreement in place with the Commonwealth which sets out its required minimum contribution over 2018 to 2023.

Under constitutional arrangements, Commonwealth funding for government schools is passed to state and territory governments who are able to pool this with their funding and prioritise their spending to meet the educational needs of all of their students. As noted above, the government sector has proportionally more students attending regional and remote schools than the non-government sector. This means funding for regional and remote schools is primarily determined by state and territory governments.

Commonwealth transition arrangements

The Commonwealth is moving towards consistently funding 20 per cent of the SRS for the government sector and 80 per cent of the SRS for the non-government sector by 2029. While in transition, schools which have historically been funded below these shares of the SRS will see their Commonwealth funding increase at a faster rate as they transition to a higher share of their SRS by 2023, while those above will transition by 2029.

System redistribution

Commonwealth funding for government schools is provided to relevant state and territory governments and Commonwealth funding for non-government schools is provided to the relevant approved authority. Under section 78 of the Act, approved system authorities (school systems) are able to redistribute Commonwealth funding among their schools according to their own needs-based funding arrangement.

Schools and school systems have the flexibility, and are best placed, to direct this funding to support those who need it most. The Government does not specify how recurrent funding should be spent in respect of individual students, or specific schools such as regional or remote schools. However, all funding must be spent for the purposes of school education.

4. Regional and remote schools face higher costs in providing school education

The small size of regional and remote communities and the often small size of schools in these communities makes provision of schooling services more expensive than in major cities. For example, it can be difficult to attract appropriately qualified teachers and leaders to these schools. As a result, a greater proportion of a system's education budget may need to be allocated to attract and retain quality, experienced teachers and leaders. Departmental analysis of the 2018 OECD Teaching and Learning International Survey indicates the impact of teacher shortages is significantly more pronounced in non-metropolitan schools that have a relatively high proportion of socio-economically disadvantaged students.

Professional development for teachers also presents challenges due to limited access to opportunities and the costs involved. These are compounded by the difficulties of accessing relief teachers to replace those undertaking training. This is especially pertinent given new teachers are often allocated to areas outside metropolitan areas. Access to high quality professional development is important to ensure teachers are equipped to meet the needs of their students and to continue to enhance their skill set.

Accessing resources can also be a large burden on budgets. Classroom materials, including those related to arts, science and technology, can be difficult to access at competitive rates. In addition, there are additional transport costs to access to museums and other cultural institutions and sporting equipment and opportunities (such as excursions and incursions). These additional costs again impact budgets and what can be provided to schools.

Overall, these and other issues limit the ability of regional and remote schools to offer the subject range and quality of education generally available in metropolitan areas.

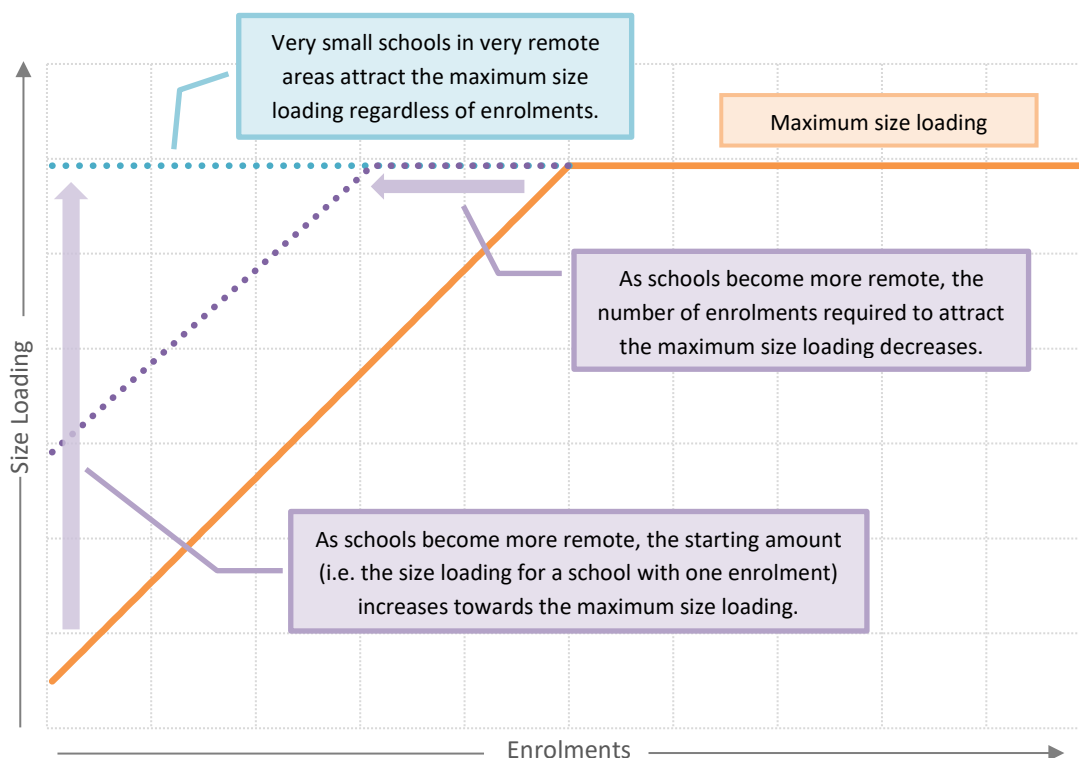
5. There is a complex interaction between the location and size loadings

There is a complex interaction between the current school location and school size loadings. To account for the compounding effect of increased costs of remoteness and school size, the location loading is applied as a percentage rate to the sum of a school's base and school size loading

amounts. Departmental analysis of the school location loading in 2019 indicates the proportion set by school size accounts for approximately 7.8 per cent of the location loading.

To discourage the establishment of small uneconomical schools, the school size loading features a taper-in and up to the maximum size loading. For very small schools⁷, the taper-in is reduced as location becomes more remote to account for regional or remote schools which may be small due to lower population in those areas. Departmental analysis of the school size loading indicates the additional size loading attracted by very small schools as a result of their location accounted for approximately 2.1 per cent of the size loading in 2019.

Figure 10: For very small schools, the size loading also takes into account the school's location



6. Very small special and special assistance schools do not always attract the maximum size loading

The Gonski Review did not recommend a size loading for schools in major city and inner regional areas “as this could encourage the establishment of unnecessarily small, uneconomic schools with limited capacity to offer an adequate educational experience to ‘students’”⁸. However, the review panel noted that further work was required to determine the appropriateness of the size loading in these areas as some major city schools may be very small as they serve a specialist function.

The size loading taper-in for very small schools was designed to reduce the incentive for major city schools to operate as very small schools by choice. However, some of these schools may be very

⁷ Under the Act, a very small school is defined as a school with less than 15 primary students or less than 100 secondary students. For a combined school, the threshold is based on the relative proportion of primary and secondary students.

⁸ Gonski, D., Boston, K., Greiner, K., Lawrence, C., Scales, B., & Tannock, P. (2011). *Review of Funding for Schooling*. Canberra: DEEWR. p. 168.

small by necessity as they serve a specialist function, such as special schools and special assistance schools. In 2019, 78.1 per cent of very small schools in major city areas were special assistance schools and special schools.

7. The school size loading does not account for full-fee paying overseas students

The department has observed that a number of schools with a large proportion of overseas students attract funding though the school size loading. Students who are not eligible for Commonwealth funding under the Act, such as full-fee paying overseas students, are not included in the calculation of the SRS. As a result of overseas students not being counted, in some cases, larger schools may be considered smaller and as a result receive a higher size loading. Preliminary departmental analysis based on 2019 enrolments shows counting overseas students in the size loading would result in a small overall reduction in funding for these schools (e.g. less than 1 per cent for most schools).

8. Updating ARIA+ will reduce funding provided to most regional and remote schools due to population growth and expansion of urban centres.

The ARIA+ index is commonly used as a measurement of remoteness by government agencies, including the Australian Bureau of Statistics (ABS). It is a continuous index with values ranging from zero (high accessibility) to 15 (high remoteness) categorised into five remoteness areas. Both the school location and school size loadings use the ARIA+ index as a basis for measuring a school's remoteness. The ARIA+ index score is also used in the definition of sole provider and Majority Aboriginal and Torres Strait Islander schools, which have a deemed capacity to contribute of zero.

The ARIA+ ranges that determine a school's remoteness area in the Act differs from the definition used by the ABS (see Table 1).

Table 1. The definition of remoteness areas in the Act compared to the ABS definition

Remoteness Area	Act definition	ABS definition
Major City	ARIA+ score of 1, or less than 1	ARIA+ score of zero to 0.2
Inner Regional	ARIA+ score of more than 1, and less than 2.4	ARIA+ score of more than 0.2, and less than or equal to 2.4
Outer Regional	ARIA+ score of at least 2.4, and less than 6	ARIA+ score of more than 2.4, and less than or equal to 5.92
Remote	ARIA+ score of at least 6, and less than 10	ARIA+ score of more than 5.92, and less than or equal to 10.53
Very Remote	ARIA+ score of at least 10, and less than or equal to 15	ARIA+ score of more than 10.53

The current ARIA+ scores used in the SRS funding model for the school location and size loadings were calculated by the University of Adelaide in 2013 based on the 2011 Census of Population and Housing (Census). An update to ARIA+ based on the 2016 Census is available but has not been applied to the SRS funding model. The next update to the ARIA+ index will be based on the upcoming 2021 Census.

According to the ABS, “[i]n general, changes to remoteness primarily result in areas becoming less remote as Urban Centres increase in size and the road network is improved”⁹. It is estimated that updating ARIA+ to 2016 values in the SRS funding model would result in an overall decrease of funding allocated through the school location and school size loadings.

9. Regional and remote schools and students may also benefit from other government funding and support programs

The Commonwealth recurrent funding, including through the school location and school size loadings, does not exist in isolation. In addition to funding provided by state and territory governments, the Commonwealth provides a range of additional funding through programs and targeted measures to support to regional and remote schools and students.

This includes the department’s Choice and Affordability Fund (CAF) which commenced in 2020 with an estimated \$1.2 billion to be provided to the non-government sector over 10 years to 2029. The CAF Guidelines require at least 9 per cent of each sector’s national allocation to be quarantined for regional schools.

The [Guide to Australian Government Payments 2020](#) outlines the range of payment programs to assist families in regional and remote areas, such as the Assistance for Isolated Children Scheme, ABSTUDY, Youth Allowance, Relocation Scholarships and Start-Up Loans.

⁹Australian Bureau of Statistics (2018) 1270.0.55.005 - *Australian Statistical Geography Standard (ASGS): Volume 5 - Remoteness Structure, July 2016*, accessed at: www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/1270.0.55.005Main%20Features%20July%202016?opendocument&tabname=Summary&prodno=1270.0.55.005&issue=July%202016&num=&view=