

Western Australian Training Sector Reform Project

Report

December 2015

Training Sector Reform Project Steering Committee

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FOREWORD

The Minister for Training and Workforce Development launched the Training Sector Reform Project (Reform Project) in October 2015 to examine the function and structure of Western Australia's public training sector. The purpose of the Reform Project is to ensure a robust and sustainable public vocational education and training (VET) sector with high quality training that is accessible and equitable to the community and that supports improved outcomes for students.

The impetus for this Reform Project was the *2013-14 Independent Review of the Vocational Education and Training Sector in Western Australia* (Seares' Review), which made the key recommendation for the State Government to give clarity around the overall design of the State's VET sector with particular focus on the State's TAFE Colleges.

The Government has responded to many of the Seares' Review recommendations, however some were subject to further review in this Reform Project.

The Reform Project has focused on an analysis of the functionality of the network of TAFE Colleges, their roles and responsibilities, their relationship with the Department of Training and Workforce Development (the Department), as well as how the Colleges might best operate in the contemporary VET market.

A Steering Committee for the Reform Project was established by the Minister and has been chaired by former Government Minister Cheryl Edwardes with representatives from industry and government. Mr John Langoulant, former Under Treasurer and Chief Executive of the WA Chamber of Commerce and Industry, has led the project work (see Appendix 1 - Project Terms of Reference).

The Reform Project's key deliverables were policy recommendations on:

1. The future expectations of the publicly funded VET sector in Western Australia.
2. The future role of TAFE Colleges in the publicly funded VET sector in Western Australia.
3. The optimal number and structure of TAFE Colleges going forward.
4. TAFE College governance arrangements.
5. TAFE College planning and accountability arrangements.
6. Autonomy, competition and collaboration, and marketing of the TAFE Colleges.

The Terms of Reference also proposed a review of the model for funding public and private training providers. This review will be undertaken as the second part of the Steering Committee's work as envisaged in the Terms of Reference. Details of how this Review will be conducted are contained in Section 9 of this report.

The Seares' Review undertook extensive consultations receiving submissions from many parties and conducting 44 interviews. The Reform Project through the Project Consultant met with industry bodies and their members, unions and TAFE College representatives as part of the Reform Project process. In the course of those consultations, several matters were raised that were not part of the Terms of Reference but have been subsequently raised with the Minister for her consideration. They include the future role and responsibilities of the State Training Board, Industry Training Councils, Training Accreditation Council, issues related to VET in Schools, and the impact of compliance

processes on College lecturing staff. I thank all of those who made contact with the Reform Project for their constructive contributions.

I would also like to thank my colleagues on the Steering Committee for their input, particularly Mr John Langoulant for leading the project work. I would also like to thank Dr Ruth Shean, Director General of the Department of Training and Workforce Development, and her team for their assistance during this project.

Hon. Cheryl Edwardes
Chair
Western Australian Training Sector Reform Project Steering Committee

EXECUTIVE SUMMARY

This report presents the first set of findings of the *Training Sector Reform Project*, and charts a detailed course for the future of the Western Australian TAFE Colleges by proposing structural changes that address and strengthen the key areas of sustainability, efficiency, governance, infrastructure, collaboration and performance.

The case for change

Seven of the eight smallest TAFE Colleges in Australia in terms of student curriculum hours are in Western Australia. The small size of some of the Colleges combined with high average cost structures arising from delivering services in regional and remote areas is placing pressure on the financial viability of Western Australia's TAFE Colleges. Structural reform of the Colleges is needed to address these issues.

There is also a lack of clarity around the degree to which the Colleges are expected to operate as autonomous institutes in a competitive training environment or to operate as part of a wider network of public training providers.

A new College structure would enhance governance and management capability, improve Government oversight of college performance and enable a more efficient allocation of resources. The optimum structure would also retain a focus on regional communities, market innovation and local industry needs.

A new College structure that encourages specialisation and collaboration can improve the quality of training delivered across the State while reducing the cost of delivering priority skills training in all markets.

Key changes at a glance

The key changes that would deliver a more sustainable public training sector and one with higher quality training outcomes for students and industry include:

1. Reducing by merger, the number of Colleges from 11 to five, coupled with a formalised collaboration framework, resulting in reduced administrative costs, improved governance, consistency of quality, greater specialisation and better utilisation of public infrastructure with:
 - a. three colleges to be established in regional Western Australia to maintain the existing alignment between local industry and the community; and
 - b. two colleges to be established in the metropolitan area with an enhanced focus on partnering with regional colleges.
2. Five Governing Councils to be appointed as the accountable authorities for the new Colleges, with five Managing Directors.
3. Providing greater emphasis on the TAFE WA brand, including in the naming of the Colleges, in view of its strong community recognition.
4. Heightened collaboration between the Colleges to deliver improved training opportunities to students, particularly in regional and remote areas.

5. Streamlining Colleges' annual strategic and business planning processes and the Delivery and Performance Agreement process.
6. Increased specialisation of training delivery to achieve the best practice training outcomes for students.
7. Greater oversight and coordination in attracting international students and in the Colleges' offshore commercial activities.
8. Increased College operational efficiency through the centralisation of appropriate corporate services, regulatory and policy functions.
9. Introducing improved mechanisms for monitoring Colleges' performance and their contribution to the VET sector.

Current status of the VET sector

The publicly funded training market currently consists of 11 Colleges operating 70 facilities scattered across the State, as well as approximately 280 private training providers that access public funding. In 2014, the Colleges dominated the publicly funded training market with 72 per cent of student curriculum hours with the private training providers holding the remaining 28 percent. Details of key aspects of the College's operations are shown in Appendix 2.

The Colleges provide an essential cornerstone role in the delivery of training across Western Australian industry and the community. This is particularly the case in regional areas where the demand for training can be "thin".

With half of the public training market being open to competition, private training providers are contracted by the State to assist in meeting its priority training requirements, offering niche courses for specific industries.

Private training providers often have more flexible training delivery strategies for their specific industry partners, offering support programs for equity and or disadvantaged groups, in courses which are often more difficult to provide by larger, less flexible institutions.

The Seares' Review noted the importance of achieving a proper balance in relative distribution of training between the Colleges and private training providers. That Review noted that of 315 audits conducted in 2012/13, 35 percent of training providers had significant and critical non-compliance with regulations, which represents a substantial risk to quality outcomes in the current VET sector.

The Committee believes that the current distribution of training between the Colleges and private training providers best positions the publicly funded sector in achieving a balance between efficiency and the ability to monitor and maintain a high standard of training.

Next Steps

Once decisions have been taken on the recommendations in this Report, it will be critically important that a detailed implementation plan be developed to introduce the new College structure. That implementation plan should be developed by the Department in consultation with the Colleges for the Minister's consideration and with a focus on the key implementation areas of regulation, governance, registration, corporate services and systems, training delivery, as well as communication strategies. The implementation plan should provide detailed timelines including that the new structural arrangements are to be introduced from 1 July 2016 with other reforms to follow.

The funding model arrangements for the delivery of publicly funded training programs will also need to be reviewed. It is proposed that the funding model review be undertaken by the Project Consultant (in association with the Department) and overseen by a Steering Committee. The above mentioned implementation plan should include details about how the funding model review will proceed.

1. COMMITTEE'S KEY FINDINGS AND RECOMMENDATIONS

The Steering Committee met on six occasions and reviewed a range of material developed by the Project Consultant and the Department. This material covered the performance of the TAFE sector in Western Australia, benchmarked performance of the sector to TAFE systems in the other jurisdictions and analysis of key aspects of the Terms of Reference.

The Committee benefited from meetings with industry bodies and their members, unions, TAFE College Chairs and a number of Managing Directors, private training provider representatives, and Professor Margaret Seares on the key aspects of her Report. The Committee is grateful for the contribution of these people and sector representatives.

KEY FINDINGS

On the basis of this process, the Committee formed a number of key findings on the performance of the Western Australian TAFE Colleges:

- the TAFE sector performs well overall when compared against interstate counterparts (see Appendix 3);
- there is no exemplary interstate model of TAFE operations. A number of other States have changed their TAFE operating models in recent years to implement national training sector reforms. Most other states have tended to adopt a single employer TAFE sector although the governance arrangements differ amongst jurisdictions. The success of these arrangements vary and are subject to incremental adjustments as these new models continue to be implemented (see Appendix 4);
- the scope of activities performed by Western Australia's Colleges are subject to Ministerial direction (see Section 4);
- in terms of student curriculum hours, Western Australia has seven of the eight smallest TAFEs in Australia. These low levels of activity may place pressure on the financial viability of some Colleges (see Appendix 4);
- industry and other key participants in the VET sector believe a smaller number of TAFE Governing Councils in Western Australia would enhance financial viability, system performance, and enhance collaboration between the Colleges, the Department, and the Minister. These improvements will ultimately translate to better student access to quality training;
- a smaller number of Western Australian Colleges would enhance flexibility and capacity to meet training needs across the State, including through greater resource mobility;
- the Colleges are seeking clarity as to the State's expectations of their roles and responsibilities in the VET sector;
- greater clarity in the scope and level of commercial activity undertaken by Colleges would be desirable from a State perspective;
- the prevailing statutory authority status of Colleges with Governing Councils is appropriate;
- the appointment of Governing Council Chairs, Councillors and College Managing Directors who are prepared to work collegiately as part of a system is critical to the success of the TAFE sector;

- the College Governing Councils and Managing Directors should formally consult and collaborate regularly with each other to identify improvements in TAFE systems;
- the TAFE Governing Council Chairs meet with the Minister on a bi-annual basis. The consensus is that these meetings are useful and could be further improved through a smaller number of participants;
- there is an opportunity to increase operational efficiencies through improved and streamlined strategic planning, business planning, reporting, and Delivery and Performance Agreement (DPA) processes without compromising accountability. This would give the Colleges' increased capacity to direct more of their resources to meeting student needs; and
- opportunities exist to increase operational efficiencies through standardisation and centralisation of back office activities, elimination of duplication and achieving greater economies of scale.

RECOMMENDATIONS

Given these key findings, the Committee makes the following recommendations to build a strong and sustainable TAFE Sector in Western Australia.

Governance and Reporting (Section 4 and Appendices 7 and 8)

- 1) The number of Colleges should be reduced from 11 to five, in the following configuration to support College viability, improve their efficiency and ultimately increase student choice and the quality of training delivery:
 - a. Three colleges should be established in regional Western Australia to maintain the existing alignment with local industry and community.
 - b. Two colleges should be established in the metropolitan area with an enhanced focus on partnering with regional colleges.
- 2) Five Governing Councils should be appointed as the accountable authorities for the new Colleges and subsequently five Managing Directors should be appointed.
- 3) Appointments of Governing Council Chairs and Councillors should be recommended from independently constituted selection panels with representation from other Governing Councils and the Department. Their ability to work collegiately within the TAFE sector should be a key selection criterion.
- 4) The new College Governing Council Chairs and Managing Directors, as a collegiate group, should establish regular meetings on all aspects of the Colleges' operations to identify best practice improvements and review their operations.
- 5) Meetings between the Department's Director General and the Colleges' Managing Directors should occur quarterly with the objective of addressing matters identified by the consultations in recommendation 4 and other matters as required.
- 6) Greater emphasis should be focused on the TAFE WA brand, including in the naming of the Colleges, in view of its strong community recognition.
- 7) Colleges' strategic and business planning and DPA processes should be streamlined and guided by the Minister annually issuing a strategic direction statement for the VET sector.

- 8) Monitoring the performance of the TAFE Colleges should be enhanced through introducing a uniform system of key performance indicators in the College's annual business plan for publication through the College annual reports.
- 9) The Department should publish separately the Colleges' performance against the Key Performance Indicators (KPIs) annually so that comparisons of performance can be facilitated. These KPIs should be accompanied by a set of VET sector KPIs so overall system performance can be monitored.
- 10) The Minister should publish a Statement of Expectations on the future role and responsibilities of the Colleges flowing on from this project and update it periodically.

Specialisation and Collaboration (Section 6)

- 11) Increased specialisation of training delivery through the creation of Centres of Excellence should be pursued by the metropolitan Colleges to achieve best practice training outcomes for students. These opportunities should be developed in consultation with the Department.
- 12) A more collaborative approach in delivering training amongst Colleges, and through the DPA process, should be developed aimed at improving the student training experience especially in remote areas. Ongoing work will be required in relation to College campus configurations to ensure improved student training options.
- 13) Innovation in College management and training practices should be encouraged including the maximisation of system wide excellence.
- 14) The current funding model should be reviewed in 2016 to deliver a more effective, efficient and transparent distribution of funds that better reflect costs of training delivery provided by each College and which increases flexibility in training options delivered to students.

Commercial activities (Section 7)

- 15) College participation in international markets, both in pursuing tenders and attracting foreign students, should not compromise domestic training delivery. It should also align with State objectives through greater management and coordination with the Department on behalf of the Minister.
- 16) College participation in commercial training opportunities should be aligned with the overall objective of the TAFE system and be subject to approval as part of business planning processes.

Efficient operations (Section 2)

- 17) Increased operational efficiencies are possible through the centralisation of appropriate corporate services, regulatory and policy functions within the Department, including the:
 - a. standardisation of information systems and technology platforms to gain efficiencies through economies of scale;
 - b. coordination of a TAFE network procurement strategy to achieve improved purchasing outcomes through common user approach and scale; and
 - c. expansion of human resources and finance transactional services to standardise processes and reporting.

Infrastructure (Section 8 and Appendix 5)

- 18) Rationalisation of training infrastructure needs to occur to better serve the State Government's investment in training.
- 19) TAFE infrastructure should continue to be planned and managed through the Department with local level facilities maintenance undertaken by the Colleges.
- 20) The Colleges should adopt a capability to measure campus utilisation and work with the Department to rationalise under-utilised assets or provide access to campus facilities by third parties through contracting arrangements.

Next Steps (Section 10 and Appendix 10)

- 21) Ministerial approval for the new structural arrangements to be introduced from 1 July 2016 with a detailed implementation plan developed by the Department and the Colleges. The funding model review is to be undertaken by the Project Consultant and overseen by the Steering Committee to occur in 2016.

2. TAFE COLLEGE ROLES AND RESPONSIBILITIES

The Seares' Review identified the need to clarify the role of the Colleges within the context of the key objectives the State has for the VET sector. In this Section, the Steering Committee proposes how the major issues of concern raised by Colleges in the Seares' Review might be addressed and has recommended that the Minister issue a 'Statement of Expectations' of the roles and responsibilities of the Colleges.

Before dealing with these matters it is helpful to review briefly the recent policy developments impacting the Western Australian VET Sector to understand how the current TAFE College operating arrangements have evolved.

Enabling legislation

A major feature of the *Vocational Education and Training Act 1996* (the Act) was the separation of the governance of the State Training Authority (the Department) over TAFE Colleges by establishing Colleges as separate statutory authorities with their own Governing Councils. The Act also describes a training market in which training services are purchased by the State through the Colleges and private training providers.

Since the legislation was enacted, there has been a steady increase in the proportion of funding allocated through competitive processes in Western Australia. The Colleges have progressively positioned themselves in the training market by competing as stand-alone institutions in the publicly funded domestic market and diversifying their operations through commercial activities including offshore international services and higher education offerings.

Furthermore, in 2009 the Colleges were encouraged by the State Government to:

- re-brand themselves as separately identifiable institutions by removing references to TAFE Colleges in their names and becoming known as State Training Providers; and
- pursue commercial opportunities in the training market.

These new freedoms also gave rise to a more independent approach to governance across the TAFE Colleges.

Future Skills WA

In 2014, the State Government, under the *National Partnership Agreement on Skills Reform*, announced that it would invest in training to equip people to take up jobs that are, or will be, in high demand in Western Australia.

The new entitlement system known as *Future Skills WA* provides an available subsidised training place for eligible students enrolled in courses that are aligned to State priority occupations. The State priority occupation list guides the purchasing of publicly funded training in Western Australia through the *State Training Plan* and *Future Skills WA*.

Apprenticeships and traineeships are a priority for the State Government, as are other qualifications on the State's priority industry qualifications list. The State also places a high priority on essential literacy and numeracy training for adults to assist them to complete their course and successfully participate in the workforce. *Future Skills WA* subsidises limited places in other general industry training courses, foundation skills and equity courses to

ensure a continued supply of trained people for these industries and to support disadvantaged community members.

Council of Australian Governments (COAG) Agreements

It is also important to view the TAFE College operations in the context of an evolving national training system guided by COAG agreements between the Commonwealth and States and Territories.

The establishment of Colleges as separate statutory authorities in 1996 has been an important and enduring feature of the Western Australian VET sector. The new arrangements coincided with greater competition in the VET sector through the agreement to introduce User Choice arrangements for apprenticeships and traineeships in 1998.

Subsequent COAG agreements sought to extend competition to other areas of training and provide greater independence for TAFE Colleges. The requirements of the 2008 *National Partnership Agreement on Productivity Places Program* significantly increased the proportion of training allocated through competitive processes. In many jurisdictions this had a profound impact on TAFE market share and which highlighted the need to reform TAFE in order to ensure its future competitiveness and sustainability.

Currently, the publicly funded VET sector is guided by the *National Agreement on Skills and Workforce Development* and the *National Partnership Agreement on Skills Reform*. The centerpiece of the *National Partnership Agreement on Skills Reform* is a requirement for States and Territories to provide an entitlement to a training place which is demand driven and available through user choice arrangements. This has seen further erosion of TAFE market share and reinforced the need to position TAFE as a viable provider, able to compete in the open market.

In this context, there are varying views about the extent to which increased TAFE independence results in improved outcomes for students and industry. Western Australia is well placed to consider this issue given the autonomous colleges model has been in place for 20 years.

As will be seen through this Report, the Steering Committee gave careful consideration to the relative strengths and weaknesses of TAFE independence and came to the view that a balanced approach to TAFE governance and accountability would be more effective. The Steering Committee also believed that a managed public market delivers better outcomes than a fully deregulated competitive market. The Steering Committee confirmed the effectiveness of the statutory authority base for colleges but was equally convinced that greater independence has led to some sub-optimal outcomes for students and industry. In the main, it was felt that greater collaboration would harness the collective strengths of the TAFE network for the benefit of industry and students.

These conclusions provide an important counter-point to the push towards fully competitive public markets that have underpinned recent COAG agreements.

VET Sector Objectives

The total VET market can be broadly defined as training that is privately financed and accredited training that is publicly funded. In Western Australia, the publicly funded market is primarily sourced through the Department. In 2014, the total VET activity reported in Western

Australia involved 738 registered training providers delivering approximately 73.8 million hours of training to 372,408 students. In that year, the Department funded 282 registered training providers to deliver approximately 35 million hours of training to 107,037 students.

Increasingly, there are linkages between the school system and the higher education system through VET providers. This interlinkage of teaching, learning and development is critically important as the State's economy and community grows and changes.

The key objectives of the publicly funded VET sector must always be seen in the context of the constraints of available resources and are considered to include:

- building aspirations, skills and capabilities of students through the provision of high quality training;
- enabling the Western Australian workforce to develop and build capacity;
- developing an inclusive, competitive, and diverse training sector providing flexibility and specialisation;
- promoting effectiveness, efficiency and innovation in training the future workforce;
- supporting a sustainable system of public and private training providers which enhances community access and choice of quality training; and
- developing international partnerships that meet the State's objectives.

TAFE College Objectives

Of the training funded by the Department in 2014, 72 percent of all student curriculum hours occurred in the 11 TAFE Colleges. These data underline the cornerstone importance the TAFE Colleges play in the State's VET sector.

The Seares' Review identified particular aspects of the TAFE College activities which required clarification. These areas included their autonomy, their relationship with the Department, their status in an increasingly competitive training market, their role in providing training in thin markets and equity of access, balance between collaboration and competitiveness and how specialisation should be pursued. In response, the Steering Committee proposes that the Minister issue a 'Statement of Expectations' to clarify the roles and responsibilities of the Colleges. To facilitate that Statement, the Steering Committee's response to these matters is provided later in this section.

A key objective of the Colleges, which collectively are the largest training providers in the VET sector, is to provide leadership in the pursuit of the State's VET goals. The Colleges' primary focus should be the delivery of high quality and efficient training services in line with Government priorities and industry demands.

The TAFE sector has always been characterised by the equality of opportunity that it provides to a significant number of people. In addition to its traditional strengths, providing training for apprenticeships, technical, and para-professional occupations, TAFE has a strong record of providing access to many who may have had no prior experience of, or achievement in, education or training.

In a modern economy, equality of opportunity remains important. However, merely offering access may no longer be sufficient. The Western Australian economy is transitioning towards what is commonly referred to as a knowledge based economy, where a broader,

deeper, and higher range of skills and aptitudes are necessary in order for people to prosper in, and navigate through, the labour market.

More than ever before, it is important for the TAFE sector to offer access to training and enable advancement to progressively higher levels of skill. For some, this will mean a journey through vocational education and training and into employment. For others, this may mean aspiring to higher education.

The support and pathways that the TAFE network can offer through both priority courses and general industry courses to enable people to achieve their aspirations will become increasingly important, as there is evidence to suggest that increasingly, the jobs of the future will require a higher level VET or bachelor level qualification.

TAFE Culture

The TAFE sector should strive for a culture which meets student, industry and community needs through collaboration and flexibility. TAFE Colleges should seek to provide an efficient service to further the State's economic and community needs.

Government service providers must lead the way with training of the highest quality, and practice must meet stringent standards of accountability. The goals of Government and disciplines of good governance must underpin all business activity.

While individual Colleges will have aspirations for their areas of specialisation and commercial activity, these must not come at the expense of a quality service to meet the State's priority skills needs.

College Autonomy

The Colleges are constituted as statutory authorities for the purposes of the *Public Sector Management Act 1994* (PSMA) and the *Financial Management Act 2006*. This status is appropriate and no change is proposed by the Steering Committee.

As statutory authorities, the College Governing Councils have certain responsibilities concerning the good governance of the Colleges. Equally, there are certain obligations which apply under both Acts mentioned above and as being part of the general Government sector more broadly. These include reporting obligations, observing standards of operation and behaviour, and meeting financial targets.

The Seares' Review comprehensively addressed the issues of concern to the Colleges as far as autonomy of College operations is concerned. The areas identified where Colleges have sought greater autonomy range from industrial relations, the duration of their funding agreements, the need to seek travel approvals, how international students were engaged, and their commercial and marketing operations.

The Steering Committee noted the requirement to manage such matters in consultation with Government is common across most, if not all, of the State's statutory authorities. To provide special treatment to the Colleges to deal with these matters would create significant precedent and is not supported by the Steering Committee. In any event, it is envisaged that the recommended reduction in the number of College Governing Councils will see this matter resolved through the opportunity that will present for enhanced consultation between the Colleges, the Minister, and the Department on behalf of central Government agencies.

Looking past these specific matters the Steering Committee was satisfied that the VET Act and other governance instruments applying to College Governing Councils adequately identify the areas where they have authority and responsibility to act and that these areas are appropriate. While the VET Act does not explicitly state that issues such as setting and monitoring the strategic plan of Colleges, overseeing the management of risk, ensuring the financial health of the Colleges, and appointing and managing the Managing Directors on a day to day basis, these issues are clearly the responsibility of the Governing Councils by dint of the fact that they are the Colleges' ultimate governing bodies.¹

Relationship between the Department and TAFE Colleges

The Department assists the Minister in the administration of the VET Act and other related legislation and has Ministerial delegation as the system manager for the State Government's interest and investment in the State's VET sector. This includes system level support and coordination and strategic development of the State's VET sector including in a national policy context.

These responsibilities result in the Department having the dual roles as the purchaser of training activity from the Colleges, and other registered training organisations, as well as the entity advising the Minister on regulatory matters impacting the VET sector. These different roles have from time to time created tensions between the Department and the Colleges with the latter wanting to see the Department take a lesser role in their reporting responsibilities.

The Seares' Review identifies areas where the Colleges have proposed that the Department's reporting requirements should be devolved to the Governing Councils.² These areas include reviewing and endorsing the Colleges' annual business plans, approving travel, approving capital and managing capital works. Consistent with its position on the issue of College autonomy, the Steering Committee sees these matters as being part of the realities of being an agency within a Government framework.³ Accordingly, it does not support these proposals.

That said, there is clear need for the Department and the Colleges to have an efficient and effective working relationship. With that objective as a priority, it is proposed that the Director General establish regular (quarterly) meetings with the College Managing Directors with the explicit aim of implementing streamlined processes for the reporting requirements of the Colleges through the Department to the Minister.

The Department currently provides the following sector wide services to the Colleges:

- provision of all major ICT systems including the Student Management System and Human Resources and Finance systems, and the VET data network;
- management of the Training Business Services function providing shared corporate Human Resources and Finance transactional services including payroll, recruitment, accounts payable, reporting and taxation;
- coordination of industrial relations matters across the TAFE Colleges, including negotiation of future wage agreements and representation at the Industrial Relations Commission;
- student admissions;

¹ These issues were raised in the Seares Review as matters that should be included in any future review of the VET Act (see Seares, M. [2014], *Independent Review of the Vocational Education and Training Sector in Western Australia 2013-14*, p.33)

² Seares (2014), p.36

³ *Ibid.* p.31

- international student recruitment and management;
- management and coordination of budget submissions for the VET sector;
- infrastructure project management; and
- consolidated reporting of financial and student data to the national data centres.

Opportunities exist to increase the Colleges' operational efficiency through standardising and centralising the following functions:

- marketing the TAFE network;
- management and delivery of standardised ICT services and infrastructure;
- processing, reporting, and financial management activities in human resources, industrial relations and finance services;
- planning and management of TAFE infrastructure maintenance;
- procurement of goods and services through the creation of sector wide contracts; and
- corporate policies that could be applied across the TAFE network.

These efficiencies have been included in the assessment of the potential savings from the proposed College re-structuring options outlined in Appendix 10. The delivery of these functions on behalf of the Colleges by the Department will be managed within existing Department and Colleges' resources.

Further strengthening the case for standardisation, it was noted during the consultation process that there is an overemphasis on, and a lack of standardisation in documentation which has impacted the capacity of the VET sector to support student needs and diminished the quality and efficiency of the VET sector. As a result of the Steering Committee's examination of this issue, further work should be undertaken by the Department in consultation with the Colleges, stakeholders, and the Training Accreditation Council.

Competition and Collaboration

The Seares' Review examined the issue of the design of the VET sector. In that discussion, it posed the question of whether the private training providers should play a balancing role or a leading role in training where "leading" was meant to see the bulk of purchasing of training being from the private training providers, with the Colleges playing the residual role in areas of thin markets.

The Seares' Review went on to say, "(N)o arguments have been put forward...that suggest this is the way forward for the sector..."⁴ This position is supported as the Steering Committee believes the Colleges are the cornerstone training providers in a sector which is evolving in terms of private participation but which is still susceptible to economic fluctuations in many areas.

The Seares' Review also states that, "(W)ith regard to moving to a fully competitive model, no submissions advocated such an approach."⁵ This position is also supported by the Steering Committee although it notes that competition should be encouraged as a constant trend in the system's management and development.

The fact that the Colleges are the cornerstone of the VET sector brings with it certain responsibilities. As mentioned, these responsibilities include leadership roles in ensuring the training sector pursues quality training outcomes and equality of opportunity for students.

⁴ *Ibid.* p.18

⁵ *Ibid.* p.18

This leadership role will be enhanced by the Colleges working collaboratively in the pursuit of these outcomes.

Section 4 and 6 of this Report addresses how the Colleges might increase their collaboration with the aim of improving the VET sector.

Thin/Equity Markets

The issue of how thin and equity markets might be addressed in VET is a nationwide challenge. Other jurisdictions continue to grapple with this matter as did the Seares' Review. Currently, the responsibility for meeting training demand in such markets falls to the TAFE Colleges in most jurisdictions. By definition, such markets are uneconomic and therefore unattractive for private training providers.

Within a fixed budget, meeting students' expectations in such markets can only occur at the expense of other areas of the public training market. Recently, there have been instances where Colleges in Western Australia have vacated thin markets. While this is unfortunate, regard must be paid to the system's financial capacity to respond to such circumstances and ensure continued value for money and public benefit.

This will require improved planning to accommodate training needs which arise in thin markets including the identification of, and access to, a range of cost effective training options. A more collaborative approach to address such circumstances among the Colleges, the Department and with industry participants should be developed.

It is proposed these issues be one of the priority matters on the agenda of the collaborative meetings recommended by this Reform Project between the Department's Director General and the Colleges' Managing Directors.

Specialisation

There are several areas of success in the TAFE Network based around specialised training facilities. These include 'stand-alone' specialisation (single delivery location) where intense aggregation of training effort is required for operational efficiencies e.g. Australian Centre for Energy and Process Training (oil and gas training) at Challenger Institute of Technology; Jandakot Campus (aviation) and Thornlie Campus (heavy automotive and plant) at Polytechnic West; and maritime at the Kimberley Training Institute.

Specialisation should be encouraged within the TAFE sector as it enhances quality training outcomes and increases student outcomes. Specialisation can also advance State objectives including in the area of international student engagement.

The proposed new structure of Colleges will provide the opportunity for new specialisation initiatives to be pursued. Section 6 of this report discusses these matters further.

3. TAFE COLLEGE STRUCTURE

The Steering Committee's Terms of Reference required it to consider the structure (i.e. the number and location) of TAFE College Governing Councils and to recommend on future arrangements. In doing so, the Committee was mindful it had not been asked to address campus structures and so the following addresses only the issue of College Governing Council arrangements.

The Steering Committee received views from several sources, including from consultations undertaken by the Seares' Review and meetings held between the Project Consultant and TAFE Colleges, industry and unions, to the effect that the current number of TAFE Colleges was excessive and should be reduced. The principal arguments advanced for this view included:

- the cost of operating small Colleges in regional areas is high, and increasingly unsustainable, and could be addressed through amalgamations;
- a smaller number of metropolitan colleges would allow for a more diverse mix of training activities across Colleges which would enhance sustainability of College finances in changing economic conditions;
- a smaller number of Colleges would enhance the viability of some Colleges, increase flexibility in the delivery of training programs and enhance opportunities for specialisation; and
- a total of 11 Colleges complicates communication and collaboration amongst Colleges and with other Government agencies.

The Committee developed criteria to assess these arguments and to analyse options for reducing the number of Colleges. The criteria were:

1. **Local decision making:** providing for a focus on local decision making with appropriate level of community input; alignment of structure to natural boundaries (regional area, economy, industry needs).
2. **Operational scope and scale:** enhancing operational efficiency across the sector; providing the most efficiency.
3. **Sustainability:** providing a sustainable business size (greater than 1.5 million student curriculum hours) and providing for a diversity of delivery to meet economic and social fluctuations in demand.
4. **Quality:**
 - 4a. enhancing student outcomes through increased course offerings from each College, simplified/streamlined communication about the TAFE network (brand and marketing), improved standardisation and collaboration between Colleges.
 - 4b. providing opportunities for specialisation particularly in relation to providing services in regional areas.
5. **Performance benchmarking:** providing improved capacity to benchmark performance across Colleges for efficiencies, effectiveness, and quality.
6. **Governance and State priorities:** facilitating Government oversight and College governance capacity; aligning College interests in relation to State interests; meeting the State's needs and priorities.

7. **Contestability:** facilitating the operation of an open and competitive training market aligned with COAG objectives.

In applying these assessment criteria, the Committee decided to adopt an equal weighting for each criterion recognising that as broad a range of factors as possible should be brought to bear on any decision to change the College structures.

The Committee considered several options for structuring future College arrangements including variations on metropolitan and regional configurations. Ultimately, three options were assessed:

- 1) a five College model with two metropolitan Colleges and three regional Colleges;
- 2) a three College model with two metropolitan Colleges and one regional College; and
- 3) a single College to cover the whole State, both regional and metropolitan.

In addition to assessing each option against the criteria, the Steering Committee assessed the financial implications of the three options, noting that operating efficiencies from the options generated potential savings. Details of these assessments are contained in Appendix 10.

The Steering Committee concluded overall that the best balance at this time is to replace the existing 11 College model with Option 1 involving five Colleges, two in the metropolitan area and three in the regions. The two metropolitan Colleges would be based on a north of the Swan River/south of the Swan River split of existing campuses as this would provide the best allocation of training programs across the metropolitan area. The three regional Colleges would be allocated to the Kimberley/Pilbara region, the Mid-West/Central region, and the South West region (see Appendix 6 for proposed College location maps).

The analysis showed that there are relatively small differences between Option 1 and Option 2 (a three College structure). The fact that five Colleges with three in the regions would retain more effective regional input into identifying local skill and community training needs compared with one regional College Governing Council was important in the Steering Committee recommending Option 1.

In effect, a five College structure provides a balanced approach between local responsiveness and critical mass. However, the Committee believes that the new arrangements should be reviewed in five years to assess whether further improvements could be made by reducing the three regional College Governing Councils to one.

As to the proposed two metropolitan Colleges, the Committee concluded that two Colleges were preferable to the current four and that two were better than adopting a single TAFE model for the entire State. The fact that most other States had moved recently to a single TAFE employing authority and that structure would provide the largest efficiency savings and the greatest flexibility in the ability to deploy resources across the State was recognised. However, it was concluded that the increased flexibility gained from a five College structure and the continued benefits that structure provided in terms of local community engagement were superior to the one TAFE College approach. In addition, having two metropolitan and three regional TAFEs provided the opportunity to drive performance improvement, encourage innovation and deliver administrative excellence through performance benchmarking College performance across the system and separately for the two metropolitan and three regional Colleges. In summary, a five College structure represented a balanced approach between local responsiveness, critical mass, and economic efficiencies.

Colleges, campus locations, course configurations, and activities at those campuses is proposed to remain unchanged for the time being. The Steering Committee has made recommendations on the future management of campus infrastructure for the new College Governing Councils to address (see Section 8).

4. TAFE COLLEGE GOVERNANCE ARRANGEMENTS

The Steering Committee reviewed the governance arrangements applying to the College Governing Councils to ensure they were fit for purpose. It concluded that the statutory authority basis of the Colleges is appropriate but several improvements were possible in the governance practices of the Colleges and their relationship with the Department. Similarly, the Steering Committee recommends some changes to the Colleges' strategic, budgeting and Delivery and Performance Agreement (DPA) processes and in their compliance and data reporting more broadly.

College Governance Legal Basis

The *Vocational Education and Training Act 1996* (the Act) establishes a vocational education and training system for the State.

The Act provides functions and powers for the Minister to administer the VET system, to establish, amalgamate and name colleges, to appoint Governing Councils and their Councillors and to appoint College Managing Directors. The Minister may delegate her functions under the Act to Colleges and the Act states that the Governing Councils are the ultimate governing bodies of the Colleges.

The *Public Sector Management Act 1994* (PSMA) also determines the framework for appointing and performance managing the College Managing Directors.

The Minister has delegated certain Ministerial powers and functions to Governing Councils through the VET Ministerial Corporation Instruments of Delegation and Authorisation. These instruments provide parameters and requirements for activities to be undertaken by Colleges. The Minister also issues Ministerial Guidelines concerning commercial activities by Colleges and has delegated powers to the Director General of the Department as articulated in the VET Ministerial Corporation Instrument of Authorisation.

The Steering Committee concluded that the Act and the instruments exercised by the Minister are adequate in providing direction to the Governing Councils as to their roles and responsibilities. However, in view of the Seares' Review raising ongoing uncertainty amongst Governing Councils as to the status of their responsibilities and their related concerns with autonomy and being independent of the Department in reporting to the Minister, it would seem necessary that the new Governing Councils engage with the Department, the Public Sector Commissioner, and the State Solicitor (if necessary) to ensure there is clarity in these matters.

In this regard, it is relevant that the Seares' Review noted the Councils had "different conceptions of what the role of the STP Governing Councils should be. Some see themselves as boards of management in the public company sense; some see themselves as advisory bodies; and some see themselves as community representatives."⁶ These observations reinforce the need for clarity.

The Colleges expressed concern through the Seares' Review with the fact that the PSMA results in the College Managing Directors being appointed by the Governor on the recommendation of the Public Sector Commissioner and that the Managing Directors'

⁶ *Ibid.* p.38

performance is formally monitored by the Commissioner.⁷ The Steering Committee notes that while this is a common practice across the State's statutory authorities, the Commissioner has adopted processes which include governing bodies in the selection process of CEOs and Managing Directors. Furthermore, the Governing Councils effectively have day to day management oversight of the Managing Director's performance.

College Planning and DPA Processes

The Colleges are required by the Act to submit annual business plans for approval by the Minister together with periodic strategic plans. There are also annual negotiations with the Department on DPA arrangements that tend to follow and be separate to the presentation of these planning documents.

There is scope to refine these arrangements and improve their efficiency. It is proposed that the current process be changed to incorporate:

- an annual statement from the Minister as to the strategic parameters and State requirements expected from the TAFE network for the year ahead. This statement would enable the Governing Councils to reflect on their own strategic and budgeting process in a more informed manner while not diminishing the importance of that responsibility;
- the DPA negotiations with the Department may be able to occur earlier than currently, and before the Colleges submit their annual budgets. The DPA commits Colleges to up to 75 percent of their activities each year and it would seem sensible that budgets are prepared with knowledge of DPA undertakings for the year ahead; and
- the annual budgets from the Colleges would be submitted to the Minister in the usual manner but with the benefit of the information garnered from the above two processes.

The Funding Model Review which will follow the Minister's consideration of the recommendations in this Report will include a review of the DPA arrangements. It is proposed that Review examine how the Colleges' budget and planning arrangements can be further streamlined in the context of the DPA arrangements.

Other Reporting Obligations

The Colleges have cited a range of other data and information reporting they are required to provide under State Acts, regulations, Intergovernmental agreements, and State Government processes including budgeting processes from the Department. They have sought relief from some or all of these requirements both in the course of this Reform Project and as part of the Seares' Review.⁸

It is difficult, if not impossible, for exemptions to be provided to any Government entity from these reporting requirements. Rather they need to be looked at as part of a whole of Government process.

Nevertheless, the burden of reporting is a significant factor bearing on the Colleges' productivity and where it may be possible to reduce these burdens then such capacity should be pursued. It is therefore proposed that certain State Government budget reporting and other administrative data processing be centralised as far as possible

⁷ *Ibid.* p.39

⁸ *Ibid.* pp. 34-35

through the Department. It is also proposed that the Department and the Colleges form a working group to identify other means of reducing the reporting burden on Colleges.

College Governance - Future Collaboration

The recommended reduction in the number of Colleges to five is expected to improve many aspects of the TAFE system performance. It will provide the opportunity for far greater collaboration amongst the Colleges and enhance the strategic management capability of the TAFE system. The Steering Committee believes that a well-functioning collaboration regime between the Colleges, the Department, and the Government will feature:

- regular dialogue amongst the College Governing Council Chairs and Managing Directors to identify system performance issues, innovation opportunities and administrative enhancements to improve efficiency and effectiveness;
- regular reports to the Minister and the Department on these matters provided in a transparent, open and consultative manner;
- the Colleges and the Department working collaboratively so that new initiatives being considered by the Colleges are in consultation with the Department before being implemented;
- a revised strategic and business planning process whereby the Minister and the Department provides the Colleges with key strategic guidance on the future years outlook for the training market, and agrees DPAs with each College before business plans are developed by the Colleges for the Minister's approval; and
- a commitment to maintaining robust accountability and compliance within the existing public sector framework and Government direction.

5. TAFE COLLEGE KEY PERFORMANCE INDICATORS

In addition to statutory, regulatory and Government process reporting requirements, the Colleges have a range of performance measurement requirements to observe. Currently, College performance reporting occurs in a variety of sources and across a range of measures. The reporting sources include sections of their Delivery and Performance Agreement with the Department, in their annual reports, as part of their CEO performance agreements, and in their annual business plans. As a consequence it is difficult, if not impossible, to assess the relative performance of the Colleges or to measure their performance across time on a comparable basis.

The Seares' Review identified that efficiency and standard of training should be the key drivers for the purchasing of training.⁹ The Review proposed that once the role of the Colleges is clarified, indicators should be developed that also measure the quality of governance.

The following areas are deemed to be the most critical in ensuring that the VET sector is operating effectively and efficiently:

- stakeholder satisfaction;
- training outcomes;
- financial sustainability and efficiency; and
- people management.

Stakeholder satisfaction

The key performance measure is the benefit students obtain from the VET sector. Students and other stakeholders (industry, etc.) are currently surveyed on a range of matters to assess their experience with the State VET sector. Monitoring of their outcomes could be enhanced by drilling down further into the survey responses and reporting on specific areas of the system such as suitability of learning resources.

Training outcomes

Currently, the Department and the Colleges negotiate broad annual delivery targets centred on overall anticipated hours of training delivery. This area could be enhanced by expanding the current indicators to report on workforce utilisation for lecturing staff.

Financial sustainability and efficiency

The Colleges are currently monitored against State budget targets and report on cost per student curriculum hours in their annual reports. It is proposed that new indicators be introduced to report on administration costs and the utilisation of College facilities.

People Management

The key resource available to the training sector and the TAFE Colleges are the people who work in the sector and especially the trainers. So ensuring appropriate levels of engagement of all staff in the TAFE sector is achieved and that trainers are actively employed is essential to a well-functioning sector.

⁹ *Ibid* p.18

The Steering Committee saw the development of a uniform set of performance measures which are reported individually by each College and are also reported collectively and independently of all Colleges would be an important improvement in managing the TAFE Sector. It was also considered important that a set of VET system wide measures of performance be published annually so the collective efforts of the TAFE Colleges can be assessed.

Accordingly, a new framework of key performance indicators of College performance is proposed as shown in the Table below. Projected annual targets for these indicators should be reported in the College's annual business plans with results against targets reported in the College's annual reports.

The Department should also publish annually, a report on the performance of the State's VET sector which would include the individual College KPIs as well as a select number of system wide performance measures (also shown in the Table below).

Key Performance Indicator Framework (Colleges)
1. Stakeholder satisfaction
Student overall satisfaction <p>The overall student satisfaction rating expresses the number of 'satisfied' and 'very satisfied' respondents. The results provide an overall expression of how satisfied students are with various services provided by the College.</p>
Graduate achievement rate <p>The Graduate Achievement Rating is an indicator that measures the extent to which College graduates have fully or partly achieved their main reason for undertaking the training.</p>
Graduate destination <p>This performance indicator shows the extent to which a College is providing relevant and quality training that improves student employability by highlighting the proportion of graduates in employment.</p>
2. Training Outcomes
Achievement of profile delivery (review) <p>This indicator details the total number of Student Curriculum Hours (SCH) delivered (both Delivery and Performance Agreement Funded and fee-for-service).</p>
Unit completion rate <p>Load pass rate is a National Centre for Vocational Education Research measure that represents the ratio of hours attributed to students who successfully complete a module or unit of competency to all students who were assessed and either passed, failed or withdrew.</p>
3. Financial/Efficiency Indicators
Delivery cost per student curriculum hour (SCH) <p>The overall cost per SCH demonstrates the efficiency with which a College manages its resources to enable the provision of vocational education and training programs.</p> <p>Actual Cost = $\frac{\text{Total Cost of Services}}{\text{Total SCH}}$</p>
Administration <p>Administration expenses as a percentage of total expenditure</p> <p>Non-teaching FTE as a ratio of total FTE</p>
Facilities utilisation <p>This measures the average % of time that College facilities are booked for use.</p>

Financial parameters and sustainability
<p>Operating within approved State budget parameters including:</p> <p>Net Debt (approved use of cash balances)</p> <p>Net Operating Balance (Budgeted revenue required to meet budgeted expenditure commitments)</p> <p>Expense Limit (Approved budgeted expenditure limit)</p>
4. People Management
<p>Staff Engagement</p> <p>Measure annually the College staff engagement with the organisation's objectives.</p>
<p>Productivity</p> <p>This measures utilisation of available teaching hours.</p>
Key Performance Indicator Framework (Sector)
<p>1. Overall Efficiency</p> <p>Total cost per SCH including costs for relevant areas of the Departments operations</p>
<p>2. Priority Training</p> <p>% of priority training delivered as a proportion of total training</p>
<p>3. Training Completions</p> <p>Number of students successfully completing a Cert III or above per year</p>
<p>4. State Participation in Training</p> <p>% of the working age population engaged in VET level training</p>

6. TAFE COLLEGE SPECIALISATION

The development of specialisation in training delivery through the creation of centres of excellence has attractions as the centres will further build expertise and improve the quality of training delivery and provide a visible identity and focal point for industry and students.

The Seares' Review identified the benefits in creating centres of excellence while at the same time noting the implications these centres may have if they restricted training offerings by particular Colleges.¹⁰ That Review recommended a regular round table, facilitated by the Department and involving all Colleges as a way of progressing specialisation opportunities with the objective of achieving optimum benefits for students.

The key benefits from specialisation include:

- bringing a range of experts together, including uniquely skilled lecturers, for professional development and to identify and adopt best practice teaching and learning strategies;
- promoting a culture of learning and innovation;
- ensuring the efficient use of publicly funded training infrastructure and a focal point for new infrastructure investment to ensure specific industry relevance;
- reducing high delivery and consumable costs through concentrated training effort;
- establishing a critical mass to research industry and training issues such as thin markets;
- providing an opportunity to share best practice in training both across the Colleges and to other training providers delivering in similar industry areas;
- providing a focal point for industry/community in dealing with industry specific training matters; and
- marketing Western Australia internationally with a focus on specialised training.

Specialisation Modelling

Specialisation works best where there are:

- locations that have frequent and broad public transport access;
- a significant number of enrolments in an industry area;
- a wide range of training courses in an industry area; and
- training across the Australian Qualifications Framework qualification levels through to higher level qualifications.

Specialisation is less applicable in regional areas due to distance, lack of public transport, and community service obligation to provide a large range of training options to meet local community needs.

Stand-alone specialisation (single delivery location) occurs when intense aggregation of training effort is required for operational efficiencies e.g. Australian Centre for Energy and Process Training (oil and gas training) at Challenger Institute of Technology; Jandakot Campus (aviation) and Thornlie Campus (heavy automotive and plant) at Polytechnic West; and maritime at the Kimberley Training Institute.

¹⁰ *Ibid.* p.56

Distributed specialisation (select delivery locations) occurs when less intense aggregation is required as there is broader and sustained demand for the training effort e.g. Building and Construction (Campuses - Balga, Midland, Peel, Rockingham, Thornlie, Trades North Clarkson); Commercial Cookery (Campuses - Beaconsfield, Bentley, Joondalup, Peel). This also includes specific geographical specialisation: for example, agriculture for the South West, aquaculture for regions, which forms part of the rationale for three regional Colleges.

College specialisation opportunities

In addition to the infrastructure related specialisation (discussed in Section 8 below), specialisation could occur in the following areas once the new structures are determined:

Private Training Providers

- Determine how publicly funded private training providers will be positioned for specialisation within and across the training market to meet industry and community needs.
- Determine the most effective arrangements for Colleges/private training providers in a competitive and collaborative training market including the consideration of thin markets, guarding against market failure, and community service obligation.

Other specialisation

- Determine the most effective way of delivering training into the regions such as metropolitan Colleges in-servicing the regional Colleges.
- International student training delivery arrangements need to address State objectives and include greater management and coordination through the Department.
- College training provision in higher education requires the development of a state wide policy.

To progress these opportunities, the Steering Committee proposes, consistent with the Seares' Review proposal mentioned above, including the opportunities for creating centres of excellence through specialisation to be included in the agenda of the quarterly meetings between the Department's Director General and College Managing Directors.

7. TAFE COLLEGE COMMERCIAL ACTIVITIES

As statutory bodies, TAFE Colleges have authority to engage in commercial activities with the revenues retained for reinvestment into the operations of the TAFE College. One of the objectives of TAFE College commercial activities is to achieve sufficient financial returns to derive a surplus for reinvestment subject to approval of Government and existing budget parameters, or as a minimum, contribute towards the cost of TAFE College overheads. This is reflected in current funding arrangements where the contributions from commercial revenues are factored into TAFE College budgets through a nominal reduction in public funding for their operational overheads.

The majority of commercial services revenues are through international education, with a relatively small level of domestic fee for service made up of a mixture of accredited industry based training and unaccredited adult community education programs. In addition, there is a recent trend towards some TAFE Colleges establishing themselves as higher education providers, a direction funded through full fee paying international and domestic students.

A number of stakeholders have questioned the role of TAFE Colleges in commercial activities including that domestic fee for service activities disrupt privately financed training markets where TAFE Colleges may have an unfair competitive advantage due to their public ownership. It also means that the true profitability of commercial activities is not known. Some stakeholders believe that pursuing growth in commercial activities distracts TAFE Colleges from their primary role to provide publicly funded VET to domestic students.

TAFE Colleges will continue to be able to participate in commercial activities. However, Governing Councils will be required to justify such activities and to demonstrate that they are acting on a commercially neutral basis in annual business plans.

International commercial activities

International education and training is a key services export industry for Western Australia which generates significant economic benefits to the State and enriches our social and cultural life.

TAFE Colleges have been encouraged to pursue international activities including the provision of international services overseas and the delivery of courses to international students in Western Australia. While there is a centralised approach to the recruitment of international students to study in Western Australia through an arm of the Department known as Education and Training International, the Colleges largely determine their own international goals, targets and product offerings. This has resulted in cluttered and confused branding and a suite of products that do not necessarily make the most of the State's opportunities in the international market.

The role and contribution of the TAFE Colleges to this export industry warrants further attention. The Reform Project has concluded that the TAFE Colleges will continue to be able to participate in international commercial activities but with their participation being guided by clear policy settings and more closely managed and coordinated by the Department on behalf of the Minister. The goal is to maximise the State's penetration in international markets and ensure that training provision in the domestic market is not compromised.

8. TAFE COLLEGE INFRASTRUCTURE

The Colleges operate from a mixture of State owned and leased facilities. This Section reviews the key features of this infrastructure and proposes reforms in their management.

Built infrastructure vested in the VET Ministerial Corporation

The total estimated replacement value of State owned building assets in the TAFE sector is \$1.3 billion. This value does not include land value or training equipment and the Colleges monitor their own equipment replacement schedules. Appendix 5 provides details on College infrastructure and operating performance.

The Colleges operate 70 facilities (28 metropolitan and 42 regional) of which 43 are State Government owned campuses and smaller training centres, and 27 are leased properties. Appendix 5 details the status and location of the campuses.

A campus is defined by delivering more than 100,000 student curriculum hours in a year and generally offers a diverse range of courses and training facilities, and better standard of student amenities.

A training centre is defined by delivering under 100,000 student curriculum hours in a year and generally offers a small range of courses (often lower level), less diverse range of training facilities, often just classroom spaces, and basic student facilities (usually a small tea room).

Leased Buildings

The Colleges operate 17 metropolitan and 10 regional leased properties throughout the State at a total estimated annual cost of \$4.11 million. Of these facilities, the metropolitan Colleges' annual leasing cost is \$2.93 million, while the regional Colleges' annual leasing cost is \$1.18 million. The Steering Committee has been advised that the matter of leased properties is under review with a view to reducing leasing costs where possible.

College Campus Utilisation Rate

Currently, College campus utilisation rates are not measured consistently within and across the Colleges. There are reports that many TAFE facilities are under-utilised. This in turn raises questions around the efficient management of the sector's capital base and whether there would be efficiencies in rationalising the campus infrastructure. Time has not permitted the Steering Committee to undertake a comprehensive assessment of these concerns.

The Steering Committee does however, propose that a utilisation rate measure of College infrastructure be included in the College KPIs to commence addressing these concerns.

College Infrastructure - maintenance funding / remedial works

A significant proportion of State Government owned College infrastructure is aged 25 years or more. This is the critical age where major upgrades and refurbishment is required for key elements such as power and site services, mechanical upgrades, major air-conditioning refurbishments, rectification of structural damage, encapsulation and removal of asbestos, and upgrades to meet current codes. Consideration should be given for the transfer of services from the older to newer facilities where possible.

In 2015, the annual Delivery and Performance Agreement provided \$20.8 million in maintenance funding to the Colleges for breakdown repairs, routine servicing and day to day maintenance of campus infrastructure.

Large scale maintenance and refurbishment projects valued at more than \$100,000 are funded through the Department's remedial works program. The Department is using its ongoing remedial works programs to complete major upgrades for ageing campus facilities that are required by the State's training sector over the long term. The Department is also working with the Colleges to complete campus score cards for ageing built infrastructure to determine funding priorities for the remedial works program.

In addition to increased maintenance requirements due to ageing building stock, specialist infrastructure aged more than 20 years is unlikely to provide an industry relevant training environment unless it has been recently upgraded.

The College Governing Councils are accountable for identifying maintenance and remedial works program that will be scheduled and prioritised at a State level. However, the accountability arrangements for maintenance/remedial works need to be further clarified with the view that TAFE sector infrastructure be planned and managed through the Department with local level immediate repairs undertaken by the College.

College infrastructure - Specialisation opportunities

Infrastructure related specialisation could occur in the following areas once new College structures are determined. This may include:

- minimising duplication through rationalising campus delivery and relocation of training e.g. Fremantle to Etech, Beaconsfield (hospitality) to Peel;
- reviewing and reducing the number of leased premises;
- leasing under utilised parts of campuses to third parties; and
- working with industry and employers to identify industry areas for specialisation by location.

9. REVIEW OF THE FUNDING MODEL

The VET sector funding model was established in 1996 and only minor changes have been made since that time. The College Delivery and Performance Agreement settings no longer represent current costs due to:

- different mix of delivery methods with varying levels of teacher to student ratios;
- increased levels of curriculum change/development;
- imposed efficiency measures being removed from total funding, rather than absorbed within appropriate settings to reflect areas where efficiencies have been gained;
- changed organisational structures as Colleges have matured and/or responded to efficiency requirements;
- increased expectation on service quality, including responsiveness, facility standard, means of communication, and support services; and
- increased levels of audit, regulation, accountability and reporting.

Funding model review – purpose

A comprehensive review is required so that future funding of training is based on costs that are transparent, support quality training and ensure value for money for the State, i.e. producing the maximum number of students trained in identified priority skill areas needed by the State at the minimum cost. This will ensure that:

- the funding model is equitable and reflects accurate and reasonable costs including minimum scale, demographics, delivery modes, and regional costs with options to simplify and consolidate funding settings whilst ensuring quality of service;
- the funding model recognises the differences in service methodologies and differential funding rates; and
- a simple, transparent, robust, and sustainable funding model exists to support *Future Skills WA* and Government priorities with consideration of current legislation, competitive neutrality, agreements that influence costs, market gaps and failures, community service expectations, and levels of contestability and collaboration.

Funding model review – proposed program

It is anticipated that the review will take up to 12 months once new College structures/functions have been determined. A zero based funding model approach will be adopted using the proposed two metropolitan Colleges and two regional Colleges to establish base costs. As part of establishing the base cost there will be an examination of all of the functions and tasks undertaken within a College to determine requirements and levels of resourcing.

An analysis of the current funding model will be undertaken including teaching cost drivers, other funded services, regional loadings, along with levels and types of College 'specialisation' to determine the most appropriate procurement strategy and funding model.

Costs associated with different training delivery methods such as face-to-face, online, and recognition of prior learning will be examined along with College campus level capacity and maintenance in relation to cost per student curriculum hours, fixed costs, and fair leasing arrangements for the use of public infrastructure.

Costs associated with delivering vocational education and training to international students will also be determined and an appropriate cost-recovery model developed, as well as performance benchmarking for corporate services structures. It is important to determine how the State achieves a return on its investment in this area for reinvestment to support the VET sector.

The Review of the Funding Model will be undertaken as the second part of the Reform Project's Terms of Reference. It will be coordinated by the Project Consultant working with the Department and other interested parties and overseen by the Steering Committee. A final Report will be submitted to the Minister for consideration and further action.

10. TIMING OF THE REFORM

The Steering Committee reviewed the appropriate timing for introducing its recommendations particularly as they impacted the number of Colleges going forward. It concluded that the best timeframe for introducing these reforms would be from 1 July 2016 with other reforms to follow including the funding model review, anticipated to occur from 1 July 2016 and take 12 months to complete.

As noted earlier, a detailed implementation program should be developed for the introduction of the new College arrangements with a focus on the key implementation areas of regulation, governance, registration, corporate services and systems, training delivery, communication strategies, and detailed timelines (see Appendix 11).

Appendix 1 - Project Terms of Reference

SCOPE

To provide strategic advice and recommendations to the State Government via the Minister for Training and Workforce Development on:

1. The State's training sector with a focus on State Training Provider (STP) functions, operations, specialisation, consolidation and role to meet the Government's priorities in the most efficient and effective manner; and
2. the vocational education and training (VET) sector funding model for the purchasing of publicly funded training delivery services from STPs and private registered training organisations.

This will be conducted within the following guidelines:

- purpose and role of the VET sector is established and clearly communicated;
- training is of a high quality, accessible, equitable and supports improved outcomes and Government priorities efficiently and effectively;
- Government funding of training is transparent and provides value for money;
- the scope of services provided is defined and understood with clear articulation of autonomous and centralised services including the relationship between the STPs and the Department of Training and Workforce Development (DTWD) and functional responsibilities;
- comparative benchmarking across all financial functions and outcomes of training providers across the VET sector;
- the training market is structured to best meet the needs of key stakeholders;
- national VET sector models and practices are examined and inform this project; and
- STP viability is enhanced.

Attachment One provides the project's background.

AREAS OF ANALYSIS

Functional/operational:

- Clarify why the VET sector exists and for whom e.g. support industry and the economy of Western Australia, and community expectations of VET service levels.
- Develop an overarching statement regarding future expectations of the VET sector including its shape, structure, purpose, and outcomes ensuring that there is continued alignment with DTWD's and STP's mandate under the *Vocational Education and Training Act 1996* (VET Act) including the Minister's obligations under the VET Act.
- Examine purpose and function of STPs and the extent to which this meets current and future needs including essential to non-essential functions and metropolitan/regional considerations to enhance effectiveness and efficiencies, and prioritising resources.
- Examine levers across STPs relating to comparative and variable costs per student and variable efficiencies.
- Examine levers including reducing fixed costs, consolidation, training rates, and infrastructure costs for STPs to ensure that an efficient and effective training delivery model that continues to ensure quality training.

This part of the project may need to be undertaken before the funding analysis as the operations/structures will inform the requirements for the most appropriate funding model.

Funding model:

- Ensure that the VET funding model is equitable and reflects accurate and reasonable costs including minimum scale, demographics, delivery modes, and regional costs with options to simplify and consolidate funding settings whilst ensuring quality of service.
- Ensure that the funding model recognises differences in service methodologies and differential funding rates.
- Ensure that a simple, transparent, robust, and sustainable funding model exists to support Future Skills WA and Government priorities with consideration of current legislation, competitive neutrality, agreements that influence costs, market gaps/failures, community service expectations, and levels of contestability/collaboration.
- Cost/benefit and SWOT analysis of the current funding model, other funded services, and levels and types of STP 'specialisation' to determine the most appropriate procurement strategy and funding model.
- Examine STP campus level capacity/maintenance in relation to cost per student curriculum hours and fair leasing arrangements for the use of public infrastructure.
- Determine the costs associated with delivering education and training to international students and develop an appropriate cost-recovery model.

Areas of analysis include all training activities undertaken by STPs and associated training delivery support costs. This does not include capital works.

METHODOLOGY

- Steering committee will develop and endorse Terms of Reference.
- Minister for Training and Workforce Development to approve the Terms of Reference and for the project to proceed to ensure that the STPs participate fully in the review, given that they have a direct reporting relationship with the Minister rather than DTWD.
- Project consultant will develop the project plan, undertake research, analysis and stakeholder consultation, and prepare final report for the steering committee's endorsement.
- Findings and draft recommendations will be provided by the project consultant on an ongoing basis to the steering committee for endorsement.
- Final report with findings and recommendations will be provided by the project consultant to the steering committee for endorsement.
- Final report provided to the Minister for Training and Workforce Development by 17 December 2015 for the Minister's consideration.

Steering committee

- Hon. Cheryl Edwardes (Chair)
- Mr John Langoulant (Project Consultant)
- Dr Ruth Shean, Director General, DTWD
- Emeritus Professor Bill Loudon, Governing Council Chair, Central Institute of Technology
- Mr Jim Walker, Chair, State Training Board
- Mr Peter Tuck, Industry Representative
- Mr Ian Hill, Chair, Training Accreditation Council; Chair, Construction Training Fund
- Mr Anthony Kannis, Executive Director, WA Police
- Mr Alistair Jones, Executive Director, Strategic Policy and Evaluation, Department of Treasury
- Mr Tony Rutherford, Executive Director, Department of the Premier and Cabinet
- Mr Gary Hamley, Chief of Staff, Minister's Office

- Ms Elise Irwin, Policy Advisor, Minister's Office

Observers:

- Mr Russell Brown, Executive Director Service Resource Management, DTWD
- Mr Graham Thompson, Executive Director Corporate, DTWD
- Mr Sandy Kerr, (Project Officer) Chief Finance Officer, DTWD
- Mr Paul Giltrow, (Executive Officer) Principal Consultant, SRM, DTWD

The steering committee will:

- meet as required for the duration of the project;
- provide timely advice, direction and information to the project consultant;
- monitor the progress of the project and its achievement against the project objectives;
- oversee the compliance and financial obligations and reporting requirements of this project; and
- communicate the progress of the project to the Minister for Training and Workforce Development and other stakeholders in a timely manner.

Project Management

The Project Consultant will be responsible for:

- developing the project plan including project risk analysis and mitigation strategies;
- undertaking research, analysis and stakeholder consultation;
- regular reporting to the steering committee; and
- preparing the final report for the steering committee's endorsement.

The project officer and executive officer will provide support to the steering committee and project consultant.

Project Timeframe

It is anticipated that the project's final report will be provided to the Minister for Training and Workforce Development by 17 December 2015.

Attachment One – Training Sector Reform Project

BACKGROUND

The *Vocational Education and Training Act 1996* (the VET Act) established the State training system in Western Australia with statutory STPs (formerly known as TAFE colleges) operating in a competitive training market.

The VET Act provides for the delivery of training in Western Australia and gives extensive powers to the Minister for Training and Workforce Development with regard to the coordination, regulation, strategic direction and the resourcing of the system.

The VET Act provides the Minister with the power to delegate the performance of any of the Minister's functions, and for the VET (WA) Ministerial Corporation to enter into contracts that the Minister, under the VET Act, has the power to enter into. Delegations are articulated via instruments of authorisation and delegation, which are in place between the VET (WA) Ministerial Corporation, DTWD, and the STP Governing Councils.

The instruments of delegation and authorisation provide clear parameters for the activities undertaken under section 8 and 9 of the VET Act. These include restrictions on STPs in relation to land, buildings, equipment, facilities, services, leases, licences, and execution of overseas commercial contracts. The *Ministerial Guidelines related to Commercial Activities by Public Training Providers 2009* provide further instruction to STPs.

The Department of Training and Workforce Development has responsibility for administration of the majority of the VET Act on behalf of the Minister.

The State Government funds 11 STPs to deliver training from over 50 campuses located throughout Western Australia. There are four metropolitan STPs and seven regional STPs these being:

- Central Institute of Technology
- Challenger Institute of Technology
- C.Y. 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 of Training

STPs have their own Governing Councils with authority to perform the functions of the STP and govern its operation and affairs. STP Governing Council membership is appointed by, and reports to, the Minister for Training and Workforce Development. As per the *Public Sector Management Act 1994* (Part 3), each STP is required to appoint a chief executive officer to be known as the Managing Director.

STPs provide publicly funded and fee-for-service courses for vocational education and training, apprenticeships and traineeships, support for workplace training, and commercial courses for business and industry.

The State Government also currently provides public funding to 279 private registered training organisations to deliver training.

The 2013-14 *Independent Review of the Vocational Education and Training Sector in Western Australia* made a number of recommendations in relation to the functionality and funding arrangements of the State's VET sector. These are:

- 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 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; and
- 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.

State Budget savings measures already implemented and over the forward estimates along with the new *Public Sector Workforce Renewal Policy* (PSWRP), estimated to

generate salary-related savings over the forward estimates, provide a further impetus for this project.

Following on from the Economic and Expenditure and Reform Committee meeting on 25 February 2015, the Minister for Training and Workforce Development wrote to the Treasurer in March 2015 advising that to achieve the recalculated PSWRP savings targets for STPs with a minimal impact on training delivery, this project would be undertaken.

The current VET Funding Model is based on a model established in 1996 and although modifications have been made over time a comprehensive review is required so that future funding of training is based on costs that are transparent and that ensure:

- value for money for the State (maximum number of students trained in identified priority skill areas needed by the State at the minimum cost); and
- viability of training institutions.

This project supports the following Government policy:

- the State Government's Future Skills WA initiative and *Skilling WA workforce development plan for Western Australia*;
- State Government's 2013 election policy commitments;
- implementation of the recommendations of the State Government's 2013-14 *Independent Review of the Vocational Education and Training Sector in Western Australia*; and
- implementation of the Council of Australian Governments' national skills reform agenda via the *National Agreement for Skills and Workforce Development*.

Appendix 2 - Western Australian TAFE College Overview and Performance

There are currently 11 TAFE Colleges delivering approximately 24.5 million hours of delivery (student curriculum hours) with estimated average FTE levels of 3,900.

2015 State Government funded training (planned) to TAFE Colleges is approximately \$361 million.

Institute	2015 DPA Funding (\$)	SCH	per SCH
Central	64,534,503	5,900,000	\$ 10.94
West Coast	23,194,419	2,107,103	\$ 11.01
Challenger	46,930,245	3,837,019	\$ 12.23
Polytechnic West	79,799,404	6,210,831	\$ 12.85
Sub-total Metro	214,458,570	18,054,953	\$ 11.88
South West	21,972,209	1,548,589	\$ 14.19
Great Southern	17,359,835	1,054,604	\$ 16.46
Durack	24,219,696	1,276,800	\$ 18.97
Goldfields	13,919,113	678,795	\$ 20.51
CY O'Connor	12,495,204	593,515	\$ 21.05
Kimberley	28,519,757	796,916	\$ 35.79
Pilbara	28,622,474	522,176	\$ 54.81
Sub-total Regional	147,108,288	6,471,395	\$ 22.73
Total	361,566,859	24,526,348	\$ 14.74

Note: Pilbara per SCH cost higher than others mainly due to Government Regional Officer Housing impact and other costs of conducting business in that community.

Appendix 3 - National VET Sector Indicators

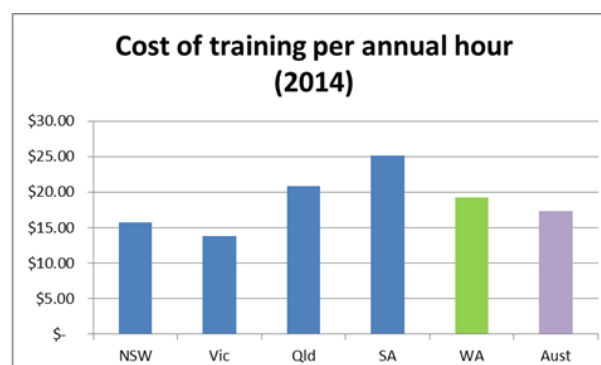
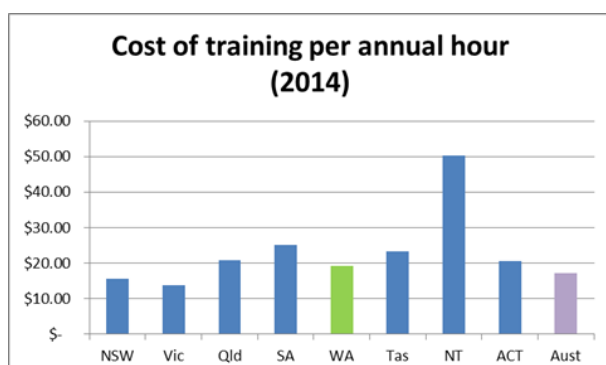
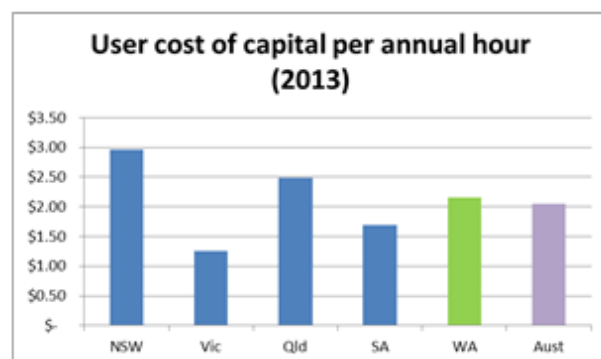
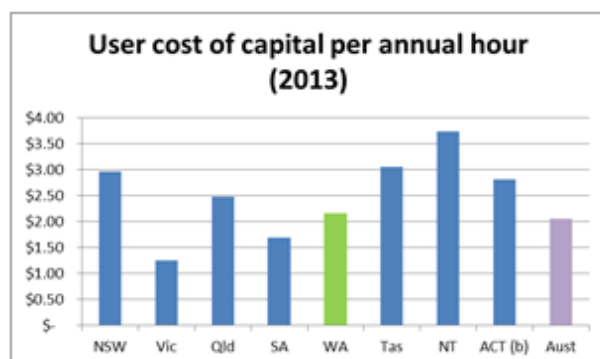
This Appendix seeks to show how Western Australia's TAFEs have performed against TAFE sectors in other Australian jurisdictions. The graphs in the following pages show on the left of each pair the comparative results across all states. The graphs on the right of each pair highlight the performance of Western Australia against the larger comparable states. The graphs are derived from the following available data:

Measures	Data sources
Efficiency indicators	Report on Government Services 2015 AVETMISS Financial Collection 2014 National Centre for Vocational Education Research (NCVER) Government-funded Students and Courses 2014
Effectiveness indicators	NCVER Student Outcomes Survey 2014 NCVER Survey of Employer Use and Views 2015 NCVER Total VET Activity Students and Courses
Key demographic indicators	NCVER Total VET Activity Students and Courses 2014 Australian Bureau of Statistics (ABS) estimated residential population June 2014 (cat. no. 3101.0) ABS Indigenous population projections for 2014 (cat. no. 3238.0)

While the graphs need to be interpreted with some care due to the range of data sources available and their date of publication, in overall terms, Western Australia performs well against the other states given its size, sparsely populated regional and remote areas that access vocational education and training including a high number of regional and remote Indigenous students.

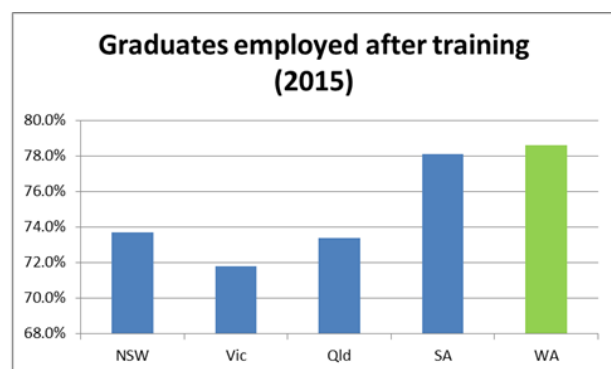
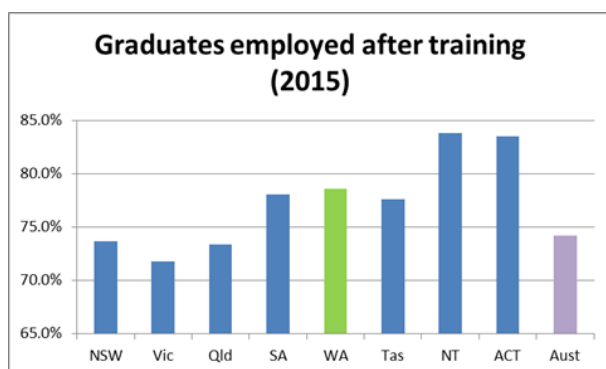
Nationally, participation rates for publicly funded VET grew in 2011 and 2012, driven by Vic and to a lesser extent SA, before declining in 2013 and 2014. In NSW, Qld and WA rates essentially held steady between 2010 and 2012 before declining over the last two years.

National VET Sector Efficiency Indicators

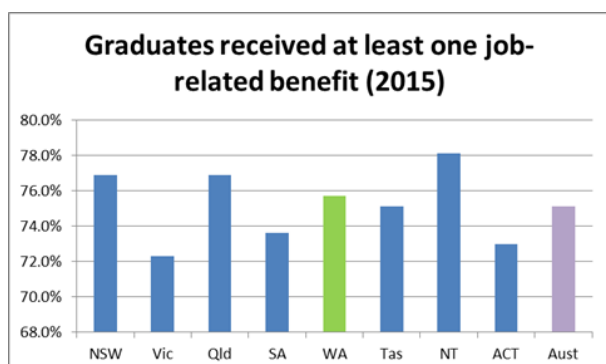


- The user cost of capital reflects the opportunity cost of government assets that could otherwise be used for other purposes.
- The WA user cost of capital per annual hour was slightly above the national user cost of capital per annual hour and ranked third against the comparable states.
- WA's cost of training per annual hour was greater than the national cost. This was due in part to the high level of economic activity in WA in 2013 leading to increased costs e.g. College lecturing staff being appointed at higher levels during skilled labour shortages and significant increases in Government Regional Officers' Housing costs during this period.
- This effect was compounded by an increase in training delivery in regional areas as compared with metropolitan training delivery.
- The relative cost of training was \$17.02 an hour for the WA metropolitan Colleges.

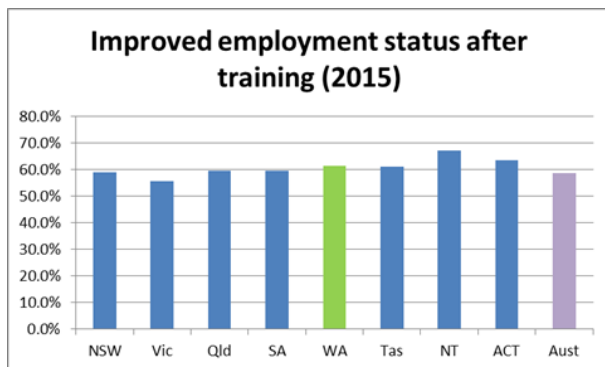
National VET Sector Effectiveness Indicators



- WA ranked first against comparable states and above the national rate for the proportion of graduates being employed after training.
- WA has consistently outperformed comparable states over the last five years. Employment levels after training in Victoria have fallen to the lowest in the country.



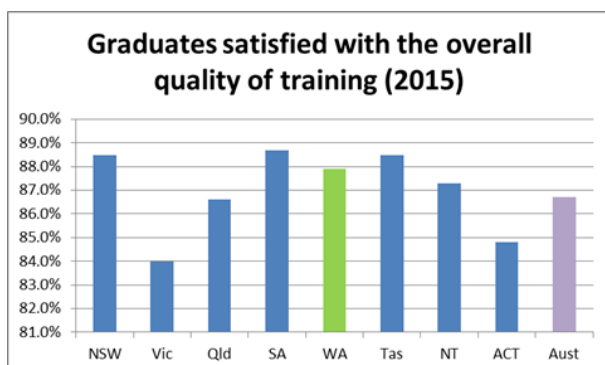
- WA ranked third against comparable states and above the national rate for the proportion of graduates employed after training who received at least one job-related benefit e.g. getting a job or changing jobs, setting up or expanding a business, a promotion or increased status at work and an increase in earnings.
- Prior to 2015, WA consistently ranked highly against comparable states, whilst a number of the other states have declined in recent years (SA and Vic).



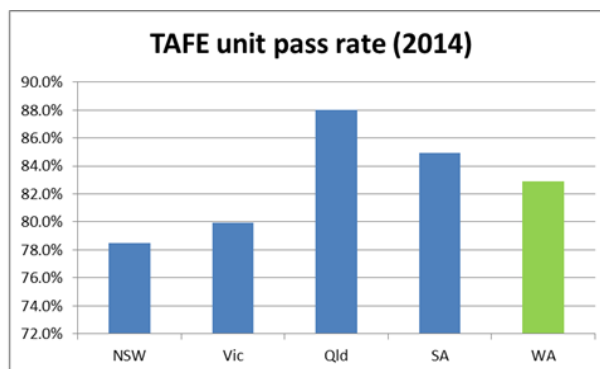
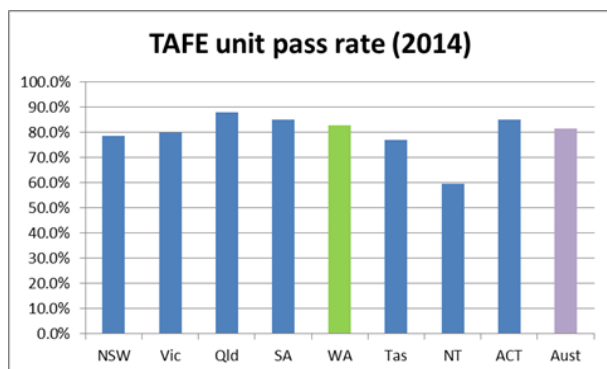
- WA ranked first against comparable states and above the national rate for the proportion of graduates with improved employment status after training.
- WA's performance has consistently been higher than comparable states over the last five years. Some states including Victoria and South Australia have shown a decline in recent years.



- WA ranked second against comparable states and well above the national percentage for the proportion of employers with vocational qualifications as a job requirement who are satisfied with training as a way of meeting their skill needs.
- Employer satisfaction with training in WA fell during 2013 in line with other states. Large confidence intervals in the biennial survey make it difficult to identify significant differences between states or across years.



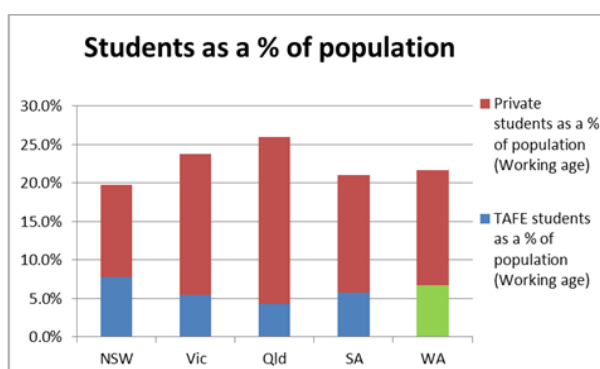
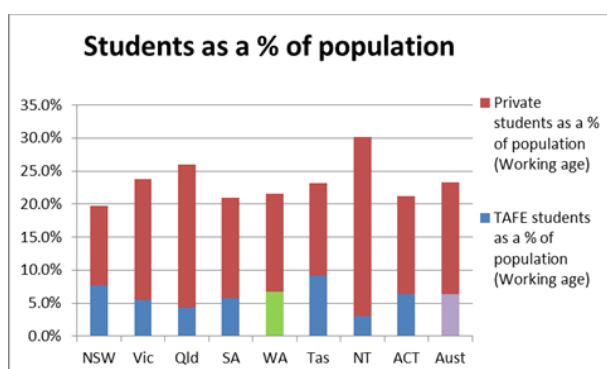
- WA ranked third against comparable states but well above the national percentage for the level of graduate satisfaction with the overall quality of training.
- WA's performance has aligned closely with comparable states over the last five years. Satisfaction among Victorian graduates has fallen to the lowest in the country.



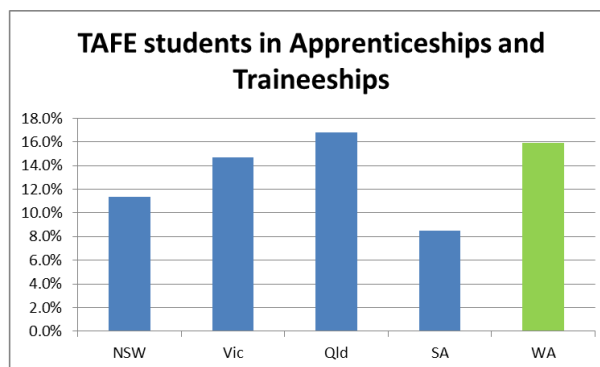
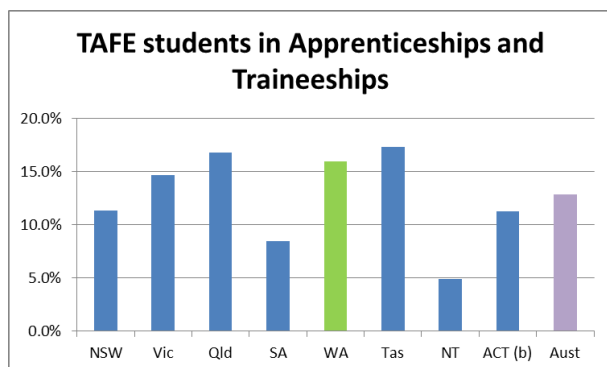
- WA ranked third against comparable states and slightly greater than the national TAFE pass rate.
- The publicly funded load pass rate in WA has improved since 2010. Qld and Vic have also shown overall increases over this period, although the latter declined last year from a peak in 2012. SA also saw a decline last year.
- WA's TAFE pass rate is slightly lower than the higher education equivalent measure but compares favourably with some WA higher education providers in 2014 and was on par with two of the major five WA higher education providers in 2014.
- Load pass rate is a National Centre for Vocational Education Research measure that represents the ratio of hours attributed to students who successfully complete a module or unit of competency to all students who were assessed and either passed, failed or withdrew.
- Currently, load pass rate provides the most comprehensive and consistent indication of training success, i.e. how much of the training resulted in the successful completion of module or unit of competency enrolments.

National VET Sector – Key Student Demographic Indicators (2014)

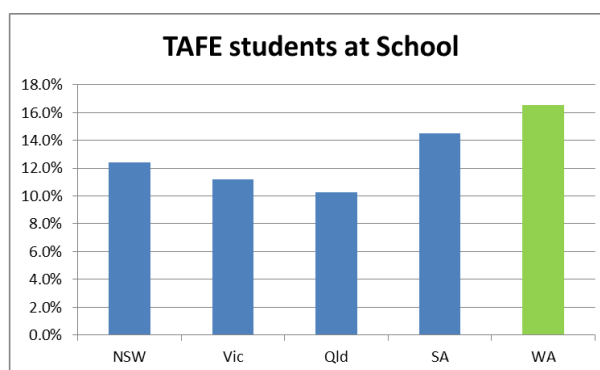
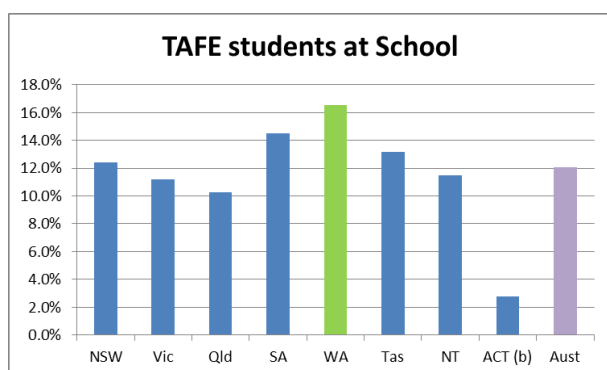
Note: Future Skills WA introduced in 2014.



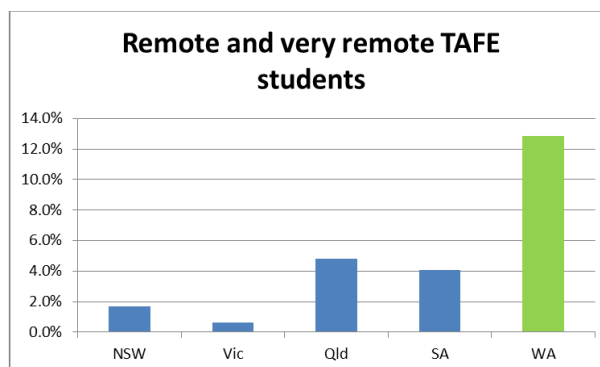
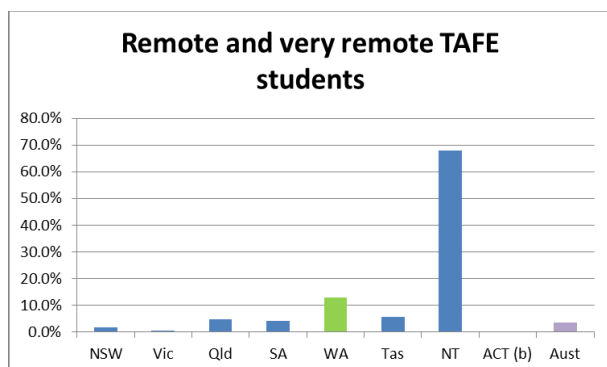
- WA ranked second against comparable states and above the national rate for TAFE student participation as a percentage of the working age population.
- WA ranked third against comparable states and slightly below the national rate when publicly funded Colleges and private training providers results are shown.
- WA Colleges had the highest participation rate of 15-19 year olds in Australia (22.9%).



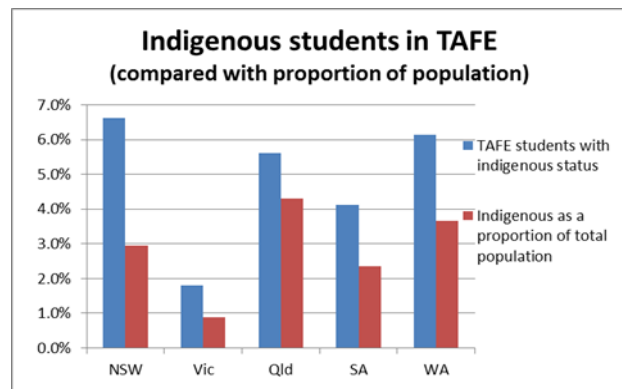
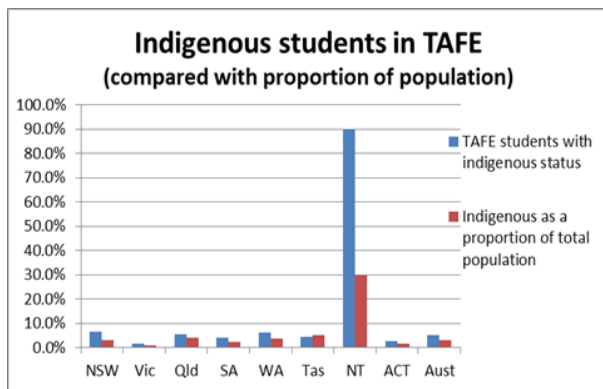
- WA ranked second against comparable states and well above the national rate for TAFE students in Apprenticeships and Traineeships demonstrating the strong vocational outcomes in WA.



- WA ranked first against comparable states and well above the national rate for TAFE students at school demonstrating a strong commitment to vocational education and training in schools in WA.



- WA has a significantly greater percentage of remote and very remote TAFE students against the comparable states and the national percentage.
- In terms of regional versus metropolitan delivery in WA, data over the last five years shows an increasing proportion of publicly funded delivery has taken place in the regions.
- As with the other graphs, NT data has been excluded from the comparable states due to NT's very different demographic profile including low total population, dispersed population, and only two public providers.



- WA ranked second against comparable states and above the national rate for TAFE students with Indigenous status and Indigenous students as a proportion of the total population.
- 55.1% of Indigenous students studying with WA TAFEs resided in remote or very remote areas, almost three times the national average of 18.9%.

Appendix 4 - Australia's TAFE Sector – Key Features by Jurisdiction

The following table summarises the key features of the TAFE sector operating in other Australian jurisdictions.

	No.	Configuration
Qld	6	<ul style="list-style-type: none"> • 47 campuses with TAFE Queensland the single employing authority. • TAFE Queensland established as an independent statutory body under the TAFE Queensland Act 2013. Separated from the Department of Education and Training on 1 July 2014. • TAFE Queensland has a Board, CEO and 7 Corporate Directors. The 6 regions each have a regional General Manager; each region is an RTO with a governing/advisory board. • Queensland Department of Education and Training has the Funder/Purchaser role.
NSW	10	<ul style="list-style-type: none"> • 130 campuses grouped into 10 Institutes each with a degree of autonomy (finances, assets and workforce) with NSW TAFE Commission the single employing authority. • TAFE NSW established under the TAFE Commission Act 1990 as an independent statutory body. Separated from the Department of Education and Communities on 1 July 2014. • NSW TAFE Commission is the Board, and TAFE NSW has a Managing Director, three Executive Directors and 10 Institute Directors. • NSW Department of Industry State Training Services has the Funder/Purchaser role.
VIC	12	<ul style="list-style-type: none"> • 72 campuses over 12 autonomous Institutes with the Board of each Institute being the employing authority. • Victorian Skills Commission (VSC) established under the Education and Training Reform Act 2006. VSC ceased operation on 31 December 2012. VSC apprenticeship and traineeship regulation functions transferred to the Victorian Registration and Qualifications Authority. Other VSC functions transferred to the Victorian Department of Education and Training (VDET) from 1 January 2013. • VDET has a Secretary, Deputy Secretary for Higher Education and Skills Group, 4 Executive Directors, and 1 Director. • VDET has the Funder/Purchaser role.
WA	11	<ul style="list-style-type: none"> • 43 campuses over 11 autonomous Colleges with the Governing Council of each College being the employing authority. • Each College is a statutory authority established under the Vocational Education and Training Act 1996. • Each College has a Governing Council and Managing Director. • WA Department of Training and Workforce Development has the Funder/Purchaser role.
SA	1	<ul style="list-style-type: none"> • 55 campuses (will be reducing to 30-35) with TAFE SA being the single employing authority. • TAFE SA established as a statutory corporation under the TAFE SA Act 2012. Separated from the Department of Further Education, Employment, Science and Technology on 1 June 2013. • TAFE SA has a Board, CEO, 3 Executive Directors, 5 Corporate Directors, and 10 Educational related Directors. • SA Department of State Development has the Funder/Purchaser role.

Note: Tasmania, ACT and NT not included given their scale. These jurisdictions have a single TAFE system and single employing authority.

The Table below shows a national TAFE comparison of student curriculum hours.

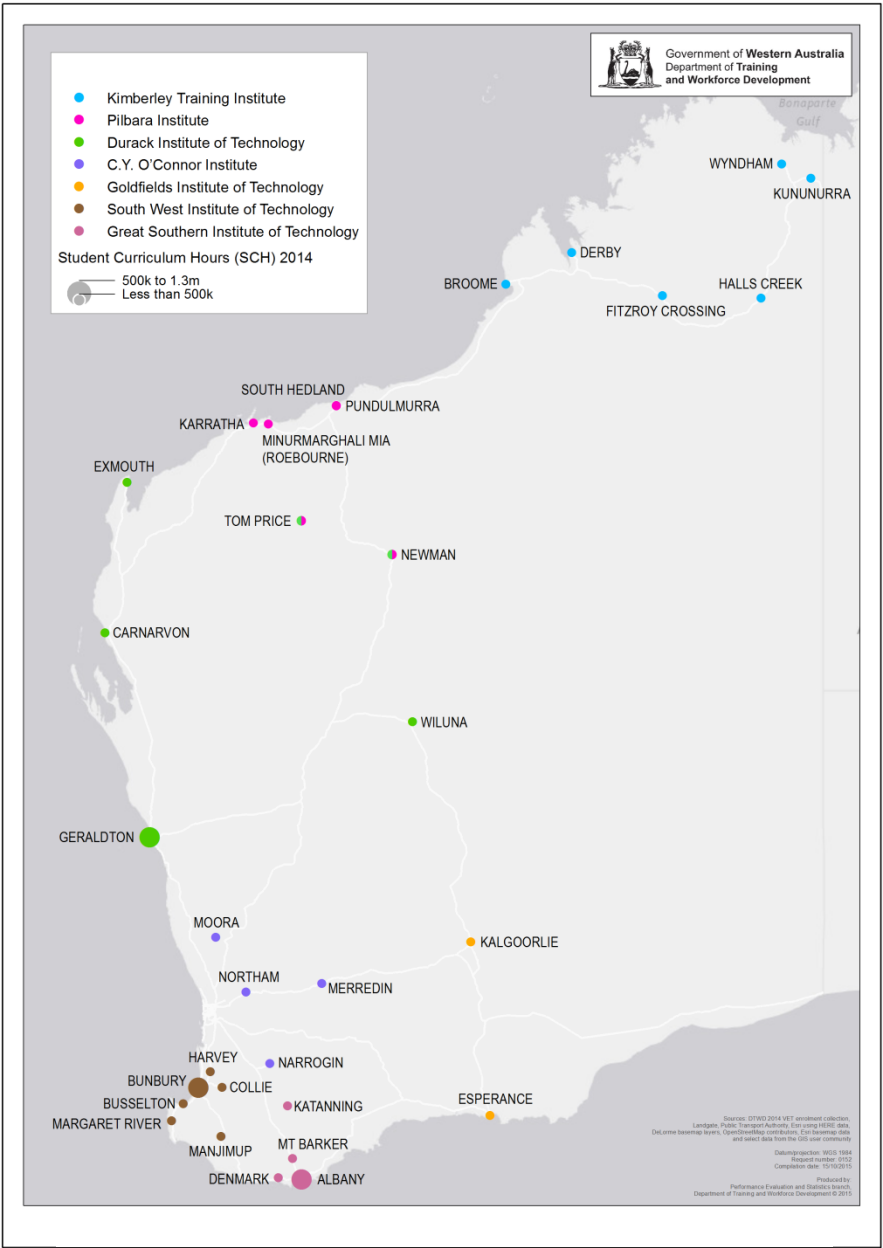
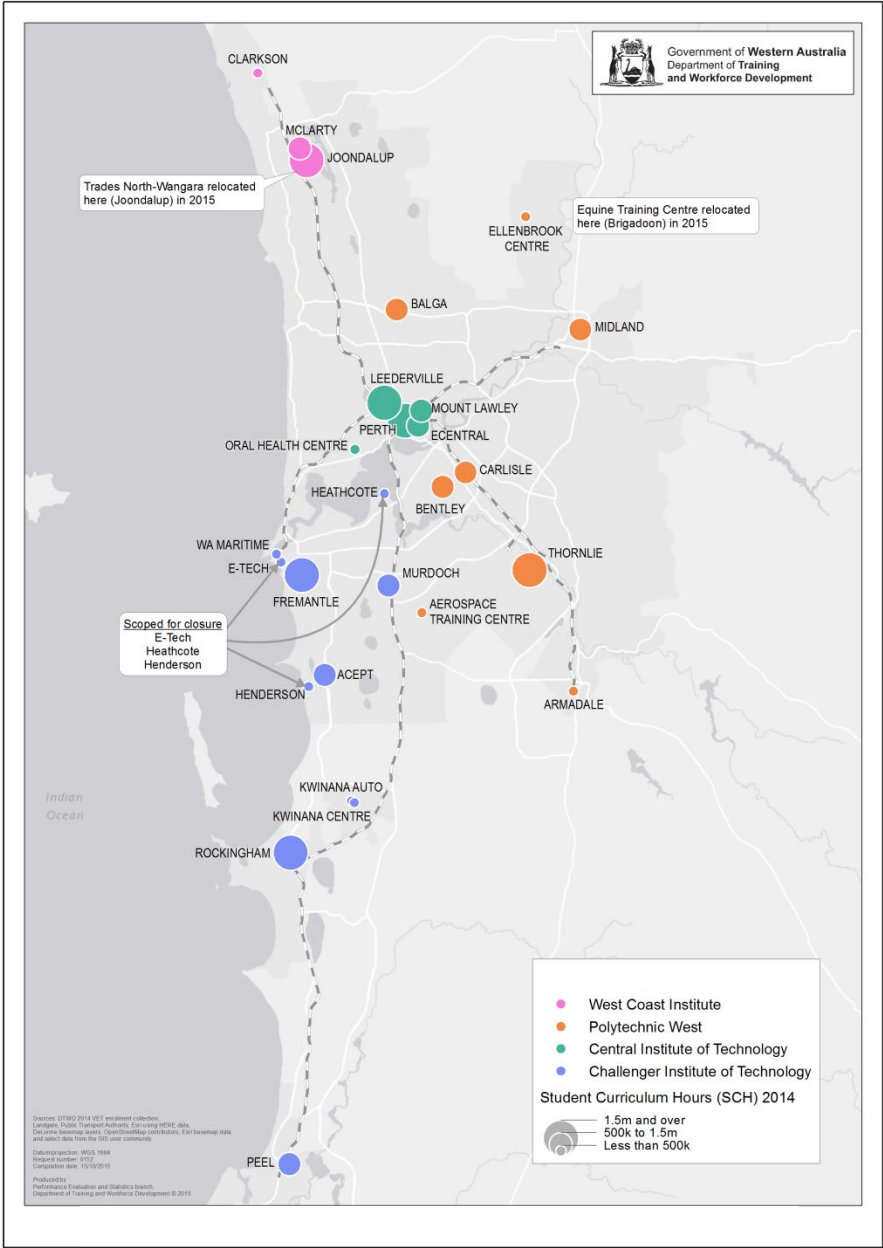
State	TAFE Number	Annual SCH	Max SCH	Min SCH
ACT	1	5,881,958	5,881,958	5,881,958
NSW	10	116,238,787	21,321,690	4,154,951
NT	1	2,571,171	2,571,171	2,571,171
QLD	6	52,526,322	6,990,750	2,226,022
SA	1	23,710,562	8,909,715	5,892,140
TAS	1	7,577,109	7,577,109	7,577,109
VIC	12	108,391,509	12,207,481	1,368,571
WA	11	36,137,521	9,463,546	634,286
Total	43	353,034,939	21,321,690	634,286

Currently, seven of the eight smallest institutes by number of student curriculum hours (SCH) are in Western Australia.

Outside of Western Australia and Victoria, no institutes have fewer than 2 million SCH.

Of the Western Australian regional Colleges, only South West Institute of Technology had greater than 2 million SCH.

Appendix 5 - Current College Locations and Infrastructure

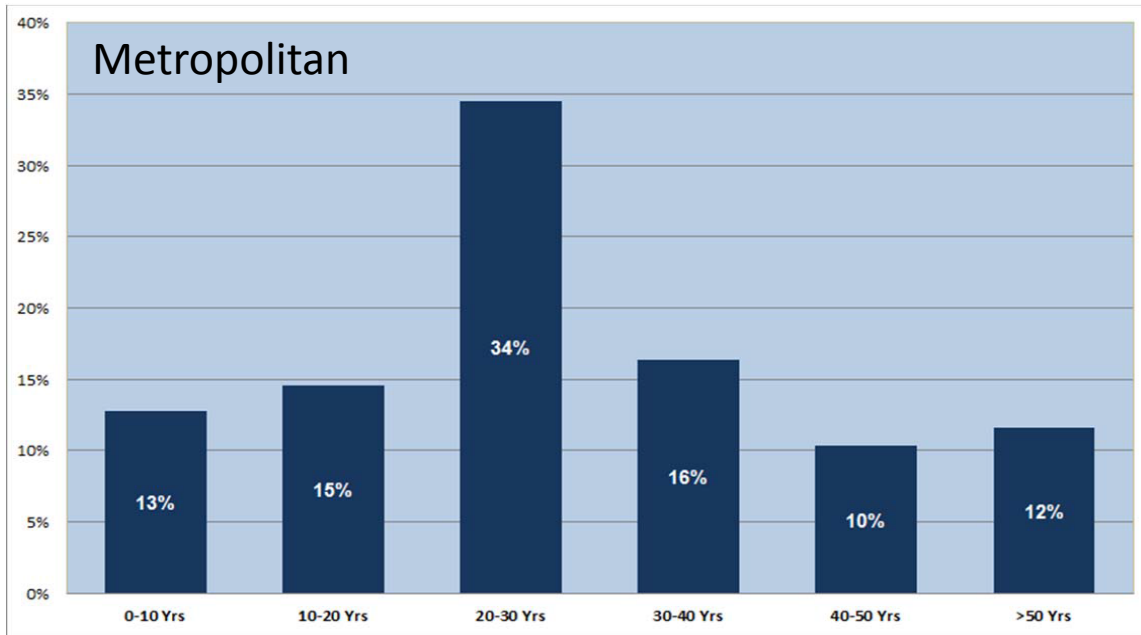


College Infrastructure locations (total of 70 locations)

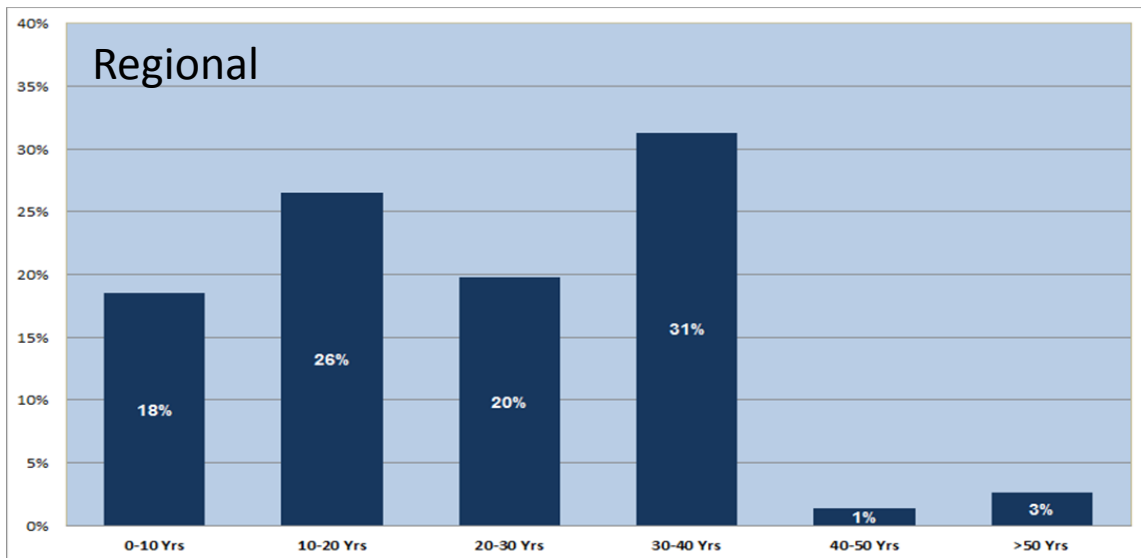
Metropolitan	Training Delivery Locations (VET Ministerial Corporation owned campuses and leased facilities)	General Catchment Area	Number of Campuses
Central Institute of Technology	Owned - Northbridge Campus, Perth (primary campus/administration centre), Leederville, Mt Lawley, East Perth Leased - WA Centre for Oral Health (Nedlands), Le Cordon Bleu (Northbridge)	Central inner metropolitan	6
Polytechnic West	Owned - Bentley Campus (primary campus/administration centre), Midland, Balga, Carlisle, Thornlie, Jandakot Leased - Armadale, Jandakot, Brigadoon	East metropolitan	9
West Coast Institute	Owned - Kendrew Crescent Campus, Joondalup (primary campus/administration centre), Trades North (Clarkson), McLarty Avenue (Joondalup) Leased - Joondalup	North metropolitan	4
Challenger Institute of Technology	Owned - Fremantle Campus, Beaconsfield (primary campus/administration centre), South St (Fremantle), Fleet St (Fremantle), Murdoch, Munster, Kwinana, Rockingham, Peel Leased - Henderson, Fleet St (Fremantle)	South metropolitan	10
Regional	Training Delivery Locations (VET Ministerial Corporation owned campuses and leased facilities)	General Catchment Area	Number
Great Southern Institute of Technology	Owned - Albany Campus (primary campus/administration centre), Katanning Leased - Mt Barker, Denmark	Great Southern	4
South West Institute of Technology	Owned - Bunbury Campus (primary campus/administration centre), Collie Leased - Margaret River, Manjimup, Busselton, Harvey	South West	6
CY O'Connor Institute	Owned - Northam Campus (primary campus/administration centre), Narrogin, Moora, Merredin Leased - Narrogin, Avon, Merredin, Quairading, Kellerberrin, Northam	Wheatbelt	10
Goldfields Institute of Technology	Owned - Kalgoorlie Campus (primary campus/administration centre) Leased - Esperance, Hall of Fame (Kalgoorlie)	Goldfields- Esperance	3
Durack Institute of Technology	Owned - Geraldton Campus (primary campus/administration centre), Carnarvon, Wiluna Leased - Exmouth, Geraldton	Mid West- Gascoyne	5
Pilbara Institute	Owned - Karratha Campus (primary campus/administration centre), Roebourne, South Hedland x 2, Newman, Tom Price	Pilbara	6

Kimberley Training Institute	Owned - Broome Campus (primary campus/administration centre), Derby, Fitzroy Crossing, Halls Creek, Kununurra, Wyndham Leased - Broome	Kimberley	7
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The following tables show the current age of the College buildings:

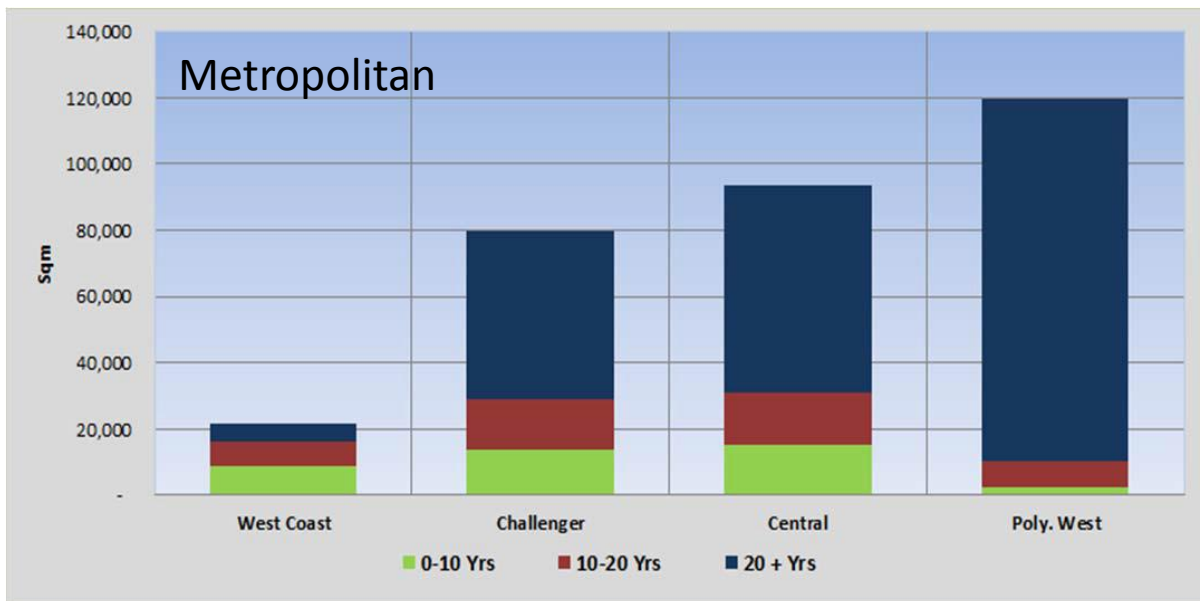


72 percent of the owned metropolitan building stock is aged more than 20 years. This infrastructure will require significant maintenance over the coming years.

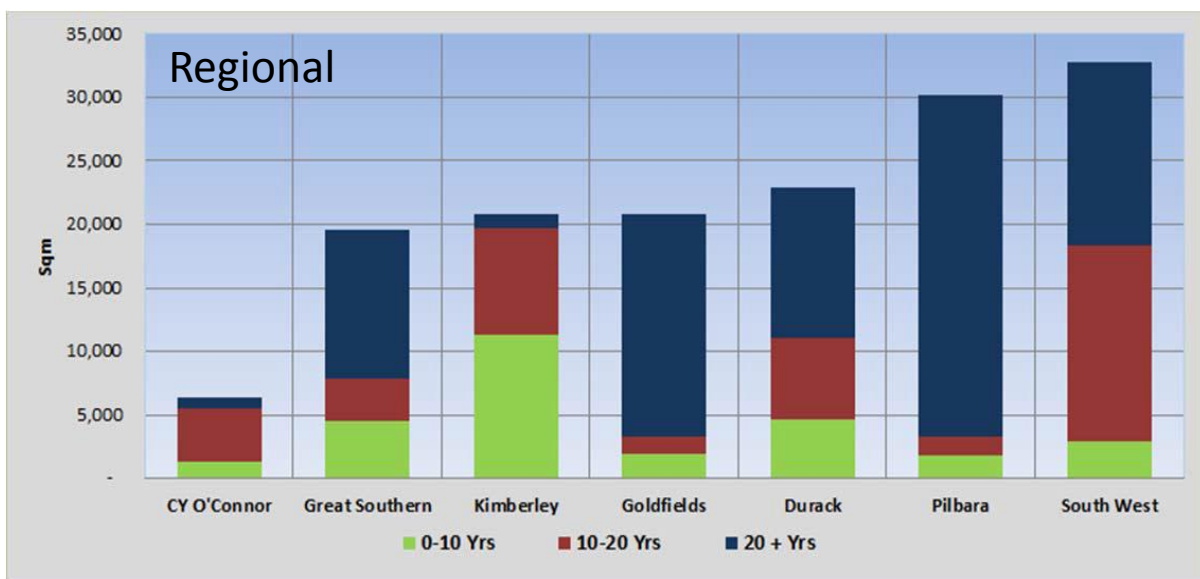


55 percent of the owned regional building stock is aged more than 20 years. 31 percent of this building stock is aged between 30 to 40 years and requires high levels of day to day maintenance. Regional infrastructure will require significant maintenance over the coming years.

The following tables show the current age and size of the College buildings:

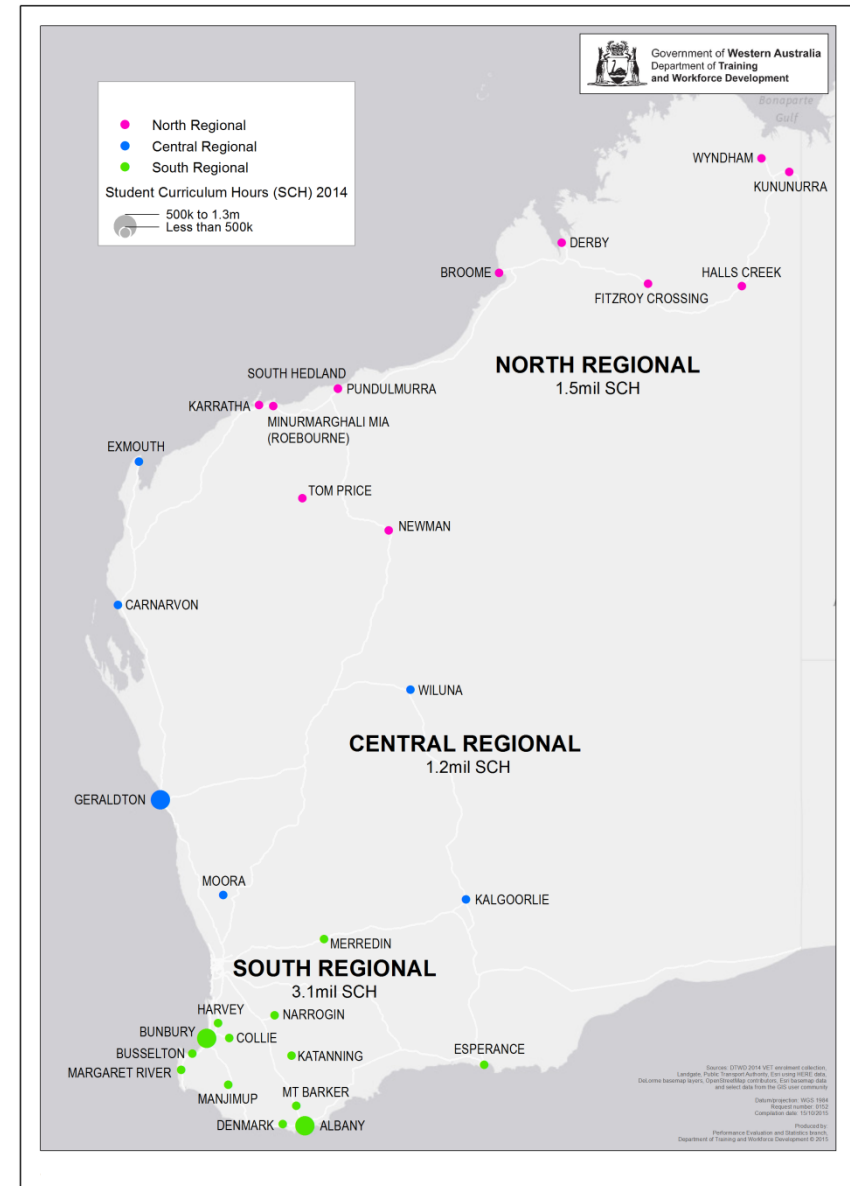
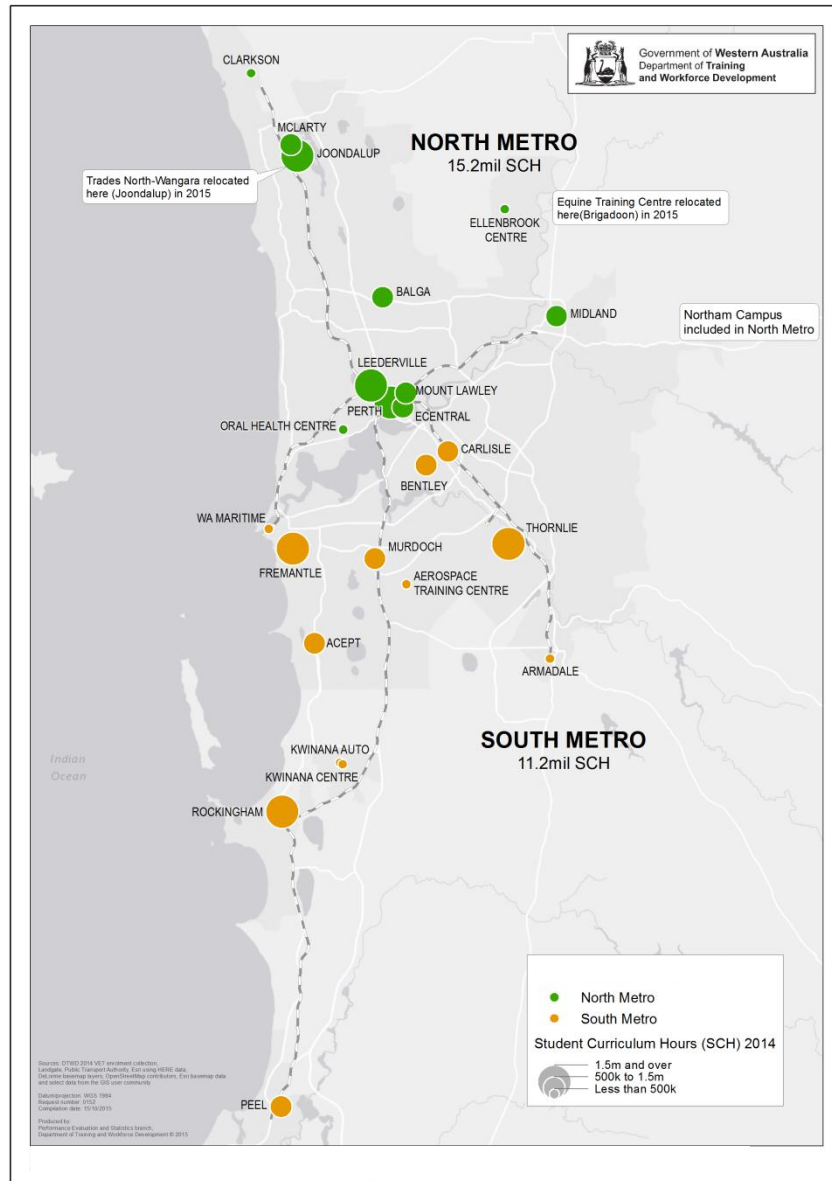


Polytechnic West and Central Institute have extensive built infrastructure that is more than 20 years old and Challenger Institute also has significant areas that fall into this category.

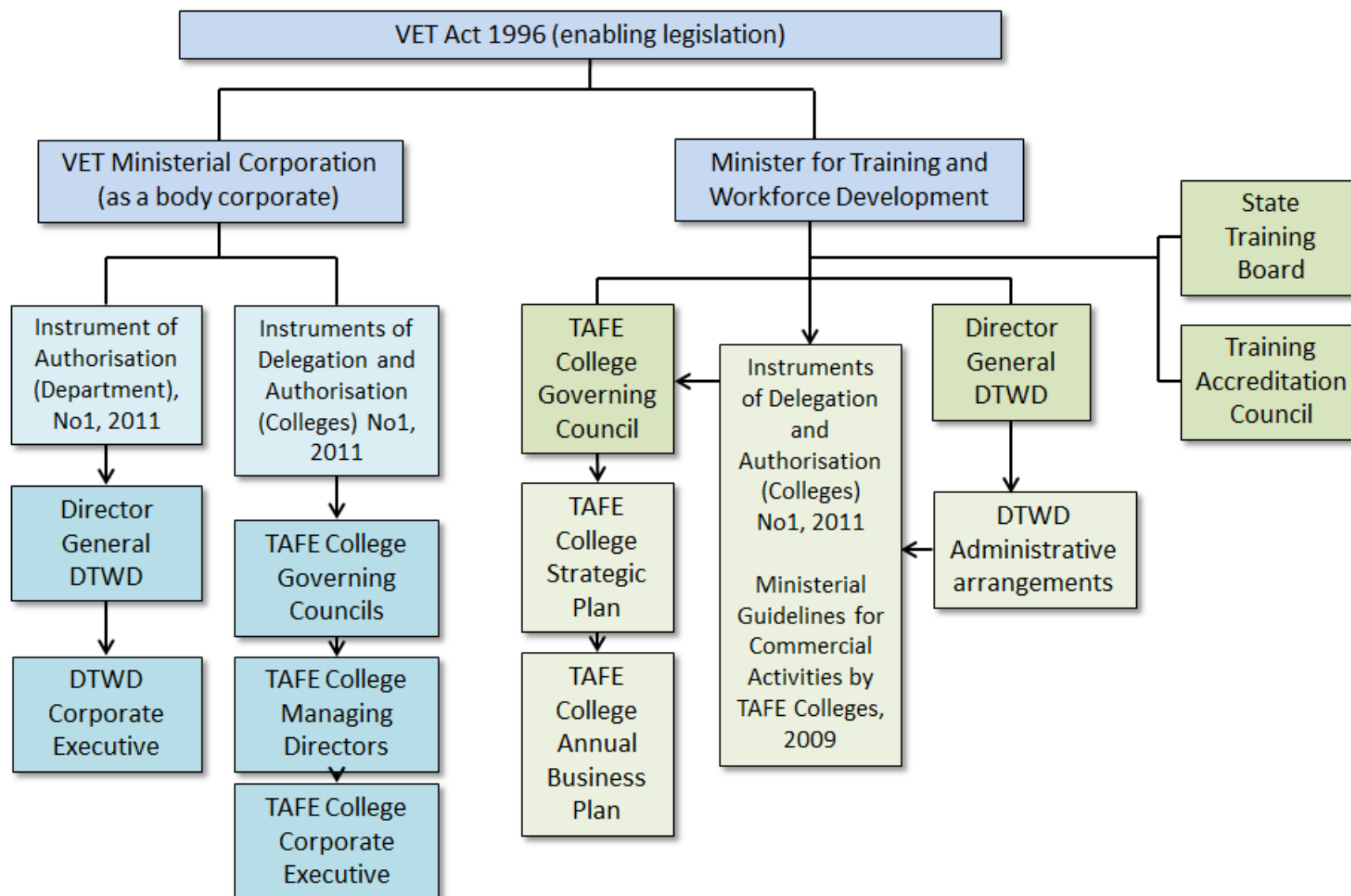


Pilbara Institute and Goldfields Institute have extensive built infrastructure that is more than 20 years old and Great Southern Institute, Durack Institute, and South West Institute also have significant areas that fall into this category.

Appendix 6 - Proposed College locations under Option 1: 5 College option, two metropolitan and three regional



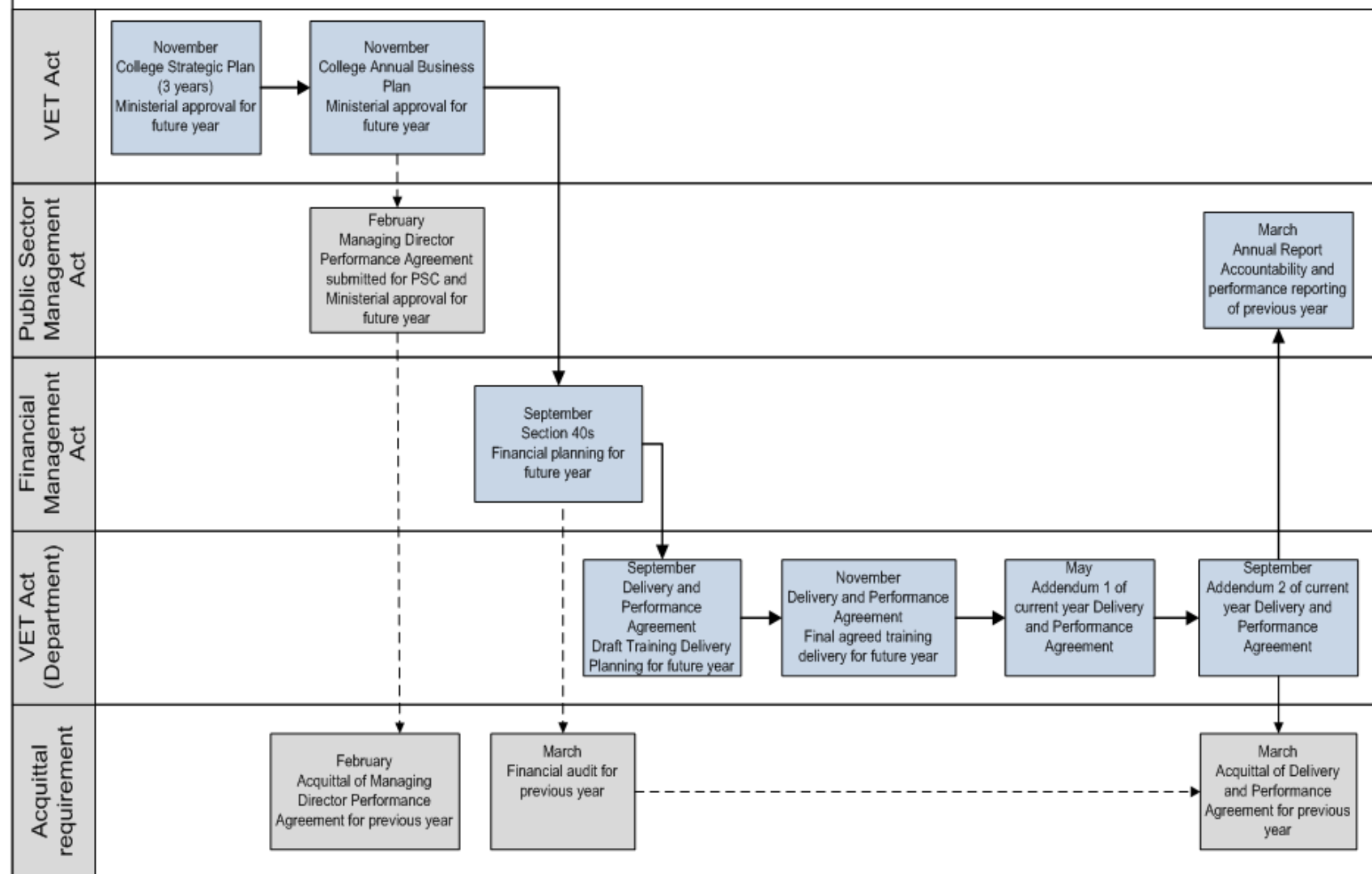
Appendix 7 - TAFE Governance Structure under the VET Act



Appendix 8 - Statutory Reporting Requirements

TAFE College Governing Council Statutory Reporting and Compliance Obligations

Detailed in the TAFE College Governing Council Handbook. All statutory obligations identified below are linked to the College Business Plan.



Appendix 9 - Options Evaluation Matrix

Note: Ranking 3 (highest) to 1 (lowest)

Evaluation Criteria / Desired Outcome		Reform Options		
		Option One: Five Colleges (two metropolitan and three regional)	Option Two: Three Colleges (two metropolitan and one regional)	Option Three: One College
1	Local decision making: provides for a focus on local decision making with appropriate level of community input; alignment of structure to natural boundaries (regionality, economy, industry needs).	<ul style="list-style-type: none"> Two metro colleges provide greater capacity for local decision making compared with Option Three. Provides the strongest connection with the regions of the three Options. Local input and management of training has been a strong feature of the WA TAFE system since its inception. Three regional Colleges align well with WA's geographic, economic and social boundaries. This will provide strong capacity for effective connections with regional industry, community groups and labour market knowledge. Administration based in the regions retains local representation of community and industry priorities. 	<ul style="list-style-type: none"> Has the same advantages as Option One in terms of metro College connection with local communities. A College focused solely on regional training issues has the ability to track regional priorities although with less capability than Option One. Administration for the single regional College should be region based which has benefits but less than for Option One. The capability of a single regional TAFE to service WA's vast regional expectations from a logistical perspective alone is problematic. 	<ul style="list-style-type: none"> A single Perth based TAFE struggles against this criterion for obvious reasons. A single Perth based TAFE will need to introduce new mechanisms to maintain regional connections. This could be through advisory board arrangements for instance and while that would be useful they are generally less effective (and accountable) than governance board arrangements.
		Score: 3	Score: 2	Score: 1
2	Operational Scope and Scale: Enhance operational efficiency across the sector; provides the most efficiency.	<ul style="list-style-type: none"> While this option has significant operational efficiencies compared to the current 11 College model they are less than Option Three measured by potential savings. However the five regional Colleges enhance benchmarking assessments across both metro and regional areas which have potential efficiency benefits. This Option also enables more timely and accurate readings of regional developments which can improve the quality of decision making in training needs in these areas. 	<ul style="list-style-type: none"> The cost savings from this option are just slightly higher than for Option One as the number of administrative positions involved across two regional Colleges is small. In terms of employment flexibility across the sector, this Option is less flexible than Option Three and marginally better than One given WA's diverse regional differences. 	<ul style="list-style-type: none"> This Option maximises savings compared with the current College structure and the other Options. The additional savings are relatively large reflecting the large corporate administrative support in metro Colleges. It also presents the greatest flexibility in terms of workforce deployment which will enable agility for the system to respond to changing economic and social circumstances across the State. This Option (in common with the other two but to a greater extent) requires 'college directors' being located throughout the regions to ensure local decision making and presence so cost savings may not be as great as anticipated.

Evaluation Criteria / Desired Outcome		Reform Options		
		Option One: Five Colleges (two metropolitan and three regional)	Option Two: Three Colleges (two metropolitan and one regional)	Option Three: One College
				<ul style="list-style-type: none"> There are important efficiency benefits through having a sole employer status across the TAFE system and this Option maximizes these benefits, while the other two Options represent significant improvements on the current 11 TAFE arrangement. This appears an important factor in other States which have largely moved to a sole employer TAFE arrangement. The Committee gave this matter careful consideration in deciding on its preferred model and concluded that while it provided significant attractions WA's vastness and differing economic circumstances across regions made this a less compelling issue than in some other jurisdictions.
		Score: 1	Score: 2	Score: 3
3	Sustainability: provides a sustainable business size (greater than 1.5 million SCH) and provides for a diversity of delivery to meet economic and social fluctuations in demand.	<ul style="list-style-type: none"> All Options provide for enhanced sustainability compared to the current 11 College model. This Option will address the viability concerns in some of the regional TAFEs through increased scale and the ability to offer more diversity of training programs. Nevertheless with three regional TAFEs it will be less robust than the other two Options. 	<ul style="list-style-type: none"> This Option will address the sustainability of regional TAFEs better than the other Options as it will aggregate all regions and will have a constant focus on regional TAFE activities. 	<ul style="list-style-type: none"> Maximum enhancement of sustainability across economic cycles e.g. demand for institutional based training (IBT) is counter-cyclical to employment based training (EBT) over varying economic cycles. As with the other Options but more so it will also facilitate future campus consolidations albeit requiring reinvestment in existing capital.
		Score: 1	Score: 2	Score: 3
4	Quality: 4a. enhances student outcomes through increased course offerings from each College, simplified/streamlined communication about the VET Sector (brand and	<ul style="list-style-type: none"> All Options together with the recommendations for enhanced communication and collaboration amongst the Colleges and with the Department are expected to increase the training experience of students (in terms of access and quality) and increase engagement of TAFE staff with the systems' objectives. 	<ul style="list-style-type: none"> This Option offers the same benefits as Option One for both metro and regional Colleges but presents greater challenges in maintaining standards in regional sites where the "on the ground" oversight is less rigorous than provided by a local Governing Council structure. The absence of benchmarking across regional TAFEs will provide less system 	<ul style="list-style-type: none"> A single TAFE model does not provide any inherent or structural benefit in pursuing quality of training improvements across the system. The Committee felt that on balance the potential for a reduction in standards of service delivery in regional areas is greater than potential benefits under this Option.

Evaluation Criteria / Desired Outcome		Reform Options		
		Option One: Five Colleges (two metropolitan and three regional)	Option Two: Three Colleges (two metropolitan and one regional)	Option Three: One College
	marketing), improved standardisation and collaboration between Colleges. 4b. provides opportunities for specialisation particularly in regional areas.	<ul style="list-style-type: none"> Creates greater symmetry across College scope, responsibility and capability including 'trades' spread evenly across north and south metro. Opportunities for specialisation are expected to grow across the sector and with three regional Colleges this Option provides the greatest opportunity for regional specialisation. Clarifies the focus of the regional Colleges compared with the current College structure e.g. North Regional supports Aboriginal clients and resources sector; Central Regional supports distance and client diversity and resources sector; South Regional supports the agrifood industries. Benchmarking performance quality across the five Colleges will be important checks on progress across the system. 	checks on the quality measure.	
		Score: 3	Score: 2	Score: 1
5	Performance benchmarking: Ability to compare and assess performance.	<ul style="list-style-type: none"> The strength of this Option is that it enables the ability to benchmark College performance for both metropolitan and regional Colleges. 	<ul style="list-style-type: none"> While this Option will result in more symmetry in scale and scope of TAFE colleges compared with Option One it does not have the ability to benchmark across the regions. 	<ul style="list-style-type: none"> Under this Option the Governing Council will need to establish mechanisms to benchmark performance across campuses and across the State. Compared with the other Options the potential effectiveness of that approach is less clear.
		Score: 3	Score: 2	Score: 1
6	Governance and State priorities: facilitate Government oversight and college governance capacity; College interests in relation to State interests; meeting the State's needs and	<ul style="list-style-type: none"> All Options should enhance governance and management capability compared with the current 11 College model Government oversight of College performance will be improved by each Option as well. The relative strength of the Option is that it supports (more fully than the other 	<ul style="list-style-type: none"> Compared with Option One this Structure provides less support for the State Government's long-term commitment to the regions. 	<ul style="list-style-type: none"> This Option provides the strongest model for Government oversight of the TAFE system with a whole of State focus through one TAFE. As a single point for College governance, compliance and reporting requirements this is also an attraction although there may be some potential disadvantages in terms of regional attention and in benchmarking of performance

Evaluation Criteria / Desired Outcome		Reform Options		
		Option One: Five Colleges (two metropolitan and three regional)	Option Two: Three Colleges (two metropolitan and one regional)	Option Three: One College
	priorities.	Options) the State Government's long-term commitment via Royalties for Regions to develop Western Australia's regional areas into strong and vibrant regional communities that are desirable places to live, work and invest. • It also supports the aims of Regional Development Commissions' Regional Blueprints and the Department's Regional Workforce Development Plans.		as noted earlier. • However, it does not meet the State Government's long-term commitment via Royalties for Regions to develop Western Australia's regional areas into strong and vibrant regional communities that are desirable places to live, work and invest.
		Score: 3	Score: 1	Score: 2
7	Contestability: facilitate the operation of an open and competitive training market aligned with Council of Australian Governments' (COAG) objectives.	<ul style="list-style-type: none"> • This Option best meets COAG's National Partnership on Skills and Workforce Development and National Partnership Agreement on Skills Reform requirements to: <ul style="list-style-type: none"> ○ encourage responsiveness in training arrangements by facilitating the operation of a more open and competitive training market; ○ enable public providers to operate effectively in an environment of greater competition and in servicing the training needs of industry, regions and local communities; and ○ ensure that the VET sector is responsive and flexible to meet the needs of students, employers and industry. 	<ul style="list-style-type: none"> • With fewer Colleges involved in this Option it falls behind Option One in meeting COAG's National Partnership on Skills and Workforce Development and National Partnership Agreement on Skills Reform requirements. 	<ul style="list-style-type: none"> • Small scale private training providers disadvantaged in comparison to one College with a captured market. • This Option does not reflect the COAG National Partnership on Skills and Workforce Development and National Partnership Agreement on Skills Reform requirements. • In order for Option Three to reflect the CAOG objectives it would be necessary to create a range of Institutes across the State with degrees of independence to undertake commercial activities. That would however act to reduce the savings which is an attraction of this model
		Score: 3	Score: 2	Score: 1
	Overall score:	17	13	12
	Estimated savings per annum:	\$22.6 million	\$23.6 million	\$31.3 million

Appendix 10 - Governance Options and Financial Modelling

Approach taken

Modelling was undertaken of the potential savings possible from the three governance structure Options considered.

The modelling assumed that a reduced number of Colleges would deliver reductions in administration costs through eliminating duplication of functions and reporting, increased operating efficiencies and greater economies of scale.

In March 2014, the National Commission of Audit released data on corporate services structures for Commonwealth agencies. This analysis has been relied on in the modelling undertaken for this exercise. The Commonwealth data suggested there is a 30 percent difference in required corporate staffing levels between a small agency and a medium sized agency.

The estimated savings should be treated as indicative until a comprehensive review of the College staffing and operations can be undertaken. It is noted that these savings estimates do not include savings from reductions in campuses. The Reform Project Steering Committee has identified the potential and desirability for some restructuring in campus locations across the Colleges which would be expected to generate savings in operating and capital expenses over time. The appropriate campus structure is a matter which should be addressed by each new College administration (Managing Director and Governing Council) once established. It is also noted that the Funding Model Review may well identify further savings however as that Review has not started it would be presumptuous to speculate further.

Potential Savings

Option 1: Five College option (estimated annual savings of up to \$22.6 million)

The savings generated under a five College model are the lowest of the College configurations considered. The majority of the savings under this option occur across the metropolitan area with the reduction in Colleges from four to two. The relatively small number of staff FTE in the functional areas modelled across the regional Colleges means the savings in the reduction of Colleges from seven to three in these areas is comparatively lower.

Option 2: Three College option (estimated annual savings of up to \$23.6 million)

The marginal increase in savings under this option reflects a minor reduction in staff FTE between three regionally based Colleges and one regional College. The anticipated additional savings between a three regional college model and one College would be small as there is only approximately 120 staff servicing regional WA in the administrative functions modelled.

Option 3: One College option (estimated annual savings of up to \$31.3 million)

The savings in this configuration are larger with the operation of only one College across the State and particularly only one across the metropolitan area. This option would have potential for additional savings across the structure of entities servicing the VET sector but those additional savings have not been modelled in this Review.

Appendix 11 - Training Sector Reform Project Implementation Plan

Note: Implementation Plan to be overseen by a Steering Group chaired by the Director General, Department of Training and Workforce Development and comprising of the Department's Executive Directors, and TAFE College Managing Directors, with executive support from the Department.

	1 January 2016 - 30 June 2016	1 July 2016 - 31 December 2016	1 January 2017 – 30 June 2017
Communication			
Communication strategy and branding	Develop sector wide strategy. Develop new branding. Design new websites/pages and plan redirections.	New branding takes effect: Stage 1 – name and address only Stage 2 – logos New websites/pages and redirections take effect.	
Cabinet Submission	Prepare and submit to Cabinet.		
Ministerial	Parliamentary Statement. Media Statements (metro and regional). Ministerial feature interviews.		
Stakeholders	Sector wide communication (students; apprentices/trainees; employers; unions).		
Regulation, Governance, Registration			
Gazettal of Orders	Drafting by 31/03/16 to amalgamate and rename existing Colleges as per Cabinet approval.	Orders take effect 1 July 2016	
Appointment of A/Managing Directors (MDs)	Existing MDs. EOIs and appoint by 30/06/16.	Selection process for MDs.	Permanent MDs commence 1/01/17.
Appointment of Governing Councils (GCs)	Existing GCs. Selection and Cabinet Submissions by 31/05/16. New GCs assume full responsibility by 1/06/16.		
Registration	Prepare letter to Training Accreditation Council (TAC) to deregister existing Colleges and register new Colleges (two year registration then full re-registration process).	TAC approval (duplicate as required for the Australian Skills Quality Authority and the Tertiary Education Quality and Standards Agency).	
Business planning	Revise Ministerial Guidelines and instruments of delegations, authorisation, and administrative arrangements. Identify/develop sector wide policies.	Amalgamate the effect of the DPAs allowing for some variation based on exception. Implement revised Ministerial Guidelines and instruments of delegations, authorisation, administrative arrangements, and policies.	Move to new DPA for 5 Colleges.

	1 January 2016 - 30 June 2016	1 July 2016 - 31 December 2016	1 January 2017 – 30 June 2017
Reporting	Notify OAG. 6 Annual Reports to 30/06/16.	5 Annual Reports to 31/12/16. Ensure other reporting requirements and acquittal processes implemented.	
Corporate			
Finance and systems	Develop new systems. Establish indicative budget estimates. Determine funding allocations and cash distributions.	New systems implemented for each of the 5 entities. Finalise endorsed budget estimates.	
Human Resources and systems	Develop new systems. Develop and adopt organisational structures/charts by 30/06/16. Undertake consultation process. Develop change management process.	New systems implemented for each of the 5 entities. Import data. Substantive executive appointed once MDs appointed. Implement change management process.	
Student management	Develop student management system solutions for new entities.	Commence implementation of new student management systems. Commence Semester Two enrolments.	
Other ICT	Establish new ICT systems and networks		
General administration and facilities	Novation of all contracts to new entities as appropriate.	New contracts apply.	
Training Delivery			
	Apprentices/trainees training contracts to be varied.	New training contracts take effect.	