



Direct Income Measure of Capacity to Contribute Technical Working Group

The Department of Education and Training has established the Technical Working Group to undertake further work on the implementation of the direct income measure of capacity of a school community to contribute to the cost of schooling. The Working Group will also provide advice on refinements to the measure for further consultation and feedback, to support the development of a high quality, reliable and robust methodology for use in the Schooling Resource Standard funding model.

The Working Group will meet on a regular basis and consists of representatives from the non-government schools sector, the Australian Government, and state and territory governments.

Meeting 2 – 14 December 2018 | Communiqué

The Working Group held its second meeting in Canberra on Friday 14 December 2018. At the invitation of the Working Group, Associate Professor Nicholas Biddle (ANU Centre for Social Research and Methods) presented on his research: the distribution and determinants of income in Australia: Evidence from linked tax, social security and Census data. The Working Group then discussed a range of issues including:

- Treatment of missing data including data items which could be used where particular income data are missing
- Measurement of income – adjusted taxable income or total income
- Protection of privacy and the measures in place to protect individual privacy throughout the project
- Family circumstances and in particular incorporating family size and circumstances.

Validation of Data and the Treatment of Missing Data

The Department presented an outline of data items which could be used where the main income data (e.g. income tax data) are missing. The Working Group discussed the merits of possible alternatives and whether they would be fit for purpose, reliable and transparent. It was agreed that further work be undertaken to test the reliability and validity of data items that could be used to account for missing data.

The Working Group also discussed the merits of using ABS Census of Population and Housing (Census) data and other data sources to validate the direct income measure calculated in the secure Multi-Agency Data Integration Project (MADIP) environment. The Working Group noted academic studies and the preliminary work of the National School Resourcing Board in which it was found that the income data available through MADIP were reliable for the majority of the population.

Measurement of Income

Working Group members discussed the merits of using either adjusted taxable income or total (gross) income. It was noted that both were fit for purpose as a measure of capacity of a school community to contribute to the cost of schooling. Working Group members noted that adjusted taxable income is used in other Government programs including the Family Tax Benefit and Child Care Subsidy. The Working Group noted that the use of adjusted taxable income would require a calculation using a number of fields and that consideration will need to be given to the additional complexity the use of adjusted taxable income would introduce. It was agreed that adjusted taxable income was the preferred approach, however further analysis will be undertaken to fully consider both options.

Protection of Privacy

The Working Group discussed the arrangements in place to protect the privacy of personal information provided by parents and guardians, through to a final capacity to contribute score. It was noted that the Australian Government has put in place a range of measures to protect individual privacy including:

- providing a secure portal for schools to upload the information
- requiring schools to provide a privacy notice to parents and guardians
- upholding separation principles for authorised persons accessing data, which mean that no person will ever be able to see all of information together at any point of the data combining process
- legislative safeguards including the *Census and Statistics Act 1905* and the *Privacy Act 1988*
- ensuring data are held on secure drives within Australia.

It was agreed that the current privacy protection arrangements are appropriate. It was agreed that it will be important to monitor and review the protections on a regular basis to ensure that they remain appropriate.

Family Circumstances

Working Group members discussed the merits of incorporating family size into a capacity to contribute measure. There were different views as to whether an adjustment for family size would be fit for purpose. It was agreed that there was a need to undertake further work including on the availability and reliability of data that could be used to adjust for family size.

Background

The National School Resourcing Board (the Board) undertook an independent review of the methodology used to calculate capacity of a non-government school community to contribute to the cost of schooling, to ensure it is the fairest, most effective, accurate and transparent model available. The Board's final report made six recommendations, including that the capacity to contribute for a school be determined based on a direct measure of income of parents and/or guardians of the students at the school.

The Government has accepted all of the Board's recommendations and will use a direct income measure of capacity to contribute from 2020 based on the income of parents and/or guardians of students at a school. This more targeted, more accurate measure will ensure funding flows to the schools that need it the most.