Australian Government
Department of Education, Skills and Employment

Guidance to reporting

State and Territory Funding Contribution Requirements

Under subsection 22A(1) of the *Australian Education Act 2013* (the Act), states and territories can count funding provided for schools towards their required state-territory shares.

Required shares for each state or territory are currently set out in individual bilateral agreements with the Commonwealth. Bilateral agreements also include the agreed measurement of contributions and requirements for annual reporting to the Commonwealth. Due to differences between individual bilateral agreements and state or territory specific circumstances, not all elements of this guidance will be applicable for each state and territory.

Under the bilateral agreements, states and territories are due to report to the Commonwealth by 30 November[1] each year on funding requirements for the previous year.

The reporting guidance was reviewed and revised after the assessment of the 2018 reporting year. This was to ensure the overall reporting process remains fit for purpose.

The base methodology for measuring state and territory contributions uses the adjusted Net Recurrent Income Per Student (NRIPS) component of the Australian Curriculum, Assessment and Reporting Authority (ACARA) financial data reporting methodology. References to NRIPS in this document refer only to the state and territory funding component. Under the bilateral agreements, certain other expenditure types (additional expenditure) can be included as part of a state or territory's funding contribution in addition to NRIPS.

Base methodology for measuring recurrent expenditure (ACARA financial methodology)

The base methodology for measuring state and territory funding contributions is the state and territory government component of NRIPS for school years Year 1 minus 1 to Year 12 as calculated under the ACARA financial data reporting methodology.

To ensure consistency with the SRS, funding for Year 1 minus 2 and for full-fee paying overseas students is separately identified and removed for the purposes of measuring state and territory funding contributions where it is otherwise included in the data reported to ACARA.

As at 7 September 2020

[1] Subject to agreement by state and territory Education Ministers.

Adjustment to NRIPS for Year 1 minus 2 (if required to jurisdictions that do not currently exclude this in *MySchool* reporting)

The ACARA financial methodology excludes costs relating to Year 1 minus 2 except where specifically identified. For the purpose of measuring the NRIPS component of state and territory funding contributions in the circumstance where Year 1 minus 2 costs are included in the state or territory's ACARA reporting:

- Recurrent/variable costs for delivering Year 1 minus 2 should be removed. This should be calculated based on the incremental cost of an additional Year 1 minus 2 enrolment place. Such costs would include teacher salaries, premises costs and consumable costs.
- Overhead costs which are sunk costs (e.g. on-site delivery as part of a school) should be counted.
- Overhead costs which are not sunk costs (e.g. off-site delivery separate from school) should be removed.
- Any Year 1 minus 2 costs should be the net of any other funding received for these services (e.g. the National Partnership on Universal Access to Early Childhood Education and Care funding).

Year 1 minus 2 costs will need to be identified and removed on an ongoing basis from the NRIPS amount from the ACARA methodology used in states and territories' annual report, using certified data of actual or allocated expenditure and a methodology consistent with the guidance above. The annual report should set out the methodology used by the state or territory to exclude these students and include the certified data.

Where it is not possible to separate Year 1 minus 2 cost, the Australian Government will work with the state or territory to resolve the issue. This may occur where there is a material, unexplained difference between the total full-time equivalent enrolments (FTE) in the annual and the total FTE enrolments reported annually for the purpose of Australian Government funding due to the inclusion of funding for these students.

The methodology used may be to discount funding for Year 1 minus 2 through a notional apportionment of funding based on student numbers reported for Australian Government funding.

Should Year 1 minus 3 costs also be included in the ACARA financial methodology, these should also be excluded on the same basis.

Adjustment to NRIPS for full-fee paying overseas students (if required, applies to jurisdictions that do not currently exclude this in *MySchool* reporting)

The ACARA financial methodology may include costs relating to full-fee paying overseas students, however these students are not funded under the SRS. To ensure funding reported by states and territories relates to the same cohort of students captured in the SRS, funding for full-fee paying overseas students must be separately identified and removed for the purpose of measuring the NRIPS component of state and territory funding contributions.

Full-fee paying overseas students costs will need to be identified and removed on an ongoing basis from the NRIPS amount from the ACARA methodology used in states and territories' annual report, using certified data of actual or allocated expenditure and a methodology determined by the state or territory government. The annual report should set out the methodology used by the state or territory to exclude these students and include the certified data.

Where a state or territory is unable to provide certified data identifying actual or allocated funding for full-fee paying overseas students, the Australian Government will work with the state or territory to resolve the issue. This may occur if there is a material, unexplained difference between the total FTE in the annual and the total FTE enrolments reported annually for the purpose of Australian Government funding due to the inclusion of funding for these students.

The methodology used may be to discount funding for full-fee paying overseas students through a notional apportionment of funding based on student numbers reported for Australian Government funding.

Allocated funding or actual expenditure

For government schools, the ACARA financial methodology is based on actual expenditure reported by schools. However, for the purposes of contribution requirements under section 22A of the Act, states and territories may report the funding provided by the state or territory government to schools (i.e. allocated funding) as well as funding spent by schools (i.e. actual school expenditure), so long as the funding types reported are consistent with NRIPS and the agreed methodology.

This means funding allocated to schools for a year, but expended by the school in a later year, can be counted towards the state or territory funding contribution for the year it is provided. This also means that centralised costs incurred by the state or territory government for a year can be counted towards the state or territory funding contribution for a year. However, expenditure allocated by the state or territory government to schools and counted as a contribution for one year cannot be counted in a subsequent year when spent by the school.

States and territories can adjust the NRIPS amount from the ACARA methodology to include funding permitted in base methodology but not included in NRIPS (i.e. this could include centralised expenditure allocated to schools for some states and territories). The methodology for adjustments to the NRIPS amount, along with certified data, must be set out in the annual report if it is different to the ACARA methodology. Note, where a state or territory's bilateral agreement specifies that additional expenditure types in addition to NRIPS (the base methodology), the amounts for each specified expenditure type must be individually identified in the annual report.

Under the ACARA financial reporting arrangements, non-government school expenditure is reported by these schools to the Australian Government through the annual Financial Questionnaire and supplied to ACARA by the Australian Government. For the purpose of the annual reporting arrangements for state and territory funding contributions, states and territories will report to the Commonwealth the funding types consistent with the NRIPS methodology allocated by the state or territory to non-government schools.

States and territories can also include budgeted funding in their annual report to the National School Resourcing Board as contextual information, but each state or territory will be assessed against allocated funding or actual expenditure. To ensure consistency and transparency, the methodology should be consistently applied each year (i.e. states and territories should not vary between reporting allocated funding or actual expenditure).

Attribution of expenditure

Expenditure can only count towards a state or territory's funding contribution for the sector for which the funding was incurred. Expenditure should not be double counted for multiple inter-governmental agreements.

Expenditure counted as part of state and territory funding contributions must also be reported as net of Australian Government funding.

AASB 16 (Leases)

AASB 16 is a new lease accounting standard published by the Australian Accounting Standards Board (AASB) which came into effect from 1 July 2019. The principal change resulting from the new standard is to remove the distinction that previously existed between an operating lease and a finance lease, treating all leasing transactions consistently.

For the purposes of school funding, principal payments for operating leases which were previously considered under the accounting standard to be a recurrent expense are considered under the new standard to be a capital expense.

The movement of operating leases from a recurrent expenditure to a capital expenditure may not have been accounted for when state shares in bilateral agreements were agreed, and its subsequent inclusion may result in a reduction to the state or territory contribution under the bilateral agreement from the 2019 calendar year.

All bilateral agreements with states and territories, except the ACT, contain a clause which commits the National School Resourcing Board, when undertaking their assessment of state compliance, to take into account mitigating factors that may have contributed to any non-compliance, including financial accounting impacts.

To have AASB 16 (leases) considered by the National School Resourcing Board as a mitigating circumstance, the financial impact of the accounting change on the state's recurrent expenditure must be itemised in table 1.4 of the reporting template and included in the total state and territory contribution in table 1.3. It must also be listed as a mitigating circumstance under part 3.

Additional expenditure

Where stipulated in the bilateral agreements, additional expenditure in discrete circumstances can be included as part of a state or territory's funding contribution in addition to NRIPS.

Where additional expenditure types are to be included as part of a state or territory's funding contribution, this expenditure must be reflected in the starting state-territory shares. This excludes new or time-limited reform costs.

Reform costs that can be counted

Consistent with section 22A of the Act, any reform costs counted as part of a state or territory's funding contribution must be funding provided for the benefit of school education. Further, any reform costs should:

- Be new, time-limited expenditure (noting existing expenditure should have been included in starting shares); and
- Not double count other funding already counted towards a state or territory's funding requirements (i.e. NRIPS, regulatory costs or other expenditure included in the four per cent cap).

Regulatory costs that can be counted

If education regulatory costs have been agreed in a state or territory's bilateral agreement, these will need to be separately identified and attributed to each sector where possible. In some states and territories, the education regulatory costs for the non-government sector are immaterial so the total cost can be attributed to the government sector.

Other expenditure that can be counted up to four per cent of the SRS for the government sector

Other expenditure types specified in a state or territory's bilateral agreement up to a cap of four per cent of the SRS can be included for the government sector only. These can only be counted if specifically identified in a state or territory's bilateral agreement.

The agreed expenditure types that may be included in a bilateral agreement are capital depreciation, direct student transport costs, Year 1 minus 2 costs and early childhood costs. Where included in the bilateral agreement, each expenditure type will need to be separately accounted for when reporting on compliance.

Direct student transport costs include dedicated school buses but exclude general concessional student fares for public transport. Transport for students with disability may also be included as direct school transport cost. However, where transport for students with disability is counted as a contribution to the National Disability Insurance Scheme (NDIS), this expenditure cannot also be counted towards a state or territory's school funding requirements.

Costs for Year 1 minus 2 costs and early childhood learning are included where they are incurred in a school setting or are shown to have a direct impact on school outcomes in line with the Act's requirement for funding contributions to be provided for schools.

Certification requirements

For each expenditure amount included in bilateral agreements, the state or territory should include evidence that the amount has been certified and is consistent with the agreed methodology as set out in the bilateral agreement through a reasonable assurance engagement in line with the Australian Auditing and Assurance Standards by either:

- the Auditor-General of the state or territory;
- an independent qualified accountant;
- an independent qualified accounting organisation engaged by ACARA for NRIPS; or
- the Director-General or equivalent of the education portfolio for the state or territory, but only up to 0.1 per cent of the SRS for all reported funding.

The Commonwealth Department of Finance defines a reasonable assurance engagement as an assurance engagement where the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the assurance engagement as the basis for the assurance practitioner's conclusion.[2] A reasonable assurance engagement is commonly referred to as an audit in the context of financial statements.

[2] Commonwealth Department of Finance clarification of the terms 'Audit' and 'Assurance' (RMG 210): www.finance.gov.au/government/managing-commonwealth-resources/clarification-terms-audit-assurance-rmg-210.

Reporting pro forma

This pro forma supports annual reporting requirements set out in bilateral agreements between governments relating to state and territory minimum annual contribution amounts for schooling.

The pro forma can be edited or adapted as required by states and territories (e.g. further years could be added to tables, or additional columns may be added to justify adjustments).

If a state or territory considers that this pro forma does not cover the relevant issues that need to be highlighted, the state or territory may add additional information to this pro forma; or use another format (e.g. spreadsheets or published information from its government). This information should meet the same evidence requirements as outlined in the template.

The report and any additional information should be sent to:

Section22AReporting@dese.gov.au

[Insert State or Territory]

Part 1 – Summary of reported state or territory funding contributions

1.1 Contact details

Primary executive contact	Alternative contact (optional)
Name:	Name:
Position:	Position:
Email:	Email:
Phone:	Phone:

1.2 State or territory funding contribution requirements

The required funding contributions are expressed as a percentage of the Schooling Resource Standard (SRS) are calculated under the *Australian Education Act 2013* (the Act).

Required minimum funding contribution requirements

		[insert year]
Government	Required contribution (% SRS) *	
	Enrolments (FTE) ^	
	Total SRS ($) ^	
	Required contribution of SRS($) ^#	
Non-government	Required contribution (% SRS) *	
	Enrolments (FTE) ^	
	Total SRS ($) ^	
	Required contribution of SRS ($) ^#	

* As listed in the bilateral agreement

^ Must be sourced from the Funding Estimation Tool (FET) provided by the Department of Education in the January following the funding year (e.g. for the 2019 year, it is the 2019 Q4 FET which is provided in January 2020). Note the total SRS amount will reflect any agreed adjustments as per Clause 61 of the National School Reform Agreement.

#The required contribution of the SRS ($) reflects any pro-rata adjustments, as sourced from the FET, for schools that closed or opened part way through the school year.

1.3 Total reported state or territory funding contributions for each sector

Total state or territory contribution

		[insert year]
Government	Total contribution ($)	
	Enrolments (FTE)	
	% of SRS	
Non-government	Total contribution ($)	
	Enrolments (FTE)	
	% of SRS	

1.4 Reported state or territory funding contributions by expenditure type

Reported state and territory contribution by funding type ($)

		Data source ($)	Adjustment (if required)*	
			Description	Revised ($)
Government	Net Recurrent Income for Government Schools (NRIPS) as per ACARA Methodology [1,2]	[e.g. $X as reported to ACARA]	[e.g. Removed $Y as full-fee paying overseas students by X methodology]	$X-$Y
	Capital depreciation[3]			
	Direct school transport[3,4]	[e.g. Budget paper X - $X for school transport 2018]	[e.g. Removed underspend ($Y)]	$X-$Y
	Regulatory costs,[3]			
	Early learning [1,3]			
	Reform costs (excluding capital funding)[5]			
	Other costs as agreed in bilateral agreement		[e.g. Adjustment for funding allocated/ budgeted]	
	Impact of AASB 16 (leases)[6]			
TOTAL Government				
Non-government	Net Recurrent Income for non-Government Schools (NRIPS) as per ACARA Methodology [1,2]			
	Other costs as agreed in bilateral agreement			
	Impact of AASB 16 (leases)[6]			
TOTAL Non-Government				

[1] Year 1 minus 2 costs will need to be identified and removed on an ongoing basis from the NRIPS amount (if not already excluded), using data of actual or allocated expenditure. Overhead costs which are sunk costs (e.g. on-site delivery as part of a school) should be counted, but not sunk costs (e.g. off-site delivery should be removed). Any costs of Year 1 minus 2 that are counted should be net of any other funding received for these services (e.g. National Partnership on Universal Access to Early Childhood Education and Care).

The ACARA NRIPS financial methodology is based on actual expenditure reported by schools. For the purposes of contribution requirements, states and territories may report the funding provided by the state or territory government (i.e. allocated funding) as long as the funding types are consistent with NRIPS.
[2] Full-fee paying overseas students costs will need to be identified and removed on an ongoing basis from the NRIPS amount (if not already excluded), using data of actual or allocated expenditure and a methodology consistent with the guidance.
[3] Other expenditure that can be counted as part of the SRS as agreed in bilateral agreements. Only WA and NT can include early childhood costs consistent with their bilateral agreements. Only Vic, Qld, SA, WA, Tas and NT can include direct school transport costs consistent with their bilateral agreements.
[4] Direct student transport costs include dedicated school buses but exclude general concessional student fares for public transport. Transport for students with disability may also be included as a direct school transport cost. However, where transport for students with disability is counted as a contribution to the National Disability Insurance Scheme (NDIS), this expenditure cannot also be counted towards a state or territory's school funding requirements.
[5] Reform costs should be new, time-limited expenditure and should not double count any other funding requirements (e.g. NRIPS, regulatory costs or other expenditure included in the four per cent cap). May not be applicable if reform costs are included as part of NRIPS. In this instance, reform costs do not need to be separately identified.
* Budgeted expenditure cannot be included in this table without also providing certification in this report that the amount also reflects the actual funding allocated to schools. If Budgeted expenditure does not reflect actual funding allocated, it may still be included in this report but must be provided in addition to this table.
* If using an existing, independently certified dataset then additional adjustments to be consistent with the bilateral agreement should be outlined in this table (e.g. NRIPS as reported to ACARA would be shown in the first column and the adjustment columns would be used to show the removal of Full-fee paying overseas students).
[6] Under AASB 16, cash funding sources used for principal payments of leases are considered as cash capital appropriations. Previously, theses were considered as cash recurrent appropriations. To have the impact of this financial change considered by the National School Resourcing Board as a mitigating circumstance, the cash capital appropriation for repayments of leases under AASB 16 should be itemised in this table and included as part of the total contribution.

Part 2 – Certification of funding contribution requirements

2.1 Certification of funding types

Description of each expenditure type listed in 1.4^	Sector(s) impacted	Data source	Level of assurance*
[e.g. NRIPS]	*[e.g. Government Non-government]*	*[e.g. Reported ACARA]*	*[e.g. signed off by Deloitte]*
[Adjustment to NRIPS for Full fee paying overseas students (FFPOS), only if required]	*[e.g. Government Non-government]*	*[e.g. Departmental modelling]*	*[e.g. Independent auditor or Secretary if less than 0.1% SRS]*

^ Any adjustments will need to be separately listed in this table.

* Notes on assurance requirements

For each expenditure amount included in the bilateral agreements and outlined above, the state or territory should include evidence that the amount has been certified and is consistent with the agreed methodology by one of the following:

- the Auditor-General of the state or territory;
- an independent qualified accounting organisation; or
- an independent qualified accounting organisation engaged by ACARA for NRIPS.

The Director-General or equivalent of the education portfolio for the state or territory, may certify only up to 0.1 per cent of the SRS for all reported funding.

Part 3 – Mitigation factors (if required)

This part may be used to describe any mitigating factors that may have contributed to a funding shortfall including an immaterial shortfall as set out in the bilateral agreements. This may include (but is not limited to):

- fluctuations from year-to-year in funding;
- unintended and unexpected budget pressures;
- fluctuations in enrolment numbers or student characteristics;
- significant differences in allocated funding compared to actual school expenditure;
- financial accounting impacts (e.g. new accounting standards such as AASB 16 (leases)); and
- unforeseeable circumstances (e.g. natural disasters).

Any explanations of variations in contributions should be supported by relevant data and information (e.g. a three-year rolling average if funding is below the required amount, budget documents and reports from a recognised source).

Part 4 – Secretary/Director-General approval

I certify, as at [DD Month YYYY] that, to the best of my knowledge and after making diligent inquiry, that the information provided in this proposal is true and accurate.

[Secretary/Director-General Name]

[Portfolio]

[Date]