

PROPOSAL TO THE MINISTER FOR INDIGENOUS AUSTRALIANS FOR

TRANSITIONAL FUNDING AND A NEW FUNDING MODEL FOR NATIONAL

INDIGENOUS OWNED AND OPERATED REGISTERED TRAINING ORGANISATIONS

**Prepared by the Alliance of First Nations Independent Education and Training Providers
C/- Tranby National Indigenous Adult Education and Training**

13 Mansfield St Glebe NSW 2037

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1. ISSUES

- 1.1 Commonwealth funding for Indigenous Owned and Operated Registered Training Organisations (IRTOs) has in recent years been re-routed through State and Territory Treasuries who will only fund students who reside in their State or Territory. This change particularly impacts Indigenous students (especially those residing in rural and remote areas) and has resulted in significant de-funding of National IRTOs and a loss of training opportunities. The change in the Commonwealth funding model is resulting in previously successful National IRTOs struggling financially and in one case going into administration. The National Agreement for Skills and Workforce Development at clause 27 limits the States and Territories responsibilities:

27. States and territories will:

- a. determine resource allocation within their State/Territory;**
- b. oversee the expenditure of public funds for, and delivery of, training within states and territories; and**
- c. ensure the effective operation of the training market.**

It is limited to funding and training within the State and Territory, it does not address or recognise specialist National IRTOs drawing students who reside all over Australia.

- 1.2 The State and Territory funding model is based on 'completion' which is not suitable for Indigenous learners who require additional time to complete their learning journeys. Learners with low levels of literacy and numeracy and low self-confidence tend to require much longer periods of study and specialised support, in a culturally safe learning environment.
- 1.3 National IRTOs are now required to deal with the State or Territory officers as intermediaries who in turn negotiate with Commonwealth officers. This results in a lack of accountability, transparency and control in relation to Commonwealth funding and funding recipients.
- 1.4 National IRTOs lack coherent, consistent and reliable funding across core funding areas in particular:
- a. Maintenance and renewals budgets for fixed and variable assets;
 - b. Staffing costs;
 - c. Funding for both local and cross border students;
 - d. Student learner support services;
 - e. Development, approval and registration of new courses;
 - f. Mobile training courses and new campuses in regional areas.
- 1.5 National IRTOs must make multiple grant applications across a range of different grant and funding programs at a Commonwealth, State and Territory level that are fragmented, or sometimes leave gaps or result in overlapping funding.
- 1.6 Multiple funding programs lead to high administration costs to meet grant funding compliance and reporting obligations, time spent satisfying regulators that National IRTOs are not "double-dipping" or time spent trying to fill funding gaps.

2. BACKGROUND

Introduction

This Proposal has been prepared by the Alliance of First Nations' Independent Education and Training Providers (the Alliance). The Alliance currently consists of four entities:

- Tauondi Aboriginal College (founded 1973 and headquarters Adelaide South Australia)
- Co-operative for Aborigines Ltd trading as Tranby National Indigenous Adult Education and Training (founded 1957 headquarters Glebe NSW)
- NAISDA Ltd (founded 1976 headquarters Kariong NSW)
- Institute for Aboriginal Development in Administration (founded 1969 headquarters Alice Springs NT)

The Alliance is currently going through the process of finalising its Constitution and corporate form. Upon incorporation, the Alliance will seek membership of Coalition of Peaks with representation on the Joint Council of Closing the Gap as a peak body for National Indigenous owned Vocational Education and Training (VET) Providers.

Each member of the Alliance faces different problems with accessing adequate, reliable funding and dealing with a myriad of grant options available at Commonwealth and State level. The Alliance acknowledges in broad terms the comments relating to the fragmented funding problems with the current system set out in the Chapter ***Improving Outcomes for Aboriginal and Torres Strait Islander Peoples and Disadvantaged Australians*** in the ***Expert Review of Australia's Vocational Education and Training System*** (the Joyce Report). The Alliance also notes the comments in the Joyce Report supporting the need for Indigenous Owned Registered Training Organisations if the Commonwealth wants to achieve better educational and employment outcomes for Indigenous Australians.

The Alliance is strongly of the view that National Indigenous VET outcomes would be significantly improved if National IRTOs were specifically recognised and funded under the upcoming MYEFO 2019. To this end the Alliance contacted senior Treasury officers who have confirmed that they are willing to provide the funding requested in the Alliance Proposal in MYEFO 2019 subject to receiving the necessary Cabinet Minute. Specified members of the Alliance would also like to commence reporting against Key Performance Indicators under Closing the Gap in the 2020 calendar year.

The Alliance proposes to nominate two Alliance members to undertake a Pilot program. The Pilot program would involve the development of a Single Core Funding source for Budget fundamentals commencing after MYEFO 2019 in the 2020 academic calendar year. If the Pilot program is successful, other Alliance members could then adopt the Single Core Funding source for Budget fundamentals.

The ultimate goal is to financially stabilise National IRTOs for the term of the Closing the Gap Program by changing from the fragmented Commonwealth and State VET funding programs.

The Commonwealth /State VET system is not designed for National IRTOs, and the current funding system is damaging the ongoing viability of these organisations. The damage being done is not being picked up under the Closing the Gap reporting obligations.

This Proposal outlines:

- a. **Issues** facing National IRTOs (short term 2020 and longer-term post-2020)
- b. **Background** to the Issues outlining the problems faced by National IRTOs
- c. **Goals** of establishing a Single Core funding source to cover Budget Fundamentals for Alliance members who are National IRTOs. Set goals of reducing Government administration costs, financially stabilise existing National IRTOs damaged by the change in the funding system and report against Key Performance Indicators as part of Closing the Gap. The most important goal is to improve Indigenous vocational education and training outcomes leading to sustainable employment with strong foundation skills with only a marginal increase in costs to Government.
- d. **Recommendations** that in summary, Pilot funding for Alliance members should be provided through a specific National IRTO program with funding changes implemented in MYEFO 2019 in the short term. More detailed Goals should be subsequently provided for funding in the longer term in the May 2020 Budget.

2.1 Background to Issue 1.1

Commonwealth funding for National Indigenous Owned and Operated Registered Training Organisations has in recent years been re-routed through State and Territory Treasuries who will only fund students who reside in their State or Territory. This change has resulted in significant de-funding of National IRTOs and loss of training opportunities.

The National Agreement on Skills and Workforce Development passes Commonwealth funds through State and Territory Treasuries. This Agreement is a generic funding agreement for all vocational education and training. Once the funds are received by State and Territory Treasuries, the funding is restricted to paying for student's resident in that State or Territory. It does not address the issue of National IRTOs with Indigenous students drawn from all over Australia.

The draft of Closing the Gap 2019-2029 stipulates the training and employment priorities in Education and Economic Development. Although these areas are the priorities including the previous Closing the Gap commitment by the Commonwealth, Indigenous training and employment services by the National IRTOs were not well-represented, thus limited support and outcomes.

Education target:

- 47% of Aboriginal and Torres Strait Islander (aged 20-64 years) have completed Certificate III or above, including higher education, by 2028

Economic Development target:

- "65% of Aboriginal and Torres Strait Islander youth (15-24 years) are in employment, education or training by 2028"
- "60% of Aboriginal and Torres Strait Islander people aged 25-64 years are employed by 2028."

This funding approach has severely impacted a number of Alliance members as they have traditionally provided training for Indigenous students from around Australia. Many culturally specific Diploma and Certificate level courses are entirely owned by National IRTOs and are not offered by any other training providers in Australia. (For example- 10578NAT Diploma of Applied Aboriginal Studies and 10408NAT Diploma of Aboriginal and Torres Strait Islander Legal Advocacy.)

National IRTOs provide culturally appropriate vocational education and training and historically tended to specialise in the provision of specific subjects. No Alliance member accepts applications from non-Indigenous students. Thus, the numbers of Indigenous students compared to the non-

Indigenous cohort attending mainstream vocational education providers is quite low.

However, if Australia is ever to meet the Partnership Objectives of Closing the Gap 2019-2029 National IRTOs must be separated from mainstream Commonwealth/State National Agreement on Skills and Workforce Development and funded with a view to developing specialist National IRTOs with dedicated long-term reliable Commonwealth funding.

As the Joyce Report on page 110 acknowledged, there are over 100 different Commonwealth, State and Territory funding mechanisms impacting on Indigenous training or the ability to participate in training. Funding mechanisms overlap, leave gaps and are extremely difficult to manage for compliance and reporting purposes.

The lack of consistent, reliable Government funding for National IRTOs has placed the entities under significant financial pressure. The Institute of Aboriginal Development (IAD) the only National IRTO in Alice Springs, is now in administration. We have been advised that the likely outcome is that they will no longer provide vocational education and training opportunities for the Central Australian Indigenous community if the funding arrangements are not revised. IAD has been Indigenous-owned since 1969.

Tranby has also suffered from a significant drop in Government funding due to the change from direct Commonwealth funding to funding paid via NSW Treasury and limited to NSW students only.

All four Alliance members have been successfully Indigenous owned and operated organisations for decades, offering students from around Australia vocational education and training including in AQF Certificate III and above. The current fragmented State/Commonwealth funding arrangements and limits on the intake of students on a national basis put these successful Indigenous Owned and Operated cultural icons at financial risk.

2.2 Background to Issue 1.2

The State and Territory funding model is based on ‘completion’ which is not suitable for Indigenous learners who require additional time to complete their learning journeys. Learners with low levels of literacy and numeracy and low self-confidence tend to require much longer periods of study and specialised support, in a culturally safe learning environment.

The current funding model, under the National Agreement on Skills and Workforce Development, is generic for Indigenous and non-Indigenous RTOs however, the funding approach differs from State to State. Certificate III includes a payment firstly for enrolment and then in payments based on completion of each 16-week increment until course completion.

In South Australia, price is set per unit of competency. As the student completes a unit of competency, the payment is made – often at the end of each month. Upon successful completion of a full qualification, there is a completion payment. The unit price and completion payment are higher for higher AQF level qualifications. Tauondi delivers Certificate I and II. Generally, those level qualifications are expected to be completed within a short period, the total payment amount is set at a low level. Also, this subsidy is only applicable to the qualifications listed/approved by the State Government. Many Certificate I and II level qualifications (except Foundation Skills) are not listed, therefore there is no funding.

Certificate I and II level qualifications are not well-funded by the Governments and acknowledged by employers/industries. Those qualifications are still valued by many dis-engaged students and

students with low literacy and numeracy. Certificate I and II create stepping-stones and pathways to higher qualifications and improve Indigenous student's confidence and self-esteem, helping Indigenous students obtain sustainable employment.

Alliance members must commit to funding teaching staff for the duration of the course regardless of the numbers of students who actually complete the course. Failure of Indigenous students to complete the course, within the funded timeframes causes serious and debilitating funding problems for National IRTOs.

NCVER data shows that Indigenous student completion rates for VET courses are lower than non-Indigenous students (See Joyce Report Page 108). There a variety of cultural reasons for the lower completion rates, for example, lower levels of literacy and numeracy, very low self-esteem and self-confidence, less familiarity with learning in a time structured environment as well as stronger family obligations often requiring an extended absence from study e.g. deaths within the family.

Enrolment and completion of VET courses are often a requirement of ongoing social security payments resulting in additional hardship for Indigenous students as well as financial pressure on National IRTOs providing specialised training courses for these students. Some Indigenous students are forcibly enrolled in the Certificate III level qualification as *advised* by employment service providers to meet the mutual obligation requirements. Low attendance and low completion rates are often a result of misplacement of the AQF level and lack of holistic support.

Indigenous students often take longer to complete their VET courses due to socio-economic disadvantage and cultural reasons – National IRTOs should not be financially penalised for the difficulty its cohort faces in completing their VET courses.

The cancellation of the Indigenous Tutorial Assistance Scheme (ITAS) funded by the Commonwealth government has negatively impacted National IRTOs ability to provide culturally appropriate student support services that would ultimately lead to higher completion rates.

Overall funding through the new National IRTO program funded at MYEFO 2019 would provide the Government with a better understanding and ability to adjust funding mechanisms to meet problems specific to Indigenous students and National IRTOs. The new National IRTO program would allow funding tailored to improving outcomes for Indigenous students rather than expecting that Indigenous students can easily meet the non-Indigenous VET requirements.

2.3 Background to Issue 3

National IRTOs are now required to deal with the State or Territory officers as intermediaries who in turn negotiate with Commonwealth officers. This results in a lack of accountability, transparency, and control in relation to Commonwealth funding and funding recipients.

The current system is funded from the Commonwealth through the States and Territories under the National Agreement on Skills and Workforce Development.

Alliance member's experience is that it is not known whether or not State Government officials pass on problems that National IRTOs are having to the Commonwealth with this funding arrangement as there is no real incentive for State Government officials to do so. There are also no reporting obligations under this funding package to report outcomes under Closing the Gap. There is, therefore, a complete disconnect between the funding provider (the Commonwealth) and the National IRTOs.

In South Australia, many Indigenous-specific programs are merged into mainstream programs, with

a focus on apprenticeship and traineeship. If Tauondi obtains funding under the proposed new National IRTO program funded at MYEFO 2019 to deliver Certificate I and II level training as engagement programs, the Alliance is strongly of the view that the completion rate amongst Indigenous students would significantly improve.

The Alliance is concerned there is a lack of accountability, transparency and control arising from the funding process under the National Agreement on Skills and Workforce Development.

Several Alliance members have had funding proposals refused without explanation or feedback. As a result, Alliance members are disempowered in the Commonwealth/State highly fragmented funding process and these funding problems result in poor outcomes. These poor outcomes are not being drawn to the attention of the Commonwealth under the Closing the Gap reporting guidelines.

The highly fragmented grant system results in poor VET outcomes for Indigenous students.

In 2016, the NSW State Training Services Aboriginal Training Program was defunded and closed by the NSW Department of Industry. The Alliance is concerned at some States' lack of genuine commitment to funding impactful and life-changing vocational education and training services.

NSW State Training Services is unable and unwilling to fund Tranby's students from interstate. Each State and Territory has similar restrictions in that they will only fund students who are residents of that State or Territory. The availability of National IRTOs varies from State to State and the availability of courses suitable for Indigenous learners also varies from State to State. Where National IRTOs exist in each State and Territory, it is not economically sensible or even feasible for all National IRTOs to provide all relevant courses in every State and Territory. It is crucial for National IRTOs to provide specialised courses to meet the needs and demands of a comparatively small (compared to the wider non-Indigenous student population) Indigenous student cohort.

Tranby at one point had a waiting list of over 165 interstate students wanting to study at Tranby in the upcoming academic year. Tranby was forced to reject these applications because NSW State Training Services had imposed conditions on funding received from the Commonwealth that did not permit funding for interstate students. The existing Commonwealth funding package for Indigenous VET students has no mechanism in place to support these interstate students and sadly, they are ultimately excluded from the VET sector.

2.4 Background to Issue 4

National IRTOs lack coherent, consistent and reliable funding across core funding areas in particular:

- a. Maintenance and renewals budgets for fixed and variable assets;**
- b. Staffing costs;**
- c. Funding for both local and cross border students;**
- d. Student learner support services;**
- e. Development, approval and registration of new courses;**
- f. Mobile training courses and new campuses in regional areas**

Examples of problems

a. Maintenance and Renewals Budgets for fixed and variable assets

Tranby owns its Glebe Campus. Under Tranby's core funding budget, there is no mechanism or funding to cover urgent maintenance works to the Heritage and other buildings. This has resulted in Tranby struggling to undertake routine maintenance, urgent repairs and to comply with Workplace Health and Safety Obligations.

Tauondi's campus is on a 5-year lease from the South Australian Government. Although preventative maintenance and Workplace Health and Safety obligations are the State Government's responsibility, there is no reliable, consistent obligation on the South Australian Government to undertake the necessary work.

NAISDA's campus is leased from the NSW Government and NAISDA asset maintenance and renewals is subject to State funding.

IAD owns its Alice Springs Campus and without urgent financial assistance in MYEFO 2019 it will no longer be able to provide National Indigenous VET courses in 2020.

Historically, the Commonwealth did provide funding for asset maintenance and renewals for National IRTOs including for example funding to install a lift and air-conditioning at Tauondi (VET Infrastructure for Indigenous People prior to 2009; Industry and Indigenous Skill Centres, after 2009 – under DEEWR).

It is increasingly difficult to deliver apprenticeship and trades training to Indigenous communities without adequate funding for the upgrade of infrastructure and facilities. In recent years, the standard of industry infrastructure, facilities and equipment specified by ASQA compliance and Training Packages is getting higher. Infrastructure, facilities and equipment have become obsolete due to the failure to provide adequate funding. Alliance members have no choice but to close those courses.

Under the current funding arrangements, it is no longer possible to plan for routine or urgent asset maintenance and renewals or to ensure the Workplace Health and Safety obligations can be met.

b. Staffing

The majority of funding is expended on employment expenses. A lack of consistent and reliable funding leaves many Alliance members unable to employ permanent, full-time skilled culturally aware staff to meet the needs of the organisations.

Historically, Government funded staffing grants do not include a CPI increase. This results in staff salaries falling in real terms over time. In the current competitive market, it is getting harder to recruit suitably qualified people with sufficient skills and experience. Alliance members select staff who understand and respect Indigenous culture or are willing to learn Indigenous culture. These criteria make recruitment more difficult. The alternative to National IRTOs is TAFE. TAFE staff salaries are funded by State Government and staffing costs are not constrained by the grant process. We note the Joyce Report recommends increasing the number of National IRTOs but this is not feasible if current organisations are struggling due to the current funding process.

c. Funding for Students on a National basis

There is currently no funding provided by State or Federal Governments for students normally resident in another State or Territory. Current advice from the State Governments is that whilst it is theoretically possible, in practical terms it is impossible. This is a serious problem. We have raised this issue with Minister Wyatt's office in meetings in August and September 2019. In our meeting with Mike Fordham on 10 September Mr Fordham indicated he would form a Joint Working Group with other portfolios to address the problems the Alliance had raised. Our Proposal was referred to the National Indigenous Australians Agency (NIAA) who responded recommending that applications be made for interstate students under the Indigenous Advancement Strategy (IAS). The administration of IAS was the subject of serious criticism in the findings of the Auditor-General

ANAO Report No.35 2016–17 Performance Indigenous Advancement Strategy (attached). The matter was referred to the Productivity Commission who has published an Issues Paper in June 2019 with the Report on the Indigenous Evaluation Strategy due in March 2020 (also attached). Current funding under the IAS concludes in March 2020 which is the date the Productivity Commission Report is due. In the circumstances and given the questions raised in the Productivity Commission Issues Paper the Alliance believes the future of funding under IAS is at best uncertain. We do not have confidence that the suggestion by the officers of the NIAA to apply for IAS funding will, in reality, change the situation and the NIAA response did not make any attempt to acknowledge or address any of the other very serious issues raised in our Proposal.

The Alliance approached Senior Treasury officials who confirmed that funding could be made available in MYEFO 2019 to progress the Proposal. We note that it was the Treasurer who referred the matter to the Productivity Commission after the publication of the Auditors Report on the IAS.

It is important to address these problems on a National rather than a State by State basis. There are relatively few Indigenous students and it is important to be able to run courses in a cost-effective manner and to obtain economies of scale. In most cases, to achieve this, it is necessary to draw students from all over Australia.

Tranby historically drew students for its courses from all over Australia leading to a vibrant and successful training program. Alliance members only obtain student funding for local students or for students enrolled in longer-term residential courses, “block” courses that do not involve a long-term interstate residency have now for practical purposes been de-funded for interstate students.

Student Learner Support Services

The Commonwealth Government’s recurrent funding under Indigenous Education (Targeted Assistance) Act 2000 (e.g. Supplementary Recurrent Assistance, Indigenous Tutorial Assistance Scheme (ITAS), Parental and Community Engagement) was defunded in 2014. Adequate recurrent support service funding is crucial to support the unique learning needs of Indigenous students.

Tauondi’s IAS funding is designed to provide student learner support services, under the Children and Schooling programme. However, the IAS funding is not recurrent. The conclusion of the current IAS funding round coincides with the due date for the Productivity Commission Report and we assume must address the recommendation in the Joyce Report. The consistency and stability of support service delivery is limited by the short funding period. Every 2 years, the support service needs to be re-modelled and re-structured in order to match the changed funding requirements.

The delivery of Certificate I/II level training and non-accredited vocational and non-vocational training is a part of support services as well, but it is not sufficiently or adequately funded.

The delivery of holistic and culturally appropriate support services for Indigenous students is the key in supporting them to attend class, complete training and gain employment. It is imperative that adult learners have this support to succeed.

e. Funding for Development Approval and Registration of new courses

There is currently no funding provided by State or Commonwealth Government for the development, approval and registration of new courses. Funding restrictions have resulted in the fall of the total number of courses provided by Alliance members.

The development of new courses is important for building Alliance member’s capacity and

capability. However, new courses require a significant investment in staffing, facilities and equipment and training/assessment resources.

The Indigenous Community is becoming increasingly frustrated with the inflexibility of courses delivered that are not sufficiently responsive to the needs and demands of the Community. See Joyce report Page 109.

f. Funding for Mobile Training Courses and the Opening of new Regional Campuses

The Joyce Report noted that Indigenous training would in relation to entry-level courses be more likely to be successful if delivered on Country. See Joyce report page 109.

Alliance members note that there are insufficient Indigenous students to successfully operate National IRTOs to service small Indigenous groups on Country. The problems of distance in Australia and the comparatively small de-centralised Indigenous population in remote areas means that the New Zealand experience would not successfully translate to Australian circumstances.

Alliance members discussed how best to address this issue of providing basic level training on Country and concluded that it could be done economically and efficiently by the establishment of mobile training courses where the staff of National IRTOs could travel to regional and remote areas and provide training on Country for defined periods of time as required. There is obviously no funding for mobile training courses however Alliance members are interested in undertaking a feasibility study and subject to the outcome of the study, developing mobile training programs during the 2020 academic calendar year should the Alliance Proposal for MYEFO 2019 be successful.

The establishment of regional campuses was also considered in response to the Joyce Report. Regional campuses would require significant additional funding and training of local staff. If the Pilot Alliance Proposal is successful for MYEFO 2019, a feasibility study for the development of a small number of regional campuses could be undertaken in the 2020 academic calendar year.

2.5 Background to Issue 5

National IRTOs must make multiple grant applications across a range of different grant programs at a Commonwealth State and Territory level that are fragmented, or sometimes leave gaps or result in overlapping funding.

The Joyce report at page 110 noted there are over 100 Grants available to National IRTOs.

National IRTOs have become heavily reliant on IAS funding applications to provide core operational funding. The administration of IAS was the subject of damning criticism in the findings of the Auditor-General ANAO Report No.35 2016–17 Performance Indigenous Advancement Strategy. The current round of IAS funding concludes in March 2020 and there is significant uncertainty surrounding the likely impact on the IAS of the recommendations of the Productivity Commission.

At the Alliance meeting, a number of Alliance members noted that they had been asked to submit and went on to submit a variety of applications under the Children and Schooling Program and the Jobs, Land and Economy Program. Alliance members were then advised by the then officers of Prime Minister and Cabinet responsible for Indigenous Australians that the applications had merit, but there was no funding available. This is consistent with the findings and concerns raised by the Auditor General in relation to the IAS.

Alliance members have previously applied for an urgent increase in core funding, but funding was not available, putting some Alliance members under increasing financial uncertainty and stress.

Alliance members are concerned that no-one in the Commonwealth government currently assumes responsibility for the Indigenous VET sector, but everyone expresses concerns about the increasingly poor Indigenous VET outcomes. A number of Alliance members receive core funding from the Children and Schooling program, and as the name highlights, they are not schools and Alliance members do not educate children.

Currently, the Commonwealth Government requires non-Indigenous IAS recipients to partner with Indigenous organisations, to deliver IAS projects. Those Indigenous organisations become the project lead, receive the funding and deliver the services to achieve the proposed KPIs, which were originally proposed by the non-Indigenous IAS recipients. This approach was introduced with a positive intention to support Indigenous organisations to build capacity and capability. However, the transition process was not well-considered nor-strategized. There was no additional funding for the transition, nor sufficient lengths of time for funding to be approved to establish a true partnership. The Alliance believes the transition may result in the misrepresentation of IAS recipient statistics, potentially destroying the partnership with non-Indigenous organisations (IAS recipients). This is consistent with the findings and concerns raised by the Auditor General in relation to the IAS.

2.6 Background to Issue 6

Multiple funding programs lead to high administration costs to meet grant funding compliance obligations, time spent satisfying regulators that National IRTOs are not “double-dipping” or time spent trying to fill funding gaps.

Government grants are highly competitive and National IRTOs are often competing with large, well-funded non-Indigenous organisations for grants to educate Indigenous people.

Philanthropic funding is highly competitive and for Alliance members in remote and regional Australia, it is difficult to gain access to donors who often reside thousands of kilometres away and with whom Indigenous people have no easy social links.

We note that the Joyce Report recommendation 8.5 recommended more Commonwealth support for quality National IRTOs. However, the complexity and time-consuming nature of the existing Gordian knot funding model makes this recommendation unlikely to succeed without crucial changes and dedicated core funding to support National IRTOs.

As previously stated the Alliance has approached Minister Wyatt’s office and has been advised that a Joint Working Group with VET is being or has been formed, has confirmed that Treasury is willing and able to fund the Alliance Proposal at MYEFO 2019 subject to receiving a suitable Cabinet Minute. Treasury indicated they understood the urgency of financing the proposal in December to meet funding requirements in the upcoming calendar year given the academic year commenced in January not July.

Staff costs to meet compliance and reporting obligations are onerous and the same, regardless of student numbers. Alliance must have certainty about their ability to meet 2020 staffing costs no later than MYEFO2019 – Treasury understands the urgency of the matter.

Tauondi currently employs 3 compliance specialists to meet their compliance obligations. All Alliance members spend hundreds of thousands of dollars each year in staff costs to meet the multitude of overlapping, sometimes conflicting and onerous grant funding requirements. Everyone wants something different and there is no consistency in grant applications, or compliance and reporting requirements.

These grant application and administration costs are not a productive use of staff time or Alliance members scarce funding resources. Government resources are similarly wasted in the

administration of the over 100 Commonwealth/State grants that reduce productivity and outcomes.

Each grant and funding program require different qualitative and quantitative data. A wide range of forms are dealt with by National IRTOs. The forms then need to be entered in different Government or private systems in order to compile the necessary reports. The enrolment process for students is getting more complex, complicated, and time-consuming. The requirements for administration staff are getting higher, however, there is limited funding for administration and project management.

3. GOALS

SHORT TERM GOALS COMMENCING JANUARY 2020 (For MYEFO)

3.1 Goal - Issue 1

Alliance members and potentially other National IRTOs suffer from having an inefficient fragmented funding system that results in overlapping grants or gaps in funding. This is complicated by funding for National IRTOs having Commonwealth VET funding routed through the States and Territories with little or no interest in meeting the goals of Closing the Gap in the provision of Indigenous VET.

The Alliance goal is therefore to establish two Pilot programs to assist in the transition over 2020 from the fragmented system of Commonwealth, State and Territory funding to a single unified system of core funding and reporting for Budget Fundamentals to be provided under a new National IRTO funding program.

The aim is to provide Single Core funding for National IRTOs that provide or aim to provide VET services to Indigenous students around Australia. The two pilot organisations cover Certificate I, II and III (Apprenticeships) – Tauondi, Certificates III and IV and Diploma courses- Tranby. The Single Core funding source must be focused on providing socio-economically appropriate and culturally suitable VET training for Indigenous students. The goal is to establish a series of National IRTOs as Centre's of Excellence. The Joyce Report acknowledged at page 109 the current system of mainstream VET funding recognises little or no allowance for specific problems faced by Indigenous students.

This goal of a single source of core funding reduces problems of gaps and overlaps in the current Commonwealth/State grant-based funding model. The Alliance proposal for a Single Core funding model under a new National IRTO funding program reduces the risk of National IRTOs financially failing because of incoherent funding approaches creating gaps and overlaps that Government is unaware of until it creates a crisis.

The Joyce Report noted at page 110 there were over 100 grants available to Indigenous owned RTOs and it is no surprise given the complexity of the funding system that outcomes continue to deteriorate. A Single Core source of funding specific to the needs of Indigenous VET students and National IRTOs will, we believe, also reduce the cost to Government of calling for grant applications for over 100 grants assessing those applications and then enforcing compliance. In short, our Proposal aims to cut the Gordian Knot.

Alliance members wish to upgrade their services so that each member entity of the Alliance becomes a Centre of Excellence for National Indigenous VET. There are comparatively few students requiring National Indigenous specific VET, compared to the mainstream Australian student population, therefore, it involves only a relatively small number of providers. However, a comparatively small change could transform the National Indigenous VET sector from a failed

attempt to mainstream service provision to making Australia an international leader in the provision of VET services at a National level to Indigenous Australians.

We note in particular that the World Indigenous Peoples' Conference on Education (WIPCE) is being held in Adelaide hosted by Tauondi in November 2020. Alliance members would like to be able to showcase the new Pilot projects to show the success of the new funding system rather than noting the failure of the current system. This is only possible if the short-term Pilot funding model proposed by the Alliance is put in place in MYEFO 2019.

The new model to be implemented in the 2020 academic calendar year is aimed at cutting the waiting lists for national Indigenous education and transitioning existing National IRTOs to a Single Core funding model by 2021.

The Alliance also believes this changed funding approach will improve outcomes and productivity in the national Indigenous VET sector by increasing the number of Indigenous students successfully completing VET, taking into account that the time for completion may be longer than with non-Indigenous students, closing the gap between Indigenous and non-Indigenous learners.

A simplified Single Core funding process will also facilitate funding the introduction of additional courses and traineeships as time and money is not focused on endless rounds of grant applications and compliance and reporting requirements.

Alliance members are interested in engaging Indigenous communities in thoughtful discussions to identify which new courses would present the best value for communities rather than introducing courses that are already provided by other VET providers or courses preferred by Government that may be of limited interest or use to Indigenous communities. The number of courses available are by necessity limited, so it is important that Elders have input into which courses are being developed and run.

3.2 Goal - Issue 2

Short term interim Commonwealth funding to be made available by January 2020 to financially stabilise National IRTOs and to provide funding assistance for National IRTOs to assist in the development of a revised, simplified future funding system to be put in place in the 2020 Budget

The Alliance believes that a Pilot funding package for the 2020 academic calendar year and introduced at MYEFO in December 2019 is required to transition Alliance members (National IRTOs) from the current fragmented system to a new Single Core funding model under a new National IRTO funding program.

A number of grant programs conclude at the end of 2019. These could be finalised and Commonwealth funding transferred to the Single Core funding model and reporting completed under Closing the Gap. Grants concluding after December 2020 could be finalised and Commonwealth Funding transferred to the Single Core funding model and reporting system for the commencement of the 2021 academic calendar year and onwards.

The Alliance's preferred goal is that over time, all Single Core funding based on agreed funding Budgets for National Indigenous Owned VET providers would be funded by the Commonwealth under a new National IRTO funding program. We recognise that the Gordian knot of funding involves untangling and simplifying State and Territory funding currently provided to what are in reality National IRTOs.

The alternative would be for a longer transition phase for non-Pilot Alliance members allowing existing State funding packages to draw to a close in the normal course.

Part of this goal is that no Alliance member should be worse off under the Single Core funding arrangement, but each Alliance member would have clarity, certainty, and stability of funding into the future under a new National IRTO funding program.

It is anticipated that there may continue to be subject-specific funding provided by the States and Territories for example for the Arts.

The Alliance also believes that a Single Core funding arrangement would reduce staffing for meeting compliance and reporting obligations and may eventually lead to the possibility of an Alliance based compliance and reporting team to reduce costs and improve compliance outcomes across Alliance members. The Single Core funding arrangements would also reduce administration of grant costs across the Commonwealth States and Territories.

Alliance members will also continue to seek donations and philanthropic support for items outside the Budget fundamentals of the Single Core funding arrangements. For example: third-party funding for international training and attendance at international conferences, compulsory professional development and the acquisition of Indigenous art etc.

3.3 Goal Issue 3

The Commonwealth to nominate dedicated Commonwealth officers as a point of contact to deal with National IRTOs in the transition to the new agreed simplified funding system for National IRTOs

One of the Goals of establishing the pilot project is to establish the Single Core funding arrangement covering Budget fundamentals, with the aim of reducing administration costs at both a National Indigenous Owned VET organisation level and also at a Government level.

Single Core funding under a new National IRTO funding program would reduce the plethora of Government grants and reduce the workload of public servants required to design, assess and monitor those grants.

The proposed Alliance funding approach would reduce costs to Government, simplify the grant process, improve productivity in the Indigenous VET sector for a relatively small change in overall Government funding for the National Indigenous VET sector. We also aim for it to be focused on establishing a series of National IRTOs Centre's of Excellence.

It is proposed as part of the Pilot project, that during the 2020 academic year a baseline Budget for each Alliance member would be developed and agreed. Funding for the Budget would be on an agreed increase of the baseline Budget for the following years with a review every five years against key performance indicators once each Alliance member had returned to an agreed financial capacity and student cohort. This would simplify the grant process provide certainty to Alliance members and reduce Government costs.

LONG TERM GOALS TO BE IMPLEMENTED IN THE MAY 2020 BUDGET

3.4 Goal - Issue 4

National IRTOs to work with dedicated Commonwealth officers to devise a new simplified core funding model to be implemented in the May 2020 Budget for:

- a. **Maintenance and renewals budgets for fixed and variable assets;**
- b. **Staffing costs;**
- c. **Funding for local and cross border students;**
- d. **Student learner support services;**
- e. **Development, approval, and registration of new courses;**
- f. **Mobile training courses and new campuses in regional areas.**

Alliance members propose as part of the Pilot program, to develop a template for a consistent core funding model by early 2020 should the Alliance Proposal for MYEFO 2019 be approved.

The goal is to be able to simplify the grant application process and provide for a single source of funding under a new National IRTO funding program with reporting and compliance against key performance indicators. Alliance members believe this will improve productivity at both a National IRTO level and Government level by reducing the costs of the current grant scheme. It will also allow the impact of the funding changes to be measured as part of the Closing the Gap program and for the establishment of a series of Centres of Excellence.

We note that in 2019 MYEFO the funding would be a total amount in some cases split between the relevant State and Commonwealth, but the total funding should be agreed for the 2020 academic calendar year.

Asset maintenance and renewals would be subject to an engineering and financial assessment in early 2020 to allow a baseline budget to be set for each National IRTO with annual increases for the following 5 years. In the 5th year, the assets would be reviewed and the financial situation re-assessed setting a new baseline Budget for the following 5 years until the conclusion of the Closing the Gap program.

The Budget developed in 2020 would provide for student support, growth, new courses and remote outreach (subject to financial feasibility) over the subsequent 5 years reporting against key performance indicators set under the Closing the Gap program.

3.5 Goal – Issue 5

National Indigenous owned RTOs to work with dedicated Commonwealth officers to clarify with the States and Territories the relationship between State and Commonwealth funding for National Indigenous owned RTOs for implementation in the May 2020 Budget

If the Alliance is successful in obtaining the Pilot program funding model for the 2020 transition phase, a key goal from 2021 onwards is to reduce administrative costs to State, Territory and Commonwealth Governments.

The goal in early 2020 would be for Pilot program members to work with key Commonwealth State and Territory officers to identify all relevant grant programs. The goal would be for all funding programs, subject to agreement by the States and Territories be rolled into a Single Core funding payment to cover Budget fundamentals. Alliance members note that there may be a need to maintain funding for unique non-core funding for specialist courses for example in relation to the Arts.

If these goals are achieved the new Pilot Single Core funding program for Budget fundamentals would be rolled out as part of under a new National IRTO funding program in the May 2020

Budget with compliance and reporting done under the Closing the Gap program.

3.6 Goal - Issue 6

Mobile Training and new Regional Campuses

If the Alliance Proposal is approved in MYEFO 2019, Alliance members who are interested in providing on Country mobile training will undertake a feasibility study of mobile training in time for inclusion in the May 2020 Budget.

Issues around the foundation skills, limited availability of Certificate I and II level training, non-accredited training, cultural appropriateness within VET training occurs in many Indigenous communities. All Alliance members have unique, flexible, and culturally appropriate training delivery methods which assist Indigenous students to build firm foundation skills for their future personal and professional pathways. The Alliance members can increase their presence in various locations beyond their campus to increase the service accessibility for Indigenous students. These satellite training campuses can include the CBD, metropolitan suburbs, rural and remote areas.

Alliance members considering opening regional campuses may include funding for feasibility studies for regional campuses as part of the 5-year budget forward funding arrangements for National IRTOs in the May 2020 Budget.

4 RECOMMENDATIONS

SHORT TERM (MYEFO)

4.1 (Issue 1) Recommendation

That MYEFO includes transitional core funding from the Commonwealth for Pilot National IRTOs for the 2020 calendar year including:

- a. Maintenance and renewals budgets for fixed and variable assets;
- b. Staffing costs;
- c. Funding and learner support for local and cross border students.

4.2 (Issue 2) Recommendation

That urgent one-off grant funding is made to financially stabilise Pilot National IRTOs and allow urgent work to be undertaken in the transition to the new funding model for National IRTOs on and from the May 2020 Budget.

4.3 (Issue 3) Recommendation

That Commonwealth officers be appointed to assist National IRTOs in the transition from the current fragmented, inconsistent Commonwealth/State funding model so that there is a single ongoing point of contact responsible for National IRTO funding.

LONG TERM (MAY BUDGET 2020 for 3 years)

4.4 (Issue 4) Recommendation

That the National IRTOs develop in conjunction with the Commonwealth a grant mechanism to provide Single Core funding for Alliance members for:

- a. Maintenance and renewals budgets for fixed and variable assets;
- b. Staffing costs;
- c. Funding for local and cross border students;
- d. Student learner support services;
- e. Development, approval, and registration of new courses;
- f. Mobile training courses and new campuses in regional areas.

4.5 (Issue 5) Recommendation

That National IRTOs to work with dedicated Commonwealth officers and the States and Territories to simplify grant responsibilities for implementation in the May 2020 Budget (if possible).

4.6 (Issue 6) Recommendation

That a single set of Commonwealth compliance and reporting obligations be developed to cover all Single Core funding reporting obligations.