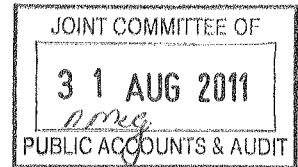


Submission No. 16 Inquiry into National Funding Agreements



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Mr Rob Oakeshott
Chairperson
Joint Committee of Public Accounts and Audit Committee
Parliament House
CANBERRA ACT 2600

28th August 2011

Dear Mr. Oakeshott

TDA SUBMISSION TO THE INQUIRY INTO NATIONAL FUNDING AGREEMENTS

TAFE Directors Australia (TDA) welcomes this opportunity to respond to the Joint Committee's Inquiry into National Funding Agreements.

'TDA' is an incorporated peak body representing Australia's 59 government TAFE institutions, providing 87% of Australia's accredited VET and higher education qualifications.

We welcome the invitation to attend a Joint Committee hearing (Canberra, 16th Sept 2011), and trust there may be an opportunity to further discuss this submission, and answer questions which may arise.

TERMS OF REFERENCE

This submission addresses the Inquiry's Terms of Reference (TOR), with a particular focus on the third point of reference, '*the need to balance the flexibility to allow states and territories to determine their own priorities with mechanisms for monitoring accountability and ensuring that the objectives of funding agreements are being achieved, noting the role of the COAG Reform Council*'.

FIVE KEY ISSUES

The submission summarises **five key issues** which TDA members identified as impacting on their institutions, their students and their industry clients. It is our intention to elaborate further on these issues, drawing on specific examples and case studies, when we appear before the Committee on 16th September 2011.

1. NATIONAL FUNDING AGREEMENTS ARE AN IMPORTANT MEANS OF DRIVING GREATER CONSISTENCY IN TAFE FUNDING ARRANGEMENTS ACROSS ALL AUSTRALIAN JURISDICTIONS

There have been representations by TAFE Institutes to review current Commonwealth State and Territory TAFE/VET funding arrangements, with the purpose to establish nationally agreed

consistent principles as the basis for future TAFE funding including funds sourced through National Partnership Agreements.

Currently the implementation of VET sector national funding agreements differs markedly between jurisdictions; differences remain in funding levels for the same programmes and differences in accountability and reporting standards and mechanisms. A recent *Allen Consulting DEEWR-commissioned review of the PPP programme*¹ showed divergence in approaches, highlighting irregular data across the VET sector, which have led to increasingly dissimilar outcomes.

Specifically, it noted:

“Based on review of the data submitted and the NCVER findings, it is clear that the framework for measuring effectiveness set out in the Agreement was deficient. It did not provide a comprehensive strategy for the collection of comparable NP PPP specific data by jurisdictions. Implementation of the Agreement has not overcome this deficiency.

“Some jurisdictions do not allow for the identification of NP PPP participants, meaning that it is difficult to look at the NP PPP specifically. Any review of the program in these circumstances becomes a review of broader training delivery. Similarly, measuring additionality is problematic. This is mainly due the absence of a satisfactory benchmark from which to measure additionality.”²

These findings demonstrated one impact has been a diminishing impact to Training Packages (curriculum), which remain a significant national investment by DEEWR under the Australian Quality Framework. The AQF was designed to create a skilled and nationally mobile workforce, under a national quality VET system (public and private). Ironically, these issues have additionally detracted from COAG objectives of a seamless national economy, and with Commonwealth, States and Territories signing to nationally-agreed VET and degree qualification targets.

The Commonwealth has announced its intention to prepare a dedicated National Partnership Agreement from 2012, to accompany the proposed renegotiated Commonwealth State and Territory Agreement, to apply from 1st July 2012. The Minister for Tertiary Education, Skills and Jobs, Senator Hon. Chris Evans, has explained the purpose of the National Partnership will drive greater consistency, and highlighted especially transparency in training quality and reform.

OUTCOME

- TDA advocates these Agreements should include a provision for all jurisdictions to subscribe to a **Charter for TAFE** -- as the public provider of VET.
- This strategy would provide for a more consistent approach both to funding TAFE in its additional role as a 'full service' provider for students and industries -- frequently across borders, in high infrastructure trades skill occupational areas and remote regions
- *Skills Australia* had recommended that TAFE Directors Australia may play a special role³ in coordinating a more identifiable branding for 'TAFE' -- given many jurisdictions have allowed

¹ Allen Consulting Group, *Mid-term Review of the National Partnership Agreement for the Productivity Places Program.*, (November 2010)

² Allen Consulting Group, *Mid-term Review of the National Partnership Agreement for the Productivity Places Program.*, (November 2010) page xi

divergence from the TAFE name – however Canadian and overseas experience shows that a body such as 'TDA' could be commissioned by DEEWR to help coordinate such a Charter.

2. NATIONAL FUNDING PRINCIPLES SHOULD REQUIRE CONSISTENCY RATHER THAN UNIFORMITY

Notwithstanding the need for greater consistency in these aspects of implementation, TDA recognises that TAFE institutions are owned by their respective state and territory governments that are also the major funding source (50% +) for the delivery of TAFE programs.

It is appropriate to reflect local workforce development and industry needs that the levels and direction of TAFE funding continue to reflect differences between jurisdictions, depending on their respective circumstances and economic and social objectives.

OUTCOME

TDA recognises and endorses the principle that each jurisdiction should maintain the degree of flexibility necessary to tailor its TAFE funding arrangements to its differing requirements for skill development and economic growth.

This may be consistent with an approach outlined in the Federal Budget 2010, for a Quality Skills Incentive (funding to the top 100 RTOs for \$129.8M, over three years).

This Budget provision was ultimately changed, and monies reallocated under Budget 2011, to create a Workforce Development Fund, (\$588M, effective 1st July 2012). However, much of this funding will be dispersed with funding through the Industry Skill Councils, and will not be paid directly to TAFE or RTOs, and inconsistencies may arise in quality assurance.

TDA argues that the *National Partnership Agreement in VET (2012)* may take note of these issues, and seek to bring consistency to the wide community delivery of skills, at TAFE Institutes.

3. NATIONAL FUNDING AGREEMENTS SHOULD INCLUDE EXPLICIT PROVISIONS THAT ADDRESS THE DIFFERING ECONOMIC AND SOCIAL DEVELOPMENT REQUIREMENTS OF SPECIFIC REGIONS

Flexibility should not be limited to the state/territory level.

The education and skill needs of communities and individuals are more determined by regional factors than by jurisdictional boundaries. Greater focus on enabling TAFE Institute provision in, and for each region is essential if national funding agreements are to provide equity of benefits across the Australian continent. This is particularly important if national funding is to mitigate the negative impact on some regions of the patchwork economy.

A constructive contribution to regional development will require greater coherence and integration than allowed for in the current sector-specific approach to national agreements. National VET sector priorities and action plans for skill and workforce development need to be integrated with those for health and infrastructure development and customised for each region. This can only be achieved with the direct and active input of regional leaders and representatives to complement

³ Skills Australia, *Skills for Prosperity: Roadmap for VET*. page

and enhance the understanding of state/territory level officials who are engaged in the negotiating process.

OUTCOME

TDA has established a Regional and Rural Advisory Committee to advise the National Board on how policies and priorities can be contextualised for the regional communities served by different TAFE institutions.

An outcome has been a TDA position statement, *TAFE's strategic leadership role in Regional Australia (May, 2010)*, to act as a guide for the way in which TAFE can contribute to regional growth and well-being⁴. (SEE ATTACHMENT A)

As you may recall, you kindly launched this publication together with the Hon. Simon Crean, at Parliament House Canberra, in May this year. A copy of this publication can also be viewed at http://www.tda.edu.au/cb_pages/position_papers.php.

4. FUTURE TAFE/VET NATIONAL FUNDING AND PARTNERSHIP AGREEMENTS SHOULD FOSTER GREATER COMPATIBILITY BETWEEN THE RESPECTIVE FUNDING ARRANGEMENTS FOR TAFE AND UNIVERSITIES. THESE ARE UNNECESSARILY COSTLY FOR STUDENTS AND ENCOURAGE UNINTENDED COST SHIFTING TO THE COMMONWEALTH

University and TAFE Institute courses at the same level are funded differentially. ‘

Australian universities are eligible for significantly higher per capita grant funds and university students able to access additional youth allowance benefits over and above those available to TAFE students.

In addition, while 23 TAFE Institutes are registered Higher Education providers, only two TAFE Institutes (Holmesglen Institute, and NMIT, Melbourne) receive **Commonwealth Supported Places (CSPs)** for HECS degrees. This is despite recommendations under the Review of Higher Education by Professor Denise Bradley, seeking more diversity in funding to HEPs (public and private) in Australia, for the purpose of improving equity reach of higher qualifications -- especially in regional and remote Australia. A key constraint has been the increasing costs to the Commonwealth of its agreement to fully fund ‘uncapped places’ for Universities (\$1.2B in Budget 2011, to fund extra costs, plus full indexation), which has had the effect of deferring implementation of this Bradley diversity commitment.

Further examples are:

- University higher education diplomas are eligible for the same level of Commonwealth student load funding and student income contingent loans as university degree programs.
- This equates to more than three times the average funding level of TAFE diplomas without the same obligation to offer nationally recognised, industry-endorsed qualifications.

Universities are also eligible to apply directly for Commonwealth structural adjustment funding to assist them in becoming more competitive *vis a vis* other public universities while TAFE institutions are both excluded from this process, and are unable to directly apply for similar funding in the VET

⁴ Ref: www.tda.edu.au Publications, May 2010.

sector despite the expectation that they will compete with a much wider range of other providers including both private institutions and universities who are registered training organisations.

OUTCOME

- The anomalies and contradictions inherent in these arrangements distort patterns of student choice and shift costs from state funded to Commonwealth funded tertiary education places.
- They also limit the ability of industry to influence tertiary education priorities and, in the foreseeable future, are likely to cause significant imbalances in the skill mix of the Australian workforce, rendering many occupations and professions more expensive than their equivalents in other Western economies
- Industry has responded with requests for wider skilled migration, and COAG (Premier Anna Bligh, Qld) has also sought a further interim measure, to create three-year working visas for international students, after course completions.

5. THERE IS AN URGENT NEED TO REVIEW AND IMPROVE THE PERFORMANCE CRITERIA AND INDICATORS UTILISED IN MONITORING THE IMPLEMENTATION AND OUTCOMES OF VET NATIONAL FUNDING AGREEMENTS

Historically, VET sector agreements have utilised performance criteria and indicators that are simplistic and/or grounded in outmoded ideas of efficiency and quality. For example:

- Efficiency has been equated with lowest cost provision rather than with the more usual public purchasing principle of value for money.
- Quality has been equated with the number of qualifications achieved by VET participants rather than the relevance of the skill sets and qualification to the needs of the local and national economies and the employment outcomes for participants over time.
- Different standards for transparency and accountability for TAFE and private sector providers obscure the extent to which the benefits of public funding are accruing to profit-based organisations rather than to individual students and trainees and their employers.
- Cost comparisons and competitive tendering criteria frequently ignore the role of TAFE as full service providers for disadvantaged learners including those in rural and remote communities.

The absence of meaningful criteria for monitoring the impact of national funding agreements has led to misallocations in government funds less than optimum value for money and has significantly limited the potential for national programs to contribute to the achievement of COAG objectives.

One recent example of the potentially deleterious impact of this approach is the now terminated Productivity Places Program which led to a rush of low cost courses offered by private providers, often in unsuitable facilities and heavily biased towards low priority occupations⁵.

OUTCOME

- TDA strongly urge officials to adopt a more careful, informed and analytic approach to establishing nationally agreed performance targets and indicators for the expenditure of public funds.

⁵ Ref: Allen Consulting review of PPP (Nov 2010)

SUMMARY

TDA emphasises that these comments are intended make a constructive contribution to the negotiation of national funding and partnership agreements and to the achievement of the COAG targets for education, skills and workforce development and a nationally seamless economy.

TDA appreciates the invitation to appear before the Committee at its public hearing on 16th September 2011 when our representatives will be pleased to provide further information on the issues raised in this submission and to respond to any other questions that Committee members may ask of them.

Please let me know if you require any further information in the meantime.

Yours sincerely

MARTIN RIORDAN
Chief Executive Officer
TAFE Directors Australia