



Terms of Reference for the Direct Measure of Capacity to Contribute Working Group

Background

The Direct Measure of Capacity to Contribute Working Group (Working Group) has been established to provide advice on technical issues related to the implementation of a new direct measure of capacity of a school community to financially contribute to the cost of schooling based on the income of parents and guardians of students at a school.

The Australian Government announced it would introduce a new direct measure of capacity to contribute based on the income of parents and guardians of students at a school on 20 September 2018. This announcement formed part of the Government's response to the recommendations of the National School Resourcing Board's [*Review of the socio-economic status score methodology: Final report*](#).

Purpose

The Working Group will provide advice and recommendations on refinement and implementation of the direct measure of capacity to contribute to support the development of a high quality, reliable and robust methodology for incorporation in the Schooling Resource Standard funding model.

The Working Group will focus on technical issues, including:

- consideration of the type of income to use and what to do when no income data is available
- acceptable benchmarks for linkage rates
- how family size and circumstances, including multiple parental addresses, can be taken into account
- income distribution within individual schools, including small schools
- options to reduce volatility between years
- how regional, rural, remote and boarding schools can be taken into account
- how distance education can be taken into account
- treatment of combined primary/secondary schools
- methodology for constructing a rolling average
- safeguarding individual privacy
- appropriate appeals processes
- developing solutions to overcome any identified anomalies
- other issues as agreed by Government.

The Working Group may establish technical sub-groups to consider specific issues or seek input from other sources of expert advice.



The Working Group's analysis will be a key consideration in the Minister's implementation of the direct measure of capacity to contribute.

In formulating this advice, the working group will have reference to the following principles:

- fit for purpose – all data and analysis is used to suit the purposes for which it is designed to be used
- privacy – data collection and use will comply with laws relating to privacy
- consistency – data is consistently collected and methodology consistently applied across time
- transparency – data has clear meaning and data use will be conducted in an open and accountable way
- timeliness – data are sufficiently timely including to inform schools about future funding
- validity and reliability – data should be robust and measure what it is intended to measure
- efficiency and cost-effectiveness – data collection should be justified by the value it yields for the various purposes for which it is collected and should not be excessively burdensome on either data suppliers or data users
- stability – the methodology enables schools to plan with confidence over the medium term

Out of Scope

Out of scope for analysis and/or providing recommendations are matters relating to:

- The calculation of the socio-educational disadvantage loading
- Funding entitlements for schools that are defined under the *Australian Education Act 2013* as having zero capacity to contribute. Section 52(6) defines these schools as: government schools; special schools; special assistance schools; majority Aboriginal and Torres Strait Islander schools; and sole provider schools
- Changes to the Capacity to Contribute discount rates
- The inclusion of school private income (including fees) in the implementation of the capacity to contribute methodology

Timing

The Working Group will provide advice to allow for implementation of the capacity to contribute measure from 2020. Settings for the new measure will need to be settled by mid-2019.

The role and purpose of the Working Group will be reviewed at that time.



Membership

The core members include:

Position	Organisation
<u>Chair</u> Group Manager, School Funding and Assurance	Department of Education and Training
<u>Members</u> Branch Manager, School Funding Branch	Department of Education and Training
Branch Manager, Strategic Policy & Data Analytics Branch	Department of Education and Training
2 Nominated representatives	National Catholic Education Commission
2 Nominated representatives	Independent Schools Council of Australia
3 Nominated representatives	State and Territory Governments (AESOC)
Nominated representative	Australian Bureau of Statistics
Nominated representative	Australian Taxation Office
2 Expert members (TBD)	TBD

A members primary role is to work collaboratively and constructively to identify options and potential solutions of a technical nature to embed rigour into the methodology and through this provide public confidence in the reliability of the measure.

Consultation with the school sector will be undertaken separately. Members will need expertise and understanding of the school sector.

Membership of the technical working group is not a representative role and should not be utilised to provide a forum for advocacy on particular positions and outcomes.

Experts may be invited to participate on an ad hoc basis to inform consideration of particular issues.

Support

The Working Group will be supported by a secretariat within the Department of Education and Training.