

CHAPTER 6: FUNDING AND ADMINISTRATION

6.1 The Commonwealth Government through ANTA provides about one third of the total public funding to VET although the administration of the VET system in each jurisdiction and the balance of public funding is a matter for the State/Territory Government. Although universities are established under State legislation, the Commonwealth provides most of the capital funding and all the recurrent funding based on enrolments.

Funding

6.2 The fact that the funding and policy making for VET, and hence for TAFE, is shared between the Commonwealth and State/Territory levels of government and that the division of responsibility is different from that in higher education gives rise to some anomalies between the sectors. In contrast to the relative autonomy of universities, TAFE is subject to more than one master.

I think we are also, given the way TAFE is structured in this country, caught between the tensions of policy, of priorities, and the objectives of the two levels of government.¹

[Mr Charles Wilkins, President, Victorian Association of Directors of TAFE Institutes Inc.]

6.3 The Committee has also identified other issues, such as the needs of institutions enrolling a large proportion of disadvantaged students or located in regional areas which do not appear to be adequately met under the current funding arrangements.

VET: A Commonwealth responsibility?

6.4 The West Review into higher education financing and policy has recommended that funding for vocational education and training should be transferred to the Commonwealth Government as part of a broader realignment of funding arrangements for post-secondary education.² If adopted, it is a proposal that would deal with only half the issue because the States and Territories would retain legislative control over higher education and both legislative and administrative control over the VET sector.

6.5 In the past the Commonwealth has attempted unsuccessfully to secure the agreement of the States to it assuming full funding responsibility for VET.³

1 *Transcript of Evidence*, p. 295.

2 *Learning for Life — Final Report*, DEETYA, 1998, p. 136.

3 Mr Roderick Manns, Assistant Secretary, Vocational Education and Training Reform Branch, DEETYA, *Transcript of Evidence*, p. 674-5.

Whether the Commonwealth could and should assume the States' legislative powers over both VET and higher education is a complex issue and one on which the Committee has not taken sufficient evidence in this inquiry to form a definitive view. The transfer of these powers would require constitutional amendment and/or the cooperation of each State and Territory Government. In any event, it is arguable whether full Commonwealth responsibility for both sectors would improve the interface between them unless the Government were willing to use its acquired power to impinge on the autonomy of universities to force more rapid change.

6.6 Another important consideration is that the secondary school to TAFE interface is probably much more important than the TAFE to higher education interface because potentially much larger numbers of individuals are affected. For example, in 1997 18,000 students in NSW secondary schools received some vocational education delivered by TAFE staff compared to about 12,000 nationally admitted to university on the basis of their TAFE studies.⁴ This alone suggests that it is just as important to improve the links and collaboration between TAFE and secondary education at the State/Territory level. Commonwealth control of TAFE to improve its links with higher education might create a potentially greater problem of linking TAFE and secondary programs between the levels of government.

6.7 In return for Commonwealth growth funding under the original ANTA Agreement the States and Territories agreed to maintain their expenditure on VET. Under the revised Agreement, the Commonwealth has agreed to maintain expenditure in real terms while the States and Territories have agreed to direct efficiency improvements into expansion of the system.⁵ ANTA reports to the Ministerial Council on the 'Maintenance of Effort' requirements and its 1997 report indicates that these requirements are being met.⁶ The evidence also indicates that the State and Territory Governments are meeting their other obligations under the Agreement in return for Commonwealth funding for VET. Given the extent of unmet demand for TAFE across Australia the Committee supports the resumption of Commonwealth and State growth funding for TAFE.

The states and territories have been, despite some of the media coverage, extremely cooperative in implementing the new national training framework, that is, the Australian Recognition Framework and training packages. They have been quite cooperative in implementing new apprenticeships and user choice. They have been very active in greatly improving the quality of data about vocational education and training in Australia, particularly management information, and that is in circumstances where that quality data has often created problems for them that they would rather have avoided, around the efficiency

4 TAFE NSW, *Submission No. 98*, p. 10 and *Exhibit No. 30*, p. 7.

5 ANTA, *Exhibit No. 36*, Appendix A. p. 43.

6 *ibid*, see Tables A1 to A8.

*issue, for example, but there are many others.*⁷ [Mr Terry Moran, Chief Executive Officer, ANTA]

6.8 The evidence from employer and graduate surveys indicates that TAFE is, with a few exceptions, meeting employer and student needs. Continuing reform should further improve the efficiency and responsiveness of the TAFE and broader VET systems. The funding source and the division of responsibility between the Commonwealth and State/Territory Governments is not essential to achieving significant industry led reform.

Fee concessions and loans

6.9 TAFE institutes charge fees according to schedules set by the State or Territory Government. Typically a fee is levied per curriculum hour up to a maximum of \$500 to \$600 per annum. Fee concessions are available according to policies set by the State/Territory Government.

6.10 Fees collected by institutes are revenues they use in their normal operations. The fee concessions granted to students come directly off this revenue and reduce the institute's income for that year. The higher the proportion of students eligible for a concession the more revenue foregone. The financial impact is compounded for institutes with high enrolments of financially disadvantaged students.

6.11 The value of the concessions granted is quite considerable and in NSW alone amount to \$17 million or about one third of fee revenue.⁸ In some disadvantaged areas institutes may grant concessions to well over 30 per cent of students.⁹ In one extreme case, 50 per cent of students are eligible for concessions at a cost to that institute of between \$300,000 and \$500,000 per annum.¹⁰

6.12 Institutes also offer student loans and carry the associated risks and default collection cost. The burden does not stop at the fee concession or loans.

At my college...68 per cent of the student population come from a non-English speaking background...we have...the highest percentage of exemptions...Also...my operating costs are much greater than those of any other college because the amount of literacy and numeracy support that I

7 *Transcript of Evidence*, p. 653.

8 Mr Robert Puffett, Assistant Director-General, Technical and Further Education, NSW Department of Education and Training, *Transcript of Evidence*, p. 719.

9 Ms Heather Crawford, President, TAFE NSW Managers Association, *Transcript of Evidence*, p. 469.

10 Mrs Elizabeth Nicholls, Director/Chief Executive Officer, Central Gippsland Institute of TAFE, *Transcript of Evidence*, p. 266.

*have to give is increased.*¹¹ [Ms Heather Crawford,
President, TAFE NSW Managers Association]

6.13 The effect of the current funding arrangements in some States is that the TAFE institutes which forego the most revenue are the institutes which most need it. The greatest burden is borne by the institutes being called upon to support the highest proportion of disadvantaged students. The Committee finds this quite unacceptable.

6.14 The Committee recognises the importance of fee concessions and student loans in ensuring TAFE remains affordable and accessible to as many people as possible. TAFE's accessibility is fundamental to the value of the system. The availability of concessional fees underwrite it. However the appalling inequity in the way the burden of concessions falls must be addressed.

6.15 The funding model in every State and Territory should properly recognise that some institutes face higher costs than others because of their location and/or their student profile. Some institutes may also receive lower revenues because they are required to grant a higher proportion of concessions. While the distribution of funds to individual institutes is fundamentally a State/Territory responsibility the Commonwealth should insist on greater equity in the system for its money. The Committee notes that other Commonwealth grants through ANTA have been earmarked for particular purposes.

6.16 Recommendation 6.1

The Committee recommends the Minister for Schools, Vocational Education and Training develop, with State and Territory Governments, a funding formula for TAFE institutes that ensures that institutes and campuses serving low income student populations are not further disadvantaged by disproportionately high levels of fee discounting.

6.17 Recommendation 6.2

The Committee recommends that the Commonwealth should provide additional funds on a dollar for dollar basis to State/Territory Governments through the Australian National Training Authority, to assist TAFE institutes enrolling a disproportionately large number of disadvantaged students.

11 *Transcript of Evidence*, p. 469.

Funding emerging needs

6.18 TAFE institutes are funded on student contact hours and receive training packages and input from industry on current training requirements. Several witnesses stated that this system does not help institutes anticipate and equip themselves to meet the emerging training needs of industry.

...most of what the system gives us is today's and yesterday's needs. All the structures that we have within our institute currently to help us anticipate industry needs are really funded by our own commercial work, particularly our overseas work...The very heart of the way TAFE is funded is to deliver student contact hours based on historical trends and annual comments from industry training boards....Those institutes that care find other mechanisms for anticipating rather than just reacting.¹²

[Ms Christine Cookson, Director and Chief Executive Officer, Melbourne Institute of Textiles]

6.19 Despite the extensive industry involvement through state and national ITABs and the ability of institutes to tailor training programs from industry training packages the process is slow to meet new requirements. The other aspect is that the process is publicly funded with minimal financial contribution from industry.

Training Innovation Fund

6.20 The Committee would like to see the establishment of a Training Innovation Fund which would receive dollar for dollar contributions from Commonwealth, State and Territory Governments, industry and the VET providers themselves. The purpose of the Fund would be to finance projects related to education, training and curriculum development in 'sunrise' industries not met quickly enough under existing arrangements. Examples might include multimedia, environmental and micro-electronic and bio-technologies.

We have got a [TAFE] system that is focusing on the skills of the present and the past, instead of the future.¹³

[Professor David Beanland, Vice-Chancellor, RMIT]

6.21 TAFE potentially would be involved in the development and delivery of education and training projects seeded by the Fund and possibly some applied research projects in conjunction with universities. Such participation would help develop some TAFE institutes as centres of excellence for particular industries enhancing TAFE's public image and the skills base that TAFE institutes have to draw on.

12 *ibid*, p. 359 and see Professor David Beanland, Vice-Chancellor, RMIT, *Transcript of Evidence*, p. 223.

13 *Transcript of Evidence*, p. 213.

6.22 Recommendation 6.3

The Committee recommends that the Commonwealth Government establish a Training Innovation Fund for the purpose of financing projects related to TAFE curriculum development and delivery of vocational education, training and applied research in ‘sunrise’ industries.

Anomalies between TAFE and higher education

6.23 The Committee encountered numerous anomalies between VET and higher education created by the different funding and administrative arrangements for the two sectors. The most apparent relate to students and multi-sector institutions. The Committee notes that the West Committee’s final report, *Learning for Life*, envisaged the resolution of the anomalies between TAFE and higher education students as a long term goal at Stage 4 of its proposed incremental shift to student centred funding.¹⁴

6.24 The recommendations of the West Committee relating to the funding of post-secondary education should be thoroughly evaluated by the Commonwealth Government. However, the growing importance of the VET and secondary education interface and the importance of VET as a ‘second chance’ **post-compulsory** education¹⁵ provider do not appear to have been as thoroughly considered in the West Committee’s deliberations as VET’s interface with higher education. Accordingly, the Committee urges the Government to consider these important but non-tertiary functions of VET in undertaking its assessment of the West Committee’s recommendations pertaining to post-secondary funding.

Students

6.25 There is no apparent anomaly in having differing arrangements for pre-vocational and certificate level courses in TAFE and degree courses in higher education. There is no overlap and no direct articulation between the lower AQF levels and higher education. However, there are significant inconsistencies at the area of overlap between TAFE and higher education at the diploma/advanced diploma and degree levels.

6.26 Whilst the Committee is not recommending changes to the fees charged in the TAFE and higher education sectors, it notes that higher education students enrolled in degree programs generally pay much higher fees than TAFE students enrolled in diploma programs. While TAFE students

14 *Learning for Life — Final Report*, DEETYA, 1998, p. 120.

15 Post-compulsory education encompasses a range of education and training options for people over the age of compulsory school attendance not all of which are school based. Post-secondary education generally refers to educational options open to people who have completed a traditional school based secondary education or an equivalent award.

pay a fee of around \$600 per annum up front a university student, at the lowest of three fee levels, faces a deferred HECS liability of \$3,300.¹⁶ Compared to TAFE students higher education students bear a significantly higher proportion of the cost of their education although university graduates can, in general, expect to earn higher average incomes. The anomaly arises when TAFE diplomates articulate into related degree programs with substantial credit for their TAFE studies.

6.27 The desirability of improving articulation arrangements has been discussed in Chapter 5. The benefits include savings in public and private expenditure and lower opportunity costs for students. A student who studies a two year TAFE diploma which articulates into a degree with one year's credit potentially saves about \$2,000 on their first year HECS liability although the total time of the study program is one year longer.¹⁷ The length of training and the associated opportunity costs for the student probably offset the greater HECS liability.

6.28 The number of people taking articulated diploma/degree programs is rising although there is limited information on the reasons why students undertake these options. There is anecdotal evidence that some students have recognised the relative value of TAFE studies which articulate into degrees and are reducing their total HECS liability by enrolling in a related TAFE course first.¹⁸ Information currently collected on university admissions of former TAFE students is not sufficiently detailed to enable the extent of this practice to be measured.¹⁹

6.29 There are sound personal and educational reasons why students would choose to enrol in a TAFE course and subsequently carry the credit into a university degree. TAFE studies will awaken some students to the possibilities of university study or may be the pathway to their eligibility for admission to university. It may be more convenient and/or less expensive for a student to study at a local TAFE institute before moving away to attend university. Increasingly, students are deliberately seeking combinations of practical and theoretical content that distinguishes courses between the sectors. There is no merit in limiting the movement from TAFE to university that might be occurring for any of these reasons.

Multi-sector institutions

6.30 The division of responsibility for funding between the Commonwealth and State/Territory Governments creates particular problems for multi-sector institutions.

16 The Higher Education Contribution Scheme (HECS) fee can be paid in advance for a 25 per cent discount.

17 e.g. The diploma/degree course takes 4 years and costs about \$7,800, (\$600 x 2 years) + (\$3,300 x 2 years) compared to the 3 year degree at \$9,900, (\$3,300 x 3 years).

18 *see for example, Transcript of Evidence*, pp. 59, 470 & 686-7.

19 *ibid*, p. 686.

*At the moment the TAFE is a system that is managed by state policy; the higher ed is one which is run by Commonwealth policy. We have different accountabilities, different rules, different funding on our facilities, different employment conditions for staff, and it creates a nightmare.*²⁰ [Professor Beanland, Vice-Chancellor, RMIT]

6.31 Industrial relations issues are illustrative of the problems most dual sector institutions face in dealing with two systems. Dual sector institutions can operate autonomously in respect of the staff they employ under higher education awards but require state government agreement in respect of staff they employ under TAFE awards. Frequently, this division of responsibility results in dysfunctional outcomes.

*It was accepted by the unions and by the management that the desirable thing would be one bargaining process, one agreement... Unfortunately, what happened was that we produced one agreement and it was held up for six months because the Victorian Government intervened on the basis that RMIT is governed by TAFE legislation... the agreement was delayed for six months at both RMIT and Swinburne and... at the next round of enterprise bargaining the unions representing higher education staff said, "Well, we do not wish our members' pay increase to be delayed again so we will negotiate separately."*²¹ [Mr Ted Murphy, National Assistant Secretary, National Tertiary Education Union]

6.32 This particular industrial obstacle was overcome by the Western Australian Academy of Performing Arts (WAAPA) which, since its establishment, has employed all its staff under the higher education award. This gives it the flexibility to operate integrated VET and higher education programs with students in both sectors attending some common classes.²² Ironically, the Academy's reputation as a centre of excellence is based on its VET programs with the VET course delivery format providing more hours of instruction than would apply under the higher education format.

6.33 The Academy is not otherwise immune from the dual sector dilemma.

...for an institution with relatively small numbers of students, it is a bookkeeping nightmare to in fact keep track of the way that the two sectors are wanting to get their evidence, and there is no allowance; it is just accepted that if you are a multi-sector institution you just have to do

20 *ibid*, p. 213.

21 *ibid*, p. 172.

22 Mr Duncan Ord, Acting Director, Western Australian Academy of Performing Arts, *Transcript of Evidence*, pp. 3-4.

*things twice.*²³ [Mr Duncan Ord, Acting Director, Western Australian Academy of Performing Arts]

6.34 The absurdity of split funding and accountability requirements for multi-sector institutions was demonstrated to the Committee on its visit to the Academy. The sources of funds for different areas of a theatre, part of one building, were identified variously as Commonwealth, State or privately and were required to be so. It is a problem multi-sector shared campuses also experience in relation to their shared infrastructure.

*One of the biggest problems we have found...has been...the relationship between the bureaucracies at the state and federal levels. You are operating in a system which is partially funded by the New South Wales state government through the TAFE system ...and the rest of it, the university, is operated on a federal funding basis...Bureaucracies required us to identify which money paid for which building. We still go through this role. When people come into the space they ask, "Which is the TAFE building and which is the university?" We say, "These are all Central Coast Campus buildings."*²⁴ [Professor Leslie Eastcott, Pro Vice-Chancellor and Director, Central Coast Campus, University of Newcastle]

6.35 Obviously, public expenditure must be properly accounted for but it must be possible to devise financial arrangements between levels of Government that recognise the existence of an asset or the delivery of a service funded from more than one source. Similarly, the collection of data on students and program delivery for DEETYA in relation to higher education and for the State and Territory training authorities in relation to VET should be able to be rationalised to reduce the administrative burden on dual sector institutions.

6.36 Recommendation 6.4

The Committee recommends that the Minister for Employment Education, Training and Youth Affairs seek agreement through the Ministerial Council to establish a review of the reporting requirements of higher education and VET institutions with a view to making the systems more compatible and less onerous, particularly for institutions reporting to both.

23 *Transcript of Evidence*, p. 8.

24 *ibid*, p. 486.

6.37 Recommendation 6.5

The Committee recommends that the Commonwealth Government establish accountability arrangements with the States and Territories which more readily accommodate the fact that joint capital funding of institutions may result in joint ownership of infrastructure.

Governance

6.38 The administration and governance of the TAFE system and individual institutes have to find an appropriate balance between providing institutes with sufficient flexibility and autonomy to meet local needs on the one hand while ensuring system wide consistency and quality on the other. TAFE, as an arm of government, also has to be responsive to government priorities in community service and VET delivery. Not surprisingly, each jurisdiction has developed its own system and there is a wide range in the degree of autonomy permitted to individual institutes.

A collaborative model

6.39 The Committee does not presume to prescribe a model all state governments should follow but the system of governance operating in South Australia has some interesting features which merit discussion. There are eight TAFE institutes in South Australia and each has an Institute Council appointed on the basis of the members' knowledge of business, industry, commercial practices and community interests.²⁵ Institute Directors sit on their Institute Councils and are members of the TAFE SA executive. There are also five program managers within the system who develop system wide program plans to ensure the objectives expressed in the state training profile are being achieved.²⁶

6.40 The institute council presidents have also formed a network so there is open communication across the system at council and director level while policy priorities are communicated to the institutes through the system of program managers. There is an open, collaborative approach to institute development and course provision which appears to strike a healthy balance between the development of centres of excellence within the system and ensuring courses are available over a wide geographic area. An example of the type of collaborative arrangements the system fosters is that the hospitality training program at the Tea Tree Gully campus of the Torrens Valley Institute

25 Mrs Alison Raggatt, Council President, Adelaide Institute of TAFE, *Transcript of Evidence*, p. 83.

26 Mr Stephen Kelton, Director, Onkaparinga Institute of TAFE, *Transcript of Evidence*, p. 109.

is managed by the Adelaide Institute of TAFE with resultant savings in both staff and overheads.²⁷

6.41 It appears to the Committee that South Australia's collaborative approach has a lot to commend it. Communication occurs across the system on a number of formal and informal levels. Individual institutes are encouraged to specialise and develop their commercial operations while the resultant expertise is shared across the system. This maximises performance and minimises 'canabilistic' competition within the system. Of course, students still have a choice of TAFE providers. Private providers compete with TAFE in some areas.

Autonomy

6.42 The Committee believes that responsiveness can best be achieved by maximising the commercial and operational independence of individual institutes within a collaborative system which clearly articulates the role of individual institutes in meeting state policy objectives in VET. Institutes should be allowed to control and reinvest their commercial revenues provided their proposals are consistent with the priorities established across state systems. This should assist the development of industry centres of excellence as institutes capitalise on their areas of expertise.

6.43 Another suggestion which State/Territory governments should consider is the provision of triennial funding, including some capital funding, direct to institutes.²⁸ This would enhance institutes' capacity to plan and respond to emerging local requirements and priorities for the development of programs and collaboration.

6.44 As stated in Chapter 4, institutes should be able to establish 'enterprises' such as group training companies and employment services which are directly related to their VET role where they see such a need in their region. Private providers have the capacity to provide these services, TAFE should be able to compete on an equal footing. These proposals would all enhance the capacity of TAFE to compete with other providers and to be more responsive to local employer and student requirements.

Dr Brendan Nelson MP
Chair
July 1998

27 Mrs Alison Raggatt, Council President, Adelaide Institute of TAFE, *Transcript of Evidence*, p. 84.

28 Ms Antonia George, Associate Director, Social and Applied Sciences; and Mrs Shirley Kukk, Deputy Director, Strategic Development; Kangan Batman Institute of TAFE, *Transcript of Evidence*, p. 236-7.