Independent Review of the Vocational Education and Training Sector in Western Australia

2013-14

Final Report

Emeritus Professor Margaret Seares

Consultant

Independent Review of the Vocational Education and Training Sector in Western Australia [2013-14]

The launch of the State Government's *Future Skills WA* initiative and the new Western Australian Certificate of Education (WACE) are two of the latest State policy changes that have redefined the environment for the delivery of vocational education and training in Western Australia. Other environmental and market pressures remain the same: strong competition for school leavers across the post-secondary education sector; the impact of the economic cycle on demand for training; evolving industry skills requirements; and increasing intra-sector competition.

The Independent Review of the Vocational Education and Training Sector in Western Australia was convened by the former Minister for Training and Workforce Development, the Hon Terry Redman MLA, and continued working under the new Minister for Training and Workforce Development, the Hon Dr Kim Hames MLA. In November 2013 the Terms of Reference for the review were published, and submissions responding to these terms of reference were invited from interested parties. The Terms of Reference for the review are found at Appendix 1.

A Reference Committee for the review was established by Minister Redman and comprised the following individuals:

Emeritus Professor Margaret Seares (consultant and Chair).

Mr Duncan Anderson, Managing Director, South West Institute of Technology.

Mr Ian Hill, Chair, Training Accreditation Council.

Ms Michelle Hoad, Managing Director, West Coast Institute.

Ms Eirlys Ingram, A/Executive Director, Statewide Services, Department of Education.

Mr Alistair Jones, A/Executive Director, Strategic Policy and Evaluation, Department of Treasury.

Mr Tony Rutherford, Executive Director, Department of the Premier and Cabinet.

Dr Ruth Shean, Director-General, Department of Training and Workforce Development.

Mr Keith Spence, Chair, State Training Board.

Mr Richard Strickland, Chief Executive Officer, Department of Education Services.

Following analysis of the submissions a discussion paper was developed that summarised some of the key issues that emerged. A list of submissions received is at Appendix 2. Some of these related to matters around which there were high levels of agreement from all parts of the sector. Others reflected some divergence of opinions. A number of questions were posed in this paper and a response from key stakeholders was sought.

In parallel with the development of the discussion paper, a wide range of interviews were conducted by the consultant with a range of individuals from within the sector and from broader sections of the community. In each region a meeting of stakeholders was also held. The list of interviewees and their organisations is at Appendix 2.

The responses to the discussion paper, together with feedback from interviews and forums, and from the original submissions, have formed the basis for this report to the Minister.

I would like to thank my colleagues on the Reference Committee for their support, and the Director-General of the Department of Training and Workforce Development, Dr Ruth Shean, and her team for their assistance and co-operation during this review. In particular I would like to thank Paul Giltrow from the Department for his unflagging assistance.

Emeritus Professor Margaret Seares
Consultant

EXECUTIVE SUMMARY

The Independent Review of the Vocational Education and Training (VET) Sector in Western Australia was convened by the former Minister for Training and Workforce Development, the Hon Terry Redman MLA, and continued working under the new Minister for Training and Workforce Development, the Hon Dr Kim Hames MLA. Its brief was to examine how the new entitlement model of training in Western Australian, *Future Skills WA*, was being implemented and areas which might warrant some modifications or development.

A remarkable convergence of views around the Terms of Reference emerged from the interviews and submissions that formed part of the review process. In addition, some further key issues emerged that, although not being specifically part of the Terms of Reference, nonetheless underpin or relate to many, if not all, of them.

First is the need for clarity around the ultimate design of the VET sector in Western Australia, a framework that would sit alongside the State Training Plan and clarify, for all parties, the State's expectations of them and their role in the system. This includes whether the system is to remain partially managed but contestable; whether it will move to having private registered training organisations (RTOs) as the primary deliverers in areas of priority qualifications, with the State Training Providers responsible for delivery in thin markets; or whether it will move to be fully competitive. The report proposes that quality and efficiency of delivery should be the paramount drivers for purchasing of training, not any ideological position about either public or private domination of the system.

The importance of training delivery into thin markets and 'equity' markets is something raised almost universally in the submissions to this review, and it will be important for the State to clarify its position on who should undertake this delivery and how it will be funded.

The positioning of the VET sector is also of concern to the sector, and there are strong grounds to develop a promotional strategy for VET in Western Australia, where the default position of many key decision makers is to value a university education more

highly. This can impact upon decisions made about funding and supporting the VET system, from both the political and business sectors.

In addressing the Terms of Reference, prominence is given to issues such as:

- The need to develop a shared understanding of the meaning of 'autonomy' for a statutory authority operating within a State system.
- The need to develop performance measures that would guide the Minister and the Department towards a graduated devolution of responsibilities to the Governing Councils of State Training Providers that demonstrate they are ready to accept the responsibilities and accountabilities that would be involved.
- Greater engagement between the Minister and the Chairs of the Governing Councils.
- Changes to the way in which Governing Council members are appointed and remunerated.
- Potential for greater efficiencies in the ways in which State Training Providers operate and ways of enhancing the management and knowledge exchange across the sector.
- The impact of whole-of-government accountabilities on the operational environment of the State Training Providers.
- The desirability of developing and promoting areas of specialisation within the VET system.
- The importance of ensuring the quality of the student experience within the VET sector.
- Concerns about responsibilities in terms of compliance and funding in the new VET in Schools environment post-2015.
- The need to address the State's poor track record in tertiary pathways and articulation.
- The need to address issues for the State Training Providers in relation to international students and international delivery.

- The potential for the Department of Training and Workforce Development to shift its focus from managerial oversight of issues that can be devolved to the State Training Providers, and to a greater strategic emphasis on the overall VET system.

- The importance of the regional State Training Providers for their regions, and means by which they can operate in partnerships to ensure their viability and relevance.

- Streamlining and improving communication between industry, the Industry Training Councils, the State Training Board, the Department of Training and Workforce Development, and the Minister.

- The importance of resourcing the Training Accreditation Council to do a job that is growing and deepening in importance.

LIST OF RECOMMENDATIONS

RECOMMENDATION 1

That the State Training Board and the Department of Training and Workforce Development work with the Minister for Training and Workforce Development to provide clarity around the design of the State's VET system and the Government's expectations of that system over the next five years, including responsibilities for the delivery and funding of training in areas of thin and/or equity markets.

RECOMMENDATION 2

That the Department of Training and Workforce Development identify and establish partnerships with other State agencies that have a potential role in the equity training area.

RECOMMENDATION 3

That the Department of Training and Workforce Development monitor the effectiveness of the current concession scheme for low SES students and adjust this where appropriate.

RECOMMENDATION 4

That to ensure a student-focused VET sector, the Department of Training and Workforce Development in conjunction with the regulators, ensure that providers' credentials and quality systems are taken into account during contracting, accrediting and registering Registered Training Organisations.

RECOMMENDATION 5

That the Western Australian Government, through the Minister for Training and Workforce Development, authorises development of a communications strategy that promotes the value of the State's VET sector to the broader communities that the sector serves.

RECOMMENDATION 6

That the Minister for Training and Workforce Development review the reporting requirements of State Training Providers, and the role of the Department of Training and Workforce Development in managing the *Vocational Education and Training Act 1996* and the *Ministerial Regulations*, with a view to some of the responsibilities and accountabilities being devolved to the Governing Councils.

RECOMMENDATION 7

That the DTWD develop a new reporting framework that would comprise a set of factors such as:

- quality of governance (as a measure of the following indicators);
  - track record of financial performance (through financial statements);
  - academic quality and student outcomes;
  - Institute profile achievement;
  - efficiency of operations (using the Student Contact Hours measure);
  - other specific whole-of-government targets (through required reports to central agencies); and
  - other targets that might be specific to the particular region in which the State Training Provider operates.

These could be used both for reporting purposes and as a measure of a State Training Provider's level of maturity and ability to manage under a 'light touch' approach.

RECOMMENDATION 8

That the Western Australian Government, through the Minister for Training and Workforce Development, provides a clear statement on the State's position regarding the autonomy of the State Training Providers and the consequent accountabilities and responsibilities of their Governing Councils.

RECOMMENDATION 9

That the Minister for Training and Workforce Development should meet with the Chairs of the Governing Councils only, twice yearly, as a group.

RECOMMENDATION 10

That the current practice of selection for Governing Council membership be enhanced by a role for Council nomination committees which would make recommendations to the Minister for Training and Workforce Development based upon a skills matrix, developed to reflect the needs of the particular State Training Provider.

RECOMMENDATION 11

That the Department of Training and Workforce Development raise with the Public Sector Commission the complete devolution of responsibility for the performance reviews of the Managing Directors of the State Training Providers to the Chairs of the Governing Councils.

RECOMMENDATION 12

That the Department of Training and Workforce Development in conjunction with the State Training Providers consider ways of enhancing management expertise and knowledge exchange across the VET sector.

RECOMMENDATION 13

That the Minister for Training and Workforce Development should require that ensuring the quality of training remain the top priority for the Department of Education Services in its support of the function of the Training Accreditation Council.

RECOMMENDATION 14

That the Department of Training and Workforce Development continue to monitor the viability, and work with the Minister for Training and Workforce Development and Department of Treasury to ensure the effective functionality, of the State training network.

RECOMMENDATION 15

That the Department of Training and Workforce Development and the Department of Treasury work together to obtain the most efficient and effective capital works management process for the State Training Providers.

RECOMMENDATION 16

That, as part of its role of monitoring the sector, the Department of Training and Workforce Development should support innovative approaches to gaining greater efficiencies in corporate services management by the State Training Providers, and measure the outcomes at the end of two years.

RECOMMENDATION 17

That the Department of Training and Workforce Development convenes discussions with the Department of Commerce to seek a way within the current industrial framework for Government agencies that would provide more flexible and individualised Agreements for each State Training Provider.

RECOMMENDATION 18

That the Department of Training and Workforce Development, after consultation with the Department of Treasury, work with the Managing Directors of the State Training Providers to revise and update the Delivery and Performance Agreement to reflect a longer planning cycle, and to incorporate revised reporting components.

RECOMMENDATION 19

That the Department of Training and Workforce Development be permitted to manage the salary caps for State Training Providers at a VET sector level, and that commercial activity undertaken on a full cost recovery basis not be considered as part of the caps.

RECOMMENDATION 20

That the Department of Training and Workforce Development negotiate a specific provision for marketing of courses to students for State Training Providers that would align this marketing effort with that of the private sector providers.

RECOMMENDATION 21

That the Department of Training and Workforce Development and the State Training Board develop a policy position on the future criteria to underpin the development of areas of specialisation.

RECOMMENDATION 22

That the Department of Training and Workforce Development provide a policy on the provision and funding of student support, for dissemination to the broader VET sector.

RECOMMENDATION 23

That the Department of Training and Workforce Development liaise with the Departments of Education and Education Services, and the Training Accreditation Council, to provide clarity to the sector as regards the requirements and costs of implementation of the new WACE model.

RECOMMENDATION 24

That the Department of Training and Workforce Development and the Department of Education Services convene a forum with the Western Australian Vice Chancellors and the representatives from the Managing Directors of the State Training Providers, to begin development of a State-wide pathways and articulation framework; and that the Department of Training and Workforce Development provide to the forum details of proposed and existing pathways projects, as a background for deliberations.

RECOMMENDATION 25

That the Department of Training and Workforce Development work with the Federal Government to ensure that *My Skills* is improved and provides adequate information for consumers in an appropriate format.

RECOMMENDATION 26

That the Department of Training and Workforce Development reconvene the governance group for Education and Training International at which issues of concern, such as marketing and transparency of costs can be discussed and potentially resolved.

RECOMMENDATION 27

That the Department of Training and Workforce Development and the governance group keep a watching brief on international developments and ensure that Western Australian providers are fully engaged in international servicing of VET markets.

RECOMMENDATION 28

That the Minister for Training and Workforce Development direct the Department of Training and Workforce Development to shift its focus away from management oversight of issues that can effectively be devolved to the State Training Providers and towards a more strategic focus on the ongoing design, planning, policy formation, facilitation, and monitoring of the entire Western Australian VET system.

RECOMMENDATION 29

That the next review of the *Vocational Education and Training Act 1996* include any changes required in order that the recommendations of this review might be implemented.

RECOMMENDATION 30

That the Minister for Training and Workforce Development raise with the Minister for Regional Development the potential for *Royalties for Regions* to fund a five-year project under the heading 'VET Regional Partnerships Program' for regional State Training Providers that are looking to embark on new, innovative and long-term partnerships for the benefit of their institutions and their communities.

RECOMMENDATION 31

That the Department of Training and Workforce Development work with State Training Providers to establish a policy by which private Registered Training Organisations or other parties might deliver training from State-owned campuses. This should include reference to the use of information and communications technologies.

RECOMMENDATION 32

That the Minister for Training and Workforce Development determine the extent to which the State Training Board should be independent of the Department of Training and Workforce Development, and advise the Chair of the Board and the Director-General of the Department of Training and Workforce Development accordingly.

RECOMMENDATION 33

That in order for the State Training Board to be able to fulfill its mandate, the Minister for Training and Workforce Development direct the Department of Training and Workforce Development to pass through the Board's funding without being subject to Departmental efficiency reviews or resource distribution allocations.

RECOMMENDATION 34

That there be a quarterly meeting convened between the Chair of the State Training Board and the Chairs of the Industry Training Councils to review the effectiveness of the flow of advice to and from industry.

RECOMMENDATION 35

That there be an annual strategic discussion between each Industry Training Council (ITC), the State Training Board, and the Department of Training and Workforce Development, at which the top few priorities for Government and the top few priorities for each ITC are identified in each of the ITC service agreements and given greatest weight in the reporting of outcomes. The Department of Training and Workforce Development should then provide the State Training Board with an annual report on the outcomes of the ITC service agreements.

RECOMMENDATION 36

That service agreements with each Industry Training Council should include an addendum that provides a plan for systematic engagement with the regions and the separate Regional Workforce Development Alliances or similar groups.

RECOMMENDATION 37

That the State Training Board's remit be broadened to include the workforce development implications resulting from the increasing convergence between the VET and higher education sectors.

RECOMMENDATION 38

That the State Training Board works with the Industry Training Councils to resolve any anomalies in industry groupings that could reasonably be adjusted. The outcomes of these discussions should include consideration of the appropriateness of the names and memberships of the Councils.

RECOMMENDATION 39

That the methodology for constructing the State Priority Occupation List be reviewed by the State Training Board and the Department of Training and Workforce Development so as to deal with issues raised about currency and alignment with regional workforce development plans.

RECOMMENDATION 40

That the resourcing of the Training Accreditation Council be reviewed to ensure that it can appropriately provide quality assurance for training provision in Western Australia and that, in particular, it is able to oversee effectively the regulatory compliance of participants in the VET in Schools program from 2015.

INTRODUCTION

> Vocational education and training (VET) policy such as it has existed beyond political rhetoric has been perceived as part of the economic policy of the nation specifically as it applies to the supply of skilled labour. Most of us would agree that this is vital, yet we know we also need to be cognisant of responsibilities to individuals and our society and develop policy accordingly.[1]

As this review has progressed, three key issues have emerged which, although not being specifically described as part of the Terms of Reference, nonetheless underpin or relate to many, if not all, of them.

1. The ultimate design of the VET sector in Western Australia

The first major issue for consideration is the ultimate design of the VET sector in Western Australia, a framework that would sit alongside the State Training Plan and clarify, for all parties, the State's expectations of them and their role in the system.

A range of parties – State Training Providers (STPs), private Registered Training Organisations (RTOs), and industry – expressed the view that the State needed to clarify some key issues in relation to the sector, beginning with the extent to which the VET market is to be privatised.

Currently the market can be described as a partially managed yet contestable one. The Training Accreditation Council (TAC) has advised this review that at the 30 June 2013 there were 2537 training organisations registered to deliver training in WA. Of these, 346 were Western Australian RTOs registered with TAC. Of the 346 WA RTOs registered with TAC, 68% (236) were private RTOs, with the remaining 110 RTOs spread across a range of business types, including enterprise, non-government, community based adult education and government schools.

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[1] Adrian Marron, 'Every decade it's the same thing', *Campus Review*, 17 February 2014.

Eleven of these RTOs are the State Training Providers (STP), with a 12th being the Western Australian Academy of Performing Arts (WAAPA) at Edith Cowan University. Of the 346 Western Australian RTOs registered with TAC, 77% (265) were located in the Perth region, 8% (29) were located in the South West region and the remaining RTOs located across WA.

If the VET system is to remain partially managed but contestable, it is assumed that the State will continue to prioritise specific skills qualifications through its purchasing policies from both State and private providers. It is also assumed that the State will continue to require the STPs to deliver training in areas of thin markets, and to ensure that the disadvantaged members of the community are not further disadvantaged through lack of access to education and training.

In this model, the purchasing pattern of distribution between State and private training providers could remain as per the status quo or, alternatively, the role of the STPs could become primarily a 'residual' one, picking up the areas of market failure or thin markets, while private RTOs take the primary role in workforce development training, as has happened over the past few years in Victoria.

In the case of a fully competitive market, with no policy intervention by the State as regards issues of market failure or thin markets, the STPs would be expected, and expecting, to operate on a purely commercial basis. In such a market the areas characterised by thin markets (most notably regional areas or parts of the sector where particular skills are required but where there is a small take-up of training) might have to look at other modes of delivery – potentially primarily through online courses – to achieve the outcomes desired by the community, particularly given the data on regional providers provided by TAC (above).

Generally, then, there are three broad options that the State could pursue: a continuation of the status quo which could be described as a mixed model; the move to position STPs as balancing or 'residual' providers; or the move to a fully competitive market. The question to be addressed is: is there a compelling reason for the State to move towards an alternative model?

Prior to examining this further it is worth considering the current state of the VET system in the light of comments made by Professor John Buchanan, the Director of the Workplace Research Centre at the University of Sydney, in an article entitled *Beyond the fragments: reflections on the recent Victorian reform:*[2]

> Given that many jurisdictions are devising 'entitlement' based systems there is a need to ensure design principles are adopted that minimise the risk of the more extreme failures of the Victorian experiment. First among these are having caps and incentives associated with access to entitlements so that limits are placed on the growth in courses where there is limited labour market demand. In addition, extra support should be provided to students contemplating taking courses where there is pressing labour market demand …. Second, there is a need to upgrade quality requirements amongst training providers … Third, there is a need to think carefully about how markets operate when devising such funding models. The situation in some regions and some sectors is very different to those tacitly informing policy. We do not live in a world of perfect information or in a world where resources can be easily redeployed in response to price signals. The problem of thin markets – especially in non-metro localities – requires active government intervention to ensure core workforce development and social infrastructure is established and maintaining. This is not an argument for 'protecting TAFE from the market' – it's a matter of maintaining coherent systems of workforce development and social capital.

1.1 Maintaining the mixed model

Looking at the current Western Australian model in light of these comments, the key attributes are already largely in place. But while a continuation of the model might be described as a 'continuation of the status quo', the reality is that the level of change for a sector that is used to constant change is nonetheless potentially unprecedented, because changes in sectors related to the VET sector are also having an impact. Within Western Australia the *Future Skills WA* model is undergoing its first year of implementation, and it

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[2] John Buchanan, 'Beyond the fragments: reflections on the recent Victorian reform', *The Australian TAFE Teacher* (Spring, 2012): 16-17.

is too early to determine whether a pattern of either positive or negative outcomes might emerge from its introduction. It will require at least two years of delivery for the State, through the Department of Training and Workforce Development (DTWD), to discern any trends that would signal concerns that might require adjustment of the model. Then during the second year of its implementation, the new Western Australian Certificate of Education (WACE) system will be introduced into Western Australian schools, which will have significant implications for the VET sector. And these changes are being introduced at a time when State funding for the VET sector has required significant adjustments within the sector, particularly within the STPs.[3]

At the national level, significant changes are also afoot, both specifically within the VET sector, and arising from changes, existing and projected, within the university sector, that could have significant ramifications for the VET sector in Western Australia. These are discussed later in this report.

At the same time, the TAC has reported that 'Of the 315 audits conducted as at 30 June 2013, 43% (136) of RTOs were found compliant at audit, 68 (22%) had minor non-compliances identified, 88 (28%) had significant non-compliances identified, and 23 (7%) were found to be critically non-compliant.' This suggests that while Professor Buchanan's second attribute, '… upgrade quality requirements', may be in place through the TAC, the desired outcomes from these requirements have yet to be reflected system-wide to a high level. Given the combination of the uncertainty of any outcomes from the introduction of *Future Skills WA*, and the extent of change impacting upon the VET sector from both State and Federal jurisdictions, any Government would want to be very sure that the quality of delivery in the sector was at a level that could give the community comfort that the sector could easily adapt to and cope with the changes afoot. The data from TAC suggests that that level of comfort is not yet present. The emphasis being applied to the issue of quality and standards by the Council of Australian Governments' (COAG) Industry and Skills Council, together with a range of reports on the matter, indicates that this is a national issue that will take some time and effort to work through.

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[3] Ref. Hansard report from the Legislative Council, 13 November 2012, 6330: Hon Ljiljanna Ravlich to the Minister for Education representing the Minister for Training and Workforce Development.

1.2. Moving to a balancing model for State Training Providers

At the moment it is not clear whether private RTOs are expected to play a balancing role or a leading role in training: 'leading' in the sense that the bulk of the purchasing of training would be from the private RTOs, with the STPs playing a residual role in areas of thin markets. No arguments have been put forward to this review that suggest this is the way forward for the sector, although one submission has commented that 'Government grants to deliver courses should be opened up to competitive tender to allow training services to be delivered in the most efficient and high standard as possible.'

The keys here are 'efficiency' and 'high standard' and the combination of the two should be the drivers for the purchasing of training, whatever the relative distribution between State Training Providers, for-profit private providers, and not-for-profit private providers might be. If this approach is adopted by the DTWD, as the driver for its training procurement, with some key performance indicators for each of these criteria that are well understood by the sector, then it is clear to all providers the standards they are expected to demonstrate in order to be successful in their applications. This would be more preferable than driving towards an ideologically-driven structure for the market that may not be appropriate for the particular conditions of Western Australia.

1.3. Moving towards a fully competitive model

With regard to moving to a fully competitive model, no submissions advocated such an approach. Neither is there any compelling literature that suggests that this would be in the best interests of the students, the employers, or the State. Indeed, conversely, there is a growing body of literature from Australia and overseas that indicates the problems that can ensue from a fully-competitive market, particularly in times of diminishing resources for providers and regulators alike.

The question, therefore, is whether, while the current model is still evolving, it is an opportune time to move towards a different design for the VET sector, involving either a greater role for private RTOs or a completely open and competitive market?

Ultimately, the State needs a system that is both efficient and effective, and which is delivered at a high standard. The levers are in place to achieve this through the current

model, and until these criteria are demonstrably achieved across the sector, and until the implications for the sector arising from external changes in both Federal and State constituencies are well understood, it is recommended that the current model remain in place, with continual monitoring and refinement being the responsibility of the DTWD and the State Training Board. The onus is then on all players in the sector, public and private, to maintain their quality of delivery so as to secure a place at the training table.

1.4 Delivery for the public good

Whether looking at the current mixed model, the balancing model, or the fully competitive model, concerns have been raised in this review about the sustainability of the State providers, and some non-government 'not-for-profit' providers, if they are required to fully meet the costs of delivery into thin markets under *Future Skills WA*.

Many STPs, particularly in the regions, perceive themselves, and are perceived by their communities, as having particular responsibilities in terms of fulfilling the needs of their communities. In the words of one submission:

> Training has traditionally been provided by the publically funded VET sector as a 'public good' i.e. it is provided at no or less cost than the market may determine and at levels designed to achieve a public policy or social outcomes, rather than through market forces determining what is provided, at what level and at what price.

There appear to be two different aspects to the notion of 'public good' in terms of training delivery.

1.4.1 Public good and workforce development

Firstly, there is the *workforce development* aspect, where STPs have been expected to deliver training in thin markets but in courses that are of importance to their regions. There is now a concern that public good obligations in the new model will mitigate against STPs' abilities to operate competitively in an open market. It is unclear what the potential aggregate costs to STPs will be for continuing to deliver training in areas that are under-funded, inefficient and needing to be cross-subsidised by more efficient delivery. If these costs are beyond those that would allow an STP to be commercially

viable, the question is raised as to who has the responsibility of funding this deficit? From the DTWD's point of view, guided by the State Training Plan, funding will follow those areas of training that can deliver workforce outcomes. Given the employment situation in some regional areas of Western Australia, individuals may need to complete two or even three certificates or diplomas in order to gain employment and stay in their region. In other situations, individuals may enrol in courses for which steady employment may not be achievable if they remain within their regions, as occurs in many of the arts and design courses. And yet these courses have been singled out by many as being very important as a way of engaging or re-engaging people of all ages in education and its related skills of literacy, numeracy, and communications. This applies particularly to young Indigenous people.

It is important that there is clarification by the State (i) as to whether STPs will be expected to continue provision of training into thin markets/uneconomic areas and (ii) how they will be compensated for this training.

1.4.1 Public good and 'equity training'

The second aspect of 'public good' training is that which may not have an immediate workforce outcome but which, according to the *State Training Plan 2013-2016*, '…includes training which prepares, bridges and pathways people directly into vocational training, or addresses fundamental language, literacy and numeracy skills, which are critical for all industry sectors and for those people experiencing disadvantage.' This is sometimes described in the sector as 'equity' training.

All STPs and some private RTOs deliver training to sectors of the community who are disadvantaged due to a range of factors. There is a concern that a change to the fee structure may lead to a withdrawal of these students from the sector. There are many benefits to the community, as well as the individual, arising from this so-called 'equity training', but the responsibility for paying for this is a vexed one. In some instances different Government agencies are involved and may, when under financial pressure, curtail this funding. In others, Federal Government funding has been part of the mix in the past but, again, is very strongly subject to both budget implications and to changes in Government and Government policy. It is important that sources for this funding are

located and, as best as possible, locked in to multi-year partnerships by the DTWD in partnership with the STPs or private RTOs.

The Auditor-General has commented in his report *Supporting Aboriginal Students in training* in 2012:

> Meeting workforce needs in WA involves improving participation of groups that have been under-represented from training. These groups include people from culturally and linguistically diverse backgrounds, regional and remote areas, people with disabilities, young people as well as Aboriginal Australians.[4]

A 2005 study of access and equity in VET found that 'outreach strategies which are community based, which seek out particular target groups, and which acknowledge complex patters of disadvantage, appear to have the best chance of increasing VET access.'[5] The report goes on to say:

> In any policy discussion, questions of resourcing are central. Dealing with problems of cumulative disadvantage can be lengthy and costly. Years of investment may be needed to re-engage marginalised groups and encourage their learning. Some things which are not economically viable in the short term and which only appear to prioritise social outcomes may be economically justified in the long run. This is particularly the case for groups like homeless youth or prisoners. Similarly, there are other groups whose access to institutional avenues for VET is very limited. Only community-based initiatives—which emphasis social outcomes—stand much chance of engaging these groups.[6]

It was also proposed in submissions that some of the non-priority training areas (e.g. leisure and creative arts) nonetheless provide learning opportunities that are a key to community cohesiveness, personal development, and family retention, as well as work opportunities. The review received a range of submissions, collated by one respondent, that illustrated the positive impact that access to the training system had had for people

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[4] Office of the Auditor-General, *Supporting Aboriginal Students in Training* (2012): 5.
[5] Gillian Considine, Ian Watson, Richard Hall, *Who's missing out? : access and equity in vocational education and training* , NCVER (2005): 15.
[6] *Who's missing out?:* 33.

from marginalised parts of the community, people who might otherwise have ended up on some form of social welfare benefits and/or in the juvenile or senior justice systems.

An issue raised by nearly all submissions is the risk for low SES/concession students, and new or re-engagement students (particularly Indigenous students) in the new funding environment, given the potential extent of fee increases for the large low SES market. There are concerns about both the concession rate for low SES participants, and the removal of caps for concessional students. The level of the concession rate provided to students in Western Australia is 50%, which is one of the lowest rates in the country. As regards the removal of caps, the following comment sums up the concerns expressed in submissions:

> There needs to be acknowledgement that removal of capping rates for concessional tuition fees will continue to erode enrolments, and not be ameliorated in later years as students and the community at large adjust to the higher fee regimen of *Future Skills WA.*

A large group of socially and educationally disadvantaged students, particularly in the regions, should be enabled to see the new requirements of the WACE as their start on a pathway to a future career, and every effort should be made to ensure that this aspiration can be realised through removal of cost impediments at the post-school VET level. We know from examples in Victoria that price signals and subsidy rates can lead to significant enrolment change:

> … enrolments in the first quarter of 2013 in courses attracting the lowest subsidy rate made up four per cent of total enrolments. Enrolments in the same set of courses in the first quarter of 2012 accounted for 15 per cent of total enrolments.[7]

There are some important training programs pitched at Certificate 2 or even 1 levels designed to start groups/individuals on the education and training ladder, rather than being seen as an direct employment outcome course. For example, Fairbridge's Bindjareb

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[7] Peter Noonan and Andrew Wade, 'Human Capital and Economic Growth' in *Australia Adjusting: Optimising national prosperity*: 161-178.

Project offers a Certificate II in Surface Extraction Operations for Indigenous people currently in the criminal justice system, with some very successful outcomes, not just in terms of significant reductions in recidivism but in terms of positive outcomes for families and their communities. The program is funded by the Department of Corrective Services. The engagement of other Government agencies such as this will be crucial to maintaining some of these 'public good' programs, particularly at a time when Government agencies themselves are experiencing cuts to their budgets.

The area of Indigenous training has been periodically thwarted by changes in policy at the Federal level. It is important that the Western Australian government set a firm policy framework around Indigenous training, regardless of what the Federal Government does, as illustrated by the previously-mentioned Auditor-General's report.

> The support provided by the Department and STPs for Aboriginal students works. It makes a difference to individuals, communities and employers. The support meets most aspects of best practice. It is flexible, culturally appropriate, delivered in Aboriginal communities and 'wraps around' students. At all STPs we met individuals with improved job opportunities and self-esteem, and learned of communities with better social and physical infrastructure. Without the support services provided by STPs, training and employment outcomes for Aboriginal people would be worse.[8]

The pressures of a competitive market, and the decline in funding for the training sector from Federal and State governments, means that STPs and/or private RTOs, particularly those in regional Western Australia where thin markets are in many cases the norm, are seeking certainty that their obligation to provide this community service will be reflected through a Community Service Obligation (CSO) or similar payment, such as happens, for example, in the energy area, where the State Electricity Generation and Retail Corporation is provided with a CSO to compensate for 'uncommercial' activities that would otherwise hit the bottom line.

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[8] *Supporting Aboriginal Students in Training* (2012): 6.

Following on from the design of the system comes consideration of the range of qualifications offered, and the availability of those qualifications to people in widely spread regions. One reason that we have a publicly-funded system is to ensure that the needs of the State are met and, if there are gaps in delivery, to look at addressing them, with the ultimate possibility of the State directing one or more STPs in terms of delivery. Chapter 4 of this report contains a discussion of the potential for collaboration and/or specialisation of delivery and it would be desirable if the providers in the system, both public and private, work collaboratively to ensure an adequate spread of delivery, rather than the system being operated by direction.

2. The place of the students

The second issue for consideration is one that has been surprisingly absent from most of the submissions and discussions as part of this review, and that has been the place of the student. In comparison with the university system, for example, where there is a lot of discussion around student issues, the VET system both nationally and in the States appears consumed with discussions around funding and regulation, which is scarcely surprising given the plethora of bodies involved in the system. There is much talk about an 'industry-led' training system, and the desired role of industry guiding the system is very clear, but the role and engagement of students in the system is less so. While there would be issues with having students as members of the various boards and committees that make up the training sector in Western Australia (State Training Board, Industry Training Councils, Governing Councils, etc.) there should nonetheless be mechanisms to ensure that student voices are heard at all points within the framework. These may exist, but they were not apparent during the review process, nor at any of the stakeholder discussions. In an industry-led system, it is important that a 'customer focus' is at the forefront in all considerations.

In the Executive Summary to the national *VET Quality Project* undertaken during 2013, [9] comment is made that:

It is significant that submissions … suggested that reform was needed to both inputs (delivery) and output (assessment) standards…. There was a range of specific quality concerns, including:

- The quality of VET teaching and the need for stronger requirements regarding teacher skills in delivery and design of training …;
- The quality of educational design …; and
- Inconsistent understanding of quality, and what is expected for training to be of adequate quality ….

Similar issues are reflected in a submission to this review by Western Australia's TAC, which voices concerns about a high level of non-compliance both across the STP network and the broader VET sector with Standard 1 – *The RTO provides quality training and assessment across all of its operations*. The level of non-compliance against this standard has increased in recent years. The increase in enquiries with regard to this area in particular and the increase in non compliance suggests there needs to be provision for ongoing professional development in the sector, for the benefit of the students who will in many cases be paying more for their training than they have done in the past.

3. Promoting Vocational Education and Training to the community

The third issue for consideration is the visibility of the VET sector within the broader community. For many people, particularly key decision makers in our community, VET brings back images of technical colleges staffed by people who in some cases were great teachers and, in others, very poor; places where you went if you could not get in to university, or where you went if you 'failed TEE'. A casual look at the CVs of our community's key decision makers – business leaders, community leaders, political leaders – will show that the majority have university degrees and that the university is the post-

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[9] Allen Consulting Group, *VET quality audit*, report to Industry Skills Councils, the National Skills Standards Council and the Department of Industry Innovation, Science, Research and Tertiary Education (March, 2013): vi-vii.

secondary environment that they aspired to and know best. It is quite likely that many of this group of leaders still hold views of VET or 'TAFE' that are coloured by perceptions that are years if not decades old. Few of them have the experience of the contemporary training environment or of the institutes into which the old TAFE colleges have evolved. Without strong countervailing views, these dated opinions will continue to prevail.

Does this matter?

It matters if parents or schools discourage students from entering the training sector, on the basis of old prejudices. It matters if politicians allow the sector to be whittled down, often through budget constraints or regulatory imposts. It matters if the business community put more financial and intellectual effort into our universities through membership of boards, or through provision of corporate philanthropy, at the expense of our training institutes. And it matters if students feel that, in 'going to TAFE', they are somehow looking at second best. It is time that there was a Government and business-supported promotional campaign for the VET sector that projected contemporary images, contemporary views, and strong graduate stories, to countervail some of the myths. Government support would involve both financial support and removal of the constraints of the Government Communications Unit. The universities have been doing this on an individual basis for some years now, as the competitive environment has increased and there are lessons that can be learnt from their approach. And the peak body, *Universities Australia*, has been more active in publicly advocating the benefits of the sector through the media and other campaigns.

One of the drivers for doing so has been concern about ongoing cuts to university funding over many years. A similar situation prevails for the training sectors in all States. And at a time when that there are very strong budget pressures in Western Australia, it will be very important for all those who can provide their support for a strong training sector to do so, in support of the Minister. A glance at the DTWD's *2012-13 Annual Report* reveals a range of good programs and activities that DTWD will need support to maintain, particularly those directed at the more disadvantaged members of the community. Some programs such as *Profit from Experience*, directed at mature-aged students, have already been lost through budget cuts. It is to be hoped that there will not be other such

casualties and that, ultimately, a strong message about the importance of the VET sector is heard throughout our community.

The Chamber for Commerce and Industry has provided some useful comments on what a promotion campaign for the VET sector might include, as follows:

> Any campaign undertaken should also attempt to clarify how the VET system works in simple manner for both community members and employers. This may include explaining that:
>
> - there are both public and private registered training providers to choose from;
> - the State Government subsidises training delivery costs;
> - the Federal Government provides incentives and allowances for employers and apprentices;
> - clarifying the role of the Apprenticentre; and
> - clarifying the role and functions of the Australian Apprenticeship Centres.

This is a useful reminder that, for people outside the sector, the whole VET system is quite opaque, with a seemingly endless list of responsible entities, and which is rarely discussed in the media other than when a shonky provider has caused a major disruption or when apprentice numbers are seen to be dropping, or when budgets for training are cut.

This report will now examine issues and possible solutions that have been a significant focus in discussions and submissions relating to the Terms of Reference for this review. However, before doing so, it would be remiss to continue without acknowledging that achieving the desired standards of delivery in the VET sector, producing quality graduates, and assuring the community that the State's workforce development goals are being achieved, will not occur if the system continues to undergo a steady decline in its resourcing. If the current trend continues the purchaser, regulator, and the service deliverers will all lose the ability to ensure that the State receives the level of training delivery that it requires, with an inevitable decline in the quality of what could be, with a modicum of design and effort, the most effective training system in the country.

RECOMMENDATIONS FOR THE INTRODUCTION

RECOMMENDATION 1

That the State Training Board and the Department of Training and Workforce Development work with the Minister for Training and Workforce Development to provide clarity around the design of the State's VET system and the Government's expectations of that system over the next five years, including responsibilities for the delivery and funding of training in areas of thin and/or equity markets.

RECOMMENDATION 2

That the Department of Training and Workforce Development identify and establish partnerships with other State agencies that have a potential role in the equity training area.

RECOMMENDATION 3

That the Department of Training and Workforce Development monitor the effectiveness of the current concession scheme for low SES students and adjust this where appropriate.

RECOMMENDATION 4

That to ensure a student-focused VET sector, the Department of Training and Workforce Development in conjunction with the regulators, ensure that providers' credentials and quality systems are taken into account during contracting, accrediting and registering Registered Training Organisations.

RECOMMENDATION 5

That the Western Australian Government, through the Minister for Training and Workforce Development, authorises development of a communications strategy that promotes the value of the State's VET sector to the broader communities that the sector serves.

Chapter 1   A model for the most appropriate level of autonomy for metropolitan and regional State Training Providers [Term of Reference 1]

It has become very clear through the process of this review that a central issue for many, if not most, of the governing councils of the STPs, together with their Managing Directors, is what they perceive as a lack of any real autonomy in their operations. Expectations around an increase in autonomy were initially raised when Skills Australia published their report *Foundations for the Future. Proposals for Future Governance, Architecture and Market Design of the National Training System*[10] in 2009 and proposed that:

> On balance, Skills Australia considers that in order to position public providers for a more competitive environment, this will mean the requirement for them to operate as public entities with core funding provision, being balanced with greater independence.   TAFE institutions should have sufficient incentive to compete and flexibility to operate and develop their business to suit changing contexts.[11]

Again in 2009, the State Training Board's (STB) *Training WA: Planning for the Future 2009-2018* proposed that creating a vibrant and diverse training market would require giving TAFE colleges independence to compete effectively in an open training market.[12]   The report goes on to suggest that 'In line with this increase in competition, changes to governance arrangements will provide greater independence and clearer accountability for TAFE colleges.'[13]

In 2012 the DTWD commissioned Miles Morgan to undertake an *Evaluation of Governance Framework for State Training Providers.*   The Framework states, in its Preface, that a working group convened by the DTWD 'has worked collaboratively to develop a robust governance framework to ensure that the State Training Providers will be able to:

- work with greater autonomy;
- have clearer accountability; and

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[10] http://www.awpa.gov.au/publications/Pages/Publications-2013.aspx
[11] *Foundations for the Future*: 71.
[12] State Training Board, *Planning for the Future* (2009): 28.
[13] *Planning for the Future*: 29.

- have streamlined and transparent reporting relationships.'[14]

The Miles Morgan report found that 'Stakeholders do not believe that the Framework has delivered any greater autonomy …'[15] and 'Reporting requirements … were generally seen to be high.' It is noteworthy that the report singled out eight areas that STPs nominated as warranting greater autonomy. These areas were:

- Industrial relations;
- The duration of funding agreements;
- Marketing;
- International students and Education and Training International (ETI);
- Greater choice over service delivery, including the freedom to exit non-viable markets;
- Commercial operations;
- International and intra-State travel approvals;
- Schedule 1 status.

With the exception of the last item, these are identical with the areas consistently raised by STPs and, in some cases, other parties, during the current review. This in part explains why there continue to be high levels of frustration around the issue of autonomy: from the perspective of the STP, the rhetoric of the past five years, both nationally and within the State, has not been matched by commensurate action.

The Miles Morgan report notes that there does not appear to be a shared understanding of what 'autonomy' is actually intended to mean in the context of the State training system, and proposes that 'It will be important that a clear definition of "autonomy" is identified …' and that 'Issues such as value for money and public interest will be key elements that will need to be taken into account in determining not only what the term means but also what items … might be explored.'[16] In the absence of a clear and shared definition of autonomy, a significant disjunct appears to have occurred between most

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[14] Miles Morgan, *Evaluation of Governance Framework for State Training Providers* (2012): 3.
[15] *Evaluation of Governance Framework*: 7.
[16] *Evaluation of Governance Framework*: 9.

STPs' aspirations to operate within the accepted understanding of the term 'autonomy' (meaning self-determination or self-government) and the realities of being an agency sitting within a Government framework. The Department's perspective on this is that 'STPs are part of the General Government Sector and their operations impact [upon] the State's financial position. Therefore, STPs need to operate within approved parameters, which are set by relevant policies and Government decisions.'

As a consequence of the issues raised above, and in view of the increasingly competitive market, it is clear that the governance framework and oversight of STPs need to be clarified and reinforced for Governing Councils in terms of the roles of the Governing Council of an STP and of the DTWD respectively. It is noted that whilst the functions of the Minister, Governing Council and STP are clearly articulated in the *VET Act 1996*,[17] the way in which each relates to the other needs further clarification, especially in relation to the DTWD, which has been established to assist the Minister in the administration of the VET Act and related legislation. It is also noted that in addition to the *VET Act* requirements, STPs have obligations as statutory authorities under Schedule 2 of the *Public Sector Management Act 1994*, and the *Financial Management Act 2006*.

The *VET Act* specifies (Section 42) that the Functions of a Governing Council are as follows:

> (1) The governing council is the governing body of a college with authority in the name of the college to perform the functions of the college and govern its operations and affairs.
>
> (2) A governing council of a college may do all things necessary or convenient to be done for or in connection with the performance of its functions.
>
> (3) A governing council may perform its functions in another State or a Territory if that is necessary or convenient for the performance of the functions of the college.

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[17] The *VET Act (1996)*, Part Two, describes the Minister's functions and powers, whilst the VET Act's Part Five describes the establishment and functions of STPs (referred to as colleges), and Governing Councils.

(4) In performing its functions the governing council of a college must ensure the college's courses, programmes and services are responsive to, and meet, the needs of students, industry and the community.

Section 1 above references a council performing 'the functions of the college' which are previously (section 37) specified by the Act as being:

(1) The functions of a college are as follows —

(a) to provide vocational education and training;

(ba) to tender for and enter into contracts for the provision by it of vocational education and training;

(bb) to provide vocational education and training on a fee for service basis;

(b) to confer awards and, if it is a registered training provider and, under the terms of its registration as such, authorised to do so —

(i) approved VET qualifications; and

(ii) prescribed VET qualifications;

(ca) to provide, for a fee or otherwise, or enter into contracts to provide, products, consultancy or other services in the course of, or incidental to, the provision by the college of vocational education and training;

(c) to undertake research and development related to vocational education and training which has a direct practical application to industry, commerce and the community;

(da) to turn to account the vocational education and training expertise of the college by means of the sale of services and the commercial exploitation of intellectual property, including the assignment and licensing of such property;

(d) to promote equality of opportunity in the undertaking of vocational education and training;

(ea) to provide adult and community education;

(e) to provide or arrange for the provision of services to its students;

(fa) to provide housing for its staff, and residential accommodation for its students;

(fb) with the approval of the Minister, to establish and maintain branches of the college at such places in the State as its governing council thinks fit;

(f) with the approval of the Minister, on terms and conditions approved by the Treasurer, to participate in business arrangements relating to the provision of vocational education and training;

(g) to contribute to the general development of the community in the region of the college through such activities as may be authorised by the Minister;

(h) to provide education on behalf of another educational institution;

(i) to perform any function prescribed.

(2) A college must perform its functions in accordance with its strategic plan last approved under section 43 and its business plan last approved under section 44A.

However, section 42 does not set out the governance functions that are more familiar to most board members in both private and public sector organisations which include:

- Setting the strategic direction of the organisation;
- Monitoring the progress against the approved strategy;
- Overseeing the management of risk;
- Ensuring the financial health of the organisation;
- Appointing the CEO;
- Managing the performance of the CEO; and
- Overseeing effective succession planning within the organisation.

With the exception of 'Appointing the CEO', these remaining functions are identified in the State Training Provider Governing Council Handbook. It would be helpful if, at the next review of the *VET Act (1996)* they were to be incorporated into the list of functions of the Governing Council.

Two of the areas listed above – 'Monitoring the progress against approved strategy', and 'Overseeing the management of risk' are the two around which there appears to be the

most ambiguity in terms of roles. STPs note that they are required to report against a wide range of Government Acts and regulations, including:[18]

- Public Sector Management Act 1994
- Financial Management Act 2006
- Equal Opportunity Act 1984
- State Records Act 2000
- Minimum Conditions of Employment Act 1993
- Industrial Relations Act 1979
- Disability Services Act 1993
- Occupational Health and Safety Act 1984
- Copyright Act 1968 (Commonwealth)
- Working with Children (Criminal Record Checking) Act 2004
- Electoral Act 1907
- State Supply Commission Act 1991
- Freedom of Information Act 1982
- Corruption and Crime Commission Act 2003
- Public Interest Disclosure Act 2003

This results in a series of compliance instruments and devices, including:

- Premier's and Commissioner's Circulars
- Disability Access and Inclusion Plans
- Code of Conduct
- Record Keeping Plans
- EEO Management Plan
- Fraud and Corruption Prevention Plan
- Public Interest Disclosure processes
- CEO Performance Agreements
- Internal Audit

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[18] See also Appendix 3 for a diagrammatic perspective of the reporting requirements of Government agencies.

- Commissioner's Instructions
- Treasurer's Instructions

There are also policies associated with procurement.

Some STPs have queried why reports against the various requirements of these bodies and instruments cannot be incorporated into their Annual Reports, which are reviewed by the Auditor-General before submission to Parliament. They have also queried why it is necessary to provide reports on training and development for STP staff to the DTWD, as they regard this as part of the strategic direction of their organisations; and why there is such a strong emphasis upon input reporting – student enrolments – as opposed to output reporting – student completions, which should speak to the overall success of an institution's strategic direction. Any duplications of effort by STPs or between STPs and DTWD should be regarded as additional costs to the system and, where possible, avoided.

In terms of the management of risk, it is noted that the oversight of business and commercial activities of each STP is vested with the Governing Council in accordance with its functions under the *VET Act*. However, given that the Minister is accountable for the VET system in Western Australia, overall oversight rests with the Minister and as such it is monitored by the DTWD, which administers the *VET Act* and the *VET Ministerial Corporation* on the Minister's behalf. Currently, the Minister determines what level of commercial activity should be delegated to the Governing Council in line with Treasury's requirements. The instruments of delegation and authorisation and the *Ministerial Guidelines on Commercial Activity by a Public Training Provider 2009* clearly articulate the framework within which commercial opportunities are progressed.

It is largely in this area of delegations and of 'assisting the Minister' that the tensions between STP aspirations and the DTWD's view of its appropriate role have surfaced. A reading of the VET Act would suggest to the casual reader that the Minister relates directly with the STPs on a range of administrative or compliance issues. Clearly this is not realistic, and the *Ministerial Regulations* established by a former Minister have become the means by which the functions of the Minister can be undertaken in practice. At a time when the whole VET sector is under considerable change, it would be appropriate to review the *Ministerial Regulations*, in consultation with the DTWD and

with the Chairs and Managing Directors of the STPs to reached a shared understanding of what is required by the VET Act, and by whole-of-government regulations, and what might be devolved to the Governing Councils to oversee. One proposal, which encapsulates the views expressed in most submissions, proposes that:

STPs have proposed that the following DTWD reporting requirements should be devolved to Governing Councils:

- Reviewing the endorsing the annual Business Plan;
- Endorsing the Annual Report and recommending it to the Minister;
- Approving overseas travel;
- Approving overseas projects;
- Approving Commonwealth funded programs/partnerships;
- Approving capital and managing capital works; and
- Institutional workforce development.

As an outcome of this discussion, there may be potential for the Minister to agree for DTWD to tailor performance agreements in accordance with the particular stage of organisational maturity of the individual STPs: what is frequently described in public administration papers as 'earned autonomy'. It is essential that the functions of each of the key stakeholders are clearly understood in the first instance to determine the respective roles, reciprocal responsibilities and accountabilities, including the parameters required of all Government agencies. Once this is clarified, measures of STP maturity might be represented through a form of balanced score-card which could include:

- quality of governance (as a measure of the following indicators);
    - track record of financial performance (through financial statements);
    - academic quality and student outcomes;
    - STP profile achievement;
    - efficiency of operations (using the Student Contact Hours measure); and
    - other specific whole-of-government targets (through required reports to central agencies).

Most of these measures should be available through existing reports. The benefits of using existing mechanisms is that they will also provide longitudinal perspectives that provide a benchmark for the DTWD and each STP, as well as avoiding duplication of effort by both the STPs and the DTWD.

The process of the Governing Councils and the STPs, and then the STPs and the DTWD, reviewing the outcomes of the above could comprise a revised form of annual reporting, to replace the current *Delivery and Performance Agreement* (DPA). Such a process should also provide comfort for central Government agencies such as the Department of Treasury.

The *Governance Framework for State Training Providers* identifies statutory reporting and compliance obligations, the system of frameworks, plans, policies, and processes described as the minimum standards of governance that each STP needs to have in place, to be in receipt of public funds. The outcomes of the balanced score-card approach would provide thresholds above which the DTWD would apply a minimalist or light touch in oversight or below which the DTWD would be more interventionist. In reviewing the overall governance process for the STPs, the Chairs and the DTWD should also address the issues around membership of Council, selection of Councillors, recruitment, training, Council review, and accountability, once again to gain a shared understanding of what each expects in each of these areas. Councils will need to be prepared to accept that they would be held accountable for their institute's performance under this approach. In words proposed for a review of the governance model for the Victorian TAFE system:

> … the governance model should promote and facilitate strong performance and meet business requirements. (i.e. the autonomy and flexibility needed to perform in a competitive environment, enabling services to be innovative and responsive to market needs.) Autonomy should be a fundamental feature of the governance model, not something that is variable. If performance is poor, the solution should not be to reduce autonomy, but rather to appropriately deal with the people

responsible for performance – the Board and the CEO. In extreme cases this may require personnel changes.[19]

There has been no suggestion raised during this review that there are any issues relating to poor governance *per se* in the sector. Issues of governance largely revolved around those canvassed above. However, appropriate governance is another thing. Despite the availability of the *State Training Provider Governing Council Handbook*, there appear to be different conceptions of what the role of the STP Governing Council should be. Some see themselves as boards of management in the public company sense; some see themselves as advisory bodies; and some as community representatives. In order to deal with some of the recommendations proposed in this Chapter, it could be of value for the DTWD to convene a workshop which all Governing Councils would be expected to attend, possibly delivered by a body such as the Australian Institute of Company Directors, which would clarify the expected responsibilities of the Councils and charge the Chairs with ensuring that their Councils have the appropriate matrix of skills, range of sub-committees, and schedules of meetings that a statutory board should require.

A number of Chairs of councils would like the opportunity of meeting, as a group, with the Minister, at least annually in the absence of both the DTWD and the Managing Directors of the STPs.

Several comments have been made about the process of selection of Governing Council members, with one Chair describing this process as not being 'best practice'. All boards should be appointed on the basis of skills and experience, and all boards should have a skills matrix that is part of their ongoing succession management process and that is matched against the relevant institute itself. The practice of advertising for members of the community to put themselves forward as Council members reflects the practice of earlier times and provides the wrong message to those members of the community who might have the skill base required by a particular institute but who are not interested in being part of what would appear on the surface to be a community board. As an alternative process, and in line with normal practice, the Councils should all establish

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[19] *Review of TAFE Legislative, Governance and Oversight Arrangements*, undertaken for the Victorian Government by dandolo partners (2011): 22

Nomination Committees that would develop a list of names against the proposed skills matrix, for presentation to the Minister for his final consideration and decision.

It has also been suggested that former Industry Training Council members could be a good source of Council members, given their familiarity with the training sector and the relevant industries.

There is also a potential issue in relation to membership of the Governing Councils of regional STPs where the pool of applicants is limited. While there are benefits in having senior industry figures from Perth as Council members, this needs to be weighed up against their availability to visit and be part of an STP, as opposed to flying in and flying out solely for a meeting. The workshop of Governing Councils proposed above should discuss this issue of availability of Council members and the related issue of regularity of Council meetings in the regions, including ensuring that the regional STPs have the ability to cover more frequent travel by Council members based in Perth. It is important for any organisation that board members be available and active outside the prescribed meeting dates, including being on site and meeting with key stakeholders. This may require a review of the stipends payable to all Governing Council members, in particular the Chairs and those who have to travel significant distances to attend their STP.

In the final analysis, not all STPs are the same. They vary in size, geography, capacity to attract skilled staff, capacity to manage in thin markets. Adopting a 'one size fits all' approach is a recipe for mediocrity and should be superseded by an approach that aims to maximise the potential of each of the institutes within the bounds of the Minister's role under the *VET Act* and within the combined assessment of the DTWD and each Governing Council.

One other issue that requires discussion between the Minister, the Chairs of Councils, and the DTWD is the process of reviewing the performance of the Managing Directors of the STPs. The Governance Framework for the STPs stipulates that the Managing Director's Performance Agreement has to be compliant with the Public Sector Commission's Chief Executive Officer's Performance Agreement structure. It further specifies that the MD Performance Agreement has to be reported to both the Minister, and the Governing Council. It also specifies that 'the Board or Governing Council

administering the department or organisation is the responsible authority for the purposes of the CEO performance agreement process. The responsible authority is required to discuss and negotiate with the CEO the performance criteria that will be applied to assess the performance agreement at the end of the cycle.' It goes on to say that only when there is no board, the relevant Minister is the responsible authority for the department or organisation.

However, according to a number of respondents, DTWD was involved in the development of the MD Performance Agreement *pro forma* and monitors each Institute's response. This was at the request of the Public Sector Commission. The same respondents note that the Agreement requires reporting on measures that would be embraced by whole-of-institute reporting as discussed above. This is another area relating to governance that could be clearly vested in the Governing Council, with the Chair consulting both the Minister and the DTWD when making a final evaluation as to a Managing Director's performance.

RECOMMENDATIONS FOR CHAPTER 1

RECOMMENDATION 6

That the Minister for Training and Workforce Development review the reporting requirements of State Training Providers, and the role of the Department of Training and Workforce Development in managing the *Vocational Education and Training Act 1996* and the *Ministerial Regulations*, with a view to some of the responsibilities and accountabilities being devolved to the Governing Councils.

RECOMMENDATION 7

That the DTWD develop a new reporting framework that would comprise a set of factors such as:

- quality of governance (as a measure of the following indicators);

    - track record of financial performance (through financial statements);
    - academic quality and student outcomes;
    - Institute profile achievement;
    - efficiency of operations (using the Student Contact Hours measure);
    - other specific whole-of-government targets (through required reports to central agencies); and
    - other targets that might be specific to the particular region in which the State Training Provider operates.

These could be used both for reporting purposes and as a measure of a State Training Provider's level of maturity and ability to manage under a 'light touch' approach.

RECOMMENDATION 8

That the Western Australian Government, through the Minister for Training and Workforce Development, provides a clear statement on the State's position regarding the autonomy of the State Training Providers and the consequent accountabilities and responsibilities of their Governing Councils.

RECOMMENDATION 9

That the Minister for Training and Workforce Development should meet with the Chairs of the Governing Councils only, twice yearly, as a group.

RECOMMENDATION 10

That the current practice of selection for Governing Council membership be enhanced by a role for Council nomination committees which would make recommendations to the Minister for Training and Workforce Development based upon a skills matrix, developed to reflect the needs of the particular State Training Provider.

RECOMMENDATION 11

That the Department of Training and Workforce Development raise with the Public Sector Commission the complete devolution of responsibility for the performance reviews of the Managing Directors of the State Training Providers to the Chairs of the Governing Councils.

Chapter 2. The capacity of State Training Providers to operate in the new purchasing environment of the *Future Skills WA* model [Term of Reference 2]

Capacity can be looked at in several ways: (i) the capacity for good governance; (ii) the capacity for good management; (iii) the capacity to deliver good quality training; and (iv) the capacity to remain financially viable in the new *Future Skills* environment.

2.1 Good governance has been canvassed in Chapter 1.

2.2 Good management

It is important that, if the Government is to have confidence in the appropriate management of the STPs such that it could consider providing greater autonomy, then the skill sets available to the STP should be of a very high quality. The DTWD, and the individual Chairs and Managing Directors of the STPs should work together to ensure that the management structures of the STPs are appropriate for the new model of business that they are in, and that contemporary commercial skills are part of the mix of all corporate teams.

One means of supporting a high quality of skills and information flow in the VET sector would be for a system of regular secondments in an out of the DTWD, to and from the STPs, so that the DTWD benefits from contemporary knowledge and understanding of how things are working at the delivery level, and staff from the STPs gain a greater understanding of the workings of Government.

2.3 Good quality training

The review received some reports, accurate or otherwise, that some of the teaching delivered by some STPs has not kept pace with industry standards and that, in lieu of placing work through an STP, industry bodies either prefer to engage a private RTO or to undertake the work in-house. Counter to this are other reports that the lecturers in many STPs are keen to maintain their industry currency, and have sought out secondments and the like in order to do so. As one industry body proposed, 'Having TAFE lecturers out of the classroom and visiting industry more often would allow industry to regain faith in the TAFE system.' Maintenance of industry standards is now essential and this should overcome some of the concerns voiced during the review.

There was also criticism as to the responsiveness of some levels of management within some STPs to approaches from industry, and of limited flexibility and customisation of delivery schedules to meet industry needs.

However, the views expressed by industry bodies were not uniformly held. In response to a survey organised by a leading industry organisation, one respondent said 'TAFEs need to begin working to industry needs more than following rigid systems prescribed by the AQF. Often industry needs are different from AQF requirements hence working with private RTOs works as a better option due to the flexibility they offer'. However, as part of the same survey, another respondent's view was:

> Providing real world experience mixed with a standard set of classroom units should ensure well rounded graduates. Very few workplaces can provide the depth of experiences and lab situations which can be delivered in the classroom. Inversely no classroom environment can fully reproduce the real world. The best professional people in the world are not necessarily trained educators and may not be capable of fully imparting their knowledge the way qualified teachers can, and they may not have the interpersonal skills to relate fully to young energetic minds. Classrooms are invaluable. Development of strong curriculums with set learning outcomes and real world experiential modules would be a great start toward developing a truly world class training program.

While STP staff are expected to maintain industry currency, industry bodies and unions should be encouraged to research and adapt training models for professional members working in the training system, beyond the prescribed Certificate IV in Training and Assessment.[20]

Ultimately, Western Australia is served well by the vigilance of the TAC and the DTWD in terms of quality of training. We could and should do better, as discussed in the Introduction, but the levers exist, and both organisations should be encouraged to come

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[20] One such highly-regarded program is the United Association Training program offered in Michigan in the United States. See http://www.uauniversity.org/training_centers/great_lakes.php

down very hard on any provider, public or private, that does not hold the interests of the students as being paramount.

2.4 The capacity to remain financially viable

The financial viability of STPs is going to depend on a range of issues, many of which are canvassed in other parts of this report. But one key issue is the role played by the DTWD. In the past, the DTWD has, as part of its role in maintaining a State-wide training system, supported STPs that have got into financial trouble, either through smoothing of funding, or through interventions with the Treasury. The downside of a greater level of autonomy for STPs may well be that such support would no longer be maintained, with STPs expected to manage their affairs like any other business. If the criteria mentioned above – good governance and good management – are in place, this should be no more of an issue than it is for any business. But these issues will be crucial, and the Chair of the Governing Council of each STP will carry significant responsibility for ensuring that these criteria are satisfied.

One agency of Government has proposed that STP campuses across the State should be consolidated and/or merged to achieve economies of scale, and that consideration should be given to the privatisation of STPs to further shift training delivery to the private sector. The issue of consolidation is discussed in Chapter 9, but on the matter of merger and privatisation, the State would need to look very carefully at the potential to lose more than it would gain through such an approach. At worst, and based on some worst-case examples from Victoria, a minority of private providers might well offer faster completion dates, less contact hours, and limited student services and support, in order to deliver training at a more economic price for the State. However this would be a significant concern, particularly, but not exclusively, in industries where workplace safety and onsite experience and competence is extremely important. A further consideration is that moving to fewer, bigger STPs works against the notion that decision-making is most effective, and most responsive to local conditions, when devolved as close as possible to the customer – in this case, students and industry.

The same agency has also proposed that training delivery could be sub-contracted to registered training providers with cost-effective training solutions. It has not made it clear

as to whether this would apply to existing training programs or new ones. In terms of new programs, this could be a cost-effective approach and the major challenge for a relevant Governing Council would be to ensure that the quality of STP delivery is matched or enhanced. If this approach were to apply to existing programs, it does not overcome the very challenge it would appear designed to overcome, and that is the cost structures and limitations of the current industrial framework, as existing employees would still need to be maintained other than in a voluntary redundancy scenario.

A further issue that affects financial viability of the STPs is the current requirement to engage with Building Management and Works (BMW) for any capital works programs. Interviewees regularly recounted what they regarded as the excessive costs and lack of timeliness associated with the required use of BMW, with some having obtained quotations from the private sector for the same work, but at a significant reduction in price. The review has heard that other Government agencies have engaged the private sector for their work, and there appears to be no good reason, based upon the experiences to hand, for the STPs to be prohibited from doing so. There may also be potential, in particular geographic regions, for a bundling together of refurbishment, management and maintenance of STP facilities in the same contract with a number of schools from the area, particularly the Independent Public Schools.

For regional STPs there are added costs involved in terms of the range of allowances that are part and parcel of employing staff in remote regions. These include district allowances and the Government Regional Officers Housing program (GROH) where institutes, along with other WA Government Departments and agencies in remote and regional in WA, provide subsidised housing to staff in accordance with the guidelines and policies prescribed by the Department of Housing. Staff who reside in GROH houses pay a heavily subsidised rent and the agency (eg the institutes) pay the full rental (and management fees) to GROH. Of the STPs the Kimberley Training Institute and Pilbara Institute (being the most remote institutes) comprise the majority of GROH housing in the VET sector. For the Kimberley Training Institute, with 180 FTE and 100 GROH houses, the net cost of GROH (less rental paid by staff) in 2013 was $3,664,000 which entailed 10.8% of the Institute's Total Cost of Services for 2013. For Pilbara Institute it was $9.3m.

Although these costs received support through the Delivery and Performance Agreements, this does not cover the full cost.

Funding for GROH housing is negotiated annually with the DTWD through the DPA mechanism, and acquitted at the beginning of the following year.

There are a range of roles, functions and responsibilities performed across the Regional STPs that are generic. For example:

- finance;
- quality and policy;
- reporting;
- planning and performance;
- course information;
- enrolments and client services functions;
- facilities management;
- strategic operations of IT; and
- human resources.

These could be performed in a shared services model which would lessen the need for the same level of expertise to exist at each STP. There already exist a Regional Business Development Network and a Regional Training Directors' Network, and both of these are intended to achieve efficiencies across the sector, and greater effectiveness of delivery. The enhancement of collaboration around these networks should become a priority for regional STPs as part of specific performance indicators that might be included in the regional STPs' revised DPAs.

One STP has, however, proposed a new approach to dealing with the problem of the costs of providing generic services in the regions, particularly the costs of the GROH and district allowances, and that is for the STP to locate these service staff in Perth. The benefits here are not only financial, but also mean a wider range of potential employees could be attracted to the position than is the case for this particular regional location. While it is understood that some regional communities might not be overly supportive of this approach, the benefit for the regions is that funds would be freed up for stronger training delivery to their communities.

A compromise between these two approaches can be seen in the WA Country Health model, where some services are centralised in Perth but some are centralised to larger regional sites where there is sufficient capability. One of the key successes of this system has been that many of the people who work in the Perth office have also worked in the regions.

2.6 Regulatory changes

STPs and private RTOs are subject to fairly constant changes in the regulatory and operational framework for training delivery as a result of policy changes at the national level, a complaint that was made regularly by respondents during this review. The DTWD has an important role to play in representing the needs of the Western Australian training sector at the national level, and endeavouring, where appropriate, to minimise the impact upon training providers of the ever-changing requirements coming from Federal bodies. It is very important, therefore, that Western Australia be represented at a senior level at all major Federal-State discussions of VET policy and that the State's position is clearly heard. It is also very important that the position that the State will adopt from these discussions is made clear very quickly to the sector, which is remarkably well connected nationally and could well hear alternative views of the way forward from contacts in other States.

RECOMMENDATIONS FOR CHAPTER 2

RECOMMENDATION 12

That the Department of Training and Workforce Development in conjunction with the State Training Providers consider ways of enhancing management expertise and knowledge exchange across the VET sector.

RECOMMENDATION 13

That the Minister for Training and Workforce Development should require that ensuring the quality of training remain the top priority for the Department of Education Services in its support of the function of the Training Accreditation Council.

RECOMMENDATION 14

That the Department of Training and Workforce Development continue to monitor the viability, and work with the Minister for Training and Workforce Development and Department of Treasury to ensure the effective functionality, of the State training network.

RECOMMENDATION 15

That the Department of Training and Workforce Development and the Department of Treasury work together to obtain the most efficient and effective capital works management process for the State Training Providers.

RECOMMENDATION 16

That, as part of its role of monitoring the sector, the Department of Training and Workforce Development should support innovative approaches to gaining greater efficiencies in corporate services management by the State Training Providers, and measure the outcomes at the end of two years.

Chapter 3. The appropriate level of accountability and responsibility for the State Training Providers to operate in the new purchasing environment [Term of Reference 3]

In its report *Foundations for the Future (2009)* Skills Australia commented that:

> On balance, Skills Australia considers that in order to position public providers for a more competitive environment, this will mean the requirement for them to operate as public entities with core funding provision, being balanced with greater independence. TAFE institutions should have sufficient incentive to compete and flexibility to operate and develop their business to suit changing conditions. This may include removing operational constraints around delegations, reporting and budgeting and the ability to use earnings to reinvest in service capability. This will be vital for continuing service innovations and success in a more competitive market.[21]

As noted in Chapter 1, STPs operate under the *VET Act*, and as public sector entities, within a broad legislative framework with the range of accountability, compliance and reporting obligations that affect all organisations in the Western Australian public sector.

STP accountabilities including statutory reporting and compliance obligations are identified in the *Governance Framework for State Training Providers* and are referred to as minimum standards of governance for STPs to be in receipt of public funds.

A major issue that has been raised by many submissions in relation to the capacity of STPs to operate in the new environment is the impediment that some whole-of-government provisions impose upon them, in comparison with private sector organisations. These include:

3.1 The industrial relations framework.

As highlighted in the Miles Morgan review, the issue of the limitations of a 'one-size-fits-all' industrial agreement has been raised by nearly all the STPs as a major inhibiting factor in their ability to act with flexibility within the training marketplace. The issue was also raised by a number of industry players who would like to have contracted an STP to

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[21] Skills Australia, *Foundations for the Future* (2009): 71.

deliver their training but found that private training providers had much greater flexibility in terms of availability of trainers, ability to respond to intensive block training needs, ability to work in the December-January period, ability to fly in and out to deliver training, and ability to provide trainers who have consistently maintained industry currency. Other industry players have resorted to undertaking their training in-house, for these reasons.

On the other hand, one STP does not believe the industrial agreement is an impediment to operating in a flexible and commercial manner. Aligning with that STP's view, Unions WA has pointed to clause 37 of the *Western Australian TAFE Lecturers' General Agreement 2011* where it states that provision is made '… for more flexible working hours for lecturers to enable Colleges to be more responsive to the needs of employers and students …. Lecturers on FHA [Flexible Hours Arrangements] will work the flexible hours arrangements as outlined in the provisions of this clause as required by their employer.' The State School Teachers' Union of Western Australia has argued that the current system-wide agreement enables easier movement of staff from one STP to another and already provides considerable flexibility within which managers can manage, a view not shared by the majority of STP managements, who note very limited movement between institutions. The Union also points out that return to industry by lecturers is encouraged, as part of the agreement, and the STPs should be more flexible and honour that part of the agreement.

Two considerations arise from these diverging viewpoints. Firstly, while the DTWD negotiates the State-wide agreement on behalf of the STPs, and with input from the STPs, this is probably a system that has had its day, given the move from a State TAFE system and towards a network of semi-autonomous institutions that have to compete with organisations that have the freedom to set their own industrial parameters. It should not be necessary for an STP to have to attain GTE or university status in order to be responsible for establishing its own industrial framework, but the obvious solution, within the current Government framework, is to do just that. The Department of Commerce, Unions WA, the DTWD and the STPs will need to work together to find an optimal solution to this issue.

Secondly, STP Managing Directors need to assure themselves that their Human Resources staff are seeking to optimise the potential that already exists within the industrial agreements covering their staff, and not taking the line of least resistance.

While that situation is resolving itself the opportunity should be taken to review the role and expectations of a lecturer in the VET sector. On the one hand they are expected to be good teachers, with all that involves: ability to support students, identify problems so as to mitigate attrition, have a good knowledge and understanding of appropriate assessment methodology, and the like. On the other hand, they are expected to be current with, and expert in, the requirements of their vocational industry. Finding these two groups of attributes together, at a high level, in one person can be difficult, particularly in regions with small populations. The traditional approach to the teaching of vocational and educational teaching may no longer be appropriate, particularly in this age of fast-moving technological change. And these comments are not restricted to STPs. RTOs also have the same responsibilities and should be judged on these accordingly.

3.2 Funding agreements

The annual DPA funding cycle is seen by some to limit the ability of the STPs to develop and implement longer term plans, and tends to encourage short-term solutions. In the words of one STP, 'This can be counter-productive because of the lead time required for course-work/curriculum development, the recruitment and training of staff, and the marketing and promotion of courses.' In response to this the DTWD has advised that 'In principle, DPAs could have a three year planning cycle, but longer term funding would be indicative estimates only. These would need to be reviewed annually as the DTWD's funds are appropriated annually and the DTWD could not guarantee funds outside its own allocations.' Moving to a longer planning cycle through the DPA, therefore, would need to build in recognition that changes in the State Budget outlook, and changes arising from bi-lateral negotiations with the Federal Government, could cause some downward pressure on DTWD's budget.

In Chapter 1 it has been suggested that the shape and purpose of the DPA itself could be updated, to reflect the components of the proposed balanced-scorecard approach to governance. An updating of the DPA to accommodate a three-year planning cycle

provides the opportunity to update and streamline the reporting requirements imposed through the Agreement. Above all, the DPA should remain the primary vehicle for reporting as part of the purchaser/provider arrangements, which would then feed in to the balanced-scorecard together with other reporting outcomes from other sources.

3.3 Government salary caps

Currently STPs compete for fee-for-service work on a full cost-recovery basis. This work is undertaken as part of the income diversification of the institution at a time when the State's training budget is shrinking. The concern expressed by the STPs is that the staff funded through these fee-for-service activities are counted within the Government's Wages Policy, which sets salary caps for all agencies at no higher than CPI growth (currently estimated at around 2.6%). From the perspective of the DTWD, STPs receive a significant State operating subsidy that is captured in the salary cap and are expected to manage their budgets within the approved parameters. However, it would seem that if STPs must compete for work on a full cost-recovery basis (i.e. not accommodated by their State subsidy), then the logic of having to manage this work within the parameters of the State subsidy seems obtuse. The need for STPs to grow fee-for-service training will require removal of staff who do FFS work from the salary caps if it is to provide a net benefit to the institution, which is the fundamental purpose of undertaking the work in the first place.

3.4 Marketing and advertising

STPs have noted that, in order to remain competitive, they will need to operate in a manner commensurate with the private sector. This includes the need for robust marketing of courses of study to target potential students and enable STPs to exist on a level playing field with private providers. Currently, marketing plans and budgets require approval from the Government Communications Unit and it appears that they are treated as generic 'corporate advertising'. This imposes a bureaucratic intervention into an activity that should be part and parcel of the work of an organisation operating in an open market and seeking to acquire customers. Marketing of education and training is always a vexed issue, leading inevitably to questions as to why funding is not being directed at the student. In a non-contestable marketplace this is a very reasonable response but, unlike many other Government agencies, the STPs are now operating in a

competitive space and need to be given the ability to operate on the same terms as their competitors, including at times such as the last quarter of the financial year, when Governments typically impose advertising bans, but which is one of the two crucial periods of the year in which STPs need to attract the interest of students.

3.5 Responding to commercial imperatives

One frequent concern from the STPs has been around restrictions relating to the application for Commonwealth tenders. There is a Government approved process regarding State/Commonwealth agreements, and it is generally a requirement for STPs to seek Government (Cabinet/Economic and Expenditure Review Committee) approval prior to entering into Commonwealth agreements, including applying for tenders. The issue for STPs is largely around the time that it takes to gain such approvals, which often means the deadlines for tenders cannot be met.

The Department of Treasury has advised that there are limited exemptions from the requirement of this policy, although the STPs have yet to present one that would meet the criteria for exemption. Pre-approval of a range of agreements is an option but has not yet been sought by any of the STPs. This is an issue that the DTWD and STPs should work on, in collaboration with Treasury, in order to seek a mutually satisfactory solution.

Other issues in relation to commercial imperatives are discussed in Chapter 4 below.

3.6 International education and training

This issue is discussed under item 6 below.

RECOMMENDATIONS FOR CHAPTER 3

RECOMMENDATION 17

That the Department of Training and Workforce Development convenes discussions with the Department of Commerce to seek a way within the current industrial framework for Government agencies that would provide more flexible and individualised Agreements for each State Training Provider.

RECOMMENDATION 18

That the Department of Training and Workforce Development, after consultation with the Department of Treasury, work with the Managing Directors of the State Training Providers to revise and update the Delivery and Performance Agreement to reflect a longer planning cycle, and to incorporate revised reporting components.

RECOMMENDATION 19

That the Department of Training and Workforce Development be permitted to manage the salary caps for State Training Providers at a VET sector level, and that commercial activity undertaken on a full cost recovery basis not be considered as part of the caps.

RECOMMENDATION 20

That the Department of Training and Workforce Development negotiate a specific provision for marketing of courses to students for State Training Providers that would align this marketing effort with that of the private sector providers.

Chapter 4. The appropriate level of commercial activity, specialisation through centres of excellence, and competition and how to achieve this [Term of Reference 4]

In relation to the appropriate level of commercial activity undertaken by STPs, the Minister currently determines what level of commercial activity should be delegated to the Governing Council for approval, in line with Treasury's requirements. The instruments of delegation and authorisation and the *Ministerial Guidelines on Commercial Activity by a Public Training Provider 2009* articulate the framework within which commercial proposals can be progressed. STPs can negotiate contracts and enter into contracts up to $1 million as per the Instruments of Authorisation and Delegation. There is a strong view amongst STPs that approval of commercial activities of up to $5m should also rest with the governing councils, who would normally have a considerable degree of commercial experience in their membership, with an annual report on outcomes to the Minister. On the other hand, the view of the DTWD is that Government is exposed to the risk of providing ongoing maintenance of any assets and staff acquired by STPs through their commercial activity and that, therefore, the responsibility for these high-level judgements should rest with the Minister. If the governance framework proposed in chapters 1 and 2 of this report is adopted, the DTWD and Minister should derive the comfort that the Governing Councils are in a position to undertaken these responsibilities on behalf of the Minister, or wear the consequences.

Another issue frequently canvassed in discussions about the commercial activity of STPs is the potential that the net earnings generated from this commercial activity might not be retained to go back into education and training. If commercial activities are undertaken for the purpose of providing flexibility to cross-subsidise less commercially viable courses, or to undertake other activities for which there is no Government contract, then there is a strong argument for these funds to be retained to be used as approved by the Governing Council.

Part of the retention of funds for education and training purposes should encompass the setting-aside of an agreed (by Governing Council) proportion of the earnings for minor asset maintenance. In terms of larger asset replacement, there is currently no allocation of ongoing State funds to DTWD for a rolling asset replacement program for the sector

which could include bundling of refurbishment and maintenance tenders which would be of benefit for the STPs (see Recommendation 15).

The submissions to this review showed a considerable difference of opinion regarding competition between STPs, and regarding centres of excellence.

In relation to competition between STPs, one joint industry submission commented:

> [We do] not necessarily consider it is appropriate or a good use of public resources for public providers to actively compete with each other across **all** areas of delivery. There may be an argument for competition in generic areas of delivery such as foundation skills and lower level certificate programs where this can be achieved at relatively low cost – that is, where no significant specific capital requirement exists. Skills gained through such programs are likely to support employment across a wide range of industries, particularly in a regional context and should therefore be widely supported.

From the perspective of the STPs, they have applied for training places in areas that are appropriate to their communities, whether metropolitan or regional, as part of an open market-place approach. Any move to restrict offerings by a particular STP would need to be undertaken very carefully, both in terms of community need, and in terms of the long-term viability of the institution. This does not mean that there is not a case to argue for greater specialisation amongst the STPs, particularly those in the metropolitan area, as part of a coherent design framework for course delivery. And as one joint submission points out, there are already centres of specialisation operating in metropolitan and regional institutes, including Creative Industries at Central Institute of Technology; Aeronautics at Polytechnic West; Australian Centre for Energy and Process Training (ACEPT) at Challenger Institute of Technology; Security at the West Coast Institute; and Maritime and Aquaculture at the Kimberley Training Institute.

A regular round-table, facilitated by DTWD and involving all STPs, could be a very positive way forward in building on these specialisations and thus maximising the State's training resources in order to achieve optimum benefits for students. This would need to be on the understanding that the 'map of specialisations' can and will change over time, and

that the priority is that there is clarity for both the STPs and the community as to what the sector is offering. A less-than-optimal approach would be for an STP to make a unilateral decision to throw resources at a particular area without consultation with the other providers who would be affected by that decision; or for a political decision to be made, again with no consideration of the outcome for other providers. This, of course, begs the question as to what constraints there are for a private RTO to do accordingly, and the solution here should lie with the purchasing levers of the DTWD.

As regards centres of excellence, there was a view expressed by those supporting these that single or networked centres of excellence make sense in areas where limited markets exist, where capital requirements are high, and/or where highly specialised staff are required. The involvement of both STPs and private RTOs in such centres, was mooted by some, and the important role that industry can play in the development of such centres is illustrated by the ACEPT at the Challenger Institute of Technology which was strongly industry - driven in its inception. The engagement of industry should be recognised as an essential component for any centre of excellence. There was little support for the notion that the State should unilaterally decide on the development of a centre of excellence status at one of the STPs without these important precursors – limited markets, high capital requirements, highly specialised staff – being in place and without the end users being the major drivers.

The State Training Board's *Public Private Partnerships Report* commented in this regard that:

> If there is a government expectation or requirement that there should be more higher level partnerships with significant industry investment, better to define what this actually means and what is required to make it happen. The collaboration hierarchy suggested in this report is a first attempt at defining the partnership issue. Further work is required to refine and improve on the model presented here.[22]

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[22] State Training Board, *Public Private Partnerships Project* (2011): 39.

RECOMMENDATION FOR CHAPTER 4

RECOMMENDATION 21

That the Department of Training and Workforce Development and the State Training Board develop a policy position on the future criteria to underpin the development of areas of specialisation.

Chapter 5. How to ensure the State's training needs are best met and that areas of training that are less commercially attractive are still catered for [Term of Reference 5]

A number of areas have been highlighted in submissions that relate to the State's broader training needs. Some have already been canvassed in the Introduction to this report. Further areas include:

5.1 Student support

The issue of who is responsible for funding the mentoring, peer support, counselling, academic advice, etc for students in the new model, and for ensuring that these responsibilities are actually undertaken, was raised in several submissions, with the authors noting that these matters will be crucial in improving Western Australia's comparatively poor retention rates. It has been assumed that the responsibility remains that of the STPs and private RTOs, but how the funding for these responsibilities is to be derived at a time when overall State and Federal funding is reducing, remains to be clarified. Some respondents also expressed concerns that these functions are not always undertaken by some private RTOs, with the resultant concern that a range of students might miss out on crucial support that would enable them to complete their courses successfully.

5.2 VET in Schools (VETiS)

While VETiS was not part of the Terms of Reference for this review, the issue has arisen as a major area of concern for the sector, and therefore the following comments are provided in order to highlight some of these concerns and illustrate the need for urgent and better communication around the issues to the sector at large.

In its submission to this review the School Curriculum and Standards Authority (SCASA) has noted that:

> For students, VET in their senior secondary program can be a mechanism for achieving senior secondary graduation, a means of career exploration, or an opportunity to become more competitive in the workplace of further education and training. For schools, VET may be seen as a strategy for retaining and/or engaging students in senior secondary education or to 'value-add' to a senior

school program. Finally, industry may include VET in schools as part of an overall workforce development strategy, providing students with basic skills for a future within industry.

The responsibilities for VETiS are shared among Government agencies, primarily the Department of Education, the DTWD, and the Department of Education Services. Of these, there are two areas in the VETiS program that are deemed by SCASA as being specifically the responsibility of the VET sector:

- to regulate and certify the quality of the training, through the Training Accreditation Council, and to ensure that it meets the standards specified by industry; and
- to ensure that all VET in schools training is appropriate for secondary students and aligns with industry expectations.

From 2015 onwards there will be a significant – some have described it as 'massive - increase in the number of school students involved in VETiS due to the requirement for students qualifying with a WA Certificate of Education to have completed four or more Year 12 ATAR courses or a Certificate II or higher. The SCASA states in its submission that:

All VET in schools offerings, including industry-specific courses and VET transfer for WACE credit, requires registered training organization (RTO) delivery, assessment and quality control under the Australian Quality Training Framework (AQTF). Schools providing VET options must therefore either become an RTO or work in a partnership arrangement with a RTO for delivery, assessment and certification.

According to SCASA, the majority of VET programs currently undertaken as part of the VETiS program are offered through an auspicing arrangement with an RTO for the delivery and assessment of training (in 2013 only 21 schools had RTO status). The basis for a partnership agreement between a school and an RTO is, according to SCSA, that:

- students will receive the appropriate training;

- appropriate qualification of that training will be provided;

- AQTF or VET Quality Framework standards are adhered to; and

- industry standards prescribed in training packages will be met.

The new WACE model will require significant additional work for schools in sourcing appropriate RTO auspicers and the funding of the training of increased numbers of teaching staff to comply with the teaching standards for the training sector, through the Certificate IV in Training and Assessment; for RTOs in competing for access to limited profile funded training and for meeting compliance standards; for the TAC in ensuring compliance with the standards; for the sector more broadly, in ensuring that quality assurance processes are applied rigorously, so that industry and the public can be confident that the training students receive in schools is equivalent to that in non-school environments; and for industry, in accommodating increased demand for suitable workplace opportunities and industry placements.

The challenges above all relate to one of the biggest issues that has been raised in submissions and interviews in relation to VETiS, and that is the responsibility for resourcing both the human and capital costs for the successful implementation of the WACE reforms in 2015-6, particularly in the regions. Now that VET will become all-but-compulsory for non-ATAR school students as from 2015, the question of who is responsible for the payment of costs associated with the VET component has been raised by schools in both systems, and by the wider VET sector. Likewise the costs of quality assurance and compliance have been raised by a wide range of both State and private providers, and this issue also requires urgent resolution because, if funding is available for these purposes, this fact is not clear to the majority of players. Despite the existence of an inter-departmental working group dealing with the implementation of the new WACE requirements for 2015, it is not clear to the VET sector which part(s) of government has overall responsibility for the successful implementation of the scheme, and what criteria are to be used to measure its success, other than the simple metric of the number of students staying on at school. This is a situation that should be rectified as a matter of urgency.

5.3 Pathways and articulation

The *Review of Australian Higher Education* in 2008 noted, in relation to relation the university and VET sectors:

> … although distinct sectors are important, it is also vital that there should be better connections across tertiary education and training to meet economic and social needs which are dynamic and not readily defined by sectoral boundaries. Apart from some professional, associate professional and trade jobs, there is no neat relationship between the level or field of qualifications obtained by students and subsequent occupations. Most firms demand a mixture of workforce skills acquired from either or both sectors and skills acquired on the job become more important the longer someone has been in the labour force.[23]

The State's lack of a clear statement on, and provision for, pathways of articulation from school to VET to higher education was noted in many submissions to this review, with respondents regretting that opportunity is being lost in this regard.

The Australian Qualifications Framework, to which all States and Territories are signatories, states that it supports '… the development and maintenance of pathways which provide access to qualifications and assist people to move easily and readily between different education and training sectors and between those sectors and the labour market.'[24]

Yet a recent NCVER[25] report, *A half-open door: pathways to VET award holders into Australian universities,*[26] indicates that in Western Australia, together with Queensland and South Australia, 'VET award holders are underrepresented in undergraduate higher education courses.' The figures provided show that it has much to do with very low figures for rates of admission of TAFE awardees at Curtin (3%) and UWA (1%) in 2010.

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[23] Denise Bradley et al, *Australian Review of Higher Education* (2008): 180.
[24] Executive Summary, *Australian Qualifications Framework*, second edition (2013): 8.
[25] National Centre for Vocational Education Research.
[26] Louise Watson, Pauline Hagel, Jenny Chesters, *A half-open door: pathways to VET award holders into Australian universities*, NCVER (2013): 14-15.

While there is a range of very positive articulation pathways for specific courses between specific VET and higher education providers, Western Australia lacks a State-wide policy and strategy for implementation of VET – university pathways as described by the AQF. For some university students, particularly those undertaking generalist undergraduate degrees such as those offered at UWA, there could be a significant advantage in a clear pathway into the VET sector in order to secure a job-ready qualification. Employers, too, have the benefit of students well prepared in literacy, numeracy, analytical and conceptual skills, as well as the specific skills required in the job. As the Department of Education Services has stated: 'Given labour market demands, [these developments] are likely to increase as skilled employees will require a combination of a strong theoretical/research base and well developed vocationally specific skills to achieve a higher level of productivity.'

In a recent report to the NCVER, *Transitioning from vocational education and training to university: strengthening information literacy through collaboration*,[27] the key issues relating to students transitioning from VET to university study are described as follows:

- Participating TAFE and university students reported difficulties in the same aspects of information literacy; namely, understanding of assessment task, assimilating information and preparing the assessment, and adhering to the writing and reference style.

- TAFE and university students reported a difference in the expectations relating to their capabilities in locating and using different sources of information. The different sources of information used by the two sets of students illustrate the more practical focus of vocational education and training and the academic focus of higher education.

- Both the TAFE students considering enrolling in university and the university students who had made the transition from TAFE indicated that a collaborative effort between VET providers and universities would help students to make the transition successfully. Early support – even before commencing university study

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[27] Sonia White, *Transitioning from vocational education and training to university: strengthening information literacy through collaboration*, NCVER (2013).

– in a number of different forms was suggested as a way to enable students to develop the required information literacy skills.

The report presents a proposed transitional collaborative framework, derived from the research.[28] It also raises, again, the need for a review of the key attributes of the contemporary VET lecturer.

The report *Future Directions for the Role of the State in Higher Education*[29] recommended that '… the Department of Education Services and the DTWD establish a strategy to review current levels of cooperation and partnership between the VET sector and universities including:

- Credit transfer and articulation arrangements;
- Joint delivery of qualifications including qualifications with recognition in both sectors;
- The role of the VET sector in delivering the initial phases of degree programs;
- Expansion of Associate Degrees; and
- Sharing of facilities and other resources.

The State Cabinet confirmed that, subject to the completion of a body of work by the Standing Council on Tertiary Education, Skills and Employment (SCOTESE), '…the Department of Education Services will work with the Department of Training and Workforce Development to determine ways to improve cooperation between the VET sector and the university sector in Western Australia.'

Since then, there have been some major developments at the national level that could both inform and broaden this discussion, and which provide further evidence of the increased blurring of the distinctions between university and VET sectors. Firstly, SCOTESE itself has been disbanded and replaced by the COAG Industry and Skills Council, and its scope of work refined, with a strong focus on the reduction of red tape and the importance of quality overview of the sector, from certificate to higher degree levels. Secondly, the Kemp - Norton *Review of the Demand Driven Funding System* for higher

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[28] *Transitioning from Vocational Education*: 36-41.
[29] Department of Education Services, *Future Directions for the Role of the State in Higher Education* (2013).

education has some significant findings and proposals for the broader tertiary sector that are relevant here. In their Overview summary they have commented that:

> A key to success in study is academic preparation. Outcomes for less-prepared students improve substantially if they first take a 'pathway' program, such as a diploma course …. Students who successfully complete pathway programs often do as well as, or out-perform, students with better original school results. This finding contributed to our commendations that the demand driven [Australian higher education] system be expanded to include sub-bachelor courses and non-university higher education providers.[30]

The benefits of sub-bachelor courses include the opportunity for supporting the student through the transition in learning styles referred to earlier in this discussion, providing direct industry links, and providing an environment which, for many, is less intimidating than a university one, particularly those who are the first in family to pursue post-secondary education. Currently only two STPs in Western Australia are registered as non-university Higher Education Providers [HEPs] compared with some 23 in other States. The potential to offer Associate Degrees as part of a pipeline from VET to university becomes more significant if the recommendations of the Kemp-Norton review are adopted by the Federal Government.

In developing, with the universities and VET providers, a pathways and articulation framework for Western Australia, it will therefore be important for the two Departments involved (Training and Workforce Development, and Education Services) to expand their scope to include an overview of the role of higher education provision in the VET sector, and the impact of this upon the university sector. Kemp-Norton have added a cautionary note on this issue:

> Vocational education providers do not enter the higher education market lightly. Providing a higher education course requires substantial organisational change. The regulatory requirements around governance structures, staffing and course content differ substantially between the two sectors. The separate funding and

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[30] David Kemp and Andrew Norton, *Review of the Demand Driven Funding System* (2014): ix.

reporting requirements for the two sectors add another layer of complexity and cost.[31]

The demands, therefore, are for a very coherent framework that can ultimately show a cost-benefit for all providers, a limited regulatory requirement, and a clear benefit for students. The current reviews of standards and of regulation at the Tertiary Education Quality Standards Authority (TEQSA) will also need to be kept in view. And the potential of new technologies, such as those that have revolutionised higher education delivery through online learning, Mass Open Online Courses (MOOCs) and other innovative approaches to delivery, should be considered as part of the mix.

To inform this work further, successful partnerships in tertiary pathways already existing in the State, including the Geraldton Universities Centre, should be examined in order to determine what the key success factors have been; where there might have been pitfalls of a regulatory nature; where there might have been pitfalls of a practical nature; and how best to establish a model for State-wide implementation.

With VET provision in schools to become far more widespread from 2015, there is also an opportunity to trial a broader approach to pathways that would involve schools – VET – universities. Several STPs are already in negotiations to establish such pathways, to a greater or lesser extent, with one STP looking at a project entitled 'Towards a Seamless Transition from School to Higher Education.' The State, through the relevant agencies should provide every support to the planning work that is going into these projects, which could be treated as pilots for potentially wider use within the sectors, or as centres of specialisation. Ultimately the State may wish to consider the establishment of one or more dual sector institutions such has occurred in most of the eastern states. In doing so, a range of considerations will need to be taken into account, including legislation changes, governance and regulation, questions around student entitlement, industrial relations issues and staff planning, use of Crown and designated land, town or shire planning guidelines, accessibility to transport, student accommodation, and the like.

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[31] *Review of the Demand Driven Funding System*: 59.

Finally, the recommendation in the *Future Directions for the role of the State in Higher Education* report that '… the Department for Regional Development be requested to provide recommendations with respect to the provision of support for higher education delivery in regional WA' should be considered by the relevant Departments.

5.4 Training the State's workforce

Concern has also been expressed that it will be difficult for the State to attract and maintain its own supply of workers with the qualifications it mandates within an open commercial STP system. There is anecdotal evidence that Government departments have cut their training budgets as a result of funding cuts, while for the individual the cost of training, particularly in some of the health and community service areas, will work against people acquiring the crucial training the State will need, particularly in the regions (e.g. Aged Care, Disability). The same applies for those not-for-profit organisations contracted to deliver services on behalf of the State.   This will require confirmation and/or monitoring by the DTWD.

5.5 Promotion of vocational education and training

In their review of the governance and architecture of Australia's VET system on behalf of Skills Australia in 2009, the National Centre for Vocational Education Research (NCVER) commented that:

> The existence of many providers operating in the same market has prompted a debate about the level of information needed for that market to function effectively, particularly information on the performance of individual providers, be they private or public. That debate has not yet been fully resolved.[32]

A number of submissions to this current review made the point that there is no central portal where people can find out what is on offer in terms of training in Western Australia that is comprehensive and up to date. It is worth noting that the national *My Skills* website was not raised at all by respondents as part of these discussions. There is a

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[32] Mark Cully, Brian Knight, Phil Loveder, Ron Mazzachi, Suellen Priest and Sian Halliday-Wynes, *Governance and Architecture of Australia's VET sector: Country Comparisons*. NCVER (2009): 7.

strong case to be made for a broad range of quality and outcome data to be developed, updated, and made available to the community, so that students, parents, industry and others can make informed choices about further education.[33] *The National VET Provider Data Requirements Policy* to which Western Australia signed up, with other States, will increase the requirement to provide data from all RTOs, public and private, in order to fulfil COAG aims of providing:

> … better information about vocational education and training (VET) so employers and individuals can make informed choices about training options; individuals can get records of the training they undertake into the future regardless of where it occurred; industry can know the skills being developed in the training sector; and governments can develop more targeted policies and better direct funding to training priorities. Knowing what training is occurring across the entire VET sector is key to achieving these aims.[34]

The *My Skills* site might ultimately serve the purpose for Western Australians, but only with a concerted effort by the DTWD to ensure that students and the wider community can access outcomes of audits of STPs and RTOs by the TAC, and student outcomes information derived from State and/or national surveys. This would go a long way to improving the standing of the whole of the VET sector, as there is still concern in the community about quality of provision in the VET sector as a result of a few celebrated and atypical cases of deceptive behaviour and/or poor teaching.   It will also be very important to promote the existence of *My Skills* to the community.

5.6 Apprenticeships

There has been a worrying decline in enrolments in Apprenticeships in Western Australia from 2011-2013 (down by 1113), while enrolments in Traineeships have increased (up by 2974).[35] As an added concern, Group Training Organisations advised, in submissions to

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[33] This was, in fact suggested, for Australia as a whole in the OECD's 'Skills Beyond School: Australia' review in 2008, p.6, but has yet to be acted upon.

[34] *National VET Provider Collection Data Requirements Policy* published by the Standing Council on Tertiary Education Skills and Employment, 2014, at
http://www.nssc.natese.gov.au/policies/reporting_requirements

[35] DTWD figures.

this review, of potential problems with the new fee structures in terms of deterring pre-apprenticeships in particular and recommended that the impact be reviewed in association with industry, and in the context of several ongoing changes resulting from decisions by Fair Work Australia and availability of funding through the Joint Group Training Policy.

Although apprentices and apprenticeships *per se* were not a part of the Terms of Reference for this review, information coming to the review suggests that it would be timely for the DTWD to undertake a review of apprenticeships more generally in Western Australia and, as part of this, a review as to whether the Apprenticentre is serving the needs of both employers and apprentices as effectively as possible.

RECOMMENDATIONS FOR CHAPTER 5

RECOMMENDATION 22

That the Department of Training and Workforce Development provide a policy on the provision and funding of student support, for dissemination to the broader VET sector.

RECOMMENDATION 23

That the Department of Training and Workforce Development liaise with the Departments of Education and Education Services, and the Training Accreditation Council, to provide clarity to the sector as regards the requirements and costs of implementation of the new WACE model.

RECOMMENDATION 24

That the Department of Training and Workforce Development and the Department of Education Services convene a forum with the Western Australian Vice Chancellors and the representatives from the Managing Directors of the State Training Providers, to begin development of a State-wide pathways and articulation framework; and that the Department of Training and Workforce Development provide to the forum details of proposed and existing pathways projects, as a background for deliberations.

RECOMMENDATION 25

That the Department for Training and Workforce Development work with the Federal Government to ensure that *My Skills* is improved and provides adequate information for consumers in an appropriate format.

Chapter 6. The value of single desk marketing, as conducted by Education and Training International, within the proposed model [Term of Reference 6]

There are a number of Commonwealth instruments that are involved in the eligibility for Australian education and training institutions to be able to enrol international students. From July 2011 the Australian Skills Quality Authority (ASQA) has had the function of recommending the registration of RTOs as providers on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS). It then follows that the courses that a CRICOS provider is approved to deliver must be registered on the Provider Registration and International Students Management System (PRISMS) which, in turn, is used to generate electronic Confirmations of Enrolment (CoEs) for student visa purposes and to provide reports to the Department of Immigration and Citizenship (DIAC) on student compliance with the conditions of their visas.

The decision by the Western Australian Government to retain the powers of quality assurance for WA-based RTOs within the State has required an adaptation of this framework whereby Education and Training International (ETI) has attained the status of RTO, under the ASQA, for the purposes of complying with the Commonwealth regulatory regime as outlined above.

There are two key, but interrelated, issues that have been raised in submissions from STPs with regard to the single desk marketing. The first is in relation to marketing. Most of the STPs would like greater flexibility available to them in terms of management of their own international student programs, particularly around the marketing of those programs. As the brand marketed by ETI is TAFEWA, many STPs feel that, in a highly competitive marketplace, their invisibility hampers their ability to attract international students. One STP has provided data that shows that 4,787 unique visits were received on that institution's page on the ETI site as compared with 103,478 unique visits to the institution's own international page. They maintain that 'This pattern of traffic must raise questions about the marketing strategy, and the effectiveness of ETI's marketing approach, relative to its costs.'

All STPs have raised the need for greater transparency in costs of ETI, in order for them to determine value for money.

From ETI's viewpoint, the data for international enrolments for Western Australia shows that the centralised marketing has had some benefits, with this State not showing the decline in enrolments apparent in other parts of the country.

The review has been advised that there was originally intended to be a governance group for ETI, comprising the Managing Directors of the STPs plus members of the DTWD. This group appears to have fallen into abeyance which means there is no forum where matters of strategic importance in relation to international students and programs, can be discussed and dealt with. It should further benchmark Western Australia's overall international engagement in the VET environment with interstate counterparts and ensure that the growth of international VET markets, particularly in China and Indonesia, is being capitalised upon by Western Australian providers. Advice came to the review, for example, that a recent delegation to China with the Federal Minister for Training did not include anyone from Western Australia, while VET providers from other States were able to capitalise on the opportunities that were presented to them by the huge training market in China. This is a situation that can only be to the detriment of the VET sector in Western Australia.

The second issue raised by several STPs is the difficulties that the current regulatory system poses in the area of VET to university pathways. An institute cannot market a pathway from that institute to a particular university: the pathway is from TAFEWA to the university. Nor can an institute target particular disciplines in particular countries where students would benefit from the additional training environment before entering the Australian university system. So a win-win situation for STPs, universities and, most importantly, students, cannot be achieved. One university has advised the review that it has been looking to partner one of the STPs in terms of offering an international articulation package, which would also involve streamlining of visa requirements, etc, but that it has been unable to do so because all the CRICOS codes are held by ETI. If pathways are to be achieved, the State will need to work proactively to overcome the problems the current regulatory system presents, or is perceived to present, in this area.

While not underestimating the arduous processes involved, the State's refinement of its relationship with the ASQF may nonetheless provide an opportunity for the DTWD to

work with the relevant Federal agencies, and possibly the Victorian Government, to achieve CRICOS status for the STPs registered under TAC.

There was no support for single desk marketing *per se* for domestic students from any submissions, but a number of submissions raised the need to increase promotion and advocacy for the training system itself within Western Australia, as discussed in the Introduction to this report.

RECOMMENDATIONS FOR CHAPTER 6

RECOMMENDATION 26

That the Department of Training and Workforce Development reconvene the governance group for Education and Training International at which issues of concern, such as marketing and transparency of costs can be discussed and potentially resolved.

RECOMMENDATION 27

That the Department of Training and Workforce Development and the governance group keep a watching brief on international developments and ensure that Western Australian providers are fully engaged in international servicing of VET markets.

Chapter 7. The role and functions the Department of Training and Workforce Development will have in supporting the proposed model [Term of Reference 7]

The DTWD, like similar departments in other States, has a difficult role to play in the new VET environment. On the one hand DTWD is effectively the custodian of the State-wide system of STPs on behalf of the Government; on the other, it is the purchaser of training in an open and contestable system. It is responsible to the Minister for the effective oversight of both.

It is not surprising, therefore, that the structures in the various States have evolved quite differently over the past couple of years. In some States such as New South Wales and South Australia there is one TAFE that oversees all the institutes, albeit with somewhat different approaches. In NSW, while TAFE NSW owns and controls the institutes, the Government encourages the institutes 'to have greater authority within an agreed accountability framework to manage their finances, assets and workforces, to develop and respond to business opportunities, and to develop their commercial capability so they can thrive in an increasingly contestable VET market.'[36] In South Australia, TAFE SA is a single statutory authority, with distributed delivery through metropolitan and regional campuses.

In Victoria, on the other hand, the model is different, as there has been a strong drive for greater independence for institutes, and to clearly separate purchasing of training from service provision, which has led to the abolition of the Victorian Skills Commission and the establishment of a relatively small *Higher Education and Skills Group*, within the Department of Education and Early Childhood Development.

Despite these different structures, a common theme in nearly all recent policy documents from the various States in relation to the new VET environment has been the need for TAFEs/STPs to operate with greater flexibility and independence than has been the case in the past. This said, it should be recognised that the DTWD has done a very good job of establishing the new funding and entitlement system in Western Australia, thus far, without the significant problems that have been experienced in some other States, and is

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[36] *Statement of Owner Expectations – TAFE NSW*, August 2013: 5.

monitoring the system carefully so as to avoid these. The recommendations in this report are intended to enhance the DTWD's ability to maintain this performance, and to shift the focus of some of its activities in order to do so.

This coincides with the general view, expressed in submissions to this review from all parts of the sector, that the DTWD should confine its core role to being (pursuant to the Act) purchaser of training places; a developer of state training policy (in conjunction with the State Training Board); monitor of the health of the VET sector; operational arm of the Minister; coordinator of state assets; and the major player in Federal-State relations as they pertain to training.

There is also a strong view that the DTWD should work to assist the sector in reducing and, where possible, removing what the STPs regard as unnecessary or duplicatory reporting and governance requirements, both those established through Ministerial Regulations and by the DTWD, and where possible, those imposed by central agencies, as discussed earlier.

There are also suggestions that the DTWD should ensure that it is not encroaching into areas of service delivery that are more appropriately the role of the STPs. This relates in particular to issues such as curriculum development, learning resources development, professional development for Institute staff, student enrolment, all of which can be pursued by one or more STPs in collaboration. On the issue of student surveys, frustration has been expressed by some STPs that surveys are undertaken at both the Federal and State levels, causing a duplication of effort for the STPs. Rather than administering surveys, the DTWD could be better engaged with ensuring that the STPs and RTOs are asking the most beneficial questions in their surveys – beneficial to current and future students– and requiring that the outcomes be provided to the DTWD for inclusion on an information website as discussed in Chapter 5.

The impression that the DTWD may be duplicating some of the functions of the providers is reinforced by the Key Performance Indicators provided in the DTWD *Annual Report* for 2012-13.[37] The KPIs listed are:

- Employer satisfaction with the skills of their employees;
- Apprenticeship and traineeship training rate;
- Apprenticeship and traineeship completion rate; and
- Graduate employment rate.

It is difficult to see, in a devolved system, how a Government department can be responsible for these outcomes, as compared with the service provider. Likewise, in describing its Efficiency indicators, the *Annual Report* lists the cost per student curriculum hour, again an indicator that rightly should be that of the individual STPs and which, certainly for the 2012-13, the Auditor-General has treated as an STP responsibility. The establishment or change of performance indicators in this context may require further consultation with the Auditor-General and it is recommended that the DTWD pursue this issue further with the OAG.

While there appear to be areas in which the DTWD appears to be duplicating the appropriate role of the STPs as service providers, or their Governing Councils, there is also the responsibility that the DTWD has on behalf of the Minister to oversee the effective operation of the VET sector. Recent experiences in other States, and in Western Australia, suggest that the DTWD's role in monitoring the impacts of the new entitlement model and open competitive market on the State-owned institutions, on the broader market, and in particular on current and potential students, could be enhanced, at the expense of some other business monitoring that should be the responsibility of the Governing Councils. The well-publicised, recently-leaked Victorian Auditor-General's report regarding significant financial problems in over half the institutes in Victoria has caused various parties to blame a range of factors including the move into a full competitive market without close enough monitoring; the greater autonomy of the institutes; the increase in fees under the entitlement model; and the concurrent

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[37] Department of Training and Workforce Development, *Annual Report*: 121-122.

reductions in government funding. Whatever the outcome, and it is possibly a combination of all these factors at this point in time, it points to the importance of enhanced monitoring of the system during a time of significant change, and it points to the danger of reducing government funding during such a time.

The key issues for monitoring will be areas of market failure and the contributing factors which would include appropriate fees, appropriate subsidies, quality of training, and the spread of contracting between public and private providers. This information would be derived from analysis of data housed by the DTWD, and through information derived from key stakeholders in a systematic fashion. There are also several recommendations proposed in this report which, if adopted, would give the DTWD an enhanced role in managing and monitoring the entire VET system.

In relation to its purchaser role, some private RTOs/Group Trainers have concerns about the timeliness, quality and transparency of communications from the DTWD. A number of individual instances were cited that suggest that communications, particularly around the funding of training provision, come extremely late in terms of the demands of the academic year and make it very difficult for RTOs to plan and deliver to students effectively. In their submission, Group Training Australia – WA Inc noted that it was 'advised of *Future Skills WA* at a public forum on August 22, 2013. This was also the first time that the State's group training organisations (GTOs) were provided with the details of the cost increases contained in *Future Skills WA.'* This submission maintained that the policy was not developed with input from GTOs in general, and potential impacts around pre-apprentice and apprentices were not able to be articulated and tested, a view repeated by other GTOs and RTOs. Again, it will be very important that impacts on pre-apprenticeships and apprenticeships be closely monitored, with advice from the service deliverers, to mitigate against unforeseen outcomes that will be detrimental for the State as a whole.

Given what appears to be a constantly changing environment for the VET sector at the Federal level, including reviews (e.g. the VET Reform Taskforce) and the Parliamentary Standing Committee review) it will be a challenge for the sector to remain abreast of developments without strong and continuing communication and advice from the DTWD.

In sum, there is great potential for the Minister to direct the DTWD to shift its focus away from management oversight of issues that can effectively be devolved to the STPs, and towards a more strategic focus on the ongoing design, planning, policy formation, facilitation, and monitoring of the entire VET system.

RECOMMENDATION FOR CHAPTER 7

RECOMMENDATION 28

That the Minister for Training and Workforce Development direct the Department of Training and Workforce Development to shift its focus away from management oversight of issues that can effectively be devolved to the State Training Providers (see Chapters 1 and 2) and towards a more strategic focus on the ongoing design, planning, policy formation, facilitation, and monitoring of the entire Western Australian VET system.

Chapter 8. Any legislative reform required to deliver the proposed model [Term of Reference 8]

Many of the tools that would allow greater autonomy and greater flexibility for the STPs are already present in the *VET Act*, but have not been fully implemented. There are other issues that may require alterations to the Act. This includes the implications for an STP moving into the higher education sphere, usually through a partnership with an existing Higher Education Provider (HEP). As discussed earlier, given the importance of pathways from school to VET to university for the State's aspiration to develop a 'post-mining' economy based on innovation, every effort should be made to facilitate the ability of the STPs to establish higher education partnerships including, if necessary, legislative change.

If the Minister were to approve STPs executing overseas contracts in their own right, the *Vocational Education and Training (College) Regulations 1996* would require amendment so as to, in accordance with s.37(i) of the *VET Act*, give STPs the capacity to do so.

As suggested in Chapters 1 and 2, greater change and effectiveness could be achieved in the sector, particularly amongst the STP network, if the current *Ministerial Regulations* could be adapted to the current environment.

RECOMMENDATION FOR CHAPTER 8

RECOMMENDATION 29

That the next review of the *Vocational Education and Training Act 1996* include any changes required in order that the recommendations of this review might be implemented.

Chapter 9. Strategies to support the growth of regional State Training Providers in a more open market, including the potential for partnerships between regional and metropolitan State Training Providers; and opportunities for partnerships between State Training Providers, industry, universities and private training providers. [Term of Reference 9]

The strong sense of commitment to their 'local TAFE' from regional communities came through very strongly in all the stakeholder meetings held in regional centres throughout the review. In many if not most of the centres the STPs are the largest providers of VET, and service client bases ranging from school leavers, people changing jobs, re-engaging mature age students, students engaging effectively with formal education for the first time, and mature people seeking a new direction in career or life.

The regional STPs therefore carry a dual burden of high expectations but thin markets. They also suffer more than their metropolitan counterparts from a uniform policy approach which does not reflect the often extreme differences that exist between the regions in this vast State: an approach, incidentally, that does not prevail in terms of the State's *Aboriginal Workforce Development Strategy* which explicitly states 'One size does not fit all – locally responsive solutions are needed to address unique local issues. The committee's consultations across the State's regions highlighted that each region of Western Australia has its own distinct and unique issues that are most effectively addressed by locally tailored solutions.'[38] Thus a policy or approach to training that might work in Bunbury or Margaret River is not necessarily going to work in Broome or Kununurra. This is particularly relevant when it comes to the State Priority Occupations List (SPOL), the driver for the subsidy level for training courses. One uniform piece of feedback from all regional stakeholder meetings and all regional STPs was that, despite the existence of the Regional Workforce Development Plans, no region believed that their region's priorities are reflected in the SPOL, meaning that in many cases the majority of their courses have increased in cost, making them less attractive for a student cohort that in many centres is not in a position to pay those costs. So both the STPs and

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[38] DTWD, *Aboriginal Workforce Development Strategy* (2010): 9.

private RTOs in those regions, and potential students, are potentially missing out. Issues relating to the SPOL are discussed further in Chapter 10 of this report.

Another issue for some regional STPs and private RTOS is that of quality of delivery. The TAC has noted that:

> Regional STPs typically have fewer resources to allocated to quality management … Issues often impacting on the ability to demonstrate compliance at audit include:
>
> - Ability to attract suitably qualified staff;
> - Lack of quality system (including absence of quality unit in regional area);
> - Lack of ability to provide the diversity in the range of conditions and experiences required under the Training Packages; and
> - Compliance varies from campus to campus in the same delivery area due to lack of consistency.
>
> … STPs with dedicated quality units were more likely to achieve a higher level of compliance and also respond to identified quality issues within a short period of time.

One means of addressing these and other issues for regional delivery is to establish collaborative models between STPs, or between STPs and private RTOs or other government or private sector organisations, in order to share academic and product expertise; share delivery profiles where regional STPs do not have scope to address local skill shortages; mentoring of senior staff; quality assurance; and to help address high staff turnover in regions. Such collaborative models normally require funds to facilitate the partnerships. In terms of delivery, a number of submissions noted the potential for STPs to use local networks to promote, facilitate or even deliver VET activities. These include Community Resource Centres, Regional Development Commissions, Chambers of Commerce, Westlink, etc. Given the large distances involved for most regional STPs and their students, the development of blended learning resources (combined online and in-person teaching) will be increasingly important, as telecommunications improve and as online educational delivery mechanisms become more sophisticated. Copious research papers have been produced on the benefits of blended learning, and numerous models of

successful blended learning programs already exist in the higher education and the training sectors in Australia. Rather than having to recreate the wheel, a consortium approach amongst all the STPs and between STPs and relevant universities can maximise the potential to adopt the best features of many of these for the benefit of regional students and their communities.

The STPs expressed the view, as a group, that however partnerships might be developed, it would be very important for these partnerships to be between equals, with clearly defined goals, responsibilities, and outcomes. One STP spoke of a previous experience of being a cost centre of a major Perth-based institution, with the result that facilities and assets were run down, and the priorities of the regionally-based institution frequently disregarded. As discussed previously the regional STPs have established a Regional Business Development Network through which resources and expertise can be shared across the Network to everyone's mutual advantage. Some regional STPs experience difficulties in recruiting and retaining qualified staff, often making it difficult to provide effective delivery to their communities. As the Managing Directors of six of the regional STPs have noted, 'There is evidence now of innovative models, whereby some institutes, in response to a set of unique circumstances, and where mutual advantage can be demonstrated, have begun to consider their role as being more about ensuring that the needs of their constituents are met, rather than having to meet them.'

On the specific issue of partnerships between regional and metropolitan STPs the approaches appear to be very different. While some regional STPs are actively pursuing partnerships with metropolitan STPs, others have a different attitude that is, in some instances, almost territorial. This no doubt reflects in part the changes brought about by moving from a single State-wide TAFE system working in a semi-monopoly market to a series of semi-autonomous institutes working in a contestable market. However, some of the positive aspects of the earlier system appear to be in danger of being lost as a result, and there should be some encouragement for the development of the notion of system leadership amongst the State system as a whole. In a research report 'Creating a self-improving school system' David Hargreaves describes system leadership as:

- A value: a conviction that leaders should strive for the success of all schools and their students, not just their own.

- A disposition to action: a commitment to work with other schools to help them to become successful.

- A frame of reference: understanding one's role (as a person or institution) as a servant leader for the greater benefit of the education service as a whole.[39]

These issues are as relevant for leaders in the VET system as in the school system, and it is recommended that, at the next forum for STP Managing Directors, the issue be the subject of facilitated discussion, as evidence has emerged in the process of this review that not all Managing Directors (and/or their senior managers) necessarily subscribe to all of these aspects of a system leadership framework, to the detriment of their students.

There is enormous potential for regional STPs to benefit from partnerships with a range of parties, as examples provided to this review have shown. But at a time when resources are increasingly stretched for all potential partners, there would be benefit in the State establishing a VET Regional Partnerships Program that could provide the resources needed to prepare the groundwork, test the assumptions, and then trial the implementation of new partnerships, including blended learning partnerships. Projects funded by such a Program would need to demonstrate that they are not 'business as usual' but that, instead, they have the potential to be transformational for the STP and, ultimately, for their region. As workforce development and economic development are the principal potential outcomes of such a Program, it is suggested that this could become a five-year project for Royalties for Regions.

Another question that has been raised by a number of submissions is in relation to the maintenance of 'uneconomic' campuses by some of the STPs, particularly those situated at significant distances from the main Institute campus. While it is recognised that these provide a community focus in many centres, they are a drain on STP finances, and some whole-of-government issues such as travel restrictions and restrictions on vehicles make this even more difficult.

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[39] David Hargreaves, *Creating a self-improving school system*, a research report published by the National College for Leadership of Schools and Children's Services UK (2010): 11.

As an alternative approach to the issue of uneconomic campuses, a number of private RTOs and industry groups have suggested that private RTOs might deliver from State-owned (and therefore taxpayer-funded) campuses, on a fee for service basis, during down times. One industry submission has suggested that:

> Although third party access is currently possible with some training providers, conditions for industry and private training providers are so unfavourable that access is rarely taken up. For public and private training providers in WA there needs to be clear guidance provided by DTWD on this issue, with decision making capability at the STP level, to facilitate the most productive use of public training infrastructure. Access should be charged at commercial rates and be possible when the facility is not at maximum capacity from STP usage. Maximum return on public investment in training assets should guide policy development for access arrangements.

The current DPAs for STPs provide for third-party access for other parties when possible and desirable. This issue needs to be reinforced by the DTWD through the development of a policy on access arrangements in conjunction with the STPs.

The whole issue of partnerships, including those made with industry, is clouded in the view of many by a lack of clarity in the DTWD's purchasing arrangements for STPs in terms of whether they are enabled to develop and maintain formal or informal partnerships with industry to identify purchase and/or lease industry-specific equipment of facilities, or facilities for STP campuses for use by apprentices and students. The DTWD is encouraged to make quite explicit any inhibitions against undertaking any of the above and of identifying any legislative impediments that may need to be removed in order to optimise this potential area of collaboration and mutual benefit.

There was a lot of discussion about the importance of pathways from school to VET to university, particularly for regional students where WA higher education rates are low. A more integrated system was seen as being to the benefit of everyone, but how to achieve this was noted as an issue. This issue is more fully covered in Chapter 5.

The importance of maintaining and enhancing the quality of VET provision in regional Western Australia cannot be overstated. The possibility of amalgamation of some campuses was raised in the Discussion Paper that was distributed as part of this review, but the issue was strongly opposed in submissions from regional communities and from regional agencies. Notwithstanding the issue of thin markets, it has been argued that the significant community role that the STPs and their campuses play means that it is vital to maintain the VET infrastructure in the regions. Furthermore, the sheer size of Western Australia means that the impact of amalgamations and the almost inevitable depletion of services would be much more acutely felt than in some other States. However, it is widely recognised that achieving greater efficiencies is crucial for all STPs, particularly those in the regions, as discussed earlier in this chapter and this report.

In summary, as the Western Australian Regional Development Trust has commented in their submission to this review:

> The VET sector is sometimes the only option for further education and provides an important transition from school to the work place. Secondary school attainment rates are well below State averages and are of concern for the regions and for families living within regions. These outcome levels create a real and material risk to the regions' capacity to drive the required growth and development to ensure a prosperous future for the State of Western Australia. Hence it is a material risk to the State and a key area of reform.

RECOMMENDATIONS FOR CHAPTER 9

RECOMMENDATION 30

That the Minister for Training and Workforce Development raise with the Minister for Regional Development the potential for *Royalties for Regions* to fund a five-year project under the heading 'VET Regional Partnerships Program' for regional State Training Providers that are looking to embark on new, innovative and long-term partnerships for the benefit of their institutions and their communities.

RECOMMENDATION 31

That the Department of Training and Workforce Development work with State Training Providers to establish a policy by which private Registered Training Organisations or other parties might deliver training from State-owned campuses. This should include reference to the use of information and communications technologies.

Chapter 10. A framework for streamlined information flows from industry and the VET sector to the Minister, including the role of Industry Training Councils, State Training Board, Training Accreditation Council and the Department of Training and Workforce Development in provision of information and how this advice is provided [Term of Reference 10]

10.1 State Training Board (STB)

A recurrent theme throughout the submissions to this review was that there is a lack of clarity as to the roles of the STB and of the DTWD in terms of policy development, workforce planning, and advice to the Minister on training priorities from a whole-of-industry perspective. Some of this is exacerbated by what is perceived as Departmental control of the STB's finances and staffing.

While the preference of central government agencies is to deal directly with the a department in relation to resourcing, there is a strong case to be made here that, in order for the STB to fulfil its statutory role, the Minister should direct that the resourcing of the STB should be treated as a straight pass-through from the DTWD and not be subject to Departmental efficiency reviews or resource distribution allocations.

Similarly there is a perception issue arising from the fact that the staffing of the STB is effectively made from the ranks of the DTWD and that the staff maintain a reporting line into the DTWD. Ideally the STB should be able to appoint its own staff, but current Government staffing frameworks do not allow for this. The DTWD should, nonetheless, remain cognisant of the problems of perception and act to ameliorate this where possible.

Communications from the STB to the Minister, while directed to the Minister, are signed off by the Director-General of the DTWD before being sent on to the Minister. As one submission suggests, 'This can lead to a perception that the DTWD controls the advice provided by the State Training Board.'

Resolving these three issues together – greater independence in resourcing, staffing, and communications – will go a long way to improving the capacity of the STB to perform its functions and to maintain its distinctiveness from the DTWD.

Some respondents expressed the view that the STB also needs a greater level of representation from industry. This issue is canvassed further below in the discussion of the Industry Training Councils.

Given the inevitable movement towards seamless transitions from VET to university, as discussed in Chapter 5, and given the important role that universities also play in workforce development, there is a strong argument to be made for the STB's remit to be broadened and strengthened to provide specific reference to both current and emerging industry workforce development issues that arise in both training and higher education sectors.

A current part of the remit of the STB is its role in an appeal process against a decision by the TAC, under section 58G of the VET Act. The appeal grounds are on the basis that the TAC erred '… in its application of, or failed to apply criteria or procedures in, guidelines it was required to apply under section 13 or by the regulations.' The review is therefore not a merit-based review, but a procedural one. It is the STB's view that this is not an industry flow issue but an administrative appeals one, and that the system would be better served if the Legislative Council's Standing Committee[40] recommendation that the State Administrative Tribunal (SAT) be charged with undertaking the review of TAC decisions should be taken up. Past discussions on the issue have not been fruitful as the SAT has taken the view that such decisions require a detailed understanding of the nature and operation of vocational training. But the STB is of the view that this is not the case and that, in their experience, the expertise for administrative appeals resides with the SAT, not the STB. Neither could the DTWD take up the role of review, due to obvious conflict of interest, and negotiations with SAT should be re-opened in order to resolve this situation.

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[40] Legislative Council Standing Committee on Legislation (2009), Report No.14, Inquiry into the Jurisdiction and Operation of the State Administrative Tribunal.

10.2 Industry Training Councils (ITCs)

The review heard an almost-universal view that the relationship between the STB and the ITCs should be more strongly consolidated. Several ITCs proposed that this could be achieved very effectively through the Chairs of the ITCs establishing some form of council or other sub-group of the STB, that meets at least twice-yearly with the STB. Some respondents also believe that the performance agreements with, and resourcing of, the ITCs should come through the STB.

There was a consistent view expressed that communication between industry and decision makers needs to be more focused, strategic and have immediate currency. This will need a change in structures to allow for two-way communication and targeted response, not only between the STB and the ITCs, but from industry to the ITCs themselves. Many ITCs were of the view that the voice of industry was increasingly diluted as it found its way into priority setting and resource allocation processes within the DTWD. One possible information flow that encompasses the various views presented to the review would be as follows:

- The ITCs undertake research as to the workforce development needs of their industries.
- This research is provided to the STB.
- Recommendations flow to the Minister.
- The Minister discusses the recommendations with the STB and DTWD, and provides them to the Department for comment on a policy and fiscal perspective.
- Recommendations are acted upon or disregarded, with reasons for discarding them being provided back through the STB to the ITCs and industry.

This provides for a clear information flow and feedback loop, which would overcome the frequently-expressed view from ITCs that they provide information on workforce development issues but don't always see that information reflected in Government or DTWD policy.

Some industry representatives who responded to the review, either through submissions or interviews, maintained that they had little interaction with the ITCs and preferred dealing directly with the Minister, the STB or the DTWD. Others noted that some ITCs

have established sub-groups that work hard with their industry sectors to coalesce views and incorporate them in ITC policies and plans. The most effective way of reinforcing the role of the ITCs would be for the ITCs themselves to strengthen their industry reach, and for the Ministerial and Government offices to require that individual requests from industry be channelled through the relevant ITC.

There was also a consistent view expressed in regional stakeholder meetings that the ITCs, in general, need to do more to engage with the regions. A few are as active as they can be, visiting various regional centres and assisting with advice, while others are seen to be totally metropolitan focussed. This related to a view expressed by the ITCs that there needs to be greater finessing of their performance agreements with the DTWD. Currently, there are fourteen outcomes listed, including regional engagement, but none appear to take priority over any others. Given that the ITCs work with finite resources, it has been proposed that a few key priorities be determined for each year, which will vary with each ITC. In determining these priorities the DTWD and STB could also specify a lifting of regional engagement where this is necessary.

Several members of ITCs suggested that the names of the Councils be changed to reflect the fact that they do not undertake training themselves. This issue should be discussed by the ITCs, the STB and the DTWD, in order to determine if the benefits of such a change would have any untoward consequences.

There was also a frequent call in submissions for the review of coverage of ITCs to address anomalies and ensure a more effective voice for some industries that currently feel somewhat marginalised in their current grouping. This does not apply to all ITCs and it would be worth while for the STB to survey the ITCs to see what adjustments could be made that would improve the situation for those industries. The fact that one individual is the Chair of two separate ITCs is cited by a number of respondents as an illustration that their groupings may require adjustment, as this implies at face value that two ITCs are dominated by the same particular segment of industry. The issue of the representation of the voice of small business should also be dealt with in these discussions.

Some RTOs expressed concern about what they saw as the constant changing and updating of training packages. Some recognised that this is a national issue, rather than the responsibility of the Western Australian ITCs, but would like stronger advocacy from the Councils at the national level to point out the implications and costs for providers.

10.3 State Priority Occupation List

A wide range of submissions from industry and from regional bodies were critical of the State Priority Occupation list (SPOL) and Priority Industry Qualification list (PIQL) on the basis that these reflect 'lag' indicators, rather than looking at where jobs will be needed in the near future. Where technology developments and industry reform create opportunities in job roles, tying the SPOL to the Australian and New Zealand Standard Classification of Occupations (ANZSCO) means sometimes jobs have yet to be classified. PIQL is premised on there being a relevant ANZSCO listing.

While the ANZCO system is a robust and widely used classification system for the vast majority of current and future occupations, some industry stakeholders have identified a few occupations and job roles where the ANZCO system is seen as being neither timely nor flexible enough for a forward-looking training system.

However, while both DTWD and STB have shown willingness to consider a rigorous, evidence-based alternative to inform the SPOL, such a model has yet to be determined. Maintaining a strong consultative process with business, particularly through industry groups such as the Chamber of Commerce and Industry, and the Chamber for Minerals and Energy, would allow a greater range of stakeholders to be consulted about the process.

Perhaps more easily remedied is the virtually universal concern in the regions that the SPOL reflects very little of the work that has gone into developing Regional Workforce Development Plans. Nor does the SPOL reflect the Regional Investment Blueprints managed by the Department of Regional Development. This has significance not only for workforce development in the regions but also for the sustainability of the STPs themselves, if the needs of their particular region are found within the general industry, and therefore higher cost, training qualifications as opposed to the priority qualifications. One proposal that on the surface has merit is that the purchasing contract with regional

STPs could contain an addendum for each region in which the priority qualifications for that region were identified and an adjustment to the subsidy made accordingly. This would more effectively align with the statement in *Training WA. Planning for the future 2009-2018* that 'Comprehensive 10 year workforce development plans will be developed for each region, providing valuable information to prioritise training needs and develop appropriate training responses.' [41] Furthermore, the Department of Regional Development has a Research and Information branch that could potentially support the STB and DTWD to undertake planning for the VET sector.

10.4 Training Accreditation Council (TAC)

In 2009 the Western Australian Government advised the COAG meeting on VET reform that Western Australia would not refer powers to the Commonwealth for essential services that are the responsibility of the State. One of these was power relating to quality assurance within the VET sector in Western Australia, as carried out by the TAC, the State's Registering and Course Accrediting body, with responsibility for quality assurance and recognition of VET services in Western Australia. From July 2011 two VET Regulators have operated in Western Australia, namely TAC and the Australian Skills Quality Authority (ASQA). TAC continues to regulate those providers who operate only in this State.

In recent communications with the Federal Minister for Industry, the Western Australian Minister for Training and Workforce Development has noted that Western Australia:

- Has "mirrored (as agreed at COAG) the provisions of the Commonwealth national VET regulator legislation in WA VET legislation;
- Has aligned its fees and charges to those set for ASQA [Australian Skills Quality Authority];
- Regulates according to the same national standards for training providers and regulatory bodies as ASQA; and
- Has a good working relationship with ASQA.

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[41] *Training WA. Planning for the* future: 29.

The Minister goes on to say that 'The national regulatory system for VET therefore operates consistently irrespective of which body undertakes the regulation.'

Some respondents, most notably private RTOs that provide training across State borders, expressed frustration about what they saw as a requirement for dual reporting through both ASQA and TAC, and advocated that the State should have just the one, national, regulator. However, the TAC has advised that '… a training provider is only required to report to the regulator they are registered with and no providers are registered with both regulators, so this should not be an issue.

Other respondents expressed their preference for having a State-based regulator, given the potential for more effective feedback, and for better understanding of the State environment. Most respondents would like to see more funding allocated to TAC so that they can do more on-site investigation rather than relying on desk-top audits. There is also a view from public and private providers alike that there are still some operators in Western Australia who are short-changing their students and not delivering the training they claim to be delivering. Anecdotes abound as to this type of 'shonky practice' and if the State's regulatory system is going to uphold the integrity of the vast majority of providers, and of the State regime as a whole, then TAC needs to be resourced to make sure that this can happen.

Several respondents suggest that TAC could play a broader role in the provision of advice to inform policy development – the hands on nature of its work means it is well positioned to verify concerns of industry and providers. It can assist in identifying:

- The strengths and weaknesses of current policies relating to RTOs;
- The potential impact of new policies on RTOs; and
- The impact based on historical evidence.

Responses to a survey distributed to the members of a major industry group on the terms of reference to this review reported generally positive experiences with TAC but private RTOs stated a need for more advice and support from TAC to ensure compliance is being met sufficiently. Industry members proposed that TAC needs more effective resourcing to enable it to respond adequately to private RTOs, and the functionality and accessibility of

the TAC website was noted as requiring improvement. The additional workload that will be required of the TAC through the new WACE model (see Chapter 5) adds to the view that the resourcing of the TAC should be reviewed over the next year.

RECOMMENDATIONS FOR CHAPTER 10

RECOMMENDATION 32

That the Minister for Training and Workforce Development determine the extent to which the State Training Board should be independent of the Department of Training and Workforce Development, and advise the Chair of the Board and the Director General of the Department of Training and Workforce Development accordingly.

RECOMMENDATION 33

That in order for the State Training Board to be able to fulfill its mandate, the Minister for Training and Workforce Development direct the Department of Training and Workforce Development to pass through the Board's funding without being subject to Departmental efficiency reviews or resource distribution allocations.

RECOMMENDATION 34

That there be a quarterly meeting convened between the Chair of the State Training Board and the Chairs of the Industry Training Councils to review the effectiveness of the flow of advice to and from industry.

RECOMMENDATION 35

That there be an annual strategic discussion between each Industry Training Council (ITC), the State Training Board, and the Department of Training and Workforce Development, at which the top few priorities for Government and the top few priorities for each ITC are identified in each of the ITC service agreements and given greatest weight in the reporting of outcomes. The Department of Training and Workforce Development should then provide the State Training Board with an annual report on the outcomes of the ITC service agreements.

RECOMMENDATION 36

That service agreements with each Industry Training Council should include an addendum that provides a plan for systematic engagement with the regions and the separate Regional Workforce Development Alliances or similar groups.

RECOMMENDATION 37

That the State Training Board's remit be broadened to include the workforce development implications resulting from the increasing convergence between the VET and higher education sectors.

RECOMMENDATION 38

That the State Training Board works with the Industry Training Councils to resolve any anomalies in industry groupings that could reasonably be adjusted. The outcomes of these discussions should include consideration of the appropriateness of the names and memberships of the Councils.

RECOMMENDATION 39

That the methodology for constructing the State Priority Occupation List be reviewed by the State Training Board and the Department of Training and Workforce Development so as to deal with issues raised about currency and alignment with regional workforce development plans.

RECOMMENDATION 40

That the resourcing of the Training Accreditation Council be reviewed to ensure that it can appropriately provide quality assurance for training provision in Western Australia and that, in particular, it is able to oversee effectively the regulatory compliance of participants in the VET in Schools program from 2015.

CONCLUSION

A notable feature of this review process has been the convergence of opinion around the issues raised in this report such as the need for clarity around the future direction of the sector; the need to monitor the introduction of *Future Skills WA* to ensure there are no adverse impacts that could lead to the type of downward spiral seen in the introductory phase of the entitlement model in Victoria; the need to resolve anomalies around autonomy for the STPs; the need for some adjustments by the State to accommodate the needs of the STPs to operate and succeed in a contestable marketplace; the importance of recognising the 'public good' aspect of training, alongside that focussed more specifically on workforce development; the need to address the State's comparatively poor performance in developing an overall framework for seamless pathways between the VET to university sectors; the uncertainty within the sector around VET in schools post-2015; the importance of the regional STP network for regional communities; the importance for all parts of the sector to improve and enhance the quality of training; and a better line of sight for industry in terms of influencing the work of the State Training Board and the Department of Training and Workforce Development.

A range of proposals to deal with these have been presented in this report for the Minister's consideration. Not all the proposals presented by respondents have been taken up, but all those that had a significant number of advocates have found their way, in one form or another, into the recommendations. The VET system in Western Australia is currently poised in a state of balance. With some adjustments such as proposed in this report, and with a maintenance of current funding levels, there should be reasonable confidence that the State can build *Future Skills WA* into a highly effective model. If, however, there are few adjustments made and if the budgetary situation worsens for the system, the State will lose the opportunity of having a strongly functioning training sector and will, instead, be grappling with equivalent problems to those being encountered in other States.   It is to be hoped that the Government and the sector will work towards the former option for the future benefit of Western Australia.

Independent Review of the

Vocational Education and Training Sector in Western Australia

Terms of Reference

Funding reforms establishing a student entitlement model in Western Australia will commence on 1 January 2014 leading to a more competitive VET market. In addition, the National Skills Reform Agenda, in particular the National Partnership Agreement on Skills Reform, which is a federally funded agreement aimed at improving the VET system in Australia, has led to significant changes in the VET sector.

Reforms under the National Agreement and National Partnership will provide skills that Australian businesses and individuals need to succeed in a rapidly changing economy and these changes present both risks and opportunities for the sector.

In the context of these reforms, the Minister for Training and Workforce Development has initiated this review to provide advice on the impact of these reforms and recommendations on:

1. A model for the most appropriate level of autonomy for metropolitan and regional State Training Providers including:

   a) The capacity of State Training Providers to operate in the new purchasing environment of the entitlement model;

   b) The appropriate level of accountability and responsibility for the State Training Providers to operate in the new purchasing environment;

   c) The appropriate level of commercial activity, specialisation through centres of excellence, and competition and how to achieve this;

   d) How to ensure the state's training needs are best met and that areas of training that are less commercially attractive are still catered for;

   e) The value of single desk marketing, as conducted by Education and Training International, within the proposed model;

   f) The role and functions the Department of Training and Workforce Development will have in supporting the proposed model; and

g) Any legislative reform required to deliver the proposed model.

2. Strategies to support the growth of regional State Training Providers in a more open market, including:
   a) the potential for partnerships between regional and metropolitan State Training Providers; and

   b) Opportunities for partnerships between State Training Providers, industry, universities and private training providers.

3. A framework for streamlined information flows from industry and the VET sector to the Minister, including:
   a) the role of Industry Training Councils, State Training Board, Training Accreditation Council and the Department of Training and Workforce Development in provision of information and how this advice is provided.

Project Management

The review will report directly to the Minister for Training and Workforce Development and be supported by the Department of Training and Workforce Development.

Duration of Inquiry

The Inquiry shall present its report and recommendations to the Minister by 30 April 2014.

Appendix 2

REVIEW OF STATE VOCATIONAL EDUCATION AND TRAINING SECTOR

SUBMISSIONS RECEIVED

State Government Departments/Agencies

Department of Education Services

Department of Regional Development

Goldfields Esperance Development Commission

Great Southern Development Commission

Regional Development Trust

Schools Curriculum & Standards Authority

State Training Board

Training Accreditation Council

State Training Providers

CY O'Connor Institute

Central Institute of Technology

Challenger Institute of Technology

Durack Institute of Technology

Goldfields Institute of Technology

Great Southern Institute of Technology

Kimberley Training Institute

Pilbara Institute

Polytechnic West

South West Institute of Technology

West Coast Institute

Industry Training Councils

Industry Training Council Network

Construction

Community Services, Health and Education

Electrical, Utilities and Public Administration

Financial, Administrative and Professional Services

Food, Fibre and Timber Industries

FutureNow: Creative and Leisure Industries

Logistics

Resources Industry

Other stakeholders

Association of Independent Schools of Western Australia

Bunbury Wellington Economic Alliance

City of Mandurah

Construction Forestry Mining Electrical Union

Edith Cowan University

Forte Hospitality

TAFE Directors Australia

State School Teachers' Union

University of Western Australia

World Plumbing Council

INTERVIEWS UNDERTAKEN

State Government Departments/Agencies

> Department of Regional Development
>
> Education and Training International
>
> Peel Development Commission
>
> Schools Curriculum & Standards Authority
>
> State Training Board
>
> Training Accreditation Council
>
> Wheatbelt Development Commission

State Training Providers

> Network of regional STPs
>
> Central Institute of Technology
>
> Challenger Institute of Technology
>
> CY O'Connor Institute
>
> Durack Institute of Technology
>
> Goldfields Institute of Technology
>
> Great Southern Institute of Technology
>
> Kimberley Training Institute
>
> Pilbara Institute
>
> Polytechnic West
>
> South West Institute of Technology
>
> West Coast Institute
>
> Western Australian Academy of Performing Arts

Industry Training Councils

> Construction
>
> Electrical, Utilities and Public Administration

Engineering and Automotive Industry

Financial, Administrative and Professional Services

Food, Fibre and Timber Industries

FutureNow: Creative and Leisure Industries

Logistics

Resources Industry

Other stakeholders

Association of Independent Schools of Western Australia

AMA Group Training

BHP Billiton

Chamber of Commerce and Industry

Chamber of Minerals and Energy

Community and Public Sector Union

Edith Cowan University

Master Plumbers Association

Nationwide Training

National Electrical and Communications Association

Rio Tinto

SMYL

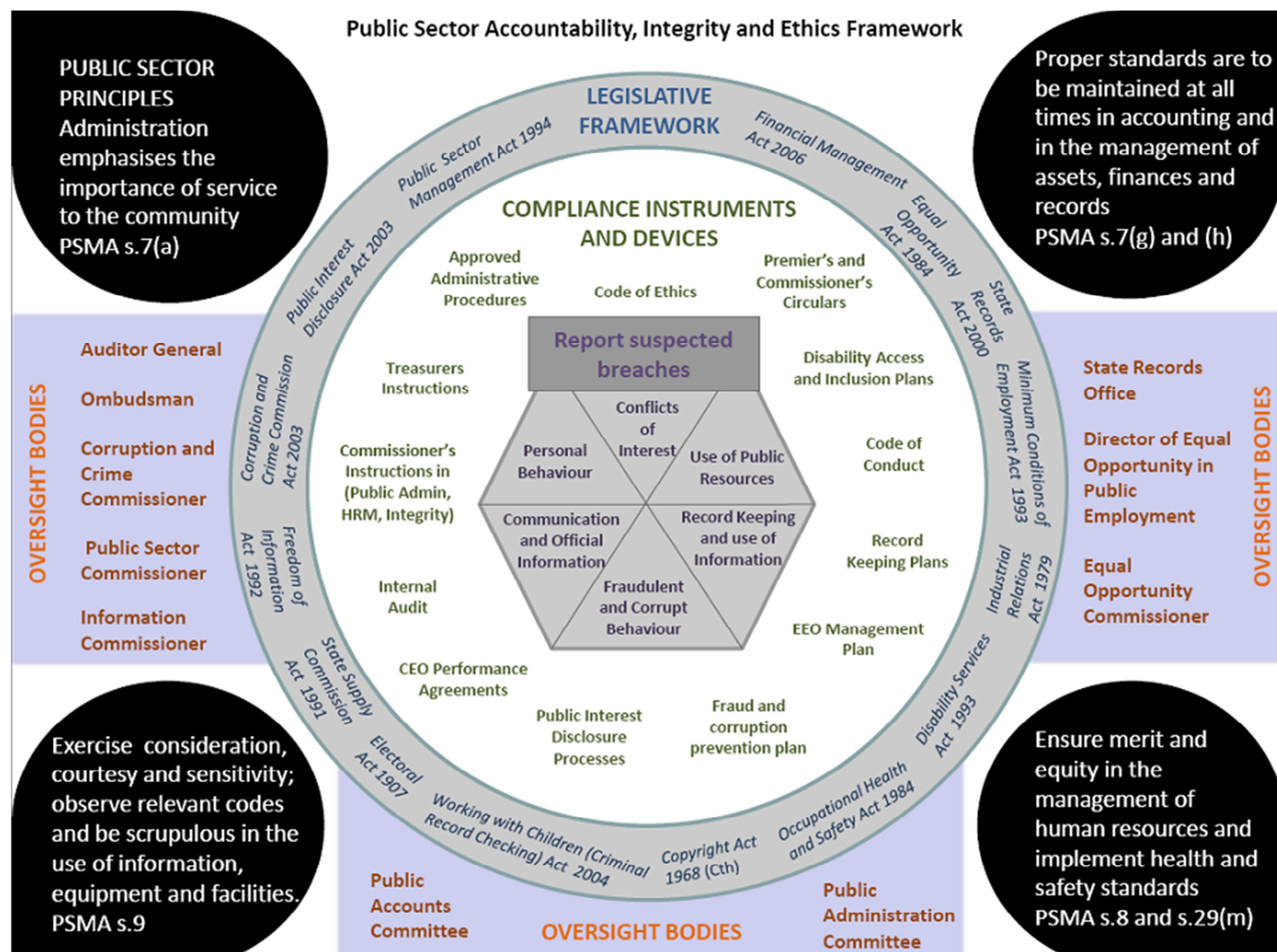State School Teachers' Union

Unions WA

University of Western Australia

VEQ

World Plumbing Council

APPENDIX 3

Public Sector Accountability, Integrity and Ethics Framework

PUBLIC SECTOR PRINCIPLES Administration emphasises the importance of service to the community PSMA s.7(a)

Proper standards are to be maintained at all times in accounting and in the management of assets, finances and records PSMA s.7(g) and (h)

Exercise consideration, courtesy and sensitivity; observe relevant codes and be scrupulous in the use of information, equipment and facilities. PSMA s.9

Ensure merit and equity in the management of human resources and implement health and safety standards PSMA s.8 and s.29(m)

OVERSIGHT BODIES

Auditor General
Ombudsman
Corruption and Crime Commissioner
Public Sector Commissioner
Information Commissioner

OVERSIGHT BODIES

State Records Office
Director of Equal Opportunity in Public Employment
Equal Opportunity Commissioner

OVERSIGHT BODIES

Public Accounts Committee
Public Administration Committee

LEGISLATIVE FRAMEWORK

Public Sector Management Act 1994
Financial Management Act 2006
Equal Opportunity Act 1984
State Records Act 2000
Minimum Conditions of Employment Act 1993
Industrial Relations Act 1979
Disability Services Act 1993
Occupational Health and Safety Act 1984
Copyright Act 1968 (Cth)
Working with Children (Criminal Record Checking) Act 2004
Electoral Act 1907
State Supply Commission Act 1991
Freedom of Information Act 1992
Corruption and Crime Commission Act 2003
Public Interest Disclosure Act 2003

COMPLIANCE INSTRUMENTS AND DEVICES

Approved Administrative Procedures
Code of Ethics
Premier's and Commissioner's Circulars
Treasurers Instructions
Disability Access and Inclusion Plans
Commissioner's Instructions in (Public Admin, HRM, Integrity)
Code of Conduct
Internal Audit
Record Keeping Plans
CEO Performance Agreements
EEO Management Plan
Public Interest Disclosure Processes
Fraud and corruption prevention plan

Report suspected breaches

Conflicts of Interest
Personal Behaviour
Use of Public Resources
Communication and Official Information
Record Keeping and use of Information
Fraudulent and Corrupt Behaviour

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