2020 Comparative limitations and explanations – general comments

While every effort has been made to make school financial information comparable there are limitations that need to be recognised, especially when comparing school finances across sectors.

The information below provides detail on these limitations and recognises that education policies and practices vary and as such school financial information, while generally comparable, includes a range of school and system overheads based on individual school and system characteristics.

There are different reporting frameworks across jurisdictions. The Catholic and independent sectors utilise a national common reporting framework that involves reporting on a calendar year basis to the Australian Government Department of Education, Skills and Employment. State and territory government jurisdictions report on a financial year basis through their Auditor Generals and have been required to rebase their finance data to accord with calendar year reporting on *My School*.

The production of nationwide school-level financial data for all schools is a complex task and a methodology has been developed to allow for recurrent income and capital expenditure to be counted in a comparable way across all jurisdictions and sectors. This methodology is provided in a report accessible via the Financial reports and letters page.

The information below provides general explanatory information to assist users in understanding the school financial information presented on *My School*. This recognises the complexities and differing educational policies and practices that are in place across Australian schools and school sectors. Specific information on how school finance data was collected is contained within the ACARA Finance Data Working Group (FDWG) *Key Principles and Methodology* report.

The PriceWaterhouse Coopers (PwC) *Letter of Accounting Advice* provides more detailed technical information on how financial information was collected and includes explanations of specific limitations that may affect comparability. Except for these limitations, the PwC *Letter of Accounting Advice* confirms that the methodology developed by the ACARA FDWG supports the objective that the community has access to nationally comparable financial data on both government and non-government schools.

Net recurrent income

My School recurrent income data are sourced from school accounts where income flows directly to the school and from system accounts where expenses are incurred on behalf of schools. This means that the income reported for government schools is the sum of expenses incurred by the state or territory government on behalf of the school plus local income generated by the school.

Where schools have been merged or consolidated, recurrent income for the old (closed) entity is not reported, even if it existed as a standalone school in 2020.

Capital expenditure

My School capital expenditure data do not provide a measure of funding in a year provided to schools by government or private sources. These are expense data, not data on capital income. These data provide a measure of ongoing capital investments in school facilities.

Generally, only capital expenditure relating to the 2020 calendar year is reported on *My School*. It is not intended to reflect the total cost of an asset or asset class.

There can be large variations in capital expenditure recorded by schools. This is mainly due to the timing of building projects and will usually vary greatly year to year. For example, if significant building projects are underway at a school in a particular year, then the capital expenditure recorded for that year will be much higher.

Differences between schools that should be considered when making comparisons

- There are inherent differences between schools because each jurisdiction and sector has developed different resourcing approaches to address the unique characteristics and needs of schools.
- Teacher salaries are the largest driver of school income. Different labour costs due to award differences, class sizes and pupil-teacher ratios that exist across states and territories and school sectors will have a significant impact on school income and student per capita funding.
- The unique structure and characteristics of each school impacts on the income required to operate the school. For example, smaller schools usually have greater income on a per student basis compared to larger schools that may be able to achieve economies of scale. Rural and regional schools generally require greater income to meet higher operating costs compared to metropolitan schools.
- Different year level ranges exist—for example South Australia is transitioning to have Year 7 delivered from a Primary school setting to a secondary school setting, whereas other states and territories all have Year 7 as a Secondary year of education.
- School size and location—some jurisdictions have a high proportion of large state secondary schools and primary schools, as well as a large number of small rural and remote schools.
- A school's student profile will impact on funding for a number of reasons including the socio-economic profile of the school community, characteristics of individual students and the concentration of higher needs students in certain schools or systems and the associated higher costs – including, for example, students with disabilities and students with English as a Second Language. Other factors that may affect a school's income include:
    - the targeted needs of individuals in the school, for instance students who may have a disability or the cost of running a support unit;

  - the complexity of the student population in the school, for example, if a school has a high number of refugees it might include the costs of additional English language support or it may run equity programs;
  - a school may have received additional income through its participation in targeted initiatives such as Australian Government Smarter Schools National Partnerships;
  - parent contributions and income generated through the leasing out of school facilities and fundraising also increase the income available to a school; and
  - different funding policies employed by government and non-government school systems to target priority areas.
- The amounts reported under recurrent income do not include any accumulated reserves, bank balances or liabilities such as loan balances, however, interest and profits received by schools from such reserves are included. Funds set aside in any year to meet future expenses are recorded on *My School* as income in the year received.
- Student numbers used for per capita purposes use enrolment figures collected from the annual August school census, which provides a snapshot of student numbers on census day, and is supplemented with additional enrolment information, where appropriate. The per-student calculation should be viewed as an indication only and is presented to provide additional contextual information on the relative size of the school. The enrolments used to calculate per student amounts include full fee-paying overseas students. These students do not attract government funding but school income incorporates their fee income. The enrolments relating to recurrent income and capital expenditure also include FTE of Year 1 minus 2 (and lower) students for schools which cannot separate accounts for Year 1 minus 2 (and lower).
- Purchases of land for future schools are excluded from capital expenditure.
- Transport to and from school, payroll tax and all income related to capital expenditure are excluded from net recurrent income determinations.

Care needs to be exercised in using this information to draw conclusions from direct comparisons between schools, particularly across jurisdictions and sectors.

This data will be subject to a process of continual improvement and refinement in subsequent collections.