



Victorian TAFE  
*Association*

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30 January 2013

The Hon Kim Wells MP  
Treasurer  
Level 4, 1 Treasury Place  
East Melbourne Vic 3002  
[kim.wells@parliament.vic.gov.au](mailto:kim.wells@parliament.vic.gov.au)

Dear Mr Wells

**Re: TAFE Submission – Victorian State Budget 2013/2014**

The Victorian TAFE Association is pleased to accept the invitation to make a submission for consideration in the next Victorian State Budget.

The VTA is the peak employer body for Victoria's TAFE sector. VTA members include four dual sector universities, fourteen stand-alone public TAFE providers, and AMES is an Associate Member.

Victorian TAFE providers are actively engaged in vocational education and training (VET) at the state level as well as nationally and internationally.

TAFE providers seek from the 2013/2014 Victorian State Budget provision of:

1. an appropriate level of new funding for TAFE providers to meet the costs associated with the relevant community services obligations of TAFEs as public providers;
2. an appropriate level of new funding for the corporate arrangements associated with TAFE governance and reporting accountabilities as public providers; and
3. funding to continue to support the pre-January 2013 costs associated with industrial arrangements with TAFE staff that have been developed consistent with government policies and directions and as ultimately formally approved by the government.

## Unique TAFE Community Services Obligations

TAFE in Victoria has a proud history of not only providing high quality skilling and upskilling education and training but also of providing training to those in the community from across Victoria who are culturally and linguistically diverse (CALD), from low socio economic backgrounds, those that are learning challenged, those who have had interrupted education and training, disengaged youth and adults and those within our community who have disabilities or studying in highly specialised areas. The cost structures of providing services to these cohorts of students are necessarily higher than for those students. Some of those student cohorts also have literacy, numeracy, behavioral, physical and mental disabilities etc. which require increased human capital and financial investment.

It has been widely documented that TAFE institutes and dual sector universities, as part of the public sector have, of necessity, higher cost structures than non-TAFE providers. They provide additional value add to the Government's investment in vocational education and training.

In part, these higher costs arise via community service obligations as full service public providers. Such obligations underpin government policy and communications with TAFE providers. The Government statement 'Refocusing Vocational Training in Victoria' states 'TAFEs also play an important role in the wider community.'

TAFE providers are charged with:

- Remaining contemporary and offering diversity of courses including specialised occupations and skills shortage areas.
- Creating a culture of lifelong skills development and stronger pathways to higher education.
- Building community aspirations towards education and specifically VET.
- Engaging effectively with members of the community irrespective of the social and economic circumstances.
- Contributing to growth in workforce participation.
- Contributing to growth in workforce productivity.
- Contributing to growth in the core language, literacy and numeracy skills of working aged people.
- Being responsive to the changing needs of Victoria's industry and workforce.
- Providing a return on investment of public (taxpayer) funds.
- Building the capabilities of the VET workforce.
- Increasing the involvement of Koorie community members in vocational education and training and meeting community expectations regarding accessibility to education, specifically VET.
- Custodianship of public assets including heritage listed buildings, without recurrent funding for depreciation, repairs or maintenance.
- Implementing government environmental policies.

Tangible evidence of TAFE providers' demonstrating their community services obligations can be seen through, for example, the extent of access to learning and the provision of a full suite of services to support education and learning such as IT, library facilities, counseling services, career advice, tutors, disability liaison officers, auslan interpreters and note-takers for disabled or learning impaired students.

The Association submits that the funding changes to vocational education and training, announced in the 2012/2013 State Budget, as they affect TAFE, have been detrimental to the Victorian community. They are also inconsistent with the findings of the Essential Services Commission (ESC) VET Fee and Funding Review 2011 Review commissioned by the Government.

Attached in Appendix A to this letter is an extract from the ESC VET Fee and Funding Review 2011, Volume II, pages p.117 and 118. The extract describes two key recommendations; 6.9 and 6.10.

#### Recommendation 6.9

The gap in base rate funding rates between TAFE institutes and non-TAFE providers should be progressively closed over the next four-year funding agreement.

#### Recommendation 6.10

A review be undertaken of the funding and corporate arrangements of publicly owned training providers (including TAFE institutes, CAE and AMES). This review should: (i) provide a clearer articulation of the role of publicly-owned training providers; (ii) consider how funding and corporate arrangements might be changed to promote greater transparency and accountability of funds; and (iii) consider whether direct funding should be provided to fund any community service obligations met by public providers

Recommendation 6.9 proposes the base funding rate between TAFE institutes and non-TAFE providers should be progressively closed over the next four-year funding agreement. The Government however decided to fast track this process and went immediately to funding equalization for the Government subsidies under the VTG from 1 July 2012 (8 weeks' notice) and full equivalence of funding on January 1, 2013. This amounts to an 8 week and 8 month notice period with no phase in.

In relation to Recommendation 6.10, no action has been taken to implement this recommendation. A process was in train in early to mid-2012 through a project contracted to PwC through the HESG Group of DEECD however that project was not concluded. Such a project would have informed the process for implementing Recommendation 6.9.

#### **Unique TAFE Corporate Arrangements**

Higher TAFE provider operating costs are directly attributable to the fact that historically the State Government of Victoria has played a significant role in the governance, accountability of TAFE provider reporting requirements and the salary and conditions outcomes of TAFE staff as employees of public agencies.

As a consequence, prior to 1 January 2013, the Government provided a funding differential to TAFE providers that recognized the different governance, accountability and employment circumstances of TAFE providers. These funds supported the TAFE providers to part fund these compliance requirements and the differential in salary, terms and conditions arising from this historical employer/government inter-relationship.

The employment conditions of TAFE staff are governed by Enterprise Agreements covering teaching and support staff. The Government, through Treasury and Cabinet, has approved the making of those Agreements. The Agreements have been negotiated consistent with government policy and at times with government providing direct guidance.

It is interesting to note that in comparison of the non-TAFE providers that are listed on the government "List of Contracted Organisations" (DEECD website as at 21<sup>st</sup> January 2013), the vast majority do not work under the auspices of a registered Enterprise Agreement, rather their employment arrangements are governed by the minimum conditions of the Educational Services (Post-Secondary Education) Award 2012.

An analysis of the 52 largest non-TAFE providers, in terms of government expenditure in 2011/2012, has uncovered that only 2 providers (that being Careers Australia – Education Institute and Navitas Professional Training) have a registered Enterprise Agreement. This equates to less than 4% of the private non-TAFE providers having conditions of employment regulated above that of the Educational Services (Post-Secondary) Modern Award 2010.

The relationship between TAFE providers and government around industrial relations and registered Agreements is ongoing and has been reaffirmed by the present Coalition Government.

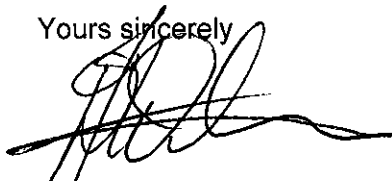
The VTA submits that this ongoing inter-relationship between TAFE providers and the Government brings with it responsibilities and an obligation for the Government to part fund the differential arising from these circumstances that do not relate or apply to non-TAFE providers.

In relation to recommendation 6.10 of the ESC VET Fee and Funding Review '*direct funding should be provided to fund any community service obligations met by public providers*', it may be arguable that the funding does not fall within the parameters of the DEECD budget allocation. It is however irrefutable that such funding should be provided to TAFE providers from an appropriate budget allocation within the overall parameters of the State Budget.

TAFE providers request, bearing in mind the recent history of changes to TAFE funding arising from decisions of the Government in late 2011 and in the May 2012 State Budget, that each of the three points outlined above be given your highest priority in preparing the 2013/2014 State Budget.

The Association would be pleased to make key representatives available to work with and assist the State Government in addressing these three priority requests leading up to the tabling of the Government's State Budget in May 2013.

Yours sincerely



**David J Williams**  
Executive Director

cc The Hon Peter Hall, Minister for higher Education and Skills  
Ms Kym Peake, Deputy Secretary HESG, DEECD

## **ESSENTIAL SERVICES COMMISSION VICTORIA**

### **VET FEE AND FUNDING REVIEW 2011**

#### **VOLUME II (Extract pages 117 and 118)**

#### **“6. FUNDING VET DELIVERY**

As discussed in Section 6.1, TAFE institutes receive a higher base funding rate than other providers. In submissions to the review, TAFEs generally justified this difference on the basis that they incur higher costs in their role as a public provider. Some of these relate to higher overhead costs because of the governance, financial and industrial relations arrangements placed on them as public sector organisations. Other costs relate to additional student support and services. For example, Sunraysia Institute of TAFE listed the type of services which have been expected:

The full service provision at TAFE Institutes includes Student Services such as counselling, learning support, housing and welfare and other support services for people re-entering study after prolonged periods out of the workforce. TAFE Institutes also have libraries that include online resources to support students.

Additional services include curriculum design and innovation services, residential accommodation, Koorie department, international unit, farms, restaurants and other functional business environments, business development and workforce planning services etc.

Non-TAFEs argue that their costs are similar to TAFEs for many of the VET services they provide. Therefore, they believe the same base funding rates should apply to both TAFEs and non-TAFEs. According to the Upper Yarra Community House:

The differentiation between TAFE and non-TAFE rates, particularly for Foundation and Skills Creation levels does not recognise that the cost of delivering these kinds of programs is as expensive for Adult Community Education providers as it is for TAFE Institutes.

The Commission did not undertake a review of the costs incurred by the various providers in delivering VET, however it has made a number of observations:

- the role of public providers has not been clearly articulated in terms of the specific outcomes that public providers are expected to deliver;
- non-public providers appear to incur some of the same costs identified by TAFE institutes associated with student support; and
- the different base rates affect the ability of providers to compete with each other under a contestable model and could raise concerns related to competitive neutrality.

If the policy aim of the funding model is for full contestability between RTOs, the Commission contends there should be no difference in the base funding which is allocated to each training provider type.

The Commission is therefore recommending that the same base rates apply to all types of RTOs. The cost data provided as part of the cost and pricing review in Recommendation 6.2 should be used to realign the different base funding levels between TAFE institutes and non-TAFEs to a single rate for each course level. As TAFE institutes may need some time to prepare for a (likely) lower base rate in managing their cash flows and adjusting their financial plans, it is recommended this transition be phased in over the next four years as part of their service agreements.

### **Recommendation 6.9**

**The gap in base rate funding rates between TAFE institutes and non-TAFE providers should be progressively closed over the next four-year funding agreement.**

In implementing recommendation 6.9, the Government needs to clearly define its expectations of public providers (including TAFEs, the Council of Adult Education (CAE) and the Adult Multicultural Education Service (AMES)). In the Commission's view, this should be set out in a government statement of intent, which outlines the role and obligations of publicly-owned training providers. This should allow the Government's expectations of its training providers to be transparent.

Where the Government requires these providers to carry activities which the provider would not elect to do on a commercial basis, or which would only be provided commercially at higher prices, it should consider funding those activities through separate CSO funding.

In conjunction with identifying the CSOs of public service providers, the allocation of their funding should be considered further. If CSOs are to be undertaken exclusively by public service providers, the Commission recommends they be funded directly (i.e. outside the SCH funding model). Alternatively, CSOs could be provided on a contestable basis, with any RTO, public or private, tendering to receive funding to provide these services.

The Commission expects this will necessitate a broader review of the TAFE institutes' funding and corporate arrangements, and a clearer articulation of the role of publicly-owned training providers.

In defining the role of public providers and the CSOs they deliver, the Government will also need to consider whether some of those CSOs are being delivered by non-public providers. Especially if those CSOs relate to increased participation of particular student cohorts. For example, the Adult Community and Further Education (ACFE) Board takes a broad view as to the types of institutes which have a public service provision role:

The ACFE Board considers that the ACE sector, in delivering to a broad cohort of learners in a range of high need industry areas (in particular, literacy and numeracy, and aged care and childcare), and by providing an efficient market mechanism for responding to demand, also provides a range of public good outcomes.

Defining the role of publicly owned training providers will provide an opportunity to consider whether they are structured in line with moves towards a more market-based funding model. The Commission therefore recommends the corporate structures of TAFE institutes, CAE and AMES be reviewed.

### **Recommendation 6.10**

**A review be undertaken of the funding and corporate arrangements of publicly owned training providers (including TAFE institutes, CAE and AMES). This review should: (i) provide a clearer articulation of the role of publicly-owned training providers; (ii) consider how funding and corporate arrangements might be changed to promote greater transparency and accountability of funds; and (iii) consider whether direct funding should be provided to fund any community service obligations met by public providers."**