SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE
2004-05 BUDGET ESTIMATES HEARING

Outcome: All
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DEST Question No. E270_05

Indexation of DEST Programmes

Senator Carr asked 39 questions on 21 June 2004 in writing.

Answers to Questions 1, 3 to 9, 11, 15, 16, 18, 20 to 29, and 32 to 39 are provided under each question below.

Indexation arrangements referred to in other Questions (attached) were determined by the Government in the 1995-96 Budget. DEST is unable to provide reasons for the decisions.

1. Your description of the events that led to the use, across Whole of Government, of the Safety Net Adjustment appears incomplete. Can you confirm that the previous Labor Government announced, at the time of the adoption of the WCI-based indexation regime, that it would be moving to WCIs based on the awaited ABS WCIs?

Answer

Budget Paper No.1, 1995-96,stated that "The wage measure in the new indexation arrangements would be reviewed once the ABS had developed a new Labour Cost Index to replace outdated award wage indexes (expected in time for the 1998 Budget)."(page 3-18)

Future indexation arrangements, were, however, a matter for the consideration of the incoming Government in 1996.

2. Can you confirm that an interim measure adopted temporarily by the Labor Government has been retained by the current Government to this day?

Answer

See answer to Question 1.

3. Is there an existing mechanism or procedure whereby the assignment of a particular index to a given programme can be revised, or reviewed? How and when do changes take place?

Answer

Changes to programming resourcing levels are a matter for consideration by Government, generally in the Budget context.

The *Higher Education Support Act* 2003, section 198, requires that there be a review of the Cost Adjustment Factor (CAF) indexation mechanism for Australian Government funding of universities from 2007-08. The Act requires that the review be completed by February 2005. Consideration of any future arrangements will, however, be a matter for consideration by Government.

4. The Cost Adjustment Factor (CAF): can you explain what you mean by "the timings of the components (SNA and CPI) that the take up the index have been varied".

Answer

The Higher Education Support Act (HESA) 2003 refers to an indexation factor to apply to the higher education sector. This factor, which was previously known as the Cost Adjustment Factor (CAF), is now named the Higher Education Indexation Factor (HEIF).

The current HEIF has two components reflecting salary and non-salary components.

The HEIF reflects the fact that the sector operates on a calendar year basis. Under the HESA 2003, the HEIF must be calculated prior to its year of application. This enables universities to publish fee scales before enrolment processes commence for the following academic year. To meet this timetable, the HEIF for the next academic year is determined using the latest available actual figures; the previous calendar year-to-date CPI figure and the previous financial year Safety Net Adjustment, both available in May.

5. Are there Treasury guidelines that assist in deciding which programmes will not be indexed? Can these be provided?

Answer

No. Programme resourcing decisions are a matter for Government

6. Are there similarly guidelines for deciding which WCI or other indexation mechanism will be applied to programmes? Can these be provided?

Answer

No. See answer to Question 5.

7. If the ten WCI "cocktails" are all different, how can WCI 1 and WCI 4 have the same value? Please provide details of the "cocktails" for all ten WCIs.

Answer

All Wage Cost Indexes (WCIs) comprise weighted averages of the Safety Net Adjustment and the Consumer Price Index. As well as differing weights on these components across the WCIs, there are differences between WCIs in the period over which the CPI movement is measuresd. It is possible for movements in the underlying parameters to result in identical changes in some WCIs.

There is a general policy that the Government does not publish information concerning the composition of individual WCIs.

Australian Government School Recurrent Costs (AGSRC) Index

8. Where and when does the Government use a single AGSRC indexation figure? What figure do the Minister and the Department use when (eg) making public statements about schools funding indexation in general?

Answer

See response to Question on Notice E827-04.

9. Do you average the Primary and Secondary AGSRC for any purposes? What purposes? If so, do you weight it? How do you do this? Do you ever use an averaged AGSRC that includes that for targeted programmes? When? For what purposes? How do you calculate this average?

Answer

See response to Question on Notice E827-04.

Indigenous Education

11. Why is Indigenous Education Direct Assistance indexed with the NFGDP deflator instead of the Targeted AGSRC?

Answer

Indexation arrangements for Indigenous programmes were determined by the Government in the 1995-96 Budget context.

Online Curriculum Content

15. Why is the Online Curriculum Content indexed with the Non-Farm GDP deflator?

Answer

Indexation arrangements for the programme were agreed by the Government in the 2001-02 Budget context. Funding for Online Curriculum Content was originally provided under the Framework for Open Learning Programme which was already indexed to the Non-farm GDP deflator under arrangements agreed by the Government in 1995-96. While no longer funded under the Framework for Open Learning Programme, Online Curriculum Content has continued to be indexed to the same deflator.

Vocational Education and Training — Funding

16. Which aspects of VET funding are indexed with WCI 1 and which with WCI 4? Why?

Answer

VET recurrent funding is indexed by WCI 1 and the capital funding is indexed by WCI 6. The New Apprenticeship Access Programme is indexed by WCI 4.

New Apprenticeships

18. Why are the New Apprenticeship Centres and Support for New Apprenticeships not indexed?

Answer

The estimates for both programmes are linked to New Apprenticeship commencements and the appropriations for the programme are adjusted in accordance with actual and revised

projections of demand. Indexation for price movements is not required for New Apprenticeship Centres as payment per commencement is set for the term of the contract following a tender process. Funding for Support for New Apprenticeships is not indexed as employer incentive levels are agreed by the Government.

Programmes using more than one index

20. Two major VET programmes are funded using WCI 1 and WCI 4. What components of these programmes are indexed by each, and why?

Answer

The New Apprenticeship Access Programme is indexed by WCI 4. The other VET programmes are indexed by either WCI 1 or WCI 6. The Careers, Transition and Partnership programme, part of DEST Outcome 1, is a Transitions rather than a VET programme. Components of the programme are indexed by WCI 1 and WCI 4 as follows:

Programme Component	Index
Enterprise and Career Education Strategies – Base Funding	WCI 4
Career and Transition (CAT) Pilots	WCI 1
Structured Workplace Learning	WCI 1
Partnership Outreach Education Models (POEMS)	WCI 1
Enterprise Education	WCI 4
Job Pathways Programme	WCI 1

The components were separate programmes until they were amalgamated in 2003-04.

VET capital funding

21. Can you provide details of the capital funding index formerly used for VET capital programme? If it was not the same as the Building Price Index what was it? What indexation is now used for VET capital programmes? When did the change occur? What was the percentage value of the former capital index in the last year of its operation, and what is the value of the index currently used?

Answer

The VET capital programme is indexed to WCI 6. DEST has no record of any other indexation arrangements that may have previously been used for the programme. The WCI 6 index that is currently used to supplement VET capital funding is 2.5% for 2004.

22. Why are VET capital programmes not indexed similarly to schools programmes, with the BPI?

Answer

Indexation arrangements for schools capital funding and for Vocational Education and Training (VET) capital funding reflect Government decisions in the 1995-96 Budget context.

Improving IT Skills for Older Workers

23. Why is this programme not indexed?

Answer

Funding levels for the programme are consistent with the Government's 2001 election commitment.. See answer to Question on Notice E740_04.

Higher Education — Teaching Hospitals

24. How does the CAF compare with the indexation mechanism used by the Health and Aged Care Department for programmes such as Medicare?

Answer

Questions concerning the indexation arrangements for these programmes should be directed to the Minister for Health and Ageing.

Higher Education — Capital Funding and Development Pool

25. Why is this programme not indexed by the Building Price Index?

Answer

All programmes funded under the *Higher Education Funding Act* 1988 and the *Higher Education Support Act* 2003 are indexed by the HEIF (previously CAF). Resourcing arrangements for the higher education sector reflect relevant Government Budget decisions.

26. Why is not a notional cost of higher education operating grants indexed by the BPI, since capital funds have been rolled into operating grants?

Answer

See answer to Question 25.

27. Can you provide the rationale for the use of the CAF for the contribution to Australian Education International? Wouldn't that be more appropriately WCI 3, similar to the DEST departmental funding index, that of the ARC, ANTA Departmental and AIMS?

Answer

The higher education contribution to Australian Education International (AEI) has been historically appropriated under the *Higher Education Funding Act* 1988. All funding under the Act has been indexed by the CAF. From 2005-06 the contribution to AEI will be funded by annual appropriation and indexed by WCI 1.

Australian Post-Graduate Awards

28. How are APA awards, and similar, indexed? What is the rationale?

Answer

Funding for Australian Post-Graduate Awards is appropriated under the *Higher Education Funding Act/Higher Education Support Act*. The Act provides for all funding to be adjusted by the HEIF (previously CAF).

Education Textbook Subsidy Scheme

29. Why is this not indexed?

Answer

This is a claim based programme, funding was provided on the submission of claims based on actual expenditure from clients. Indexation was therefore not needed.

Major National Research Facilities

32. I note that the MNRF programme currently is indexed using the NFGDP deflator (4.1%) but the Strategic (sic) Infrastructure Initiative gets CAF indexation. Why the discrepancy?

Answer

Indexation arrangements for the MNRF programme were agreed by the Government in the 2001-02 Budget context.   Funding for the Systemic Infrastructure Initiative is appropriated under the *Higher Education Funding Act/Higher/Education Support Act*. The Act provides for all funding appropriated by the Act to be adjusted for the HEIF (previously CAF).

33. What will the new BAA II programme, the National Collaborative Research Infrastructure Strategy, receive by way of indexation? What is the justification?

Answer

The National Collaborative Research Infrastructure Strategy will be indexed by WCI 1. Indexation arrangements for the programme were agreed by the Government in the 2004-05 Budget context.

Innovation Access Programme

34. Why does this programme receive WCI 6 indexation?

Answer

Indexation arrangements for the programme were agreed by the Government in the 2001-02 Budget context.

International Education and Training

35. Why is this programme not indexed?

Answer

The programme is indexed to WCI 1. The advice in E740_04 was incorrect.

ANSTO

36. What index is used for ANSTO 'departmental' or administrative costs?

Answer

Budget funding for ANSTO is supplemented by the WCI 6 index. Budget funding to ANSTO is classified as 'departmental'.

ANTA

37. Why is ANTA capital funding indexed by WCI 6 instead of the BPI? Why is it not indexed by the CAF-equivalent WCI 1 like higher education capital funding?

Answer

See Question 22. ANTA capital and VET capital funding are the same.

CSIRO

38. Why is CSIRO indexed at a more generous 2.5% (WCI 3) than universities? Is there a separate index for CSIRO administrative costs? What is it?

Answer

The use of the WCI 3 index was agreed by the Government. All Budget funding to CSIRO, which is adjusted for the one index, is classified as 'departmental'.

'Cocktails' for WCI index series

39. Please provide a list of the 'cocktail' percentage mixes for all ten WCI indices and their current value in percent terms.

Answer

There is a general policy that the Government does not publish information concerning the composition of individual WCIs.

Details of Other Questions

10. Why is the Indigenous Education Strategic Initiatives Programme indexed only at WCI 1 (2.3%) instead of the same as the Targeted Programmes? Why is this programme not indexed with the NFGDFP deflator, like the other Indigenous programmes?

12. Why are Grants in Aid and the other programmes listed under the heading "Grants and Awards" indexed by WCI 4 instead of WCI 1?

13. Why are the programmes listed under the heading "Quality Outcomes" indexed with WCI 4? Why don't they use the AGSRC?

14. Similarly, why is the Projects to Enhance Literacy Outcomes programme not indexed to the AGSRC?

17. Why is NCVER indexed to the WCI 1 while the Grants in Aid programme (which funds, for example, ACER) uses WCI 4?

19. Why the difference between the indices for New Apprenticeship Workforce Development and New Apprenticeship Access Programme?

30. Why are these programmes indexed using the NFGDP, when the Grants in Aid to organisations operating in the schools area receive WCI 4 indexation?

31. Why do CRCs get WCI 6 when universities receive CAF (WCI 1) indexation?