



**This is a new edition of a Bills Digest previously prepared for the 40th Parliament**

## **Vocational Education and Training Funding Amendment Bill 2004**

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## Vocational Education and Training Funding Amendment Bill 2004

**Date Introduced:** 17 November 2004

**House:** House of Representatives

**Portfolio:** Education, Science and Training

**Commencement:** Royal Assent

### Purpose

The Bill would amend the *Vocational Education and Training Funding Act 1992* to:

- reduce the appropriated limit of total funds for vocational education and training (VET) to be provided to the Australian National Training Authority (ANTA) for distribution to the States and Territories for 2004, from \$1,136,822,000 to \$1,131,040,000, to reflect the outcome of the ANTA negotiations
- appropriate funds for VET to be provided for distribution to the States and Territories for the year 2005 up to a limit of \$1,154,131,000.

### Background

Commonwealth role in the provision and support of vocational education and training (VET)

Commonwealth funds make up approximately one third of public expenditure on the VET system in Australia. A significant part of this expenditure is covered by the *Vocational Education and Training Funding Act 1992*. It provides for Commonwealth grants to the States and Territories to support them in their role as providers and administrators of VET. These grants for capital and recurrent purposes are passed to ANTA for allocation among the States and Territories. The funds are distributed under the terms of the *Australian National Training Authority Act 1992* which established ANTA, and which provides the funding framework known as the ANTA Agreement. Under the ANTA Agreement funding decisions are made consistent with a national strategic plan based on agreed national objectives and priorities. The functions of ANTA include allocating and remitting funds to State and Territory training authorities on the basis of guidelines determined by the Ministerial Council for vocational education and training, and administering any National Programs, within the guidelines approved by the Ministerial Council.

Other Commonwealth funds for VET which are not covered by the Vocational Education and Training Funding Act include funding for specific Commonwealth programmes such as New Apprenticeships and school based vocational education and training.

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## Funding arrangements under the ANTA Agreements—1993–96 to 2001–2003

The *Vocational Education and Training Funding Act 1992* gave effect to the first ANTA Agreement between the Commonwealth and the States and Territories, the 1993–95 ANTA Agreement. Under this agreement the Commonwealth maintained its then current financial support for VET; provided an injection of \$100 million in recurrent funding; and an additional \$70 million per annum of growth funding. These arrangements were extended to 1996 and 1997 by the then Labor government.

In its 1996–97 Budget the incoming Coalition government introduced an efficiency dividend on Commonwealth own-purpose outlays which resulted in a 5 per cent reduction in funding provided to ANTA. In addition, the 5 per cent real growth on base recurrent funding was discontinued. In its 1997–98 Budget, the Coalition government reduced annual funding to the States and Territories appropriated under the *Vocational Education and Training Funding Act 1992*, to provide 'an incentive to the States to achieve efficiency gains in their VET operations'.<sup>1</sup> This reduction, which took effect from 1 January 1998 and was to be carried into subsequent years, was estimated to be approximately \$20 million in the 1998 calendar year. The new base funding levels and the principle of growth through efficiencies formed the basis of the 1998–2000 ANTA Agreement. The terms of the Agreement were that the Commonwealth maintained its 1998 funding in real terms (\$904.144 million in 1998) for the three years, thereby locking in the reduction in annual funding announced in its 1997–98 Budget. The States and Territories agreed to maintain their level of activities, and to the principle of growth through efficiencies.

Owing to the failure of the parties to reach agreement on a new ANTA Agreement in 2000, Commonwealth allocations for 2000 and 2001 continued on the same basis as the 1998–2000 funding arrangements. Following much debate on growth estimates and appropriate levels of funding to support growth the Commonwealth and the States/Territories finally reached an agreement in June 2001 which incorporated a growth funding element.<sup>2</sup> The Commonwealth's offer which had been announced in the context of the 2001–02 Budget, was finally accepted by all the States/Territories. The 2001–2003 Agreement provided for the Commonwealth maintaining its then base funding of approximately \$950 million in real terms, and for annual growth funding of \$50 million, \$76 million and \$104 million in the years 2001 to 2003 respectively. This growth funding was contingent on the States/Territories meeting the Commonwealth's offer on a 'dollar for dollar' basis.

## Failed negotiations for a 2004–06 ANTA Agreement

In the 2003–04 Budget context the Minister announced that he had written to State and Territory Ministers with the Commonwealth's offer for a new ANTA Agreement. The offer was for \$3.6 billion for the three years of the proposed 2004-06 agreement. The terms included maintaining levels of Commonwealth base funding i.e. at approximately \$1.1 billion, maintaining levels of Commonwealth growth funding at 2003 levels i.e.

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approximately \$100 million per annum with an estimated \$25.5 million in indexation, and a requirement for States/Territories to match this growth funding. It also included funding of \$119 million for key priority areas, namely to assist mature aged workers and people with a disability. The proposal requested that States/Territories also match this funding.

The Commonwealth has said that this package included a 2.5% per annum average increase for training places over and above inflation and that the States were being asked to contribute only a 1.5% per annum increase over and above inflation.<sup>3</sup> The Commonwealth has estimated that its offer would have delivered 71,000 additional places over three years but the States and Territories reportedly have estimated that it would create only 18,000.<sup>4</sup> The Australian Labor Party in its education policy released on 23 July 2003 had promised that 'on top of any new places that may result from the new ANTA Agreement' it would fund '20,000 new full and part-time TAFE places every year by 2008.'<sup>5</sup>

Despite early indications that the States/Territories were not satisfied with its offer,<sup>6</sup> the Commonwealth made appropriations for the 2004 year in the *Vocational Education and Training Funding Amendment Act 2003* in anticipation of its offer being accepted. However, the issue of growth funding appeared to be once again the major issue in contention, with the States and Territories wanting a higher level of growth funding. The Australian Education Union supported them in this, arguing for higher growth funding based on past trends and expectations of continuing high levels of enrolment growth.<sup>7</sup>

After further months of negotiation and the Commonwealth setting a deadline, the States and Territories rejected the Commonwealth's offer in December 2003.<sup>8</sup> Following this rejection Minister Nelson agreed to the States' proposal for a twelve month rollover of the current agreement but withdrew indexation on growth funding and maintained all other funding at 2003 levels.<sup>9</sup> He also indicated that the extra \$110 million which had been offered as part of the proposed ANTA Agreement would now be made contestable. In February 2004 he announced that the government would fund 10,000 new training places estimated to be worth \$29.4 million, in priority areas - older workers, parents returning to work and people with a disability.<sup>10</sup> On May 17 2004 the Minister announced the successful tenders to deliver 7,500 new training places worth \$20.5 million.<sup>11</sup>

## Growth Estimates

Reaching agreement on projections of growth in demand for VET places and translating these into a suitable funding formula to meet this demand, have been key issues in the negotiations for recent ANTA agreements.

One source reports that the States and Territories have estimated that unmet VET demand is at about 57,000 places.<sup>12</sup> While the ABS produces figures for those 'unable to gain a placement on application' in TAFE these are at best indicative.<sup>13</sup> The figure for 2003 was 42,800. In either case, at best these are just indicative of the present rather than of the future.

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Over the last 4 years the ANTA has sponsored several attempts to model the future demand for vocational education and training including recent work done by Access Economics. Though reports have been presented to the Ministerial Council, they have not been made public and an agreed strategy has yet to be endorsed. Reports on the recent Access Economics study suggested that various forecast scenarios were presented but that the States and the Commonwealth were not in agreement over their preferred forecast scenario.<sup>14</sup>

In June 2004 the Department of Education, Science and Training released an Access Economics report, which claims to build upon and extend its 'VET demand model', a forecasting model for VET demand.<sup>15</sup> In this report Access Economics looks at historic trends in VET student numbers and curriculum hours and also analyses labour market, demographic and industry trends for their likely effect on the future demand for VET. It considers factors such as job growth, turnover and productivity growth. The Access Economics model also attempts to consider the influence of policy initiatives. While the impact of changes to student fees is considered in some detail, it concedes that it only allows for the influence of other policy initiatives 'to a limited extent'.

Access Economics' findings are that while over the decade to 2002 average growth in VET student numbers was 4.9% per annum and in VET hours delivered 3.8%, it does not expect these levels of growth to be sustained. The VET model which assumes fees remain unchanged produces estimates of average growth in student numbers to 2010 of only 1.8% per annum and in student hours of only 2.2%. When taking into account known real fee increases in 2004, it is predicting figures of 1.6% and 1.9% respectively.

Access Economics notes that its forecasts may be conservative because it is limited in the extent to which it can allow for the influence of policy initiatives. One such area may be the influence of policy initiatives regarding the ageing workforce. The government has already targeted older workers under its priority places funding and there are researchers predicting a greater demand on the tertiary education sector from older workers staying in employment longer and requiring either new training or retraining.<sup>16</sup>

## Abolition of ANTA

In his second reading speech to the earlier Vocational Education and Training Funding Amendment Bill 2004 which lapsed with the calling of the 2004 Federal election, Minister Nelson had said that negotiations for a new ANTA agreement would resume later in the year and that the legislation could be amended to reflect the outcomes of a new agreement. He gave as an example of a possible outcome of such negotiations, the return of priority places funding to the agreement.

However, the change in the Commonwealth's VET policy evident in its direct tendering of VET places, i.e. the apparent move away from increasing State and Territory grants in favour of funding its own programmes, was further reinforced by its 2004 election commitments. These included expenditure measures relating to its New Apprenticeship

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Programme, the establishment of 24 Australian Technical Colleges at the secondary level and the creation of an Institute for Trades Skill Excellence. It should be noted that this Bill does not provide the appropriation for these initiatives. However, while the Bill provides appropriations for grants consistent with the current agreement between the States and the Commonwealth for 2004 and 2005, the key issue is likely to be how future appropriations for grants to the States and Territories will fare in the longer term, given the Commonwealth's increased funding commitments in other VET areas.<sup>17</sup>

This uncertainty is likely to be enhanced by the Prime Minister announcing after his election victory that 'from July 2005 the Australian National Training Authority will be abolished and its responsibilities taken into the department, bringing about significant administrative savings. A Ministerial Council on Vocational Education will be established to ensure continued harmonisation of a national system of standards, assessment and accreditation, with goals agreed in a Commonwealth-State Funding Agreement'.<sup>18</sup> In his second reading speech for this Bill, the new Minister Gary Hardgrave, MP appointed to the new position of Minister for Vocational and Technical Education, said that while administrative changes will occur from July 2005 this Bill will provide 'the Commonwealth funding required to support Australia's world class vocational education and training system in 2005'.

The following table includes funding estimates under the Vocational Education and Training Funding Act as at November 2004. The appropriations for 2004 and 2005 are slightly higher than those in the pre-election Bill on account of indexation.

**Vocational Education and Training Funding Act Estimates: Calendar Year  
(as at November 2004)**

	<b>2003 \$m</b>	<b>2004 \$m</b>	<b>2005 \$m</b>
Base	977.093	997.256	1,018.398
Supplementation	22.132	21.402	23.092
Australians Working Together	12.381	12.381	12.641
RICP Measure (Recognising and Improving the Capacity of People with a Disability)	0.000	0.000	0.000
ANTA Growth	102.300	100.000	100.000
<b>Total</b>	<b>1,113.907</b>	<b>1,131.040</b>	<b>1,154.131</b>

**Source:** Department of Education Science and Training, November 2004 (unpublished)

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## Main Provisions

The effect of **item 1** of **Schedule 1** is to amend the amount payable to ANTA under section 9 of the *Vocational Education and Training Funding Act 1992* for allocation as general funds to the States and Territories in the following manner:

- decreasing the limit to the amount of the funding payable for 2004 from \$1,032.797 million to \$1,031.040 million, and
- providing an appropriation for a funding limit of \$1,054.131 million for the year 2005.

The effect of **items 2** and **4** of **Schedule 1** is to repeal paragraph 9AB(1)(a) and subsection 9AB(3) and substitute a new paragraph 9AB(1)(a). This removes a reference to “the applicable ANTA agreement” a redundant concept required in the transition to the 2001-03 ANTA agreement, and replaces it with a more current concept i.e. ‘an agreement described as an ANTA agreement in force between a Commonwealth and a State’.

The effect of **item 3** of **Schedule 1** is to amend the amounts payable to ANTA under subsection 9AB(2) of the VET Funding Act for the allocation of additional funds to States and Territories if they comply with the ANTA agreement in the following manner:

- decreasing the limit to growth funding payable for 2004 from \$104.025 million to \$100.000 million, and
- providing growth funding up to a limit of \$100.000 million for 2005.

## Concluding Comments

The appropriations made under this legislation are consistent with the interim agreement reached between the Commonwealth and the States/Territories following their failure to negotiate a new ANTA Agreement. While the Commonwealth had indicated that it would resume negotiations for a new ANTA Agreement, it has instead, after the election, announced the abolition of the Australian National Training Authority and the incorporation of its functions into the Department of Education, Science and Training. While it is proposing to have a Commonwealth-State funding agreement and a Ministerial Council, this significant administrative change is likely to be interpreted as a move towards more centralised control. In addition the future level of Commonwealth direct support to the States and Territories is likely to be in question given on the one hand the reluctance of the Commonwealth to increase the growth component of its funding to the States and Territories, and on the other its extensive election funding commitments to its own VET programmes

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## Endnotes

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- 1 *Budget Paper* No. 2, 1997–98, p. 40.
- 2 For more detail see Carol Kempner, 'Vocational Education and Training Funding Amendment Bill 2001', *Bills Digest* no. 160, 2000–01, Department of the Parliamentary Library, 2001.
- 3 [Media Release, Dr Brendan Nelson, 9 February 2004, MIN 613/04, 10,000 new training places in 2004](#)
- 4 *Campus Review*, 14-20 January 2004, pp.1,6, [States Reject ANTA offer](#)
- 5 *Aim higher: learning, training and better jobs for more Australians*, ALP, July 2003 [http://parlinfoweb.parl.net/parlinfo/view\\_document.aspx?id=485&table=partypol](http://parlinfoweb.parl.net/parlinfo/view_document.aspx?id=485&table=partypol)
- 6 AAP news story, *States and territories reject federal training funding offer, 13 June 2003, 1:28pm.*
- 7 Kronemann, Michaela, *National TAFE Funding 2003 Background Paper*, Australian Education Union, 2003 <http://www.aeufederal.org.au/Tafe/TAFEbackground2003.pdf>.
- 8 *Campus Review*, 14-20 January 2004, op.cit.
- 9 *Campus Review*, January 28-February 3 2004, p.6, [Places at stake after talks fail.](#)
- 10 Media Release, Dr Brendan Nelson, 9 February 2004, op.cit.
- 11 [Media Release, Dr Brendan Nelson, 17 May 2004, MIN 705/04 Successful tenders to deliver 7,500 new training places](#)
- 12 *Campus Review*, 14-20 January 2004, op. cit.
- 13 [Education and Work, 6227.0, May 2003](#) The figures are based on survey information. The data may have its limitations given that 'any responsible adult' can respond for an entire household. The relevant question is 'What was the main reason for the ...'s failure to get a place'. The interviewer then categorises the response against the following: Course full, Course cancelled, Not eligible or entrance score too low, Applied too late or other.
- 14 *Campus Review*, 14-20 January 2004, op.cit.
- 15 [Future demand for vocational education and training: report by Access Economics Pty Ltd for Department of Education, Science and Training](#), 24 May 2004.
- 16 King, Malcolm, *The effects of generational cohort change on training and education for 2010 – 2020*, NCVET Conference, 2004.
17. For further discussion on the Coalition's VET policies see Wheelahan, Leesa 'Coalition will bypass the states to pursue VET vision', *Campus Review*, vol. 14, no. 40, 13–19 October 2004, <http://parlinfoweb.aph.gov.au/piweb/repository1/library/jrnart/bi6e60.pdf>, accessed on 24 November 2004; Moodie, Gavin 'Training for a radical change', *Australian*, 27 October 2004, [http://parlinfoweb.aph.gov.au/piweb/repository1/media/npaper\\_4/r89e61.pdf](http://parlinfoweb.aph.gov.au/piweb/repository1/media/npaper_4/r89e61.pdf), accessed on 24 November 2004; Cook, Margaret 'Exit ANTA', *Age*, 8 November 2004, [http://parlinfoweb.aph.gov.au/piweb/repository1/media/npaper\\_4/qxce61.pdf](http://parlinfoweb.aph.gov.au/piweb/repository1/media/npaper_4/qxce61.pdf), accessed on 24 November 2004.

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18. Media Release, The Hon. John Howard, *Fourth Howard Ministry*, 22 October 2004, <http://parlinfoweb.aph.gov.au/piweb/repository1/media/pressrel/br7e60.pdf>, accessed on 24 November 2004.

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