

VET Funding Review

Final Report







Final Report

Bruce Mackenzie (Chair)

Neil Coulson (Deputy Reviewer)

September 2015



Introduction

The Vocational Education and Training (VET) Funding Review (the Review) is pleased to provide this report to the Victorian Government with its recommendations to improve the quality, stability and sustainability of the Victorian training market.

VET is an integral part of Victoria's education system, economy and social fabric, but the system has suffered in recent years as a succession of policy changes have resulted in lower quality training, students having their qualifications withdrawn, and a mismatch between training and labour market needs. This has come at a significant cost to students and the taxpayer.

Addressing these issues is the focus of the Review, and an essential part of making Victoria the Education State.

The Review's recommendations are primarily about rebalancing the system so the design, incentives and administration promote quality training.

In recent years, too much of the system has been driven by provider behaviour, rather than supporting students to make informed training decisions, or to protect them from opportunistic or unethical behaviour. There has been too much emphasis on increasing both the number of providers and the intensity of the competition between them, and not enough care taken in ensuring they are delivering quality training. There has been too much focus on increasing the volume of training, and not enough on whether the training leads to positive outcomes for the students such as employment and further education.

There has been insufficient regard given to the role and value of the institutes of TAFE.

There has been too much change, too quickly, and the system has not had a chance to adjust and stabilise itself, or to invest and improve. Too often, subsidy levels have been used as a blunt instrument to manage the training budget, without due regard to the actual cost of the training, or how needed it is.

Contestability can, if properly implemented, drive innovation, efficiency, and improvement across the sector. But government cannot simply declare something contestable, open up the market, and hope that it works. It needs to design and administer the market more carefully, guided by the outcomes it seeks to achieve.

The Review aims to address these issues and restore stability, quality and value to the system.



In making its recommendations, the Review has been cognisant of the impact of further changes to the VET sector, and of the findings of the Quality Assurance Review undertaken by Deloitte Touche Thomatsu.

Consistent with the Terms of Reference, the Review has preserved a framework of student choice. Students will generally still be able to train at the provider of their choice, in the course of their choice. But they will be better supported in making these decisions, and they will have greater confidence that the provider is of a high quality and that the training will lead to a positive employment outcome. The Government's contribution to their training costs will be better targeted. More government-subsidised training will occur in areas of labour market need, and less in areas where job prospects are poor. TAFE institutes, the cornerstone of the system, will be put on a sustainable footing.

First and foremost, the Review recommends that the Government make clear what it wants from the VET system, and its significant investment in the sector. This should include a statement of the outcomes it seeks to achieve from VET. The Review considers it should prioritise adult literacy and numeracy, youth, retrenched workers, the long-term unemployed and disadvantaged students. This will then inform the development, administration and implementation of the new system.

At the heart of the reforms being proposed is a simpler, more stable funding model, supported by a resetting of the subsidy rates. From this, funding will be able to be better targeted – to training by higher quality, lower risk providers, and in areas of real need and value. As a result, students will be more likely to get the jobs or other outcomes they seek from their training.

Students will be asked to contribute to the cost of their training.

TAFE institutes will be better supported and funded in a way that reflects the costs they bear and their contribution to the state. All of the sector will be encouraged and incentivised to improve.

The enforcement of the contract will be essential. The Government is a significant purchaser of training, and needs to ensure that it is buying quality training and the outcomes it wants for its students, industries and communities. The Review is not seeking to impose an additional regulatory layer onto the system, but the Government is buying more than a billion dollars a year worth of training, and needs to take greater care that what it is paying for is of a high quality.

The Review makes a number of further recommendations relating to other important and related issues, but these issues represent the core of the Review's advice on how best to rebalance the system.

Table of contents

About the Review	10
The Review	10
About this report.....	11
Terms of Reference	15
Chapter 1:Government’s role in vocational education and training	17
Overview	17
The purpose of VET	17
Structuring the system to achieve Government’s objectives	20
Chapter 2:A sustainable funding system	23
Summary of the proposed funding system.....	23
Objectives of the funding system.....	26
Funding vocational education and training.....	27
Setting the VET subsidy	29
Setting and regulating student contribution.....	35
Budget management and targeted funding.....	38
Student eligibility	48
Recognition of prior learning	54
Concession arrangements.....	54
Chapter 3:Supporting jobs and industry	57
Overview	57
Retaining choice in the training system	58
Maximising the benefits of training to industry.....	59
Chapter 4:Institutes of technical and further education	70
Overview	70
The role of institutes of technical and further education.....	70
Costs and obligations on TAFE institutes	75
The establishment of funding compacts.....	77

Dual sector universities	82
Chapter 5:Quality assured vocational education and training	83
Overview.....	83
Findings of the Quality Assurance Review	84
Quality and contract management	85
Quality assurance	86
Improve training and assessment quality	89
Subcontracting.....	91
Marketing vocational education and training services	94
Helping students make decisions	98
VET in Schools.....	105
Chapter 6:Continuous improvement	108
Overview.....	108
Development of a provider classification system	108
Greater use of performance assessment	112
Community service obligations	113
Addressing literacy, numeracy and work readiness.....	120
Polytechnic universities.....	125
Tuition assurance scheme	127
ACFE providers.....	128
Next steps	130
Implementation and timing.....	130
Budget impacts.....	132
Appendix 1. List of recommendations	133
Appendix 2. Glossary	143
Appendix 3: Submissions received by the Review	147
Individuals.....	148
Organisations.....	157
Appendix 4. Review process	161



Consultations.....	161
Commissioned work.....	162
Appendix 5: Quality Assurance Review	164
Appendix 6: Reconciliation of Terms of Reference	171



About the Review

The Review

The VET Funding Review (the Review) was established by the Minister for Training and Skills, the Hon. Steve Herbert MP, on 19 February 2015 under section 93(2) of the *Inquiries Act 2014*. Mr Bruce Mackenzie and Mr Neil Coulson were appointed to conduct the Review, with Mr Mackenzie appointed the Chair. A small secretariat was established to support Messrs Mackenzie and Coulson.

The full Terms of Reference for the Review are on page 15.

The Review commenced its work on 23 February 2015. Under the terms of appointment, the Review was directed to deliver to the Minister for Training and Skills and the Premier:

- an interim report, that outlines directions for reform; and
- this Final Report.

The Interim Report, in the form of the VET Funding Review Issues Paper, was provided to the Government, and released by the Minister on 16 July 2015.

Process undertaken

The Review's work has been broken into two phases: (1) the preparation of the Issues Paper; and (2) the preparation of this Final Report.

As outlined in the Issues Paper, the initial work included extensive consultation with the sector stakeholders, a formal submissions process, briefings from DET, commissioned projects, and the Review's own research and analysis.

This culminated in the production of the Issues Paper, which provided an overview of the things the Review had heard, and outlined 27 possible future reform directions for feedback. The Issues Paper also included some specific questions for further consultation.

Since the completion of the Issues Paper, the Review:

- undertook a further consultation process based on the future directions outlined in the Issues Paper. This consultation process included public meetings in Ballarat, Bendigo, Geelong, Melbourne, Mildura, Shepparton, Warragul, Warrnambool, and Wodonga. Targeted sessions with industry and RTOs were also held in Melbourne, and individual meetings were



held with many other stakeholders, including TAFE institutes, ACFE, ACPET, employer groups, and social service organisations;

- received a further 99 written submissions;
- progressed the work of earlier commissioned projects to understand TAFE costs and obligations, and to develop a provider classification system;
- commissioned further work, namely a review of international innovative and better practice in VET, and advice on conceptual aspects of the funding system; and
- undertook further research and analysis to further develop the future directions in the Issues Paper.

A full list of submissions received throughout the Review is at Appendix 3 on page 147. Further details on the Review's process in at Appendix 4 on page 161.

Acknowledgements

As it stated in the Issues Paper, the Review appreciates the significant time, effort and thought that so many people have given to this important issue. The response to the consultation and submission process has been significant, and in many cases reflect a great deal of consideration of the Review's proposals.

The Review also appreciates the support provided by the Department of Education and Training to assist in its conduct and supply data and background information.

About this report

This report provides the Review's recommendations to improve the quality, stability and sustainability of the Victorian training market, in accordance with the Terms of Reference.

The report is not structured to directly mirror the Terms of Reference. The system is complex and the various elements and settings are interconnected, and the outcomes of various recommendations are better considered collectively.

The report has six chapters, each interconnected. These chapters are:

- 1) Government's role in vocational education and training, which discusses the Government's role in the VET system.
- 2) A sustainable funding system, which outlines how the funding system



should be reformed.

- 3) Supporting jobs and industry, which discusses the important role VET plays in meeting industry needs.
- 4) Institutes of technical and further education, which discusses the important role of the public provider.
- 5) Quality assured vocational education and training, which makes a series of recommendations to improve quality in the system and better protect and support students.
- 6) Continuous improvement, which provides additional recommendations to drive improvements in the sector.

The Review has tried, where possible, to avoid repeating the content of the Issues Paper in this report. While this report should be able to be read as a standalone document, there is greater context and background in the Issues Paper that the Review did not feel the need to repeat.

Quality and quality assurance

Two terms used frequently in this report are ‘quality’ and ‘quality assurance’.

The Review defines quality vocational education and training as having the following dimensions:

- qualifications issued meet the prescribed standards;
- a graduate is capable of performing a range of activities to a certain level;
- the system has in place mechanisms to safeguard its standards (quality assurance); and
- student learning experience aligns with expectations.

Quality assurance in VET is a function that sets provider and training delivery standards by:

- inspecting, monitoring and evaluating providers’ practices and outcomes;
- protecting and supporting the rights of the users whether they be students, employers, government or the community; and
- espousing a continuous improvement philosophy.

Recommendations

The Review makes 109 recommendations throughout this report. A consolidated list of all recommendations is in Appendix 1, and a high-level reconciliation of the recommendations and the Review's Terms of Reference is in Appendix 6.

Although presented discretely, the Review considers each recommendation to be a part of the future direction of the VET system, and they are more likely to have their desired impact if implemented together.

Equally importantly, in many areas, no single change or new initiative will be sufficient. There is no silver bullet that will help students make better training choices, improve the quality of training, or help put TAFE on a sustainable path.

The system is complex, with many participants, each with different skills, experiences and motivations. It involves more than one billion dollars of state government funds, two levels of government, two regulators, interactions with multiple sectors of the education system, and hundreds of thousands of students enrolling in hundreds of courses with hundreds of providers each year.

It is in many ways an ecosystem, with many delicate – and sometimes unseen – connections and interdependencies. The solutions are similarly complex, and will involve multiple streams of action. However, importantly, they are coordinated and consistent, moving the system in the same direction.

The Review is mindful of the frequent change the sector has been through over recent years. While further change will no doubt cause further disruption, the Review considers that, if properly executed, the changes recommended will be positive and worthwhile. Importantly, the Review recognises that they will need to be implemented over a number of years, with clear and regular communication to the sector so all affected parties can plan and, where appropriate, provide input into decision making.

In Next Steps, the Review considers how its recommendations can best be implemented in more detail, and what the budget impact of its recommendations is likely to be.

Longer-term directions

In a number of places, the Review has identified longer-term directions for reform. The Review considers there needs to be a trade-off between certainty and stability in the system on one hand, but also on the need and opportunity for significant changes over the longer term. Further, in a number of areas, the



system is not ready for larger reforms, for example where markets and participants are not sufficiently mature or informed, sufficient data is not yet available, the systems required would take significant development time, further work is required to develop the concept, or simply that the change would be too great in scale and an incremental approach would be better.

Any system needs to continuously improve and adapt, and the longer-term directions outlined in this report represent the Review's thoughts on where the system may head over the future decades.

Issues outside the scope of the Review

The Review is focused, by virtue of its Terms of Reference, on the government-funded training market in Victoria. However, the Review notes that some of the issues and recommendations are relevant beyond this part of the training system. For example, marketing practices undertaken by providers to encourage students to enrol in a VTG-funded course can also be used to encourage them to enrol in VET FEE-HELP funded course, potentially incurring significant debt.

In particular, there is considerable overlap between the Commonwealth and Victorian Governments in relation to responsibilities. FEE-HELP especially impacts on Diplomas and other high level VET qualifications. In addition, the activities of Commonwealth employment services are a cause for concern in the Victorian VET system, with risks of over-servicing of students.

The degree to which the issues raised and recommendations made by the Review can be considered for these other market segments is a matter for the State and Commonwealth Governments, although the Review considers that coordination and consistency will prevent market participants from 'forum shopping' and make the system easier to understand and navigate for students.

Recommendation

- 1) That the Victorian Government work with the Commonwealth Government to consider the applicability of reforms to the fee-for-service and VET FEE-HELP markets.**

Terms of Reference

The Review is to inquire and report on, and make any necessary recommendations about, how to improve the quality, stability and sustainability of the Victorian training market.

1. The Review shall do this by recommending alternative Vocational Education and Training (VET) funding models and settings that:
 - a) match training delivery to the growing job opportunities in Victorian industries;
 - b) ensure all government subsidised training is high quality;
 - c) allow rural and regional communities to access training that meets their local needs;
 - d) meet community service obligations to support vulnerable and higher needs learners to complete training and transition to employment;
 - e) build a strong and responsive public Technical and Further Education (TAFE) sector;
 - f) manage training expenditure within the existing vocational training budget while preserving a framework of student-driven choices;
 - g) recognise the public and private benefits of training and ensure fees and student costs are not a barrier to participation; and
 - h) ensure eligibility to access subsidised training is fair and well-targeted.
2. The Review is also asked to comment as necessary on:
 - a) How other government policy levers may be used to support the quality, stability and sustainability of the Victorian training market. This could include the regulation of training providers; requirements for government contracted training provision; information and decision support tools for students; and implications for national training policy.
 - b) The implications of recommended reforms for other directly related areas of education in Victoria (including secondary schooling and the roll out of new Tech Schools, and the higher education sector).

The Review is also to consider any other matters incidental to the matters specified in paragraphs 1 and 2.

Chapter 1: Government's role in vocational education and training

Overview

The Review believes that government has to play a more active role in the system than has been the case in the past few years. This more active role encompasses the government:

- managing the system;
- defining the purposes of VET;
- outlining expectations within the context of whole of government policies for the public service generally;
- implementing strategies to maximise benefits from its investment in VET; and
- establishing a framework and administration that it believes will deliver the benefits it wants.

These roles are reflected throughout the report and in the Review's recommendations.

The purpose of VET

One of the consistent things the Review heard throughout its consultation process was that the Government should clearly articulate what it sees as the role of VET – why it funds vocational education and training, and what it wants in exchange for its contribution.

More broadly, the Review has observed the need for the VET funding system and policy settings to be driven by a consistent set of overarching principles to ensure that settings are aligned to desired outcomes.

Articulating the purpose of VET will provide clarity to all involved including students, providers, employers and community groups, regulators and administrators. It will facilitate them working together to achieve these purposes. In the Issues Paper the Review outlined the purposes of VET, within the context of a tertiary education sector, to be threefold:

- to provide a strong and sustainable skills-based Victorian economy;
- support lifelong learning; and

- address disadvantage.

The Review considers this to be a useful description of the elements of the role of VET. However, it is open to the Government to develop its own statement on the purposes of VET and from the Review's perspective whatever the Government decides is the purpose of VET, a statement needs to be made and for it to cascade through the entire system. It should then be used to guide all policy design and implementation decisions in the future.

An outcomes-focussed VET system

The Review recommends that the Government shift its focus from simply managing inputs, to measuring outcomes. While this is a difficult change - VET serves a variety of purposes and a complex mix of users – it is possible.

Government can outline expectations across areas including improved literacy and numeracy standards, increased participation of young people in VET, improving regional participation, raising standards expected from RTOs that participate in the system (quality assurance), improving employment outcomes, improving course completion rates and reducing attrition rates.

The Review does not underestimate the challenge that specifying outcomes imposes on government. However, the Review has noted with interest the success New Zealand has achieved in setting a clear target for increasing the proportion of 25-34 year olds with advanced trade qualifications, Diplomas and Degrees. Such a target – and the clear responsibilities, accountabilities and reporting that flow from it under New Zealand's *Better Public Services* model – can provide clarity of purpose and lead to improved performance.

Some objectives, such as transitioning students into employment, should also be considered a role of the VET system. However, they may be difficult for the VET system to achieve alone. This highlights the important role VET has alongside other education sectors in any whole-of-government effort to make Victoria the Education State.

The Review recommends that the Government develop and publish a clear set of outcomes measures for the Victorian VET system, which support these clearly defined objectives. For example:

- To support a sustainable skills base, responsive to industry demand, supporting jobs, growth and emerging opportunities in the Victorian economy, a small set of outcomes measures could be developed centring on training participation rates in priority industry areas.
- To support lifelong learning, a small set of outcomes measures could be developed centring on training participation rates across all ages.
- To support addressing disadvantage, a small set of outcomes measures could be developed centring on lifting rates of educational attainment

among defined student cohorts or in disadvantaged regions in Victoria.

A funding system which maximises the benefits of training

Recent years have demonstrated, for example, the distortions and perverse impacts where the system has prioritised attracting students into training, at the expense of ensuring they graduate with skills, or transition into improved employment or higher education.

In the Issues Paper, the Review outlined the student lifecycle, and suggested it be used as a basis for considering the full scope of the student experience. The Review's recommendations have been carefully developed with these stages in mind, so that the funding system supports progressing students through each stage.

The five stages of the student lifecycle are:

- **attracting** students into training with the course and training provider that is right for them, and ensuring a high rate of participation in education and training across the Victorian community and workforce;
- **engaging** students through a variety of hands-on, practical and conceptual learning models so that they are motivated to acquire new skills that will expand their employment opportunities and contribute to the productivity of their workplace;
- **retaining** students through their training and making sure they develop the full range of skills their course has to offer, and that these skills are transferable between employers and, where possible, industries;
- **graduating** students with a breadth of knowledge that is valuable in the labour market, and a qualification that is recognised as high quality and gives employers confidence that they have acquired a full set of skills; and
- **transitioning** students effectively from training to sustainable employment, to more productive, highly skilled work, or to further education.

The Review considers that government should closely align VET funding with the purpose of VET and the student lifecycle. Although work and change would be required, this could include paying providers on the basis of delivery against key benchmarks, such as graduating a higher proportion of commenced students, or on the basis of successful transitions to better work or further education. Other recommendations in this Report, including in relation to payments for community service grants (see page 113) and performance measures in TAFE compacts (see Chapter 4) would allow government to begin to use, and experiment with, articulating outcomes targets and measuring performance, and this could be expanded over time.

Recommendations

- 2) That the Government articulates what it sees as the objectives of the VET system and what it hopes to achieve from its funding contribution.
- 3) That the Government articulates the objectives of VET as being to:
 - a. provide a strong and sustainable skills base for the Victorian economy;
 - b. support lifelong learning; and
 - c. address disadvantage.
- 4) That the Government use the objectives of VET, and the student lifecycle, as the guiding principles for all its system design and decision making in VET.
- 5) That the Government establish a small set of high level performance targets which support the Government's objectives for VET, which are publicly reported on a yearly basis.

Structuring the system to achieve Government's objectives

Elsewhere in this report are two key matters to support Government's objectives:

- how the funding system is designed and implemented; and
- quality assurance.

The Review believes that the Victorian VET system would be strengthened if the structure and administration of VET were delivered through two units to be established within the existing Department. The Review is not suggesting that a new department or public entity be established. However, the existing structure of the Department is unclear to the broader system and VET sector. To provide clearer accountability and focus, the functions should be arranged to focus on VET quality assurance and funding.

This would provide the opportunity to strengthen the Department's capacity to develop VET in Victoria, with a strong focus on quality and building strong and constructive relationships with the sector.

The two bodies would be called the VET Quality Assurance Office (VQAO) and the VET Quality Funding Office (VQFO). An outline of their functions is below, and further detail appears throughout the report.

VET Quality Assurance Office

The VQAO would have responsibility for establishing standards in regard to matters such as entry to market requirements for a VTG contract, protocols for training, standards for marketing of VET courses, registration of brokers and aggregators, and other matters associated with maximising student outcomes.

In addition VQAO would have a role in conducting strategic reviews of industries and qualifications, identifying and investigating systemic issues and risks, and would have the responsibility for outsourcing activities such as the administration development of provider classification system.

The VQAO would provide advice to the VQFO on standards that would need to be part of any contract granted to an RTO.

VET Quality Funding Office

The VQFO would be responsible for contractual arrangements and managing the State's relationship with training providers, including payments to providers. It would be responsible for the development of an investment plan, and monitoring provider performance and contract enforcement. In conjunction with the Skills Commissioner, they would play an important role in providing advice to RTOs on labour market needs and market intelligence and identify courses for funding.

As an initial piece of work, the VQFO should review the existing reporting obligations and auditing processes imposed on RTOs. Throughout its consultations, the Review heard from many providers of the burden and costs these impose, and the Review considers a review could identify opportunities to remove redundant requirements and streamline reporting.

Recommendations

- 6) That the Government establish, within the Department of Education and Training, offices with distinct responsibilities for VET funding and VET quality assurance.**
- 7) That the VET Quality Assurance Office:**
 - a. set relevant standards to ensure quality and protect students;**
 - b. conduct strategic reviews of industries or qualifications to identify systemic issues or risks; and**
 - c. oversee the development of the provider classification system.**

- 
- 8) That the VET Quality Funding Office:**
- a. oversee the State’s VET contractual arrangements, including enforcement of the contract and auditing against the contract;**
 - b. manage the State’s relationship with training providers; and**
 - c. conduct a review of reporting obligations and auditing processes on RTOs as an initial priority.**

Chapter 2: A sustainable funding system

Summary of the proposed funding system

Basic elements of the funding system

The Review is recommending three basic elements of the VET funding system which apply to all government and non-government training providers:

1. That the student entitlement be retained with eligibility based on upskilling, to allow students and employers to train with the provider of their choice.
2. That providers be funded for training based on the efficient cost of delivery, and not use the subsidy to influence demand and manage budget.
3. That the price of VET be based on a government subsidy and a compulsory minimum student contribution.

In addition, the Review is recommending that government move away from a purely demand driven system, to one which must operate within a defined budget allocation.

These key elements require government to introduce a number of key changes to the system to achieve these objectives and address the Review's Terms of Reference (ToR).

Enrolment limits on providers

To manage training expenditure within the existing budget (ToR 1.f), the Review is recommending that government place enrolment limits on individual providers. However, there should be flexibility to lift these limits where there is legitimate demand and available capacity elsewhere in the system.

A compulsory student fee supported by concessions arrangements

To recognise the public and private benefits of training (ToR 1.g) the compulsory minimum fee should reflect the qualification level of the course – the higher the level of qualification the greater contribution from students. However, to ensure that the fee is not a barrier to training, a standard fee applies so that training remains affordable, and concessions arrangements are available for eligible low income students.

Targeting funding at courses based on skills needs

To match training delivery to the growing opportunities in Victorian industries (ToR 1.a), funding is targeted at courses which are more likely to lead to employment outcomes. There should be ongoing consultation with industry about the current skills needs of the Victorian economy and to manage enrolment numbers in courses.

Targeted funding for thin markets

To allow rural and regional communities to access training that meets their local needs (ToR 1.c), there should be provision for Government to target funding at thin markets, and the rural and regional loading should be retained. Cost-based subsidies should also ensure that regional areas with particular training needs (such as tourism or hospitality) are not adversely affected by the past practice of reductions in subsidy levels based on statewide, rather than local, training needs.

Components of the VET budget

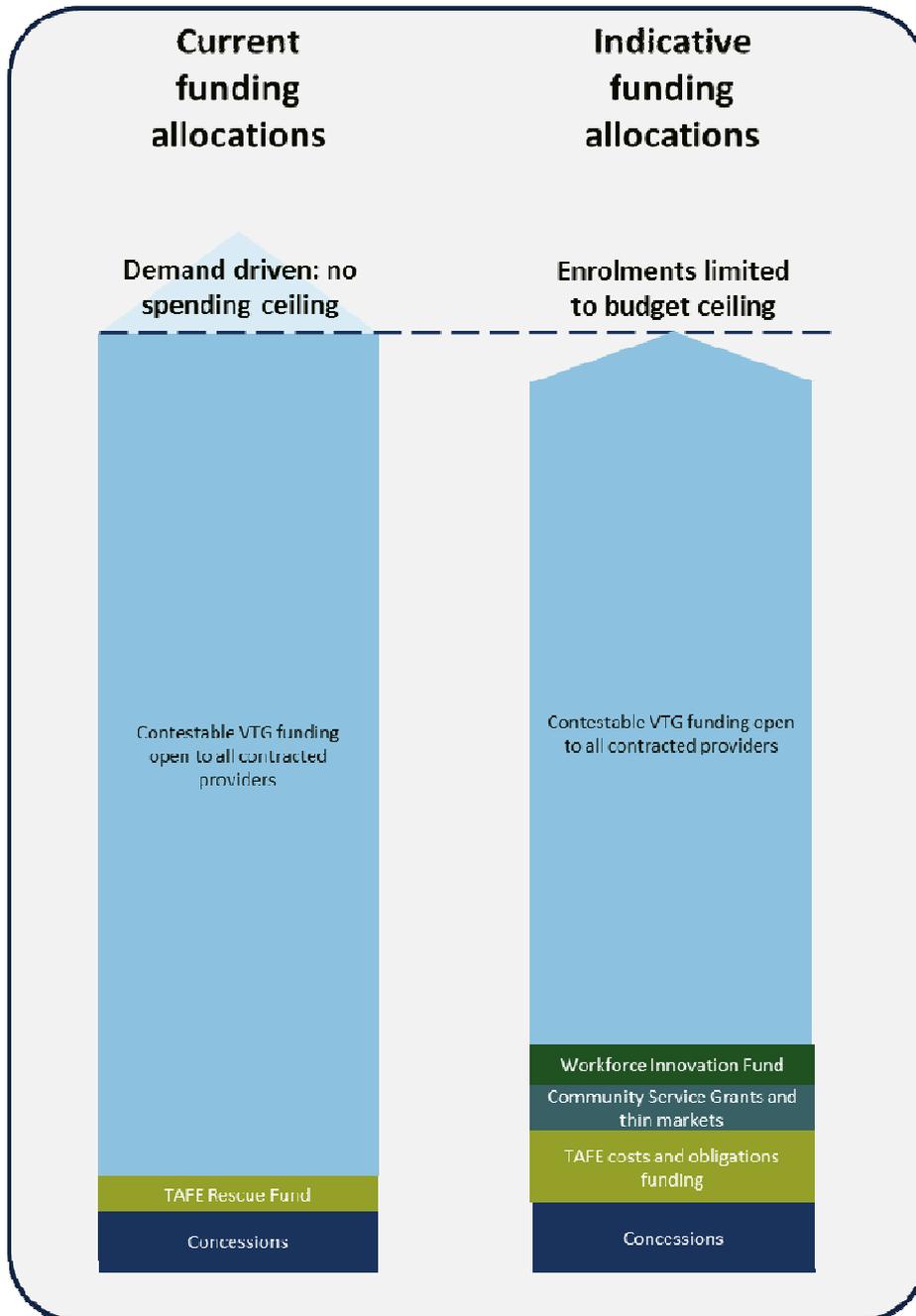
The Review is also recommending the overall VET budget comprise the following components:

- the general pool of contestable VTG funding – all funding for enrolments in training (for government and non-government providers) is drawn from this allocation (this Chapter);
- an allocation to support provision in thin market (see page 33);
- funding to continue concession arrangements (see page 54)
- an allocation for the workforce innovation fund (see page 60);
- a specific allocation to meet the costs, obligations and restrictions imposed on TAFE institutions (see Chapter 4); and
- an allocation for community service grants (see page 114).

Figure 1 on the following page outlines the proposed allocation of funding in the VET budget.

Figure 1: Components of VET funding allocation

The Review recommends the following individual allocations from within the overall VET budget.



Objectives of the funding system

Any public funding system must be tested against its effectiveness in meeting government policy objectives. The Issues Paper noted the general recognition during its consultations that the purposes of the VET system included:

- development and maintenance of a skilled workforce that meets the needs of industry (in terms of both type of skill and quality), and that serves as an important contributor to economic growth and productivity;
- providing ongoing education and skills for both skill deepening, as peoples' careers progress, and skill broadening, when they change careers;
- as a pathway to further and higher education, including to universities; and
- acting as an important social safety net to overcome disadvantage.

The original objectives of the VTG were to increase participation in VET, and lift qualifications levels in the workforce through an entitlement to funding for qualification at a higher level than an existing qualification. The VTG was also designed so that student choice was to drive provision through a demand based funding model.

Victoria led decisions by the Council of Australian Governments to provide an entitlement to a VET qualification to the Certificate III level at a minimum for the working age population.

Victoria has also moved more than any other jurisdiction towards the full implementation of a 'training market' – where the principal interactions are between training institutions on one hand and employers and students on the other.

The Review received feedback from a number of employers and training providers that the increase in choice in the system design has in some areas worked effectively. It has stimulated growth in the training sector, and provided more choice for students, employers and industry to meet their training needs. However, the current funding model has significant problems as outlined in the Review's Issues Paper. These include:

- budget overruns;
- a proliferation of training providers without any assurance of quality;
- unstable funding rates which have driven perverse behaviour by some training providers, while undermining the viability and effectiveness of others; and

- a failure to incentivise quality training and incentives have been weighted too heavily toward the attraction of students to higher subsidised courses, rather than the needs of the student and the Victorian economy.

The challenge facing the Review has been to concurrently address these problems in the system, while meeting the requirements in its Terms of Reference that: the recommended funding model maintains contestability and choice in the system at the same time as managing training expenditure within the existing VET budget.

Funding vocational education and training

The two components making up the price of a VET qualification are the public subsidy and the student contribution. The Review outlines below its recommended approach to:

- setting the public VET subsidy, including the applications of loadings; and
- setting and regulating the student contribution to training.

Current subsidy settings levels

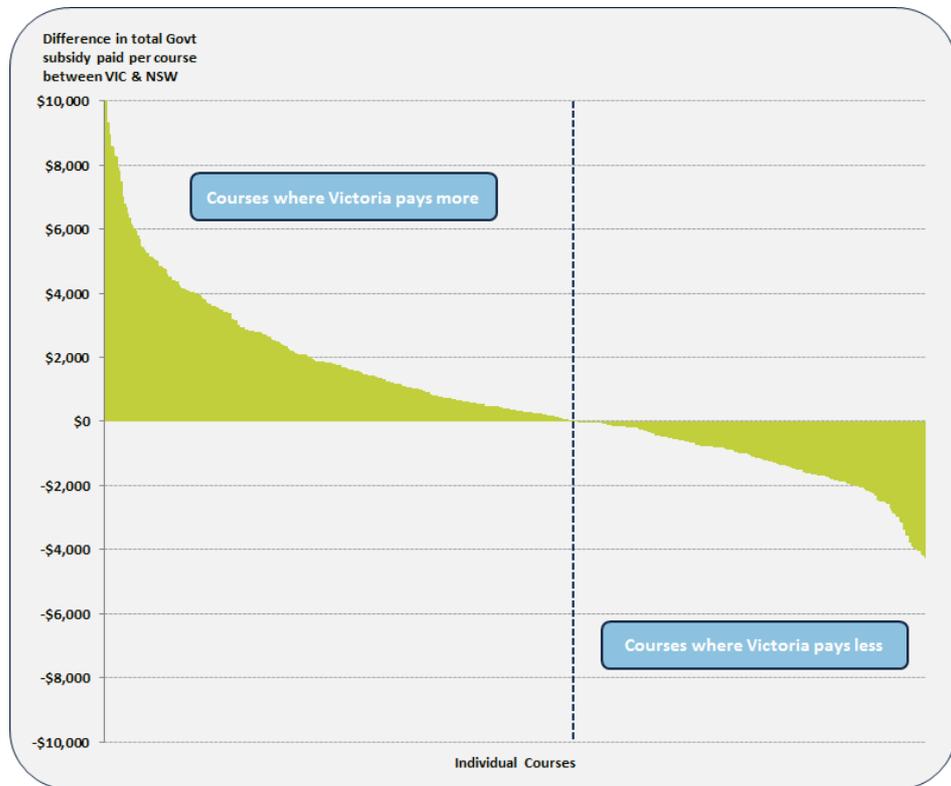
Current subsidies in Victoria bear little relationship to the cost of delivery. The primary basis for setting levels of public subsidy for training was public value – that is, subsidies are adjusted to direct resources to areas of greatest perceived public value.

In Victoria, training providers are induced to increase supply in areas of high subsidies with students also encouraged to enrol in courses of perceived high public value (such as apprenticeship) with price signals from higher fees discouraging enrolments in areas of perceived lower public value.

In practice however, changes to subsidy levels in Victoria appear to have been used as much to manage increasing VET expenditure under the VTG as to improve supply to areas of skills shortage.

The graph below demonstrates the significant variance in VET subsidy levels between Victoria (which stake a public value approach to the subsidy) and NSW (which takes a relative cost of training approach).

Figure 2: Comparison of Victorian and NSW subsidy levels



Source: DET data and Review analysis.

Design principles

System design principles

The Review considers that government should apply the following principles to decision making about the operation of the VET funding system:

- **Choice, contestability and diversity** – students and employers should be able to make informed choices between competing providers offering diverse courses and flexible delivery options.
- **Effective budget management** – VET expenditure should be able to be managed within the budget allocated by the Government.
- **Achievement of Government policy objectives** – aggregate funding and individual pricing should facilitate the achievement of the Government’s policy objectives, such as increased participation and attainment levels and responsiveness to labour market needs and employment opportunities.

- **Stability within contractual periods** – providers should be able to plan and allocate resources on a stable and predictable basis within defined contractual or funding periods.
- **Clarity and accountability** – requirements for public funding should be clear and providers should be publicly accountable.
- **Integrity and probity** – the VET Quality Funding Office and providers should operate with the highest levels of integrity and probity.
- **Sustainability** – providers operating efficiently and effectively and meeting contractual requirements should be able to operate on a financially sustainable basis.

Subsidy setting principles

In setting subsidies for VET, and having regard to the Review’s Terms of Reference, the Government should adopt central principles:

- **Quality outcomes** – funding levels are sufficient to achieve requirements for each qualification and the general quality requirements for providers.
- **Evidence-based** – funding levels should be set on the basis of evidence. For example the cost of provision including additional costs related to the costs of provision for high needs learners and rural or regional provision.
- **Recognition of the role of public providers** – the specific roles and responsibilities of the public provider are costed and funded.
- **Transparent** – criteria for decisions on funding levels and the reason for decisions should be public, evidence-based and explained.
- **Consistent** – funding levels should be consistent across similar programs, learner cohorts, delivery modes.
- **Balanced public and private contributions** – public and private contributions should be based on a fair share of the cost of an efficient price based on the public and private benefits of training.

Setting the VET subsidy

There are different approaches to price setting that can be applied to VET – these approaches are not mutually exclusive and can be used in combination. They include:

- student entitlement price (including vouchers and learning accounts); and

- efficient and effective pricing (based on the relative cost).

Student entitlement price (including vouchers and learning accounts)

A student entitlement approach is the purest form of training guarantee. Each student attracts a consistent level of subsidy which they could then apply at their discretion across a range of courses until the subsidy was exhausted. This is the key element of a voucher or learning account approach.

Under this model, subsidies attach to the student based on their specific characteristics rather than the nature of the course in which the individual is enrolled.

Vouchers and learning accounts are attractive – they provide a wide range of choice for students, if designed and implemented properly can maintain some budget control, and they encourage students to make good training choices.

However, this approach has drawbacks.

- The costs across VET programs vary significantly, creating the risk of high volumes of delivery by providers in low-cost areas in order to extract the maximum revenue from students' entitlements.
- Given the large number of potential students who would be eligible under the current VTG settings – budget control would be difficult.
- It would be impractical to implement for the VET sector alone through a state government. Ideally, a learning account model would allow students to 'top up' their account over the course of their working life – either directly or through an income contingent loan. This requires integration with the tax system operated by the Commonwealth.

Efficient and effective pricing

'Value for money' is a common and simple principle in all areas of public administration. In recent times it has found its expression in the principle of an efficient and effective price, and was adopted under the concept of a Schooling Resources Standard recommended by the Review of Australian Government School Funding (Gonski Review). In its Report on the Feasibility of a Schooling Resource Standard, Allen Consulting Group observed that:

Governments have sought to fund services by setting a price, based on an assessment of a reasonable cost to deliver the service, and on defined standards and outcomes. This contrasts with previous approaches, where services were funded on the basis of historic or the average costs of delivery, without any clear

link to outcomes.¹

The Review prefers an efficient and effective pricing approach involving: 1) an activity-based costing process which establishes the relative costs of delivering VET across the range of courses (similar to that undertaken by IPART in NSW); and 2) an efficiency review to ensure that the price for course is set at the efficient level.

The Review supports this two stage process because simple activity-based costing is an effective method in ensuring that prices relate directly to the efficient cost of delivering training. Base costs for each course would normally include:

- teacher costs;
- course specific costs (such as specialist equipment and teaching supplies; and
- shared costs (such as administrative staff infrastructure).

However, the Review recognises that an activity-based costing approach has limitations (depending on the methodology used) because it can create ‘path dependency’ – that is, providers’ costs tend to reflect the price paid by government which limits the capacity for efficiency improvements and innovation in delivery.

The process for setting the efficient and effective price requires detailed analysis and specialist expertise. The Government may wish to consider requesting that an independent body undertake this detailed work, similar to how the NSW Government requested IPART to undertake a review of price arrangements.

Recommendations

- 9) **That the Government adopt efficient and effective pricing, derived from a relative cost model, as its basis for setting VET subsidies.**
- 10) **That the Government request that a body with specialist expertise in price setting undertake the process of establishing the efficient and effective price in Victoria.**

Student loadings

The VET funding systems in most states and territories include loadings for

¹ Allen Consulting Group (2011), *Feasibility of a National Schooling Recurrent Resource Standard*. Prepared for the Australian Government Review of Funding for Schooling Panel, p 4.



provision in rural and regional areas, indigenous students, learners from disadvantaged backgrounds and learners with disabilities.

Loadings have also been used in the past to provide additional funding targeted at specific student cohorts. In the Issues Paper, the Review sought feedback on whether student loadings were the most appropriate way to target student needs or were effective in improving access to VET by the targeted group.

The Review has not seen clear evidence that loadings have been effective at achieving outcomes for its target groups – while there has been growth in training by those students attracting the existing loading (Indigenous, students under the age of 20, and rural and regional students), this has not been as strong as overall growth in training across this system. It is also unclear whether this growth would have been slower if the loadings had not been in place.

In addition, it appears anomalous that in Victoria there are no student loadings for students with a disability. A number of stakeholders have raised this concern during the Review's consultations. Other reviews of funding for educational services, including the Commonwealth *Review of School Funding*² and the NSW IPART report on pricing VET, recognised that providing educational services to students with a disability generally incurred higher costs.

The Review also heard strong support for the maintenance of the rural and regional loading. The Review heard that rural and regional training delivery faces additional costs. For example, providing face to face delivery at small campuses or workplaces to smaller groups of students is inherently more expensive, in terms of staff time compared to lower revenue derived from smaller classes. Regional providers, particularly public and community providers, also face additional costs associated with maintaining multiple campuses, and the resulting travel time and costs for staff management and governing bodies.

The Review considers that the funding model should recognise that there are additional costs for all providers in delivering services to some identifiable students. The Review supports the approach taken by IPART in NSW with regards to loadings is appropriate – that loadings should apply to the base student subsidy where it reflects the typical level of additional costs associated with higher cost learners.³

An alternative to general loadings for equity groups based on individual

² Gonski, D, et al (2011), *Review of School Funding – Final Report*, Commonwealth of Australia.

³ Independent Pricing and Regulatory Tribunal (2013), *Pricing VET under Smart and Skilled*, Final Report.



enrolments is to consider the issue in more targeted ways through:

- ensuring the price paid for qualifications in which many high needs learners enrol (such as foundation and preparatory programs) are sufficient to achieve good effective outcomes;
- providing a pool of funding that can be accessed where learners are assessed as requiring additional support and dealing with the needs of people with disabilities; and
- addressing the needs of learners requiring intensive support or who will learn better in group environments through payments for community service obligations (see page 114).

Recommendations

- 11) That the Government request the independent body to consider when loadings should be applied to the base student subsidy, and at what level to reflect additional costs of delivering training to specific cohorts of higher cost learners.**
- 12) That the Government maintain a rural and regional loading to reflect the relatively higher costs involved in rural and regional training provision.**
- 13) That the Government consider other approaches to addressing the needs of higher needs learners, such as targeted funding which includes measurable outcomes.**

Thin markets

A thin market is an area where no training providers are available to deliver courses at the price offered by government. Markets can be 'thin' in terms of training to meet a specific industry need or geographic location.

In assessing the way in which the funding system should deal with thin markets, whether industry or location-based, the Review considers it is important for government to define what a thin market is and to identify the characteristics of thin markets.

The Review does not consider that thin markets should be funded through the subsidy. Rather, the Review recommends any decision to invest in thin markets be based on a transparent process including an assessment of the factors contributing to the thin market and the public benefit in intervening in the thin market. Funding to induce supply should be based on a tendering or direct purchasing process, and funded through a separate dedicated funding stream.

Recommendations

- 14) That the Government not use loadings to induce supply in thin markets.
- 15) That the Government fund training provision in thin markets through a tendering or direct purchasing approach.

Funding skill sets

Skill sets are 'single units of competency, or combinations of units of competency from an endorsed Training Package, which link to a licensing or regulatory requirement, or a defined industry need.'⁴ This includes training such as the Responsible Service of Alcohol or First Aid training.

Funding skill sets can provide specific competencies required to meet specific and emerging skills needs in the economy and provide more targeted funding for specific employer needs. It may also help address the low rate of course completions given that providers may be enrolling students in full qualifications (to receive VTG funding) merely to obtain discrete skill sets.

However, funding skill sets potentially leads to the narrowing of training with fewer learners completing full qualifications – this is potentially in conflict with the initial VTG policy objective of raising qualification attainment levels across the community and increasing qualifications at higher skill levels.

The Review considers that the funding of skill sets should be approached with caution. Opening provision up to the whole market may result in a high risk of over-supply. If funded at all, skills sets should be limited to:

- a small number of units of competency which are prerequisites for certain occupations (such as Responsible Service of Alcohol, Responsible Service of Gaming, Construction Induction Card, Forklift Licence, or First Aid); and
- a limited number of key industries and occupations where targeted skills upgrading may be required.

Funding these skill sets could be further limited through tighter eligibility criteria, imposing hard enrolment limits on the number of funded places, and potentially through a limited number of providers. However, if the student or employer co-contribution is too low, there will still be an incentive to enrol in the full course to obtain lower cost training.

⁴ National Skills Standards Council, *Training Package Products Policy*, p. 7.

Recommendation

- 16) That the Government develop co-contribution subsidy arrangements for discrete skill sets, including units relating to:
 - a. units of competency which are prerequisites to working in certain occupations.
 - b. a limited number of key industries and occupations where targeted skills upgrading may be required

Setting and regulating student contribution

The student fee or contribution is the second part of the pricing of VET.

Full fee deregulation in Victoria has created a situation where there is widespread differentiation in the pricing of VET programs, and limited capacity to establish an efficient price related to effective outcomes.

This is particularly the case where, under full fee deregulation providers have been free to charge zero and low fees, or alternatively charge excessive fees (especially where VET FEE-HELP is available, which further blunts the price signal).

VET is an 'experience good' – most learners are not well placed to make judgements about prices relative to value until they have undertaken a course.

The risk for learners under the VTG is that if they make poor choices enticed by low or no fees they potentially exhaust their entitlement for a qualification at that level. This has likely resulted in over-enrolments in some areas of provision, and budget pressure at the aggregate level.

In the absence of experience, students have almost no independent information on which to base decisions particularly if they are young and or have little experience in their intended occupation and no basis upon which to assess value for money.

Assumptions that fee deregulation would create price signals and price sensitivity among students were naive in the extreme given the capacity for providers to charge no fees or to enrol students in courses under VET FEE-HELP.

As proposed in the Issues Paper, and reinforced in later feedback to the Review, the reintroduction of a standard fee was suggested by a number of stakeholders as a way to make students or their employers more conscious that their training entitlement is limited and is not free. Students are making an important choice based on the benefits that will flow to them from training, such as increased income and employment opportunities.

Assumptions that fee deregulation would create price signals and price sensitivity among students were naive in the extreme given the capacity for



providers to charge no fees or to enrol students in courses under VET FEE-HELP.

Before considering options for regulation and setting of fees it is important to consider the nature of VET provision and the context for pricing of provision from a student point of view.

- While it is important to strengthen price signals in VET, students in Certificate I-IV courses do not have access to income contingent loans (except a small number of courses included in Commonwealth's Certificate IV trial). Increases in VET fees in some jurisdictions, such as NSW, have been cited as a factor in a downturn in enrolments.
- In higher education HECS rates were increased in 1997 in areas of perceived high private returns. There was no impact on enrolments because of the existence of HECS. However, this is unlikely to be the case in VET, as students tend to be more price sensitive due to the absence of income contingent loans.

The following considerations are important from Government's investment perspective.

- Unlike higher education, public subsidies in VET are highest and relative fees lowest in areas of high private returns such as apprenticeships.
- It is inherently difficult to assess and set public subsidy and fee levels across the wide range of VET courses based on assessments of public and private benefits.
- In fact if a private benefit approach was used, fees would be far lower in many courses where private benefits are low but where qualifications lead to important occupations in the labour market – for example enrolled nursing, child care, aged care and hospitality.

Partial fee regulation

Partial fee regulation involves requiring fees to be charged, but allows flexibility for providers on the amount to charge, usually within a range.

Consistent with the option of a minimum fee, providers could be required to charge a standard fee. There are three broad options for the setting of this minimum fee:

1. The minimum fee could be set on a standard basis at different qualification levels. This was formally the practice in most TAFE systems.
2. The minimum fee could be set at a level equivalent to the difference between the efficient and effective price and the public subsidy level

for each course, with providers able to charge above the minimum fee to provide high quality outcomes above those set under the minimum standard.

3. Subsidies and fees could be set on a ratio basis on assessed public and private value at the qualification level (as in NSW and building on modelling undertaken by the Department in 2014) but with providers able to charge above the minimum fee.

The advantage of the third option is that it does introduce and consolidate the concept of an efficient and effective price and ensures that students face price signals while maintaining price flexibility and price competition in the system. The major disadvantage of this option is where providers have monopoly or near monopoly power and can charge excessive fees. However there are now few areas of VET provision where effective competition does not exist. Where there is insufficient competitive pressure to moderate fees, the Government could choose to set a maximum fee for each course, and/or monitor and regulate excessive fees through the Funding Office. The Government may also consider capping fees for priority skill shortage areas and apprenticeships.

Full fee regulation

Full regulation of VET fees could be reintroduced through the three options outlined above but without the capacity of providers to charge above the minimum prescribed fee.

Although this option would create consistency and uniformity in fee levels it would eliminate price competition entirely. While it could impact on providers currently charging fees beyond minimum levels it would be intended to focus competition between providers on levels of service and quality alone, which the Review considers to be an important priority.

This is not recommended by the Review.

Recommendation

- 17) **That the Government adopt partial fee regulation, with a compulsory minimum student fee to be set for each government-funded course.**

The size of the student contribution

The Review's Terms of Reference noted that the funding model should recognise the public and private benefits of training. The Review considers that the general principle the higher the level of the qualification, the greater the student contribution to the cost of training should apply.

Under the current system, the public and private contribution has in some

areas been distorted. For example, students on average pay a higher proportion of the cost of training at the Certificate III level than at Certificate IV.

When considering the size of the student contribution, government should carefully weigh the impact on students against the principle that the students make a contribution to the cost of their training.

The table below shows the current (2014 average) student contribution, and a possible future student contribution rate at each qualification level.

Figure 3: Current and possible levels of student contributions

Qualification level	Current respective contributions (2014)		Possible alternative contribution	
	Average subsidy	Average student contribution	Average subsidy	Average student contribution
Foundation	93%	7%	100%	0%
Certificate I-II	84%	16%	90%	10%
Certificate III	88%	12%	80%	20%
Certificate IV	84%	16%	70%	30%
Diploma	61%	39%	60%	40%
Advanced Diploma and above	51%	49%	50%	50%

Note: Excludes apprenticeships and traineeships. Source: DET data.

Recommendation

- 18) That the Government adopt the principle that the student contribution increase the higher the level of qualification.**

Budget management and targeted funding

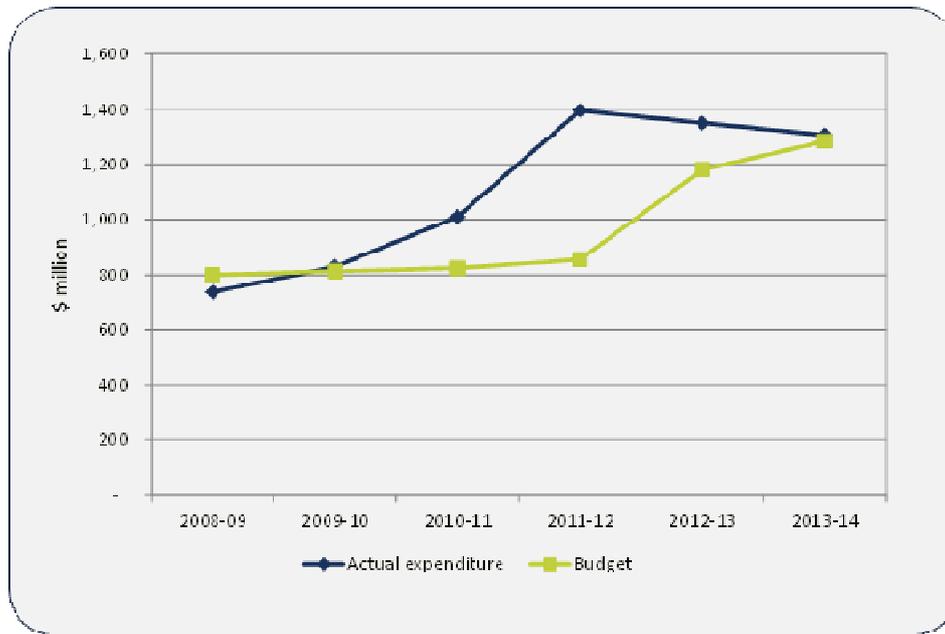
The Review's Terms of Reference require that the Review maintain training expenditure within the existing vocational training budget while preserving a framework of student-driven choices. Management of the VET budget has emerged as a major issue in all jurisdictions subsequent to the COAG agreement on a VET entitlement.

In its review of *Skills for All* in South Australia, ACIL Allen Consulting noted that:

Notwithstanding the benefits being sought, the experiences of demand driven systems, both *Skills for All* in South Australia and elsewhere in Australia, have shown that there are significant attendant fiscal risks, with levels of activity generated that can far exceed planned expenditure. It is important to note that

the *Skills for All* findings in this regard outlined in this report are not unique to South Australia but are reflective of the broad experience with VET markets, both nationally and internationally.⁵

Figure 4: Government subsidy and concession expenditure on VET - 2008-09 to 2013-14



Source: DET data

The significant increase in VET expenditure, shown in Figure 3 above, was entirely foreseeable under its initial settings. The broad coverage of an unlimited entitlement across the full working age population – with the only real limitation the prior qualification requirement – covering all VET courses and offered through an increased number of providers on an unlimited basis was always going to result in a significant increase in enrolments. That in fact was the Government’s objective.

These settings remain in place – all providers with a VTG contract are permitted to enrol students in the course of their choice and claim government funding as long as they meet the upskilling requirement. In past years, this has led to significant budget overruns resulting in the manipulation of subsidies to address spikes in demand.

In the development of the funding model, the Review considered a range of options for managing expenditure in the VET system, including:

- restricting student eligibility;

⁵ ACIL Allen Consulting (2015), *Evaluation of Skills for All*, p 5.

- placing limits on the courses in receipt of government funding;
- managing the public subsidy, and rebalancing public and private contributions; and
- introducing enrolment limits (at the system, provider or course level).

Eligibility restrictions

The Review considers that the student entitlement provides students with significant choice of course and providers, and forms the basis for contestability in the system – all providers compete for enrolments on that basis.

The upskilling requirement, while imperfect, does effectively target funding at lifting the overall educational attainment rate in the Victorian community. The Review therefore is not recommending any restriction on the eligibility for training. It is proposing, however, some loosening of the eligibility criteria (see page 48).

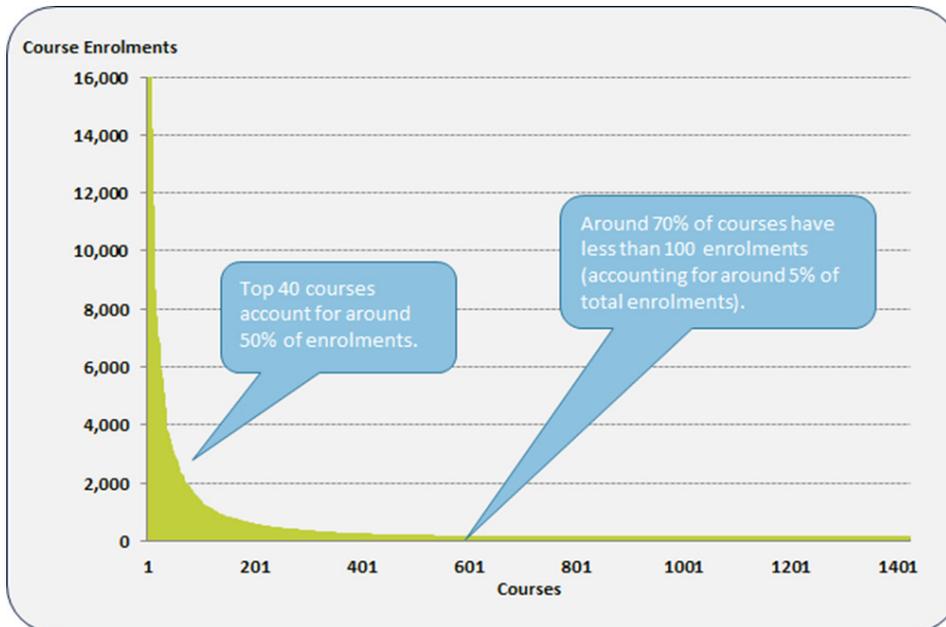
Reductions in the number of funded courses

In the Issues Paper, the Review canvases several restrictions to courses funded in Victoria, including:

- reducing the number of courses eligible for government funding; and
- limiting funding for diploma level courses to only skills shortage areas.

During its consultations, the Review received no significant objections to reducing the funded course list. In Victoria, despite funding over 2,900 courses, 40 per cent of government funding was provided to just 20 courses.

Figure 5: Number of enrolments by course



Source: DET data and Review analysis.

While not the primary mechanism for budget management, some administrative efficiency and saving through better targeting funded courses could be obtained reducing the course list.

Targeting funding at need

Reducing the number of funded courses also provides government with the opportunity to better target funding at areas of need – for example those skills required to build the productive capacity of the workforce, support students to enter the labour market, and maximise job opportunities for people disengaged from employment.

In developing the funded course list, consideration should be given to the multiple purposes of VET and recognise the differing education, training and employment pathways taken by individuals. For example:

- The primary public benefit from vocational education and training is likely to be preparing people for work – courses associated with jobs that are in high demand are also courses which attract public funding. Vocational education and training also provides a variety of pathways into further education, and these also need to be considered.
- On the other hand, continuing provision of programs that have low levels of public and private returns, low completion rates and high



levels of labour market churn is ultimately a poor use of public funding.

Consultation

Developing the funded course list will require considerable consultation with industry, VET and broader education sector, and related community services sector, to ensure that the skills needs of the economy are targeted effectively and the broader purposes of VET are addressed. It will need to be properly directed at labour market needs, mindful of emerging industries and skills gaps, as well as the extent to which VET is used as pathways into further study.

The Review therefore recommends that the Government prepare a funded course in 2016 in time for it to be in place for the 2017 training year. This could occur concurrently with the development of efficient and effective price for each course on the funded course list. In developing the funded course list, consideration should be given to the Government's objectives for VET, and:

- supporting the skills needs of the economy and Victorian employers;
- likely employment outcomes for students;
- pathways for students into further study;
- prior enrolment levels;
- maximising economic and social participation among high needs learners and people disengaged from the labour force; and
- courses which are more appropriately delivered on a fee-for-service basis – such as specific and non-transferable skills which provide low public returns.

This advice should be prepared on the basis of an extensive consultation process, involving the Skills Commissioner, and including the publication of a draft course list for public comment. The publication of a draft course list will give the public, including industry, the opportunity to make an evidence-based case for additions to the draft course list.

Recommendations

- 19) That the Government request the Skills Commissioner provide advice on a proposed funded course list.**
- 20) That the Government develop a funded course list, to be in place for the 2017 training year.**
- 21) That the Government undertake a community consultation process with industry, the VET sector and other affected parties during the preparation of the funded course list. This should include the publication of a draft funded course list for public comment.**

Addressing substitution of units of competency

There is also the potential to address some perverse incentives in the system, by also restricting units of training which are funded under each course. This could prevent or reduce the impacts of substitution – where providers can use flexibility of training packages to import units from other courses and receive higher funding rates.

Curriculum maintenance managers and industry representatives should be consulted on course outlines including selecting funded electives. This should be undertaken in a way that will minimise the importation of elective units on the basis of price rather than educational or labour market outcome.

While this would reduce flexibility for students, it would further target funding at the skills areas the Government chooses to fund. Students would still have the freedom to import unfunded units from other areas, but they would have to enrol in that unit on a fee-for-service basis.

Recommendation

- 22) That the Government limit the number of funded units to target funding at skills needs, and inhibit the practice of substitution.**

Use of the subsidy for budget management

The Review received considerable feedback through the first and second phase consultations that the constant and erratic subsidy changes of the past three years had undermined the stability of the VET system.

Previous strategies to manage VET expenditure, implemented under the former Government, included changes to subsidy levels to a range of courses to manage demand and direct resources to areas of perceived public benefit.

It was assumed that fee deregulation would create direct price signals between providers and potential students, resulting in better alignment between courses and student choices. However, the practice of training providers not charging fees has exacerbated the problem by removing price signals altogether in some providers and placing pressure on high cost but higher quality providers.

As noted in the Issues Paper, the use of subsidy to manage expenditure presents significant risks. Continuing to use subsidies is likely to result in an unstable funding structure which encourages perverse behaviour by providers.

These models also rely on a clear and hard quality floor set by robust and effective regulation. The Review does not believe these conditions currently exist, and will take considerable time to develop.

Recommendation

- 23) To maintain stability in the system, subsidies should be based on an efficient and effective price and not used as a mechanism for budget management.**

Introduction of enrolment limits

The Review considers limiting enrolments is the simplest and most effective way of maintaining budget discipline in the VET system.

There are a number of options for limiting enrolments in any given time-period. They include:

- A simple or 'straight' limit operating at the system level: Providers would be able to enrol students up to the point at which the VET budget was exhausted.
- Course limits: The number of enrolments in each funded course would be limited.
- Provider allocations: Providers would only be able to enrol students up to their allocation in any given training year (January-December). To take on further enrolments, they would have to request an additional allocation from government.

The Review does not support either the straight limit or pure course limits. Both these options leave the system more open to 'rushing behaviour'. That is, an incentive for providers to rush to enrol students before the allocation is exhausted. This could also result in a substantial part of the training year being closed for new enrolments.

The Review therefore prefers an approach which places limits on enrolments per training provider through the VTG contract.

This is the simplest and most reliable way of ensuring budget control without encouraging perverse behaviour. Government can exercise significant control over the market through its contracts with training providers and it also encourages providers to manage enrolments over the course of the year.

Impact on choice and contestability

Under current levels of training participation, enrolment limits on providers would have a limited effect on contestability. Students and employers would largely continue to be able to choose the employer of their choice.

However, if there is strong demand for training with an individual provider, government can undertake an assessment of whether:

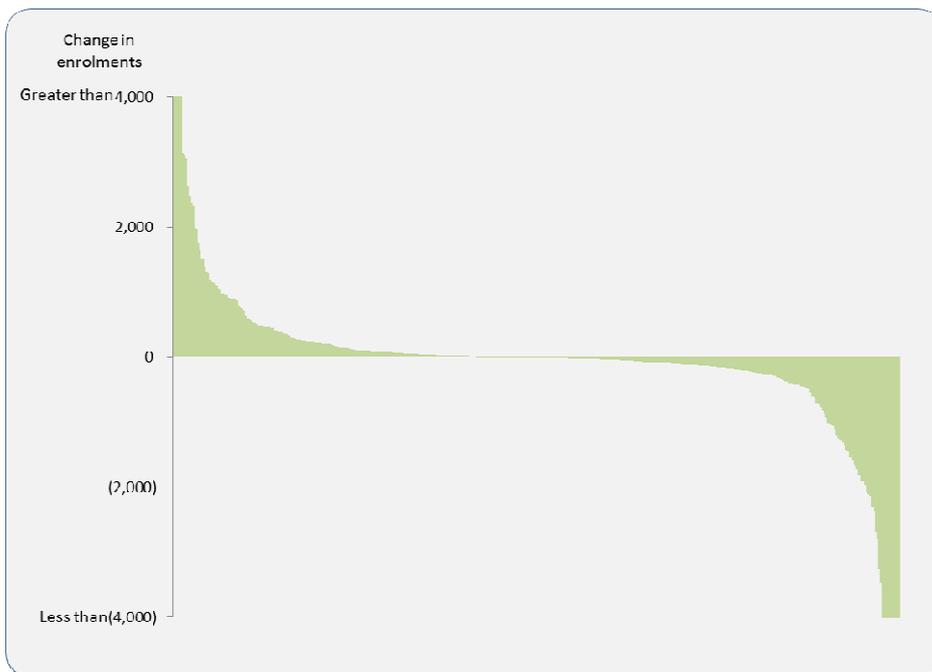
- it is real demand for training which supports labour market priorities, not excessively induced by providers marketing or other factors; and

- there is sufficient budget capacity from under enrolment in other areas to allow the provider to deliver additional training.

The VTG contract should also make provision for a training provider's allocation to be *reduced* in any given year if enrolment trends demonstrate they are unlikely to meet their allocation. This will allow for funding to be reallocated to areas of greater demand within a training year, and mitigate the risk of underspending.

Preliminary analysis suggests limiting enrolments is likely to have a minimal impact on most providers. As Figure 5 below demonstrates, only a small number of providers have had significant growth in numbers since 2012, and some of these no longer possess VTG contracts. Ninety per cent of providers have experience a change in enrolments of less than 500 over this period. Three-quarters experienced a change of enrolment of between 500 and -500 enrolments.

Figure 6: Change in enrolments by individual provider 2012-2014



Source: DET data and Review analysis.

Recommendations

- 24) That the Government place enrolment limits on providers by course as the primary means of managing budget expenditure.

- 
- 25) That to help preserve choice and contestability in the system, VTG contracts allow for:
- a. increases in enrolment limits where there is legitimate demand for training from a training provider; and
 - b. the reallocation of enrolment allocations from providers who are not likely to deliver their full allocation to mitigate underspending on training.

Setting enrolment limits and managing contracts

A system relying on enrolment limits can only be effectively managed under an amended procurement and contract management approach. It requires government to take a more active role in contracting providers.

Market testing and allocation of enrolment limits

The Review proposes that some form of market testing be undertaken prior to contracting providers for the following year. Government would request that any training provider seeking a contract respond to a call for expressions of interest (EOI) process indicating:

- their interest in a VTG contract for the following year;
- their history of VTG training delivery and capability for future training;
- the areas in which they intend to undertake training in the following year, including evidence that there is demand for that training from the labour market; and
- the volume of training they expect to deliver in the following year.

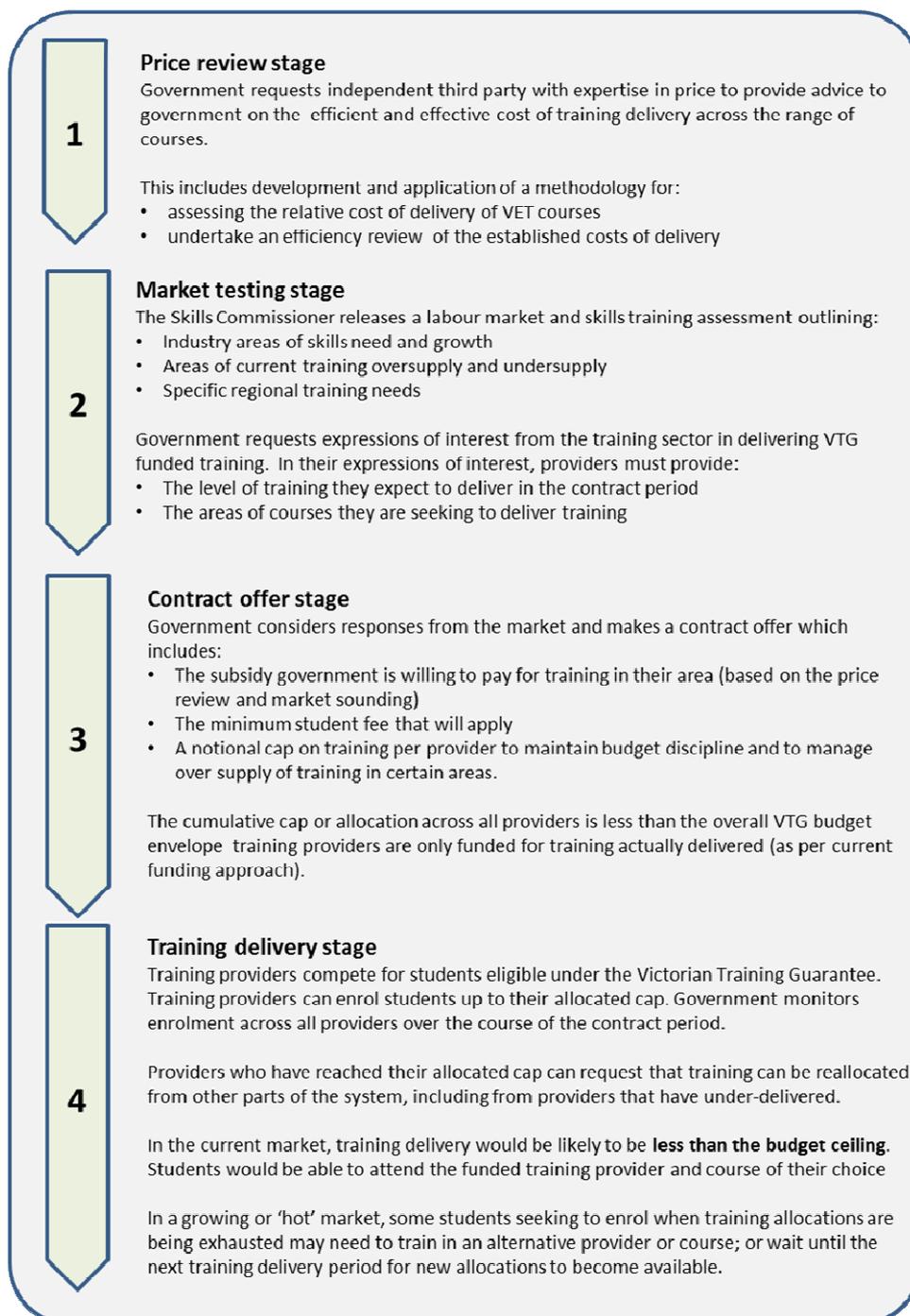
The chart on the following page outlines a possible process for setting price and provider allocations.

Providers would need to respond to the EOI to be eligible for a contract in the following year. Government would then include enrolment limits in contracts based on:

- The available VET budget: the maximum enrolments across all providers should give government confidence that that VET expenditure will not exceed the annual budget (based on the level of subsidy paid).
- Advice from the Skills Commissioner: there will be sufficient training provision across all the areas required to meet the needs of Victorian employers.
- The history and intended training delivery of the provider: that the VET Quality Assurance Office assesses that the training provider has the

capacity to deliver a particular level of training, and that it meets a real need in the labour market. Where a provider is proposing to deliver in new areas, this should be subject to additional scrutiny by government.

Figure 7: Possible process for setting price and provider allocations





Closely scrutinising provider scope increases, and the overall system of allocating places to providers, is consistent with advice of the Quality Assurance Review to limit scope increases to contracted providers. The Review considers scope increases should be supported by a strong business case, with a robust assessment of both training need and provider capability.

Government may also choose to leave training unlimited for some courses or providers. For example, given labour market constraints on the availability of apprentices, apprenticeship training could be unlimited to ensure there were no additional barriers to apprenticeship training.

Unlimited training should only apply to areas where there are other factors limiting demand for the training (such as the availability of clinical placements in nursing) and the risk of overtraining is low.

Recommendations

- 26) That in allocating enrolment limits the Government consider:**
 - a. the impact on the overall budget allocation;**
 - b. the skills needs of the Victorian economy, including the level of training required across various occupations; and**
 - c. the ability of providers to deliver the volume of training at an acceptable quality standard.**
- 27) That the Government allow training to remain unlimited where:**
 - a. training limits on providers could be a barrier to training in areas of clear labour market need; and**
 - b. the risk of overtraining is low due to other constraints.**
- 28) That, where a provider seeks to increase the scope of courses delivered, the Government apply additional scrutiny, such as requiring a business case for the scope increase.**

Student eligibility

Eligibility under the current system is based on the objective of 'upskilling' the Victorian workforce. The Victorian Government therefore currently funds training for those people seeking to undertake a qualification at a higher level than the one they hold.

The Review generally accepts this principle as it targets government funding to a deepening of the skills in the labour market.

Eligibility exemptions

The Review considers that there are a number of refinements to the upskilling



requirement that should be considered by government so that in some circumstances, people can receive government support to re-train at the same qualification level.

People exempt from the eligibility exemptions should however be required to attend an approved provider. In the short-term this could be a TAFE institute, or other approved community provider. In the medium-term, the classification system (see page 108) might be used to assess providers appropriate to deliver this type of training.

People under 24 years of age

The upskilling requirements do not currently apply to people under the age of 20 years.

During its consultations, a large amount of feedback was received by the Review that young people at the start of their careers were not able to access government funded training because:

- they had made an early training choice which was not leading to a labour market outcome, and the upskilling requirement was preventing them from undertaking an entry level qualification to help them gain employment; or
- the qualification they obtained from a low quality provider had not given them the necessary skills or competencies that employers expect, and they seek to retrain in the same or a new industry area.

The Review considers it important that people think carefully about their training options, and recognises that decisions they make will impact on their government funding eligibility. In general, the upskilling requirement supports this principle. The introduction of a compulsory minimum fee (see page 35), is also intended to include a clear price signal in this decision making.

However, young people are likely to have limited training and employment experience. Without this experience, and combined with the fact VET is an experience good, education and training decisions may be less well informed. Even with family or school support, their decision may not be based on any practical understanding or experience in the industry they choose to train in. The Review also considers that, with youth unemployment currently over 14 per cent in Victoria, the VET system should be maximising opportunities for people under the age of 24 years.

For this reason, the Review recommends that that the age a person is exempt from the upskilling requirement be lifted to 24 years of age.

Long-term unemployed

Unemployment in Victoria has risen in recent years from a historically low 4.5-5 per cent in early 2011 to 6.9 per cent in July 2014, reflecting the more



difficult labour market conditions for those seeking employment.

The longer a person is disengaged from the workforce, the greater the risk of extended unemployment. The Review considers that the VET system has a strong role to play in supporting people get back into, and be competitive in, the labour market. Any prolonged absence from the workforce is likely to devalue a person's qualifications, and the currency of their skills will progressively be lost if they are not being practiced in the workplace.

The Review therefore recommends that people who have been unemployed for more than 12 months should be exempt from the upskilling requirement.

The Government should also consider the benefits, financial impact and feasibility of exempting people who have not been in the labour force for an extended period (such as parents returning to work following an extended absence).

Retrenched workers

An exemption from the upskilling requirement is currently available for workers facing retrenchment and those in the automotive supply chain. Workforce Development Centres have also been established in Geelong, Dandenong and Broadmeadows which provide career counseling and advice, information on jobs and training courses, facilitate meetings with local employers, and provide referrals to broader welfare, financial guidance and disability services.

The Review recommends that retrenched workers be generally exempt from the upskilling requirement, without the need to have been unemployed for an extended period of time.

The rationale for not requiring an extended period of unemployment for retrenched workers is that where entire industries are undergoing significant structural change, retrenched workers will likely experience greater difficulty in applying their skills and finding work elsewhere. In contrast, other recently unemployed people may more readily transition to work in a similar field.

Out of date qualifications

The speed of structural and technological change in the Australian economy means that the useful life, or currency of training qualifications, is shortening.

The likelihood of a person requiring training more than once in their lifetime is increasing. The ability of people to broaden their skills, change industry or occupation, or train in another skill area of value to the economy, can be curtailed by the stringency and lifetime nature of the upskilling requirement.

For the VET system to be responsive to the workforce, an exclusive focus on upskilling is not sufficient. The system should have some flexibility to provide opportunities for the skills base of the workforce to adapt with the changing

needs of employers and industry.

The Review recommends that the upskilling requirement apply only for seven years following the awarding of the qualification.

Restrictions on training people who are exempt from the upskilling requirement

These exemptions from the upskilling requirements should not be absolute. Measures should be put in place to protect against:

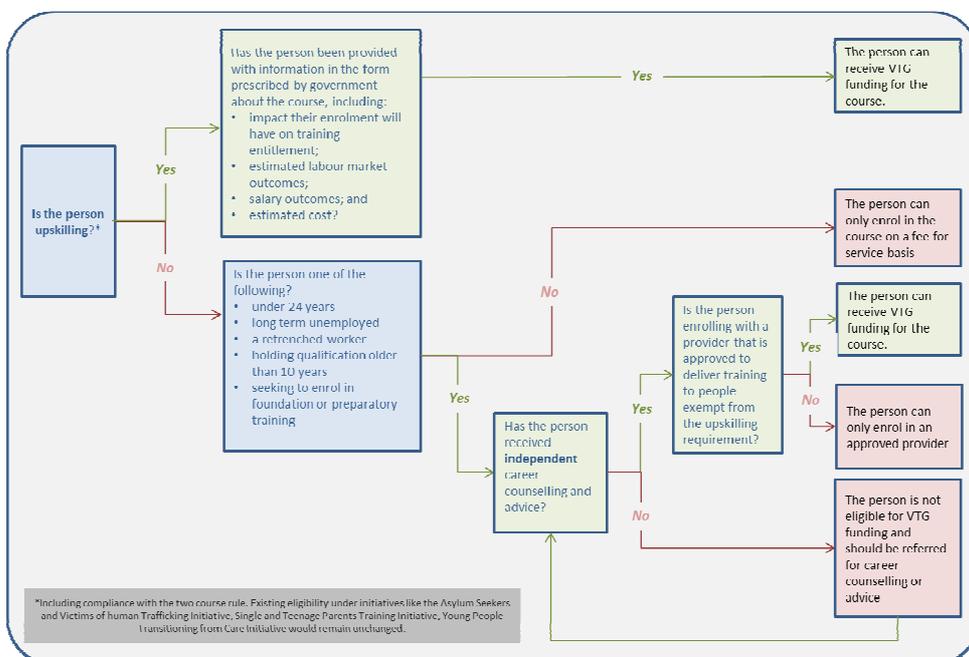
- untargeted government funding; and
- students churning through the training system without gaining benefit from the education and training they undertake.

Needs assessment and career counselling

The proposed exemptions to the upskilling requirements are targeted at overcoming barriers to education or employment, and are likely to be associated with higher levels of need.

There is an increased likelihood that these students will require support services together with, or potentially instead of, further training to address the underlying causes of their disengagement from training or the labour market.

Figure 8: Example of proposed exemptions to upskilling requirement





The Review therefore recommends that students exempt from the upskilling requirement should undertake an independent needs assessment. This would:

- help prevent students aimlessly churning through the training system;
- provide a process for a holistic needs assessments so a student can be referred to an area of service need other than training if necessary; and
- remove any conflict of interest by providers in assessing training needs for vulnerable students.

Only selected training providers should deliver training to people exempt from the upskilling requirement

The Review also recommends that students exempt from the upskilling requirement only undertake training at providers that are equipped, capable, and in some cases specifically resourced through community service grant funding, to provide a training program properly and individually designed to meet their needs.

Cost implications

The Review has received preliminary advice from DET on the cost implications of these exemptions. While they are likely to be achievable within the existing budget allocations (in combination with the recommendations of the Review), the Government may also consider means-testing the exemptions, particularly in the cases of retrenched workers and older qualifications.

Recommendations

- 29) **That the government make the following targeted groups exempt from the upskilling requirement of VTG eligibility:**
 - a. **people under the age of 24;**
 - b. **long-term unemployed (greater than 12 months);**
 - c. **workers who have been retrenched; and**
 - d. **people with qualifications older than 7 years.**
- 30) **That the Government consider exempting people returning to the labour force after an extended absence from the upskilling requirement.**
- 31) **That any student exempt from the upskilling requirement undertake independent career counselling and needs assessment before they are permitted to enrol in VTG-funded training.**

- 32) That only selected training providers can provide training to students exempted from the upskilling requirement.
- 33) That the Government consider means testing exemptions to upskilling where appropriate.

The two course rule

Separate to the upskilling requirement, but still determining the ability of a student to receive government-subsidised training, is the two course rule. The Review heard feedback during its consultation about the impact of the rule, which restricts students to:

- commencing a maximum of two government-funded courses in a calendar year;
- undertaking a maximum of two government-funded courses at any one time; and
- commencing a maximum of two government-funded courses at the same level in their lifetime.

The Review considers that limiting students to undertaking two government-funded courses at the one time, and commencing two courses in a calendar year, are reasonable restrictions. This discourages providers from churning students through different courses, and may encourage retention and completion.

However, the Review considers that there is a strong case to remove the limit of two government-funded commencements at the same AQF level in a lifetime. The Review received strong feedback during the consultation that this particular element of the two course rule is preventing students with real needs undertaking training.

While the Review understands the need to prevent student churn – that is, repeated enrolment in training without completion of the course, or securing employment – this limitation is overly prescriptive and disproportionate to the problem it is trying to address.

The Review considers that churn in the system would be better addressed through better student support and career information, and linking students in need to other appropriate support services if necessary.

Recommendation

- 34) That the restriction on eligibility that a person can only commence two courses at the same level in their lifetime be removed.

Recognition of prior learning

The Review did not make any specific future direction in the Issues Paper with respect to the funding of Recognition of Prior Learning (RPL). However, feedback to the Review has generally been supportive of continuing the current funding arrangements for RPL. There was general acceptance that where no actual training is being undertaken, paying the full subsidy is a waste of government funding. The Review also heard concerns from employers and industry that excessive use of RPL by providers was undermining the skills of graduates entering the workforce. Therefore, the Review recommends that the current funding arrangements for RPL continue, and that limits be placed on the volume of RPL allowed to be claimed to prevent VET being over-credentialed.

Recommendation

- 35) That the Government continue to fund RPL at 25 per cent of the full subsidy.**
- 36) That the Government limit RPL to no more than 40 per cent of the course volume.**

Concession arrangements

The current concessions policy has largely achieved its policy intent; to support participation by individuals in overcoming financial barriers to training. These arrangements are likely to remain effective in supporting learners facing barriers, following the implementation of a compulsory minimum fee.

During the consultation process, the Review heard that timing was a concern for some students trying to access the concession rate, particularly for those, yet to be issued their healthcare card by the Commonwealth Government at the time of commencing training. Failing to show proof of concession may be hindering some students' ability to access training, if they are unable to provide proof of eligibility prior to the commencement of training.

Provider discretion

There may be an opportunity to improve the administration arrangements for students who are eligible for a concession by allowing them to be given every opportunity to undertake training, at the concession rate, if they meet the eligibility requirements while undertaking their training program. These changes are desirable, to ensure VET remains affordable for those who need it the most, and to ensure students who are eligible to receive the concession rate are able to do so.



Payments to providers for concessions

Currently, government pays providers for concessions every six months, in arrears. In contrast, general VTG payments are made monthly, consistent with common practice in the private sector of paying invoices relatively promptly. During the consultations, a number of providers raised the delay as unreasonable and problematic, particularly for smaller RTOs. The Review agrees.

Recommendation

- 37) That the Government allow for discretion to be used for students to be reimbursed at a later date, if they are able to prove their eligibility for concession, post commencement of training.**
- 38) That the Government reimburse providers on a monthly basis, for concession payments.**

Chapter 3: Supporting jobs and industry

Overview

Victoria is experiencing economic disruption and structural change, and this is likely to continue.

Research by PWC found that up to 44 per cent of jobs in Australia, or 5.1 million positions, are at risk from digital disruption.⁶ The OECD cites a US study that notes by 2018 nearly a third of job vacancies will require some form of post-secondary qualification.⁷ Two thirds of overall employment growth in the European Union will be in the technician and associate professionals category.⁸ In addition, employment patterns are changing, with many people opting to be self-employed and starting their own businesses. Vocationally relevant, applied qualifications will need to be developed with industry to meet the demands of the new economy.

Global economic uncertainty continues to impact industry, and business confidence is low. Modern economies, including Victoria, have almost universally acknowledged the need to transition from low growth industries to high value-added sectors.

There are significant challenges in making this transition, including identifying the shift in skills needed and the associated training and retraining of employees for a different economy.

It is vital to Victoria's future competitiveness and prosperity that industry in

⁶ PWC (2015), *A smart move: Future-proofing Australia's workforce by growing skills in science, technology, engineering and maths (STEM)*.

⁷ Carnevale, A., N. Smith and J. Strohl (2010), *Help Wanted: Projections of Jobs and Education Requirements Through 2018*, Georgetown University Center on Education and the Workforce, cited in OECD (2014), *Skills Beyond School: Synthesis Report, OECD Reviews of Vocational Education and Training*, OECD Publishing.

⁸ CEDEFOP (2012), *Future skills supply and demand in Europe: Forecast 2012*, Research Paper No. 26, Publications Office of the European Union, Luxembourg, cited in OECD (2014), *Skills Beyond School: Synthesis Report, OECD Reviews of Vocational Education and Training*, OECD Publishing.



equipped with employees who have the skills to support continued productivity growth. Victoria must maximise its opportunities to compete domestically and internationally.

Future job growth is forecast to be higher in skill intensive industries and roles, with higher qualifications becoming a more common employment prerequisite. Governments throughout the world are seeking to equip the disadvantaged and disenfranchised with the skills required to enable them to participate in the new economy.

Government funds VET to encourage students to develop high quality skills in areas of labour market need – to lift workforce participation, improve workforce skill levels, and raise overall productivity. Students want this too – the biggest factors influencing student choice when considering training relate to employment outcomes, such as getting a new or better job, or developing the skills needed by their employer.⁹

Other chapters of this report will detail the Review’s recommendations about how to improve levels of quality across the Victorian training sector, and how students can be better supported in making training decisions. In addition to addressing these issues, the system should also be targeted at driving innovation and efficiency in Victoria’s workplaces, and engaging employers in the training system. For VET to be most effective, there needs to be a partnership between providers and industry.

Victoria’s training system should not just meet national standards; it should drive continuous improvement and strive to support Victoria against interstate and international competitors.

Retaining choice in the training system

The design of a demand-driven system was premised on maximising choice of training course and provider. While the Review believes there was excessive reliance on the market to drive quality and meet industry need, it will be important that any new funding approach keep competition and choice as central design principles.

Contestability will be an important aspect of the contracting approach recommended by the Review. It will be important to keep an appropriate number and mix of providers in the system to maintain healthy competition.

⁹ DET analysis provided to the Review.



This includes specialist providers who can understand and respond to industry needs, and add value to a diverse industry base in Victoria. It should also allow for new providers to enter the market (while others would be expected to drop out or have contracts not renewed).

Recommendation

- 39) That when contracting training providers to deliver VTG training, DET makes contestability a design principle, including ensuring a mix of providers and pathways for new entrants to the market.**

Maximising the benefits of training to industry

Within a contestable system, the student entitlement gives industry capacity to heavily influence the training market. Employers can, working with their employees, utilise the VTG to benefit their workforces, and therefore their businesses. However, the training market will only be responsive to industry needs if it is sufficiently engaged in the training market.

As part of its consultation on the Issues Paper, the Review arranged a series of one-on-one interviews with industry representatives and individual employers to gauge the level of understanding and engagement in vocational education and training in Victoria. The results were mixed.

While some industries and employers are advanced in their arrangements and have a network of capable training providers they rely on, others admit to a low level of understanding of the training system, a lack of trust in training providers, and of understating the benefits of training to their organisation.

The Review is concerned that employees are not fully utilising the system, and as a result the system will not achieve its full potential. This is evidenced by significant mismatches between government-subsidised training volumes and expected labour market needs. As discussed in the Issues Paper, and reinforced by the Review's consultations and other analysis, there are some occupations where training has greatly exceeded expected employment needs, and others where training is only a fraction of need.

While these mismatches occur for a variety of reasons, in many cases it is because students are not making the best training decisions possible, or have been overly led by a training provider's behaviour (which seeks to train students in courses with higher subsidy or profit levels, rather than where it will lead to student outcomes). A more carefully managed, demand-driven system ensures that funding is directed to existing and future skill needs.

Workforce training innovation fund

Larger employers and industry groups are generally better placed to co-invest in training and will often pursue their own training options and partnerships. Smaller employers and industries are less likely to do so, and so could particularly benefit from greater engagement, facilitation and assistance by government to get the most out of the training system for themselves and their employees.

In the Issues Paper, the Review raised the possibility of a workforce innovation fund to promote partnerships between industry and providers to develop new and innovative training, particularly in high growth and emerging industries.

Following further work and feedback from the consultation process, the Review has broadened its conception of the fund, to better catalyse collaboration between RTOs and industry to improve productivity in the economy. This would result in training that is of benefit to both the employer and the employee.

The Government has identified a number of key, priority growth industries for Victoria, including food and fibre, transport, defence and construction technology, international education, and professional services. The workforce training innovation fund should play a key role in supporting new and emerging industries.

The fund would be focused on initiatives that improve workforce productivity at an industry or firm level. This could include working with training organisations to develop and trial new and innovative training programs and methods that:

- build into their training a focus on commercial application of their skills and knowledge, such as attention to service standards, new products, and applying new technologies to contribute to a productive workplace;
- effectively mix theoretical understanding and workplace-based experience;
- incorporate training programs into the workplace to improve on-the-job effectiveness and skills;
- help employees and businesses maximise the benefits of introducing or adapting to new technologies or processes into the workplace; and
- more quickly develop new or adapt existing training packages to emerging industry needs.

The fund would be focused on areas where existing training offerings are not suitable, because of the nature and content of training packages, emerging technologies or skill priorities, or unique industry needs.

Applied research

Part of the fund could also be dedicated to an applied research program. A similar program in Canada, the College and Community Innovation Program, has had success, and could serve as a useful model (see Figure 2 below). It would be important to ensure funded initiatives can be shared broadly, and align to emerging industries and skill development needs.

A focus on applied research can expose students to hands-on problem-solving, innovation and the development of entrepreneurial skills. Industry in partnership with highly capable RTOs can benefit by undertaking targeted research that can lead to new and improved products, services and processes, more effective marketing, improved decision-making, strategic and business planning increased sales markets and customers, job creation and retention.

Getting applied research up and running will require a cultural and intellectual shift for both industry and VET providers. Such a shift can benefit industry, extend the capability of providers and ultimately, if successfully implemented, benefit the community.

Figure 9: College and Community Innovation Program

The Canadian College and Community Innovation Program is managed by the Natural Sciences and Engineering Research Council of Canada in collaboration with the Canadian Institutes of Health Research and Social Sciences and Humanities Research Council of Canada.

The program aims to foster partnerships between colleges and the private sector that lead to business innovation at a local, regional and national level, and builds the entrepreneurship capability of students.

In 2012-13, more than 29,000 students were engaged in applied research projects through over 5,400 partnerships with companies in more than 650 areas of research specialisation. Funds are awarded through a competitive process for five year periods, and most partnerships are with small or medium sized businesses. Regular performance reporting is required.

Examples of projects funded through this program include:

- helping small/medium-sized mining companies adapt to contemporary environmental regulations and restore mining-affected land;

- 
- developing a prototype iPad application for sales representatives, which improves sales representatives' on-the-job productivity and profit margins for the company. Students developed highly-employable technical skills, which led to employment for all participants; and
 - building energy efficient homes on campus, to research, test and demonstrate the latest in environmentally efficient building methods.

Projects or initiatives supported by the fund would be subject to formal evaluation to determine their efficacy in terms of contribution to productivity or other benefits. This evaluation would help inform future investments.

Given the government funding, there would be an expectation that any products or intellectual property from the fund would be retained by government and broadly available – for example, the RTO would be able to offer the course to other students. Consistent with the Victorian Training Select model, multiple firms in a sector could work together to develop a training program targeted for their needs.

The fund could start with a small target investment each year, and could scale up as its value is proven and industry increases its level of engagement with the fund and the training system more broadly.

Recommendations

- 40) That the Government establish a workforce training innovation fund.
- 41) That the fund invest in training-related initiatives that:
 - a. have expected productivity benefits at a firm or sector level; and
 - b. will improve the skill or employability of the students.
- 42) That the fund also invest initiatives that provide opportunities for applied research partnerships between capable RTOs and small and medium enterprises.
- 43) That the fund ensure that funded initiatives are:
 - a. subject to evaluation and reporting; and
 - b. designed in a way that allows for the sharing of lessons and knowledge.

Industry input into labour market priorities

Understanding labour market needs and trends is essential to both the proposed design of the funding system, and to ensuring that VET achieves its goal of providing training that leads to employment.

The Review acknowledges that forecasting of any kind is an inexact science, and forecasting the collective needs of many complex and dynamic labour markets with precision will always be a challenge. Nonetheless, it is important to continue to refine labour market forecasts and tools to ensure that government's investment in VET is well-targeted.

The Review considers that this forecasting process would be best served by a mix of qualitative and quantitative analysis.

Existing labour market forecasts and analysis are a useful input. State and federal governments already produce this work, and it is considered to be generally reliable and of good quality. However, it is not without limits, and is generally regarded as less reliable in narrower areas – for example, it may provide a good indication of future needs in a broad industry category across the state, but be less reliable when considering smaller industries or differing labour market needs in smaller geographic regions.

The Review suggests that this quantitative forecasting be augmented by a range of formal engagement and consultation processes with all stakeholders, to refine the quantitative forecasts and help understand existing and emerging needs and trends.

In the Issues Paper, the Review suggested this process could be established and overseen by the Skills Commissioner, and the feedback received on this proposal has been supportive.

Understanding labour market needs

In order to gain a useful and actionable understanding of labour market trends, consultation should be regular, dynamic and broad. It should not simply be one formal committee, but part of an extensive, ongoing engagement with industry, gathering on the ground intelligence as part of an ongoing, organic process.

This work should be integrated and coordinated with other government engagement, forecasting and regional and industry information gathering and consultation mechanisms, such as the Jobs and Investment Panel and the work of the Department of Economic Development, Jobs, Transport and Resources.

The design of the consultation model should seek to avoid duplicative



consultation and ensure whole of government consistency and the best possible advice. Where possible, it should take advantage of existing sources and networks, including local councils and community networks.

Engagement should be undertaken with a mix of individual employers, peak bodies, unions, regional communities, and other stakeholders. It should draw out the different trends in different industries and parts of the state, and understand that it is crucial to the economy that training occur not just in areas with large need or that are priority growth sectors, but also in smaller areas that are still vital to the economy, like regional areas or specialist industries. Where there are skills with small or region-specific needs, this information can also inform community service grant funding (see page 113).

Information gathered should include current labour market needs, foresight to plan for future developments and opportunities, and an understanding of the needs of industries and employees adapting to structural changes in the economy.

The Skills Commissioner will need to add an element of judgment and analysis to its consultations to provide advice to government that distinguishes real needs and value to the Victorian economy from what is merely stakeholder's self-interest.

The Review also considers that there would be benefit in undertaking more detailed, 'deep dive' examinations of labour market and skill needs trends in discrete areas (for example, specific industries or regions). This could involve commissioning discrete research projects to enable a better understanding of priority industries for government, or areas experiencing challenges.

While mindful that Victoria's needs and priorities may differ from those in other parts of Australia, the Government could also work with relevant Commonwealth Government groups, such as the Australian Industry and Skills Committee and Skills Service Organisations, to limit duplicative consultation.

There is also an obligation on employers to participate – if the training system is to meet their needs, they need to make an investment in it, including in helping to determine priority training areas.

The Review notes a number of other workforce planning and development models in other jurisdictions, such as Western Australia, could be considered by government and the Skills Commissioner in the development of this process.

Recommendations

- 44) That the Government request the Skills Commissioner to provide regular advice on existing and future labour market needs and trends to inform targeting of training expenditure.
- 45) That this advice consist of a mix of:
 - a. data forecasting (using other government forecasts and resources);
 - b. advice based on industry engagement and consultation; and
 - c. detailed reviews of discrete skill needs.
- 46) That the Skills Commissioner establish an engagement strategy, based on the principles that it:
 - a. be broad and flexible;
 - b. be inclusive of a broad range of stakeholders, including employers, peak bodies, unions and regional representatives; and
 - c. consider regional labour market differences.
- 47) That this process link in with existing work and processes to ensure a consistent and comprehensive whole of government view, and to avoid duplication.

Helping industry make training decisions

As discussed earlier in this Chapter (see page 59), businesses have the capacity to have significant influence on the training market, but many are struggling to understand it or use it effectively. A relatively small investment by the Department in developing, updating and publicising fact sheets and explanatory documents targeted at industry could help improve their understanding and use of the system. The availability of Market Facilitation Managers could also be better publicised.

Another tool currently available is the Victorian Training Select website. It allows businesses and RTOs to register – businesses to provide their training needs, and RTOs to submit proposals in response. The site could be better promoted and integrated with existing data.



Recommendations

- 48) That the Government develop, update and better publicise information targeted at assisting industry to understand and use the training system, and understand their obligations to support effective training.
- 49) That the Government strengthen and promote the Victorian Training Select website.

Building relationships between providers and industry

In addition to the measures discussed elsewhere in the report, the Review considers that greater formal links between industry and providers would be of benefit.

In the case of larger providers with industry specialisation(s), providers should be encouraged to establish course advisory committees, with industry stakeholders and representatives to help ensure the course has contemporary industry knowledge and will lead to positive employment outcomes for students. This could also assist with post-training employment for students, or work placements.

In the case of TAFE institutes, the Government is the owner and appoints the directors. Where a TAFE institute has a strong link to a particular industry, or wishes to develop one, the Government could consider appointing a director with experience in that industry as part of developing stronger links.

Recommendations

- 50) That, as part of the development of the funding system and awarding of contracts and negotiation of compacts, the Government encourages the establishment of course advisory committees (with industry stakeholders) for larger providers.
- 51) That, in making appointments to a TAFE institute board, the Government considers people with expertise in industries relevant to the institute's training priorities.



Supporting entrepreneurship and small business

Many students will complete their training and either start or join a small business. The Review considers there would be benefit in government trialing a program to better support these students with small business and entrepreneurial skills to improve their transition from study to full time work. For example, an apprentice could be provided training in setting up a business, invoicing and GST rules, or business development skills.

Such a program could be undertaken as part of the community service grants, discussed on page 114.

Recommendation

- 52) **That the Government trial a program to support students' development of small business and entrepreneurial skills.**



Chapter 4: Institutes of technical and further education

Overview

The Terms of Reference require the Review to provide recommendations on the development of a strong and responsive public TAFE sector (ToR 1e).

The Review considers a number of interventions are required to improve the position of these institutes if they are to become sustainable, as they currently face costs, obligations and restrictions that other providers do not. These impositions can make it difficult for them to compete in the training market.

The Review's recommendations regarding the development of a strong and responsive sector revolve around:

- the Minister making a clear statement about the role of TAFE institutes in Victorian VET;
- funding institutions for some of the obligations imposed upon them by virtue of public ownership; and
- developing a compact which involves TAFE institutes responding to government priorities, as well as identifying their communities' educational needs, negotiating these with government and meeting agreed outcomes.

The Review also considers there to be an opportunity to investigate the establishment of polytechnic universities to improve access to higher education in areas of educational, social and economic disadvantage.

The role of institutes of technical and further education

TAFE institutes play a central role in VET in Victoria. They can deliver the skills required for workforce participation and productivity. As a statewide government service, these institutes should aim to provide reliable access to VET. Their public ownership means that government can ask them to provide a range of services that private providers are unable or unwilling to do.



While private provision can complement the physical and intellectual infrastructure that is held in and by TAFE institutes, it cannot replace it. They also serve as a valuable export industry, attracting international VET students. It is important that they have an enduring role in the VET system in Victoria.

The important role of the public provider in the VET system is acknowledged in the National Partnership Agreement on Skills Reform, where all Australian Governments recognised:

their important function in servicing the training needs of industry, regions and local communities, and their role that spans high level training and workforce development for industries and improved skill and job outcomes for disadvantaged learners and communities.¹⁰

The role of TAFE institutes as public providers of VET was also widely acknowledged by other stakeholders, including private providers who felt that TAFE institutes were a valuable community and local industry asset.

TAFE institutes' links with industry

TAFE institutes have a key role to play in linking education with industry. They need to respond to the needs of those disengaged from education or the workforce, and assist in their transition to further study or employment. As the Victorian economy transitions to knowledge intensive industries, TAFE institutes, with their focus on applied learning and their geographic spread, are uniquely positioned to provide both VET and higher education. This can be by TAFE institutes in their own right, and also in partnership with universities.

There is a high degree of dependence on industry and TAFE institutes to ensure the supply of human capital in the Victorian economy. Industry is an important customer of TAFE institutes, and therefore the institutes should be responsive and engage with industry to ensure their training needs are met. Industries increasingly expect to be involved in design of curriculum and pedagogy, and to be able to provide feedback on the extent to which their needs are met.

TAFE institutes benefit when industry can provide them with clarity on future skill needs, are a part of formal and informal channels of engagement, and make a contribution towards the learning experience of their students (such as

¹⁰ Council of Australian Governments (2012), *National Partnership Agreement on Skills Reform*, p 3.



work placements). Where this relationship isn't strong, the impacts can be significant, leaving students with obsolete or irrelevant skills, and firms without the human capital they depend on to contribute to their prosperity.

The notion of integration with industry has always been part of TAFE's mission, but it is more complex now. Reasserting the importance of integrated industry-TAFE partnerships is an important step forward in rebalancing Victoria's VET system.

Regional Victoria

The TAFE institutes are a vital component of regional Victoria, as both a part of the community and provider of higher education. Throughout the Review's consultations, it was clear that industry and the wider community in regional Victoria look to these institutes for their educational and training needs. They are a critical part of the Government's social and equity objectives and play a major role in the provision of educational opportunities for the disadvantaged. Their broad geographical spread, diverse course coverage and the non-commercial focus that stems from their public ownership means that these institutes are well placed to provide equal access to tertiary education to all Victorians.

International exports

TAFE institutes also contribute significantly to the economic wellbeing of the state by being significant international education exporters. Victorian TAFE is the largest public provider for international VET education in Australia, with more than a third of the market of public provider enrolments. Indeed, in 2013, one Victorian TAFE institute had more international student enrolments than the whole of the New South Wales TAFE system.

Funding challenges

The current funding of VET in Victoria is undermining public education. The system has put TAFE institutes in a perilous financial situation. As noted in the Review's Issues Paper, the financial position of the TAFE sector is in decline.

A recent Auditor-General's report found six of the ten TAFE institutes examined have high short-term financial sustainability risks, and nine of the



ten have longer-term financial sustainability risks.¹¹ The overall operating deficit across all TAFE institutes in 2014 was \$5.4 million (EBITDA loss). When depreciation and capital contributions are included in these calculations, the loss was \$52.5 million.¹² TAFE institutes have moved increasingly to fee-for-service training revenue, and reduced their reliance on VTG funding.

This is in direct contradiction to their core role as public providers – the provision of publicly-subsidised training. The potential loss of the public provider leaves Victoria exposed to inadequate provision of VET across the state and in some industries – particularly in regional and rural Victoria where TAFE institutes play a vital role in their local communities, and in apprenticeship training which is primarily delivered by TAFE institutes.

If this funding approach were to continue, there is a risk that the Victorian Government will not have the network of public providers required to achieve its policy objectives – such as addressing disadvantage or supporting capital-intensive training.

The role of TAFE institutes in VET

The Review has been advised, on several occasions, that the importance of TAFE institutes to a sustainable VET system is fundamental. Government, through the Minister, could strengthen the sector's confidence, by making a clear statement about the role of TAFE institutes in VET. The Review agrees.

Such a statement should explain how TAFE institutes help Government meet its objectives for the VET system more broadly (see page 20), as well as addressing the role of TAFE institutes in rural and regional communities, and for disadvantaged or disengaged students.

Recommendation

- 53) That the Government, through the Minister for Training and Skills, make a statement outlining the role of TAFE institutes in VET in Victoria.**

¹¹ Victorian Auditor-General (2015), *Technical and Further Education Institutes: 2014 Audit Snapshot*, p. vii.

¹² DET analysis provided to the Review.

Role of individual TAFE institutes

Each TAFE institute has a unique role, serving different communities with different educations and training needs and a variety of social and economic challenges.

Government should make these roles clear. In addition to providing clarity for the institutes, their staff and students, and the communities they serve, this will help inform the negotiation of the compacts (discussed below).

Greater collaboration between institutes

The legislation under which TAFE institutes are established requires that, among other things, a TAFE institute:

perform its functions for the public benefit by

operating its businesses, delivering educational services and utilising assets that it manages on the State's behalf as efficiently as possible; [and]

endeavouring to maximise its contribution to the economy and wellbeing of the communities and industries served by the institute and the State as a whole; [and]

collaborate as part of a strong public training provider network which is mutually and commercially beneficial to enable the institute to offer or provide educational services that meet the needs of industry partners and communities, including persons and groups that have particular education needs.¹³

The competitive market does not encourage collaboration between TAFE institutes to best meet the needs of their local communities. The current funding system encourages an institute to compete for students (and revenue) in order to survive, including by competing with other public providers.

In some cases there will be a natural overlap between providers, courses and areas, and there will be instances where competition between TAFE institutes is appropriate (such as contracts from industry). However, the Review has also heard of instances where this may not have been in the system's best interest, such as a regional TAFE institute offering training hundreds of kilometers away from its core region, in an area of Melbourne already well-served by other institutes. Consideration should also be given to other public providers in the

¹³ *Education and Training Reform Act 2006*, s 3.1.12A(a)(i), (a)(iv) and (c)

same areas, to ensure training services are complementary.

The Review considers that, as part of articulating a role for each individual institute, government should work with TAFE institutes to agree areas of focus. The Review recognises that, although this should lead to better results across the network, individual TAFE institutes may suffer loss of revenue and opportunity as a result of this change. This should be addressed as part of the TAFE compact discussed below.

Costs and obligations on TAFE institutes

TAFE institutes are public sector bodies that face material costs, obligations and restrictions (collectively, 'additional costs') that other private providers do not.

These additional costs take a variety of forms and are quantifiable to a degree. Examples are contained in Table 2 below.

Table 1: Costs, obligations and restrictions imposed on TAFE institutes

Additional cost/obligation/restriction
<p>Workforce arrangements</p> <p><i>TAFE teaching staff are employed under a different agreement to non-government providers, which use a Modern Award. The TAFE agreement is less flexible and higher cost (on a teaching hour basis) than the Modern Award. For example, the TAFE agreement allows about 800 teaching hours per year for a teacher, whereas the Modern Award allows for 1150 teaching hours. In addition, TAFE institutes often have limited flexibility on industrial relations matters, required to operate within general government industrial relations policies, prevented or discouraged from reducing workforce size, and without the ability to negotiate their own agreements.</i></p>
<p>Asset maintenance</p> <p><i>TAFE institutes are entrusted with, and required to maintain, significant public assets. They can be prevented from disposing of assets or closing campuses that are uneconomic or obsolete.</i></p>
<p>Board composition</p> <p><i>TAFE boards are typically larger than other providers of a similar size. This results in more directors' fees, and greater expense incurred to support board members.</i></p>

<p>Public sector financial and operating reporting obligations</p> <p><i>TAFE institutes have reporting and other obligations as public sector entities, such as compliance with whole of government financial management framework, the Freedom of Information Act, regular reporting to central government and DET, audits by the Auditor-General, and government procurement and communication policies.</i></p>
<p>Requirement to seek government approval for marketing and material commercial decisions</p> <p><i>Government's Commercial Guidelines for TAFE limits TAFE autonomy in a variety of areas, requiring TAFE institutes to expend time, effort and resources seeking approval to, for example, lease excess space or undertake marketing campaigns.</i></p>
<p>Investment restrictions</p> <p><i>TAFE institutes are required to invest their cash balance with TCV, rather than be able to use a better rate with, for example, a big four bank.</i></p>

There is an unresolved tension in expecting TAFE institutes to simultaneously compete on a level playing field, deliver quality training, serve their communities, meet the additional costs imposed by government, and remain sustainable.

In addition, TAFE institutes are required to account for depreciation of assets over which they have limited control. This is not funded and when reflected in their financial statements, distorts an institute's operating performance. The Review is not recommending funding institutes for depreciation but has raised the matter with the Auditor-General regarding the feasibility of reporting an operating result before depreciation (known as EBITDA) to better reflect an institute's performance. Whilst sympathetic, the Auditor-General indicated this was not possible because of whole of government reporting requirements.

Finally, it is also anomalous that many other government entities, including departments, are funded for depreciation and reimbursed for payroll tax.

The Review considers it necessary and appropriate to fund TAFE in a way that reflects these additional costs. The Review commissioned an accounting firm to quantify these costs, and recommends that payment for these costs be allocated among TAFE institutes proportionate to size, measured by relative student contact hours.

These additional costs could in part be reduced by reviewing the existing obligations that are imposed upon TAFE institutes through legislation, ministerial direction and government policy.



In addition, a review of the TAFE asset bases, particularly government owned buildings, could identify underutilised or redundant assets. Dealing with these assets – either through improved utilisation or transfer to other uses – could improve the efficiency of operations or reduce maintenance requirements.

Recommendations

- 54) **That the Government fund the costs, obligations and restrictions imposed on TAFE institutions, including asset maintenance, board composition, public sector financial and operating obligations, government approval requirements and investment restrictions, allocated between TAFE institutes based on student contact hours.**
- 55) **That the Government review the costs, obligations and restrictions it places on TAFE institutes.**
- 56) **That the Government undertake an audit of TAFE assets.**

The establishment of funding compacts

One of the difficulties for all providers is that under the current input-based policy settings, there is no clear statement of government priorities and there are no agreed outcomes on which to evaluate a provider's performance.

The Review recommends the Government enter into compacts with each TAFE which reflect the additional funding being provided. These compacts would outline the role of each institute, and link the additional funding to a performance agreement. They would run for three years, supporting a longer-term, more strategic approach to VET provision with closer links to provider performance and student outcomes.

The compact is designed to strengthen partnerships, improve performance, and provide greater information to the community, demonstrating evidence-based outcomes to the investor - the taxpayer. Further, it reinforces the concept of government managing the contestable system. If successful with TAFE institutes, their use could be expanded to other, non-government RTOs over time.

Importantly, the principles of contestability would remain – TAFE institutes would still compete with all other training providers for students, and would not receive a guaranteed number of students or share of the VTG. If anything, the longer-term planning and outcomes measures in the compact would impose a greater obligation on TAFE institutes.



In a contestable system, the financial viability of TAFE institutes will never be guaranteed, as their success will always depend on their ability to attract students and provide value to their communities. However, the Review believes that this provides a fair and reasonable framework that will allow TAFE institutes to not just be viable but thrive and succeed on their merits.

Role and content of the compact

The compact should be designed to strengthen the relationship between the Government and TAFE institutes, and ensure that their objectives are closely aligned. Whilst the compact will spell out an intended three-year plan and will include funding for obligations identified in recommendation 54, it will not guarantee funds – TAFE institutes will still need to attract students to receive VTG revenue.

The compact will enable institutions to identify their planned programs and activities and to agree these with the Government. To achieve their planned programs and activities, TAFE institutes will still need to compete with other providers to attract students to achieve their agreed targets.

As outlined in the funding system described in Chapter 2, TAFE institutes receive VTG funding for training delivered, consistent with other providers in the system. However, the compact would provide objectives and targets for TAFE institutes to achieve. Strong performance would be the basis for greater allocations in future years. If TAFE institutes are not reaching their enrolment targets, places could be allocated to another provider.

Elements of a compact

The detailed elements of a compact should be developed by the VET Quality Funding Office in consultation with TAFE institutes, and consistent with Government's objectives for VET. However, the following outlines some important areas that may be included in individual compacts.

Overview of the institute and its strategic intent

- Its mission.
- Its strategic direction, including proposed outcomes for the next three years, how these outcomes have been decided, and their link with government priorities.
- What it will do to achieve the outcomes and how this aligns with Government priorities.

- How it intends to measure progress towards achieving strategic directions, including its indicators.
- How it has identified the needs of its key stakeholders including, employers, businesses or industries relevant to its areas of delivery.
- Evidence of arrangements with other public providers to coordinate activity in their regions and avoid duplication.
- How it will report to its key stakeholders on progress towards meeting their needs.
- Any key changes it is making that are likely to have a significant impact on performance or other outcomes.

Summary of planned activities

- Planned programs, number of students and student contact hours which the institute is seeking to provide (a program profile).
- Specialist programs for students with disadvantage, with a particular focus on literacy and numeracy outcomes.
- The principal mode of delivery for each program (e.g. workplace training, online learning, workshop based).
- Information about any delivery that is to be subcontracted.
- Other planned programs and activities for which funding is sought.
- A brief description of other activities undertaken not funded by the Victorian Government.
- Any new activities that will be introduced over the three year period.

Performance metrics

The Review also expects the compact would have a dedicated section dealing with performance metrics. As this is a relatively new requirement, the VET Quality Funding Office should take a leadership role in developing metrics that should be used to achieve the Government's objectives. Careful attention should be paid to developing performance metrics that are not outside the scope of the institute and do not take away the focus on outcomes for students.

The VET Quality Funding Office will need to ensure that the proposals put to it are in line with the proposed directions and activities that are articulated by



Government on a regional and statewide basis, as well as the organisation's capacity to deliver.

Financial sustainability

In a competitive VET system consideration should also be given to organisations oriented to or motivated by delivering greater public value. This includes TAFE institutes, which should be encouraged to provide those programs which have significant community value, but are not necessarily financially lucrative.

For example, VET programs focussed on the most disadvantaged in our society, when properly conducted, can be resource intensive and require extensive interventions. However, in recent years Victoria has reduced funding for these programs to address over-provision. This has been at the expense of properly funding courses for some of the most disadvantaged students in the VET system. These include, for example, the Certificate I in Vocational Preparation (reduced from \$8.50 to \$5 per hour) and the Certificate II in General Education for Adults (reduced from \$8.50 to \$7 per hour).

TAFE institutes also deliver a range of courses that have small student numbers and can be expensive to establish and deliver, but are important to maintain in Victoria, such as stonemasonry, solid plastering and glazing.

There is a legitimate public interest for these programs to continue, and to ensure that the public value motivation in TAFE is maintained. While TAFE institutes needs to be competitive, it is not in the community interest for them to only focus on those programs which are cheap to run, the subsidy adequate and student demand easily induced. The Review's recommendations are therefore designed to support the financial sustainability of TAFE by ensuring:

- TAFE institutes are properly funded for those costs and obligations imposed on them that are not imposed on other providers in the system (recommendation 54); and
- subsidies are reset so they are based on the efficient and effective cost of delivery, so that providers delivering resource intensive courses are not encouraged to either cut costs or stop providing those courses.

The Review, whilst mindful of the difficulties associated with the expectations placed on institutes, is suggesting some financial indicators should also be considered to improve financial sustainability. These are:

- no more than 75 per cent of overall revenue should come from one source;

- staffing costs for institutions (including subcontracting and outsourced activities such as the use of brokers) should not exceed 60 per cent of total revenue. The Review notes that this is much higher than that expected in most private RTOs, which do not have the range of services, programs, and public facilities and equipment to maintain;
- infrastructure and associated costs should be no greater than between 30 and 35 per cent;
- tenured staff as a percentage of all staff should not exceed 50 per cent, with the balance being made up of contract and casual employees; and
- staff ratios would normally be 60 per cent teaching and 40 per cent administration.

Negotiating compacts

For compacts to work a significant change in the maturity and professionalism of the relationships between TAFE institutes and government will be required. The compact requires the Government to specify what it wants from its investment. The institutes will need to improve their planning and internal capability (they have, to varying degrees, made progress on this already), and work closely with their communities. The VET Quality Funding Office will need to develop a detailed understanding of the local needs and challenges for each TAFE, and work in partnership with the TAFE institutes towards achieving the best outcomes.

To support the compact process and development of productive relationships between the VET Quality Funding Office within DET and the TAFE institutes, the Department could develop a new Performance and Relationship Management Framework for its dealings with TAFE institutes. Such a Framework should emphasise:

- regular and positive contact between DET and each TAFE institute;
- clear roles and responsibilities for DET and individual TAFE institutes;
- collaboration on strategy and planning, in the achievement of Government's policy objectives;
- the adherence to good public administration and governance;
- appropriate monitoring and reporting requirements; and
- continuous improvement.



The Victorian Public Sector Commission could be engaged to advise on better practice and assist in the development of the Framework.

Recommendations

- 57) That the Government enter into compacts with each institute of TAFE to provide additional funding in exchange for clearly defined services and outcomes.**
- 58) That the compacts be negotiated for a three year period.**

Dual sector universities

In addition to the 12 standalone TAFE institutes, Victoria has four dual sector universities, which act as both VET and higher education providers.

These dual sector universities operate in an unusual environment – they are creatures of the state, but they have greater autonomy than TAFE institutes, and they are not subject to many of the burdens, costs or obligations of TAFE institutes or other public sector entities. They are not, for example, subject to general Victorian Government workforce policies, or the same restrictions on dealing with their assets. In some cases, their VET operations act as a pathway for students into the higher education services that they offer.

Mindful of the importance of prioritising the allocation of limited government funds, the Review is therefore recommending that they receive some additional funding (consistent with recommendation 54). The Government would also negotiate separate compacts with the TAFE sector of each of the dual sector universities, reflecting their individual communities and situations. For example, the Government may value the provision of VET in Ballarat by Federation University, and in the western suburbs of Melbourne by Victoria University, and provide funding for them in exchange for improving local participation rates.

Dual sector universities would also have access to the general VTG pool and the pool for community service grants on the same basis.

Recommendation

- 59) That the Government enter into compacts with dual sector universities in relation to their TAFE operations.**

Chapter 5: Quality assured vocational education and training

Overview

The Review defined the terms quality and quality assurance in Chapter 1. The definitions used inextricably link the two concepts. Quality is important because weak VET systems create problems by providing poor information to students, do not specify outcomes, have poor risk management and create situations where consumers can be manipulated. This ultimately penalises students and leads to a loss of confidence in the VET system.

During its consultations, the Review heard many concerns about the quality and variability of training being provided by some providers in Victoria. This has been reinforced by various published reports, including ASQA reviews. Some employers confidentially advised the Review that they specifically avoided employing students from particular providers given concerns about the quality of their qualifications.

Importantly, training providers were often the most strident advocates for better quality assurance. They strongly advocated for removing poor or rogue providers removed from the system. They recognise that without reasonable quality assurance in the system, the entire sector will be diminished.

Every recommendation in this report is designed to support a quality VET system in Victoria. The role of government is crucial to ensuring that the system is stable and well-managed. A subsidy system that is based upon a sound set of principles will ensure that effective course delivery is possible. Strong, effective and sustainable institutes of TAFE will create a benchmark quality standard for all RTOs.

The Review supports the concept of quality being underpinned by a clearly articulated quality assurance function within the State Government. While improved contract and accountability measures for RTOs in receipt of government funding is important in underpinning a quality VET system, so too are strategies that safeguard standards (quality assurance).

Findings of the Quality Assurance Review

The Quality Assurance Review was undertaken by Deloitte Touche Tohmatsu for the Government. It centred its recommendations across four key areas:

- market access;
- delivery of quality training and assessment;
- managing performance; and
- strengthening consumer information.

The Review supports the approach taken by the Quality Assurance Review; however there are areas where it would extend on, or change the emphasis of their approach, as outlined in this chapter. A summary of the Quality Assurance Review's recommendations compared with the approach taken by this Review is provided at Appendix 5.

How the Victorian Government can influence quality

The Victorian Government has three key ways to influence quality in the VET system – through the management of its public providers; as a regulator of providers through the VRQA; and as a purchaser of VET, through the VTG contract.

Every recommendation in this report has been considered with reference to how it supports a high quality standard for the Victorian training system though:

- governance and accountability;
- funding and contract management;
- classification of providers;
- support for TAFE institutes; and
- simplicity and ease of use.

Governance and accountability

The Review's proposed approach to governance and accountability (see Chapter 1) is geared toward funding VET in a way that drives improvements in training outcomes, including increasing training participation and attainment, supporting jobs and improving productivity in the workplace.

Funding approach and contract management

The Review's proposed funding model has been developed on the basis that the current approach – which assumes a clear quality floor and competition to drive quality improvement – has been unsuccessful.

The Review's proposed funding model emphasises the need for government to invest in training in a way that sets a higher standard of training than is currently guaranteed by the regulatory environment. For example, the design and management of contracts gives primacy to the enforcement of clear quality standards across the government-funded system.

Classification of providers

The Review sees the successful implementation of the classification framework as a key component in driving quality improvements across the system. A classification system should provide an incentive for providers to improve, and a transparent way for students and employers to assess the performance of individual providers.

Support for TAFE institutes

A key role of the public provider should be to set a high quality standard and act as a quality benchmark for the entire sector. The funding approach for TAFE institutes and the introduction of the TAFE compact should be geared toward measurable outcomes for local areas and communities.

Simplicity and ease of use

Creating a simpler, easier to navigate system should help students and employers get the most from the system and their entitlement, and to receive quality training that leads to the outcomes they seek.

Quality and contract management

The VTG contract is the Government's strongest tool to address quality in the Victorian training system. The *Education and Training Reform Act 2006* provides government with significant powers which would not usually be available to a purchaser of services, including a right of entry and inspection to training premises, and the ability to insert penalty clauses in the contract.

DET is a significant purchaser of training in Victoria – more than \$1 billion each year. In the past, due to a conscious decision of successive governments to 'let the market run' and rely on competition to drive quality, quality assurance has not been at the forefront of government's management of VET.



The current contract can be more actively used for greater quality assurance in the VET system. The Review notes the initial commitment of \$9 million by the Government in response to the Quality Assurance Review to strengthen contract enforcement, and that work has begun to remove some providers from the government-funded training market. The Department has recently taken a more aggressive approach in taking action under the contract. The review encourages the department to continue this approach – the risks and costs of poor providers or undesirable activity continuing in Victoria are too great to do otherwise.

In the proposed new departmental structure, the VET Quality Funding Office would be responsible for managing the contract, enforcing compliance and monitoring outcomes.

Recommendation

- 60) That the Government use the establishment of the VET Quality Funding Office to strengthen contract management.**

Quality assurance

Strategic reviews

The Department's current resources are more commensurate with the requirements of a funding assurance regime, than a quality assurance function

Departmental resources have been established primarily to support funding assurance, and are not commensurate with managing a systematic quality assurance regime.¹⁴

The Review has earlier recommended the creation of a VET Quality Assurance Office (see page 21). This would encompass a number of activities that can underpin standards. In particular, the Review recommends that in addition to provider audits, the VQAO undertake strategic reviews across a qualification, discipline or other areas where concerns have been raised in relation to the appropriateness of activity.

The Review is aware that the sector is suffering from 'audit fatigue' and so it would be important for the VQAO to ensure that the reviews contributed to a

¹⁴ Deloitte Touche Tohmatsu (2015), *Review of quality assurance in Victoria's VET system*, p 7.



better understanding of the standards required to deliver VET in Victoria, and were strategic rather than compliance-oriented.

Recommendation

- 61) That the VET Quality Assurance Office undertake a program of strategic reviews.**

Developing standards

Developing clear standards which providers are required to adopt when delivering VTG-funded training is an important quality assurance function.

The Review supports the development of specific standards for workplace training and online learning. These standards would be incorporated into a provider's contract in instances where either is the primary mode of delivery.

Online learning can be of benefit when students are juggling other life demands and attending classes can be challenging. Workplace training can be a highly useful way to improve people's vocational skills, in a realistic, on-the-job environment, and is a preferred mode for some employers. However, each is a relatively new form of delivery with its own risks, and the Review considers that the development of standards would be of benefit to ensure the learning is most effective.

These standards would ensure that students receive the same quality of learning no matter the mode of delivery. The existing regulatory framework has not addressed this issue. Internationally, standards for online learning, and to a lesser extent workplace training, are being developed, for example in the US and Canada.

Standards and/or protocols associated with fully on-the-job training could assist in strengthening industry involvement in VET, and should be developed in consultation with industry. They could encourage or require workplaces to specify how the training is incorporated into its work practices. It could also develop guidelines on work placements.

Recommendation

- 62) That the Government develop standards for fully on-the-job training and online learning as a quality assurance measure.**
- 63) That the Government consult with industry in the development of standards and/or protocols for fully on-the-job training.**

Assessment

Assessment is the most fundamental quality assurance tool in the VET system. Inadequate assessment was identified by ASQA as a critical problem in its review of child care training. ASQA also noted that this is ‘common across the rest of the VET sector’ and, combined with the delivery of too many courses in a very short time, it was ‘threatening the long-term financial sustainability of the Australian training market.’¹⁵

In the Issues Paper, the Review discussed greater use of summative assessment by government as a quality assurance tool. In particular, to improve confidence in training conducted fully on-the-job, as a combination of recognition of prior learning and gap training, and in areas regarded as a higher risk (for example, child care and aged care, because of the responsibilities of practitioners in relation to people in their care).

The purpose of summative assessment is to focus on assessing the critical skills and knowledge identified by industry as required by job ready individuals, prior to the qualifications being issued. Summative assessment would not replace the requirement for RTO to be responsible for assessing students’ training throughout their learning experience.

The benefits of greater summative testing to students, employers and government would be to enhance and validate the RTO’s assessment outcomes, and to increase confidence in the quality of graduates in the VET system.

The Review has discussed this concept with VETASSESS (the VET assessment service owned by the Bendigo Kangan Institute). Their advice to the Review is that summative assessment for high risk areas could be undertaken in a cost-effective way which drives improvement in assessment capacity across the VET system in Victoria. Given ASQA’s comments on the quality of assessment, the benefit to Victorian VET is likely to be significant.

A regime of summative testing in high risk areas (for example child care or aged care) should be included in the quality assurance regime. However, it should be targeted at:

- qualifications where the consequences of inadequate training are serious – for example, the risk to workers or clients is high, or where the occupation has higher levels of responsibility to its clients; and

¹⁵ ASQA (2015), *Training for early childhood education and care in Australia*, p 10.

- competencies within a qualification or unit where the consequences of inadequate training are serious – for example, anaphylaxis training; and
- training in these high risk areas that has taken place exclusively in the workplace.

Recommendation

- 64) That the Government develop summative assessment strategies for areas of high risk as a quality assurance measure.**

The role of the Auditor-General

The Review notes the Government’s commitment to expand the powers of the Auditor-General to ‘follow the dollar’. The Review supports this, noting that the VET system provides more than half a billion dollars each year for training delivered by non-government organisations.

Providing the Auditor-General with the ability to scrutinise this training expenditure, as they would a TAFE institute or government school, will provide an additional level of assurance that the money is being spent efficiently, effectively, economically and in compliance with relevant legislation. This would not, in any way, derogate the responsibility of the Department to actively manage and oversee the contract, or of regulators to discharge their duties, but would provide an additional layer of accountability and assurance in the system, as applies across public sector expenditure.

Recommendation

- 65) That, in progressing reforms to the Audit Act, the Government ensures that the Auditor-General has appropriate and necessary powers and scope to audit non-government RTOs in receipt of public money.**

Improve training and assessment quality

A key characteristic of a high-quality training system is the effectiveness of its teachers and trainers. Robust teacher and trainer training can support long-term improvements in the training system. In its review of vocational education, the OECD noted the need for a mix of industry-specific knowledge and experience, and teaching qualifications:



Vocational teachers and lecturers have jobs that in many ways are more demanding than those of academic teachers. They not only need to have knowledge and experience of the diverse package of skills required in particular professions, they also need to know how to convey those skills to others...they need to continuously update their knowledge in response to changes in technology and working practices.¹⁶

In its strategic review of child care training, ASQA commented that '[t]he quality of assessment and the capability of assessors is an issue not just for early childhood education and care but for the whole training sector.'¹⁷

The Review acknowledges and supports the Government's commitment to implement five recommendations by the Quality Assurance Review relating to improving the delivery of quality training and assessment.

The Government has also announced funding for a new initiative that will provide up to \$1 million in funding for staff at Victorian contracted RTOs, to complete the *Put students first: delivering suitable and appropriate training* professional development program.

These initiatives will strengthen teacher and trainer capacity in Victoria.

The Certificate IV in Training and Assessment has become the standard entry-level teaching qualification in the VET sector. The Review has commented previously that VET has multiple purposes and has a significant proportion of students with disadvantage. Effective teachers and trainers are significant contributors to the effectiveness of the VET system. Current arrangements for their training have not evolved strategically. There are too many providers of Certificate IV Training and Assessment, many of whom cannot demonstrate the breadth and range and purposes of VET to potential students.

A study by NCVET raised significant quality issues associated with the delivery of the program. Significantly, two of its key messages were that:

- participants felt less well prepared to manage the needs of diverse learners, to undertake assessment, to use training packages and to manage classroom issues; and
- those delivering Certificate IV in Training and Assessment be

¹⁶ OECD (2014), *Skills Beyond School: Synthesis Report*, OECD Reviews of Vocational Education and Training, OECD Publishing, p 60.

¹⁷ ASQA (2015), *Training for early childhood education and care in Australia*, p 15.

experienced and qualified, and capable of modelling practice.¹⁸

The Report also indicated that

a majority of participants commented that they had entered the program expecting to learn much more about *how to teach* and were disappointed when this did not occur to the extent they had anticipated.¹⁹

Government should review the current content and delivery of the Certificate IV program. This review would consider whether it is fit for purpose and prepares people to effectively teach VET. It is important that VET teachers and trainers should have both industry knowledge and currency, and the teaching skills needed to impart this knowledge to students.

From a quality assurance perspective, the Certificate IV in Training and Assessment should be delivered only by experienced and qualified staff. Moreover, those who are delivering the qualification should be experienced in the delivery of VET to different cohorts of students across a wide variety of AQTF levels.

To achieve this, the Review agrees with the Quality Assurance Review that an approved provider list should be developed for the delivery of a Certificate IV in Training and Assessment. The Review considers that only providers who offer the full AQTF program range should be on the provider list.

Recommendations

- 66) That the Government review the current content and delivery of the Certificate IV in Training and Assessment to ensure it effectively prepares people to teach VET in Victoria.**
- 67) That the Government require that providers deliver a broad range of AQTF programs as a condition of being an approved provider of the Certificate IV in Training and Assessment.**

Subcontracting

Subcontracting of training and assessment services involves a VTG-contracted provider bringing in another entity to provide training and assessment.

¹⁸ Clayton, B. et al (2010), *Practitioner expectations and experiences with the Certificate IV in Training and Assessment*, NCVER, p. 3.

¹⁹ Page 8.



Depending on how this is defined, it can involve everything from a contractor teaching part of a unit, right through to delivery of an entire qualification by a third party on behalf of an RTO.

Current subcontracting practices

Under the current VTG contract, an RTO can:

- subcontract with another RTO that holds a Victorian VTG contract as long as both RTOs are allowed under their contracts to deliver that qualification; and
- with the approval of DET, contract training to another entity, including a training provider that doesn't have a VTG contract, or an entity that isn't a training provider.

The subcontracting provisions do not include an individual engaged to deliver training or assessment, or where someone is engaged through a labour hire company and the RTO has principal line of management, although there appears to be some confusion in the sector about exactly where the lines are drawn.

In line with Government policy, DET has ceased approving new subcontracting arrangements, although existing agreements have generally been allowed to continue. The Government, in its response to the Quality Assurance Review, announced that it intended to restrict further approval of subcontracting to where providers can demonstrate the subcontracting is 'genuine, specialised and limited.' The Review understands that the detail of this is still being developed.

Concerns about subcontracting

Subcontracting is symbolic of many of the issues the VET sector has faced in recent years. It has a legitimate place and can offer value to both the student and the provider, but has also been abused, used purely as a cost-saving mechanism, and led to poor outcomes for students.

There is a legitimate and valuable role for subcontracting, but that this needs to be limited. At the extreme, a VTG-contracted provider subcontracting out the delivery of an entire qualification is difficult to justify. To subcontract delivery of an entire qualification is having the provider acting effectively as an aggregator, but also renting out its name and access to VTG funding to a provider or entity. It has demonstrably introduced greater risk to the quality and oversight of training provision. It is also difficult to understand why this practice is permitted – if the provider does not have the expertise or facilities



to provide a qualification, it should not be allowed to offer the qualification to students.

On the other hand, there are places where subcontracting can be valuable. For example, a provider bringing in someone who has a Certificate IV with specialised knowledge to train students in a particular niche area. It can also be used to facilitate partnerships between trainers and industry, working together to provide training, improving outcomes for students.

Changes to subcontracting arrangements

The Review supports the Government's commitment to place tighter controls on subcontracting, and recommends that in implementing this commitment, it focus on allowing subcontracting where it is discrete and unambiguously beneficial. It should not allow large scale subcontracting.

The Review also recommends that the rules about providers subcontracting to other RTOs be revised to require an RTO to disclose to a student in all instances where the course is being delivered by a different RTO in whole or part.

This will prevent the situation, for example, where a qualification appears to a student or employer to be from a capable training provider, but a significant part of the training and assessment is undertaken by a lower-capability provider.

Recommendations

- 68) That the Government not permit RTOs to subcontract the delivery of an entire qualification.**
- 69) That Government only allow providers to subcontract where the training or assessment is relatively limited, and there is an unambiguous benefit in doing so.**
- 70) That the Government, through the VET Quality Assurance Office, develop a standard to provide guidance as to in what circumstances subcontracting will be permitted.**
- 71) That the Government maintain its current approach to subcontracting until the standard is prepared.**

Marketing vocational education and training services

In 2013, ASQA undertook a strategic review of marketing and advertising practices of Australia's registered training organisations,²⁰ which found that almost half (45.4 per cent) of the 421 RTO websites reviewed showed one or more areas of potential non-compliance in relation to their marketing, advertising, fee collection, and information provision practices [and] a small but significant number of RTO websites (8.6 per cent) were using potentially misleading or deceptive marketing.

The significant increase in marketing, including incentives for providers to engage brokers and aggregators to attract students, has supported the increase in the volume of student enrolments – but in many cases at the expense of students enrolling in education and training which met their needs, and the needs of the labour market.

The Review has continued to receive feedback during its consultations about marketing activity which undermines the integrity of the VET sector.

Current marketing and student information requirements of training providers

There are a range of standards that providers of VTG-funded training are required to address.

Requirements on VTG contacted providers

The current VTG contract requires training providers to act ethically and comply with all policies and procedures and guidelines that relate to the performance of the RTO including the *Statement of Expectations: Principles and obligations for government contracted training providers*. The Statement of Expectations requires training providers to:

- provide prospective students with comprehensive information about training, assessment and support services to enable informed choice and decision making;
- assist prospective students to understand their rights and obligations

²⁰ Australian Skills Quality Authority (2013), *Marketing and advertising practices of Australia's registered training organisations*, Australian Government, p 28.

prior to enrolment or entering into an agreement; and

- understand the learning needs of individual students and provide training, assessment and support services to assist these students make the most of their training.

Requirements on ASQA regulated providers

The Commonwealth has also introduced a range of measures to place greater control on the marketing activity of providers.

The Standards for Registered Training Organisations, which apply to those providers regulated by ASQA, require that any information disseminated by an RTO, or on its behalf (by organisations such as brokers) must be both factual and accurate and:

- accurately represents the services it provides and the training products on its scope of registration;
- make clear where a third party is recruiting prospective learners for the RTO on its behalf;
- distinguish where it is delivering training and assessment on behalf of another RTO or where training and assessment is being delivered on its behalf by a third party;
- include details about any VET FEE-HELP, government-funded subsidy or other financial support arrangements associated with the RTO's provision of training; and
- not guarantee that a learner will successfully complete a training product or obtain a particular employment outcome where this is outside the control of the RTO.

Requirements on VRQA regulated providers

The VRQA requires training providers to ensure its marketing and advertising to prospective students is ethical, accurate and consistent with its scope of registration. It must also inform clients about the training assessment and support services to be provided, and their rights and obligations, before they enrol or enter into an agreement.

Regulating brokers and aggregators

The Review has received an overwhelmingly negative response in relation to some of the sales and marketing strategies used by some providers and their agents. Significant criticism has been directed towards selling strategies that



are performed by brokers and aggregators. The principal criticism is that the techniques they use often involve inducements to potential students and incorporate selling techniques which are unrelated to the educational outcomes a student might expect by engaging with the RTO.

Brokers tend to operate alone, are commissioned by RTOs and make representations to potential students in order to obtain an enrolment. The size of the commission varies, but the Review has heard reports of it being a substantial portion of the government subsidy. Aggregators are essentially sophisticated call centres which act for educational institutions and attempt to attract large numbers of students to particular courses. They are paid a fee by the education institution for an enrolment. This fee also can be substantial, according to accounts heard by the Review. The Review has also heard that in some cases, institutions have outsourced their entire enrolment process to a third party such as an aggregator.

Aggregators and brokers are sometimes attached to other services conducted by an organisation, such as employment services, and sometimes provide course material to institutions which are then branded by the institution and run as belonging to that institution. Students are attracted to the course by the brokerage activities of the course owner.

The growth of aggregators and brokers has been especially significant in recent times in regard to VET FEE-HELP and the evolution of online courses in VET. Aggregators and brokers have flourished in the existing VTG settings, particularly because educational focus has been undermined by enrolment volume. In the current funding system, increased enrolments means increased profits for the providers and their agents.

Brokers and aggregators have a tarnished reputation. Their reputation has been damaged for a number of reasons, including:

- the manipulation of students into inappropriate and expensive courses;
- the charging of excessive fees for their services;
- they are unaccountable in that they have no contract with the student;
- that there are no standards by which they are required to operate;
- that they often provide incorrect information to potential students about courses and the quality of the provider; and
- that the courses sold are in areas which require little infrastructure and can be delivered at a low cost to the provider (and are 'free' to the student).



Agents (whether brokers, aggregators or others) are an important feature of Australia's international education sector. International agents are now required to meet stringent requirements in relation to the representations they make on behalf of an RTO. The provider must ensure that their agents are compliant with these rules. The system is far from perfect, but it is a substantial improvement on previous arrangements and well in excess of the largely unregulated environment in which brokers and aggregators operate in Victoria.

The Review believes that, despite the reputation of brokers and aggregators, they can play an important role in vocational education and training, especially in increasing access in rural areas. However, far greater disclosure is required and greater training needed if the student is to be protected from over-zealous behaviours.

In the Issues Paper, the Review suggested they be banned, or more tightly regulated. While there was significant support for the ban on brokers and aggregators during the Review's consultations, a total ban on brokers and aggregators is not feasible or beneficial. Banning some activity is likely to drive it underground, and the benefits of some marketing approaches may be lost.

Instead, of a ban, the Government should use its contractual power to strengthen controls through greater reporting and disclosure of sales activity. Providers should have to publicly disclose the names of their brokers and aggregators, and the amounts they have paid them. Where students are enrolled through a broker or aggregator, they should be advised of how much commission has been paid.

The Government should place greater emphasis on enforcing the responsibility of an RTO for its agents, to ensure RTOs have a strong incentive to monitor their conduct. And RTOs should work with the VET Quality Assurance Office to develop an industry code of conduct for brokers and aggregators. The code should cover their conduct and provision of information to students.

Recommendations

- 72) That the Government require an RTO to disclose on its website, and in its audited financial statements provided to the Department, the names of brokers and aggregators it has used, and the amount they have been paid, over each twelve month period.**

- 73) That the Government require RTOs to develop and issue a code of conduct relating to brokers and aggregators, governing their conduct and the information they can provide to students.**
- 74) That each VTG student, as part of enrolment, be provided with a written statement that advises them of the level of commission being provided to any agent of the provider.**

Strengthening enforcement techniques

DET is dedicating greater effort and resourcing to contract enforcement, but that the nature of some marketing activity can be difficult to detect. The Review recommends that, as part of these efforts, the Department dedicate greater effort to following up community complaints and taking a more proactive approach to investigating possible misconduct by providers or their agents.

The Government would also benefit from greater knowledge of RTOs' operations and finances. The Review therefore recommends that the contract require RTOs to provide copies of audited financial reports to the Department each year.

Recommendations

- 75) That the Government make compliance with ASQA and VTG advertising and marketing standards a high priority, including ensuring that providers are responsible for the actions of third parties acting on their behalf.**
- 76) That DET closely monitors market trends and complaints about marketing activity (including by brokers and aggregators) and uses them as a trigger for auditing and review.**
- 77) That the Government requires, as part of the contract, an RTO to provide annually audited financial statements by April 30.**

Helping students make decisions

At the heart of the VET system, both as currently designed and under the Review's future model, is the concept of student choice. Students are able to use their student entitlement to train in the course of their choice, at the provider of their choice.

Importance of student decisions

One of the biggest problems with the system as it currently operates is that students are making too many bad choices – too many are training in courses that do not lead to the job outcomes that they want, and too many of them are going to training providers that are not providing quality training.

In the end, the Government places \$1.2 billion in the hands of students. The extent to which the community benefits from this investment relies on how well the students make their choices.

The need to help students make their training decisions through better support and independent information was a common theme in the Review's consultations, and there was concern that the absence of this support increased students' vulnerability to provider behaviour, such as aggressive marketing.

For example, the Business Council of Australia told the review that the 'biggest weakness of the Victorian VET system is the lack of market information available to support student choice', and Victoria University said it 'is necessary to improve consumer access to accurate information, which should ideally be provided by the State Government via a range of media.'

Existing student information sources and channels

There are a number of existing information sources and channels available to students, in addition to information available from providers. However none have been particularly effective in terms of usage.

In person

The Department operates a TAFE and Training hotline, available 8.30 am-4.30 pm Monday-Friday. It can refer callers to courses offered by providers, and receives a moderate volume of calls.

The Government has announced the establishment of TAFE Skills Centres to help employers, workers and jobseekers access a range of worker support and skills advice. There are also three Workforce Development Centres for people who have been, or are likely to be, retrenched.

Online information sources

The Department currently operates two websites designed to assist students in their decision making.

The *Victorian Skills Gateway*, which describes itself as 'your one-stop-shop for



vocational training in Victoria', is essentially a database of occupations, courses and training providers. It is the primary way government provides information to students, parents and employers on the VET study options available. The Commonwealth Government operates a similar website, myskills.gov.au, which provides a national directory of VET courses and providers. It includes some labour market and student satisfaction data by course, but does not include state or regional labour market information or provide detail on providers.

The *Rate Your Training* website is also available, which allows businesses to rate the training provided by an RTO. The website is little known or used, with no feedback for almost all providers and courses.

Contractual requirements

There are a number of requirements placed on providers in relation to information disclosure, including publishing on its website in a prominent place:

- standard fees for government subsidised training for each course/qualification;
- details of other fees, such as student services, goods or materials; and
- a summary of its latest registration audit information.

This information can be difficult to find and understand, and course fee calculations can be complex due to the current funding system.

RTOs are also required to publish on their website a copy of their most recent quality indicators (this is typically a student and employer satisfaction survey, with commentary from the RTO) and detail of its complaints process.

In addition, prior to enrolment, the RTO must supply each student with a statement of fees and their refund policy.

More generally, the contract requires an RTO to provide training that is suitable and appropriate to each individual student. This includes that the training meets the individual's needs and links to likely job and/or participation outcomes, and that reasonable support to facilitate the individual's participation and attainment is provided. The need for the Government to better enforce the contract is discussed elsewhere in this Report, including page 84.

A framework for future student information and support

The Review acknowledges that helping students make good training decisions is difficult. There is no perfect student training decision, nor is there a single action government can take, or support that government can provide, that will help all students make a better training decision. However, it is clear to the Review that students could be better supported.

The VET student cohort is diverse, and needs to be reached in a variety of different ways. Some students may be young and tech savvy, but others will be more disadvantaged and lack regular internet access. A mix of solutions is required.

Many of the existing resources that government provides are well intentioned, but lacking in execution. Websites are little publicised or known, lack contemporary design and navigation elements, and either overflow with information (such as the *Skills Gateway*) or lack a critical mass of information to be of even marginal use (*Rate Your Training*). Information is often presented in ways that do not demonstrate a contemporary understanding of consumer decision making. The usage statistics, where available, demonstrate the issues with the existing resources vividly – they are simply not being used.

Internationally, many jurisdictions that are attempting to provide information to students to improve decision making are also finding it a challenge.

Better practice

The Review considers there are a number of ways students could be better supported. For example, the *Rate Your Training* site should be expanded to allow ratings by students. In order to build the critical mass of student contributions, an incentive or prize could be offered. Information from the RTO performance indicator trial and the *Rate Your Training* information could then be integrated with the *Skills Gateway*, so students have more information when they're using the website to make training decisions.

The Government should consider a range of different ways to support student decision making. Some students will be able to do their own research, so a well-designed website may be a good way of providing them information. Other students may benefit from more intensive support, so a one-on-one interaction may be beneficial.

Overall, a more strategic and coordinated approach to assisting students should be developed. It should be informed by contemporary understandings of decision making, communications and design.

International examples

The UK's Behavioural Insights Unit has developed the EAST framework – that if you want to encourage a behaviour (such as good training choices), you should make it Easy, Attractive, Social and Timely (EAST). Behavioural insights are about understanding how people make decisions in the real world, rather than how a rational person may be assumed to act, and promotes methodically testing different interventions and supports to determine which are most effective. There are obvious applications for the VET system, where for a variety of reasons, students have demonstrably not made the best decisions with their training entitlement. The Review considers that these principles could inform future information provision.

The development of new student support tools need not start with a blank page. For example, the Review notes the *Occupation Outlook* publication of the New Zealand Government (see box) as a potentially useful example of how information can be better presented.

Figure 10: New Zealand occupation outlook

In New Zealand, the Ministry of Business, Innovation and Employment produce the Occupation Outlook online resource for students thinking about study and career options.

The online tool provides a series of dials that show income, fees and job prospects for each occupation, grouped by industry, as well as more detailed information about each occupation available via a downloadable pdf factsheet:



INCOME

Low- high income



FEES

Low - high fees



JOB PROSPECTS

Limited - good prospects

The information is also available through a smartphone application.

New Zealand has also established a separate Crown entity for careers advice, Careers New Zealand (CNZ). CNZ has an annual budget of about \$15 million and around 140 staff across the country, and maintains information and provides career advice and counseling on post-compulsory secondary education. While this obviously applies more broadly than VET, and a separate statutory authority may not be necessary for Victoria, the Review notes it has the benefit of providing a part of government with dedicated resources and focus on student information and support. The New Zealand model has separated CNZ from its funding and quality authorities, as such their focus is



exclusively on disseminating timely careers advice to current and potential students.

Use of trials

Trialing different forms and techniques is important to ensuring that the most effective strategies are being utilised, and is now a common approach for developing consumer support. At the moment, apart from basic utilisation data (for example, the number of phone calls or website visits), there is no information available about how students are using existing tools, and whether or not they are helping them make better decisions.

In the longer-term, evidence should be collected to better understand how students make decisions, what influences them, and how this influences their long-term satisfaction with, and results from, their study.

Independent careers hubs

A number of submissions to the Review, including from Victoria University, the Brotherhood of St Laurence, and Melbourne City Mission, suggest something along the line of the Skills Centres. Many, including the Consumer Action Law Centre, observed that support and advice to students should be provided independent of any provider, so the student has confidence that their advice is in the student's interests rather than the provider's interests. The Review agrees with this. This need for independent career information and support was also identified by the Quality Assurance Review.

Such a centre (which the Review will call a Careers Hub) could offer a broader range of support to students, including:

- independent guidance on vocational pathways and the local labour market, resulting in an individual learning and career plan;
- guidance in navigating the VET system, including information and referrals to local RTOs, as well as information on courses, costs, government funding and VET FEE-HELP; and
- referrals to specialist support services to address non-VET issues or barriers, such as homelessness, mental health or drug and alcohol related issues, as part of broader integration with other services.

The Careers Hub could also work link with other services in their region, for example working with schools to advise students on study options and transitions.



Some student cohorts – for example youth, the long-term unemployed or retrenched workers – could be given priority access to the Careers Hub.

Consistent advice to students on enrolling

A baseline of minimum, consistent and comparable information provided by an RTO should be established – not just what information should be given to prospective students, but also how it should be given. Examples of this in other sectors include comparison rates for home loans, disclosures on credit card statements about how long it will take to pay off if you only pay the minimum amount, vendor’s statements for the sale of land, or Standard Information Statements for private health insurance. The Review is not suggesting these as perfect models for adoption, but as an indication of what can be done.

In a VET context, information provided to students could include fee information, information about the providers past performance and ranking in the classification framework and likely labour market outcomes of the course. Behavioural experts should be consulted in the design and content of such a standard form.

Next steps

The Review understands that the Department is in the process of reviewing and updating some of its existing resources, and considers the current suite of tools and effort would benefit from greater sophistication, ambition and urgency.

If the Department were to develop some form of student gateway (for example, to centralise testing of student eligibility for subsidised training), improved student information and decision making support could be integrated into the gateway to encourage students to give greater consideration to the information.

The Review considers that the full range of student decision making support services should be comprehensively reviewed and revised to develop a student support master plan. The master plan should address student needs and decisions across the student lifecycle, including how information can better assist students making the transition from schools to further education.

In developing the master plan, the Government should consider whether the student information and support could be better provided by a different part of government. This could be the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), which has strong links with business and understanding of labour market needs. This would allow DET to focus on VET



funding and quality, while DEDJTR works with students to help them make training choices that lead to desired outcomes. Alternatively, the function could be outsourced to one or more private or community organisations, with a carefully designed contract that would allow for innovation and outcomes-based incentives.

The Review expects that development and implementation of this master plan of student decision making support services, the dedication of additional resources will be required on an ongoing basis. The Review considers this to be a very worthwhile investment. As long as student choice remains at the centre of the VET system, it will be essential that students are provided a reasonable amount of assistance to make these choices. Without this assistance, the system is unlikely to work as well as it could.

Recommendations

- 78) That the Government develop a new student support master plan.**
- 79) That the Government allocate appropriate resources to support the development and implementation of the master plan as necessary.**
- 80) That the Government develop or commission a long-term longitudinal research project to better understand student training experiences and outcomes.**
- 81) That the Government develop standard forms of key information to be provided by providers to students prior to enrolling.**

VET in Schools

Although largely outside the scope of the Review, issues relating to VET in Schools (VETiS) were raised by stakeholders and in submissions on a number of occasions. Issues include:

- confusion by stakeholders about the differing funding systems between VETiS under the School Resource Package (SRP), and VET through the VTG;
- concerns about the level of qualifications (and required nominal hours) being delivered via the VETiS model to school students in addition to a school based program such as the VCE or VCAL, including qualifications above Certificate III level, including Diploma level qualifications; and

- a number of quality and compliance issues arising from VETiS being delivered by school based RTOs (which is not their core business) or through auspicing arrangements with Public and/or Private RTOs.

VETiS is an important program which is growing in the school sector; student numbers continue to rise. The Review understands the Department is already undertaking work to consider issues related to VETiS, and is confident this will address stakeholder issues.

Recommendations

- 82) That Government limit VETiS qualifications to Certificate III and below for students undertaking the VCE or VCAL equivalent as part of their school program.**
- 83) That the Government limit the provision (auspicing) of VETiS to capable providers only.**
- 84) That Government, through the current Government Schools Funding Review being led by The Hon Steve Bracks AC, review the way VETiS is funded, to determine if the current level of funding is adequate for program delivery.**



Chapter 6: Continuous improvement

Overview

The earlier chapters in this report have considered ways to address issues with the current system, or to build on its current strengths.

In this chapter, the Review considers significant new initiatives to improve the system, and to help drive ongoing improvement to vocational education and training in Victoria.

Too little attention has been paid in the development of the current VET system characteristics of VET provision government wants to encourage and the outcomes from VET training government wants to achieve.

The Review's recommendations to build a process of continuous improvement into the VET system include the development of a provider classification system, a movement toward outcomes-based compacts with providers and a new approach to identifying and funding community service obligations. There should be a renewed focus on adult literacy and numeracy in the VET system.

Development of a provider classification system

Jurisdictions that have adopted a market approach to the provision of education have been compelled to adopt strategies to ensure quality, and different methods to set quality standards. The United States separates and has particular roles and outcomes specified for its institutions, New Zealand uses a self-assessment and external review protocol and Canada has separate legislation for private providers and the public provider. The United Kingdom uses a continuous improvement model that is overseen by an inspection regime known as Office for Standards in Education, Children's Services and Skills (Ofsted).

Each of the systems have attractive features and seek to achieve the same goal – to give confidence to those who rely on a VET system that it is fit for purpose, continually improving and a good public investment.

The Review's approach to a provider classification system has been developed to contribute to the achievement of these objectives and to provide improved information about a provider's capability. The provider classification model



received strong endorsement during the consultations.

Classification criteria

The Review has considered a range of options for classifying providers in the Victorian VET system.

Given the proliferation of providers in recent years and the absence of available data, the Review considers in the first instance government should undertake a simple classification of providers based on:

- organisational breadth and capacity to deliver training across all the objectives of vocational training; and
- financial and organisational stability (or level of risk)

Financial and organisational stability

A financial and organisational stability index could be developed to assess the level of risk in government investment in the organisation. The index would include objective and currently available data such as:

- length of time as a VET provider;
- level of reliance on VTG funding and private fee contributions;
- solvency ratio;
- liquidity ratio;
- working capital;
- profitability.

Organisational breadth and educational capacity

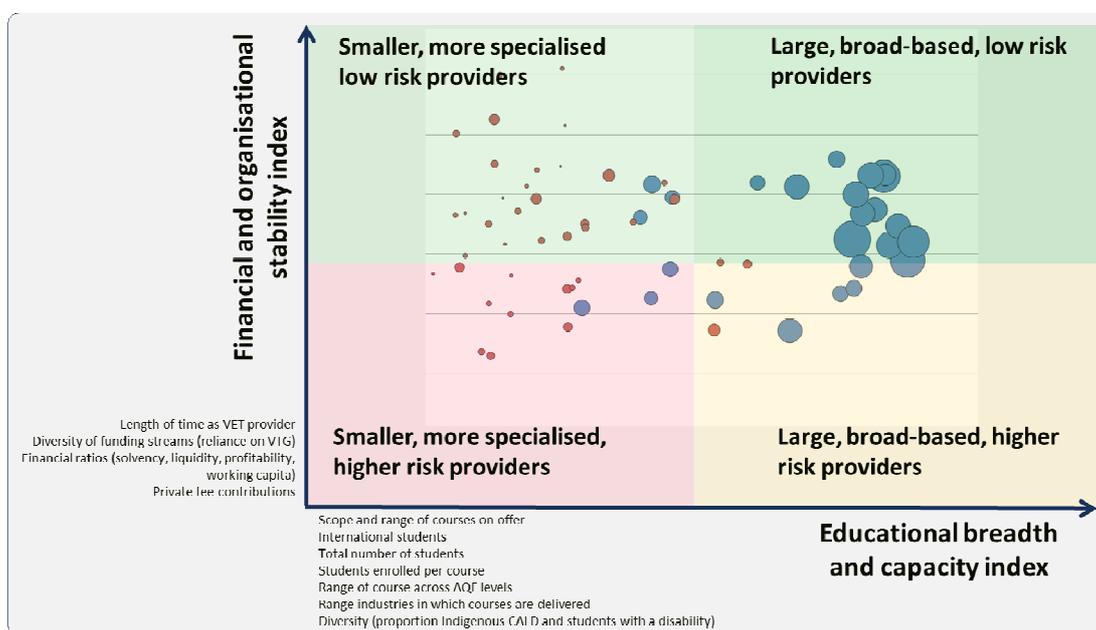
A provider's educational breadth and capacity index can be used to assess the ability of the organisation to deliver on all of the purposes of VET. Measures include:

- total number of students;
- number of international students;
- range of courses offered from Certificate I through to degree level programs;
- delivery of apprenticeships;

- range of industries in which courses are delivered; and
- diversity of student population (proportion of Indigenous, CALD, students with a disability)

The Review undertook testing of the above approach based on data from a significant sample of contracted VET providers in Victoria. A de-identified example of the results is below.

Figure 11: Example of classification system outcomes



How the classification system could be used

The spread of providers in this sample demonstrates how these indices could be used to classify providers.

Any provider classified as both financially stable and with the breadth and capacity to deliver on all of the purposes of VET could be invited to negotiate a compact arrangement with government – alongside TAFE institutes. These are providers found to have the financial stability, and the necessary size and scale to exercise significant influence on the Victorian VET system.

A provider in a compact arrangement with government could be required to negotiate outcomes-focused funding and performance measures similar to a



TAFE institute (see compacts discussion on page 77). It may also entitle the provider to lighter auditing and reporting arrangements as long as they are meeting their performance targets. Compact providers might also be able to deliver a range of additional training and programs that are not broadly available under the VTG.

This could include:

- delivery of Certificate IV in Training and Assessment;
- delivery of preparatory programs targeting literacy and numeracy; and
- training for students exempted from the upskilling requirement.

By increasing the number of providers in the system operating under performance and outcomes-based compacts, the system would increasingly move to one which is performance and outcomes driven.

The classification of providers does not include any performance measures and it does not affect the ability of other smaller, or specialist providers to access VTG funding. However, it may be used as a risk assessment tool by the department in considering provider contracts, and by students or employers considering the characteristics and risk profile of providers before enrolling in training. This is particularly important as giving an RTO a VTG contract is likely to be seen by many in the community as an implicit form of endorsement – that the Government trusts a provider sufficiently to allow it to access government funds, and in effect to provide training on its behalf.

Recommendations

- 85) That the Government implement a provider classification system as described by 2017, including ensuring that the necessary data and information is made available by providers so they can be effectively classified.**
- 86) That the Government outsource by tender the development of the classification model and maintenance of the classification system, and make the classification publicly available.**
- 87) That the Government invite providers with high ratings on the financial and organisational stability and the size and capacity measures to enter into compact negotiations with government.**

Greater use of performance assessment

As part of its continuous improvement approach, the Government should also investigate increasing the use of performance assessment across the entire VET system. This could include one or a mix of the following:

- further development of the classification system;
- establishment of a performance assessment taskforce; and
- reviews of provider performance against outcomes and process measures.

Further development of the classification system

The classification system could be further developed so that it incorporates critical performance measures for the system. This could include performance measures included in the financial measures index, such as student satisfaction, student employment or further study outcomes, or course completion rates. This would allow performance comparisons between providers of a similar size and breadth.

The information could be made publicly available to students and employers to assist in their decision making about training. It could also be used by providers to benchmark their performance against similar training providers in the system.

The Review has investigated the use of this sort of performance data in the development of its classification system it found that data is available and could be used to further classify providers based their relative performance. However, to ensure that the classification system is robust and trusted by the VET sector, extensive testing on a broader number of training providers, and consultation with the sector on the methodology, will be important.

Establishment of a performance assessment taskforce

The establishment of a performance assessment taskforce in VET (such as the model adopted by Ofsted) could assess an individual provider's capability through direct observation of its classes and teachers, reviewing training material, reviewing evidence of learning over time, and talking to students about their training experience.

This process could encourage continuous improvement within the training sector by giving providers independent feedback on the quality of the training they delivery, while also bolstering the states quality assurance regime.

External review and self-assessment

Both New Zealand and the UK use a system where providers undertake a self-assessment of their performance across a range of outcomes and process indicators. In New Zealand outcome indicators include training outcomes (further study or employment outcomes) while process indicators include (student supports available or assessment practices). Providers consider those outcomes and process most relevant to their organisation.

These self-assessments are then verified through an inspection carried out by independent assessors. The assessors have a track record of delivery and leadership in the relevant sector and are trained in the methodology and techniques of the inspection framework.

By incorporating elements of these approaches into its performance and continuous improvement approach to VET, government could drive real improvements in the quality and reputation of Victorian VET.

Recommendations

- 88) That the government investigate the use of performance measures to drive improvements in the VET to:**
- a. provide incentives for RTOs to improve the quality of training provision; and**
 - b. assist members of the public and industry to make decisions about which providers to purchase training from.**

Community service obligations

The Terms of Reference specifically require the Review to consider how the system can better meet community service obligations to support vulnerable and higher needs learners to complete training and transition to employment (ToR 1.d).

The Review supports the principle that the VET system should be a platform for a broader range of services than simply the delivery of training, and that some students will require additional support and assistance to get the most from the VET system. As discussed earlier, addressing disadvantage is an important role of VET.

VET deals with a diverse range of students, and the Review has identified a number of groups as being vulnerable and/or having higher needs, including youth, the long-term unemployed, redundant workers, students with a



disability, and students from a culturally diverse or non-English speaking background. Some geographic and training areas may also have higher needs.

With the introduction of contestability to VET in Victoria, changes to funding arrangements, and the expanded market of private VET providers in the system, responsibility for delivering these key services and supporting these students is increasingly being lost or blurred.

In the past, delivery of these services and supports was considered to primarily be the responsibility of TAFE institutes. TAFE institutes were considered to be ‘full service providers’, and until a change in government policy in 2012, received additional funding from government. This reflected a combination of expectations on TAFE institutes to provide broader services to students and the community, and to fund some of their additional costs. The Review has considered these additional costs in Chapter 4, and in this section will discuss the services to students and the community.

The Review has also discussed (in Chapter 2) how the funding model should recognise where the cost delivering training to students is higher than normal, and therefore a loading should apply. In this section, the Review will consider other students and support services – for example, where additional services outside standard training and support would be beneficial to the student.

Community service obligations are not well defined

The Essential Services Commission, in its 2011 report on VET Fees and Funding, recommended that a review be undertaken to consider whether direct funding should be provided to fund any community service obligations met by public providers.²¹ The 2013 TAFE Reform Panel then found that the following criteria should then be used as a threshold for determining a CSO:

- the service provides an identified community benefit;
- the service is not a general requirement of all contracted training providers; and
- the service would not be delivered if assessed purely on commercial grounds.²²

²¹ Essential Services Commission (2011), *VET Fee and Funding Review – Volume 1: Blueprint for Change*, p 30.

²² TAFE Reform Panel (2013), *A strong and sustainable Victorian TAFE sector*, State of Victoria, Department of Education and Early Childhood Development, p 47.



The TAFE Reform Panel then recommended that ‘Government should clearly define the community service obligations that it wishes to fund in the Victorian vocational training market.’²³ In response, the then-government described a community service obligation as ‘a service that would not be provided commercially without additional funding’ and stated ‘[t]here are no requirements that currently meet this definition’, although it drew attention to loadings for learners in regional areas and ‘higher needs learners’.²⁴ The Review does not consider this to be particularly helpful.

This Review has also considered the word obligation in the context of vocational education and training. The use of obligation in a competitive market environment encompasses the requirement that an organisation is obliged to behave in a way that it would otherwise would not. Both private and public RTOs have emphasised to the Review that appropriate support for students in their learning journey is fundamental to quality provision in VET, and an important component of restoring the sector’s reputation. This Review’s approach to this issue therefore focusses on student support rather than a required obligation.

The Review proposes to change the name from community service obligations to community service grants (CSGs) to convey the sense that the funding relates to a focus on learners, and is not ongoing. CSGs should maximise the potential for individual students to access and succeed in VET. This funding would be over and above the subsidy payments.

What CSGs should support

CSGs should support areas or services not covered by the standard subsidy or any loadings. The Review recommends that the priorities for CSGs be consistent with the role of VET – providing a strong skills base, supporting lifelong learning, and addressing disadvantage – and targeted across the student lifecycle. This section provides some examples of these services, and the later sections discuss how this funding should occur, and who should receive it.

²³ Recommendation 18, p 47.

²⁴ Department of Education and Early Childhood Development (2013), *Next steps for Refocussing Vocational Training in Victoria – Supporting a Modern Workforce*, State of Victoria, p 34.

Providing a strong skills base and lifelong learning

Economic growth, and the ability of the economy to provide new and more highly paid work, also relies on maximising the productivity of the working population. A key contributor to people disengaging from the workforce is long time absences – either through unemployment or for other reasons such as parents who have taken extended time off from work. Targeting individuals or communities with high rates of extended joblessness should be a key priority for government. For example, a CSG could fund extended child care to help parents to study before returning to work, a refresher course in computer skills, counselling services, or assistance in the transition from VET to employment.

Addressing disadvantage

There are pockets of extreme economic disadvantage in Victoria, which are often characterised by very low rates of educational participation and attainment. Every sector of education, from early childhood education and care through to VET and higher education, has a responsibility to look at innovative ways to interrupt the cycle of disadvantage and joblessness.

During the Review’s consultations, there was significant discussion about how training could address entrenched disadvantage. The role Koori Liaison Officers and disability support workers played in the system were raised as examples of positive initiatives.

The Review considers that CSGs could target localised disadvantage. VET should work in partnership with other parts of the education system, and Commonwealth and Victorian human service providers to lift rates of educational attainment and improve pathways to employment. These could be targeted, intensive supports to assist disadvantaged students into, through, and out of the VET system.

How CSGs should be allocated

It is important that this separate stream of CSG funding is not given to providers without clear objectives, and in return for clear outcomes.

The approach to CSGs needs to be properly articulated, and the activities should be properly funded. These funding arrangements must:

- **be identifiable and transparent** – so that the students, public and private providers, and the broader community understand the specific services for which government is providing funding;

- **be specific and targeted** – so that they are aimed at achieving improved outcomes;
- **be simple** so that they are easy to implement and scale up;
- **include measures of success**, so that over time the funding can be directed at those providers and programs that are most likely to get demonstrable results; and
- **clearly allocate responsibilities** – so that it is clear who is responsible for delivering those outcomes.

Government should articulate its objectives for CSGs, and then invite selected providers (discussed below) to submit proposals. The proposals should:

- identify how the proposal aligns with the Government's objectives;
- identify the specific community need – for example, increasing the level of participation in VET by an identifiable cohort;
- detail the approach for addressing that need, including any community or service partnerships and other streams of funding available to support the approach; and
- include measurable targets (such as the expected increase in education participation or course completions in the target area).

They should not duplicate other funding sources, but partnerships should be encouraged, where better and more integrated support can be provided for students.

The Review does not consider that it should provide specific advice on the quantum of funding that should be made available. The level of funding should vary depending on availability within the existing VET budget and the demonstrated outcomes of the CSGs.

The Review considers that CSGs should be time-limited (between one and three years), to balance certainty with the benefits of flexibility to respond to emerging needs.

The Review also recommends that the overall effectiveness of CSGs be evaluated after three years.

Who should be able to receive CSGs

The Review has heard from its consultations that the students who are likely to benefit from CSGs are more vulnerable, and less equipped to make training choices. The Review considers it important that CSGs are only available to RTOs that are highly capable and possess the necessary expertise and breadth



to support the students targeted by the CSG. They should have a history of quality training and student support, particularly with vulnerable students.

Partnerships with other service providers could be encouraged. Partnerships will help ensure students are provided with appropriate and high-quality, specialised support, avoid service duplication and maximise the benefits of complementary funding streams and programs.

Should the Government accept the recommendation to develop a provider classification system, only those providers rated as the most capable in their region or training area be able to access CSG funding.

Recommendations

- 89) That from 2017 a stream of funding for Community Service Grants (CSGs) be established from within the existing VET budget at a level determined by the Government.
- 90) That CSG funding be targeted at improving educational participation and attainment and employment outcomes among identified student cohorts, industry areas and locations.
- 91) That Government not allocate CSG funding for:
 - a. student services that are funded through the general training subsidy;
 - b. students already in receipt of a specific loading;
 - c. general facilities and maintenance costs; or
 - d. existing contractual, regulatory or legislative requirements.
- 92) That in designing CSG arrangements and allocating funding, the Government should:
 - a. clearly identify areas of priority needs;
 - b. provide opportunities for partnerships with other service providers or community or industry groups;
 - c. limit funding to periods of between one and three years to provide a mix of service certainty and flexibility, and to provide opportunities to evaluate outcomes from CSG programs; and
 - d. ensure funded proposals include measurable outcomes or targets.

- 
- 93) That Government encourage partnerships between RTOs and other service providers where appropriate to ensure students are provided with appropriate and high-quality, specialised support.
 - 94) That the effectiveness of CSGs be evaluated after three years to ensure that it is being effectively targeted, and that the extent to which it is achieving its targets is published.



Addressing literacy, numeracy and work readiness

Overview

A key priority for the Review is to address the ongoing issue of improving adult literacy and numeracy. Literacy and numeracy skills underpin for all levels of education. Overcoming foundation skills deficits is the single most significant contribution that can be made to assist students to be successful. A 2014 Productivity Commission Working Paper confirmed that higher literacy and numeracy skills are associated with better labour market outcomes, and that up to 40 per cent of the association between education and employment is attributable to literacy and numeracy skills.²⁵

Overcoming literacy and numeracy deficits is a vital part of helping students to successfully complete training and move on to employment, and integral to VET's role in addressing disadvantage.

The Review heard frequently during its consultations that too many students are entering the VET system with inadequate literacy and numeracy skills. Further, the Review was informed that the system is not currently giving the students the best possible chance to overcome this deficit and to succeed.

The Review has also noted the generally poor outcomes for students from vocationally-oriented Certificate I and II programs. There are exceptions – for example where a Certificate II is an entry level qualification recognised in pay structures, there is obviously a clearer employment path and outcome following training.

The Review therefore considers that there is an opportunity to reform the funding and provision of both Certificates I and II and literacy and numeracy support to students as part of better preparing students to complete their course and transition successfully to employment.

Reforming pre-Certificate III qualifications

A Certificate III is, in most cases, the minimum or entry level qualification for

²⁵ Shomos, A. and Forbes, M. (2014), *Literacy and Numeracy Skills and Labour Market Outcomes in Australia*, Productivity Commission Staff Working Paper.

an occupation. The Review heard that the value of training at the Certificates I and II level is often limited.

This is supported by the evidence that too many students are failing to complete their qualifications at a Certificate I or II level or go on to further training or employment. As the table below shows, students enrolled in Certificate I and II programs have consistently worse outcomes than Certificate III students.

Table 2: Outcomes by certificate level

Employment and further study outcomes 2013 (completers)	Foundation	Certificate I-II*	Certificate III*
In further study at a higher level	6.5%	7.6%	8.8%
Employed (new or improved)	3.2%	6.8%	20.5%
Employed (no benefit)	1.4%	2.0%	4.4%
Not employed, not in further study at a higher level	8.0%	6.6%	6.3%
Employment and further study outcomes 2013 (non-completers)			
In further study at a higher level	7.4%	7.1%	4.3%
Employed (new or improved)	25.0%	26.6%	30.0%
Employed (no benefit)	11.0%	15.5%	11.5%
Not employed, not in further study at a higher level	37.6%	27.7%	14.2%

*Excluding Foundation. Source: DET analysis

The Issues Paper presented a case for reforming vocationally oriented pre-Certificate III qualifications. The Review is not recommending that all current Certificate I and II courses not receive government funding. Some of these courses are recognised by industry as a minimum qualification for employment and have clear occupational pathways and outcomes for students. These courses should therefore continue to be considered for inclusion on the funded course list.

However, the Review expects that many vocationally-focused Certificate I and II courses will not meet this requirement

Improving literacy and numeracy

The Issues Paper considered an alternative VET preparatory program that



includes a mix of literacy and numeracy skills, personal development, practical training in vocational areas, and work experience. While there are a number of existing programs and courses that are currently available, the Review considers that there is a substantial benefit in investing in a vocationally-focused preparatory program. The purpose of the program would be primarily to ensure that students have the necessary literacy and numeracy capacity to be able to undertake a Certificate III in their chosen vocational field. This program could be trialled and evaluated to ensure its effectiveness.

In addition, the Review considers that process and funding changes are required to help the students get the assistance they need.

The Review recommends that a clear literacy and numeracy benchmark be set which indicates that a student is capable of undertaking a Certificate III with minimal or no literacy and numeracy support.

For example:

- if a student needs significant intervention, they should be referred to a pre-Certificate III preparatory course which is appropriate for their level of need, age, current employment status and level of engagement; or
- if a student has lower level of need and is likely to be able to complete a Certificate III with moderate assistance, then concurrent assistance should be given. This could be particularly of benefit for apprentices.

While mindful that it will need to be carefully monitored to ensure it is funded only for students with legitimate needs, the Review considers this concurrent assistance is likely to be of benefit to some students, who don't require a significant preparatory program, but have specific skill gaps.

Post-training assessment

The Review also considers that there should be greater emphasis on measuring the value-add of training at the pre-Certificate III level. In the first instance, this should include requiring a post-training literacy and numeracy assessment.

The post-training assessment should demonstrate the extent to which the student's training has impacted on their learning, following completion of their program. It should:

- be used by providers to determine if the student requires additional foundational training, or if the student is able to progress to the next level of training; and

- be used by the Department to evaluate the overall success of the pre-Certificate III training and measure improvements in outcomes of students undertaking training at this level (such as gains in literacy and numeracy).

Limit the providers able to deliver core skills training

Only approved providers should be permitted to deliver preparatory training.

Students needing additional literacy and numeracy support are likely to be more vulnerable, and generally require more assistance and support, than the general student population. Therefore, the Review considers that only capable providers with a track record of delivering similar training should be able to provide this training. They could also be linked with providers receiving Community Service Grants.

The current process where a third party assesses potential Foundation Skills providers should continue until the VET Quality Assurance Office is able to develop a standard for the delivery of literacy and numeracy programs in Victoria.

Recommendations

- 95) **That the Government reform the funding of Certificate I and II to target funding at courses that:**
 - a. **have direct employment outcomes, for example where they are minimum qualifications to enter an industry; or**
 - b. **prepare students for successful completion of a Certificate III course.**
- 96) **That the Government give consideration to a funding model for preparatory programs which:**
 - a. **is flexible to allow for tailored programs to suit student needs in a vocational context; and**
 - b. **allows, where appropriate, for assistance to be provided concurrent with another VET course.**
- 97) **That the Government develop, trial and evaluate a new preparatory program, with a mix of literacy and numeracy skills, personal development, practical training, industry tasters and work experience.**

- 
- 98) That the Government require providers of preparatory programs to undertake a post-training assessment and demonstrate improvements in literacy and numeracy of students following the completion of their course.
 - 99) That the Government set clear targets for improvements in outcomes from pre-Certificate III training, such as employment or further training outcomes.
 - 100) That the Government only permit select providers with a relevant history of provision to provide preparatory training.

Polytechnic universities

In the Issues Paper, the Review discussed exploring the establishment of polytechnic institutes in regional Victoria, and the south east of Melbourne.

The Review is aware that a Polytechnic University is not a category under the higher education provider type standards. The term was used to suggest a type of higher education offered by a university that was underpinned by VET programs, that met the needs of industry, enterprises and students by being applied in nature and closely demonstrating the link between theory and practice.

The pedagogical basis would be based upon adult learning principles, problem-solving and the demonstration of capability. The target group would be students who did not follow conventional pathways to tertiary education and training. The university would emphasise lifelong learning underpinned by ease of access to, and the ability to move through, flexible, integrated tertiary education. A recent NCVER study finds that disadvantaged students tend to be underrepresented in higher education, and that the transition from VET to higher education is a viable but underused pathway.²⁶ The pedagogy outlined may be a more successful model.

The motivating principle behind the proposals was to address the concern that in some areas of Victoria, a lack of local provision was leading to lower educational attainment, and consequently to lower social and economic outcomes.

As noted in a report for the Bradley Review:

the relatively rapid outward extension of the suburban frontier has meant that the (typically) young families settling in these suburbs are often located long distances from a university campus.²⁷

There was broad support for the goal of increasing educational attainment rates and addressing low social and economic outcomes, and several organisations expressed a desire to be a part of either further consideration or implementation of the idea.

In the Issues Paper, the Review regarded the Polytechnic model as a longer-

²⁶ Griffin, T (2014), *Disadvantaged learners and VET to higher education transitions*, NCVER.

²⁷ Birrell, B. et al (2008), *Higher education in Australia: Demand and supply issues — a report for the Review of Australian Higher Education*, Centre for Population and Urban Research, Monash University, p 22.



term option worthy of further consideration. It is an innovative solution to complex and seemingly-entrenched areas of disadvantage. The Review remains of this view.

The challenges of broad or universal provision have existed for some time, and were identified, for example, in a 2009 *Report advising on the development of the Victorian Tertiary Education Plan*.²⁸ That report also identified the south east as an area with high population growth and potentially lower participation. The report recommended Government monitor the situation over time, to ensure provision in the area was appropriately balanced between TAFE and higher education, and meeting industry needs and labour market priorities.

A polytechnic university, or if there is no change to the existing higher education standards, a university college, could be explored given the relatively advanced state of applied degrees that already exist in the TAFE institutes. This would be outside the VTG funding arrangements.

The Review considers this to be an issue worthy of further exploration. This could be undertaken by two standalone assessments (one for regional Victoria and one for the south east of Melbourne). Alternatively, Government could undertake a broader review as part of the development of a new Tertiary Plan for Victoria.

Recommendations

- 101) That the Government coordinate a project with public tertiary institutions to assess statewide current and planned capacity against anticipated numbers in higher education for both regional Victoria and the south east of Melbourne.**
- 102) That Government's consideration include:**
 - a. consultation with public tertiary institutions and relevant stakeholders;**
 - b. an assessment of current and planned tertiary education capacity across Victoria, including in regional Victoria and the south east of Melbourne;**

²⁸ See, for example, Lee Dow, K et al (2009), *Report advising on the development of the Victorian Tertiary Education Plan*, State of Victoria.

- c. **the benefits of, and different ways to, utilise existing TAFE institutes, facilities and services to support a polytechnic; and**
- d. **appropriate governance models that allow TAFE autonomy and coordination, achieve economies of scale and scope, and best deliver outcomes for students.**

103) That the Government consider the development of a Victorian Tertiary Plan to consider, at a whole of state level, educational attainment and higher education provision.

Tuition assurance scheme

In recent times in VET in Victoria there have been examples of high profile provider failures. Students have suffered and the Government has had to engage in protracted discussions to recover taxpayers' funds. The Review has heard that in some cases individuals have lost their jobs because they no longer have the necessary minimum qualification as it has been withdrawn.

The Review believes that students need to be better protected and compensated for their direct costs, such as course fees and materials fees, when provider failure occurs.

The Review therefore recommends that the Government require, as a condition of accessing VTG funding, all private providers be members of an approved tuition assurance scheme. Such a scheme would be funded entirely by private providers, and be used to reimburse students and government when providers fail to deliver courses, or when qualifications are withdrawn. This would, in effect, provide funding to allow the student to undertake or complete alternate training at another provider.

In addition to providing protection for students and government, this will also create an incentive for private providers to self-regulate and police their sector, as they will, essentially, collectively bear the cost of non-compliant providers.

There are a number of models that already exist within education in Australia, including a tuition assurance scheme for overseas students (which is a trust fund designed to protect student fees) and a tuition assurance scheme for VET FEE-HELP (a similar design to that which applies to overseas students.) The Review considers this self-regulatory model, guided by government, is the appropriate arrangement, and notes that ACPET has significant experience in managing a tuition assurance scheme.

The Government should require, as a condition of accessing VTG funding, that



a provider be a member of an approved scheme. The Government could also consider broader consumer protection for VET in Victoria.

Although the detailed design of the scheme should be broadly left to the industry to establish, the Review suggests a financing system based on RTO turnover (inclusive of both VTG funding and student fees) and a minimum annual fee per provider would be desirable.

The scheme should not include government-owned providers, such as TAFE institutes. As owner, the Government has direct responsibility for and oversight of these bodies, and has a significant and active role in in this capacity. As a result of Government's ownership, it is most unlikely they would ever cease to operate, or otherwise leave students out of pocket.

Recommendations

- 104) That the Government require, as a condition of access to VTG funding, a private provider be a member of an accredited tuition assurance scheme.**
- 105) That the Government establish a framework to accredit tuition assurance schemes that:**
 - a. are fully funded by provider contributions;**
 - b. reimburse students for their course and material fees where their provider does not complete their training, or where their qualification is withdrawn;**
 - c. reimburse government for funding provided where the provider does not deliver the relevant training, or where qualifications are withdrawn;**
 - d. have appropriate oversight and governance arrangements; and**
 - e. use excess funds only to contribute to continuous improvement in VET.**

ACFE providers

ACFE providers are significant factor in the provision of VET. In recent years there is been a decline in the number of community providers in Victoria. ACFE providers are variously named and include neighbourhood houses, community colleges, and learn locals. They are not-for-profit organisations, managed by



the community they serve, and have a long history of involvement in the provision of VET. They play a particularly important role in the provision of entry-level VET for disadvantaged, vulnerable and high needs learners.

In the past there has been a significant and positive connection between ACFE providers and TAFE institutes. Students from ACFE have successfully transitioned from community based learning centres into vocational education in institutes of TAFE. In recent years a focus on competition and the increasing complexity of the system has reduced this important connection. ACFE providers have been particularly important in regional areas where there are relatively few providers and they have been instrumental in supporting students in thin markets. The closure of a number of regional ACFE centres has weakened the provision of VET in Victoria as often they were the sole provider.

The Review believes that it is important to restore and recognise the connections between ACFE and TAFE institutes. It's important because close links may overcome access issues for students in thin market areas. In addition, improving connections can mitigate the duplication of facilities and services, and provide improved pathways for students. The Review believes that partnerships that are targeted at improving students transitions between ACFE providers, welfare agencies and TAFE is an area that could be supported through community service grants.

Recommendation

- 106) That the government assist student transition from ACFE providers to TAFE institutes by supporting ACFE/TAFE partnerships through CSG funding.**



Next steps

Implementation and timing

The Review recognises that the VET sector has undergone repeated and significant upheaval in recent years. The Review also recognises that the changes it is recommending will also be significant, and does not make them lightly. It is essential, in the Review's opinion, that changes be made to the current system to restore quality, stability and sustainability to the sector, to protect students, to ensure value for money for government, and to better achieve the purpose and potential of vocational education and training.

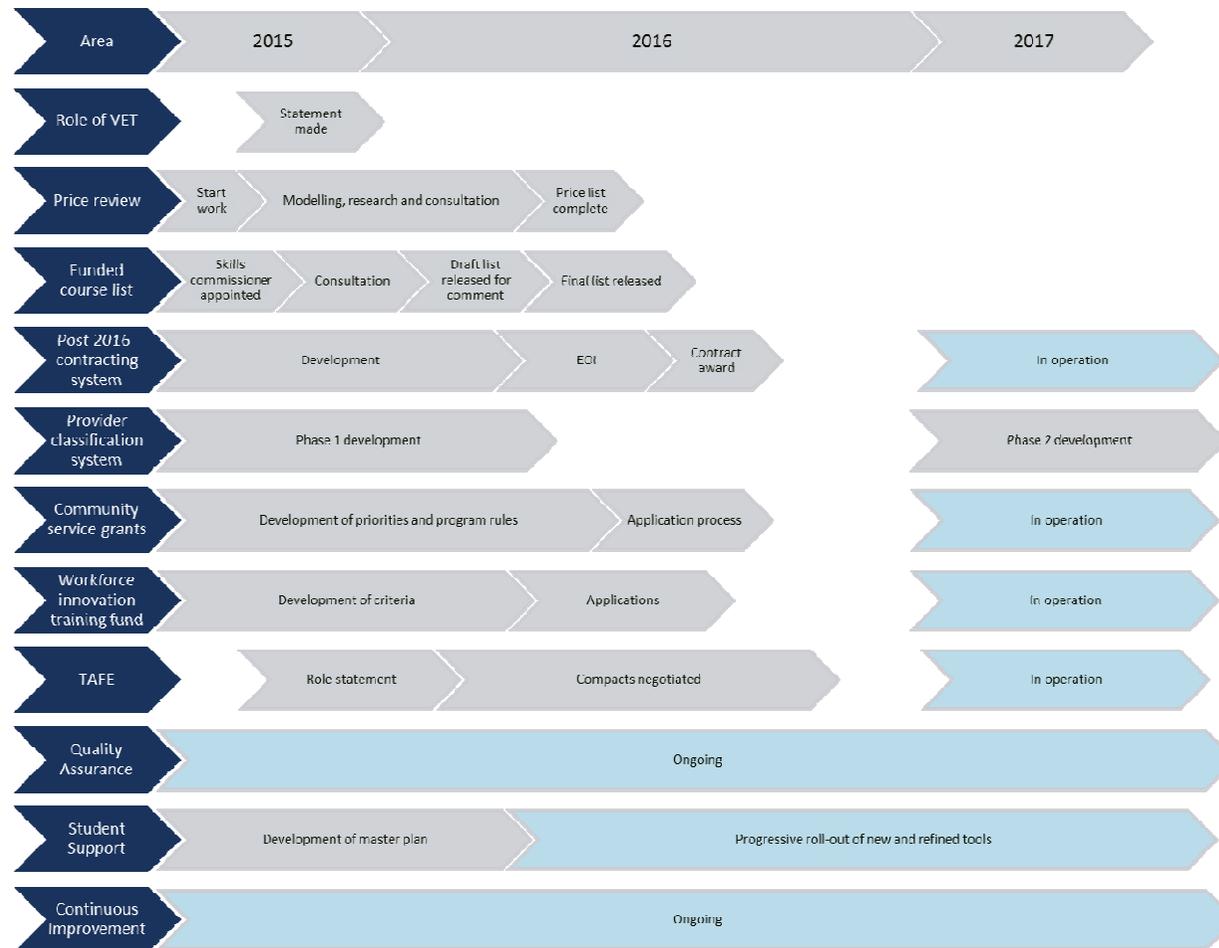
The Review recognises that many of the proposed changes will take some time to develop and implement, and that existing contracts will need to be honoured.

The Review considers that while work should commence immediately on many of its recommendations, and some will be able to be implemented or commenced quickly, many will take time and it is more realistic to expect key changes, including the new funding system, rebased subsidies, provider classification framework, fund for community service grants and TAFE compacts, to commence in the 2017 training year. The diagram on the following page provides a high-level outline of an implementation timeline for key recommendations.

As part of the transition to the new VET system, the Review considers it vital that the Government communicate openly and regularly with the sector so that they are able to prepare and be ready for changes. There should be public consultation on some elements as they are developed, such as the funded course list.

A consultative committee, including representatives of TAFE institutes, private and community providers, industry, and other key stakeholders should be set up to enable government to consult directly with key parties and help understand and foresee the impacts of the changes.

Figure 12: High-level implementation timetable





Recommendations

- 107) That, in responding to the Review's recommendations, the Government provides an implementation timetable to give the sector certainty and time to prepare for changes.**
- 108) That, in developing and implementing changes to the system, the Government regularly updates the sector as to progress and developments.**
- 109) That the Government establish a VET Sector Reform Consultative Committee to advise on detailed implementation of the new funding system.**

Budget impacts

The Terms of Reference require the Review to make recommendations that fit within the existing vocational training budget. The vocational training budget includes approximately \$1.2 billion for the Victorian Training Guarantee, \$80 million for concessions, and the \$320 million TAFE Rescue Fund (over five years). The Skills Commissioner has an annual budget of \$2 million.

The Department has provided preliminary modelling of key reforms and scenarios for the Review, and the Review considers that taken together, its recommendations fit within the existing budget. The Review notes that a rebasing of the subsidy levels and implementation of greater barriers to market entry through the provider classification framework are difficult to model at this stage, and may have a material effect on the training budget. The Review considers this is likely to be a net positive on the training budget (freeing up funding for more training or other initiatives), and the recommendations allow risk of over-expenditure to be managed effectively.

The proposed funding model will provide greater budget certainty over training costs each year, and initiatives such as funding for community service grants and the workforce training innovation fund are able to be adjusted from year to year as warranted.

The Review considers that where additional departmental resourcing is required, this can be funded through reallocation within the broader vocational training budget, noting that these relatively small investments (for example, to improve student information and contract enforcement) have the potential to significantly improve the effectiveness of the training system.

Appendix 1. List of recommendations

- 1) That the Victorian Government work with the Commonwealth Government to consider the applicability of reforms to the fee-for-service and VET FEE-HELP markets.
- 2) That the Government articulates what it sees as the objectives of the VET system and what it hopes to achieve from its funding contribution.
- 3) That the Government articulates the objectives of VET as being to:
 - a. provide a strong and sustainable skills base for the Victorian economy;
 - b. support lifelong learning; and
 - c. address disadvantage.
- 4) That the Government use the objectives of VET, and the student lifecycle, as the guiding principles for all its system design and decision making in VET.
- 5) That the Government establish a small set of high level performance targets which support the Government's objectives for VET, which are publicly reported on a yearly basis.
- 6) That the Government establish, within the Department of Education and Training, offices with distinct responsibilities for VET funding and VET quality assurance.
- 7) That the VET Quality Assurance Office:
 - a. set relevant standards to ensure quality and protect students;
 - b. conduct strategic reviews of industries or qualifications to identify systemic issues or risks; and
 - c. oversee the development of the provider classification system.
- 8) That the VET Quality Funding Office:
 - a. oversee the State's VET contractual arrangements, including enforcement of the contract and auditing against the contract;
 - b. manage the State's relationship with training providers; and
 - c. conduct a review of reporting obligations and auditing processes on RTOs as an initial priority.
- 9) That the Government adopt efficient and effective pricing, derived from a

- relative cost model, as its basis for setting VET subsidies.
- 10) That the Government request that a body with specialist expertise in price setting undertake the process of establishing the efficient and effective price in Victoria.
 - 11) That the Government request the independent body to consider when loadings should be applied to the base student subsidy, and at what level to reflect additional costs of delivering training to specific cohorts of higher cost learners.
 - 12) That the Government maintain a rural and regional loading to reflect the relatively higher costs involved in rural and regional training provision.
 - 13) That the Government consider other approaches to addressing the needs of higher needs learners, such as targeted funding which includes measurable outcomes.
 - 14) That the Government not use loadings to induce supply in thin markets.
 - 15) That the Government fund training provision in thin markets through a tendering or direct purchasing approach.
 - 16) That the Government develop co-contribution subsidy arrangements for discrete skill sets, including units relating to:
 - a. units of competency which are prerequisites to working in certain occupations.
 - b. a limited number of key industries and occupations where targeted skills upgrading may be required
 - 17) That the Government adopt partial fee regulation, with a compulsory minimum student fee to be set for each government-funded course.
 - 18) That the Government adopt the principle that the student contribution increase the higher the level of qualification.
 - 19) That the Government request the Skills Commissioner provide advice on a proposed funded course list.
 - 20) That the Government develop a funded course list, to be in place for the 2017 training year.
 - 21) That the Government undertake a community consultation process with industry, the VET sector and other affected parties during the preparation of the funded course list. This should include the publication of a draft funded course list for public comment.
 - 22) That the Government limit the number of funded units to target funding at skills needs, and inhibit the practice of substitution.
 - 23) To maintain stability in the system, subsidies should be based on an efficient

- 
- and effective price and not used as a mechanism for budget management.
- 24) That the Government place enrolment limits on providers by course as the primary means of managing budget expenditure.
 - 25) That to help preserve choice and contestability in the system, VTG contracts allow for:
 - a. increases in enrolment limits where there is legitimate demand for training from a training provider; and
 - b. the reallocation of enrolment allocations from providers who are not likely to deliver their full allocation to mitigate underspending on training.
 - 26) That in allocating enrolment limits the Government consider:
 - a. the impact on the overall budget allocation;
 - b. the skills needs of the Victorian economy, including the level of training required across various occupations; and
 - c. the ability of providers to deliver the volume of training at an acceptable quality standard.
 - 27) That the Government allow training to remain unlimited where:
 - a. training limits on providers could be a barrier to training in areas of clear labour market need; and
 - b. the risk of overtraining is low due to other constraints.
 - 28) That, where a provider seeks to increase the scope of courses delivered, the Government apply additional scrutiny, such requiring a business case for the scope increase.
 - 29) That the government make the following targeted groups exempt from the upskilling requirement of VTG eligibility:
 - a. people under the age of 24;
 - b. long-term unemployed (greater than 12 months);
 - c. workers who have been retrenched; and
 - d. people with qualifications older than 7 years.
 - 30) That the Government consider exempting people returning to the labour force after an extended absence from the upskilling requirement.
 - 31) That any student exempt from the upskilling requirement undertake independent career counselling and needs assessment before they are permitted to enrol in VTG-funded training.
 - 32) That only selected training providers can provide training to students

- 
- exempted from the upskilling requirement.
- 33) That the Government consider means testing exemptions to upskilling where appropriate.
 - 34) That the restriction on eligibility that a person can only commence two courses at the same level in their lifetime be removed.
 - 35) That the Government continue to fund RPL at 25 per cent of the full subsidy.
 - 36) That the Government limit RPL to no more than 40 per cent of the course volume.
 - 37) That the Government allow for discretion to be used for students to be reimbursed at a later date, if they are able to prove their eligibility for concession, post commencement of training.
 - 38) That the Government reimburse providers on a monthly basis, for concession payments.
 - 39) That when contracting training providers to deliver VTG training, DET makes contestability a design principle, including ensuring a mix of providers and pathways for new entrants to the market.
 - 40) That the Government establish a workforce training innovation fund.
 - 41) That the fund invest in training-related initiatives that:
 - a. have expected productivity benefits at a firm or sector level; and
 - b. will improve the skill or employability of the students.
 - 42) That the fund also invest initiatives that provide opportunities for applied research partnerships between capable RTOs and small and medium enterprises.
 - 43) That the fund ensure that funded initiatives are:
 - a. subject to evaluation and reporting; and
 - b. designed in a way that allows for the sharing of lessons and knowledge.
 - 44) That the Government request the Skills Commissioner to provide regular advice on existing and future labour market needs and trends to inform targeting of training expenditure.
 - 45) That this advice consist of a mix of:
 - a. data forecasting (using other government forecasts and resources);
 - b. advice based on industry engagement and consultation; and
 - c. detailed reviews of discrete skill needs.
 - 46) That the Skills Commissioner establish an engagement strategy, based on the

principles that it:

- a. be broad and flexible;
 - b. be inclusive of a broad range of stakeholders, including employers, peak bodies, unions and regional representatives; and
 - c. consider regional labour market differences.
- 47) That this process link in with existing work and processes to ensure a consistent and comprehensive whole of government view, and to avoid duplication.
 - 48) That the Government develop, update and better publicise information targeted at assisting industry to understand and use the training system, and understand their obligations to support effective training.
 - 49) That the Government strengthen and promote the Victorian Training Select website.
 - 50) That, as part of the development of the funding system and awarding of contracts and negotiation of compacts, the Government encourages the establishment of course advisory committees (with industry stakeholders) for larger providers.
 - 51) That, in making appointments to a TAFE institute board, the Government considers people with expertise in industries relevant to the institute's training priorities.
 - 52) That the Government trial a program to support students' development of small business and entrepreneurial skills.
 - 53) That the Government, through the Minister for Training and Skills, make a statement outlining the role of TAFE institutes in VET in Victoria.
 - 54) That the Government fund the costs, obligations and restrictions imposed on TAFE institutions, including asset maintenance, board composition, public sector financial and operating obligations, government approval requirements and investment restrictions, allocated between TAFE institutes based on student contact hours.
 - 55) That the Government review the costs, obligations and restrictions it places on TAFE institutes.
 - 56) That the Government undertake an audit of TAFE assets.
 - 57) That the Government enter into compacts with each institute of TAFE to provide additional funding in exchange for clearly defined services and outcomes.
 - 58) That the compacts be negotiated for a three year period.
 - 59) That the Government enter into compacts with dual sector universities in

- 
- relation to their TAFE operations.
- 60) That the Government use the establishment of the VET Quality Funding Office to strengthen contract management.
 - 61) That the VET Quality Assurance Office undertake a program of strategic reviews.
 - 62) That the Government develop standards for fully on-the-job training and online learning as a quality assurance measure.
 - 63) That the Government consult with industry in the development of standards and/or protocols for fully on-the-job training.
 - 64) That the Government develop summative assessment strategies for areas of high risk as a quality assurance measure.
 - 65) That, in progressing reforms to the Audit Act, the Government ensures that the Auditor-General has appropriate and necessary powers and scope to audit non-government RTOs in receipt of public money.
 - 66) That the Government review the current content and delivery of the Certificate IV in Training and Assessment to ensure it effectively prepares people to teach VET in Victoria.
 - 67) That the Government require that providers deliver a broad range of AQTF programs as a condition of being an approved provider of the Certificate IV in Training and Assessment.
 - 68) That the Government not permit RTOs to subcontract the delivery of an entire qualification.
 - 69) That Government only allow providers to subcontract where the training or assessment is relatively limited, and there is an unambiguous benefit in doing so.
 - 70) That the Government, through the VET Quality Assurance Office, develop a standard to provide guidance as to in what circumstances subcontracting will be permitted.
 - 71) That the Government maintain its current approach to subcontracting until the standard is prepared.
 - 72) That the Government require an RTO to disclose on its website, and in its audited financial statements provided to the Department, the names of brokers and aggregators it has used, and the amount they have been paid, over each twelve month period.
 - 73) That the Government require RTOs to develop and issue a code of conduct relating to brokers and aggregators, governing their conduct and the information they can provide to students.

- 
- 74) That each VTG student, as part of enrolment, be provided with a written statement that advises them of the level of commission being provided to any agent of the provider.
 - 75) That the Government make compliance with ASQA and VTG advertising and marketing standards a high priority, including ensuring that providers are responsible for the actions of third parties acting on their behalf.
 - 76) That DET closely monitors market trends and complaints about marketing activity (including by brokers and aggregators) and uses them as a trigger for auditing and review.
 - 77) That the Government requires, as part of the contract, an RTO to provide annually audited financial statements by April 30.
 - 78) That the Government develop a new student support master plan.
 - 79) That the Government allocate appropriate resources to support the development and implementation of the master plan as necessary.
 - 80) That the Government develop or commission a long-term longitudinal research project to better understand student training experiences and outcomes.
 - 81) That the Government develop standard forms of key information to be provided by providers to students prior to enrolling.
 - 82) That Government limit VETiS qualifications to Certificate III and below for students undertaking the VCE or VCAL equivalent as part of their school program.
 - 83) That the Government limit the provision (auspicing) of VETiS to capable providers only.
 - 84) That Government, through the current Government Schools Funding Review being led by The Hon Steve Bracks AC, review the way VETiS is funded, to determine if the current level of funding is adequate for program delivery.
 - 85) That the Government implement a provider classification system as described by 2017, including ensuring that the necessary data and information is made available by providers so they can be effectively classified.
 - 86) That the Government outsource by tender the development of the classification model and maintenance of the classification system, and make the classification publicly available.
 - 87) That the Government invite providers with high ratings on the financial and organisational stability and the size and capacity measures to enter into compact negotiations with government.
 - 88) That the government investigate the use of performance measures to drive improvements in the VET to:

- a. provide incentives for RTOs to improve the quality of training provision; and
 - b. assist members of the public and industry to make decisions about which providers to purchase training from.
- 89) That from 2017 a stream of funding for Community Service Grants (CSGs) be established from within the existing VET budget at a level determined by the Government.
- 90) That CSG funding be targeted at improving educational participation and attainment and employment outcomes among identified student cohorts, industry areas and locations.
- 91) That Government not allocate CSG funding for:
- a. student services that are funded through the general training subsidy;
 - b. students already in receipt of a specific loading;
 - c. general facilities and maintenance costs; or
 - d. existing contractual, regulatory or legislative requirements.
- 92) That in designing CSG arrangements and allocating funding, the Government should:
- a. clearly identify areas of priority needs;
 - b. provide opportunities for partnerships with other service providers or community or industry groups;
 - c. limit funding to periods of between one and three years to provide a mix of service certainty and flexibility, and to provide opportunities to evaluate outcomes from CSG programs; and
 - d. ensure funded proposals include measurable outcomes or targets.
- 93) That Government encourage partnerships between RTOs and other service providers where appropriate to ensure students are provided with appropriate and high-quality, specialised support.
- 94) That the effectiveness of CSGs be evaluated after three years to ensure that it is being effectively targeted, and that the extent to which it is achieving its targets is published.
- 95) That the Government reform the funding of Certificate I and II to target funding at courses that:
- a. have direct employment outcomes, for example where they are minimum qualifications to enter an industry; or
 - b. prepare students for successful completion of a Certificate III course.
- 96) That the Government give consideration to a funding model for preparatory

- programs which:
- a. is flexible to allow for tailored programs to suit student needs in a vocational context; and
 - b. allows, where appropriate, for assistance to be provided concurrent with another VET course.
- 97) That the Government develop, trial and evaluate a new preparatory program, with a mix of literacy and numeracy skills, personal development, practical training, industry tasters and work experience.
- 98) That the Government require providers of preparatory programs to undertake a post-training assessment and demonstrate improvements in literacy and numeracy of students following the completion of their course.
- 99) That the Government set clear targets for improvements in outcomes from pre-Certificate III training, such as employment or further training outcomes.
- 100) That the Government only permit select providers with a relevant history of provision to provide preparatory training.
- 101) That the Government coordinate a project with public tertiary institutions to assess statewide current and planned capacity against anticipated numbers in higher education for both regional Victoria and the south east of Melbourne.
- 102) That Government's consideration include:
- a. consultation with public tertiary institutions and relevant stakeholders;
 - b. an assessment of current and planned tertiary education capacity across Victoria, including in regional Victoria and the south east of Melbourne;
 - c. the benefits of, and different ways to, utilise existing TAFE institutes, facilities and services to support a polytechnic; and
 - d. appropriate governance models that allow TAFE autonomy and coordination, achieve economies of scale and scope, and best deliver outcomes for students.
- 103) That the Government consider the development of a Victorian Tertiary Plan to consider, at a whole of state level, educational attainment and higher education provision.
- 104) That the Government require, as a condition of access to VTG funding, a private provider be a member of an accredited tuition assurance scheme.
- 105) That the Government establish a framework to accredit tuition assurance schemes that:
- a. are fully funded by provider contributions;
 - b. reimburse students for their course and material fees where their

- 
- provider does not complete their training, or where their qualification is withdrawn;
- c. reimburse government for funding provided where the provider does not deliver the relevant training, or where qualifications are withdrawn;
 - d. have appropriate oversight and governance arrangements; and
 - e. use excess funds only to contribute to continuous improvement in VET.
- 106) That the government assist student transition from ACFE providers to TAFE institutes by supporting ACFE/TAFE partnerships through CSG funding.
- 107) That, in responding to the Review's recommendations, the Government provides an implementation timetable to give the sector certainty and time to prepare for changes.
- 108) That, in developing and implementing changes to the system, the Government regularly updates the sector as to progress and developments.
- 109) That the Government establish a VET Sector Reform Consultative Committee to advise on detailed implementation of the new funding system.

Appendix 2. Glossary

ACFE	Adult Community and Further Education.
ASQA	Australian Skills Quality Authority. The Commonwealth regulator of training providers.
Brokers and aggregators	Third parties that recruit students for providers, in exchange for payment.
Contestability	Usually used to describe a system that introduces a degree of competition into government service delivery. In the case of VET in Victoria, this competition stems from giving students the ability to choose their course and provider, and allowing both government and non-government providers to provide government-funded training.
CSG	Community Service Grants
CSO	Community Service Obligation.
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DET or the Department	Department of Education and Training (Vic), formerly the Department of Education and Early Childhood Development (DEECD).
Dual sector universities	Universities that offer higher education and VET qualifications. The dual sector universities in Victoria are Federation University, RMIT University, Swinburne University of Technology and Victoria University.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
Education State	For more information about the Education State see: http://www.education.vic.gov.au/about/educationstate/Pages/default.aspx
Eligibility	The rules that govern a student's eligibility to access government-funded training. It includes the requirement that the student be a citizen of Australia or New Zealand, or an Australian permanent resident, and any of the following: <ul style="list-style-type: none"> ▪ under 20 years of age; ▪ seeking to enrol in a Foundation Skills List course (and do

	<p>not hold a Diploma or above qualification or are receiving core skills training in other sectors);</p> <ul style="list-style-type: none"> ▪ seeking to enrol in Victorian Certificate of Education or Victorian Certificate of Applied Learning; ▪ seeking to enrol in an apprenticeship; or ▪ 20 years and older and seeking to enrol in a course at a higher level than their existing qualification (known as upskilling). <p>The ‘two course rule’ (see below) also applies.</p> <p>School-enrolled students are funded separately, and not eligible to receive a government-funded training place for a course through the VTG unless the course is undertaken as part of a School-Based Apprenticeship or Traineeship.</p>
Issues Paper	<p>Earlier publication by the Review. Available online at: http://vetfundingreview.vic.gov.au/docs/vetissuespaper_WEB.pdf</p>
Loadings	<p>In addition to the base funding rate, supplementary funds are provided for specific learner cohorts. Current funding supplements are:</p> <ul style="list-style-type: none"> ▪ Indigenous (50 per cent) ▪ Youth 15–19 years without Year 12 or Certificate II or higher qualification and are from a low SES background (30 per cent) ▪ Regional (10 per cent)
Quality	<p>The Review defines quality vocational education and training as having the following dimensions:</p> <ul style="list-style-type: none"> ▪ qualifications issued meet the prescribed standards; ▪ a graduate is capable of performing a range of activities to a certain level; ▪ the system has in place mechanisms to safeguard its standards (quality assurance); and ▪ student learning experience aligns with expectations.
Quality assurance	<p>The Review consider quality assurance in VET is a function that sets provider and training delivery standards by:</p>

	<ul style="list-style-type: none"> ▪ inspecting, monitoring and evaluating providers' practices and outcomes; ▪ protecting and supporting the rights of the users whether they be students, employers, government or the community; and ▪ espousing a continuous improvement philosophy.
Quality Assurance Review	Review of Quality Assurance in Victoria's VET System, a separate report commissioned by the Government and undertaken by Deloitte Touche Tohmatsu. It is available at: http://www.education.vic.gov.au/training/learners/vet/Pages/qareview.aspx
Recognition of prior learning	A system that allows students' existing skills to be recognised through credit towards a qualification.
RTO	Registered Training Organisation.
Student entitlement	An entitlement to access a government-funded training place.
TAFE	Technical and Further Education. Also referred to as institutes. There are 12 standalone TAFE institutes in Victoria: Bendigo Kangan, Box Hill, Chisholm, Federation Training, Gordon, Goulburn Ovens, Holmesglen, Melbourne Polytechnic, South West, Sunraysia, William Angliss, and Wodonga. In addition, there are four dual sector Universities (see above).
Training packages	The resource that underpins the VET system, it specifies occupational skill standards, and therefore the skills and knowledge required.
Two course rule	Additional rules governing student eligibility for government-funded training. Two in a Year: students may undertake a maximum of two government-funded commencements in a calendar year. Two at a Time: students may undertake a maximum of two government-funded courses at any one time. Two at Level: students may undertake a maximum of two government-funded commencements at level across the lifetime of the student.
Upskilling requirement	Upskilling by enrolling in a course at a higher level than an existing qualification. For example, if an individual holds a Certificate II level qualification, they would need to enrol in a Certificate III



	level qualification.
VET	Vocational Education and Training.
VETASSESS	Independent assessment provider for vocational education and training.
VET FEE-HELP	Also referred to as income contingent loans. Available to both full-fee-paying and government-funded students to cover course tuition fees. VET FEE-HELP is available for Diploma and Advanced Diploma qualifications, and on a trial basis for a small number of specified Certificate IV qualifications.
VRQA	Victorian Registration and Qualifications Authority. The Victorian regulator of training providers.
VTG	Victorian Training Guarantee.



Appendix 3: Submissions received by the Review

The Review asked for written submissions at two stages – as part of the preparation of the Issues Paper, and in response to the Issues Paper to inform this final report. The Review received over 1,000 submissions over the two stages.

The submissions came from students, parents, teachers, community members, TAFE institutes, providers, community groups, peak bodies, industry groups, unions, employers and universities.

The Review greatly appreciates the contribution and effort of those who made submissions, and acknowledges their contribution to this report.

The follow pages provide a list of the individuals and organisations that made submissions. It does not include those who requested confidentiality, or who did not provide full names. In addition, many made multiple submissions, but have only been listed once.

Individuals

- Suha Abdulrahman
- Jemma Achammer
- Linda Adams
- Ed Aderhold
- Greg Ades
- Paul Aikman
- Les Aisen
- Kate Aitken
- Rooah Albatat
- Kevin Albert
- Stephanie Allen
- Trev Allen
- Triona Allen
- Thomas Allisey
- Mohammed Alsayed
- Zoran Angelkouski
- Vlad Angelkouskie
- Kim Ary
- Valerie Astbury
- Kathy Atkinson
- Donald Attard
- Tom Atwell
- Lawrence Augustine
- Linda Austin
- Tiasret Aydogan
- Tharakan Babu
- Robert Bain
- Alison Baker
- Christine Baker
- Karen Baker
- Ross Baker
- Peter Banfield
- Bronwyn Bannan
- Charlotte Bannister
- Gilio Barbara
- Melissa Barber
- Greg Barker
- Taylor Barker
- Peter Barnes
- Fiona Barrie
- Kristian Batinic
- Lou Baxter
- Hanfie Baykara
- Gerry Beaton
- Jackie Beckmann
- Ian Beecroft
- Raquel Bennett
- Henryka Benson
- Ruth Benson
- Georges Bernard
- Dave Berry
- Patrizia Bertozzi
- Simon Beveridge
- Shikhs Bhadari
- Ian Bird
- Mohammad Bisri
- Eric Black
- Garry Blackburn
- Sue Bloye
- Peter Bluck
- Lynette Blunt
- Nicole Bolitho
- Nicol Booth
- Elyse Borg
- Mel Boulton
- Lisa Bousalis
- Mary Boutros
- Kirsten Boxall
- Colin Boyd
- Linda Boyd
- Mark Boyle
- Rod Brackenridge
- Ellie Brady
- Philip Bramich

- Kim Bramstedt
- Suzanne Brasser
- Carl Brayban
- James Brennan
- Ashleigh-Jade Brimble
- Tim Brindle
- Eliza Broadbent
- Chris Bromley
- Helen Brooks
- Louise Brooks
- Dianne Brown
- Ian Brownlie
- Alexandra Bruce
- Aynur Bulut
- Daniel Burcombe
- Jessica Burley
- Talisa Burnham
- Cathy Bushell
- Lu Butler
- Taylah Byrne
- Fay Byrne
- Christopher Cairns
- Sophie Calaesina
- Thea Calzoni
- Melissa Cameron
- Stuart Cameron
- Helen Camilleri
- Roslyn Campbell
- John Candusso
- Marisa Cappelli
- Deanna Cappelluti
- Grahame Carey
- Susan Carey
- John Carle
- Adam Carnevale
- Adam Carr
- John Carr
- Angela Carroll
- Cecilia Carvalho
- Michelle Casey
- Jeanette Chambers
- Ruth Chambers
- Michael Chan
- Christine Chara
- Valerie Chen
- Linda Churchyard
- Joe Ciavarella
- Faye Clarke
- Tim Clarke
- Craig Clayton
- Helen Cogger
- Maria Colaidis
- Kate Coleman
- Denise Collin
- Paul Collins
- Michaela Colston
- Peter Connelly
- Alex Connor
- Reece Connor
- Patrick Cook
- Alex Cooke
- Robert Cooke
- Amy Cope
- John Corbett
- Ardy Cordova
- Anne Cornwell
- Eslefama Correa
- Fiona Corry
- Doug Cousins
- Jenny Coutts
- Margaret Credlin
- Dylan Cripps
- Karen Crossan
- Nathan Cryer
- Poppy Cullen
- Mark Cunningham
- Megan Currey
- John Cusworth

- Karen Cuthbert
- Sophie Cuttriss
- Tom Danchi
- Anne D'Angelo
- Tania Daniels
- Zak Davies
- Maryann Davies
- Patricia Davis
- Susan Davis
- Francis Day
- Michelle Day
- Julie Day
- Julie De Bondt
- Gaye De Lisle
- Antonietta De Melis
- Robert De Vries
- Nicholas Decker
- Dian Dent
- Andrii Denysor
- Helen Deppeler
- Monique Deutsch-Edens
- Craig Devlin
- Antonietta Di Berardino
- Angela Di Sciscio
- Beverley Dick
- Chris Dickie
- Roger Digby
- Alex Dobric
- Andrew Dodgshun
- Shasha Dong
- Kieran Doolan
- Marie-Louise Drew
- Cameron Drysdale
- Liam Duffy
- Sheryl Duncan
- Fred Dvoracek
- Lisa Dyball
- Sif Eddine
- Jesse Edgar
- Marilyn Edgar
- Brett Edgington
- Kerry Eeckman
- Sebastian Elachkar
- Karen Ellen
- Bron Elliott
- Don Elliott
- Anthony Ellis
- Tahkean Ellis
- Kyeo Enn Koo
- Dane Eraip
- Jan Ericksson
- Michael Essex
- Catherine Etherton
- Barry Evans
- Colin Evans
- Janis Everett
- Aycha Ezzeddine
- Linda Fabb
- Helen Farrell
- Melanie Fay
- Megan Feain
- Maddison Fendrum
- Susan Fenney
- Andrew Ferguson
- Susan Ferguson
- Tony Ferguson
- Alexander Ferraro
- Linda Finger
- Michael Firth
- Debra Fischer
- Kate Fitzgerald
- Meaghan Flack
- Christy Flanagan
- Linda Fleming
- Monica Fly
- Damian Flynn
- Samuel Flynn
- John Francis

- Jacqueline Frankel
- Susie Frost
- Kaye Funnell
- Cintia Galeana
- Alan Gammond
- Kelly Garland
- Ray Georgiou
- Yerusalem Ghebray
- Debra Gibson
- John Gillard
- Penelope Gillard
- Elaine Gillespie
- Jack Gillson
- Shannon Gittings
- Shaun Gledhill
- Tara Gleeman
- Nathalie Godan
- Madeleine Grace
- Peter Grady
- Karly Grant
- Richard Grant
- Wenda Grant
- Fiona Granville
- Igor Grattan
- Alaana Gray
- Chris Gray
- Kelly Gray
- Mandy Gray
- Mathew Grech
- Mark Green
- Jillian Grierson
- Heather Griffiths
- Anthony Grimes
- Vicky Grosser
- Warren Guest
- Jennie Guilfoyle
- Denise Guiney
- Asem Guldali
- Anna Gunn
- Judith Guzys-McAuliffe
- David Halls
- Cate Hambling
- Vicki Hambling
- Kiriaki Hamilton
- Elizabeth Hanger
- Kimberley Harlow
- Rachael Harr
- Anne-Maree Harris
- Justin Harris
- Rebecca Harris
- Susan Harris
- Iain Harrison
- Lorraine Harrison
- Brendan Harriss
- Robert Hart
- Figen Hasimoglu
- Con Hatzi
- Paul Hawthorne
- Ali Hayat
- Daniel Hayes
- Sharron Hearn
- Leonie Hede
- Sue Hedley
- Carol Henderson
- Evan Henderson
- Josee Hennequin
- Ben Henson
- Kiera Herbert
- Gloria Hernandez
- Bruce Higgins
- Jade Highan
- Hikari Higuchi
- Bridget Hiho
- Kate Hill
- Richard Hill
- Ruth Hill-Noble
- Peter Hives
- Della Hobbs

- Geoff Hodge
- Karen Hodgson
- Gabrielle Hodson
- Elizabeth Hoey
- Joy Hoey
- Michele Hoffman
- Andrea Holliday
- Charlotte Hollier
- Ashleigh Holmes
- Ian Holton
- Jingyi Hong
- Christine Hooper
- David Hopkins
- Angela Hornsby
- Roslyn Horridge
- Melissa Horsfall
- Cameron Hosking
- Phillip House
- Paul Howard
- Tamara Howlett
- Gradys Hseri Magharia
- Aaron Hughes
- David Hughes
- Liane Hughes
- Mark Hull
- Rowan Humphrey
- Ann Humphries
- Stuart Hunter
- Peter Hurley
- Joanne Hurst
- Richard Hutchinson
- Sajad Hydari
- Elizabeth Inglis
- Stephen Ireland
- Achiraya Itsaramalai
- Ryan Jacks
- Ross Jackson
- Andrew James
- Warren James
- Chris Japp
- Jason Jarvis
- Noorthoni Jasmad
- Mason Jefferies
- Bronwyn Jennings
- Yu Jeong Shin
- Mark Johnson
- Wayne Johnston
- Alanso Jones
- Carol Jones
- Carolyn Jones
- Dallas Jones
- Dawn Jones
- Luke Jones
- Rachel Jones
- Barry Jowett
- Suhyun Jung
- Yiana Kalaidopoulos
- Danielle Kalimnios
- Daeun Kang
- Minji Kang
- Maria Teresa Keightley
- Jan Kelly
- Sandra Kelly
- Mark Kennedy
- Michael Kent
- Brendan Key
- Mohamad Khodr
- Conor Kiernan
- Joanne Kirby
- Scott Kirkby
- Anne Kisslow
- Jodie Knight
- Peter Kong
- Penny Kosmas
- Anne Kotzman
- Julie Kounelis
- Daniel Kovacevic
- Wal Kubicki

- Nizar Laachouch
- Ian Lack
- Jackson Lackey
- Heung Lai Fong
- Bruce Laing
- Brad Lancaster
- Christopher Larmour
- Antonina Lauria
- Frank Lawlor
- Peter Lawrence
- Bua Le Guern
- Sarah Le Page
- Deirdre Leach
- Ruth Learner
- Stephen Lee
- Henry Leschen
- Robin Lester
- Valerie Lester
- Amanda Leveridge
- Chris Lewis
- Marcia Lewis
- Prue Licht
- Lucy Liga
- Tracey Light
- Chanel Lloyd
- Alan Long
- Jackie Love
- Rosemary Lumley
- Nicole Lylak
- Susanne Maas
- John Maciulis
- Lesley Mackintosh
- Angus Maclean
- Gary MacLeman
- Greg Maconachie
- Kerry Maddern-Wellington
- Morganna Magee
- Dona Magmari
- Anshuna Maharjan
- Kerry Maher
- Mary Mahoney
- Vera Maljevac
- Susan Mandley
- Julie Manassis
- Rose Marasco
- Tiffany Marchingo
- Paul Mariani
- Janet Marshall
- Lisa Martin
- Paul Mason
- Karen Masters
- Rowena Matcott
- Denis Matson
- Giuargis Matts
- Bev May
- Sheridan Mayo
- Gail McCann
- Julie McCarthy
- Jenny McComb
- Louise McDade-Cartey
- Terry McGann
- Phillip McGlashan
- Jacinta McGonigal
- Bruce McInnes
- Fiona McIntosh
- Andrew McKay
- Peter McKenzie
- Lisa McLachlan
- Robert McMahan
- Sarah McPhail
- Melissa McSweeney
- Phil Melgaard
- Allyssa Meneses
- Douglas Middleton
- Michael Mifsud
- John Milides
- Ian Miller
- Bernie Millward

- Ricky Milnes
- Alecia Minotti
- Sue Minshull
- Anna Molina
- Judith Moore
- Linda Moore
- Kevin Morris
- Susan Morris
- Euan Morton
- Sarah Mudge
- Donna Muir
- Joe Mulhall
- Keith Muller
- Anne Murphy
- Peter Murphy
- Paul Muscat
- Susan Muscat
- Brett Mustey
- Judith Napier
- Michael Nash
- Shayna Nathan
- Debra Nette
- Sharon Nevinson
- Sally Newall
- Mark Newhook
- Alex Newman
- Graeme Newman
- Trish Newstead
- Clint Newton
- Binh Nguyen
- Liz Nia
- Lisa Nichols
- Katarina Nicolazzo
- Cara Nightingale
- Monica Njoroge-Eaton
- Rita Nobes
- Rodney Novak
- Raynor O'Connor
- Caitlin O'Loughlin
- David O'Brien
- Rosemarie O'Brien
- Andrew O'Connell
- Patrick O'Connell
- Matthew Okines
- Jasmine Oldaker
- Will Oldmeadow
- Anita Olshina
- Erin O'Mara
- Richard Opie
- Niveen Orah
- Vivienne Ortega
- Marc Ortlieb
- Jane Overton
- Carolyn Page
- Ebenezer Pangan
- Shelley Parker
- Travis Parker
- Shani Parkman
- Sarah Parr
- Julie Patey
- Roger Paul Patrick
- Sue Patrick
- Ermelinda Pecallari
- Ronald Pentland
- Pamela Perry
- Frank Petrone
- Kellie Petrucci
- Spencer Petts
- Cham Pham
- Catherine Phillips
- Damien Pierce
- Sue Pillekers
- Annie Pleming
- Chris Pollock
- Mary-Anne Pontikis
- Fiona Pope
- Lauren Powell
- Vishal Prashar

- Edwina Preston
- Rachael Price
- Jennifer Prowse
- Adriana Pugliese
- Fiona Pumpa
- Erin Purdon
- Wendy Quinn
- David Quinno
- Stuart Raphello
- Jan Ratcliff
- Margaret Read
- Barbara Reeckman
- Gary Reid
- Sue Reid
- Suzi Reid
- Denise Reynolds
- Lillian Reynolds
- Shaun Reynolds
- Beverley Richard
- Alex Richardson
- Martin Rieniets
- Daniel Rigo
- Tina Ristevski
- Sandra Ristic-Keena
- Karen River
- Nicole Robb
- Christie Roberts
- Michelle Robins
- Bethany Robinson
- Gilly Robson
- Cindy Roche
- Macarena Rodriguez
- Sam Rooke
- Vicki Rose
- Maree Rosier
- Celine Roure
- Pam Rowley
- Simone Roy
- Susan Rushworth
- Nicholle Russell
- Fiona Ryan
- Brendan Saccuzzo
- Faiso Said
- Juan Sanchez
- Karen Sanchez
- Michael Sanders
- Jessie Sang
- Diana Santaera
- Sanjay Santhosh
- Deborah Saunders
- Paul Saunders
- Angus Scheid
- Martin Scheirich
- Rod Schubert
- Nicole Scott
- Rita Seethaler
- Suad Sefovic
- Sharon Semmens
- Vinita Sharma
- Julie Shaw
- Peter Shaw
- Anna Sheils
- Donna Shell
- Jmad Sheridan
- William Sheridan
- Lei Shi
- Trish Shibaoka
- Karen Shiel
- Katherine Shih
- Sreelakshay Sijilh
- Marissa Simoglou
- Wendy Simpson
- Richard Sims
- Graham Sinclair
- Anchal Singh
- Siva Sirasupramaniam
- Gail Skipworth
- Vivien Slatter

- Rebecca Slaven
- Ben Smart
- Alesia Smith
- Karensa Smith
- Robyn Smith-Clark
- Paul Solomon-Power
- Graeme Sparkes
- Terry Sparrow
- Martin Spinks
- Helen Stanley
- John Stent
- Michael Stephens
- Ian Stewart
- Robert Stewart
- Toni Stewart
- Kate Stone
- Matthew Stone
- Karen Stott
- Angela Stringer
- Clem Stroud
- Russell Styles
- Suthesing Subeerkumar
- Nancy Sugarman
- Paul Sumner
- Susan Sumner
- Gary Swift
- Robyn Tan
- Holly Tanner
- Teresa Taouk
- Sheriden Tate
- Merrilyn Tattersall
- Suzi Taylor
- Katrina Tenson
- Wendy Theunissen
- Ngo Thi Nul Ha
- Rosalind Thieme
- Euan Thomas
- William Thomas
- Krystal Thomas-Beaumont
- Luke Thomson
- Robin Thomson
- Amanda Threlfall
- Angus Tillott
- Trish Tiziani
- Grant Tobin
- Katy Todaro
- Kylee Townsend
- Lynley Traeger
- Jessica Tregonning
- Sharyn Trewin
- Helen Trickey
- Chantel Trollip
- Marty Trommels
- Son Trung Nguyen
- Denise Turnbull
- Noela Unwin
- Abraham Valenzuela
- Laughlan Vanderswait
- Darren Varley
- Pat Varley
- Lynne Vaughan
- Judith Venables
- Matt Verey
- George Verghese
- Susan Verhey
- Josephine Vickers
- Wendy Wallis
- Helen Walmsley
- Irene Walters
- Rodney Wangman
- Daniel Ward
- Donald Warren
- Elizabeth Warren
- Shioh Watarabe
- Jackie Watts
- Matthew Watts
- Greg Webb
- Peter Wells

- Tina Whitmore
- Craig Wight
- Graeme Wilkinson
- Maurice Wilkinson
- Susan Willey
- Michelle Williams
- Phil Williamson
- Murray Willis
- Tony Willis
- Leanne Wilson
- Megan Wilson
- Rachel Wilson
- Ruth Wiltshire
- Chelsea Winpa
- Alison Withers
- Carol Wocker
- Denise Wood
- Ron Woods
- Robert Wratten
- Chengtao Wu
- Elena Kirsten Yara
- Mami Yarehana
- Bertha Young
- Elaine Young
- Liu Yu Ping
- Zbigniew Zablocki
- Martin Zakharov
- Elias Zakkour
- Hisagh Zamani
- Michael Zangmeister
- Louise Zedda-Sampson
- James Zhang
- Xiaoli Zhang
- Yang Zhang
- Adult, Community and Further Education Board & Adult, Community and Further Education Regional Councils
- Advance Career Training
- Agrifood
- Ai Group
- Albury Wodonga Community College
- AMES
- Architectural Glass Design Australia
- Association of Neighborhood Houses and Learning Centres
- Auslan Interpreting Industry Forum Victoria
- Aust Link
- Australian Council for Private Education and Training
- Australian Digital and Telecommunications Industry Association Inc.
- Australian Education Union
- Australian Education Union, Melbourne Polytechnic
- Australian Education Union, Victorian Branch
- Australian Furniture Association
- Australian Hairdressing Council
- Australian Institute of Flexible Learning
- Australian Nursing and Midwifery Federation, Victorian Branch

Organisations

- Acquire Learning

- Avaxa Pty Ltd
- Ballarat Aero Club
- Bayside Glen Eira Kingston LLEN
- Bendigo Kangan Institute of TAFE
- Box Hill Institute of TAFE
- Brotherhood of St Laurence
- Builders Academy Australia
- Business Council of Australia
- Careers Australia
- Centennial Training
- Centre Community College
- Centre for Multicultural Youth
- Chisholm Institute of TAFE
- City of Greater Geelong
- Committee for Geelong
- Community Colleges Australia
- Community Services Industry Training Advisory Board
- Community West
- Complex Institute of Education
- Consumer Action Law Centre
- Crusoe College
- Dairy Australia
- deafConnectEd
- Deakin University
- Delaware North
- Diversitat
- E-focus
- Electrical Trade Union
- Encompass College of Education and Training
- Encompass, Karingal, St Laurence & Diversitat
- EPIC Industry Training Board
- Federation Training
- Federation University
- FGM Consultants
- ForestWorks
- Frankston Mornington Peninsula LLEN
- Furnishing Industry Training Advisory Group
- Goldfields LLEN
- Goulburn Ovens Institute of TAFE
- Graduate Women Victoria
- Grains Industry Training Network
- Holmesglen Institute of TAFE
- Housing Industry Association
- iAscend
- IINET
- Independent Education Union Victoria Tasmania
- Jobs Plus Apprenticeships Services
- Karingal Training
- Kensington Primary School, AEU sub-branch
- Keysborough Learning Centre
- Kidscraft
- Knoxbrooke Inc
- L.P Communications
- La Trobe University
- Lalor Living & Learning Centre Inc.

- Linfox Logistics
- Living Learning
- Longerenong College
- M&MV LLEN
- Macedon Ranges Further Education Centre Inc
- Manufacturing and Engineering Skills Advisory Board
- Manufacturing Skills and Training Taskforce
- Manufacturing Skills Australia
- Melbourne City Mission
- Melbourne Polytechnic
- Minerals Council of Australia
- Monash University
- Mountain District Learning Centre
- Murrindindi Shire Council
- National Disability Services
- National Food Institute
- National Meat Industry Training Advisory Council Limited
- National Tertiary Education Union
- Navitas
- NECA Education
- Ostara Australia
- Oxygen College
- Pharmacy Guild of Australia
- Plumbing Industry Climate Action Centre
- Preston Reservoir Adult Community Education
- Radfords Warragul
- Refugee Council Australia
- Regional Cities Victoria
- Ringwood Secondary School
- RMIT University
- Robinvale District Health
- RTO Logic
- Safe T Training
- Sarina Russo Apprenticeships
- School Music Action Group Victoria
- SEDA & TEPA
- Service Skills Victoria
- Shop, Distributive and Allied Employees' Association
- South Gippsland Bass Coast LLEN
- South West LLEN
- Sports Education Development Australia
- Springvale Learning and Activities Centre Inc
- Sunraysia Institute of TAFE
- Swinburne University
- TAFE Careers Practitioners' Network
- TAFE Directors Australia
- The Gordon
- Training Quality Management Services PTY LTD
- Upper Yarra Community House
- Vicsport
- Victoria University
- Victorian Aboriginal Education Association Inc
- Victorian Automobile

- 
- Chamber of Commerce
 - Victorian Council of Social Service
 - Victorian Employers' Chamber of Commerce and Industry
 - Victorian Farmers Federation
 - Victorian Industry Advisory Council
 - Victorian Industry Training Advisory Boards
 - Victorian Registration and Qualifications Authority
 - Victorian State Agriculture Trainers Network
 - Victorian TAFE Association
 - Victorian Trades Hall Council
 - Victoria's Adult & Community Education (ACE) Sector
 - William Angliss Institute of TAFE
 - Williamstown Community and Education Centre Inc
 - Wimmera Development Association
 - Wingate Avenue Community Centre
 - Work Education Centre
 - Writers Victoria
 - Wyndham Community & Education Centre Inc.
 - Youth Projects

Appendix 4. Review process

Consultations

The Review undertook an extensive consultation process, in addition to the over 1000 submissions received (see Appendix 3).

In the first stage, the Review held targeted consultation sessions held with dozens of stakeholders and experts on VET reform, including:

- the TAFE sector, including individual institutes, peak associations, and employee organisations;
- private and community training providers;
- industry and employer groups; and
- other interested parties, including rural and regional stakeholders.

Following the release of the Issues Paper, the Review:

- held public consultation/discussion sessions in Ballarat, Bendigo, Geelong, Melbourne, Mildura, Shepparton, Warragul, Warrnambool, and Wodonga in July;
- held targeted consultation sessions with industry and RTOs in Melbourne;
- held a series of individual consultations with TAFE institutes, peak bodies, community groups, industry groups, employee groups, consumer representatives and other stakeholders;
- distributed a survey to more than 5,000 Victorian business across a range of industry groups to gather information on their understanding and use of the training system; and
- contacted peak bodies, professional associations and individual employers to undertake interviews to gather further information on industry understanding of the training system.



Commissioned work

The Review commissioned a series of projects to inform its work.

- A report on the costs, constraints and obligations of TAFEs that relate to their status as public sector bodies, undertaken by ShineWing
- The scoping, development and initial testing of a provider classification system, undertaken by PwC.
- A report on community service obligations and possible future models for their definition and funding, undertaken by Virsus Consulting.
- Advice on funding model design and options, undertaken by the Mitchell institute.
- A review of international VET systems, including better and innovative practice, undertaken by the LH Martin Institute.

The Review has provided copies of these reports to the Government to provide further background to its recommendations. However, whilst these reports have informed the Review, they do not necessarily represent the views of the Review, and should not be taken as such.

Appendix 5: Quality Assurance Review

Comparison of VET Funding Review approach with Quality Assurance Review Recommendations and Funding Considerations

Market Access Recommendations

Quality Assurance Review recommendation	VET Funding Review approach
Increase the entry requirements for RTOs seeking to obtain a VTG contract. RTOs would need to demonstrate a proven track record of delivering quality training and assessment before being eligible for a VTG contract. New entrants would be required to undergo a review of their training delivery methods and assessment processes prior to contract commencement.	The VET Funding Review agrees with this recommendation. Under the revised contracting approach (which includes market soundings) government may be more selective of providers that are provided with a VTG contract, including consideration of their history of training provision. See, in particular, page 46.
Implement a probationary period/contract for RTOs that have not previously held a VTG contract, with a minimum period of 12 months. Whilst on probation, RTOs should be subject to additional restrictions, compliance and quality assurance. The probationary period may be extended where a provider does not demonstrate sufficient compliance.	The VET Funding Review agrees with this recommendation.
VTG contracts (and access to student subsidy covered by the VTG) should be limited to the scope of registration held by the provider at the time the contract is established. That scope will be specified in the contract. VTG contracted providers that extend their scope of registration will only be able to claim VTG subsidies for such additions if they have sought, and had approved by the Department, additions to their scope of delivery.	The VET Funding Review agrees with this recommendation. Under the revised contracting arrangements, the Review recommends that where a provider seeks to increase the scope of courses delivered, the Government apply additional scrutiny, such requiring a business case for the scope increase (recommendation 28).
The Department may determine circumstances where certain classes of RTOs are offered a VTG contract for a scope of delivery narrower than their scope of registration. This may include the option for capped enrolments, the restriction of specified qualifications or the establishment of limited panels of providers. RTOs that accept narrower contracts should be subject to a quality assurance regime adjusted for their risk	The Review agrees with this recommendation. The Review also notes that the revised funding and contracting approach will give the department significant flexibility to place limitations on the level of training any given provider can deliver.

Delivery of Quality Training and Assessment

Quality Assurance Review recommendation	VET Funding Review approach
<p>Implement a more independent approach to issuing trainer/assessor qualifications. Training providers contracted under the VTG should, going forward, be prohibited from credentialing their own trainers and assessors with the Certificate IV in Training and Assessment. Where the Department identifies that providers may be non-compliant with their regulatory obligation to employ suitably qualified trainers and assessors, these matters should be referred to the regulators.</p>	<p>The VET Funding Review agrees with this recommendation.</p> <p>The Review has recommended that only providers delivering a broad range of programs be permitted to deliver the Certificate IV in Training and Assessment (recommendation 67)66), and in addition, recommended a review of the suitability of the Certificate IV (recommendation 66) .</p>
<p>Establish a panel of providers approved to deliver the Certificate IV in Training and Assessment. Trainers and assessors with certificates that pre-date the panel would not be excluded from delivering training and assessment, but may be subject to a reasonable transition period</p>	<p>The VET Funding Review agrees with this recommendation.</p> <p>The Review has recommended that only providers delivering a broad range of programs be permitted to deliver the Certificate IV in Training and Assessment (recommendation 66).</p>
<p>Grant RTOs with a track record of performance in delivering high quality training and assessment, particularly across qualifications for trainers and assessors, the right to self-accredit trainers and assessors.</p>	<p>The VET Funding Review agrees with this recommendation.</p>
<p>Commission further research into whether, and to what extent, there should be amendments to qualification levels and skills sets required by trainers and assessors to deliver quality training and assessment.</p>	<p>The VET Funding Review agrees with this recommendation.</p> <p>The Review has recommended a review of the suitability of the Certificate IV (recommendation 66)</p>
<p>Explicitly state in the contract that RTOs are expected to deliver a volume of training in line with recommendations in the AQF and/or Training Package. Where training deviates beyond a certain threshold, the RTO will be required to document and justify its approach, providing this to DET upon request.</p> <p>The requirement to demonstrate the appropriateness of training duration may be required at contract initiation and/or as part of audits. This requirement should be systematically monitored and assessed in assurance audits. To support this, DET should refine its data standards to effectively capture both the duration and intensity of learning and conduct further research into the acceptable range for volume of training delivered per qualification. When sufficiently developed, this could inform systematic monitoring of duration and intensity, and inform DET's broader quality assurance activities.</p>	<p>The VET Funding Review generally supports this recommendation. The Review proposes a number of measures to address training of unreasonably short duration including greater focus on outcomes (such as using summative testing).</p> <p>The Review supports using this data to ensure risk based auditing of providers.</p>

Managing performance

Quality Assurance Review recommendation	VET Funding Review approach
<p>Inject additional resources into DET's VET review function to allow an immediate focus in 2015-16 on rapid investigation and enforcement, targeting a core cohort of RTOs with known performance issues. This will send a strong message to the sector that high quality training and assessment is a priority.</p>	<p>The VET Funding Review supports this increase in resources. In addition, the VET Funding Review proposes that DET be reorganised around two key functions: funding and quality assurance. (See recommendations 6-8) and use this to strengthen contract enforcement (see recommendation 60). In addition to the increased enforcement of the contract, the VET Quality Assurance Office would include developing and setting standards which providers delivering VTG-funded training would be expected to meet (above those required by ASQA).</p> <p>It would also undertake strategic reviews of the quality of training in Victorian industries (see recommendation 61).</p>
<p>Build a strong quality assurance regime that is explicitly enabled by the VTG contract. Auditing of providers should serve two primary purposes:</p> <ul style="list-style-type: none"> •Ensuring compliance with contract and verifying performance against funding requirements. Compliance audits will be supplemented by quality audits, which may be triggered at compliance audit for further investigative purposes. •Quality assurance will aim to improve both educational process and outcomes (quality of graduates and qualifications). Quality audits will evaluate an RTO's training and assessment practices. <p>The Department should design the quality review program to be additional to the regulatory audits against the standards. Its primary focus should be on the student experience and outcomes. Any observed breaches of the regulatory standards should be referred to ASQA or the VRQA for attention.</p> <p>The Department should continue to work with the regulators, Commonwealth and industry bodies to improve quality assurance through the national regulatory and standards system.</p>	<p>The VET Funding Review agrees with this recommendation.</p>

Quality Assurance Review recommendation

The Department's quality assurance regime should segment RTOs on the basis of risk, and the assurance regime should be tailored for each risk segment. Appropriate technical expertise should be assembled for each audit.

- The quality assurance regime should be tailored to each segment. Segmentation would be based on the overall risk profile of each RTO including qualifications delivered, volume of enrolments and business operating models (e.g. use of third parties). Higher risk segments would be subject to a more intense and qualitative assurance regime that would vary in terms of frequency, breadth and depth of audit activity. Sustained performance over time would reduce the compliance regime.
- A review of the RTO's overall risk rating may be triggered through certain events as specified by DET, for example change in ownership, the commencement of a new CEO, significant expansion of scope or significant change in enrolments.

Strengthen early detection and risk segmentation capacity through increased information collection and monitoring mechanisms, including establishing and continually refining an agreed set of quality risk indicators. These could build on existing financial risk indicators and be broadened to include improved measures of consumer (both student and employer) experience and satisfaction (as per the RTO performance indicators).

VET Funding Review approach

The VET Funding Review agrees that there should be greater differentiation between providers based on their capability and risk profile.

The VET Funding Review supports continuous monitoring of providers and the development of quality risk indicators.

Quality Assurance Review recommendation

Build and align DET's technical expertise and resources to be commensurate with what is required to maintain an effective quality assurance regime. This includes sufficient FTE, information and funding to:

- **Effectively oversee and report on the performance of the sector**
- **Conduct/contract audits and reviews of individual RTOs, including establishing and maintaining a panel of external auditors/quality assurance reviewers**
- **Establish a relationship based performance monitoring regime with RTOs with the highest number of VTG subsidised enrolments - in 2014, 25 RTOs were responsible for 50% of all VTG enrolments. This will involve higher sharing of operating information and performance based discussions at regular intervals. Over time, extend this to incorporate additional RTOs, such as those that comprise the next 25% of enrolments.**
- **Establish policy and processes for rapid response to provider financial or performance failure and to support students in the case of provider performance (including quality) or financial failure.**
- **Build the new quality assurance regime and transition the sector to it. At the end of 3 years, the functions required to build and implement the new quality assurance regime are expected to decrease in size. At this point, the level of compliance and quality auditing should be reviewed. The review should also have regard to national changes in product and provider standards and enforcement. It should be expected that the role played by DET to assure minimum quality standards will decrease as the scope and activity of the regulators in enforcing standards broadens.**

VET Funding Review approach

The VET Funding Review supports this approach. This is consistent with the Review's recommendations regarding the establishment of a dedicated quality assurance function within DET.

However, the Review considers that the role of quality agency within DET should be broader than the functions identified by the Quality Assurance Review, and include:

- undertaking strategic reviews of training in industries or qualifications to identify systemic issues or risks; and
- oversee the development of the provider classification system.

In addition, the VET Funding Review's contracting and funding approach will include a much greater focus on the individual contract management of providers throughout.

Strengthening consumer information

Quality Assurance Review recommendation

Encourage students and employers to provide the market with timely information on their training and assessment experience. This could be encouraged through information provided to students at point of enrolment and completion, media and social media campaigns, widely-accessible student and employer surveys and live feedback platforms.

VET Funding Review approach

The VET Funding Review supports this recommendation.

See 'Helping students make decisions', page 98.

Quality Assurance Review recommendation	VET Funding Review approach
Inform consumer choice by making publicly available consistent, accessible and comparable performance information about RTOs including performance against quality indicators, employment outcomes, completion rates, consumer satisfaction results and completed and agreed audit results.	The VET Funding Review supports this recommendation. See 'Helping students make decisions', page 98.
Develop a powerful and meaningful tool, providing a standardised suite of consumer information that RTOs must give to students prior to enrolment. The manner with which this is provided to students should be carefully considered to ensure that it is accessible and drives informed decision making.	The VET Funding Review supports this recommendation. See 'Helping students make decisions', page 98.
In the absence of a national VET complaints system, establish a body responsible for ensuring the resolution of student complaints. This would be established as an independent function with the authority to rapidly resolve student complaints and refer actions to regulators and/or DET. Referral should include recommendations to reinstate student entitlements as appropriate. The requirement for providers to respond to and co-operate with the independent body will be written into the VTG contract. RTOs' complaints handling performance, including timeliness and quality of responses, should also be evaluated as part of quality audits. DET should pursue the establishment of an appropriate VET Ombudsman function through national fora.	The VET Funding Review supports this approach.
Provide students with systematic and triaged access to independent career information and support, including information on employment pathways and skill demand levels, in alignment with planning conducted by DET to boost career information provision.	The VET Funding Review supports this recommendation. See 'Helping students make decisions', page 98.

Funding considerations and implications

Quality Assurance Review observation	VET Funding Review approach
Market design should support quality outcomes without unnecessarily impeding the commitment to a competitive market, through: <ul style="list-style-type: none"> •DET more actively utilising its available policy levers in the short to medium term, including the national regulatory system, the VTG funding architecture, provider contracting and information provision, to ensure an appropriate balance between the two imperatives – quality and competition – in terms of the nature and number of providers who can access the VTG. 	The VET Funding Review agrees with this observation, and has reflected it in the design of the recommended funding system.

Quality Assurance Review observation

DET should work with the Commonwealth Department of Education and ASQA to progress quality reform, including:

- use successes demonstrated in Victoria, from heightened input, process and outcome monitoring, to seek enhancements to the national provider Standards in relation to minimum requirements regarding teaching and assessment.
- expand the focus of ASQA's assurance regime to include audits of past performance, beyond audits of current evidence, enabling more rapid and instructive rectification.
- shape training products within and beyond the Review of Training Packages and Accredited Courses, to improve consistency and rigour of training and assessment, e.g. in relation to mode of delivery, volume of learning and trainer and assessor expertise. This could draw on evidence developed through Victoria's initial explorations in these areas.

Along with broader objectives, the funding architecture should support quality outcomes, through:

- avoiding incentivising provider behaviours leading to poor quality outcomes, and ideally incentivising good quality provider behaviours
- being cognisant of existing market failures and equity issues including imperfect information, the capacity and appetite of different consumers to play an active role, the capacity to redress non-compliance with contractual and regulatory requirements, and variations in competition across different markets (e.g. metropolitan and rural and areas of specialisation)
- acknowledging DET can and does choose how it funds training and engages with providers, and that contestability may be appropriately achieved in different ways in different markets.

VET Funding Review approach

The VET Funding Review agrees with this observation, and has made similar recommendations in relation to the broader applicability of the Funding Review's work (see recommendation 1).

The VET Funding Review agrees with this observation, and has incorporated this approach throughout the report.

Appendix 6: Reconciliation of Terms of Reference

The following table provides a high-level reconciliation of the Review’s Terms of Reference with the Review’s report and recommendations. Note that is not an exhaustive list of the Review’s recommendations.

Terms of Reference	Review
<p>The Review is to inquire and report on, and make any necessary recommendations about, how to improve the quality, stability and sustainability of the Victorian training market.</p> <p>1. The Review shall do this by recommending alternative Vocational Education and Training (VET) funding models and settings that:</p> <p>a) match training delivery to the growing job opportunities in Victorian industries;</p>	<p>The Review’s proposed funding model should lead to better matching to training to job opportunities through the development of a funded course list through a process of consultation and industry engagement (including through the Skills Commissioner) and greater government control of the number of funded places.</p> <p>In addition, basing subsidies on an efficient and effective cost of delivery (recommendation 9) should support training in rural and regional areas, as they would not be subject to subsidy changes to address statewide or budget management issues.</p>
<p>b) ensure all government subsidised training is high quality;</p>	<p>The Review has made a number of recommendations to improve and assure quality in the VET system (see in particular Chapter 5). This includes the establishment of the VET Quality Assurance Office (recommendation 6), improving contract management (recommendation 60), undertaking strategic reviews (recommendation 61), and introducing a summative testing strategy (recommendation 64).</p> <p>In addition, the tuition assurance scheme (recommendation 104) will create a financial incentive for non-government providers to self-regulate a minimum level of quality.</p>
<p>c) allow rural and regional communities to access training that meets their local needs;</p>	<p>The Review has recommended that maintenance of a rural and regional loading (recommendation 12), and the direct funding of provision in thin markets (recommendation 15). In addition, basing subsidies on an efficient and effective cost of delivery (recommendation 9) should support training in rural and regional areas, as they would not be subject to subsidy changes to address statewide or budget management issues.</p>

Terms of Reference	Review
<p>d) meet community service obligations to support vulnerable and higher needs learners to complete training and transition to employment;</p>	<p>The Review has recommended a new stream of funding be established for Community Service grants (recommendation 89).</p>
<p>e) build a strong and responsive public Technical and Further Education (TAFE) sector;</p>	<p>The Review has outlined its vision for the TAFE sector in Chapter 4. In particular, the Review is recommending an additional funding stream for TAFE institutes (recommendation 54) and the development of compacts with TAFE institutes (recommendation 57).</p>
<p>f) manage training expenditure within the existing vocational training budget while preserving a framework of student-driven choices;</p>	<p>The Review's funding model has been developed with enrolment limits to provide budget certainty, while preserving the student choice.</p>
<p>g) recognise the public and private benefits of training and ensure fees and student costs are not a barrier to participation; and</p>	<p>The Review's funding model recognises the public and private benefits of VET, and has recommended the introduction of a compulsory minimum student fee (recommendation 17), that increases the higher the qualification (recommendation 18), and has assumed current concessional arrangements will continue, with slightly relaxed procedural requirements so students are not inadvertently disadvantaged (recommendation 37).</p>
<p>h) ensure eligibility to access subsidised training is fair and well-targeted.</p>	<p>The Review has recommended changes to the upskilling eligibility requirements (recommendation 29) and the two course rule be relaxed in certain circumstances (recommendation 34) to improve access to government-subsidised training.</p>
<p>2. The Review is also asked to comment as necessary on:</p> <p>a) How other government policy levers may be used to support the quality, stability and sustainability of the Victorian training market. This could include the regulation of training providers; requirements for government contracted training provision; information and decision support tools for students; and implications for national training policy.</p>	<p>In addition to the funding system, the Review has made a number of recommendations on improving quality of training, including in Chapter 5, on quality assured VET and the establishment of a VET Quality Assurance Office (recommendation 6).</p>

Terms of Reference	Review
<p>b) The implications of recommended reforms for other directly related areas of education in Victoria (including secondary schooling and the roll out of new Tech Schools, and the higher education sector).</p>	<p>The Review has recommended the Government Schools Funding Review, led by The Hon Steve Bracks AC, consider issues relating to the funding of VET in Schools (recommendation 84).</p> <p>The Review has also recommended that Government consider developing a tertiary education strategy (recommendation 103) and, as part of this, consider the establishment of one or more Polytechnic Universities or University Colleges (recommendation 101)</p>
<p>The Review is also to consider any other matters incidental to the matters specified in paragraphs 1 and 2.</p>	<p>The Review has commented on other matters throughout the report.</p>

