

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2003-2004 ADDITIONAL ESTIMATES HEARING

Outcome: DEST Portfolio

Output Group: All

DEST Question No. E740_04

Senator Carr provided in writing.

Question:

“Answer E424_04 (Attachment B) provides details of the indexation mechanisms used for all programmes in the Schools area of DEST.

Can you:

1. provide the rationale for the use of each of the indices in each case – as opposed to alternatives that might be considered;
2. provide the same information for all programmes in other parts of the DEST portfolio; and
3. provide current percentage values for each of the indices used in the DEST portfolio?”

Answer:

Indexation mechanisms

Attachment A lists all the programmes in the Education, Science and Training Portfolio, the relevant index and its current percentage value.

Indexation Rationale

In the 1995–96 Budget the then Government agreed to new indexation arrangements following a review. The Government commissioned the review in the 1994 Budget in light of the growing importance of enterprise bargaining which had caused the existing wage indices to be increasingly unsuitable. There was also concern that the existing arrangements were not being consistently applied and had become overly complex.

In general it was agreed that all programmes across the Whole of Government with substantial wage costs components be standardised to “cocktail” indices known as Wage Cost Indices (WCI). These indices consist of different combinations of wage and non wage indexation components. The wage component is based on the Safety Net Adjustment (SNA) which is determined by the Australian Industrial Relations Commission and the non wage component based on the Consumer Price Index (CPI).

Programmes were evaluated to determine the nature of the expenditure. In line with the Government decision programmes were allocated an index based on best match to the ratio of its expenditure between wage costs and other expenses. This means that programmes with substantial wage costs were matched to a wage cost index with a higher SNA contribution whereas programmes with substantial “other costs” were matched to a WCI with greater CPI contribution. Ten wage cost indices are currently used, each identified by a different number, eg WCI1, WCI2, etc. However, not all programmes expenditure nature fitted into this indexation arrangement so more suitable indices were agreed.

Average Government Schools' Recurrent Cost (AGSRC) index

In 1995-96 Budget the Government reaffirmed the AGSRC index for Schools funding. "The AGSRC was implemented in 1993, as part of the Government's commitment to maintain: the quality of education in non-government schools relative to those in government schools; freedom of choice for parents between educational institutions; and the relative levels of Commonwealth and State funding to government schools"¹.

Australian Government General Recurrent Grants provided under the *States Grants (Primary and Secondary Education Assistance) Act 2000* are calculated as percentages of the AGSRC amounts for primary and secondary levels of funding for a given year in accordance with sections 102, 103 and 104 of the Act. Australian Government programmes of targeted financial assistance are supplemented annually in accordance with section 105 of the Act. This accounts for the different AGSRC percentages for primary and secondary general recurrent grants and targeted programmes.

Building Price Index (BPI)

Capital Grants under the *States Grants (Primary and Secondary Education Assistance) Act 2000* are supplemented annually in accordance with movements in the BPI. The BPI is a composite index which reflects the cost of labour and materials in the construction industry. It is calculated by the department annually.

The two ABS catalogues which form the BPI are:

- ABS publication 6345.0 Wage Cost Index: Total Hourly Rates of Pay Excluding Bonuses, Sector by Industry – Index Numbers, Private and Public, Construction; (40%) and
- ABS publication 6427.0 (Prior to 2002 6407.0) Materials Used in Building Other Than House Building, All Groups Indexes, Index Numbers, weighted average of six State Capital Cities (60%).

Cost Adjustment Factor (CAF)

The CAF is a specific index for appropriation/funding detailed in the Higher Education Acts. It is essentially the same as WCI 1 but the timings of the components (SNA and CPI) that make up the index have been varied to facilitate fairer funding arrangements for the Higher Education sector and meet the requirements of Higher Education legislation.

Non-Farm GDP Deflator (NFGDP) and the CPI

The non-farm GDP deflator and the CPI are only applied to a handful of initiatives. The makeup of the expenditure for these programmes was not considered to be wage related so it was unnecessary to apply any wage cost indexation factors.

The CPI is used on programmes whose expenses are generally related to income support payments.

The non-farm GDP deflator (NFGDP) has been applied to the other indexed programmes.

¹ Budget Statements 1995 – 96 Budget Paper No.1 page 3-18.

Not Indexed Programmes

A number of programmes are not indexed as payment levels have been fixed by the Government in the case of certain awards, prizes, subsidies or incentives payable to institutions or employers for a set period of time, where prices are set through tender processes or payments are made in response to compensation claims received by the Government.

Estimates for the Improving IT Skills for Older Workers Programme are consistent with figures from the Government's 2001 election commitment, and are therefore not indexed.

Department of Education, Science and Training

Programme Name ¹	Name of Index	Current Value (2003-04)
States Grants – Schools General Recurrent Grants - Primary Schools - Secondary Schools	AGSRC AGSRC	7.1% ² 7.4% ²
States Grants - Strategic Assistance for Improving Student Outcomes	AGSRC	5.6% ²
States Grants - Country Areas Initiative	AGSRC	5.6% ²
States Grants – English as a Second Language New Arrivals Initiative	AGSRC	5.6% ²
Grants to foster Literacy and Numeracy	AGSRC	5.6% ²
States Grants - Special Education for Non-Government Schools Grants	AGSRC	5.6% ²
States Grants - Languages other than English	AGSRC	5.6% ²
States Grants – Schools Capital Grants	BPI	3.6% ²
Indigenous Education Strategic Initiatives	WCI 1	2.3%
Indigenous Education Direct Assistance - ATAS, ASSPA, VEGAS	NFGDP	4.1% ³
Book Industry - Grants to Schools Libraries	Not Indexed	N/a
Grants and Awards - Grants in Aid - Australian Students Prize - Asia Education Foundation - Curriculum Foundation	WCI 4 Not indexed WCI 4 WCI 4	2.3% N/a 2.3% 2.3%
Quality Outcomes - Quality Teacher Programme - Civics and Citizenship - National School Drug Education Strategy - Quality Outcomes - Other	WCI 4 WCI 4 WCI 4 WCI 4	2.3% 2.3% 2.3% 2.3%
Projects to Enhance Literacy Outcomes	WCI 4	2.3%
ABSTUDY - Secondary	CPI (most components)	2.4% ³
Assistance for Isolated Children	CPI (most components)	2.4% ³
Book Subsidy - Schools	Not Indexed	N/a
Online Curriculum Content for Australian Schools	NFGDP	4.1% ³
Careers, Transitions and Partnerships	WCI 1 & 4	2.3% & 2.3%
Vocational Education and Training - Funding	WCI 1 & 6	2.3% & 2.6%
Vocational Education and Training - National Programmes	WCI 1	2.3%
National Centre for Vocational Education Research Ltd.	WCI 1	2.3%
New Apprenticeship Centres	Not Indexed	N/a
Support for New Apprenticeships	Not Indexed	N/a
New Apprenticeship Workforce Development	WCI 1	2.3%
New Apprenticeship Access Programme	WCI 4	2.3%
Workplace English Language and Literacy	WCI 1	2.3%
Career Counselling and Information	WCI 1	2.3%
Language, Literacy and Numeracy	WCI 1	2.3%
Improving IT Skills for Older Workers	Not Indexed	N/a
Disability Co-ordination Officers	WCI 1	2.3%
Higher Education Funding - Operating Grants	CAF	2.3%
Higher Education Funding - Superannuation Grants	CAF	2.3%
Higher Education Funding - Capital Development Pool	CAF	2.3%
Higher Education Funding - Higher Education Innovation Programme	CAF	2.3%
Higher Education Funding - Equity Funding (excluding Indigenous Fund/Support)	CAF	2.3%
Higher Education Funding - Teaching Hospitals	CAF	2.3%
Higher Education Funding – Contribution to Australian Education International	CAF	2.3%

Programme Name¹	Name of Index	Current Value (2003-04)
Higher Education Funding - Open Learning Deferred Payments Scheme	CAF	2.3%
Higher Education Funding – Open Learning Initiative	CAF	2.3%
Higher Education Funding – Research Training Scheme	CAF	2.3%
Higher Education Funding – Institutional Grants Scheme	CAF	2.3%
Higher Education Funding – Systemic Infrastructure Initiative	CAF	2.3%
Framework for Open Learning	NFGDP	2.1% ³
Higher Education Loan Programme	CAF and CPI	2.6%
ABSTUDY – Tertiary	CPI (most components)	2.4% ³
ABSTUDY Student Financial Supplement Loans	CPI	2.4% ³
Book Industry – Education Textbook Subsidy Scheme	Not Indexed	N/a
Higher Education Funding – Research Infrastructure Block Grants	CAF	2.3%
Higher Education Funding – Australian Postgraduate Awards	CAF	2.3%
Higher Education Funding – International Postgraduate Research	CAF	2.3%
Higher Education Act – Regional Protection Fund	CAF	2.3%
Grants for Research	CAF	2.3%
Grants-in-Aid – Educational and Research Associations	NFGDP	4.1% ³
Anglo-Australian Telescope Board	WCI3	2.5%
Co-operative Research Centre	WCI6	2.6%
Major National Research Facilities	NFGDP	4.1% ³
Radio Active Waste Management	NFGDP	4.1% ³
Defence of Common Law – Atomic Tests (RRWM)	Not Indexed	N/a
Innovation Access Programme	WCI 6	2.6%
International Education and Training	Not Indexed	N/a
Bridging Courses for Overseas Trained Professionals	WCI 1	N/a
DEST Departmental Funding	WCI 3	2.5%

Australian Institute of Marine Science (AIMS)

AIMS	WCI 3	2.5%
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Australian Nuclear Science and Technology Organisation (ANSTO)

Disposition of Spent Fuel	WCI 6	2.6%
Science and Technology Solutions	WCI 6	2.6%

Australian National Training Authority (ANTA)

National Programmes – Training Package Development	WCI 1	2.3%
National Programmes – Industry Training Arrangements	WCI 1	2.3%
National Programmes – Group Schemes	WCI 1	2.3%
National Programmes – Equity and Innovation Training	WCI 1	2.3%
National Projects	WCI 1	2.3%
Capital funding	WCI 6	2.6%
National Priorities	WCI 1	2.3%
Recurrent funding	WCI 1	2.3%
ANTA Departmental Funding	WCI 3	2.5%

Australian Research Council (ARC)

Discovery	CAF	2.3%
Linkages	CAF	2.3%

Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Information Technology, Manufacturing and Services	WCI 3	2.5%
Sustainable Minerals and Energy	WCI 3	2.5%
Environment and Natural Resources	WCI 3	2.5%
Agribusiness and Health	WCI 3	2.5%
Intra-Governmental Transactions	WCI 3	2.5%

Notes:

¹Programme names are current as of March 2004 and are consistent with those reported in the Commonwealth Financial Management System.

²2003 calendar year. AGSRC supplementation amount is determined in October for the current calendar year.

³Year to 2003 December quarter figures as published by the Australian Bureau of Statistics