

# THE METHODOLOGY

## My School ACARA FDWG Financial Data Reporting Methodology

The Methodology reflects the decisions made by the ACARA FDWG regarding their agreed methods of reporting data for the purposes of disclosure on the ACARA My School website.

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## **1. Disclosure Format**

The following provides a reconciliation of the components that make up recurrent income and capital expenditure.

### a) Recurrent Income

#### **Recurrent income**

Australian Government recurrent funding (excludes capital grants)

State Government recurrent funding (excludes capital grants)

Fees, charges and parental contributions\* (gross amount)

Other private sources

#### **Sub-total**

#### ***DEDUCT***

Income and other private source income (gross amount) allocated to current capital projects

Income and other private source income (gross amount) allocated to future capital projects and diocesan capital funds

Income, other private source and government recurrent funding (gross amount) allocated to debt servicing (includes principal repayments and interest on capital loans & finance leases)

#### **Net recurrent income**

### b) Capital Expenditure

#### **Capital Expenditure (including source of funding)**

Australian Government capital funding

State Government capital funding

New school loans

Income allocated to current capital projects

Other sources and retained earnings from previous years for capital purposes

#### **Total capital expenditure for the year**

*\*Parental Contributions: represent school initiated contributions*

## **2. Methodology Principles – Government Jurisdictions**

The following section sets out the method that should be followed to calculate notional income for each government school. Notional income is to be based on a combination of actual expenditure incurred by school and an allocation of other costs which are not maintained on a by school basis by the departments. School sourced income should be added to this notional income calculation on a by school basis, to calculate recurrent income reported on the My School website.

<b>Component of Notional Income</b>	<b>Method of accounting</b>	<b>Specific exclusions</b>	<b>Exceptions to core method</b>
Wages and Salaries	Actual system level expenditure split by school per the department general ledger or payroll ledger (where the payroll ledger reconciles to the G/L).  Expenditure is accounted for on an accruals basis, not on a cash basis.	<ul style="list-style-type: none"> <li>• Payroll tax</li> <li>• All costs re Year 1-2</li> <li>• Payments initially made by department to staff, and then billed to schools</li> </ul>	<p>ACT – allocating <u>actual</u> wages and salaries on a points basis to each school, adjusted to take into account the different levels of experience within each classification of personnel.</p> <p>TAS, NSW &amp; WA – Costs and students FTE numbers re Yr 1-2 to be included, as cannot be separated.</p> <p>TAS - Employee entitlements accruals are calculated at year end 30 June only and are allocated to schools based on enrolment data not actual employee entitlements.</p> <p>TAS - Costs for Yr 11 and 12 students are, in some cases, not included in the data collection</p> <p>WA – will use an on cost for super and workers compensation based on salary figures at school level. This will be deducted from other apportioned costs.</p>

<p>Costs incurred centrally by the relevant department</p>	<p>Actual system level expenditure split by school per department ledger or other source ledger (where source ledger reconciles to G/L)</p> <p>Where costs are not attributed directly to a school, they will be apportioned on the basis of the most appropriate cost driver, such as student FTE enrolments.</p>	<ul style="list-style-type: none"> <li>• User cost of capital/interest (including interest on finance leases)</li> <li>• School student transport (to and from school – except where school owns buses)</li> <li>• Allowances/start bonuses/EMA (VIC) paid directly to parents for educational costs/clothing costs</li> <li>• All costs re Year 1-2</li> <li>• Depreciation &amp; amortisation</li> <li>• Grants paid by jurisdictions to schools, as these will appear on the individual school ledger.</li> <li>• Pacific School Games costs</li> <li>• Offshore overseas student programmes (QLD)</li> <li>• Tertiary education (for non school students)</li> <li>• Income earned on LSL funds (if applicable)</li> <li>• Remote area teacher housing costs other than direct subsidies</li> <li>• Certain Non Government Schools (NGS) costs (refer below)</li> </ul>	<ul style="list-style-type: none"> <li>• ACT – allocating actual departmental costs on a points basis to each school.</li> <li>• NSW – allocation methods as follows: Maintenance &amp; cleaning – based on floor space, Non School based teaching positions – based on info from DET regions.</li> <li>• NSW – total actual amounts for cleaning costs are available, while cost by school is not available. Therefore annual contract rates to be used with reconciling difference to G/L allocated based on floor space by school.</li> <li>• QLD – proposing to use maintenance costs available by school on a budgeted basis and “derived” VET services costs rather than actual.</li> <li>• NT – Corporate overheads to be allocated via Output Allocation Matrix then by enrolments using Census data.</li> <li>• TAS – Yr 11 and 12 students are, in some cases, not included in the data collection</li> <li>• Some jurisdictions will apply a fixed percentage to W&amp;S to calculate their annual LSL provision, instead of the traditional actuarial method.</li> <li>• TAS, NSW &amp; WA – Costs and students FTE numbers re Yr 1-2 to be included, as cannot be separated.</li> </ul>
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<p>”Umbrella services” (provided free of charge) to the GS and NGS</p>	<p>Actual system level expenditure split by school per department ledger or other source ledger (where source ledger reconciles to G/L)</p>	<ul style="list-style-type: none"> <li>• <b>Type 1 Umbrella costs</b> (as defined in definitions section) - to be excluded from notional allocation.</li> </ul>	<ul style="list-style-type: none"> <li>• ACT ledger will not readily be able to identify the equivalent costs incurred on the government sector. They will calculate an equivalent cost by using the following formula: NGS cost x (GS enrolments/NGS enrolments)</li> </ul>
<p>Government funding, fee income, other sources</p>	<p>Actual income as received by each school.</p>	<ul style="list-style-type: none"> <li>• Year 1-2 income/site allowances (except TAS, NSW &amp; WA)</li> <li>• Allowances paid directly to parents for educational costs</li> <li>• Residential boarding fees</li> </ul>	<ul style="list-style-type: none"> <li>• ACT – excludes income from sale of photographs &amp; book clubs.</li> <li>• TAS - Yr 11 and 12 students are, in some cases, not included in the data collection.</li> </ul>

### **3. Methodology Principles – Independent and Catholic Jurisdictions**

Definitions for data terminology referred to in Sections 3 and 4 are included in Section 7 of this report.

<b>Component of Income</b>	<b>Method of accounting</b>	<b>Specific Exclusions</b>	<b>Exceptions to core method</b>
State Government Recurrent Income	Represented by DEEWR FQ codes [https://schools.dest.gov.au/ssp/help/html/fq/index.html]: RI.085T RI.100T RI.130T	For some independent and WA Catholic systemically funded schools it will not be possible to separate Year 1 – 2	
Commonwealth Government Recurrent Income	Represented by DEEWR FQ codes: RI 150T RI 151T RI 152T RI 155T RI 158T RI 161T RI 165T RI 170T RI 190T RI 230T RI 240T RI 250T	Exclude targeted grants not yet allocated to a school that are allowed within the applicable funding agreement to be carried forward for future years.	

<p>Fees, charges and parental contributions</p>	<p>Represented by DEEWR FQ codes:  RI.010T (recurrent)  RI.020T (recurrent)  RI.030T (recurrent)  RI.040T (recurrent)  RI.050T (recurrent)  RI.051T (recurrent)  CI. 080T (capital source)  CI. 090T (capital source)</p>	<ul style="list-style-type: none"> <li>• Boarding income</li> <li>• Deductions from gross income should include all amounts <u>included within gross income</u> (as defined by the Methodology) that: <ul style="list-style-type: none"> <li>i) Have been or will be used for capital expenditure purposes in the current year or future years</li> <li>ii) Have been used in the current year to repay capital loans or pay for capital interest costs</li> </ul> </li> </ul> <p>Total deductions will include the full amount of FDC 16 &amp; FDC 18 and a component of FDC15, FDC17, CI095, CI105, FDC12, RE230 &amp; RE240.</p> <p>The Principals Capital Expenditure portal submission will override the amounts reported in the FDC.</p>	<ul style="list-style-type: none"> <li>• Independent schools and Catholic schools which are not part of a centralised LSL scheme/system, will not be able to separately identify income earned on funds used to pay LSL liabilities.</li> <li>• <b>Independent schools:</b> Amounts reported in FDC15, FDC17, CI095 and CI105 will be assumed to have been used to fund capital debt repayment in the year to the extent that capital debt repayments have been funded from gross income in the year. This will be the case even where schools are required to set aside funds for use in future years.</li> </ul> <p>Any remaining amounts allocated for current year capital purposes will be assumed to have been used to fund current year capital expenditure before brought forward retained earnings.</p>
<p>Other private source income</p>	<p>Represented by DEEWR FQ codes:  RI.053T (recurrent)  RI.055T (recurrent)  SA.001T (recurrent)  SA.005T (recurrent)  CI. 095 (capital source)  CI. 105 (capital source)</p>	<ul style="list-style-type: none"> <li>• Interest received from Catholic capital grants programs where the block authority has not determined the school recipient.</li> <li>• Income earned on LSL funds.</li> </ul>	



#### 4. Capital Expenditure – Methodology Principles

Jurisdictions	Method of accounting	Specific Exclusions	Exceptions to core method
Government	<p>Actual system level expenditure split by school per department ledger or other source ledger (where source ledger reconciles to G/L)</p> <p>All capital expenditure incurred at department/region/system level to be included, unless specifically excluded in the following column.</p>	<ul style="list-style-type: none"> <li>• Year 1-2 (except NSW, TAS &amp; WA)</li> <li>• NGS costs (eg ICT expenditure)</li> <li>• Land acquisitions for future schools (until school is registered and title of land passes to school).</li> </ul>	<ul style="list-style-type: none"> <li>• ACT - Invoices from the Capital Works database will be used to allocate capital costs which are not allocated to individual schools in the ledger.</li> <li>• QLD – notional allocation of admin cost of BER projects on enrolment basis will be required.</li> <li>• QLD, WA and NT – to allocate department capital expenditure on completed projects only.</li> <li>• VIC - Centrally managed capital projects relating to schools will be apportioned on the basis of each school's funded 2009 student enrolment.</li> <li>• VIC – In relation to the amount of capital expenditure spent at school level on school own assets it is not possible to determine the specific source of this funding.</li> <li>• TAS - “Across schools” capital expenditure to be allocated based on enrolment numbers.</li> <li>• All states have different capitalisation thresholds (refer below)</li> <li>• NSW, TAS, WA – includes Yr 1-2</li> </ul>

<p>Independent and Catholic sectors</p>	<p>Represented by DEEWR FQ codes:  CE.005 (capital)  CE.030 (capital)  CE.040 (capital)  CE.050 (capital)  CE.055 (capital)</p> <p>All capital expenditure incurred at system/diocesan level to be included, unless specifically excluded in the following column.</p>	<p>Land acquisitions for future schools until school is registered and title has passed to school.</p>	
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## 5. ACARA FDWG Decision Register

This decision register forms part of the Methodology for greater clarity on treatment of specific items that have been agreed. The following matters are all consistent with sections 1 to 4 above.

### a) Recurrent Income

	Topic	Agreed Methodology
1	Insurance	<ul style="list-style-type: none"> <li>allocate insurance policy cost (where there are costs) as part of notional income, no adjustment to be made for self insurers.</li> </ul>
2a	Umbrella Costs  [Relating to School registration board funding, Curriculum testing, board of studies, registration/qualification authority costs.]	<ul style="list-style-type: none"> <li>Type 2a, should not be allocated to schools by departments/systems, they should be excluded from recurrent income as documented in the main body of the Methodology.</li> </ul>
2b	Umbrella Costs  [Relating to other program funding that is provided to GS and NGS]	<ul style="list-style-type: none"> <li>Umbrella costs Type 2b should be allocated by departments/systems to schools.</li> </ul>
3	Corporate Costs	<ul style="list-style-type: none"> <li>All costs Director General/Director and below should be allocated unless specifically excluded.</li> </ul>
4	Finance Leases	<ul style="list-style-type: none"> <li>Independent and Catholic systemically funded schools - Finance Lease principal and interest repayments should be deducted from gross income.</li> <li>Government – Finance lease interest should not be allocated to schools as notional income.</li> </ul>
5	OHSC & Vacation care	<ul style="list-style-type: none"> <li>Net trading result to be included.</li> </ul>
6	Non Cash Benefits	<ul style="list-style-type: none"> <li>No adjustment required, where not already accounted for.</li> </ul>
7	Depreciation	<ul style="list-style-type: none"> <li>Depreciation should not be deducted by non government schools from gross income. For government schools depreciation has not been included within their expenditure to determine notional income.</li> </ul>
8	Other suggested exclusions	<ul style="list-style-type: none"> <li>Grants to external organisations should be excluded to the extent the expenditure is not school related.</li> </ul>
9	Definition Yr 1-2	<ul style="list-style-type: none"> <li>Included in Definitions.</li> </ul>
10	Income earned on LSL funds	<ul style="list-style-type: none"> <li>Income earned on LSL funds should <u>not</u> be included in income, unless such funds are distributed to schools and therefore accounted for on the school ledgers. To the extent that such funds are used to incur expenditure at system level, such expenditure will be allocated to schools as notional income.</li> </ul>

11	LSL Actuarial valuation	<ul style="list-style-type: none"> <li>• Movements in actuarial valuations should be included in the amounts allocated as part of notional income.</li> <li>• Jurisdictions may apply a fixed percentage to W&amp;S to calculate their annual LSL provision, instead of the traditional actuarial method.</li> </ul>
12	State/Territory & Commonwealth split	<ul style="list-style-type: none"> <li>• Refer DEEWR proposed method.</li> </ul>
13	ACT Points Basis of allocating actual expenditure	<ul style="list-style-type: none"> <li>• ACT will continue to use their Points based method.</li> </ul>
14	Finance Leases – accounting treatments differ	<ul style="list-style-type: none"> <li>• Independent and Catholic systemically funded schools should report data based on FQ codes as submitted to DEEWR</li> </ul>
15	Loss making Boarding Schools	<ul style="list-style-type: none"> <li>• Recurrent income used to fund loss making boarding facilities should be included in recurrent income reported.</li> </ul>
16	Remote area teacher housing	<ul style="list-style-type: none"> <li>• Subsidies should be included in notional income however, where other costs (beyond the subsidies to teachers) are incurred within the jurisdiction/system, these should be excluded.</li> </ul>
17	Non systemically funded Catholic schools	<ul style="list-style-type: none"> <li>• All non systemically funded Catholic schools to be reported to ACARA by DEEWR, not by the applicable State/Territory Catholic Education Commissions.</li> </ul>
18	Independent systems (18 of them)	<ul style="list-style-type: none"> <li>• DEEWR to allocate system level expenditure to system schools on a per capita basis, using the FQ data and applying the Methodology.</li> </ul>
19	BER Administration and other capital project management expenditure incurred centrally for the independent sector	<ul style="list-style-type: none"> <li>• BGAs to report administrative funding spent on behalf of independent schools. Amounts to be allocated to all independent schools based on enrolment numbers. To be allocated 50:50 to capital expenditure and recurrent income.</li> </ul>
20	Supplementary FQ – Net Deficit Check	<ul style="list-style-type: none"> <li>• Schools to be advised to complete the required fields with no changes to definition.</li> </ul>
21	BER Administration Allowance and other government capital program expenditure accounted for through the P&L	<ul style="list-style-type: none"> <li>• Expenditure to be included in notional income NOT capital expenditure.</li> </ul>

## b) Capital Expenditure

	Topic	Agreed Methodology
1	ICT systems paid for at system level	<ul style="list-style-type: none"> <li>• All capital expenditure paid for at system/department level should be allocated unless specifically excluded under Methodology.</li> </ul>
2	Capital expenditure incurred at system/department level that is not directly related to schools	<ul style="list-style-type: none"> <li>• All capital expenditure paid for at system/department level should be allocated unless specifically excluded under Methodology.</li> </ul>
3	Work in Progress (WIP) – expense and capital components	<ul style="list-style-type: none"> <li>• Capital expenditure may be reported on the basis of completed projects only.</li> </ul>
4	Capital expenditure at school level	<ul style="list-style-type: none"> <li>• Will be picked up via School G/Ls.</li> </ul>
5	State/Territory & Commonwealth disclosure format	<ul style="list-style-type: none"> <li>• Apply a consistent principle as agreed for the purposes of splitting recurrent income between State and Commonwealth or split on an actual basis. The non government sector will use actual.</li> </ul>

**c) Commonwealth v State split – source of funds (recurrent income and capital expenditure)**

	<b>Topic</b>	<b>Agreed Methodology</b>
1	Split of Commonwealth and State source of funds (government sector only)	<p>Under the NEA Agreement the allocation by a government jurisdiction of the amount provided by the Commonwealth for recurrent grants for schools is a matter for the jurisdiction. Historical patterns of expenditure are no longer relevant.</p> <p>As such it is reasonable to assume that the ratio of Commonwealth recurrent grants expended on schools to State / Territory recurrent expenditure on schools is the same for all schools (ie both State and Commonwealth funding is pooled, and expenditure from that pool is taken out in equal proportions).</p> <p>It is acknowledged that there are certain targeted grants outside of the NEA Agreement (eg National Partnership Funds). These targeted grants to specific schools can be added to each of the Commonwealth and State / Territory amounts, depending on whether they are considered to be State or Commonwealth sourced funds.</p> <p>To the extent that jurisdictions cannot easily identify which schools have received benefit from these targeted funds, an appropriate allocation method should be used.</p>

## Section 6 - Definitions

### Definitions

- a. **Yr 1-2** = referred to using different language in each jurisdiction and entry ages range between jurisdictions but should be defined as “under 4yr olds” on entry into that year, except in TAS where entrants are 4yrs old.
- b. **Central Office/Corporate Costs** = To include all Department costs including Director General (or equivalent) and below, unless outside the scope of this exercise (eg TAFE or early childhood education costs).
- c. **Umbrella Services** (to GS and NGS):
  - i. **Type 2a** = School registration board funding, Curriculum testing, board of studies, registration/qualification authority costs, Grants to NGS accreditation board, NAPLAN, NGS Registration Board.
  - ii. **Type 2b** = other umbrella services not specifically defined in Type 2a above.
- d. **Capitalisation Thresholds:**

<b>Jurisdiction</b>	<b>Threshold below which capital expenditure is expensed \$</b>	
SA	5,000	
VIC	5,000	
TAS	10,000	150,000 for capital works
WA	5,000	
NT	5,000	
QLD	5,000	100,000 for major software developments 10,000 for buildings
NSW	5,000	
ACT	2,000	
Catholic	500 to 1,000	
Independent	1,000	

## **Section 7 – Terminology definitions**

### **7.1 - DEEWR Financial Questionnaire**

<b>Terminology related to the DEEWR Non Government Financial Questionnaire</b>	
<b>CE.005</b>	Capital Expenditure - Land, buildings and improvements
<b>CE.030</b>	Capital Expenditure - Furniture and equipment
<b>CE.040</b>	Capital Expenditure - Plant and machinery
<b>CE.050</b>	Capital Expenditure - Motor vehicles
<b>CE.055</b>	Capital Expenditure - Other capital expenditure
<b>CI.080</b>	Fee/levies allocated for capital purposes (excluding Overseas Students)
<b>CI.090</b>	Capital funds received from Overseas Students
<b>CI.095</b>	Other Capital Income (including donations, profit on sale of fixed assets, interest, dividends and other capital receipts).
<b>CI.105</b>	Capital income
<b>RE.230</b>	Interest - capital and bridging loans
<b>RE.240</b>	Interest - hire purchase agreements and finance leases
<b>RI.010T</b>	Fees and Charges (excluding Overseas Students)
<b>RI.020T</b>	Endowed fee scholarships
<b>RI.030T</b>	ABSTUDY allowances paid direct to school
<b>RI.040T</b>	Total recurrent income from Overseas Students
<b>RI.050T</b>	Other receipts from students (including extra subject fees/charges/levies)
<b>RI.051T</b>	Income for excursions/trips
<b>RI.053T</b>	Recurrent Income 'in kind' from other bodies (excluding System offices)
<b>RI.055T</b>	Other private income
<b>RI.085</b>	State Government Recurrent Grants (including per capita and other State grants)
<b>RI.100</b>	State Government Recurrent Grants - Interest subsidy
<b>RI.130</b>	State Government Recurrent Grants - State Government Education Allowances
<b>RI.150</b>	Australian Government Recurrent Grants - General Recurrent Grants Program - basic per capita
<b>RI.151</b>	Australian Government Recurrent Grants - Short Term Emergency Assistance
<b>RI.152</b>	Australian Government Recurrent Grants - Remote loading
<b>RI.155</b>	Australian Government Recurrent Grants - Establishment Grants
<b>RI.158</b>	Australian Government Recurrent Grants - Distance Education
<b>RI.161</b>	Australian Government Recurrent Grants - English as a Second Language –New Arrivals Program
<b>RI.165</b>	Australian Government Recurrent Grants - Literacy, Numeracy and Special Learning Needs Program
<b>RI.170</b>	Australian Government Recurrent Grants - Literacy, Numeracy and Special Learning Needs Program
<b>RI.190</b>	Australian Government Recurrent Grants - Country Area Program
<b>RI.230</b>	Australian Government Recurrent Grants - Language Program
<b>RI.240</b>	Australian Government Recurrent Grants - Indigenous Education
<b>RI.250</b>	Australian Government Recurrent Grants – Other Australian Government Recurrent Grants
<b>SA.001T</b>	Net profit from specific activities
<b>SA.005T</b>	Net loss from specific activities

## 7.2 – Financial Data Collection (FDC)

Field Code	Relevant Financial Questionnaire item/s	Description
FDC_1	CI.010, CI.015, CI.020, CI.025	(a) Australian Government Capital Income Booked in 2009
FDC_2		(b) Capital income from Australian Government not spent in 2009 (ie not booked as expenditure in year) - carried forward to the following year
FDC_3		(c) Capital income from Australian Government not spent in 2009 (ie not booked as expenditure in year) - spent in prior year
FDC_4		(d) Capital expenditure from Australian Government grants incurred in 2009 but where capital income from Australian Government not yet recognised (booked)
FDC_5		(e) Capital expenditure from Australian Government grants incurred in 2009 but where capital income from Australian Government recognised (booked) in prior year
FDC_6	CI.070	(f) State / Territory Capital Income Booked in 2009
FDC_7		(g) Capital income from State / Territory not spent in 2009 (ie not booked as expenditure in year) - carried forward to the following year
FDC_8		(h) Capital income from State / Territory not spent in 2009 (ie not booked as expenditure in year) - spent in prior year
FDC_9		(i) Capital expenditure from State / Territory grants incurred in 2009 but where capital income from State / Territory not yet recognised (booked)
FDC_10		(j) Capital expenditure from State / Territory grants incurred in 2009 but where capital income from State / Territory recognised (booked) in prior year
FDC_11	LN.025, LN.029	Capital and Bridging Loans - Opening Balance
FDC_12		Principal Repayments (Capital & Bridging Loans)
FDC_13		Drawdowns (Capital & Bridging Loans)
FDC_14		Capital and Bridging Loans - Closing Balance
FDC_15	CI.080	(k) Fees / Levies (exc income from overseas students) allocated to capital expenditure incurred in <u>current year (2009)</u>
FDC_16		(l) Fees / Levies (exc income from overseas students) allocated to capital expenditure to be incurred in <u>future years</u>
FDC_17	CI.090	(m) Capital funds received from overseas students allocated to capital expenditure incurred in <u>current year (2009)</u>
FDC_18		(n) Capital funds received from overseas students allocated to capital expenditure to be incurred in <u>future years</u>
FDC_19	RE.260	(r) Amortisation - finance leases, leasehold land and buildings
FDC_20	RE.270	(t) Depreciation



## **Section 8 – Further guidance re Methodology for Independent schools**

### **8.1 – Process**

The methodology for generating comparable information on school finances was developed by ACARA's Finance Data Working Group (FDWG), comprising representatives of each of the State and Territory government education systems, the Commonwealth Department of Education, Employment and Workplace Relations, the Independent Schools Council of Australia and the National Catholic Education Commission.

ACARA appointed Deloitte to provide accounting expertise and advice to the FDWG in relation to the FDWG's development of the Methodology. The methodology was approved by Ministers of Education in July 2010.

Deloitte have provided a Letter of Accounting Advice that states that, except for certain comparability limitations detailed in the letter, the methodology provides a reasonable basis for the collection of materially comparable financial data for all schools on a national basis.

Aspects of the methodology that limit comparability include those likely to be material, those that are limitations of scope (ie. where the extent of the limitation is unknown), and those less likely to be material.

In future years, it can be expected that greater comparability will be achieved as jurisdictions make adjustments to their accounting systems and in the case of non-government schools, adjustments are made to the DEEWR Financial Questionnaire.

For independent schools, the methodology requires the use of a formula to calculate each of the items of school finance to be reported on the *My School 2.0* website as school financial information has not historically been collected in a format that entirely matches the agreed reporting categories.

Because of the complexity of the issues involved, it has been necessary to refine certain components of the formula following feedback on draft information displayed on the ACARA principals' portal and in light of analysis of the actual data. As a result of these adjustments, final values for your school may have changed from those originally provided on the principals' portal.

## **8.2 - Formula for calculating independent schools' finance data**

In order to compute values for each of the categories of income and expenditure to be reported on My School 2.0, a six-step process has been implemented, as follows:

### **Step 1: Apply Initial formula**

Data sourced from the DEEWR Financial Questionnaire (FQ) and Financial Data Collection (FDC) and subsequent email request from ACARA for additional information (relating to D3 DEDUCTION – Income allocated to debt Servicing) are used in the equations as set out in column 3 in the following table.

### **Step 2: Overwrite with values from Principals' portal submission**

Where a school has provided alternative values via the principals' portal, this data takes precedence over the original data reported in the FDC data submission. Where a school did not enter data via the principal's portal the original FDC data values have been retained.

### **Step 3: Reallocate capital income values**

CI095 (Other Capital Income, including donations, profit on sale of fixed assets, interest, dividends and other capital receipts) and CI105 (Capital income) values from the debt servicing deduction are reallocated to current year capital expenditure.

In addition, an amount is reallocated between "other" and "fee income allocated to current year capital projects" within capital expenditure, in order to ensure that fields D1 (Income allocated to current capital projects) and C4 (the equivalent amount in the capital expenditure table) are equal.

*Note (i)* this may result in a negative amount in field C5 (Capital expenditure table "other"), which is addressed in step (5) below'.

*Note (ii)* the allocation of CI095 and CI105 between current and future capital expenditure is also addressed in step (5).

*Note (iii)* The Methodology assumes CI095, CI105 values and all other amounts allocated for current year capital purposes were used to fund debt servicing before using gross income earned in the year. This is addressed in step (4) below.

### **Step 4: Make D1 adjustment**

Step 4 is required to ensure there is no double deduction of gross income for debt servicing. The Methodology assumes CI095 and CI105 values and all other amounts allocated for current year capital purposes were used to fund capital debt servicing before using gross income earned in the year. The adjustment is made to apply this aspect of the Methodology and ensure that there is no double up in the amounts being deducted from gross income.

This adjustment reduces the cumulative amount of "fee income allocated to current year capital expenditure", up to the value of the cumulative debt servicing adjustment in field D3.

The cumulative debt servicing deduction in D3 is not reduced, as had been the case in the previous formula. This step also reallocates between "other" and "fee income allocated to current year capital expenditure".

### **Step 5: Make an adjustment to other specific private sources and retained earnings (C5)**

If C5 is less than zero, an adjustment is required because a negative in field C5 is not permitted. The adjustment is made to fields D1, D2, C4 and C5.

**Independent Schools Financial Data Formula For My School**

Code	Description	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Final Value		
		Apply Initial Formula	Overwrite with values from principals' portal	Reallocate capital income values	Make D1 adjustment	Make adjustment if C5 < 0	Add BGA and system allocations			
<b>School Income 2009</b>	<b>R1</b>	Australian Government recurrent funding	R1 = RI150T + RI151T + RI152T + RI155T + RI158T + RI161T + RI165T + RI170T + RI190T + RI230T + RI240T + RI250T					+ BGA + System	Steps 1 + 6	
	<b>R2</b>	State/Territory Government recurrent funding	R2 = RI085T + RI100T + RI130T					+ BGA + System	Steps 1 + 6	
	<b>R3</b>	Fees, charges and parent contributions	R3 = RI010T + RI020T + RI030T + RI040T + RI050T + RI051T + CI080T + CI090T					+ System	Steps 1 + 6	
	<b>R4</b>	Other private sources	R4 = RI053T + RI055T + SA001T - SA005T + CI095T + CI105T					+ System	Steps 1 + 6	
	<b>RT</b>	Total gross income (excluding income from government capital grants)	RT = R1 + R2 + R3 + R4							
<b>Deductions</b>	<b>D1</b>	Income allocated to current capital projects	D1 = FDC_15 + FDC_17	D1 = D	+ CI095T + CI105T	- PART_D3	+ C5		Steps 1/2 + 3 + 4 + 5	
	<b>D2</b>	Income allocated to future capital projects and diocesan capital funds	D2 = FDC_16 + FDC_18				- C5		Steps 1 + 5	
	<b>D3</b>	Income allocated to debt servicing (Includes principal repayments and interest loans)	D3 = FDC_12 + RE240T + RE230T + CI095T + CI105T - B_SALE_OF_ASSETS + G_PROFIT_B - C_CASH_RESERVES - D_LOAN_REPAYMENTS -		- CI095T - CI105T				Steps 1 + 3	
<b>Net Recurrent Income</b>	<b>RN</b>	Total net recurrent income	RN = RT - D1 - D2 - D3							
<b>Capital Expenditure 2009</b>	<b>C1</b>	Australian Government capital expenditure	C1 = FDC_1 - FDC_2 - FDC_3 + FDC_4 + FDC_5	C1 = A				+ BGA	Steps 1/2 + 6	
	<b>C2</b>	State/Territory Government capital expenditure	C2 = FDC_6 - FDC_7 - FDC_8 + FDC_9 + FDC_10	C2 = B				+ BGA	Steps 1/2 + 6	
	<b>C3</b>	New school loans	C3 = FDC_13	C3 = C					Step 1/2	
	<b>C4</b>	Income allocated to capital projects	C4 = FDC_15 + FDC_17	C4 = D	+ CI095T + CI105T	- PART_D3	+ C5		Step 1/2 + 3 + 4 + 5	
	<b>C5</b>	Other	C5 = CE005T + CE030T + CE040T + CE050T + CE055T - C1 - C2 - C3 - C4	C5 = E	- CI095T - CI105T	+ PART_D3	- C5	+ System	Step 1/2 + 3 + 4 + 5 + 6	
	<b>CT</b>	Total capital expenditure	CT = C1 + C2 + C3 + C4 + C5							Step 1/2 + 6
<b>Value for D1 Adjustment</b>	<b>PART_D3</b>	Amount of D3 to be deducted from D1 after step 3	After step 3: If D3 > D1 then PART_D3 = D1, else PART_D3 = D3							

**Notes**

The source data used in the calculations for Steps 1 and 2 must be positive (i.e. cannot be a negative value)  
 \* If CE005T + CE030T + CE040T + CE050T + CE055T equals zero, then this value must equal zero  
 # C5 as calculated in Step 4