



## **Transition arrangements under the Australian Education Act 2013 to calculate Commonwealth recurrent funding entitlement**

The Government has made a commitment to work with all states and territories to deliver stable and sustainable funding. To give all schools funding certainty, the Commonwealth has committed that all jurisdictions will be funded through a national needs-based model over the 2014 to 2017 funding period.

Transitional arrangements for approved authorities (AA) are set out under Division 5 of the *Australian Education Act 2013* (the Act). Accordingly, funding entitlements depend on the type of transitional arrangements that apply to an AA.

An AA is either an individual school or a group of schools, depending on the AA. The transition decisions are made at an AA level. Most schools in the independent sector are their own AA. For AAs that do have more than one school all their schools should be added together for an AA total.

If an AA for more than one school is determined to be below the Schooling Resource Standard (SRS), then every school in the AA has its funding calculated as though it is below the SRS.

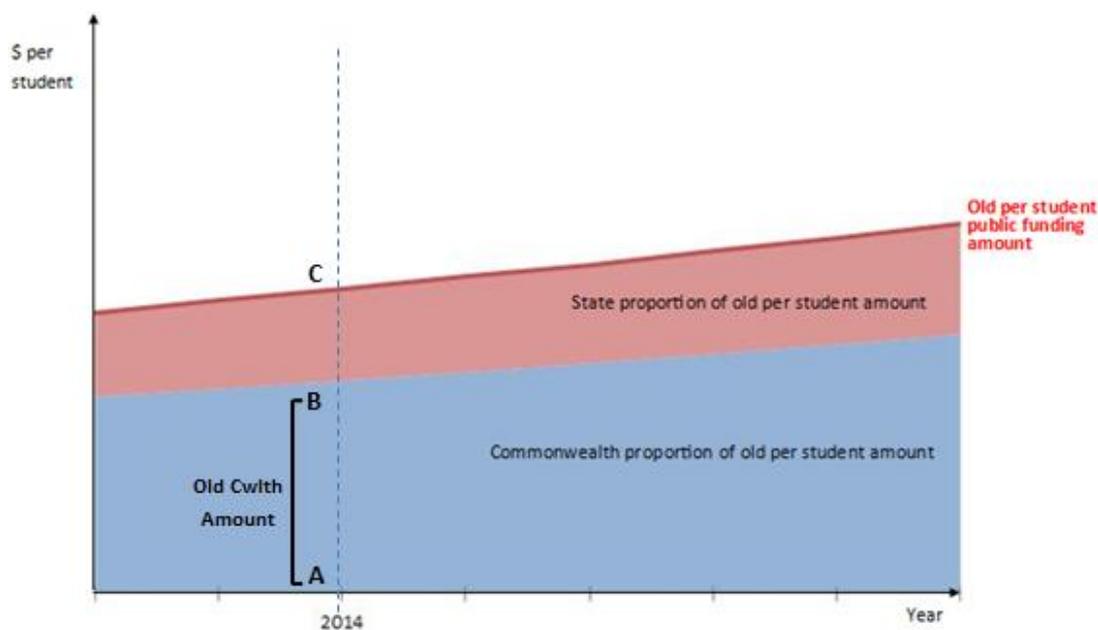
### **Step 1**

#### **Old per student amount**

The first step in calculating the Commonwealth entitlement for a given year is determining the Commonwealth and state or territory old per student funding for a school as per the Act.

For government schools, the figure for the Commonwealth and state or territory old per student funding is based on the school's 2011 financial data. For non-government schools funding, the figure for the Commonwealth and state or territory old per student funding is based on the school's actual 2013 financial data. In both cases the data has been indexed according to agreed state and sector indexation rates to determine a 2014 amount. Point **C** in the chart below shows this 2014 old per student public funding amount.

The segment **AB** in the chart below represents the Commonwealth proportion of the old per student amount for 2014.





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## Step 2

### *Determining the transition group*

The transition group is evaluated at the AA level by aggregating all of its old per student amounts for 2014 and dividing by the total 2014 full-time equivalent (FTE) enrolments in the AA, to compare against the aggregated new SRS per student amount for 2014.

#### **Old per student amount at the AA level**

$$= \frac{\text{2014 projected total public funding for all schools in AA}}{\text{2014 FTE for all schools in AA}}$$

#### **New per student amount at the AA level**

$$= \frac{\text{2014 total SRS amount for all schools in AA}}{\text{2014 FTE for all schools in AA}}$$

- If the 2014 old per student amount is less than the new per student amount, schools in this AA will fall under section 59 of the Act (“Below SRS”).
- If the 2014 old per student amount is more than the new per student amount, schools in this AA will fall under section 61 of the Act (“Above SRS”).



### Step 3

#### *Above SRS schools – Per student funding for transition to SRS*

For the Above SRS AA, all schools within the AA will have their Commonwealth funding in a given year calculated by growing their Commonwealth old per student amount for 2013 by 3.0 per cent each year until the AA funding converges with the SRS.

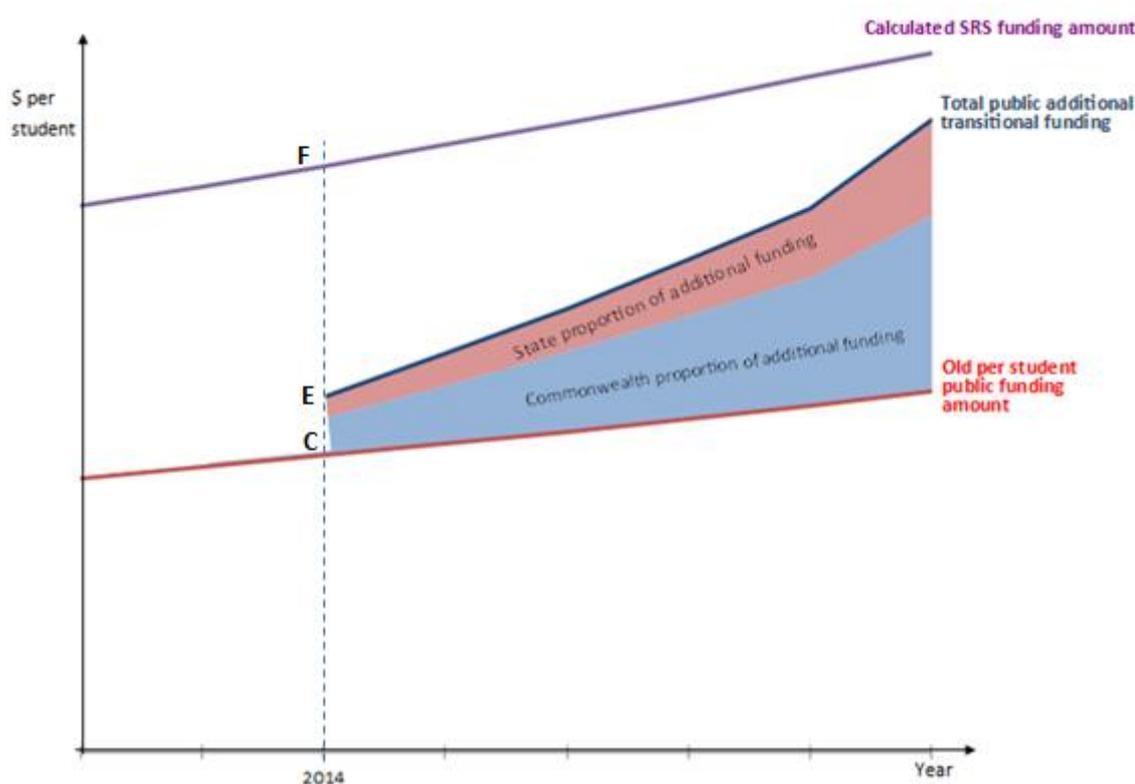
#### *Below SRS schools – Additional per student funding for transition to SRS*

For the Below SRS AA, each school within the AA will be transitioned from their old per student amount for 2013 to the SRS over time. The funding model allocates an additional transitional funding amount beyond the projected old per student amount for 2014, which is apportioned between the Commonwealth and the relevant state or territory.

The level of additional funding will depend on the transition rate for that year. The transition rate is the percentage of the gap between the old funding amount and the SRS amount. For most schools the transition rate based on the negotiated transition arrangements between the Commonwealth and state and territory governments. Transition rates vary across jurisdictions and between the years of the agreement.

In the chart below, point **F** represents the school's calculated SRS amount in 2014 (the year in which the new funding arrangements were introduced). Point **E** represents the school's level of total public additional transition funding. Point **C**, as previously referenced, represents the school's old funding amount.

The level of total public additional transition funding is also apportioned between the Commonwealth and states and territories. Therefore, the level of additional funding provided by the Commonwealth in each year will depend on the negotiated Commonwealth proportion of additional funding within that year.





## Summary of calculation of Commonwealth entitlement for schools within AAs below the SRS

Bringing the two elements of the Commonwealth funding together in the chart below:

- Point **C** represents the projected 2014 old total public funding.
- Segment **AB** represents projected 2014 old Commonwealth funding.

### 2014 example

- The purple line represents the calculated SRS funding amount over time (as an example, point **F** represents the school's calculated SRS amount in 2014).
- The blue line represents the total public transition funding over time (as an example, point **E** represents the school's level of total public funding in 2014).
- Segment **CE** represents the school's total public additional transition funding.
- Segment **CD** represents the Commonwealth's proportion of additional funding.

The blue shaded areas in the chart above outline the two components of the **Commonwealth entitlement**.

For example in 2014 the Commonwealth entitlement was:

= Segment **AB** (Old funding) + Segment **CD** (Additional funding)

