



## PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

**Referred by:** Australian Labor Party      **Proposal No:** C1685  
**Date Referred:** 15/03/2023      **Date Published:** 20/03/2023  
**Proposal Title:** Education Future Fund  
**Cluster:** Education

### General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	25,000	174,540	246,860	446,400
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
<b>Net Operating Balance:</b>	-	<b>(25,000)</b>	<b>(174,540)</b>	<b>(246,860)</b>	<b>(446,400)</b>
Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
<b>Net Capital Expenditure:</b>	-	-	-	-	-
<b>Net Lending/(Borrowing):</b>	-	<b>(25,000)</b>	<b>(174,540)</b>	<b>(246,860)</b>	<b>(446,400)</b>
<b>Total State Sector Impacts</b>					
<b>Net Lending/(Borrowing):</b>	-	<b>(25,000)</b>	<b>(174,540)</b>	<b>(246,860)</b>	<b>(446,400)</b>

### Notes and costing assumptions:

The policy proposes to spend \$543.72 million over four years. This funding will be used to increase the NSW School Resourcing Standard (SRS) rates (see *Background*) to 75 per cent by 2025. The increased SRS will then go towards funding the following initiatives:

- \$179.0 million over the forward estimates for a small-group tutoring program, including a direct cash contribution of \$46.4 million in the 2024 calendar year.
- \$32.9 million over the forward estimates for 250 additional school counsellors.
- \$234.5 million over the forward estimates for other school programs and workforce initiatives.

The breakdown of funding each year in the costing table is as specified in the policy.

The proposed SRS rates from 2024 to 2027 are included in the policy. The cost of the policy is detailed in *Table 1*.

*Table 1. Estimated cost of the policy*

(\$,000)	2023-24	2024-25	2025-26	Total over forward estimates	2026-27	Total cost of policy
Total Funding Envelope per policy	25,000	174,540	246,860	446,400	97,320	543,720
PBO Cost of increased SRS	25,004	174,530	246,838	446,372	97,311	543,683
<b>Variance</b>	<b>(4)</b>	<b>10</b>	<b>22</b>	<b>28</b>	<b>9</b>	<b>37</b>

## Notes and costing assumptions continued:

### Key Assumptions

#### **Funding to be met from the SRS**

Programs to be funded out of the SRS are required to align with National Policy Initiatives<sup>1</sup> included in the *National School Reform Agreement*. The Parliamentary Budget Office (PBO) assumes that the proposed initiatives will meet the requirements of the *National School Reform Agreement*.

The policy specifies that the cost of the small-group tutoring (\$229.0 million to 2026-27, see *Small-group intensive tutoring*) and the additional 250 school counsellors (\$75.2 million to 2026-27, see *School counsellors*) will be met from the increased NSW Government contribution to the SRS. The policy specifies that the remaining additional funding to increase the SRS will be used for other school programs and workforce incentives.

Considering the estimated cost of the initiatives and the funding envelope per the policy from 2023-24 to 2026-27, the PBO has assumed that the policy can be met from the increased SRS contribution, summarised in *Table 2*.

*Table 2. PBO cost of initiatives to be met by increased SRS*

(\$,000)	2023-24	2024-25	2025-26	2026-27	Total cost of policy
<i>Small-group tutoring</i>	24,997	64,302	88,821	49,516	<b>227,636</b>
<i>250 additional school counsellors</i>	-	8,120	24,843	42,266	<b>75,230</b>
<i>School programs and workforce incentives</i>	-	101,900	132,600	-	<b>234,500</b>
<b>Cost to be covered by SRS</b>	<b>24,997</b>	<b>174,322</b>	<b>246,264</b>	<b>91,783</b>	<b>537,366</b>
<b>Total Funding envelope per policy</b>	<b>25,000</b>	<b>174,540</b>	<b>246,860</b>	<b>97,320</b>	<b>543,720</b>
<b>Variance</b>	<b>3</b>	<b>218</b>	<b>596</b>	<b>5,537</b>	<b>6,354</b>

#### **Cost of increasing SRS rates**

The policy proposes to increase the level of SRS funding to 75 per cent by 2025, starting from 1 January 2024.

Under the 2018 Bilateral Agreement, the NSW Government has committed to a contribution of 'at least 75 per cent of the SRS by 2027'<sup>2</sup>. Treasury advised that the year-on-year increases to achieve the 75 per cent are yet to be determined and subject to negotiations with the Commonwealth in the subsequent Bilateral Agreement.

The PBO has compared the cost of the annual SRS rates specified in the policy with a baseline established by increasing the SRS share to 75 per cent by 2027 to model the cost of the policy to 2027-28.

Having calculated the increased funding required by calendar year as a result of the policy, we have then apportioned these costs across each financial year.

#### **Intensive small-group tutoring policy assumptions**

The new tutoring program would use the ILSP as the basis to continue the program and provide staffing.

The current ILSP is due to conclude on 31 December 2023 with any tutors to be employed by individual schools through Resource Allocation Model funding. The policy would repurpose existing staff for this program.

The policy specifies that the tutoring program will complement, and not replace, existing tutoring programs run by schools. However, the tutoring program could potentially co-fund tuition with schools

<sup>1</sup> National School Reform Agreement - New South Wales Bilateral Agreement. Signed on 7 November 2018. Revised on 4 October 2021. Page 19.

<sup>2</sup> National School Reform Agreement - New South Wales Bilateral Agreement. Signed on 7 November 2018. Revised on 4 October 2021. Page 6.

## Notes and costing assumptions continued:

and any administrative costs are assumed to come from the Department of Education's (DoE) existing operating budget.

The policy includes a number of assumptions to calculate the cost of the intensive small-group tutoring program. These include:

- the hourly cost of the full-time equivalent (FTE) tutor.
- the number of hours per week that an FTE tutor works, i.e., 40 hour weeks.
- the number of weeks that the program will be operational each calendar year, i.e., 40 weeks.
- the number of tutors that the policy specifies will be involved each calendar year.

The PBO has escalated the hourly wage of an FTE tutor each year after 2023 in line with the *NSW Public Sector Wages Policy 2022*.

Each of the assumptions above are multiplied together to estimate the annual cost of the tutoring program each year to 2026, see *Table 3*.

*Table 3. Cost of the intensive small-group tutoring program based on policy specifications.*

Delivery Estimates	2024	2025	2026
FTE Tutor cost per hour *	\$90.15	\$92.40	\$94.71
Number of hours worked per week	40	40	40
Weeks of tuition in the year	40	40	40
Number of FTE tutors	346.6	531.7	653.5
<b>Estimated cost per calendar year (\$m)</b>	<b>50</b>	<b>79</b>	<b>99</b>

\* Note, the estimated cost per FTE tutor in 2024 onwards is marginally different from the policy due to the escalation rate used.

The policy specifies that the tutoring program will be funded by SRS contributions. To calculate the cost of the policy by fiscal years, we have apportioned the above costs in calendar years across each financial year, see *Table 4*.

*Table 4. Cost of the small-group tutoring program over financial years*

	2024	2025	2026	Total	
Funding across calendar years (\$'000)	49,994	78,610	99,033	227,636	
	2023-24	2024-25	2025-26	2026-27	Total
Funding across financial years (\$'000)	24,997	64,302	88,821	49,516	227,636

The costing doesn't factor in other impacts of this policy including any additional teacher recruitment that may be required.

### **School counsellors**

The policy states that the increased SRS funding would also go towards funding 250 new school counsellors. The profile of new counsellors to be hired by year is as specified in the policy.

The PBO consulted the Department of Education (DoE) in costing the policy at \$75.2 million to 2026-27.

- The DoE has provided the total costs related to employing 1 FTE school counsellor.
- **Recurring expenses:** these expenses are calculated on the cumulative number of counsellors each year and will continue beyond the forward estimates.
  - Salary and wage related costs per counsellor in 2022-23 dollars, including on-costs of 24.42%, are \$123,169. This has been escalated each year based on the *NSW Public Sector Wages Policy 2022*.
  - Other support costs in 2022-23 dollars are \$28,107 per counsellor, and include the following:
    - Supervision costs: relating to the cost of Senior Psychologist Education (SPE) officers who provide professional supervision to the School Counselling Service.
    - Psychological tests and resources for school counselling teams.
    - License fees for Online Student Counselling Records management systems.
    - We have escalated other support costs by Sydney CPI each year.

## Notes and costing assumptions continued:

- **One off expenses:** The DoE has advised that there are one-off technology costs related to computer upgrades in the year each counsellor starts, \$2,334 in 2022-23 dollars. We have escalated this by Sydney CPI each year.
- The costing does not consider the cost of allocating counsellors to schools or recruitment.

Table 5: Breakdown of school counsellor staffing costs

	2024-25	2025-26	2026-27	Total
<i>Number of new counsellors each year</i>	50	100	100	250
Total salary costs per counsellor (incl. on-costs) (\$)	130,036	133,287	136,619	
Other support costs per counsellor (\$)	29,891	30,638	31,404	
<b>Recurring costs per counsellor (\$)</b>	159,926	163,925	168,023	
<b>Total recurring costs for counsellors each year (\$'000)</b>	<b>7,996.3</b>	<b>24,588.7</b>	<b>42,005.7</b>	<b>74,590.7</b>
One-off technology costs per counsellor (\$)	2,482	2,544	2,608	
<b>Total one-off costs for counsellors each year (\$'000)</b>	<b>124.1</b>	<b>254.4</b>	<b>260.8</b>	<b>639.3</b>
<b>Total Cost for counsellors each year (\$'000)</b>	<b>8,120.4</b>	<b>24,843.1</b>	<b>42,266.4</b>	<b>75,230.0</b>

### **Risks/Uncertainties**

[Public information from the Australian Government](#) suggests that there will be an extension of the current National School Reform Agreement for 12 months from December 2023. The costing assumes there will be minimal or no changes to the SRS figures because of the extension, therefore such impacts have not been factored in.

Some uncertainty around NSRA funding may arise from in-year adjustments. Annual budget processes align NSW school expenses with minimum funding contributions under the agreement. However, as new policies and parameter and technical adjustments are approved during the year, the approved budget at any point in time may differ from the minimum funding obligation.

Further, if unspent funding is carried forward from the current year to a future year, this may form part of the minimum contribution in the future years.

### **Background**

#### **Current NSW Government contribution to the SRS**

The SRS is an estimate of how much total public funding is required by schools to meet the needs of their students. This is based on recommendations from the *2011 Review of Funding for Schooling* led by Mr David Gonski AC. The SRS is used to determine allocation of funding from the State and Australian Governments.

The SRS can typically not be used for specific expenses, including depreciation and funding for the New South Wales Education Standards Authority (NESA). However, the NSW Bilateral Agreement specifies that up to 4 per cent of the SRS can be used for these expenses, referred to as the Notional Contribution Allowance (NCA).

Treasury has advised that the SRS, less the NCA, is the State's minimum funding obligation.

The PBO has not factored the impact of the NCA into the costing, however, the impact on net borrowing would be identical. This is because the PBO would need to strip the 4 per cent NCA out of both the current baseline rates and the proposed SRS share under the policy.