

Changes to VET Fee and Funding Arrangements for 2012

October 2011



The quality and availability of skills are an important driver of improved labour productivity, which is in turn a driver of competitiveness for individual enterprises; state-wide regional development; job creation; economic growth; and ultimately individual wellbeing and social cohesion.

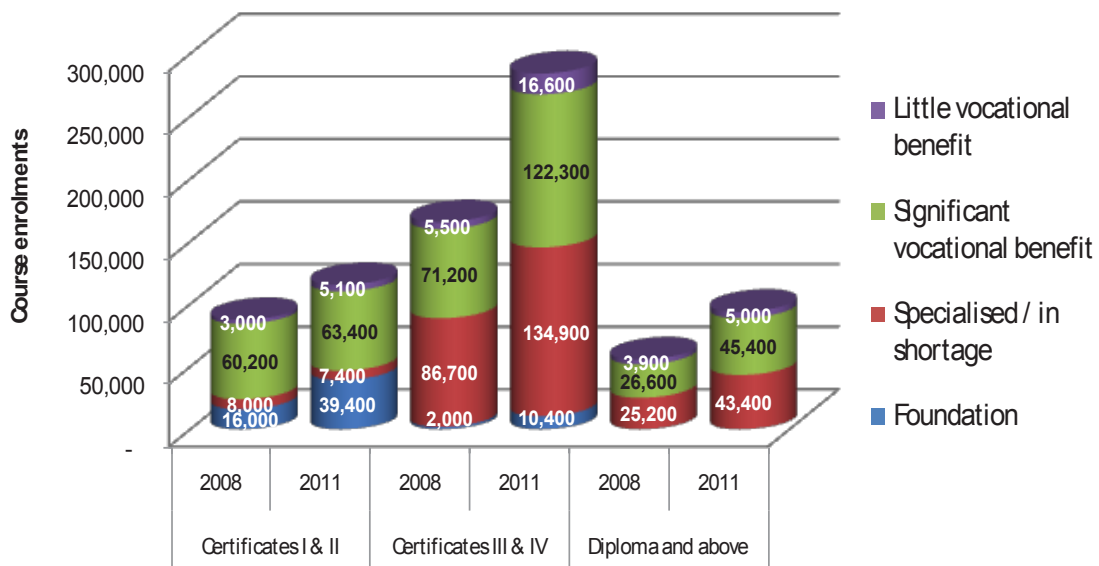
The Victorian Government is committed to investing in skills and training through our vocational education and training (VET) system.

Reforms to Victoria's VET system to introduce a training entitlement began in 2009 and came into full effect on 1 January 2011. From the start of the reforms demand for training has been extremely strong.

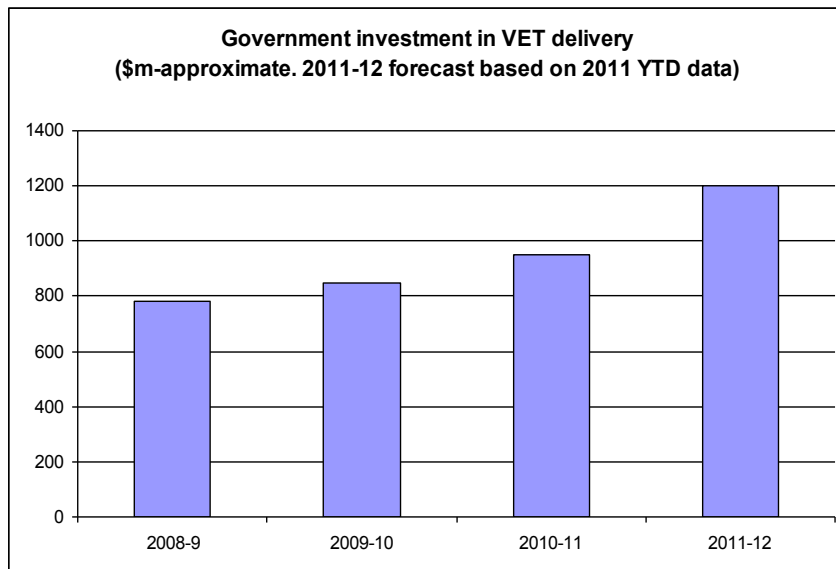
We are expecting 425,000 individual students to undertake government subsidised training in 2011, representing a 44% increase on the 295,000 students who enrolled in 2008, before the commencement of the reform to skills. The vast majority of training undertaken in Victoria is in areas of economic significance to the State.

Government subsidised training, 2008 and 2011

Excludes courses that are not AQF qualifications or Foundation level



To support this growth, we expect that during 2011-12 the Victorian Government will invest more than \$1.2 billion in training - around \$400 million more than before Skills Reform commenced.



Next steps in reform

This Government has implemented a review of VET fee and funding arrangements. The Essential Services Commission (ESC) led the first stage of the review, and their report has recommended reforms that will create a more competitive, effective and affordable system into the future. In particular, the ESC recommends funding reforms that will:

- Increase transparency and responsiveness of VET prices
- Relax government controls where possible
- Require better 'product disclosure' by providers
- Increase competitive neutrality
- Better target assistance for higher needs and low income students
- Increase the ability to manage government costs within budget envelope
- Address eligibility anomalies

Consultation on the details of these reforms is continuing. The changes for 2012 set out below are consistent with the reform directions.

What stays the same in 2012

- Eligible Victorians will continue to have access to government-subsidised training places no matter where they live.
- Low-income students will remain eligible for concession fees.
- Eligible students aged 15 to 24 who enrol at a TAFE Institute to study diploma or higher qualifications will continue to pay a concession fee of only \$100 per annum, consistent with the Government's election commitment.
- The loadings that apply for the delivery of training to 15-19 year olds without a senior secondary certificate or for Indigenous Victorians remain.
- 44 of the 51 existing industry weightings will be unaffected.
- For the majority of students continuing training in the same qualification they were studying in 2011, the changes should have minimal impact.

What is changing in 2012

Element 1: 25% reduction in the TAFE and non-TAFE funding differential for large TAFEs and TAFE Divisions

Currently TAFE and non-TAFE training providers receive different levels of funding from Government for each hour of training they deliver. This element of the changes reduces this differential by 25% for those TAFEs and TAFE Divisions who recorded revenue in excess of \$100 million in 2010. The table below describes the change:

Qualification level	New 2012 funding rate per hour of training for affected TAFEs ¹	2012 funding rate per hour of training – other TAFEs NO CHANGE	2012 funding rate per hour of training – non TAFE NO CHANGE
Foundation	\$9.31	\$9.75	\$7.99
Skills Creation	\$8.83	\$9.21	\$7.70
Skills Building	\$8.42	\$8.66	\$7.70
Skills Deepening	\$6.50	\$6.50	\$6.50

TAFEs affected by this change are Box Hill, Chisholm, Holmesglen, Kangan Batman, NMIT, RMIT, Swinburne University, Victoria University. Forty percent of this reduction will be reinvested in a new Community Services Fund.

¹Note: applies to students who commence training in 2012

Element 2: Reduction in the industry weightings applied to training in selected industries

In order to determine the level of Government funding a training provider receives for the delivery of a course the following equation is followed:

Number of scheduled hours x Hourly rate x relevant weighting = Payment

This element of the changes targets the relevant weighting component of this equation for seven industry areas. The changes apply to areas where growth in training delivery has been significant; where competition between providers is strong; and where evidence exists that providers are able to offer these courses with lower fee levels.

Industry sector	Current weighting that applies	New weighting to apply
Business and Clerical	0.8	0.7
Finance	0.8	0.7
Hospitality	1	0.9
Property Services	0.8	0.7
Recreation	1.1	0.8
Tourism	1	0.9
Wholesale and Retail	0.8	0.7

Element 3: Removal of maximum and minimum fee caps

The amount a student will pay for any accredited course previously had to be between set minimum and maximum fees. Training providers will no longer be required to apply a minimum or maximum fee cap for students, although a cap on the hourly fee per scheduled contact hour will ensure students continue to receive value for money.

This change implements the ESC recommendation to immediately remove annual fee caps, while retaining maximum hourly fee protection, to produce a more effective market between providers.

By removing the cap, training providers are able to charge students for the full amount of training delivered to them. Around 20% of students will potentially be affected by this change. Given the opportunity to charge students more, some providers will choose to take it – others may not. This will introduce a stronger element of competition on price amongst providers.

Element 4: Cessation of special arrangements for apprentices

This element of the changes removes special arrangements currently in place for apprenticeships, meaning that apprenticeships will again be charged the same fees as students studying under a traineeship, and training providers will receive the same level of funding as they would for training a trainee. In the majority of cases, this means that apprentices will be charged the same as any other student studying at the same qualification level.