Australian Government
Department of Education

Guidance to Reporting

State and territory funding contribution requirements under the Better and Fairer Schools Agreements

Contents

Introduction

The Australian Government and state and territory governments have committed to minimum funding contributions for government and non-government schools through bilateral agreements between the Commonwealth and each jurisdiction. Minimum funding shares are specified in each of these bilateral agreements.

Funding contributions are expressed as percentages of the jurisdiction's total Schooling Resource Standard (SRS) for each sector (government and non-government). The SRS is an estimate of how much public funding a school needs to meet its students' educational needs and includes a base funding amount for every primary and secondary student enrolled at a school and up to 6 additional funding loadings for disadvantaged schools, students and priority equity cohorts.

The Australian Government has worked with states and territories to put all government schools on a pathway to 100 per cent of the SRS through the Better and Fairer Schools Agreement (BFSA) and the Better and Fairer Schools Agreement – Full and Fair Funding 2025-2034 (BFSA Full and Fair Funding). These agreements are collectively referred to as the BFSA agreements.

Required state and territory school funding contributions

The *Australian Education Act 2013* (the Act) sets out conditions for states and territories to receive Commonwealth financial assistance for government and non-government schools in that state or territory.

This includes default requirements for minimum state and territory funding contributions for the government and non-government sectors under section 22A of the Act, unless otherwise agreed by the Commonwealth in a school education reform agreement.

Bilateral agreements have been agreed as part of the BFSA agreements. The bilateral agreements include agreed minimum state funding contributions, as well as the agreed approach to measuring these contributions and treatment for immaterial shortfall, for the government and non-government sectors.

The total amount of funding provided by a state or territory for a year will be calculated in accordance with the methodology set out in the state or territory's bilateral agreement. This *Guidance to Reporting* provides administrative guidance for agreed arrangements and the preferred template for reporting.

The base methodology for measuring state and territory contributions under section 22A of the Act uses Net Recurrent Income (NRI). For the purpose of this Guidance, NRI is the total state or territory component, at a sector level, of the Australian Curriculum, Assessment and Reporting Authority (ACARA) financial data reporting methodology for state Net Recurrent Income Per Student (NRIPS). 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.

Additional funding types (e.g. capital depreciation, direct school transport, regulatory costs, and funding for the purpose of the National Reforms and National Enabling Initiatives) can be included as part of a state or territory's funding contribution in addition to NRI, if set out in its bilateral agreement with the Australian Government. Under the BFSA Full and Fair Funding, parties have agreed to phase out capital depreciation previously counted to a cap of 4 per cent of the SRS for the government sector to zero by 2034.

To ensure consistency and transparency, the same methodology should be consistently applied each year. Please contact the department for further advice if you are considering making any changes to the reporting methodology.

States and territories can also include budgeted funding in their annual report to the National School Resourcing Board as contextual information, separate to their reported funding contributions.

Net Recurrent Income (NRI)

For the purposes of these Guidance, NRI is the total state or territory government's component, at a sector level (i.e. for the government sector and non-government sector) for school years Year 1 minus 1 to Year 12 as calculated under the ACARA financial data reporting methodology for Net Recurrent Income Per Student (NRIPS).

Government schools

NRI for government schools is calculated in accordance with ACARA's financial data reporting methodology for state NRIPS, with some adjustments (as set out in these guidelines). The ACARA methodology recognises that many government school systems equate income with expenditure over time, and where income data is not directly available at the school level, systems use expenditure characteristics as a proxy for income (i.e. notional income).

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. 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. Funds allocated to a school for a year but not expended within the funding year cannot be counted towards a state or territory's contribution if the unspent funds are returned to the approved authority for reallocation.

NRI can include departmental expenditure (where it relates to the provision of education in government schools) including any centrally incurred costs for services provided to or on behalf of schools, such as payroll, cleaning, maintenance, corporate costs and grant funding transfers from the system to a school. This is consistent with notional income determinations used in the ACARA methodology to describe a system's funding assessment, at the individual school level, of services provided to or on behalf of its schools.

Non-government schools

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.

Attribution of expenditure

Expenditure can only count towards a state or territory's funding contribution for the sector for which the funding was allocated. Expenditure should not be double counted for multiple intergovernmental agreements. For example, where transport for students with disability or personal care in schools 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.

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 was a new lease accounting standard published by the Australian Accounting Standards Board (AASB) which came into effect from 1 July 2019. The principal change resulted in removing the distinction between an operating lease and a finance lease, treating all leasing transactions consistently.

For the purposes of school funding, principal payments for operating leases were previously considered under the accounting standard to be a recurrent expense. From the 2019 financial year these expenses are now considered a capital expense.

As recommended by the National School Resourcing Board in its report on 2019 funding compliance, the impact of the changed accounting standard may be included towards a state's funding contribution requirement. For this to occur, the impact of the change on a state's recurrent expenditure may be itemised in table 1.4 of the reporting template and included in the total state and territory contribution in table 1.3.

Adjustment to NRI for Year 1 minus 2 (if required, applies to jurisdictions that do not currently exclude this in *My School* reporting)

The ACARA financial methodology excludes costs relating to Year 1 minus 2 except where specifically identified. For the purpose of measuring the NRI 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. Preschool Reform Agreement).

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 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.

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

Where Year 1 minus 2 and early childhood education are listed as additional funding types in bilateral agreements, these costs should not be included in NRI and should be reported separately.

Adjustment to NRI for full fee-paying overseas students (if required, applies to jurisdictions that do not currently exclude this in *My School* 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.

For the purpose of annual section 22A reporting, any full fee-paying overseas students' costs that are included in the NRIPS amount using the ACARA financial methodology must be removed 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.

Additional funding types

Additional funding types specified in the 'Measurement of contributions' section in the bilateral agreements can be included as part of a state or territory's funding contribution in addition to NRI, subject to any conditions specified in the bilateral agreements.

For example, for some additional funding types the bilateral agreement may:

- state that only funding for the government sector may be counted towards a state or territory's funding contribution
- specify a maximum percentage that can be counted towards the state or territory's funding contribution
    - jurisdictions are only required to report a funding amount up to the maximum percentage specified in their bilateral agreement[1]
- state a phase-in arrangement to ensure that inclusion of these costs will not result in a reduction in recurrent funding to schools and students when compared with the previous year.

[1] If a jurisdiction would also like to provide visibility of a funding amount that is greater than the maximum percentage specified in their bilateral agreement, there is space to do so in the reporting template at Attachment A – see Table 1.4, Note 1 for further information.

Each additional funding type specified in the bilateral agreements will need to be separately accounted for when reporting on compliance with section 22A of the Act.

Regulatory costs

States and territories can include in their funding contribution the recurrent costs of any regulatory authorities listed in the bilateral agreement, subject to any conditions in the bilateral agreement. For most states, only government sector regulatory costs can be attributed as part of a jurisdiction's contribution towards its government sector.

If regulatory costs cannot be easily separated for the government and non-government sectors, states and territories will need to attribute a proportion for the government sector and detail the adjustment, including the basis on which the adjustment is calculated, in their report.

Reform costs and National Enabling Initiatives (NEI) costs

Any reform costs or NEI 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 2025 starting shares); and
- only be reported separately if the funding is not already counted towards a state or territory's funding requirements through NRI, regulatory costs or other additional funding types listed in the bilateral agreements.

Please contact the department for further advice if you wish to report any reform or NEI costs separately.

Capital depreciation

Capital depreciation can be included where permitted in a bilateral agreement, subject to any conditions in the bilateral agreements. Maximum percentages that can be counted for capital depreciation are listed in the bilateral agreements.

Where capital depreciation is specified as an additional funding type in a bilateral agreement under the BFSA Full and Fair Funding, a maximum of 4 per cent of the SRS can be counted towards capital depreciation in 2025, with this amount being reduced to 0 per cent over the lifetime of the agreement (see table in the bilateral agreements for maximum amount that can be counted for each year).

Direct school transport

Direct school transport costs for government school students can be included where permitted in a bilateral agreement, subject to any conditions in the bilateral agreement.

Direct school 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.

Year 1 minus 2 and early childhood education

Year 1 minus 2 and early childhood education costs can be included where permitted in a bilateral agreement, subject to any conditions in the bilateral agreement.

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.

South Australia's mid-year intake of government school reception students program

See bilateral agreement for further information.

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.

In addition, it is requested that, to the extent possible, any mitigating factors be quantified. Subject to being able to quantify the factors, these may then be certified through the reasonable assurance engagement.

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@education.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) as 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 2025 year, the department will provide a FET in January 2026).

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
- any agreed adjustments as per clause 44 of the Heads of Agreement for the Better and Fairer Schools Agreement (BFSA) and BFSA – Full and Fair Funding.

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 #	

* Total funding contribution reported by the state or territory

^ Actual enrolments as per the state or territory's data

Total funding contribution reported by the state or territory as a percentage of Total SRS ($)

1.4 Reported state or territory funding contributions by expenditure type

Reported state and territory contribution by funding type ($)

		Data source ($)	Adjustment (if needed)[1]	
			Description	**Revised ($)**
Government	Net Recurrent Income (NRI) for Government Schools as per ACARA Methodology[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 - $X for school transport 2025]	[e.g. Removed underspend ($Y),	$X-$Y
	Regulatory costs[3] *[Separate row for each entity, where possible. Delete/add rows as appropriate]* - *Regulatory Authority 1 name*	[e.g. X$ as reported in financial report for 2024-25 and $Y as reported in financial report for 2025-26]	[e.g. converted financial years to calendar year 2025]	(0.5 x $X) + (0.5 x $Y)
	- *Regulatory Authority 2 name*			
	Reform costs (excluding capital funding)[5]			
	National Enabling Initiatives (NEI) costs			
	Other costs as agreed in bilateral agreement [Separate row for each funding type, please specify funding type][3]			
	Impact of AASB 16 (leases)[6]			
TOTAL Government				
Non-government	Net Recurrent Income (NRI) for non-Government Schools as per ACARA Methodology[2]			
	Other costs as agreed in bilateral agreement [Separate row for each funding type, please specify funding type][3]			
TOTAL Non-Government				

Notes:

1
- The adjustment column can be used to show adjustments that have been made to derive the amount that is being reported for the purposes of compliance with section 22A of the Act. For example, a jurisdiction may wish to show calculation where an original data source is cited that includes items that are not eligible to be counted towards their funding contribution, or provide visibility of the full costs for items that are capped under the bilateral agreements. Jurisdictions may choose to only report amounts that are eligible to be counted towards their funding contribution, however if an amount is reported in the 'Revised ($)' column then an explanation must be provided in the adjustment column.
- 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).

2 Net Recurrent Income (NRI) is the total state or territory component, at a sector level, of the Australian Curriculum, Assessment and Reporting Authority (ACARA) financial data reporting methodology for state Net Recurrent Income Per Student (NRIPS).
- 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., Preschool Reform Agreement funding).
- Full-fee paying overseas student 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 Additional funding types can only be counted as part of the SRS if specified in the 'Measurement of contributions' section in the relevant bilateral agreement, and are subject to any conditions specified in the bilateral agreement.

4 Direct school 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 and NEI costs should be new, time-limited expenditure and should only be reported separately if the funding is not already counted towards a state or territory's funding requirements through NRI, regulatory costs or other additional funding types listed in the bilateral agreements. Please contact the department for further advice if you wish to report any reform or NEI costs separately.

6 Under AASB 16, cash funding sources used for principal payments of leases are considered as cash capital appropriations. Previously, these were considered as cash recurrent appropriations. The cash capital appropriation for repayments of leases under AASB 16 may be itemised in this table and included as part of the total contribution in table 1.3.

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. NRI]	*[e.g. Government Non-government]*	*[e.g. Reported ACARA]*	*[e.g. signed off by auditor]*
[Adjustment to NRI for Full fee-paying overseas students (FFPOS), only if required]	*[e.g. Government Non-government]*	*[e.g. Departmental data]*	*[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 for any reported mitigating factor (to the extent possible), the state or territory should include evidence that the amount has been certified and is consistent with the agreed methodology through a reasonable assurance engagement in line with the Australian Auditing and Assurance Standards 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 budgeted funding compared to actual school expenditure;
- financial accounting impacts (e.g., new accounting standards such as AASB 16 (leases));
- unfinalised adjustments to required shares in bilateral agreements; 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). Additionally, jurisdictions may provide advice regarding where unspent allocated funding has been carried forward or re-directed when applicable.

Each mitigating factor should be quantified and, where possible, certified through the reasonable assurance engagement.

Part 4 – Explanatory statement (optional)

This part may be used to provide a statement explaining any material variances (positive or negative) in the total amount of funding contributions between Year T and Year T-1 for government and/or non-government schools in the jurisdiction.

Additionally, jurisdictions may wish to provide additional clarification regarding any adjustments to funding contributions outside of the ACARA financial data reporting methodology for state NRIPS, such as, but not limited to, timing adjustments, out-of-scope funding and unspent funds returned to the jurisdiction.

Part 5 – 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]