

Strategic Review of Infrastructure Funding

Discussion Paper

This paper is a draft for discussion purposes. It does not represent the final position of DEST or the Australian Government.

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Part 1 – Overview of Review of Infrastructure Funding

1 Purpose

This paper is designed to gather views on the future direction of Infrastructure funding under the Commonwealth-State training funding agreement, particularly in relation to the role of the funding in meeting the objectives of the national training system, the priority areas for funding and associated administrative and reporting arrangements. The paper also provides an overview of current arrangements as a platform for discussion at a series of round-table gatherings.

2 Introduction

The *2005–08 Commonwealth-State Agreement for Skilling Australia's Workforce* (the Agreement) between the Australian, State and Territory Ministers responsible for vocational and technical education sets out the terms and conditions of Australian Government funding appropriated under the *Skilling Australia's Workforce Act* for the period 1 July 2005 to 31 December 2008.

The Agreement recognises that a shared commitment of the Australian, State and Territory governments is essential to maintain an effective national training system that will deliver high quality, nationally consistent training outcomes for industry, communities and individuals. The Agreement reinforces the commitment of the Australian, State and Territory governments to support the implementation of new national training arrangements from 1 July 2005. This Agreement also demonstrates the commitment of the Australian, State and Territory governments to work collaboratively in areas of national priority that support the long-term objectives for the training system as set out in *Shaping Our Future*, the National Strategy for Vocational Education and Training 2004-2010.

Through this Agreement, the Australian, State and Territory governments will work cooperatively to ensure that the national training system is well placed to face the challenges confronting the nation, industry, community and clients. These challenges include:

- being responsive to industry skill needs, including in areas of current and emerging skill shortages – particularly in traditional trades;
- an ageing workforce – the training system must be able to re-engage mature age workers and provide training that suits their learning needs;
- changing technology and emerging industries – the training system must be able to equip the workforce with more flexible and adaptable skills;
- changing employment and work patterns – the training system must be able to respond flexibly to how and when clients want training;
- improving training outcomes for priority clients – improved service delivery is needed to help these clients realise their full potential and acquire skills for jobs relevant to the labour market;
- a greater focus on training quality and national consistency – so that clients can continue to have confidence in the training and qualification received; and
- raising the profile of vocational and technical education – as a valid choice of further education and rewarding career path for young people and those wishing to re-enter the workforce.

In signing up to the Agreement, States and Territories also agreed to conduct a Strategic Review of the Infrastructure funding offered under the Agreement. At the November 2005 meeting of the Ministerial Council for Vocational and Technical Education (MCVTE), Ministers noted the draft Terms of Reference and indicative work plan for the Review and agreed to work with the Australian Government to present the findings to MCVTE in June 2006.

2.1 Terms of Reference

The Review will examine all components of Infrastructure funding under the Agreement. These components are:

- Major Capital
- Skill Centres (Industry, Schools and Indigenous); and
- New Technologies (Australian Flexible Learning Framework)

While the Agreement specifies a review of the *Major Capital* and *Skill Centre* components of Infrastructure funds, Ministers agreed at the November 2005 MCVTE meeting to also include the New Technologies element of Infrastructure Funding in the Review.

The Review is to develop recommendations on:

- the role of Infrastructure funding in meeting current and future training, skill and employment needs;
- targeting Infrastructure funding to better support;
 - industry specialisation;
 - innovation;
 - the establishment of industry centres of excellence;
 - the take up of information and communication technology (ICT); and
 - value for money.
- streamlining and improving administration, governance and reporting arrangements.

2.2 Set-up of Review

A Reference Group has been established to provide feedback on, and contribute to, the Review. The Department of Education, Science and Training (DEST) chairs the Reference Group with State and Territory governments all represented. Stakeholders of the National Training System will be invited to participate in round-table discussions concerning the review and/or make written submissions against this discussion paper (see Paragraph 2.3).

The members of the Reference Group are listed at Attachment A.

Information about the review is available on the National Training website maintained on DEST's Internet at:

http://www.dest.gov.au/sectors/training_skills/policy_issues_reviews/key_issues/nts/ .

The scope of the Review and the range of issues to be examined under the Terms of Reference calls for:

1. examination of the impact of previous years' Infrastructure funding in meeting the needs of the National Training System;
2. assessment of the role of all components of Infrastructure funding in meeting future training, skill and employment needs;
3. investigation of criteria and models for targeting Infrastructure funding that supports industry specialisation, innovation, industry centres of excellence, the take up of Information and Communication Technology (ICT) and value for money; and
4. consideration of mechanisms to improve administration, governance and accountability (reporting) for the new and/or continuing components of Infrastructure recommended in the Review.

This paper is designed to gather initial views on the impact of current funding arrangements and the issues involved in targeting Infrastructure funding. The views gathered in this exercise will help inform further work outlined in the four steps above.

2.3 Input to the Review

Roundtable discussions for key stakeholders have been held in Melbourne and in Sydney in late April 2006.

Those unable to participate in round-table discussions are invited to provide written or e-mail comments or to phone in comments to:

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2.4 Previous Reviews

Several reviews of Infrastructure funding have been undertaken in the past, including:

- *Review of Industry Based Skill Centres, Skill Centres for School Students and ATSI Facilities for VET*, Nicholas Clark and Associates, 1999.
- *Australian National Training Authority Review of New Accountability Framework*, Ernst and Young, 2003.
- *Skill Centre Program for Vocational Education and Training Infrastructure Future Directions*, Ernst and Young, 2003.

Several of the findings and recommendations still have currency and where relevant are referenced in this paper.

2.5 Priorities for the National Training System

Strategic planning processes are the underpinning organisational framework for the national training system, with the long-term objectives for the system outlined in *Shaping Our Future*, the National Strategy for Vocational Education and Training 2004-2010. Under the Agreement, the Australian, State and Territory governments are committed to the operation of a national training system guided by *Shaping Our Future* and supported through the following agreed National Priorities:

- Improving the system's responsiveness to rapid changes in demand for skills development and addressing skills shortages, especially in traditional trades and in emerging industries;
- Delivering improved outcomes for employers, individuals and communities;
- Improving quality;
- Increasing participation and up-skilling mature age workers; and
- Encouraging greater re-engagement in training by Australians who are not fully participating in the labour market.

The Australian and State-Territory governments have committed to building the national training system on the following guiding principles:

- Industry and business needs, both now and for the future, drive training policies, priorities and delivery;
- Better quality training and outcomes for clients, through more flexible and accelerated pathways;
- Processes should be simplified and streamlined to enhance national consistency;
- Young people have opportunities to gain a wide range of lasting skills that provide a strong foundation for their working lives; and
- Training opportunities are expanded in areas of current and expected skills shortage.

It is important for the continued relevance of Infrastructure funding that arrangements fully support the new national training system and align with and support the guiding principles and National Priorities.

MCVTE has agreed for the funding to operate under current arrangements while the review is conducted. In broad terms this entails the following planning arrangements:

- States and Territories as part of the VET Planning process submitting Strategic Infrastructure Plans which outline the priorities for infrastructure provision of their public providers (TAFEs) over the term of the agreement;
- States and Territories providing to the Australian Government Minister for Vocational and Technical Education an Annual Infrastructure Plan which outlines all planned and commenced projects in 2006 that utilise Major Capital funding;
- DEST managing the Skills Centre elements in conjunction with States and Territories on a project-by-project basis; and
- Allocation of funding for New Technologies to the Flexible Learning Advisory Group for management in accordance with MCVTE endorsed business plans.

2.6 Overview of Remaining Sections of this Discussion Paper

Part II of this paper discusses some broad themes identified for this review as a means of determining the relative priorities for infrastructure funding. Part III then describes the current operation of the various components of Infrastructure funding and seeks comment on possible future directions in terms of funding priorities, management and reporting.

2.7 Data

Limited data is available at this point on the operation and outcomes from the Infrastructure funding. As a result, issues included in this paper are thematic in nature – and are structured to gather further information for the Review. Other data are being collated and will be included in the final report, where relevant and robust.

Part II – Priorities for Infrastructure Funding

1 Introduction

The terms of reference for this review call for an examination of the role Infrastructure funding plays in meeting training needs, and to consider whether funding should be targeted for specific purposes.

1.1 Limited Data

As previously mentioned there is limited data held centrally on the capital stock in the national training system and also limited information held on the operation of facilities that have been funded from infrastructure funding. As a consequence, this part of the discussion paper seeks to explore with stakeholders of the national training system the principles that should guide future allocation of funding. (The need for improved reporting on infrastructure within the national training system will form a separate recommendation coming from this review.)

1.2 The Role of Infrastructure in Meeting Current and Future Training, Skill and Employment Needs

For a significant period of time, specific funding from the Agreement has been set aside for building and enhancing capital facilities in the national training system. In global terms, the \$200m allocated for Infrastructure funding represents about 17% of total funding available under the agreement per annum. TAFEs deliver around 79 per cent of publicly funded training and receive 85 per cent of Infrastructure funds. Of the remaining 15 per cent of funds, 7.5 per cent each is allocated to Skill Centre funding (Industry, schools and Indigenous) and New Technologies. The split of the funding has been endorsed in the past by training Ministers and as such represents a broad indication of the infrastructure demands for segments of the training sector.

For the national training system to continue to respond to emerging and future skills needs across Australia requires a diversified and vibrant network of training providers to be in place. This builds the capacity of the system to respond flexibly to changing demands for training. The extent to which infrastructure funding is applied to build this capacity requires some consideration. This points to issues such as whether current allocations to the respective components of funding meets this objective. There may also be the need to assess the current capacity of the training system in order to determine where capacity gaps should be filled. Whether current Infrastructure funding should continue to be directed towards general capital costs or targeted to priority areas in order to build specific capacity is discussed in the next section.

Discussion points

- *Please state your views on the continuing need for specific Infrastructure funding under the Agreement, and the relative priorities between components of funding.*
- *If relevant, please indicate where you believe lack of infrastructure capacity has compromised delivery of training.*
- *If infrastructure needs were to be assessed, what dimensions should be examined?*

1.3 Impact of COAG Processes

The Council of Australian Governments (COAG) has asked MCVTE to provide a report by the end of 2006 on suggested next stages of reform to the national training system. While significant headway has been made through the current Agreement and recent commitments agreed through COAG to improve Skills Recognition for apprentices and trainees, COAG has

sought advice on further areas of reform so that the training system works with employers to develop the human capital of their workforce and delivers responsive high quality training, especially in current and emerging skills shortages areas. As part COAG's request, the Ministerial Council is also required to develop funding arrangements which supports a network of responsive training focused on the needs of the workplace. Recommendations made by MCVTE to COAG may also impact on the priorities assigned to Infrastructure funding. The consultations and investigations conducted as part of this review should be able to be fed into the broader deliberation of the next stage of reform.

1.4 Targeting Infrastructure Funding

An important part of this review is examining the feasibility of targeting infrastructure funding to better support Industry specialisation and innovation, the establishment of Centres of Excellence, the take-up of ICT within a context of value for money. The following paragraphs describe some of the tensions involved in targeting funding in this way as a means of bringing out the range of issues that would need to be considered if such an approach were to be adopted. This is informed by anecdotal evidence gathered through site visits conducted by consultants as part of this Review.

The development of training facilities for particular industries appears to be well established in the training sector. These facilities are established within TAFEs and also by Industry, with some supported by industry skill centre funding. This approach provides an efficient means for responding to specific industry needs in jurisdictions and regions. While it allows for costs to be focused on one facility, it raises issues of student access, especially those remote to the facility or distanced from transport corridors. Specialist facilities may also have high recurrent cost structures which limit returns on investment.

Whether there is a distinction between specialist industry skills centres and Centres of Excellence may require consideration. One distinction is between that of structure and status. Specialist industry training facilities as described above often provide a structure to respond to the needs of specific Industry, whereas Centres of Excellence provide an opportunity to set up a centre of high standing in the sector delivering the highest quality training with state-of-the-art facilities and equipment. Attributes of excellence also encompass leadership, management and operation and these aspects would also need to be in place to establish a Centre of Excellence. Whether, and how, Centres of Excellence should operate in the training system, and the flow-on impact on funding needs to be explored.

Taking up opportunities to support innovation allows for the training sector to support emerging high-end industries by training high-order skilled technicians. But possibly of more importance is the opportunity it provides for the training sector to drive innovation itself. Commercially focused training providers that are connected closely with industry can act as incubators – delivering results for industry, helping students acquire research and innovation competencies and supporting local or national industry development. Tensions, of course, are the high cost structures and the inherent risks, similar to those in the research and development domain.

ICT plays a number of roles in training. Firstly, as ICT becomes more entrenched in production techniques and firm management there is an increased need to replicate the ICT capacity in training infrastructure. Secondly, ICT offers opportunities for flexible on-line learning, possibly away from the learning institution, either at work or home. Whether ICT can substitute or complement physical facilities needs further consideration. Thirdly, ICT is an integral part of any learning facility, and as such forms part of the capital stock that needs to be maintained in line with the rapid rate of change in ICT. These issues impact on the targeting of infrastructure funding to support ICT.

Discussion points

- *Please provide your views on the priorities for Infrastructure funding to support industry specialisation, innovation and/or the take-up of ICT.*
- *Please describe your view on specialist centres for industry and centres of excellence, including the distinction between the two from your perspective.*
- *What priorities should be assigned to funding ICT?*

1.5 Think Pieces

Two separate studies have been undertaken to explore the role of industry specialisation and centres of excellence, and the role of ICT in training. These will be available for reference on the national training website specified in paragraph 2.2.

Part III – Operation of Current Infrastructure Funding

1 Introduction

This part of the paper outlines current arrangements for the operation of the components of Infrastructure funding. Discussion topics in this section are designed to gather views on priorities for the specific funding and on suggestions to improve management arrangements, including reporting.

1.1 Transfer of Functions from ANTA to DEST

National Training Infrastructure funding was previously administered by ANTA. As part of the transfer of functions from ANTA to DEST in July 2005, DEST now administers National training Infrastructure funding.. To minimise disruption to clients of the national training system and to assist in the smooth transition of functions from ANTA to DEST, skill centre funding is presently being administered in accordance with the guidelines established by ANTA.

2 Major Capital

2.1 Current Arrangements

Under the Major Capital element of Infrastructure funding, the Australian Government currently provides \$170 million annually to States and Territories to support infrastructure for vocational and technical education. Funds are allocated across jurisdictions on an historical population share formula . State and Territory governments have responsibility for allocating their funding to projects in accordance with the Agreement, including the agreed Guidelines and Protocols and the State-specific priorities outlined in strategic and annual infrastructure plans with the Australian Government Minister making final determination of payments to the States .

2.2 Funding

The Major Capital allocation to each State and Territory is indicated in the table below:

State	Historical Population Share	Funding Amount
NSW	34.8%	\$59.16m
VIC	25.0%	\$42.5m
QLD	17.0%	\$28.9m
SA	8.0%	\$13.6m
WA	9.0%	\$15.3m
TAS	2.6%	\$4.42m
NT	2.0%	\$3.4m
ACT	1.6%	\$2.72m

Major capital funding is provided to enable construction, refurbishment, replacement, maintenance and equipping of vocational and technical education training facilities. Priority for funding has undergone several changes since inception. There has been a shift from the construction of new facilities to refurbishment and replacement and to funding of ICT infrastructure in response to growth in on-line delivery of training.

Based on data provided by States and Territories in 2006 Annual Infrastructure Plans (AIPs) the majority of funds on a national basis have been directed toward refurbishment and maintenance with less money being directed toward the establishment of new buildings and ICT

infrastructure. However, it should be noted that States and Territories committed a larger proportion of 2005 funding (\$27.1 m) to ICT than this year (\$3.5 m).

2.3 Planning

Major capital funding is governed by the 2005-2008 Guidelines and Protocols endorsed as part of the Agreement. Under these guidelines there are:

- New accountability requirements – detailed project information, balanced range of projects exceeding \$250,000, protocols apply;
- Requirements to comply with the National Code of Practice for Construction Industry for projects where:
 - the Australian Government contribution is at least \$5 million and represents at least 50% of the total project value; and
 - the Australian Government grant for the particular project is \$10 million or more.
- Requirements that institutions receiving major capital funding make their premises available on a commercial basis to third party training providers for purposes that do not conflict with the provider's training purposes.

Two planning and reporting documents support Infrastructure funding: the Strategic Infrastructure Plan (SIP) and the Annual Infrastructure Plan (AIP).

2.3.1 Strategic Infrastructure Plan

The SIP is a three-year planning document, introduced under the New Accountability Framework (NAF) as a result of the 2003 Ernst and Young Review and is a continuing accountability requirement under the 2005-2008 Agreement.

By developing a SIP, States and Territories are encouraged to continue to manage infrastructure funds in a forward-looking manner to ensure that planning is responsive to future trends in the training sector. The SIP is complemented by the AIP which provides details of projects for the year in which the funds are to be used.

The existing cycle of submitting and updating SIPs in August each year continues to apply. They include the following information:

- *Executive Summary*
- *Strategic Directions*
- *Current Environment*
- *Future Infrastructure Plans*
- *Budget implications*
- *Plan and report against:*
 - *Maintenance Backlog*
 - *Expenditure*
 - *Utilization*

2.3.2 Annual Infrastructure Plan

The Agreement Infrastructure Guidelines require States and Territories to provide detailed project information to the Australian Government on major and minor capital projects in Annual Infrastructure Plans (AIPs).

As a minimum, States and Territories provide the following information on a project basis:

- Anticipated start and completion dates;
- Funding details including all sources, levels and allocation/approval date;
- Description and purpose of infrastructure;

- Federal electorate details; and
- Contact details of State/Territory programme managers and funding proponents.

AIPs are currently provided in January to DEST. States and Territories are expected to update information every six months, with quarterly updates and advice on an exception basis.

Following receipt of the AIP, the Australian Government Minister approves the Plans and may announce project funding. Approval of the AIPs trigger release of infrastructure funds by DEST to States and Territories, except in instances where breaches of the protocols cause payment to be delayed.

2.4 Issues for Discussion

2.4.1 Funding

As stated previously, funding under this component has been static at \$170 million for the last several years and as a result it has lost some purchasing power over the period. While this has been a conscious decision by training Ministers in order to direct funding to training delivery it is timely to consider the need for infrastructure funding to ensure that facilities are current and meet the access needs of students. The Reference Group is considering how to conduct this assessment.

In conjunction with such an assessment there may also be a need to examine actual funding regimes. In most cases, TAFE facilities are solely Government funded. While this has obvious advantages it may also restrict the ability of a TAFE to respond to emerging needs. Capital funding for enhancements and maintenance can tend to be the first items for savings, particularly when fiscal policy settings are tight. In addition, traditional 'granting' models for infrastructure and centralised infrastructure management can obfuscate consideration of the full costs of operating facilities. Private/commercial investment, including public private partnerships could be considered, or other approaches such as:

- applying a commercial discipline in assessing infrastructure proposals, including considering returns on investment and long-term operational costs and replacement costs; or
- assigning capital budgets to institutions along with the responsibility for managing their capital stock.

These are specified as options only for further investigation and do not represent the view of governments. In any investigation of these approaches consideration would need to be given to the degree of public subvention to underwrite facilities to cater for the public good elements of training.

The Ernst and Young Review of 2003 identified that TAFEs were unnecessarily precluded under funding arrangements from partnering with private Skills centres to deliver training. This is an issue that warrants consideration as part of examining funding regimes.

2.4.2 Planning and Reporting

While new planning arrangements through the SIP and AIP between the Australian Government and States and Territories are still bedding down, the review provides the opportunity to further refine these process and requirements possibly through streamlining the two plans. The SIP forms part of State VET Plans. Through conditions as part of the Agreement, Industry has an input on priority setting for Infrastructure funding through state advisory mechanisms. The plans will also provide greater capacity to report in the future on projects funded under Agreement arrangements.

Refinement of the SIP will also factor in future work on developing agreed performance measures on maintenance back-log, facility utilisation rates and third party access. To improve accountability, consideration could also be given to States and Territories reporting on training outputs in facilities that have received Major Capital funding.

Major Capital - Discussion Points

- *Please provide views on any of the issues outlined above. In particular what are your views on i) the adequacy of the current funding arrangements in ensuring facilities are current, and meeting student access needs; ii) other potential alternatives to public/private partnerships; iii) TAFEs restricted access to funding when partnered with private skill centres.*
- *Please provide views on the adequacy of current planning and reporting arrangements for Major Capital funding in terms of allowing for industry input to infrastructure investment decisions, and for assessing priorities for Agreement Infrastructure funds.*
- *Please provide your views on the need for new funding regimes to support the provision of infrastructure required by the training system,*

3 Skill Centres

The Australian Government provides \$15 million of capital funding for the establishment or expansion of private training facilities through the Skill Centre Programme. The main objective of the Skill Centre Programme is to encourage the creation of a broader and more diverse training market.

The Skill Centre Programme has the following sub-components:

- Industry Based Skill Centres - \$7 million;
- Skill Centres for School Students - \$4 million; and
- VET Infrastructure for Indigenous People - \$4 million.

The Skill Centre Programme is part of the broader National Training Infrastructure Programme. The **broad objectives** for all three sub-components are:

- encouraging the creation of a broader and more diverse training market for the delivery of training recognised under the National Training Framework (NTF) and associated with training packages, involving public as well as industry based and private providers;
- enhancing the quality of VET training through the provision of industry standard training facilities and equipment to non-public providers;
- increasing direct industry and community involvement in the provision of training, including encouraging financial involvement; and
- providing off-the-job training facilities to create additional training places, particularly additional places for Apprentices and Trainees and the up-skilling of existing workers.

For the Skill Centres for School Students component there are additional objectives, these are:

- creating additional facilities and providing additional opportunities for the provision of VET training recognised under the NTF among year 11 and 12 students, particularly for Apprenticeships and Traineeships, or units of competency from within training packages which relate to Apprenticeships/Traineeships or other vocational outcomes;

- enhancing the ability and opportunities for year 11 and 12 students to undertake further VET courses and obtain workplace skills; and
- helping year 11 and 12 students with the transition from school to work.

3.1 Joint Administration

Administration of skill centre funding is shared between the Australian and State and Territory Governments. Each State and Territory Government is responsible for promoting the programme and developing applications with proponents. This ensures that proposed projects meet State or Territory training priorities and address identified skill needs. Applications are assessed by the State or Territory Department, and recommended for approval to DEST. DEST undertakes an independent assessment of each application to ensure it meets the specific objectives and requirements of the Programme.

The joint administrative arrangements have drawn criticism from skill centre proponents and previous reviews, especially around the perceived inefficiencies and the potential to create confusion in the training sector as to which level of government is responsible for each part of the process. Under present arrangements, States and Territories have a key role in the development and endorsement of proposed projects as well as the administration of project funding, including accountability and ongoing monitoring of training delivery. This role aligns with the State and Territory responsibilities for planning training delivery (embodied in State VET Plans). The Australian Government role assesses and approves projects to ensure national consistency in the application of funding and to address gaps in training coverage, either in geographic terms or across industry sectors. The sharing of roles can create some tensions. Views are sought on whether these roles should change in respect of skill centre funding.

Discussion point

- *In your view what are the perceived impacts of the shared administrative roles, and where can some improvements be made?*

3.2 Industry Based Skill Centres

3.2.1 Current Arrangements

\$7 Million per annum.

The Industry Based component of skill centre funding works on a 'national pool of funds' model.

3.2.2 Access

Industry Based Skill Centres can be established by industry or other training organisations (but not TAFE) registered as not for profit. Under the guidelines, industry is required to contribute at least 50% of the cost of the project.

While funding is not available to commercial private training providers, the current guidelines allow for proposals from organisations which operate on a commercial basis and meet the general criteria for funding as well as the following additional conditions:

- The proposal addresses identified training priorities of the State or Territory;
- The training to be offered in the facility is strategically important to economic development of the State or Territory;

- There are inadequate facilities currently available;
- The facility will be used by others; and
- Provision of public funding is in the public good.

Since 2000, 59 projects to the value of around \$32 m have been funded under this scheme.

3.2.3 Issues for Discussion

3.2.3.1 Building the National Training Market

The Industry Based Skill Centre component has helped to diversify the training market and to encourage greater industry investment and engagement in the training sector. The 2003 Ernst and Young review, however, reported that the breadth of industry coverage was patchy and focussed mainly on retail, hospitality and traditional trades. It also pointed to anecdotal evidence suggesting that some industries are not taking up funding under this option due to the 50% matching requirement.

Anecdotal feedback indicates that the call on Industry Based Skills Centre funding under current access arrangements is diminishing. New arrangements may be required in order to support a more mature training market, and could include:

- Increasing the publicity in the training system on the funding that is available; and
- Opening up access to the funding through strategies such as decreasing the proportion of industry matching, opening up access to other providers such as those operating on a commercial or community basis and offering training in priority or niche areas.

3.2.3.2 National Industry Skills Centres

Consideration also needs to be given as to how to offer opportunities to engage industries that operate across multiple jurisdictions. These organisations operate from a more national perspective and are frustrated by the lack of flexibility to provide infrastructure funding to support their training needs. Both the 2003 Ernst and Young review and the Nicholas Clark review identified the need to fund Industry Skill Centre projects from a national perspective.

3.2.3.3 Ongoing Operation

The ongoing operation of Industry Based Skill Centres is often dependent upon an ongoing champion for the centre and access to some public subsidy for training delivery. While proponents are required to demonstrate their ongoing viability, through industry contributions and possibly public funding for training, centres should be established with a mechanism to access ongoing recurrent funding, at least in the establishment years. Otherwise, there is a risk that the value of the Infrastructure investment may be lost, or at least diminished.

Discussion points

- *Please provide your views on the current arrangements for the Industry Based Skill Centre funding and its relevance to the needs of the national training system.*
- *What demand is there for current access provisions to be expanded? How might current access provisions be expanded if necessary?*
- *How can greater industry participation be encouraged, especially in emerging or under represented industries?*
- *What demand do you perceive for cross-jurisdictional skill centres which would require access to funds on a national basis?*

3.3 Skill Centres for School Students

3.3.1 Current Arrangements

\$4 Million per annum.

The Skill Centre for School Students component of the programme works on a notional allocation funding model. The total available \$4 million per annum is divided between States and Territories on the basis of population share and in line with the funding allocation arrangements for *VTE in Schools* funding under the Agreement.

The allocation for each State and Territory under this model is shown in the table below.

State	Annual SCSS Allocation
NSW	\$960,000
VIC	\$800,000
QLD	\$640,000
SA	\$400,000
WA	\$440,000
TAS	\$280,000
NT	\$240,000
ACT	\$240,000
TOTAL	\$4,000,000

3.3.2 Issues for Discussion

3.3.2.1 *The Need for Funding – Lack of Reporting*

Consideration needs to be given as to whether there is a continuing need for Skill Centres for School Students funding and whether greater value for money can be achieved through re-targeting of funds. The 2003 Ernst and Young review of skill centres questioned whether this component of funding actually broadened training provision within the schools sector and that this issue should be further explored.

The provision of training opportunities for school students remains a priority for all governments. While there is still a large demand by the States and Territories for funding under this component, there remains a lack of data to assess whether good VTE outcomes are being generated for students. Previous reviews have found that the absence of the systematic capture of information about the operations of schools skill centres leads to conjecture about the performance of the funding across a number of domains, including quantifiable student outcomes and the systematic expansion of the areas of training.

3.3.2.2 *Reporting*

Consultations in the 2003 Ernst and Young Review revealed that there was an issue in the reporting of training activity. In some cases, information was not generated by the school or, where it was generated, it was either not collected or not assessed if it was collected. In addition, there are no audit arrangements in place to monitor the on-going training activity. The review concluded that the lack of reporting and monitoring was symptomatic of the Skill Centre programme where rigour was applied at the front-end – getting the projects up and funded – with limited attention to the projects from that point. Consideration needs to be given to improving data collection to aid in accountability and general monitoring of the use of funds.

Discussion points

- *Please provide your views on the current arrangements for the School Based Skill Centre funding and its relevance to the needs of the national training system.*
- *How should industry-school partnerships through infrastructure funding be encouraged?*

3.4 VET Infrastructure for Indigenous People (VIIP)

3.4.1 Current Arrangements

\$4 million per annum

Funding is nominally allocated on a calendar year basis through an annual nationally competitive funding round.

The VIIP programme operates with separate and distinct guidelines that are linked to *Partners in a Learning Culture*, the National Strategy for Aboriginal and Torres Strait Islander People in training. The specific objective of the VIIP Programme is to provide capital funding to assist in, and enhance the delivery of, training to Indigenous people consistent with the Programme Guidelines and the objectives of the National Strategy.

VIIP funds are available for providers, community organisations and other bodies to establish training facilities or purchase training equipment for Indigenous people. Compared to the other components, there is greater flexibility in terms of what can be funded (eg. mobile training units, accommodation). Public providers are also eligible under special circumstances.

Funding is jointly administered with States and Territories. States and Territories work with proponents to develop expressions of interest (project summaries) which they submit to the Australian Government in priority order as part of an annual funding round. Proposals from States and Territories are considered by a National Selection Committee against the objectives of *Partners in a Learning Culture* and taking account of the need to achieve a mix of projects and equitable distribution of funds across jurisdictions and the progress of previously approved VIIP proposals.

The Australian Government commits funds against recommended proposals and States and Territories are required to work with proponents to develop full applications within 12 months consistent with the Programme Guidelines. Assessing, approving, contracting and accountability arrangements for VIIP mirror those of other Skills Centre funding components.

3.4.2 Issues for Discussion

3.4.2.1 Demand

The 2003 Ernst & Young Review did not focus substantially on the VIIP programme as the revised guidelines had only been in place for less than 12 months at that time however it did confirm ongoing demand and support for the programme.

There is a need for a concerted effort to lift the training opportunities for Indigenous Australians. According to the 2004 Annual National Report participation rates fell by 2.7% in 2003 and by a further 2.5% in 2004, although participation in training has increased overall since 2000. At the same time, the 2004 ABS Annual Labour Force Survey shows that 16% of all Indigenous Australians were unemployed, with unemployment levels much higher in rural and remote communities. This indicates an ongoing need for training for Indigenous Australians, focused in rural and remote areas, supported by the provision of training facilities through VIIP.

3.4.2.2 Two stages of Approval

VIIP projects are currently endorsed and funds committed on the basis of brief information contained in (stage one) expressions of interest. While full applications should be provided within 12 months of endorsement they are often delayed due to difficulties in developing the stage one concept.

Projects which change significantly from the endorsed concept are withdrawn and the new proposal submitted. This leads to cancellation of projects, or delays resulting in increased costs. Some States and Territories now develop the full project (both stage one and two) to submit for initial endorsement so that projects can proceed quickly if endorsed.

The intention of the two tiered approval process is to give certainty of funding to Indigenous communities before they embark on a full application process. Proponents can access up to \$5000 from their endorsed project funds to engage a consultant to write their stage two application. However, the two approval stages do delay many projects, create additional administrative work and even confuse some proponents (who mistake endorsement for approval). Streamlining the two stage process to a single application, as with the Industry based Skill Centre programme, could assist proponents in proceeding through the process at a quicker rate and the provision of a application template could ease the administrative burden on proponents.

3.4.2.3 Role of National Selection Committee

The use of a national selection committee whose members are drawn from Indigenous stakeholders in the national training system ensure projects are appropriately targeted to meet national training priorities yet are sensitive to the needs of the community which the skill centre will serve. The ongoing use of a committee is recommended. Members could be drawn from the new Indigenous client advisory arrangements that will be established following the outcome of the Client and Student Voice Action Group.

To assist with streamlining the assessment process, the Australian Government would seek membership on any future assessment committee and also consider whether State and Territory representation is warranted.

3.4.2.4 Flexible funding

Based on feedback from States, Territories and proponents, VIIP projects often experience difficulty in maintaining viable operations because they often operate within socially and economically disadvantaged communities, are dependent on government 'recurrent' funding cycles to generate income and can be constrained by the lack of appropriately skilled people to perform key roles to operate the centres. While there are many factors that impact on the success of VIIP projects, two issues stand out as being particularly crucial - the ability of proponents to employ a centre manager or administrator and the degree to which projects are linked to sustainable economies and jobs.

Centre managers are crucial to the success of new facilities as they manage financial and training operations. In addition to these skills their effectiveness is increased if they are engaged with the community the centre serves. Linking training enterprises to local economies and jobs is another important element in successful skill centres. There may also be capacity to link VIIP funding with State and Australian Government programmes that support local economic development, consistent with the current whole-of-government approach to servicing Indigenous communities. Consideration should be given to providing short-term, or ongoing, recurrent funding support to assure the continued operation of the centres.

3.4.2.5 Whole of Government

Under current Australian Government policy, Indigenous initiatives are delivered in such a way to promote holistic services to Indigenous communities. Indigenous Coordination Centres (ICC) are now important conduits of information and service delivery for Australian Government Indigenous initiatives and it is essential that the VIIP programme is effectively linked to these networks in the future.

3.4.2.6 Reporting

As with other skill centre funding, reporting on the operation of VIIP centres is limited and increased reporting to assist with accountability and monitoring the effectiveness of the funding is needed.

VIIP Programme Discussion Points

- *Please provide your views on the current arrangements for VIIP and its relevance to the needs of the national training system, including the ongoing demand for funding.*
- *Please outline proposals that would streamline the operation of VIIP funding, including enhanced guidelines and application forms to support proponents.*
- *Please provide views on how to better link VIIP funding with other government initiatives.*
- *What demand is there for a national selection committee? Who should be members of such a committee?*
- *How can the funding ensure better linkages that support sustainable employment outcomes for communities, or form part of Shared Responsibility Agreements?*
- *What demand is there for ongoing operational support? How might such support be provided?*

4 New Technologies

4.1 Current Arrangements

\$15 million per annum

The 1999 Review of Infrastructure funding under the agreement identified the emerging needs associated with new information technology and telecommunications, including online training delivery. It recommended a national collaborative approach to meet these needs, involving a separate annual National Project supported by Infrastructure funding. This was to build on the national collaborative efforts such as the EDNA VET Advisory Group's (EVAG, now FLAG) "Framework for National Collaboration in VET for Flexible Learning for the Information Economy" and the Flexible Delivery Toolboxes which were underway. The recommendations of the review were endorsed by training Ministers in June 1999.

In response, the Australian Flexible Learning Framework (Framework) was established in 2000 under the strategic direction of the Flexible Learning Advisory Group (FLAG).

The Framework provides the national training system with the foundation elements necessary for wider adoption of e-learning. It is establishing an integrated infrastructure for managing and accessing quality electronic learning resources across the sector based on the use of agreed standards which facilitate interaction between systems. Access to related professional development has also been integral to ensuring that people have the necessary skills for e-learning delivery.

The two phases of the Australian Flexible Learning Framework (2000–2004 and 2005-2007) have an overarching strategic plan which outlines the goals, purposes and components of the Framework.

Each year FLAG undertakes a comprehensive review and planning process to develop a Business Plan to deliver outcomes in line with the strategic plan for the Framework. The plan informs NSOC on the nature and scope of national collaboration for e-learning, the outcomes to be achieved (via projects) and the resources required to achieve them.

The Framework uses a distributed programme management model in line with its collaborative nature. The funding for the Framework is now administered by DEST which distributes funding via an agreement with the states and/or territory responsible for managing one of the four major programmes: VTE System Support; Client Engagement; Resources and Innovation and Capability Building. The State and/or Territory responsible for a programme manages a number of projects under the programme.

Each programme reports to DEST and to FLAG midway and at the end of the year. The FLAG secretariat compiles a mid-year and final report on the operation of the Framework based on the individual programme reports, which is tabled at NSOC.

Each programme is guided by and reports back to a reference group consisting of one or more FLAG representatives, a DEST representative and key stakeholders. Each project is also managed by a State or Territory under the guidance of that State or Territory's FLAG representative.

4.1.1 Issues for Discussion

Issues of relevance to the use of ICT to provide infrastructure support are discussed in paragraph 1.4 in Part II of this paper.

Part IV – Summary

1 Introduction

Infrastructure funding under the Agreement covers several elements of funding each with a discrete set of issues. This paper has sought to introduce these issues as a means of gathering initial views on the impact of the funding in the national training system. Some broad conclusions are drawn in this section about the need for improved reporting, priorities for infrastructure funding, and next steps of action.

2 Reporting

This discussion paper highlights the paucity of data concerning the use of Infrastructure funding and the training outcomes achieved as a result of infrastructure investments. Further work is required to:

- Assess the impact of Infrastructure funding concerning TAFE facilities and the spread and impact of Skills Centres. Separate assessment of the impact of New Technologies funding also needs to be undertaken; and
- Collate a picture by which to determine the priorities for future Infrastructure funding.

The issues involved in collecting such data as well as the impact of COAG deliberations will need to be taken into account.

3 Priorities for Infrastructure Funding for the National Training System

Priorities for the national training system include improving the system's responsiveness to rapid changes in demand for skills, improving training outcomes for employers, individuals and communities, improving quality, lifting participation of mature age workers and encouraging re-engagement in training for those displaced from the workforce. Quality infrastructure provides the capacity for the system to respond to these priorities.

To ensure that the training system has appropriate capital to meet national priorities, the following priorities for infrastructure funding are proposed:

- Maintain and develop, where necessary, facilities to promote equitable access to training, including on-line learning options;
- Provide facilities to support training in priority areas identified as part of the Agreement, including national priorities and those areas identified by States and Territories in their bi-lateral agreements and VET Plans as skills needs, and for priority clients as such as people with a disability and Indigenous Australians;
- Build the capacity and diversity of the national training market through targeted allocation of funding to meet the emerging needs of industry, employers and regions;
- Promote specialisation and innovation that will as far as possible support growth industries and lead to sustainable training outputs; and
- Provide infrastructure to support training of national significance.

In addition to these funding priorities, there are a range of reporting and accountability priorities that need to be considered. Suggested priorities are:

- Aligning, where possible, the operation of Infrastructure with other Agreement planning processes, such as State VET Plans and Bi-lateral agreements;

- Acknowledging the shared responsibility for management of Infrastructure funding and working to make processes transparent for applicants; and
- Building sound financial management and accountability processes supported by effective reporting on outputs.

4 Next Steps

The feedback from this document will be collated and considered by the Reference Group as it considers the next stages of the review.

Att A

Members of the Infrastructure Review Reference Group

Mr Jim Davidson (Deputy Secretary, DEST) – chair

Mr Philip Clarke (Office of Training and Tertiary Education, Victoria)

Mr Andrew Harris (Dept of Employment and Training, Queensland)

Ms Anne Houghton (Dept of Education and Training, ACT)

Mr Kim Jenkinson (Dept of Employment, Education and Training, NT)

Mr Mike Brough (Office of Post-Compulsory Education and Training, Tasmania)

Mr Peter Mylius-Clark (Dept of Further Education, Employment, Science and Technology, SA)

Mr David Collins (Dept of Education and Training, NSW)

Mr Jamie Mackaway (Dept of Education and Training, WA)