



**Submission
From Community Colleges Australia
To Deputy Premier of NSW and Training Services NSW**

**To Maintain, Preserve and Protect NSW Adult and Community
Education Provider Infrastructure**

1. Purpose and Summary

This submission requests that the NSW Government fund each NSW adult and community education (ACE) provider for a minimum of \$100,000 annually to support the maintenance, preservation and protection of ACE physical premises, in order to assist their community and social purpose in delivering high value education and training to priority communities and residents.

With approximately 35 providers at \$100,000 each, this annual expenditure of \$3.5 million will be one of the best investments that the NSW Government could make in education and training, with a long term pay-off that will provide returns for decades.

A recent survey undertaken by Community Colleges Australia (CCA; see details in section 5 below) identified that its NSW members spend an average of \$277,000 each year on maintaining, preserving and protecting their physical premises and assets. The \$100,000 annual allocation will ensure that essential maintenance and asset protection occurs at a time when the population of the state continues rapid growth.

2. Background

Community Colleges Australia has identified that NSW adult and community education (ACE) providers – also known as “community colleges” – over-perform in their delivery of vocational education and training (VET) to the most vulnerable and disadvantaged residents.¹

Despite this service delivery, NSW ACE providers receive no ongoing basic funding support from the NSW Government. In 2017/18, ACE providers did receive:

¹ See *Vulnerable and Disadvantaged Students of NSW Community Education Providers: Analysis of Participants in Government-Funded VET 2016*, 28 September 2017, <https://cca.edu.au/wp-content/uploads/2017/10/NSW-Community-Colleges-Govt-Funded-VET-2016-Analysis-28September2017-1.pdf>.

- “Community Service Obligation” (CSO) program, part of the NSW Government’s Smart and Skilled VET funding, for students from “key equity groups” who need additional support to access training. ACE CSO funding is “provided for training and support that cannot be effectively addressed through Smart and Skilled entitlements”, particularly for “disadvantaged learners, regional and remote communities and hard to service communities.”²
- \$100,000 one-off “thin market” funding grants for five outer regional ACE providers.
- One-off block funding for technology and professional development, varying in amounts from about \$2,500 to \$30,000.

The majority of ACE providers also receive annual Smart and Skilled training contracts at varying levels, on a competitive basis.

There are powerful reasons for focussing on the contributions of not-for-profit NSW community education providers, because they:

- are heavily over-represented in delivering NSW vocational education and training (VET) outside of metropolitan Sydney;
- prioritise community development to meet local community, social and economic needs;
- are independent organisations with autonomous governance structures, based in their local communities and working effectively with local stakeholders;
- are linked through a powerful network through their peak organisation, Community Colleges Australia;
- are agile and flexible, responding quickly to changing community needs, developing local programs that address local challenges;
- have developed efficient business models, given limited government funding;
- are not-for-profit organisations, unencumbered by the need to produce profit for investors, resulting in a low risk to governments;
- understand how to work collaboratively with the NSW Government in achieving education, training and employment goals; and
- frequently work with other government bodies, state, local and Commonwealth, and with not-for-profit, business, industry and other community stakeholders.

Community Colleges Australia has surveyed the majority of its NSW members to determine the actual costs and issues involved in their maintenance and operations. The summary of this survey is detailed below in Section 5.

3. New South Wales Government Policy Priorities

The NSW Government has identified strategic development goals across social, economic and cultural parameters, detailed in the *NSW 2021 Plan*.³ The *NSW Direction Statement for VET* addresses the issues identified in the 2016 Smart and Skilled Review, and will:

- Give greater certainty to the NSW VET market
- Raise the profile of VET
- Ensure the benefits for students and ultimately jobs for NSW from the significant Government investment are maximised⁴

² See https://www.training.nsw.gov.au/ace/ace_cso_program.html.

³ See https://www.ipc.nsw.gov.au/sites/default/files/file_manager/NSW2021_WEBVERSION.pdf.

⁴ See p. 14 of

https://www.training.nsw.gov.au/forms_documents/vet/directions_statement/directions_statement_vet.pdf.

The NSW Government's *2018-2038 State Infrastructure Strategy* lists "Optimising asset management" as one of its six visions.⁵ The asset management vision reads, in part:

Large investments of public money in infrastructure place an obligation on governments to optimise the life, availability and use of those assets. Pressure on our assets is growing due to population growth, climate change, service expectations and funding constraints. Strong asset management is therefore needed, and new technologies provide opportunities to boost operations and increase benefits to the community.

We will renew our focus on asset management by developing a new asset management policy and an expanded assurance process We will also modernise our approach to asset management with better systems, data and technologies, and expand it to encompass interdependencies between sectors and broader environmental, social and economic outcomes.

The proposed expenditure will directly support the NSW Government's asset management vision by ensuring that existing community education physical assets are properly maintained and supported for future generations.

4. TAFE NSW Operational Base Funding

The NSW Government has directly funded TAFE NSW for "Operational Base Funding" (OBF), "defined as the costs incurred as a result of the competitive disadvantages arising from public ownership of TAFE NSW. This funding recognises that TAFE NSW faces additional costs that are not faced by other training providers, such as additional salary costs resulting from public sector specific enterprise agreements, costs incurred as a result of complying with public sector reporting requirements and costs of maintaining assets that are required to be kept under heritage agreements. OBF funding for TAFE NSW will be reviewed over time and adjusted to changes in circumstances."⁶

The necessity of maintaining competitiveness through infrastructure upkeep and renewal has been recognised in the *TAFE Strategic Plan 2016–2022*, the *TAFE NSW 2016-2017 Annual Report* and reinforced by the *NSW Infrastructure Strategy*.⁷

5. Maintaining and Preserving NSW ACE Facilities and Infrastructure: The Survey

CCA surveyed its New South Wales members to determine how much they were spending on maintenance, repairs, rent, leasing, utilities, furnishings, plant upgrades and other related costs such as security and cleaning.

⁵ See <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/nsw-state-infrastructure-strategy/>. The other five focus vision areas are Better integrating land use and infrastructure, Delivering infrastructure to maximise value for money, Making our infrastructure more resilient, Improving digital connectivity, and Using innovative service delivery models to enhance customer outcomes, including for not-for-profit organisations delivering services.

⁶ See *Statement of Owner Expectations*, TAFE NSW, August 2013, p. 7, <https://www.tafensw.edu.au/documents/60140/76288/soe.pdf>.

⁷ See [https://www.tafensw.edu.au/documents/60140/76288/Strategic-Plan-FINAL-12-pager%20\(1\).pdf](https://www.tafensw.edu.au/documents/60140/76288/Strategic-Plan-FINAL-12-pager%20(1).pdf) and <https://www.tafensw.edu.au/documents/60140/76288/TAFE-NSW-2016-17-Annual-Report.pdf/24f6a68f-155e-6bbb-6aa7-8fb12e26e5e4>.

Of the 27 organisations that responded to the survey:

- 11 owned a total of 17 buildings or sites, with some sites consisting of multiple buildings;
- 21 rented a total of 59 buildings or sites; and
- 4 both owned and rented premises.

The colleges responding to the survey represent educational service delivery to more than 40,000 students and almost 100,000 enrolments.

The average annual expenditure on repairs, maintenance, rent and related costs was \$277,000, with all but one organisation reporting an expenditure greater than \$100,000/year.⁸ Of the \$277,000 by far the largest expenditure was rent and other leasing cost (both premises and equipment), averaging at \$167,000 for those with lease costs. While it is difficult to generalise about the NSW community colleges, due to their different sizes, locations, staff numbers, and types of training conducted, a number of patterns have emerged.

Of those that own buildings, only one is paying a mortgage, with the other 10 organisations that own buildings having no mortgage. Other average annual costs include:

- \$18,000 for cleaning
- \$35,000 for general repairs
- \$18,000 for insurance
- \$10,000 for rates (for those that pay rates)
- \$19,500 for motor vehicle maintenance – although there is a wide variation for this figure, as many organisations do not own or lease vehicles, and reimburse staff for kilometre usage (not included in the maintenance cost figures)
- \$18,000 on office equipment
- \$5,000 on security
- \$32,000 on telephone and related costs
- \$14,500 on plant and related equipment upgrades

6. Survey Comments from NSW ACE Providers

Respondent organisations supplied the following comments:

- “Our buildings were built in 1948 and are timber that have asbestos in some areas and termites discovered in one at present. The buildings required constant and ongoing maintenance.”
- “We currently rent premises. The cost of commercial leasing, especially when locality demands a high rental income, and in addition property outgoings of up to \$4500pa, impacts long term sustainability.”
- “The College owns one campus outright and the rent on the lease on the second campus is currently very reasonable. Unfortunately, we have only 19 months left on the lease and the adjoining school has indicated there will be no further extension to the lease as they will need the premises to accommodate growing student numbers. We have therefore started the process of finding alternative premises - this is likely to

⁸ All cost estimates are conservative. The college reporting less than \$100,000 expenditure would easily have spent more than that amount if they had had the funds available, but have postponed maintenance and any infrastructure additions.

increase our rent considerably (at least \$60,000 per year) or we will buy another property but a mortgage will be required.”

- “Our buildings are 20 years old – some internal rooms were renovated around 7 years ago with the assistance of Commonwealth’s infrastructure funding provided. Our upgraded training rooms have been integral to us being able to deliver appropriate training and have attracted the majority of our students over the past few years. We funded upgrading of one of our training rooms last year which contributed to a financial loss for the year. The remainder of our building interiors are in desperate need of renovating, as are the exteriors of all of our buildings. However we do not generate surplus funds to complete the work required and any funding we are able to obtain would be extremely beneficial for the ongoing provision of high quality training.”
- “In the last couple of years, we have not been spending enough money on maintenance costs, as we were trying to reign in costs to match declining income. Our equipment and software is old. We would have loved to spent more upgrading but just couldn’t afford it. Our IT equipment hasn’t been significantly upgraded for 4 years which means another \$50k per year could easily be added.”
- “One of our biggest costs is rent and we urgently need to address this issue to ensure our future viability if we are to continue to service these areas with an actual college with staffing. We also provide outreach to the smaller villages from these campuses to run courses in local halls, workplaces and in a paddock if necessary.”
- “Even though we have recently downsized, we still need a full time property manager and a gardener plus other staff inputs (CFO, CEO, Accounts, IT support, Training manager oversights), as well as a ute, fuel, tools and materials etc. In other words, reduction in our size means that we have less income to cover overheads that do not reduce proportionately.”
- “Given our spread of campus locations across a large area, the complexity of so many delivery locations means that we also have a lot of staff-related costs to support sites, such as night assistants to open and close buildings and a property manager and gardener to move things around, do odd jobs, etc”

7. Summary of Infrastructure and Operational Needs

Maintenance: A large number of survey respondents report that essential preventative maintenance is often postponed until an urgent WHS issue arises. These tasks are either part of staffing costs or built into contractor costs.

Branding: Community college properties often look and feel tired and “daggy”, which provides a poor branding and marketing image for individual colleges (as well as for NSW VET, which is currently the subject of a substantial state-wide campaign⁹), and the sector as a whole. Compare this situation to almost all universities, private schools and many public schools and TAFEs that can access capital works funding from Commonwealth and state governments. Many private providers that have diverse revenue sources, especially overseas students paying full fees.

⁹ See <https://vet.nsw.gov.au/>.

Heritage buildings: Heritage and other “unwanted” government or NGO premises that many of the colleges are using can be a millstone rather than a benefit. One NSW community college operates from a building originally constructed in 1820 – almost 200 years old. Heritage and “low cost” premises were once schools or unwanted, underutilised premises belonging to local councils or churches. Heritage-related issues include:

- difficult/awkward/inflexible spaces small or massive rooms, with no soundproofing;
- retro-fitting is usually required to modernise old premises for computers, energy efficiency and disability access;
- higher operating costs than modern energy efficient buildings - lighting, heating, cleaning and painting;
- potential for massive “make-good” if and when the college relinquishes a lease or goes to sell “as is”; and
- if owned, the buildings usually do not provide a high value asset for capital gains depending on local council development restrictions.

Perils of Ownership: Owned property rather than rented property has the apparent advantage of cost savings on rent and business disruption is forced to move but can also limit flexibility to locate where business is best done, ties up capital that could be invested in business innovation. There can also be pressures from local developers if the property is deemed to have redevelopment value.

Accessibility: Accessibility is important to both youth and adult clients, who generally study on a part-time or casual basis in between other work and family responsibilities. As a result, parking, ramps and proximity to public transport are important drivers of location choices and venue amenity. Face-to-face delivery needs physical “classrooms” and often operating “campuses” and not just buildings.

8. Provider Infrastructure – The Commonwealth’s ICET Program

One of the greatest challenges facing community education providers is how to maintain existing and construct new buildings and facilities, including telecommunications, computers and training facilities. A February 2017 CCA report discussed the challenges of providing proper infrastructure. The report noted that in regional areas, “resource allocation and performance indicators for vocational education and training do not fully recognise the infrastructure and development cost of flexible delivery.”¹⁰ CCA also quoted an NCVET report that concluded, “small ... providers in rural and remote areas can be deterred by the high infrastructure costs imposed by accreditation and competitive tendering.”¹¹

8.1 Investing in Community Education and Training (ICET) Program

The “capital-building” potential of community education providers was acknowledged by the Australian Government in May 2009, when the Government set up a \$100 million “Investing in Community Education and Training (ICET) program”, as the third element of a \$500 million Teaching and Learning Capital Fund for Vocational Education and Training. The fund offered not-for-profit community education and training providers small capital grants (\$50,000 to \$250,000) to assist with minor construction, refurbishment and the purchase of

¹⁰ Don Perlgut, *The Role of Community Education in Australian Regional and Rural Economic Development*, Community Colleges Australia, 7 February 2017, p. 21.

¹¹ Kilpatrick and Bell, quoted in *The Role of Community Education in Australian Regional and Rural Economic Development*, Community Colleges Australia, p. 23.

equipment; and larger grants (\$250,000 to \$1.5 million) for major capital infrastructure developments or upgrades.¹² The initiative was set up to:

Stimulate the economy by supporting jobs, whilst also investing in skilling Australia for a productive future. The initiative recognises the unique value of community education and training and its role in providing thousands of Australians with pathways into further education and training or employment. This is the first time the Australian Government has made a major capital investment directly into the community education sector.¹³

The objective of ICET element was to provide infrastructure funding for capital works and the provision of equipment necessary to:

1. maximise their accredited VET delivery to re-skill and up-skill adult Australians;
2. facilitate their expansion into accredited VET delivery to re-skill and up-skill adult Australians;
3. facilitate pathways into accredited VET for learners; and/or
4. develop employability skills for learners that will lead to employment outcomes.

With funds from this program, community education organisations made important facilities investments in about 200 locations, many in regional and rural areas. The investments from that time have continued to pay significant community benefits to the communities. This experience shows that community education organisations have the capacity to become true regional investment vehicles. CCA believes that it is time to reconstitute a similar program for community providers.

8.2 Infrastructure Survey Summary

In 2017, CCA researched the value of infrastructure investment in adult and community education (ACE) organisations which had received ICET funds – some seven years after the funding. Relevant findings are summarised below.

Of the 25 survey respondents:

- 19 of the 25 were located in regional or rural areas, primarily NSW; and
- 7 received funding from the small capital grants category (average \$129,000), and the other 18 received a larger grant (average \$972,723).

Outcomes resulting from the ICET funding included:

- three-quarters of recipients were able to offer new courses as a direct result the funding;
- of these new courses, around two-thirds were vocational, providing new skills and pathways into employment;
- all but two of the respondents provided training to more students, and all but one improved existing courses;

¹² See Julia Gillard MP, Minister for Education press release, “Investing in community education and training for tomorrow,” Australian Government Department of Employment, Education and Workplace Relations, 20 May 2009, <https://ala.asn.au/images/document/Infrastructure%20Funding%20release.pdf>.

¹³ See Julia Gillard, “Investing in community education and training for tomorrow.” A copy of the program guidelines is available at <http://cca.edu.au/wp-content/uploads/2017/04/Commonwealth-Infrastructure-Funding-2009-10-ICET-Guidelines.pdf>.

- four-fifths improved accessibility to their educational facilities for staff and students living with disabilities;
- one-fifth hired new staff, and almost two-thirds improved staff skills; and
- more than 100,000 new students undertook training in community education institutions over the last seven years as a direct result of ICET funding.¹⁴

Organisations reported improved staff morale; development of innovative practices; better marketing and branding; night-time accessibility; additional professional and practical facilities used by businesses, other training and not-for-profit organisations; preservation of historic building facades; and community meetings. Typical survey comments were:

“The community and business perception of the college has changed to that of a *bona fide* training organisation delivering a high standard of vocational training in a modern, fully equipped training venue.”

“Morale with trainers and staff improved due to working in nicer premises and having access to better facilities.”

“Student retention improved as they felt better serviced; outcomes therefore improved.”

“Having modern, high quality training facilities which has attracted more students and allowed us to retain high quality trainers, which has resulted in improved learning outcomes and increased employment opportunities.”

When respondents were asked what they would do if they were to receive a similar amount of funding within the next 12 months, they consistently answered:

- Refurbishment of additional training centres to increase the range of courses offered to the community.
- Upgrading IT network and purchasing additional computers, smart boards, projectors, and buses.
- Expansion and renovation of facilities to include new training such as retail, beauty salons and increase employability.
- Purchase or construction of additional learning spaces to provide work placement opportunities, not just training and to upgrade our life skill and technology capabilities
- Improving accessibility for those with disabilities.

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¹⁴ “Investing in Community Education and Training Outcomes for organisations and students”, report to the Community Colleges Australia national conference, 26 July 2017, https://cca.edu.au/wp-content/uploads/2017/08/Per-Capita-CCA-conference-presentation_final.pdf.