



BUILD YOUR FUTURE



BUILDERS
ACADEMY
AUSTRALIA

A SUSTAINABLE TRAINING GUARANTEE

A submission by Builders Academy Australia (part of the Simonds Group of companies)
to the Victorian VET Review

April 2015



buildersacademy.com.au

Contents

GLOSSARY	3
EXECUTIVE SUMMARY	4
Introduction	4
Builders Academy Australia and Simonds Group	4
Toward the Victorian Training Guarantee	4
BAA's reform themes	4
RECOMMENDATIONS	5
BUILDERS ACADEMY AUSTRALIA & SIMONDS	7
Builders Academy Australia	7
Simonds Group	8
TOWARDS THE VICTORIAN TRAINING GUARANTEE	8
The early TAFE model	8
A more efficient system 1990s – 2000s	9
Student choice and competitive neutrality 2008 - 2014	9
Value for money 2015 - Beyond.....	10
MATCHING TRAINING TO EMPLOYMENT AND GROWTH	10
Recommendation.....	12
HIGH QUALITY GOVERNMENT FUNDED TRAINING.....	12
Recommendations	13
RURAL AND REGIONAL ACCESS.....	14
Recommendations	15
SUPPORTING VULNERABLE AND HIGHER NEEDS LEARNERS	15
Recommendations	16
A STRONG AND RESPONSIVE PUBLIC TAFE SECTOR.....	16
Recommendation.....	18
MANAGING THE BUDGET, PRESERVING STUDENT DRIVEN CHOICE	18
Recommendations	19
REASONABLE FEES AND COSTS.....	19
Recommendations	20
FAIR AND WELL-TARGETED SUBSIDIES	20
Recommendations	21
CONCLUSION	22
REFERENCE DOCUMENTS	23



GLOSSARY

AQF	Australian Qualifications Framework
B2B	Business to Business
B2C	Business to Consumer
BAA	Builders Academy Australia
NCVER	National Centre for Vocational Education Research
RTO	Registered Training Organisation
TAFE	Technical And Further Education
VET	Vocational Education and Training
VTG	Victorian Training Guarantee



EXECUTIVE SUMMARY

Introduction

The Victorian Vocational Education and Training (VET) system is critical to the ongoing growth of the Victorian economy and all of the social benefits which a growing economy underpins.

The decision by the Victorian Government to review the VET funding system is timely and presents an important opportunity to rebalance the training system.

This submission has been prepared to outline some possible future reform directions that are designed to drive value for money, improve outcomes, support all student cohorts and return some certainty to the system, all within the existing funding envelope and retaining a student demand driven model.

Builders Academy Australia and Simonds Group

Builders Academy Australia (BAA) looks forward to the opportunity to discuss this submission and the wider VET review.

BAA is one of Australia's fastest growing building and construction specialist Registered Training Organisations (RTOs). BAA was incorporated by Simonds in 2005 to train Simonds staff in VET courses. The success of the original model led to expansion of training provision to include staff in its supply chain and subsequently to the wider trade community.

Based on the principle of "builders training builders", BAA draws on its deep connections to Simonds Homes to ensure it provides the highest quality curriculum and training services to meet industry need.

Having established itself as a strong building and construction training provider in Victoria, BAA is expanding its training services to reflect Simonds' growing presence across Australia.

Simonds Group, including Simonds Homes, is Victoria's largest detached housing construction company and one of the largest in Australia. Simonds Group was listed on the Australian Securities Exchange in 2014.

Toward the Victorian Training Guarantee

Over the last 40 years the VET system has undergone significant change. Over this period the system has been defined by the interaction of two different but related imperatives:

- Flexibility, to adapt to industry and student demands; and
- Certainty, to allow providers to meet the needs of all students.

With each new manifestation of the system from the early TAFE period following the Kangan report, to the purchaser/provider model of the 1990s and 2000's, to the Victorian Training Guarantee (VTG), the competing demands for flexibility and certainty have shaped the system.

Throughout this process, however, the common element driving reform has always been an underlying search for value for money.

Even as the understanding of value has moved across addressing skills shortages in the economy, to addressing the needs of marginalised student cohorts, VET system reform has always sought to maximise the public and private return from every public dollar invested in VET.

In the present climate, the highly flexible VTG has created funding pressure for Government, who have responded by creating a period of model uncertainty.

In this context Government has rightly identified the need to restore certainty to providers and students as a critical feature of the current review process.

BAA has sought, through this submission, to provide some recommendations for Government to consider that might leverage the benefits of a flexible, demand driven model, while addressing concerns about a lack of model certainty.

BAA's reform themes

While addressing individual terms of reference, the recommendations included in this submission revolve around a number of key themes including value for money, transparency and quality student outcomes.

For example, this submission recommends that system administrators develop a "value for money" rating system for all contracted providers, and that high value for money providers receive greater funding certainty from Government.

To assess value for money, BAA recommends including analysis of a number of issues raised in the terms of reference including importance of the training area to the future economy of Victoria, the quality of student learning and outcomes, rural and regional access and support for vulnerable and higher needs learners.

Based on this model BAA recommends Government consider rating providers, using this rating system to implement a more stringent program for awarding and maintaining provider contracts, and then allowing those providers with the highest value for money rating to have their subsidy rates protected for an extended period of 5 to 7 years.



As Government faces future fiscal pressures, the highest quality providers could be protected from ongoing changes to subsidy rates, with changes impacting those providers with a lower value for money rating.

BAA believes this model allows for certainty and promotes value for money while preserving a student choice driven model within a limited funding envelope.

Expanding on this theme BAA has also made recommendations for increasing funding loadings for marginalised cohorts where possible, while recognising the work done by some providers, including BAA, to support cohorts at risk of marginalisation such as young people at risk of disengaging from school and older workers at risk of early retirement and disability.

The recommendations included in this submission also call for a contract provision model that more aggressively refuses and revokes contracts for providers which fail to show value for money to tax payers. As well as addressing concerns about “dodgy” providers in the system, limiting contract provision to the highest value for money providers means Government can be confident of the value of its investment in skills, for both meeting the needs of the economy and the full range of student cohorts.

The submission has also identified some current system features, including lifetime commencement limits and

upskilling requirements which limit younger and older students from accessing critical skills training.

BAA believes there is a strong case for addressing these limitations which can make it difficult for older workers to adapt to the new economy, and for younger workers to identify their future career path.

To support students and employers, BAA recommends improving the publication of outcomes data including completion and post study employment information, as well as an improved student and employer rating system that gives greater weight to ratings provided at or post the point of course completion. Whilst MySkills.gov.au publishes data reported through NCVET, it does not include quality indicator data. The introduction of a rating system could provide even more transparency and stronger indicators to inform student choice and funding providers alike.

Together these reforms are designed to improve student outcomes and increase the return for every public dollar invested in VET, while delivering some much needed certainty to the current funding system.

BAA welcomes the Government’s decision to commission this review and looks forward to engaging with the review team.

Below is set out the full list of recommendations and the full body of this submission.

RECOMMENDATIONS

1. System administrators should develop a “value for money” rating system for VTG contracted VET providers in which those providers that achieve a higher rating receive greater funding certainty through fixed subsidy rates over a fixed term (say 5 to 7 years) period. Assessment of the value for money rating should prioritise contracted providers that serve sectors of the economy which are likely to grow and remain critical to Victoria’s economy.
2. Hard metrics such as completion rates, post study employment and skills utilisation should drive provision of public funding through informing the proposed “value for money” rating system for providers.
3. A sophisticated system should be developed for students and employers to rate training providers with greater weighting for ratings provided at and following course completion. This assessment should be used to guide student provider choice and may also be used to inform a provider’s “value for money” rating.
4. The Government should consider increasing funding loadings for those high-quality providers delivering skills training in rural and regional Victoria where unemployment and skills demand is high.
5. Rural and regional provision should be used as part of the proposed value for money rating system and provide those quality providers that serve non-metropolitan communities with greater funding certainty.
6. The Government should consider increasing funding loadings for all high-quality providers delivering skills training to traditionally marginalised cohorts (not just TAFE) including young people at risk of disengagement, people with a disability and people at risk of disability related to early retirement.
7. Provision of skills training to marginalised cohorts should be used to inform the proposed value for money provider rating system, and provide greater funding certainty to those quality providers that serve these cohorts.



8. The Government should consider making any future public service obligation funding available within the contestable model to all contracted providers, and make provision of these funds subject to clear accountability for course completion and post study employment.
9. The proposed value for money provider rating system should be used to implement a more stringent contract provision program including refusing or revoking contracts for providers which fail to meet high standards of quality provision and student outcomes.
10. The Department should be consultative in their relationship with contracted providers and should also show contracted providers on an ongoing basis examples of best practice operations that abide by the funding contract.
11. Eligibility rules should be amended to allow any person whose existing qualification is more than 10 years old to be exempt from up-skilling requirements and allow them to access funding support for a new qualification at the same level but in a different field.
12. Consideration should be given to amending or removing the eligibility criteria which require no more than 2 commencements in any AQF level in a lifetime.
13. Any reforms to Victoria's VET funding model should recognise the critical role played by contracted providers that deliver life cycle, or lifelong pathway training that facilitates up-skilling and helps people build careers as well as find jobs.
14. All contracted providers should be held to account against the post training employment outcomes they achieve including by making these data easily available to the public for each provider.
15. Reforms should recognise the critical role that some providers play in preventing at risk cohorts from becoming marginalised – such as older workers in the trades who require up-skilling to avoid early retirement, long term unemployment and or disability.



Gerard Healy
CEO
Builders Academy Australia



buildersacademy.com.au

BUILDERS ACADEMY AUSTRALIA & SIMONDS

Builders Academy Australia

BAA was established by Simonds in 2005 for the purpose of training Simonds staff and the staff of Simonds suppliers and partners in VET courses in the residential construction sector.

In January 2014 BAA implemented a strategy to include the provision of its building and construction VET courses to the general trade public. Over the next six months BAA registered an average of 462 new course registrations per month to 30 September 2014 (these numbers have since increased).

Course offerings within the VET industry are categorised into “streams” or “verticals” which pertain to a specific industry group. The largest verticals are:

- Community services;
- Business services;
- Tourism and Hospitality; and
- Construction¹.

BAA specialises within the construction vertical.

BAA’s key point of difference in the VET market is its offering of building and construction VET courses from a market leading homebuilder based on the principle of “builders training builders”. This unique market position means BAA is well positioned to achieve its vision to be the nation’s number one building and construction training provider.

BAA delivers its training across more than 80 training locations in metropolitan and regional Victoria and has more than 4,300 current course registrations as at the end of March 2015 (that is, participants currently undertaking training and participants waiting for their course to start).

Growth in the Australian VET sector continues to be driven by the domestic skills shortage and Federal and State Government support for the VET sector, which includes state-based funding for the provision of subsidised course offerings for students.

Being the only public facing private RTO that focuses on the building and construction sector that is embedded in a leading trade partner, Simonds Homes, BAA provides a differentiated service offering, with students receiving building and construction training with credible employment opportunities (i.e. “builders training builders”).

Identified growth opportunities for BAA include:

- increasing student participants across Australia;

- potential to acquire smaller building and construction education focused RTOs;
- development of online course offerings;
- transitioning into offering building and construction courses utilising other national and state government funding regimes; and
- adding more building and construction training courses, including Certificate II and Certificate III courses.

BAA, having already established itself as a specialised building and construction focused VET provider in the Victorian market, is in an opportune position to expand into Queensland and New South Wales hand-in-hand with the growth of Simonds Homes. Recently BAA has acquired the NSW based and highly complementary City-Wide Building and Training Services Pty Limited (RTO 91138) allowing BAA to expand into those states and offer the full suite of life long pathway construction skills training.

BAA has achieved significant growth since transitioning from an “enterprise” based training company.

This growth has been accomplished by management focusing on the following key operational initiatives:

- shifting its delivery model from a purely business-to-business (“B2B”) one where efforts were solely focused on offering training to Simonds staff and staff of suppliers and partners, to include a business-to-consumer (“B2C”) approach with efforts now including a focus on offering its courses to the general trade public;
- developing a flexible network of classes that enables participants to undertake their course at a location that’s close to them, and offering a variety of timetables for them to choose from;
- explaining BAA’s affiliation with the Simonds Group i.e. “builders training builders”; and
- a sophisticated focus on sales.

BAA’s aim is to offer students a lifelong pathway from Certificate II to Advanced Diploma that enables them to up-skill through their career and over a general duration of 6 – 7 years.

Management expects BAA to continue to compete favourably with other VET providers, given that BAA:

- offers flexible study options with respect to location and course availability;
- provides a direct and credible career pathway to trade leaders, Simonds Homes and its supply chain, with realistic employment opportunities; and

¹ NCVER 2014.



- access to a strong source of student referrals through its relationships with the supply chain of Simonds Homes.

Simonds Group

Simonds Group was established in Victoria by Gary Simonds soon after he commenced his carpentry apprenticeship in 1949, as he started to build a small number of client-contracted homes.

In 1973, Gary's son Mark joined the company and thereafter established more display centres around Melbourne, each showcasing up to four award-winning homes. Young families embraced the concept of being able to build their own homes leading to a significant increase in the number of homes built by Simonds for customers.

In 2007, Paul McMahon was appointed as the Group General Manager (becoming CEO in 2010) of Simonds Group and implemented a number of operational initiatives including the development of SimBuild and SimOps which greatly enhanced site starts, productivity and profitability.

Paul appointed the current key management team and started to drive Simonds Group's growth strategy into key growth markets in New South Wales, Queensland and South Australia.

Within the Simons Group, Simonds Homes is in the business of marketing, selling and project managing the construction of homes. The business can be summarised as comprising three main functions of Sales & Marketing, Operations and Construction.

Simonds Homes increased site starts at an average annual growth rate of 14.9% from FY07 to FY14. Over the same period, Australian annual dwelling approvals remained flat, growing only at an average growth rate of 0.2% per annum.

Today Simonds Homes is Victoria's largest detached home builder and one of Australia's largest.

The company listed on the Australian Securities Exchange in November 2014 and has a market capitalisation of \$227.12 million (as at 9 April 2015).

TOWARDS THE VICTORIAN TRAINING GUARANTEE

Over the last 30 years Victorian Governments have pursued VET policy reform according to a common goal: to develop skills that help people find work, and generate skilled labour to drive economic growth.

Consistent with this goal, each generation of policy makers has sought to deliver the right training, to the right student at the right time in order to help them access meaningful ongoing employment.

Changes in the wider economy have generated a premium on system flexibility to allow providers to adapt to industry and student need. At the same time the enduring role of the VET system in supporting diverse student populations has prioritised consistency and certainty, in part to support providers serving marginalised communities that go beyond the immediate needs of industry.

In many respects the recent history of Victoria's VET system is the story of these often competing imperatives, reflected in repeated changes to funding, regulation, ownership and provision models. Through each of these changes Governments have consistently sought to achieve value for money, to maximise the return on every public dollar invested in the system.

This section of the submission provides a brief outline of this history and the evolving relationship between these different imperatives.

The early TAFE model

Despite technical education being a feature of Australian life since the late 19th century, formalised publicly run and funded technical and further education was not firmly established in Australia until successive Commonwealth Governments began to drive major policy reform in the 1970s.

In 1973 then Minister for Education Kim Beazley Snr established the Australian Commission on Technical and Further Education chaired by Myer Kangan. The resulting "Kangan Report" concluded that ad hoc development of technical education across the states was failing to meet the economic imperatives of an effective training system.

With the acceptance of this report by the Commonwealth Government of the day, the foundations were laid for a state managed nationally recognised system for the delivery of publicly funded vocational education and training.

In the latter half of the 1970s the Williams Committee, established to inquire into the links between technical and further education and employment, sought to expand the role of TAFES, recommending:

- increases in the range and flexibility of TAFE courses;
- increased access to TAFE courses; and
- improved training for TAFE teachers.

In the 1980s and early 1990s following these initial reform efforts, Victoria's VET system was dominated by a network of TAFE institutes capable of delivering training to a wide range of students from most parts of Victoria.

Under this model the Government was owner operator of TAFE training providers, with significant amounts of funding provided to TAFEs and subject to limited accountabilities.



Following its election in 1983 the Commonwealth Hawke Government sought to drive additional value for money in the TAFE sector by shifting toward contractual funding for institutions and competency based accreditation for students.

At the same time the Commonwealth Cabinet sought to lay the foundations for an end to the TAFE monopoly and a move toward publicly funded competition between public and private providers.

A more efficient system 1990s – 2000s

In the mid-1990s in Victoria the limitations of a Government owned VET system were apparent. To bring some funding discipline to the system, the policy framework shifted to a “purchaser/provider” model under which TAFEs would be paid according to an assessment of hours required to deliver high quality services.

Under this model Government maintained its bias toward certainty and security but attempted to drive value for money through additional rigour and accountability in the system. However the balance struck by Government, through continuation of a “planned profile” underpinned by a more disciplined inputs funding model, continued to limit the system’s ability to keep track with changing demand in the market place.

According to the one analysis of this model:

“Prior to 2009, public funding for vocational education and training was allocated directly to (mostly public) VET providers, largely on a block grant basis, in part based on historical enrolments and centralised skills forecasts.

In practice this meant a cap on the overall number of publicly funded places, possible mismatches between courses offered by providers and those demanded by students, and constrained competition between providers.”²

In response to these constraints system administrators began to shift, within this purchaser/provider framework, away from input hour funding provision based on historic costs. Increasingly payments to TAFEs were amended based on observed behaviour in order to more closely align funding with activity and in response to pressure to identify efficiencies within the system.

Also at this time the Government’s arms-length funding model increasingly began to attract non-government providers bidding for available government resources, making good on earlier calls by the Hawke and Keating Governments for states to move in this direction.

Despite the maintenance of a planned model, the transition to input funding and market pressure to adjust to changing industry and student demands opened the

way for growing, if still limited, competition between TAFE and non-TAFE providers in Victoria.

Student choice and competitive neutrality 2008 - 2014

In 2008 the Victorian Government lead the world in reshaping vocational education and training toward a deregulated demand driven model. This new model, the “Victorian Training Guarantee” revolutionised the structure and operations of the VET sector in this state and its impact is continuing to be felt around Australia.

Prior to the implementation of the VTG, limited places were awarded to a limited number of students based on limited government subsidies allocated periodically. With the advent of the VTG, all eligible students were free to select a course of their choice at a registered provider of their choice and public funding would flow to providers to subsidise provision. To facilitate this model the effective cap on places was removed, allowing the demand side to adjust to respond to newly deregulated supply side consumer choice.

As a consequence of these changes, uncapped student choice supported by guaranteed government subsidies resulted in an explosion in the number and type of courses being offered and accepted in Victoria. In the first 12 months of the system’s full operation an \$800m budget annual budget estimate was exceeded by some \$500m.

At the same time, newly contestable public funds were being attracted by providers outside of the public system, with growth in private providers of 300 per cent compared to single figures growth among public providers.

In addition to this loss of market share, many established public institutions lost access to additional funding traditionally provided to meet the cost of capital works and a range of community obligation services.

The impact on the public system has been significant with a number of consolidations and significant reductions in staff and offerings across the system. As a result questions have been raised about the capacity for the system to continue to meet the training needs of marginalised cohorts.

Questions about the quality of private provider training provision have also continued to dog the system, with repeated allegations of new registered providers gaming the system to attract public funding without achieving any meaningful student outcomes.

In this context, with a system suffering considerable cost pressures, some private providers seeking to game the system and public providers increasingly under pressure to

² NCVER 2014, p.14



survive, the Victorian Government has initiated this VET review to seek to shift the system to a more sustainable footing.

Value for money 2015 - Beyond

As with each period of VET reform in Victoria, unintended consequences resulting from the implementation of the VTG have raised questions about value for money in the system. Questions regarding completion rates, the economic value of subsidised skills provision generally, the economic value of certain courses, and levels of support for marginalised student cohorts have invited a reconsideration of some of the unintended consequences of the current model.

The rapid sequence of changes to VET funding and policy under the former Government was driven by rising costs and fiscal constraints.

The consequential impacts on TAFE institutes has highlighted the role these bodies play in supporting a healthy and competitive VET system. As the Government conducts this review and responds to its findings, overwhelmingly Victorians will be looking for evidence that the system is delivering value for every public dollar invested, and meeting its core objectives of preparing Victorians for meaningful employment, and providing critical skills for a growing economy.

Determining the nature of the next manifestation of the Victorian VET system is the responsibility of Government.

In support of Government, Simonds and BAA have prepared this submission to provide some insight into how they are seeking to achieve value for money for taxpayers, and to provide some recommendations for reform, for Government to consider as it conducts this important review.

MATCHING TRAINING TO EMPLOYMENT AND GROWTH

Match training delivery to the growing job opportunities in Victorian industries.

Term of Reference (a)

BAA believes that the ultimate test of an effective VET System is the value it returns for each public dollar invested. How Government should understand and analyse this value is dealt with throughout this submission.

Of all the public and private values of effective VET training, however, ensuring that the skills demands of a growing economy are delivered is a primary concern.

This is so for two closely related reasons:

³ ILO 2014; LSE 2013; BCA 2004

⁴ DOE 2014, p.29

- Public investment in skills provision is one of the few clearly proven methods available to Governments to drive the economic growth which underpins every other social benefit³; and
- Every individual deserves the opportunity for meaningful long-term employment that can only come from developing skills suited to sectors of the economy which drive growth and employment into the future.

By virtue of being affiliated with a leading builder in the residential construction sector, BAA is providing industry leading training services and real job opportunities in one of the most important and growing sectors in the Victorian and National economy.

Construction is the third largest employing industry in Australia, with 1,038,100 employees representing 8.9% of national employment⁴.

Employment growth is highly dependent on future construction requirements such as dwelling completions, and is projected to grow by 8.0% to November 2018³.

Currently, the construction workforce is dominated by technicians and trades workers (bricklayers, stonemasons, carpenters, roof tillers and plumbers), consistent with this, approximately 52%³ hold VET qualifications at the Certificate III or higher level. The composition of the construction industries workforce and typical education profile suggests greater future demand for VET course offerings within the construction sector.

At the same time skills shortages in Australia are more evident for trades than for professions. Vacancy levels increased over the last financial year to June 2014 for technicians and trade workers by 17.1% compared to 9.5% for professionals. Specifically, the largest increase in vacancies were evident in the construction trades which were up by 41.6%⁵.

A range of data and analysis confirms that these national trends are evident in Victoria.

According to data gathered by the Monash Centre for Policy Studies, between 2005 and 2018 the proportion of jobs in the Victorian economy provided by manufacturing is set to decline from 12.9% to 8.4%, while the proportion of jobs provided by the services sector is predicted to increase from 18.6% to 21.1%. Over this period construction is predicted to remain stable, generating around 9% of Victorian jobs each year.⁶

According to one prediction, over the period 2011 to 2018, "the greatest job increases are likely to come from health/social assistance;



buildersacademy.com.au

⁵ DOE 2014(b), p.6

⁶ TAFE 2013, p.1

professional scientific and technical services; education and training; and wholesale *and construction sectors*.⁷

Building approvals in Victoria remain above long term trend, driving continued residential dwelling investment. A number of factors are driving ongoing high demand for new residential construction.⁸

Melbourne and Victoria continue to draw the bulk of Australia's new migrants, leveraging the state's multicultural heritage and high quality public services. Melbourne's status as one of the world's most liveable cities is likely to see population numbers continue to grow in coming years with official predictions that Melbourne will shortly overtake Sydney as Australia's largest city.

Monetary policy continues to produce low interest rates which are likely to remain so over the medium term. With inflation tipped to remain within the Reserve Bank's target range and a relaxed timetable for tighter monetary policy settings in the US, potential home owners are accessing capital at some of the lowest costs in decades.

These favourable conditions have seen a steady uptick in residential property prices across the Melbourne market. In turn these higher prices are frustrating demand at the lower end of the market which is in turn driving interest in new low cost residential construction.

Policy settings are further driving this trend with Government continuing to support new home owners electing to build new dwellings rather than purchase existing stock.

The importance of these positive trends in the housing construction sector is reinforced by Government's social policy commitment to low cost and high quality housing. The Government recently identified affordable housing as a critical factor in maintaining Melbourne's liveability and addressing fundamental cost of living and other social concerns.

According to the Government's 2014 election platform:

"Labor believes that all Victorians have a right to safe, affordable, and secure housing. Having a home provides the foundation for financial, social and emotional security..."

*Labor believes that a whole of government affordable housing strategy is required to expand the supply, security and quality of low-cost and private housing in Victoria."*⁹

Amidst the demographic and macro-economic conditions driving Victoria's residential housing sector, ensuring adequate supply to meet Government housing policy

objectives requires a healthy low cost housing construction sector.

To achieve this, an adequate supply of skilled labour is vital. Government analysis confirms the need for additional skills in the residential construction sector in Victoria to maintain an appropriate level of supply.

In 2014 the Victorian Department of Education and Early Childhood Development identified a number of roles within the building and construction sector which are or are likely to be in skills shortage over the short to medium term.¹⁰

From the perspective of Simonds Homes this identified skills need has been relatively constant in Victoria in recent years.

It was in response to this need that Simonds founder and now Chairman Gary Simonds made the decision to begin training the next generation of skilled labour through the Builders Academy Australia in 2005.

In response to real demand in the sector Simonds made the decision in 2009 to open training to its supply chain and then to the general trade public in January 2014.

As this model has proven itself over time, BAA is now expanding into the full suite of building and construction skills training from Certificate II through to Advanced Diploma. Additionally, BAA is now facilitating structured workplace learning with some of its "trade gangs" for its Certificate II students in the Simonds Building and Trade Program (its joint venture with SEDA).

The growth of this business reflects both the need within the Victorian economy and a market leading solution to the problem of adequate skills in the low cost residential construction sector.

And as the lower cost housing sector evolves, the sector will increasingly need to implement new construction technologies, which may include things like light weight products and modular housing.

Based on the above information BAA concludes that Victoria is likely to experience ongoing demand for highly skilled labour in the building and construction sector. Failure to meet this demand has the potential to limit supply of affordable housing for many Victorians, creating pressure on cost of living and other important social outcomes.

Investing in the provision of skills training in the commercial and residential construction sectors represents clear value for money for the Victorian Government now and in the future.

⁷ TAFE 2013, p.1

⁸ BOM 2014

⁹ ALP 2014, pp.73-77

¹⁰ DEECD 2014



Simonds and BAA understands that the Victorian Government faces significant fiscal pressure and, as part of this review, has stipulated the need for effective reforms that provide additional stability within the existing VET funding envelope.

On this basis BAA suggests Government explore opportunities to more clearly delineate between sectors of critical importance to the state economy, and to provide greater funding certainty to contracted providers meeting this demand.

An example of the distinction Government can draw is between “lifestyle” courses (such as aromatherapy), and “licensed outcome” courses such as those in the building and construction sector.

The ability to measure a course by the provision of relevant industry licencing potentially enables system administrators to delineate between those courses which meet clear industry needs, with stringent licencing tests, and those courses which are “discretionary” in nature and whose economic needs is unclear.

Each year, under the proposed model, Government could adjust its funding within the current envelope by revising levels of support to contracted providers in less essential economic sectors, while protecting funding for those contracted providers in critical sectors.

Through this model Government will know that it is investing public funds into those skills areas that are most likely to result in employment outcomes which in turn drive a well-balanced economy.

Recommendation

- 1. System administrators should develop a “value for money” rating system for VTG contracted VET providers in which those providers that achieve a higher rating receive greater funding certainty through fixed subsidy rates over a fixed term (say 5 to 7 years) period.**

Assessment of the value for money rating should prioritise contracted providers that serve sectors of the economy which are likely to grow and remain critical to Victoria’s economy.

BAA recommends Government establish a rating system to help it determine this “value for money” rating system, with the most economically critical sectors rated “A Grade”, and that Government provide contracted training providers operating in these sectors with guaranteed rates of public subsidy over an extended period of 5 to 7 years.

¹¹ Data internal to BAA. Can be provided in confidence upon request.

HIGH QUALITY GOVERNMENT FUNDED TRAINING

Ensure all Government subsidised training is high quality.

Term of Reference (b)

As Victoria moves into the next phase of VET reform, Government has outlined a goal of generating much needed stability in the system while improving the value it receives for its existing overall investment.

According to the theory underpinning the demand driven model of the VTG, student choice was expected to be the central accountability mechanism producing an outcome where only quality providers survived in the market place.

Experience has since shown that as most students are first time or one time purchasers, they have little capacity to exercise meaningful judgement over the quality of a provider at the beginning of a course.

As a result too many students have embarked on courses of questionable public or private value, with many abandoning their studies after significant public funds already have been invested.

Because of this it is imperative that other means are utilised to identify high quality providers (in addition to identifying “value for money” courses) and to prevent public funds going to lower quality providers. And because public funds are central to these transactions, it is right that Government exercises some responsibility in drawing this distinction.

In the first instance the quality of a skills training course should be measured wherever possible by its outcomes.

Government should feel confident that its investment in skills training is going to lead to meaningful, ongoing employment in which the skills training provided is utilised by the student.

Similarly, as discussed in the previous section, this meaningful employment should be of value to the economy, supporting a sector of critical importance to future growth and employment.

To this extent BAA prides itself on achieving almost universal utilisation of the skills training it provides to students in their ongoing employment in the residential construction sector.¹¹

In addition to assessing student outcomes, BAA believes that Government can benefit from assessing the quality of important training “inputs” into the training process.



In the skills training sector the two key inputs related to quality are the standard of the curriculum content being delivered, and the quality of the teaching used to deliver it.

VET teaching quality is best measured by a comparison of post study employment and skill utilisation rates, completion rates and an analysis of teacher connection to industry.

In those instances where students are remaining engaged with courses until completion, and they are working with trainers that remain deeply connected to industry, VET users can be confident of a high standard of VET teaching.

This is why BAA's trainers overwhelmingly train part-time while working within the building and construction industry. Our students in turn generate significant rates of completion, suggesting our students are engaged with our trainers. And as set out above, our students overwhelmingly work in meaningful jobs in the construction sector post training, in which they utilise the skills they have learned while studying with the BAA.

The other training input affecting the quality of the training experience is the quality of the training curriculum.

A high quality training program will have a curriculum that is directly relevant to the skills demands of the students and the sector in which they seek to find employment.

As an arm of Simonds, Victoria's leading home builder, BAA has a unique advantage in the market place by drawing its trainers and its curriculum design directly from industry.

As we work at the cutting edge we make sure to deliver a curriculum to our students which directly reflects our intimate knowledge of the construction industry. While not all VET providers have the benefit of direct partnership with industry, BAA's core philosophy is to always provide skills training "by builders, for builders".

The quality of our curriculum also has the potential to benefit others in the sector.

Now, BAA is working in a joint venture with SEDA to deliver Certificate II to students undertaking the Victorian Certificate of Applied Learning (VCAL) and has also worked informally with governments to discuss wider provision of our curriculum and teaching expertise and we look forward to sharing the benefits of our deep connections to industry.

Before a student is exposed to the curriculum or teaching involved in a course, there is an earlier stage of the engagement that can have a major bearing on the quality of the training experience.

Prior to commencing a course of a particular standard, all students in the VET sector undertake a pre-training review, to ensure the course is suitable and appropriate for their needs.

Because BAA takes this alignment seriously, third party referral agencies which identify potential students for BAA are not permitted to perform this pre-training review.

It is known that other providers allow third parties to conduct this review stage and also to deliver the training to the student.

While this is not necessarily proof of a lack of provider quality or poor student outcomes, BAA believes that it is a method used to scale the enrolment of students and the delivery of training to them. As one of the earliest indicators of quality training, BAA believes Government has taken appropriate steps to reform this area of funded training, but may consider further reform in relation to the delivery of training by third parties that are not operating on an enterprise/employer basis.

Ultimately the quality of training provision will be judged on hard metrics of completion, post completion employment and utilisation of newly acquired skills.

However as we seek to better inform student choice and drive improved quality across the system, a shared understanding of industry lead curriculum and teaching as well as the importance of provider only conducted pre-training reviews have the potential to benefit regulators, employers, students and providers.

To capture these benefits, BAA makes the following recommendations to drive high quality publicly funded training.

Recommendations

- 2. Hard metrics such as completion rates, post study employment and skills utilisation should drive provision of public funding through informing the proposed "value for money" rating system for providers.**

At present Governments at state and Commonwealth level gather significant amounts of data about RTOs.

However for most students, it is notoriously difficult to capture simple information about the outcomes for students undertaking a particular course with a particular provider.

Governments should consider making provision of this data mandatory, and using this data to inform the value for money rating system referred to in recommendation 1.

As mentioned above, as a result of this rating, Government should consider providing greater funding certainty to higher



grade providers, say 5-7 year funding rates, and exposing lower graded providers to more frequent funding reviews.

- 3. A sophisticated system should be developed for students and employers to rate training providers with greater weighting for ratings provided at and following course completion. This assessment should be used to guide student provider choice and may also be used to inform a provider's "value for money" rating.**

Under this student rating system, students and employers would be able to rate the quality of a course and provider, with the overall rating contributing to the quality rating referred to above. Utilising NCVET student and employer satisfaction data collected at course completion, coupled with other metrics including course completions and post-employment outcomes could then provide a more robust profile of quality providers that could be used to underpin the proposed rating system. This data could be further enhanced by providing a year-wide analysis of trends in student satisfaction, thereby identifying RTOs improvements over time, providing confidence in their internal quality management processes.

RURAL AND REGIONAL ACCESS

Allow rural and regional communities to access training that meets their local needs.

Term of Reference (c)

One of the great benefits of Victoria's traditional TAFE system is its footprint across metro, regional and rural Victoria. At its height, for the most part, this system was able to provide a skills based pathway for people within reaching distance of every community in Victoria.

However just as this footprint was a great strength of the traditional TAFE model, it has since become a major limitation of the system's ability to adapt and modernise. Changing rural and regional demographics together with legacy asset costs have taken a toll on TAFE operating budgets, forcing ongoing consolidation around major and growing population centres.

Today rising unemployment in rural and regional Victoria is creating pressure to reconfigure skills training to more easily deliver access to quality skills training.

In this context, new technology and new provision models are presenting real alternatives for students outside of metro areas.

Online provision and flexible teaching and learning models are making it possible for classes to be conducted across a mix of locations including almost any piece of available floor space in conjunction with onsite learning,

while utilising basic Information Communication Technologies.

In addition to these new technologies and processes, the effectiveness of training in rural and regional Victoria is determined by the connection of that training to industries which are active in rural and regional communities and can sustain ongoing employment within those communities.

In this respect the 6 future industries identified by Government as ripe for growth are important for the future, but are potentially limited in their ability to generate meaningful employment outcomes for people choosing to live in rural and regional communities.

Today people in these communities are calling for high quality skills provision in those sectors which are established, and which offer meaningful employment opportunities within these communities.

Rather than solely relying on drawing skilled labour from metro areas to rural and regional areas at excessive cost, developing skills among people choosing to live in the communities represents the most cost effective way to provide meaningful long term employment opportunities as well as addressing identified skills shortages.

According to the Victorian Government skills shortages identified in the Victorian building sector are particularly pronounced in non-metropolitan Victoria.

As one of the few building companies with a foot print across almost every section of Victoria, Simonds Homes understands the importance of providing adequate local skills to maintain healthy low cost housing construction and economic growth in non-metropolitan communities.

At present Simonds Homes is working in many local government areas in Victoria including every major region of the state.

As a result of this work BAA is currently delivering skills training in the residential construction sector in more than 80 different locations across Victoria, from Mildura to Gippsland.

BAA has been able to deliver a quality training model to these locations because of the unique combination of its flexible training model and the close relationship between BAA, Simonds Homes and its supply chain.

To date BAA has developed a flexible network of classes that enables participants to undertake their course at a location that is close to them, and offering a variety of timetables for them to choose from. This has been a key driver of BAA's growth since opening its operations to the general trade public in 2014.

On the back of this success, BAA is also working to develop a range of online provision



buildersacademy.com.au

models including blended remote technology based in-class and on-site learning. By utilising these new technologies alongside our network of trainers working in the industry, BAA has developed a model which has the potential to develop skills across the whole of Victoria that can lead to ongoing upskilling and local employment.

To support this trend, BAA makes the following recommendations.

Recommendations

- 4. The loadings received by contracted providers for delivering skills training in rural and regional Victoria should remain, but Government should consider increasing funding loadings for those “high-quality” providers (as per the “value for money” rating described above) delivering skills training in rural and regional Victoria where unemployment and skills demand is high.**

The current contestable model depends on subsidies to favour important industry sectors, and loadings to favour important cohorts.

The most obvious mechanism for incentivising provision for rural and regional students, and for strengthening TAFE institutions which operate in rural and regional areas, is to increase loadings for those providing skills training in these areas.

To do so within the existing funding envelope means reducing support to other funding recipients.

Consistent with previous recommendations in this report, BAA recommends drawing down on existing funds for those groups rated as lower quality, operating in less relevant sectors, and therefore generally providing lower value for money.

- 5. Rural and regional provision should be used to inform the proposed value for money rating system and provide those quality providers that serve non-metropolitan communities with greater funding certainty.**

Consistent with previous recommendations in this paper, BAA believes that provision of skills in non-metropolitan areas, along with quality provision and provision in economically critical sectors should be used in identifying a provider’s value for money rating.

For those providers considered to have a higher rating, Government should provide them with more funding certainty through 5-7 year funding arrangements.

SUPPORTING VULNERABLE AND HIGHER NEEDS LEARNERS

Meet community service obligations to support vulnerable and higher needs learners to complete training and transition to employment.

Term of Reference (d)

Education is one of the most powerful tools available to support vulnerable, at risk and higher needs learners to achieve their personal life goals.

At the same time, utilising the often overlooked potential and abilities of marginalised cohorts represents enormous potential productivity gains for the wider economy. Delivering the right skills at the right time to these cohorts can support these social and economic goals.

Unfortunately, in supporting marginalised cohorts, there is often a deficit model mentality which generates a focus on access over outcomes.

Similarly debates about support for marginalised cohorts often focus on traditional marginalised groups such as disengaged young people and people with a disability.

However in the residential construction sector which BAA serves, ageing workers from the high intensity labouring trades very often reach the end of their labouring life well before retirement age. While they often do not register as a potentially marginalised cohort, up-skilling these workers to keep them working in safer, more sustainable roles is a positive social intervention.

In all its training provision, BAA’s focus is on industry relevant skills that lead to meaningful employment in an industry we understand deeply.

For marginalised cohorts, as for mainstream cohorts, this ultimately is the only significant performance indicator for effective VET training.

However given the nature of marginalised cohort education, those organisations with the closest relationships to industry and the highest quality training often have the least understanding of how to work with these groups, and believe themselves to be least able to support the additional cost of servicing these cohorts.

In contrast, BAA is determined to reach as far as it can into marginalised cohorts and offer students access to BAA’s industry relevant high quality skills training in the construction sector.

In particular BAA is focused on reaching into our schools and identifying young people at risk of disengagement with the traditional secondary school curriculum, and inviting them onto an early stage pathway to a career in the building trades.



To support this work, BAA has formed a joint venture with SEDA to develop this model, before expanding it and rolling it out across our business. Via BAA's new Simonds Building and Trade program, we have taken 17 young people and enrolled them, in conjunction with SEDA's delivery of VCAL, in a vocational training program that will provide Certificate II accreditation in building and begin them on the path to apprenticeships and future employment.

Because of BAA's unique place in the market we are able to provide the most up to date industry relevant training and job opportunities for these young people.

Because of our partnership with SEDA we are able to utilise the best evidence based teaching and learning models to engage these students and keep them engaged.

Through the program students are able to complete VCAL and gain nationally accredited VET certificates. In addition students are given the opportunity to develop key employability and life skills such as organisation, team work and initiative.

The overarching theme of the program is "5 Star Apprenticeships for 5 Star Employees". SEDA and BAA are committed to harnessing our collective capability to bring together our full group of industry and community partners to share knowledge, resources and expertise.

Through this work we are directly engaging young people at risk of disengaging from formal education at one of the most important transition points in their lives.

At the same time we are not just involving them in training, but we are providing high quality training designed by builders, to help these young people move into employment and a life-long career in a critical sector for the future economy.

Once this initial student cohort has progressed sufficiently through this program, BAA with the support of Simonds will look to expand this program to more young people across Victoria.

These experiences underscore for BAA the importance of connecting marginalised cohorts to industry relevant skills and credible employment opportunities.

Below are recommendations, consistent with the core themes emerging in this submission, for Government to consider in supporting high quality providers to reach out to marginalised cohorts and include them in high quality VET training.

Recommendations

- 6. The Government should consider increasing funding loadings for all high-quality providers delivering skills training to traditionally marginalised cohorts (not just TAFE) including**

young people at risk of disengagement, people with a disability and people at risk of disability related early retirement.

The current contestable model depends on subsidies to favour important industry sectors, and loadings to favour important cohorts.

The most obvious mechanism for incentivising provision for vulnerable students, and for strengthening TAFE institutions which support them, is to increase loadings for those providing skills training to these students.

To do so within the existing funding envelope means reducing support to other funding recipients.

Consistent with previous recommendations in this report, BAA recommends drawing down on existing funds for those groups rated as lower quality, operating in less relevant sectors, and therefore generally providing lower value for money.

- 7. Provision of skills training to marginalised cohorts should be used to inform the proposed value for money provider rating system, and provide greater funding certainty to those quality providers that serve these cohorts.**

Consistent with previous recommendations in this paper, BAA believes that provision of skills to marginalised cohorts of students, along with quality provision, provision in economically critical sectors and provision in rural and regional areas should be used in identifying a provider's value for money rating.

For those providers considered to have a higher rating, Government should provide them with more funding certainty through 5-7 year funding arrangements.

A STRONG AND RESPONSIVE PUBLIC TAFE SECTOR

Build a strong and responsive public Technical and Further Education (TAFE) sector.

Term of Reference (e)

Under the contestable funding model introduced via the VTG, BAA has been able to grow its student numbers and expand its offering while maintaining high quality training and outcomes.

Under this model a number of traditional TAFE institutions have also prospered – achieving long required restructures to leverage their corporate knowledge to meet diverse and changing student needs.

It is not for BAA to judge its colleague TAFE institutions, given our different histories and context.



But it may be useful, in attempting to understand the best pathway to a vibrant and rejuvenated TAFE sector in Victoria, to understand some of the elements of BAA's growth and success.

The fundamental driver of BAA's growth and success is our capacity to be flexible in our training delivery and capacity to deliver meaningful industry relevance and employment outcomes to our students.

Above all else our students understand that because of our deep relationship with Simonds Homes we know industry, we know what industry needs and we know how to prepare our students for long careers in the building sector.

At the same time our students judge us on the quality of our curriculum and the quality of the trainers which deliver it.

Our students know that our curriculum is drawn from those working in the field, on building sites. This curriculum is consistently reviewed and updated in partnership with the Simonds team to make sure our students are absorbing the most up to date skills and knowledge for the industry.

Across the board our trainers have real up to date industry experience, with most of them still working in the trades. In our classrooms, on site and soon to be online, our students know that they are connecting with real builders with real building knowledge, which keeps them engaged throughout the course. The depth of this partnership is the source of our quality training, and the driver of our student's employment outcomes.

In order to adapt to evolving industry knowledge and skills, BAA has developed a business structure based on maximum flexibility. This means our trainers and our classes can be adapted to meet student and industry needs as they shift. BAA is constantly reviewing its course structure and content, working with those in industry (including the Simonds supply chain) to ensure we are training our students be job ready.

Despite this constant evolution, employers and students know that they can rely on the quality of our training.

Unlike many TAFE institutes BAA is a relative newcomer to the training sector. Despite this, BAA has a clear reputation among our network of students and employers for delivering high quality training and providing employment opportunities. BAA believes this reputation for reliability is the product of our partnerships with industry and the quality of teaching and learning that these partnerships allow.

Together these attributes have allowed BAA to succeed in a highly contested training environment under the VTG. While this review is a timely reminder of some of the limitations of the VTG model, BAA believes that the

underlying principle of contestability is key to the success of the VET sector. Each of these characteristics of deep industry partnerships, quality teaching and learning, a focus on student needs and outcomes, flexibility and reliability have all been honed and strengthened (and will continue to be) via our competition with other providers.

BAA believes that a strong and responsive TAFE sector includes strong, healthy competition in which all parties compete equally to provide the best value for each public dollar invested in training.

Because of this, BAA believes that the next round of VET reform should not sacrifice the contestable model implemented under the VTG.

Having identified these positive strengths, BAA notes that a major risk to all providers is uncertainty about the competitive and funding environments.

Repeated changes to the underlying funding arrangements under the VTG model make it difficult to plan and invest in future training. As this is the case for BAA (and all contracted VTG providers), it is presumed that providing greater policy and funding would be a positive contribution to the TAFE sector.

Drawing from these insights, and without commenting on any one individual TAFE, BAA presents the following conclusions about positive changes to the TAFE sector which Government might consider:

- Healthy competition on a level playing field is good for students and providers;
- Limited flexibility in the TAFE sector makes it harder for TAFE's to maintain strong industry partnerships and high quality teaching and learning;
- Funding certainty coupled with clear expectations and accountability from Government is essential for all providers;
- TAFE's, as far as possible, should be liberated from legacy costs and administrative structures to compete with other providers; and
- The unique positive contributions which TAFE's make should be reflected in the VET funding model.

BAA offers these conclusions based on its own experience as a growing, successful training provider in the Victorian market.

In order to support a healthy and vibrant sector, BAA makes the following recommendations.



Recommendation

- 8. The Government should consider making any future public service obligation funding available within the contestable model to all contracted providers, and make provision of these funds subject to clear accountability for course completion and post study employment.**

Public service obligations are a critical component of skills training. Consistent with the principles of healthy competition, any such funds allocated in the future should be contestable, but should be allocated in ways which ensure those best able to provide these services are able to do so to the level required by the community.

However, to ensure the people benefiting from these resources are best served, those receiving this funding should be held to account for the course completion and post study employment outcomes of students.

This would follow a similar model to accountability for Job Services Australia funding recipients, and could be adapted to meet the particular needs of the VET sector.

MANAGING THE BUDGET, PRESERVING STUDENT DRIVEN CHOICE

Manage training expenditure within the existing vocational training budget while preserving a framework of student driven choices.

Term of Reference (f)

To limit VET sector costs to the current funding envelope, system administrators have two basic levers at their disposal: funding eligibility (the number of places) and funding rates (the subsidy provided per place).

At its outset the VTG model included some limited eligibility requirements focused on incentivising up-skilling over return study at an equivalent skill level. Since the full inception of the VTG in 2011 Government has progressively sought to constrain costs by amending funding rates for individual courses of study and amending eligibility criteria based on the number of courses permitted. On the basis of the economic importance of the sector served by individual courses, Government has either slightly increased or substantially decreased subsidy rates for each hour of study provided.

The upshot of these reforms has been highly destabilising funding uncertainty in the sector.

Neither private nor increasingly commercially minded public training providers can effectively plan for provision in an environment of radical funding uncertainty.

The current Government is to be applauded for responding to this critical failing of the evolving VTG model. Its commitment to seek a more stable and

sustainable framework for funding better VET outcomes is welcome by the sector.

Throughout this submission BAA has promoted steps to provide additional certainty to those providers considered by objective measures to provide the most value in return for every public dollar invested according to the following measures:

- Student outcomes;
- Quality provision;
- Wider economic benefit and sector importance; and
- Support for marginalised cohorts.

BAA has also recommended that, within the existing funding envelope, this funding certainty should be provided at the expense of those providers less able to demonstrate clear value for money to Victorian taxpayers.

This model presupposes a limited funding envelope operating to support a continued commitment to contestability and student choice.

However it is worth acknowledging that as funding pressure continues to grow on the sector, Government may need to revisit eligibility for student funding. Before Government reaches this point, however, BAA recommends implementation of two prior steps, to address non-value for money growth in the sector and constrain overall costs in the sector.

In the first instance BAA believes implementing a rating system to identify those providers which are providing value for money, and to provide additional funding certainty to these providers is an important step and a strong signal to the market.

The logical extension of this policy reform is to implement a much more rigorous contract provision program whereby Government would seek to refuse and revoke contracts to any provider failing to meet the most stringent standards of quality, student outcomes and value for money.

Before Government moves to consider limiting training places and establishing a “first come, first served” eligibility test, BAA recommends exploring the following recommendations.



Recommendations

- 9. The proposed value for money provider rating system should be used to implement a more stringent contract provision program including refusing or revoking contracts for providers which fail to meet high standards of quality provision and student outcomes.**

Consistent calls from state and federal Government's to "crack down" on "dodgy providers" and "dodgy practices" indicate the importance of ensuring quality in the market place.

BAA's position is that in response to an increasingly tight fiscal environment, in which student choice and low eligibility requirements are preferred, Government should be willing to reduce the number of suppliers eligible for public subsidies based on the quality and value for money to the taxpayer.

While this would not be to imply that all non-contracted providers were of poor quality, a reform of this kind would ensure that all contracted providers are of the highest quality, and are providing the maximum value for every public dollar invested.

Given that significant amounts of the growth in the system anecdotally appears to be the result of the delivery of courses that provide limited real value to the economy, excluding these providers from the system is likely to create a natural cap on places.

Should this capacity increase, Government will know that additional training resources are supporting higher quality provision and delivering real outcomes in critical economic sectors.

An option for executing this reform item could be to revamp the mandate of the established Victorian Market Monitoring Unit, shifting it from a reactive compliance body to a proactive quality control and value for money monitor.

- 10. The Department should be consultative in their relationship with contracted providers and should also show contracted providers on an ongoing basis examples of best practice operations that abide by the funding contract.**

Under the current Victorian VET model there will continue to be risks of budget pressures and providers failing to achieve high quality standards.

As well as providing additional certainty to contracted providers, BAA believes that the current reform process should aim to embed a more consultative style of interaction between system administrators and these providers.

This more positive consultative culture should also allow for system administrators to share best practice and drive quality in the system more broadly.

REASONABLE FEES AND COSTS

Recognise the public and private benefits of training and ensure fees and student costs are not a barrier to participation.

Term of Reference (g)

From its first implementation the VTG model was provided with limited means testing for eligibility. In order to minimise complexity and maintain healthy competition, support for students from marginalised communities has been provided through course subsidy loadings.

By taking this approach, and offering similar levels of public support for students regardless of their background, the system is exposed to excessive and difficult to control costs.

In response a range of parties appear to be proposing some form of mandatory student fees as a basic device to ensure "buy in" from students, and avoid "no care, no responsibility" course enrolments. As is often the case, such policies in turn create an additional risk of barriers to entry for some members of the community. As these community members are the ones least able to afford course fees, the system creates a perverse disincentive for some of the most needy in the community to access training.

At present the Victorian VET system appears to be at greater risk of continued cost pressure and consequent funding uncertainty, than it is at risk of excessive barriers to entry from student fees.

At the same time, mandatory fees are a heavy-handed form of protection against provision of unnecessary training, designed by providers to game the funding system.

Instead BAA is of the opinion that both barriers to entry and system gaming can best be addressed within the current framework, through a number of key measures.

In the first instance marginalised cohorts finding it difficult to access courses which include fees are best served through improvements to the current funding system.

This can include some combination of providing additional funding certainty to those providers supporting marginalised cohorts as discussed above, in conjunction with increased loadings for students from marginalised cohorts as also discussed above.



In the second instance BAA believes that a more effective value for money assessment of providers can be utilised to more rigorously assess training provider contract provision. As minimising barriers to entry for marginalised cohorts is a critical function of an effective VET system, those providers seeking recognition as value for money providers would be incentivised to better address the needs of these cohorts.

By pursuing these simple reforms, BAA believes that the Government will be best placed to attack system gaming, address barriers to entry, maintain the core VTG student driven model and do so within the existing overall funding envelope.

Recommendations

See Recommendation 7, above

See Recommendation 9, above

FAIR AND WELL-TARGETED SUBSIDIES

Ensure eligibility to access subsidised training is fair and well targeted.

Term of Reference (h)

Throughout this submission BAA has taken as its starting assumption that the intent of all VET reform is to achieve the maximum value return for every dollar investing in skills training.

This means achieving the maximum possible benefit to the community and to the individual students from every hour of skills training provided in Victoria.

In terms of community benefit this submission shares the prevailing view that VET provision should provide critical skills required to drive economic growth and support important sectors, such as housing construction, which provide a range of flow on benefits to the community.

BAA also believes that it is in the community's interest to ensure that the VET system provides credible pathways to up-skilling and meaningful, long term employment for Victorians at critical points in their lives.

This means a genuine value for money analysis has to incorporate the impact of training provision on marginalised cohorts and those at risk of disengaging from study, work and the community.

In terms of individual benefit, BAA assumes clear cross-over with public benefits, and includes in this category the ability to provide the right skills to the right student at the right time, so that they can engage in meaningful employment and utilise the skills provided at work.

Further, BAA recognises the private benefit of servicing the needs of industry operators by providing an ongoing pool of skilled labour that is job ready.

BAA does not claim to address all of these needs for the entire economy.

But we do guarantee that every dollar invested in BAA's skills training is contributing to meeting each of these needs.

To achieve this BAA is focused on leveraging its expertise in the construction sector to guarantee the highest quality skills training, based on up to date industry knowledge, to a group of people that will benefit significantly from the experience.

In doing so BAA is guaranteeing the viability of a high quality, low cost housing construction sector in Victoria and we are providing life long career opportunities to people across metropolitan and regional Victoria.

On these bases BAA is able to guarantee that every public dollar invested in our skills training is returning real value to Victorian taxpayers.

And in providing this service, BAA is also working with cohorts of Victorians that are either marginalised or at risk of marginalisation from main stream work and society.

Evidence suggests that the two cohorts most at risk of long term unemployment are young people with a low quality entry level qualification who have recently been retrenched, and older people who have been retrenched.

At BAA we are directly addressing these two vulnerable cohorts by giving them the skills they need to move into long term employment.

For young people with limited qualifications BAA represents a credible pathway to a career in construction.

BAA's courses are high quality, which means young people remain engaged, are more likely to complete their course and are better positioned to move into real employment in the sector.

While BAA is in the early stages of its Simonds Building and Trade Program with SEDA, the expansion of this program and our work across the apprenticeships sector are only two components of our overall skills offering.

When students begin their journey into construction with BAA, they know they can continue to return to BAA to upskill at each stage of their career.

The quality of our entry point for young people, and our desire to offer a lifelong pathway for students, ensures that young people at risk of disengagement from work are more likely to turn an entry level qualification from BAA into a life-long career.

At the same time BAA's lifelong pathway model provides a critical service to older workers approaching the latter part of their careers.



An important cohort of BAA's student body is made up of older workers that have spent most of their life in the building trades. As many of these workers age, they naturally become limited in their ability to maintain high intensity physical labour, and in some case face the risk of early retirement and disability.

At BAA our full suite of construction skills offerings includes a range of higher level building management courses designed to help workers move into oversight, administration and management positions.

For many of our workers, this opportunity to up-skill, including through training for CPC40110 Certificate IV in Building and Construction (Building) is the gateway to the next part of their career. As a result these workers that might otherwise fall into the category of the older unemployed are able to keep working.

There are other older persons who are currently prohibited from engaging in training due to the eligibility conditions for up-skilling, but are at risk of falling into the category of older unemployed persons because there is no time limit on the currency of prior qualifications.

For example, a person may have completed a trade level qualification over 30 years ago, in an area that is no longer offering job opportunities due to offshoring of many industries, for instance printing and lithographics. This person is prohibited from undertaking another publicly subsidised trade qualification, even though they are unable to use their existing qualifications, and therefore, fall into the unskilled labour market.

Such people often lack the capacity to reskill because of the eligibility criteria. One option for supporting this cohort would be to allow exemptions from up-skilling requirements for any person whose qualification is more than 10 years old and is seeking to reskill in a new area.

Both of the at risk cohorts, young and older citizens, are often penalised by the eligibility criteria requiring only two commencements at an AQF level in a lifetime.

Young people often are enrolled in training by their employers in after-school part time jobs without any recognition that such an enrolment will mean that they only have one opportunity to ever receive funded training at that level in their lifetime.

For a 16 year old with no idea of their career aspirations, this is very limiting, if they are indeed aware of this limitation. Often it will only come to their attention when, as an adult, they try to enrol in a course that they have finally decided is appropriate, only to find that they are prohibited from receiving public funding (for example, because of training they undertook whilst employed at McDonalds). To achieve a fair and equitable approach that does not provide barriers to accessing training, Government should consider reforming or removing the

eligibility criteria which require no more than 2 commencements in any AQF level in a lifetime.

While it is difficult to quantify the cost of failing these at risk cohorts identified above, BAA is confident that its work to guide these groups to meaningful, long term employment in an economically critical sector represents absolute value for money for taxpayers.

These targeted benefits, in addition to the high quality training BAA provides to mainstream cohorts, reflects BAA's deep commitment to achieving positive student outcomes.

BAA therefore believes that fair and well-targeted subsidies are those which achieve real value for money for taxpayers.

From BAA's perspective, this should include those training organisations which provide:

- Life cycle training that supports careers and not just employment;
- Real post training employment outcomes wherever possible; and
- Support for older workers to prevent them disengaging with the labour market through retrenchment or disability.

On these bases BAA makes the following recommendations.

Recommendations

- 11. Eligibility rules should be amended to allow any person whose existing qualification is more than 10 years old to be exempt from up-skilling requirements and allow them to access funding support for a new qualification at the same level but in a different field.**

For many mature employees their existing qualifications achieved at the outset of their career are often no longer relevant to changes economic circumstances.

As new industries force many mature workers to adapt or face unemployment, the current prohibition against public funding for skills training at the same level as an existing qualification should be tempered.

To support this cohort, those with a qualification over 10 years old should be supported to retrain at the same level in a different industry area.

- 12. Consideration should be given to amending or removing the eligibility criteria which require no more than 2 commencements in any AQF level in a lifetime.**

Young people facing a raft of career options often lack the ability to pre-determine their ideal future employment path.



Allowing young people to explore a range of offerings by allowing more than 2 commencements over a lifetime has the potential to help guide each young person to the right career at the right time.

13. Any reforms to Victoria’s VET funding model should recognise the critical role played by life cycle, or lifelong pathway, contracted providers that help people build careers as well as find jobs.

Despite a traditional focus on entry level skills provision, BAA’s unique relationship to the construction sector means students are offered the opportunity to enter a profession and build a career.

Skills provision at every stage of the career journey, from Certificate II introductions to onsite activity, through to Advanced Diplomas for people running their own construction companies, allows BAA to partner with our students throughout their careers.

This unique perspective should be taken into consideration which reforming the current VET model.

14. All providers should be held to account against the post training employment outcomes they achieve including by making these data easily available to the public for each provider.

Under the current system providers are required to submit significant amounts of data to regulators.

However data on critical student outcomes such as course completion, post training employment and skills utilisation on the job are either not provided or are poorly presented to students and employers.

Making this information easily available, and using it to shape future funding decisions would constitute a positive step for Victoria’s VET system.

15. Reforms should recognise the critical role that some providers play in preventing at risk cohorts from becoming marginalised – such as mature workers in the trades who require up-skilling to avoid early retirement, long term unemployment and or disability.

Just as attention is often drawn to entry level skills provision, so too is the discussion of marginalised cohorts focused on those already disengaged from work and study.

BAA’s experience with older workers in the building trades is that preventing these workers from disengaging is critical to their, and the community’s wellbeing.

As it considers reforms to the VET system, BAA calls on Government to recognise those providers that prevent disengagement, and ensure they are protected from any unintended reform consequences.

CONCLUSION

BAA welcomes the opportunity to engage positively with Government regarding the future of the VET system in Victoria.

The Government review of VET funding is timely and offers real opportunities to secure much needed certainty for providers and students. While ongoing funding pressures are likely to impact the VET system in Victoria, BAA believes that the time is right for an explicit value for money test to be adopted at the heart of the VET funding system.

Under this model Government should clearly identify those economic and social benefits which the VET system should provide and build a system which incentivises providers to meet these needs.

BAA continues to believe that these outcomes are best served by a contestable funding model that is driven by student choice.

However BAA also believes that every provider in Victoria must be able to demonstrate that they are providing critical skills to the students that are able to complete their courses, move into meaningful employment and deploy their skills in sectors of the economy which will drive future growth.

As a leader in the building and construction sector, BAA’s partner Simonds Homes understands the importance of providing the right skills to the right student at the right time, in order to meet the needs of a growing economy. With the construction sector set to continue to provide a foundation stone for the Victorian economy into the future, BAA is proud to be delivering high quality courses to students that go on to careers in the building and construction trade.

The recommendations in this submission are designed to help frame Government’s thinking as it seeks to rebalance the current model.

BAA welcomes the opportunity to engage with Government directly as part of this review process.



REFERENCE DOCUMENTS

- (ALP 2014) *Victorian Labor Platform*, Australian Labor Party, 2014
- (BCA 2014) *The Vocational Education and Training System: Key issues for large enterprises*, Allens Consulting, Business Council of Australia, 2004
- (BOM 2014)S *State Economic Report: Victorian Economic Outlook*, Bank of Melbourne, 2014
- (DEECD 2014) *Victorian Skills Shortages 2014*, Department of Education and Early Childhood Development Victoria, 2014
- (DOE 2014(a)) *Australia Jobs 2014*, Department of Employment Commonwealth, 2014
- (DOE 2014(b)) *Skills Shortage Australia 2014*, Department of Employment Commonwealth, 2014
- (ILO 2014) *A skilled workforce for strong, sustainable, balanced growth: a G20 Training Strategy*, International Labour Organisation Geneva, 2014
- (LSE 2013) *Investing for prosperity: Skills infrastructure and innovation*, Report of the London School of Economics Growth Commission, London School of Economics London, 2013
- (NCEVR 2014) *Early Impacts of the Victorian Training Guarantee on VET enrolments and graduate outcomes*, Melbourne Institute of Applied Economics and Social Research, National Centre for Vocational Education Research, Department of Industry Commonwealth, 2014
- (TAFE 2013) *A strong and sustainable Victorian TAFE sector*, TAFE Reform Panel, Department of Education and Early Childhood Development Victoria, 2013

