



**SUBMISSION TO THE ESSENTIAL SERVICES COMMISSION (VICTORIA)
VOCATIONAL EDUCATION AND TRAINING FEE AND FUNDING REVIEW
July 2011**

Background to Community Colleges Australia

Community Colleges Australia (CCA) is a member-funded peak body. It was formed in late 2006, recognising a need for an industry association at a national level to represent not-for-profit (NFP) community owned providers of adult and youth education, training and learning in a local environment. It currently has 65 members representing the significant majority of the VET delivery by NFP providers on the eastern seaboard of Australia. In Victoria, CCA's 21 members have a combined annual turnover of \$175M and deliver 2.5 million student contact hours of foundation skills and VET each year. CCA's strategy is to have members from all states and territories within the next 2 years.

Membership comprises long established learning organisations located in metropolitan, regional and rural locations. The 'community colleges' are strategically placed to provide a focus on student welfare with commitment to the employment outcomes for, and personal development of, the individual.

CCA is committed to assisting our members grow their business and thereby to enhance the learning opportunities for all Australians through all stages of their adult lives. CCA promotes 'real education for today's Australians' by delivery that engages and belongs to local communities.

Our vision is for Australia to achieve more dynamic and vibrant communities, informed and empowered through learning and training.

Introduction

CCA members in Victoria have embraced the changes to VET funding which have been introduced in Victoria over the past 18 months. In identifying the opportunities that contestable funding brings, CCA considers that for the new regime to operate effectively, it should have consistent fee structures that appropriately reflect the range of levels of VET training and very similar funding conditions for all providers of VET training, whether it is the public provider or private (commercial or NFP) providers who are undertaking the delivery of the vocational training.

CCA members are providers with wide and diverse scopes for vocational training and so we welcome this opportunity to provide input into the current fees structures for Victorian students. We consider it particularly important to the debate that the Essential Services Commission (ESC) recognise the unique needs of the NFP sector delivering VET and the implications for the future of community-owned enterprises and their clients, especially those that operate with students who are from disadvantaged groups or lower socio-economic households.

CCA is providing comment on key points which are of particular and important relevance to its members. A key aspect to the vocational learning undertaken and offered by community colleges is the focus on social inclusion that members subscribe to. We look forward to an opportunity to further elaborate on the points outlined in this submission to the ESC during public consultations in July and August.





Overview

In summarising the significant issues that have been identified by CCA members since the commencement of the new reforms introduced by the Victorian Government for VET subsidised training, three key points have been identified by CCA members that are of relevance to this review being conducted:

- Tuition Fees Structure;
- The benefits to the Victorian economy and community from undertaking Foundation courses;
- Competitive tendering by all education entities for subsidised government training places which is then undermined by preferential placement offerings to some training providers.

Whilst this CCA submission focuses on analysis of current policies and recommendation for improvements', we do wish to acknowledge that in general the changes resulting from recent government reforms have provided opportunities in the past two years for Not-For-Profit community providers of VET that have been positive. These have included:

- More opportunities for learners at higher level to undertake their training at a local community college;
- Uncapped numbers on courses offered therefore allowing colleges to be better able to meet the needs of the community the CCA member serves;
- Options to offer VET courses at prices lower than used to be charged, but by increasing student numbers enabling the college to achieve "break-even".

In creating a culture of lifelong skills development (*Issues Paper, section 1.2, page 2*), it is critical to identify that in training young people and re-training older persons, we are building social capital, well being, resilience, and self-confidence, as well as providing the instruments to enhance the economic production of the state of Victoria through more skilled and trained residents. In many of the client groups and communities within which CCA members work, learning at a foundation level as well as training at a vocational level does lead to improved communities through for example, lower crime statistics, and greater commitment to education across generations in families etc. For these reasons alone (as well as others identified later in this paper) CCA members are convinced that training 'caps' should not be reintroduced because learning is then reduced to being purely about administration and 'beating' the bureaucratic system.

Eligibility Conditions - Levels of Qualifications

In the Issues Paper it is stated that The Terms of Reference in the Victorian Training System identify those core objectives as having a system that helps the already qualified access qualifications that support their advancement in the labour market.

CCA would note that it appears that if eligibility criteria exclude funding for qualifications of equivalent or lower level to that which has already been achieved then this would in some circumstances undermine the above training objective. This could include circumstances where people have out of date qualifications and wish to update perhaps undertaking qualifications lower than their previous educational achievements, or where individuals wish to retrain in a different area that may provide more rapid or more achievable advancement opportunities. Examples could include a hairdresser who wants to retrain in beauty or alternative health technology, or an individual with a degree from 20 years ago who wants to retrain in business management.

Some groups of learners which could be particularly vulnerable to this particular condition include newly arrived refugees and "at risk" workers e.g. those fearful of losing their job and who cannot undertake the same or lower level qualification through a fee-subsidised place. In addition young adults, that is U19 year-olds, may show little consideration to the circumstance where they can choose to do anything as part of the

state's funded training. They may realise that they have selected and completed a course which is inappropriate for them but once chosen, stops them from choosing a different training path which may be more appropriate for them. CCA members confirm that young people and immigrants in particular are at risk of being coerced into a qualification that they are not really suited for, and then finding that they are no longer eligible for another qualification they would like to do.

CCA also notes that in the desire by the Victorian Government to create a culture of lifelong skills development, a system where the eligibility criteria specifically restricts a person from undertaking a course to retrain into a new employment area because they may have a higher qualification relevant for another industry sector is discouraging lifelong learning, especially for those who gain a higher qualification early on in life. Some CCA members have identified that in 2011, having a Certificate III merely enables you to stay in a job; it does not necessarily enhance your salary or career progression.

CCA recommends that individuals seeking funding for re-training at the same level or lower level than any previously attained qualification should have access to a subsidised training place.

Should a cap on the number of subsidised places be reintroduced for some courses?

Whilst the State Government may desire to cap those qualifications that do not appear on a priority skills list to assist its financial budgeting, CCA does not recommend this to happen. As RTOs that also offer foundation and life-wide training courses, our members would acknowledge that sometimes using courses that may not be on a priority skills list, such as creative arts or music or personal training, they may well be "the trigger" that will entice a disengaged learner into learning and possibly further into employment.

CCA would also suggest that capping some courses could have a detrimental impact on the rural and regional focus of employment. There may be areas of Victoria where specific skill sets are in high demand and others where there is no need for similar training courses to be offered. CCA would also be opposed to imposing restrictions on professional development where some arbitrary restriction may reduce the number of students undertaking TAE as just one example.

Other historic examples of why capping has not worked include:

- There may exist a list of necessary priority skill needs but due to an **arbitrary** break-up by provider even if it is a high in demand skills area e.g. Aged Care - some RTOs will never be able to use their full entitlement but others may have many people wanting to train in a specific area but the RTO has no quota at all;
- Regions and closures of industry/enterprises may cause some workers to have to train or re-train. In gaining the confidence to acknowledge they need to go back to learning, some students may seek to take a course that builds their self-confidence; having caps may stop them from doing so;
- "mums" returning to work/ men over 50 needing new careers do not wish to have training restrictions from course caps.

Do the exemption arrangements provide effective access to a government subsidised training place for the purpose of retraining or re-skilling? Are the exemption categories appropriate?

One of the criteria for exemption is that the person is seeking training in a priority skills area. (P. 14) However, in wishing to encourage regional economic productivity, where a person may know there is employment available locally, which is not necessarily in a critical skills area, and they need to up-skill to get that job, there should be no penalties for doing so.



CCA considers the system used to allocate exemptions lacks usefulness. Exemptions are currently allocated to RTOs on the basis of the previous year's scheduled hour delivery. This means some RTOs may obtain one or two places. It was felt that this is not helpful to the RTO in terms of filling classes, and it was not helpful to the individual whereby the RTO they want to train in may not have an exemption place. And the RTO that has an exemption place may not have the scope that the student wants. The system reduces the choice available to the individual. If exemptions are considered to be a valid access issue for individuals accessing the training they need, then why are they capped? This appears to go against the core objective of helping the already qualified access qualifications that support their advancement in the labour market.

CCA believes the currency of the existing qualification should be taken into account in consideration of exemptions. For example, if an individual has an old or out of date qualification and wants to retrain at an equal or lower level, this should be exempt from the up-skilling criterion. CCA members consider that all qualifications at Yr 12 or equivalent should be exempt. We would also encourage all Certificate III qualifications being exempt and uncapped, as Certificate III is often a compliance qualification necessary to keep one's job, regardless of other qualifications that an individual may hold.

CCA notes an opportunity for alternative methods in allocating exemptions? The Government should be taking into consideration demographics, local industry, socio economic status rather than merely hours of training delivered? Members consider other ways to allocate the exemptions could be for the exemption to be applied to an individual student, or against a priority skills list (taking into consideration regional differences).

CCA notes that the government has currently allocated an additional \$10M for additional exemptions and that there appears to be no scientific basis to these exemptions. However, if the eligibility criteria was to be amended then there may be no need for the exemptions.

Tuition Fees - Fee Concessions

In Section 4.4 of the Issues Paper it is noted that one of the objectives of the Victorian VET system is to ensure that it "is competitive, efficient, and student centred". However, this choice is not real choice if one provider is offering the same course as another but for free essentially because the Government has deemed to give one provider a full subsidy. Students deserve to have choice based on learning options rather than financial costs.

Whilst CCA acknowledges that the concessions apply to Under-25 only it still appears to our members as a type of restraint of trade. The new system is meant to be a demand-driven model with an "equal playing field" for all VET providers. Instead CCA acknowledges that there are some families (with limited means) choosing to have their children undertake diplomas with community colleges because they like the learning environment. Other CCA members have recently cancelled courses that have previously been highly successful because students are now going to a venue where the course is 'free'.

Fee concessions with an upper age consideration for unlimited places also seems somewhat unrealistic for some disadvantaged learners who may most benefit from them. By the time some young persons complete school and engage in a Certificate III they may have reached the upper age limit. This may then discourage them from engaging in a subsequent Diploma qualification thereby losing any advantage of the unlimited provision of training to this age group.

Student Contact Funding Model

CCA is interested to ascertain and seek clarity surrounding the differences in base hourly funding rates. The reasoning for the different funding rates in a contestable market which the state is now championing does not appear to provide consistency in the provision of VET or in giving equal and fair choice to the individual.



One issue with the funds that are currently provided is that it appears to be based on the historic notion that NFP providers can deliver training for considerably less per hour than a public provider. Given the regulatory and compliance regime that RTOs now work within, CCA members now have significantly higher hourly costs. For example, the new Modern Award for the sector requires colleges to pay staff at all levels at rates much closer to the public sector than in the past.

Many of the students that NFP VET providers work with are from disadvantaged groups. There are significant costs incurred in training **high need** learners; often the recommended hours in a training package are much less than what will be undertaken with these learning groups. Whilst there is a small amount of additional funding available for some young persons, the labour intensity of providing learning for these groups is significantly more than is recognised in the current funding model. The current model also does not fully support disengaged youth who need great assistance in re-engaging at foundation levels and who require 'carefully managed coercion' to come to an educational institution, preferably within their local environs.

CCA also notes that there appears to be no or limited acknowledgement of the likelihood that an RTO is often undertaking and offering careers advice to its learners. Given that there may be only one opportunity to receive subsidised course training, education providers want to ensure that for the individual student it is the right choice. At an operational level this may result in colleges providing additional time to students to help identify with the individual the most appropriate industry/skill set for them. Currently there is no financial acknowledgement for this function; yet from the concept of ensuring individuals join and stay in the state workforce it is a vital service.

CCA members have also noted that in some areas the public sector provider may be making some commercial business decisions regarding viable class numbers despite the additional funding to support delivery to unprofitable markets. Local community learning organisations are endeavouring to maintain delivery of training in geographically isolated areas where there may be no other VET provision. In these thin markets where enrolments are low there are significant cost considerations to the delivery of courses. Many community colleges do continue to deliver in these thin markets, but are receiving no additional compensation for doing so.

Model of Funding Payments

CCA members undertook to prepare their business models as best as possible in advance of the introduction of the current "payment on training completion". Notwithstanding their planning, not for profit colleges in general do not have assets over which they can provide guarantees for bank loans or overdrafts etc. Colleges note that there have been significant delays in payments being made in 2011, causing short term cash flow problems for some organisations. CCA acknowledges that a new payment model will often have details that require resolving in the short term. One such detail could be to have a 'phone help desk' rather than an 'email help desk' for dealing with data matters that unnecessarily hold up payments to VET providers.

Recently, CCA members evaluated the potential to have a revision to funding and a proposal to vary the timing of Skills Victoria payments for the delivery of hours. The proposal in simple terms allows for an advance payment to be made in January (based on the previous year's delivery). The outcome of the colleges' discussion has been a recommendation to ACFE that such a model would in the short term alleviate a serious cash flow problem for some NFP providers and in the medium term allow the opportunity for colleges to build up a small amount of cash reserves which will lessen the need to have bank loans. The current payment structure continues for the year but with the advance payment being repaid (deducted) from Skills Victoria payments to the RTO in the July to December period. The rates on which the advance payment is calculated is less than 25% of the current hourly rates therefore hopefully covering any fluctuations (decreases) in hours from one year to the next. If this proposal was adopted not for profit RTOs would be supported in the critical January to March time frame when cash flows are in a negative position.