

Review of Skills Victoria

Final Report

state**services**authority

Review of Skills Victoria

Final Report

The Victorian Government has vested the State Services Authority with functions designed to foster the development of an efficient, integrated and responsive public sector which is highly ethical, accountable and professional in the ways it delivers services to the Victorian community.

The key functions of the Authority are to:

- identify opportunities to improve the delivery and integration of government services and report on service delivery outcomes and standards;
- promote high standards of integrity and conduct in the public sector;
- strengthen the professionalism and adaptability of the public sector; and
- promote high standards of governance, accountability and performance for public entities.

The Authority seeks to achieve its charter by working closely and collaboratively with public sector departments and agencies.

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abbreviations

ACFE	Adult Community and Further Education
AMES	Adult Multicultural Education Services
AQF	Australian Qualifications Framework
CAE	Centre for Adult Education
COAG	Council of Australian Governments
DPC	Department of Premier and Cabinet
DPCD	Department of Planning and Community Development
DEECD	Department of Education and Early Childhood Development
DEEWR	Department of Education, Employment and Workplace Relations
DIIRD	Department of Innovation, Industry and Regional Development
DTF	Department of Treasury and Finance
ICT	Information and Communication Technology
ITAB	Industry Training Advisory Board
MCTEE	Ministerial Council for Tertiary Education and Employment
RTO	Registered Training Organisation
SSA	State Services Authority
TAFE	Technical and Further Education
VET	Vocational Education and Training
VRQA	Victorian Registration and Qualifications Authority
VSC	Victorian Skills Commission

executive summary

In January 2009, the Minister for Skills and Workforce Participation, the Hon Jacinta Allan MP, requested the State Services Authority (SSA) to review the organisational arrangements of Skills Victoria. This was in the context of the implementation of the Victorian Government's skills reform package, *Securing Jobs for Your Future — Skills for Victoria*. This report presents the findings and recommendations of the Review.

The introduction of reforms announced in the *Securing Jobs for Your Future* policy has resulted in changes to Skills Victoria's role. The most significant impact of these changes is the shift from a planning and purchasing model with limited contestability, to a demand based funding model with significantly increased contestability and client choice.

Skills Victoria is currently in transition from a model of engagement that was directly relevant to a planned purchasing arrangement to a different model. Industry, business and providers' active engagement with the new skills system is essential to the successful implementation of the reforms. Skills Victoria has a key role in generating and increasing this engagement. The new skills environment also requires a new type of relationship between Skills Victoria and training providers in a contestable market.

The Review identified a number of opportunities to improve governance, organisational and financial capability. An overarching theme of the recommendations is the need to develop a clear and shared understanding of the role of Skills Victoria and other key bodies in the Victorian Vocational Education and Training (VET) system.

The Review addresses the issues of the deep collaboration and consistent systems in relation to a number of governance, funding matters and administrative issues between Skills Victoria and key bodies such as the Department of Innovation, Industry and Regional Development (DIIRD) and Adult Community and Further Education (ACFE).

The Review has made twelve recommendations in the following areas:

- | | | |
|---|--|--|
| 1 | Role of Skills Victoria | Clarify the role of Skills Victoria in the new skills environment. |
| 2 | Data collection | Continued national engagement for improved data collection. |
| 3 | Planning capability | Establish whole-of-division cyclical business planning and undertake medium to long term workforce planning. |
| 4 | Alignment opportunities | Improve alignment between Skills Victoria and DIIRD through co-location and corporate supports. |
| 5 | Role of Victorian Skills Commission | Clarify the role of Victorian Skills Commission in the new skills environment. |
| 6 | Membership of Victorian Skills Commission | Broaden the membership base of the Victorian Skills Commission. |
| 7 | Industry Training Advisory Boards | Clarify the role and operation of Industry Training Advisory Boards. |
| 8 | Location of Adult Community and Further Education | Establish processes for determining Adult Community and Further Education's location. |
| 9 | TAFE governance | Determine the future of TAFE governance. |

10	Regulatory oversight	Support maintenance of quality training.
11	Financial agreements	Note the accountability framework for registered training organisations' monitoring and reporting.
12	Alignment with output and outcome measures	Establish appropriate output and outcome measures to reflect policy objectives of a demand driven system and ensure incorporation within divisional work plans.

A summary list of Review findings and the recommendations is at Appendix A.

It is important that the Review recommendations are coordinated with other planned changes to the *Education Training Reform Act 2006* associated with the implementation of the *Securing Jobs for Your Future* reform package. Proposed changes to governance arrangements should be progressed as a matter of priority.

Clarifying role and accountability will not only progress industry engagement, but contribute to a skills system that is responsive to Victoria's economic requirements.

1 introduction

1.1 background

In January 2009, the Minister for Skills and Workforce Participation, the Hon Jacinta Allan MP, requested the SSA to review the organisational arrangements of Skills Victoria. This report presents the findings and recommendations of the Review.

The Review's Terms of Reference are presented in Box 1.

Box 1: Terms of Reference

I, Jacinta Allan, Minister for Skills and Workforce Participation, pursuant to section 50 of the *Public Administration Act 2004*, request the State Services Authority to review the organisational arrangements of Skills Victoria to implement the Government's skills reform package.

In conducting the Review, the State Services Authority is to:

- consider the organisational, financial and governance arrangements of Skills Victoria;
- establish whether Skills Victoria has the necessary complement of skills and experience to successfully undertake the reforms, including financial arrangements, IT systems, and regulatory functions; and
- comment on the new financial arrangements that will need to be enacted, considering agreements between the Commonwealth, Skills Victoria, the Victorian Skills Commission and the tertiary sector to facilitate the achievement of the reform's outcomes.

The State Services Authority is required to make recommendations regarding changes as to how resources are organised in Skills Victoria so as to optimally deliver the Government's reforms.

The State Services Authority is required to provide me with a report by 31 July 2009.

On 20 May 2009, Minister Allan granted an extension for the completion of the report until 30 September 2009.

1.2 review approach

Beth Webster, SSA Commissioner, led the Review. The Review team comprised SSA staff and a staff member seconded from Skills Victoria.

A Reference Group was established to provide high level advice and input to the Review. The Group was chaired by Helen Silver, Secretary, Department of Premier and Cabinet (DPC), and included the following members:

- Bruce Hartnett, Chair, SSA;
- Beth Webster, Commissioner, SSA;
- Howard Ronaldson, Secretary, DIIRD;
- Grant Hehir, Secretary, Department of Treasury and Finance (DTF); and
- Peter Dawkins, Secretary, Department of Education and Early Childhood Development (DEECD).

In addition, a Working Group at senior officer level was also established to consider more detailed issues and inform the Reference Group. This group included senior representatives from:

- SSA;
- Skills Victoria;
- DTF;
- DPC;
- DEECD; and
- Department of Planning and Community Development (DPCD).

Both the Reference Group and the Working Group provided feedback on the draft report and the Review findings and recommendations. This feedback has been included in the final report. The Review also consulted with a range of Skills Victoria's stakeholders, including senior representatives from DIIRD and other government agencies, as well as TAFE institutes, other training providers and employer groups. A list of people involved in these consultative processes is at Appendix B.

The Review team conducted a comprehensive literature review, covering legislation and policy documents, government reports, academic and research papers, and other related material, including financial documents and agreements. A reference list is at Appendix C.

The Review engaged Peter Noonan Consulting Pty Ltd to conduct analysis on financial agreements in the VET system. This work informed the Review's analysis relating to financial agreements and accountabilities.

2 Victorian skills policy and legislation overview

This chapter provides an outline of relevant Victorian skills related policies and legislation, including further details of *Securing Jobs for Your Future*. This policy statement is central to the Review and its considerations of the organisational, financial and governance arrangements of Skills Victoria as they relate to implementation of this policy.

2.1 Securing Jobs for Your Future - Skills for Victoria

In August 2008, the Victorian Government announced major reforms to the VET system outlined in *Securing Jobs for Your Future*, to further Victoria's position as the national leader in skills development. The goals and outcomes of this reform package are outlined in Box 2.

Box 2: Securing Jobs for Your Future— Skills for Victoria goals

Goals

The new skills system has four goals:

- increasing the number of people undertaking training in the areas and at the levels where skills are needed for Victoria's economic and social development;
- developing a training system that engages more effectively with individuals and businesses;
- ensuring Victoria's VET system is responsive to the changing needs of Victoria's industry and workforce; and
- creating a culture of lifelong skills development.

Outcomes

The stated outcomes sought from *Securing Jobs for Your Future* are:

- improve school leavers' and adults' employment and further education opportunities by assisting them to acquire foundation skills in literacy, numeracy and language;
- more people trained in the skills that are required in their workplace;
- the number of people undertaking and completing qualifications at the Diploma and Advanced Diploma level will rise in areas of high industry demand, thereby addressing the growing need for people qualified at higher levels; and
- people who continue to learn, and who undertake progressively higher level skills development, will continue to access government support. This will encourage ongoing participation in the training system, with significant benefits to individuals and to the businesses and industry areas in which they work.

Securing Jobs for Your Future provides \$316 million in additional funding and aims to deliver an additional 172,000 training places over the next four years.¹ The package is underpinned by a new contestable funding model and introduces new programs and activities to assist individuals and businesses access a VET system that is responsive to their needs and requirements by offering more choice. Key features of the reform package are presented in Box 3.

¹ Department of Innovation, Industry and Regional Development 2008, *Securing Jobs for Your Future — Skills for Victoria*, Victorian Government, Melbourne.

Box 3: Key features of Securing Jobs for Your Future— Skills for Victoria

- establishment of the *Victorian Training Guarantee*, an initiative that provides eligible people with an entitlement to government subsidised training that can be accessed at any time;
- supporting greater user choice through ensuring that training delivery responds to demand and on a more competitive basis, with more individuals and businesses able to access government subsidised places from a wider range of providers;
- introduction of a new fee schedule, with fees varying in line with the expected benefits individuals and businesses get from training. A measure of flexibility in fee charging has also been introduced to allow for competition on price;
- eligible individuals training at Diploma and Advanced Diploma levels will have access to VET FEE-HELP to ensure that tuition fees do not act as a barrier to participation;
- funding of \$52 million for a new workforce development program, *Skills for Growth*, to assist Victorian businesses develop the skills of their workforce; and
- delivering a connectivity program that boosts the broadband and other communications capacity of TAFE institutes.

The implementation of *Securing Jobs for Your Future* is being staged over four years, with monitoring during this period, including a review that will be undertaken in 2010, prior to full implementation.

2.1.1 Victoria and national arrangements

The Council of Australian Governments (COAG) is the peak intergovernmental forum in Australia, comprising the Prime Minister, State Premiers, Territory Chief Minister and the President of the Australian Local Government Association. COAG has a prominent role in driving the direction of education and training policy. Victoria is an active participant in COAG, including the Ministerial Council for Tertiary Education and Employment (MCTEE). Further details regarding COAG and associated Councils and Committees are outlined in Appendix D. Further details of relevant Commonwealth policy and legislation are provided at Appendix E.

2.1.2 Victorian Tertiary Education Plan

On 2 April 2009, the Minister for Skills and Workforce Participation and the Premier announced that the Government is developing a plan for the growth of the tertiary sector in Victoria. The plan will identify targets and strategies to improve accessibility to tertiary education and stimulate growth in participation rates. The plan will make recommendations for Victoria over three timeframes:

- within one year – immediate requirements;
- within five years – systemic changes; and
- 10-15 years – actions to meet national higher education targets.

The Victorian Tertiary Education Plan will include identification of the necessary policy responses by the Victorian Government to the Review of Australian Higher Education (the Bradley Report) and the Commonwealth Government's response to the Review.

The Victorian Government has appointed an Expert Panel to oversee the development of the plan. The Panel is headed by Professor Kwong Lee Dow and will report to the Minister by 30 November 2009. The Panel will develop recommendations on how the State Government can maximise the participation of Victorians in tertiary education to the benefit of individual Victorians and state economic development.

In addition, the Panel will focus on the following areas:

- outer urban and regional provision of university and VET training;
- the interface between higher education, VET and schools;
- proposed national regulatory arrangements;
- funding to the higher education sector and its capacity to meet demand in Victoria;
- innovation and research;
- industry needs;
- international students; and
- infrastructure needs.

The Tertiary Education Plan will provide pivotal directions that complement and further extend the more specific VET policy directions outlined in *Securing Jobs for Your Future*.

2.1.3 other Victorian Government policies relating to skills and training

Securing Jobs for Your Future aligns and links with several Victorian Government policies. Table 1 provides a summary of these key policies.

Table 1: Other Victorian skills related policies

Policies and strategies	Objectives
A Stronger ACFE: Delivering Skills for Victoria (2009)	Launched in June 2009, this Ministerial Statement provides direction for ACFE and the adult community education sector. The statement outlines their important role in relation to the objectives and strategies of <i>Securing Jobs for Your Future</i> .
A Fairer Victoria: Standing Together Through Tough Times (2009)	Victoria's social policy action plan that aims to reduce disadvantage and promote inclusion and participation. It includes a priority action area of improving education opportunities and assisting people into work.
Working Victoria: Victoria's Workforce Participation Strategy (2008)	Provides a framework to encourage a greater proportion of Victorians into the workforce. Its objectives include building a stronger and more resilient workforce, increasing incentives and reducing barriers to employment.
Innovation: Victoria's Future (2008)	Aims to build the State's innovation capabilities. The statement includes productivity initiatives that increase the infrastructure, skills and resources required to turn ideas in to new products, services and solutions.
Building Our Industries For The Future: Action Plans for Victorian Industry and Manufacturing (2008)	Overarching industry development strategy that seeks to: <ul style="list-style-type: none"> • deliver broad economic reforms to boost competitiveness; • invest in skills and innovation capabilities needed for the future; and • stimulate growth of more globally competitive and sustainable industries and companies.
Moving Forward Update: The Next Two Years 2008-2010 (2008)	An action plan for growth in provincial Victoria aiming to strengthen regional economies and promote growth. <i>Moving Forward Update: The Next Two Years</i> also includes initiatives to develop local strategies for tackling skills shortages and workforce development.

Policies and strategies	Objectives
Maintaining the Advantage: Skilled Victorians (2006)	This Statement lists key actions seeking to improve skills, meet the challenges of an ageing population and increased global economic competition.
Future Directions for Adult Community Education (ACE) in Victoria (2004)	A Ministerial Statement which provides direction for community based adult education in Victoria. It highlights the importance of adult and community education, and outlines resource allocation in relation to this sector and work to be done to achieve the <i>Growing Victoria Together</i> agenda.
Knowledge and Skills for the Innovation Economy (2002)	This statement details how VET in Victoria will meet the challenges of an innovation economy.
Growing Victoria Together (2001)	The 10 year vision for Victoria which sets out the Government's key social, economic and environmental goals.

2.2 Victorian legislation

2.2.1 Education and Training Reform Act 2006

The legislative framework for education and training in Victoria is provided by the *Education and Training Reform Act 2006*. The Act came into effect in July 2007 and covers:

- compulsory schooling;
- post-compulsory education and training provided through VET, TAFE institutes and ACFE;
- regulation of government and non-government schools and other education providers;
- development and accreditation of courses;
- registration and employment in the teaching profession;
- regulation of apprenticeships and traineeships; and
- monitoring, planning and development of the provision of education and training.

It is noted that the Victorian 2009 Statement of Government Intentions announced that the post-compulsory education framework in the Education and Training Reform Act will be reviewed. This would progress amendments to the existing legislation to give effect to *Securing Jobs for Your Future* package and its policy directions.

2.2.2 Review of University Legislation

The Victorian 2009 Statement of Government Intentions announced a review of the legislation which currently governs higher education institutions. This work seeks to harmonise and align core governance and reporting requirements across Victoria's higher education sector. It is being undertaken by Skills Victoria and will result in fully redrafted University Acts for each of Victoria's universities in 2010.

3 Victorian vocational education and training system

This chapter provides an overview of the Victorian VET system. Traditionally VET has principally related to the working age population, however, there is significant overlap between the sectors within the education system. The VET system will continue to play an integral part of the wider education sector. In Victoria, the VET system distinguishes between courses undertaken at different levels and for different purposes, with further details of these levels outlined in Table 2.

Table 2: VET course levels

Level	Overview
Foundation	Courses to assist the development of numeracy and language skills.
Skills creation	Courses at Certificate I and II level to develop initial vocational skills.
Skills building	Courses at Certificate III and IV level for more advanced workplace skills.
Skills deepening	Diploma and Advanced Diploma courses for more skilled, specialised or paraprofessional levels.

3.1 Victorian training delivery overview

Victoria's VET system has delivered strong outcomes to date and is recognised as a national leader. In 2008, Victoria's VET system delivered 28 per cent of Australia's training.²

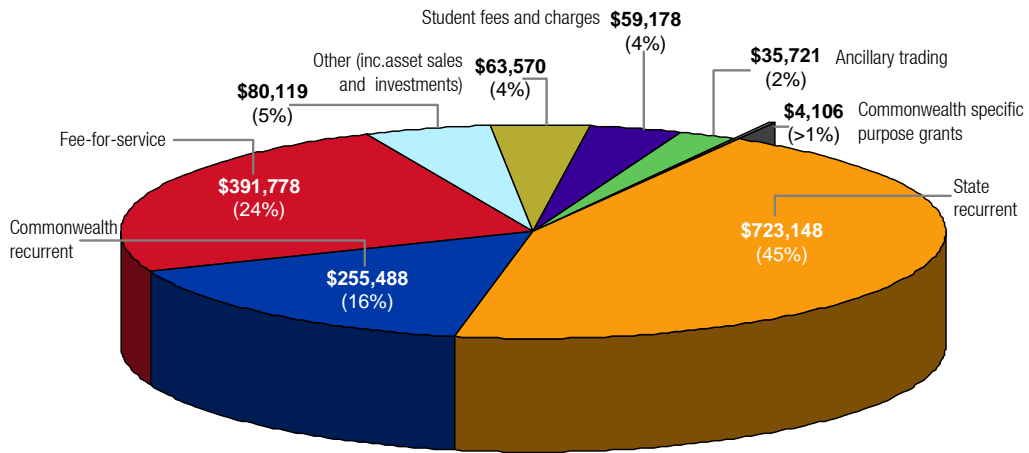
In 2008, the Victorian VET system:

- had a total of 529,989 students who undertook 695,122 VET course enrolments. This represents an increase of four per cent compared to 2007;
- reported an increase in completions of AQF courses of 30 per cent, to 110,268; and
- reported 90 per cent of Victorian VET graduates were either employed or continued further studies following their training.

Figure 1 shows the sources and levels of operating revenue for reported VET activity by category of funding source. The Victorian Government provides nearly half of this funding and the Commonwealth provides around 17 per cent.

² Skills Victoria 2009, *Victoria's Vocational Education and Training Statistics: A Pocket Guide 2009 Edition*, Department of Innovation, Industry and Regional Development, Melbourne.

Figure 1: Sources and levels of VET funding (\$'000) – Victoria 2007

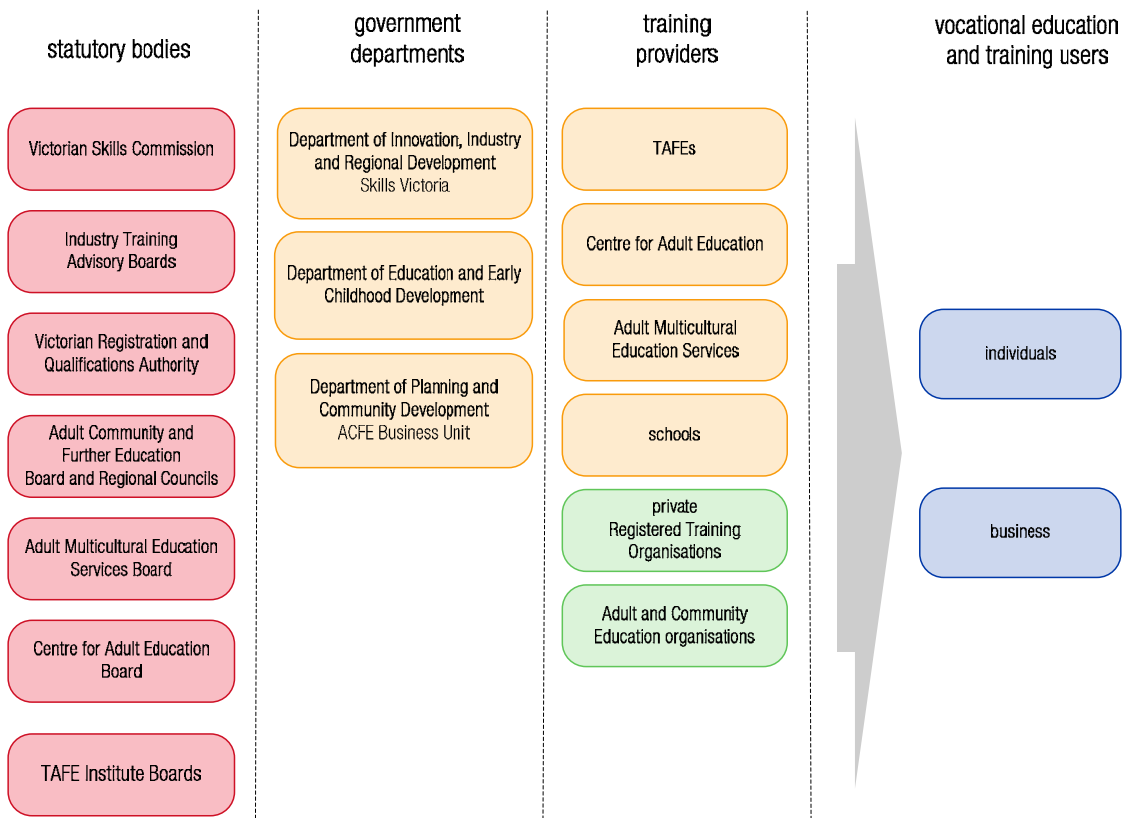


Source: National Centre for Vocational Education Research, Australian vocational education and training statistics: financial information 2007.

3.2 key bodies in the Victorian VET system

The Victorian VET system encompasses a number of statutory bodies and government departments. There is also a mix of public and private (profit and not-for-profit) training providers. Figure 2 outlines the key bodies in the Victorian VET system.

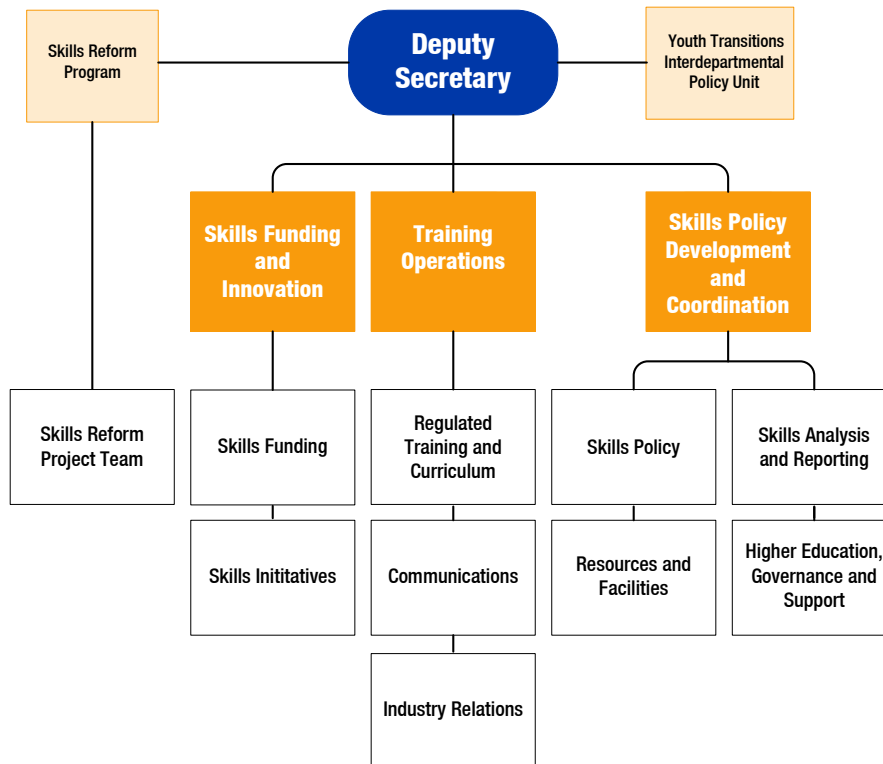
Figure 2: Key bodies in the Victorian VET system



3.3 Skills Victoria

Skills Victoria is a government body and acts as the system manager of the Victorian VET system. Skills Victoria was incorporated into the DIIRD portfolio as part of the 2006 and 2007 machinery of government changes. Skills Victoria currently employs approximately 130 full time staff. Skills Victoria is led by a Deputy Secretary supported by an executive team of ten. Figure 3 shows Skills Victoria’s key business areas. A more detailed organisational chart of Skills Victoria can be found at Appendix F. DIIRD’s organisation chart is at Appendix G.

Figure 3: Skills Victoria’s key business areas



3.4 Department of Education and Early Childhood Development

DEECD oversees the Victorian school system, supporting the education and training continuum. The Victorian school system is part of VET, with most secondary schools delivering VET programs to students in the final years of schooling. This includes school based apprentices and trainees, as well as VET accredited subjects as part of the Victorian Certificate of Education or the Victorian Certificate of Applied Learning.

To support student transition to further education, training and employment, DEECD and DIIRD have established a Youth Transitions Unit, to focus on expanded pathways for young people. This Unit also manages cross sectorial initiatives, including Local Learning and Employment Networks to bring together key stakeholders including education providers and industry representatives.

3.5 Adult Community and Further Education Business Unit

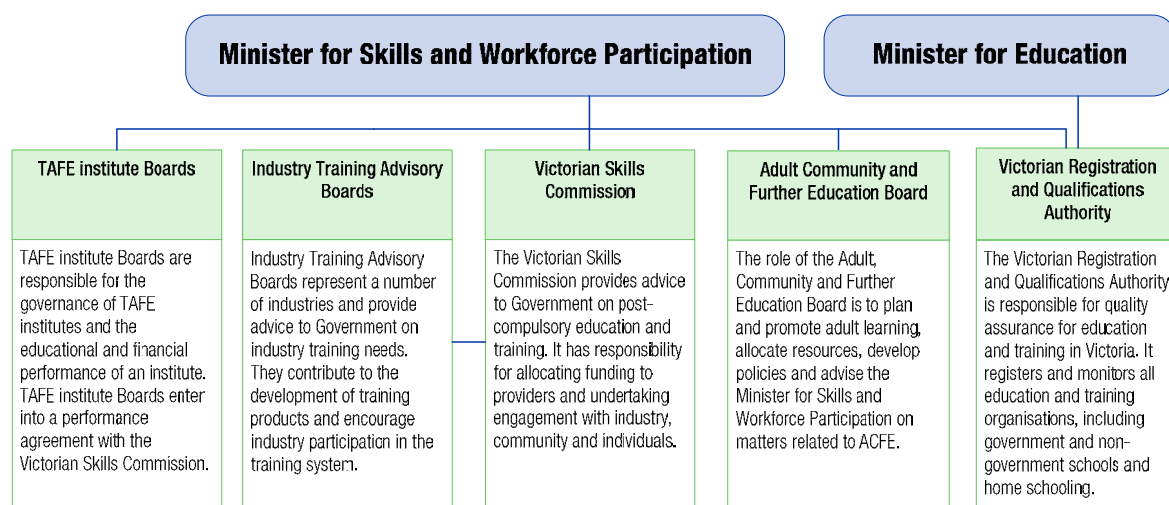
The ACFE Business Unit is situated within DPCD. The Department seeks to plan and support community liveability and sustainability. ACFE was placed in the Community Development group in DPCD in August 2007. ACFE supports government’s further education policies by promoting individual and community development through learning. It works alongside the Community Engagement team which attends to community development needs across a broad range of functions, including education for a range of community providers.

ACFE supports education and training for a broad range of Victorians over compulsory school leaving age with a special focus on people who have had limited access to education. ACFE performs a range of functions including providing secretariat support services to the ACFE Board and Regional Councils, quality assurance and program development. In addition, there are ACFE Regional Advisers, who develop partnerships between training providers, undertake monitoring and maintenance of funding to adult and community education providers.

3.6 skills related statutory bodies

Skills Victoria interacts with a number of skills related statutory bodies established under the Education and Training Reform Act. A brief overview of some of the statutory bodies is provided in Figure 4.

Figure 4: Skills related statutory bodies



3.7 training providers

To offer nationally recognised qualifications, a training organisation must meet the Australian Quality Training Framework standards, including registration with a National or State recognition authority. These authorities grant registered training organisation (RTO) status for up to five years. As an RTO, the provider is able to provide nationally recognised and accredited training and assessment services.

There are a variety of training providers that operate within the Victorian VET system. Examples include:

- commercial training providers that supply fee-for-service programs to the general public;
- enterprise based training providers that provide accredited training within an organisation for its own employees;
- industry based training providers including those that offer accredited training to an industry sector; and
- not-for-profit training providers such as adult community education organisations.

In Victoria, there are currently more than 1,300 RTOs. Details are summarised in Table 3 which categorises RTOs by the type of organisation.

Table 3: Victorian Registered Training Organisations as at 30 June 2009

Organisation type	Number
Education and training business or centres	741
Community based adult education providers	222
Industry associations	137
Non-government enterprises (eg. Woolworths, Qantas Airways).	77
Government, independent and Catholic schools	120
TAFE institutes	18
Professional associations	10
Government enterprises (eg. Department of Defence, Centrelink)	7
Other	6
Total	1,338

Source: Victorian Registration and Qualifications Authority.

3.7.1 Technical and Further Education institutes

A significant proportion of current VET courses are currently provided by the Victorian Government and TAFE institutes. TAFE institutes receive a proportion of their funding through government subsidised training. Institutes also complement this provision with training services purchased by industry, and through full fee paying students.

The public provider obligations of TAFE institutes currently require institutes to provide the full range of training services in their communities. TAFE campuses also provide valuable community infrastructure, particularly in regional areas. In Victoria, there are 18 institutes, a list of these is provided at Appendix H. This includes four TAFE divisions within universities known as dual sector providers.

TAFE sector assets are vested in the name of the Minister for Skills and Workforce Participation. Currently TAFE institutes need to receive Ministerial approval to acquire or dispose of assets. The current asset portfolio represents around 1,000 buildings across 100 campuses located in the State.

3.7.2 Adult community education organisations

Adult community education programs cover a diverse range of areas including foundation courses such as adult literacy and numeracy to recognised VET courses.

In Victoria, there are two public Adult Education Institutions established under the Education and Training Reform Act. They each deliver education and training programs to people over school leaving age. These are the Centre for Adult Education (CAE) and Adult Multicultural Education Services (AMES).

The largest provider of adult community education in Victoria is the CAE. It offers over 1,000 nationally accredited and fee-for-service courses. CAE is registered to deliver courses covering areas such as literacy and numeracy and vocational education for various industries.

The largest provider of English language and settlement services in Victoria is AMES. In addition to being a major supplier of specialist employment and training services in Melbourne, AMES provides an extensive range of adult education, training and employment programs to a diverse client community. Education programs provided include the Language, Literacy and Numeracy Program, the Employability Skills Program and the Pre-employment Program.

4 future role of Skills Victoria

The implementation of *Securing Jobs for Your Future* has prompted a need to reposition Skills Victoria and clarify its roles and functions in the new skills environment. Defining Skills Victoria's role has assisted the Review in determining recommendations regarding optimum delivery of the Government's policy reforms as identified in the Terms of Reference. This ensures that all stakeholders, including staff at all levels of the organisation, have a clear understanding of Skills Victoria's ongoing role.

In addition to the implementation of *Securing Jobs for Your Future*, other factors that have been taken into account that impact on Skills Victoria's operating environment include:

- national policy developments, including the review of Australian Higher Education and the COAG VET reform agenda;
- new Commonwealth-State agreements, including changes in financial arrangements and reporting frameworks; and
- current or forthcoming reviews, including reviews of TAFE governance and education and training legislation.

4.1 Skills Victoria's role in the new skills environment

Prior to *Securing Jobs for Your Future* Skills Victoria undertook a number of roles including:

- policy advice and development in relation to skills and training and higher education;
- purchaser of training places based on the specification of agreed delivery targets;
- manager of government's relationship (financial, asset management and governance) with government owned TAFE institutes;
- oversight of Victorian VET and higher education legislation; and
- oversight and regulation of apprenticeships and traineeship system.

The Review found that within the new skills environment, Skills Victoria should undertake an amalgam of existing, extended and new roles. These roles are outlined in the following sections.

4.1.1 policy role

The Review found that Skills Victoria should undertake a localised policy role that operates within the DIIRD strategic policy environment. This role includes leadership of Victorian and national skills and training related matters, such as COAG's VET agenda.

The Review proposes that Skills Victoria maintains and develops the key role in providing the Minister of Skills and Workplace Participation with advice on the Victorian VET system. This includes issues relevant to the implementation of *Securing Jobs for Your Future*. In addition, Skills Victoria should continue to have oversight in the development and advancement of Victorian higher education policy.

The DIIRD Strategy and Coordination Division currently provides strategic policy, planning, coordination for all of DIIRD. The Review notes that the DIIRD Strategy and Coordination Division has an opportunity to further build its capability and outputs to advance DIIRD’s economic and industry objectives. This should include broadening labour market and industry analysis with skills training as one of the central foci, to inform strategic policy development.

Skills Victoria’s policy branch should work closely with all areas of DIIRD, including its economic, research and policy units, to ensure a strong and shared understanding of the skill requirements of the Victorian labour market. The Review proposes that Skills Victoria enhance its role in skills research and advice to inform future skills policy development, and increase engagement with the relevant DIIRD divisions.

4.1.2 stakeholder engagement

The Review found that Skills Victoria has a major role in generating and increasing stakeholder engagement to advance the objectives and strategies outlined in *Securing Jobs for Your Future*. Successful implementation of the reforms is premised on industry, business, providers and individuals’ active engagement with the new skills system. It is therefore essential that Skills Victoria increases its engagement with each of these stakeholder groups.

The Review found that Skills Victoria will transition from a model of stakeholder engagement that reflects a planned purchasing model, to a role that is much more focused on engagement with a range of stakeholder groups. For example, Skills Victoria has a key role in increasing user knowledge through wide dissemination of information regarding the changes to the Victorian VET system and the new opportunities that exist for individuals and businesses.

Table 4 outlines a range of Skills Victoria’s engagement activities and their target groups.

Table 4: Skills Victoria’s stakeholder engagement activities

Stakeholder	Activity
Students and prospective students (including retrenched workers and employers)	<p>Continuous improvement of new information supports including:</p> <ul style="list-style-type: none"> • web-based services; • call services such as the apprenticeship line and the Help Hub; and • publications such as the TAFE Directory.
Providers	<p>Providing support and information to all RTOs that includes:</p> <ul style="list-style-type: none"> • enabling RTOs to operate more effectively by responding to their requests for assistance; • providing information on the new skills policy directions and government policies; • running provider forums; • assisting RTOs with data requirements and contract obligations; • providing intelligence on current economic analysis and skills shortage areas; • facilitating provider linkages; and • disseminating information more generally.
Business	<ul style="list-style-type: none"> • supporting Small Business Victoria in the implementation of Skills for Growth; and

Stakeholder	Activity
	<ul style="list-style-type: none"> developing the Workforce Development Program through referral and marketing.
Industry	leveraging and increasing networks and relationships to support strengthened industry engagement with the training system, including implementation of strategies like the Industry Engagement Strategy.
All stakeholders	<p>Other activities include:</p> <ul style="list-style-type: none"> events management; media information management; and marketing.

4.1.3 managing Government's relationship with TAFE institutes

Governance arrangements for Victorian TAFE institutes are set out in the Education and Training Reform Act. In addition to the requirements of the Act and Ministerial directions, governance arrangements are influenced by a number of other instruments, including performance agreements.

Until decisions are made regarding the future governance arrangements of TAFE institutes, Skills Victoria should continue its role in advising the Minister of Skills and Workforce Participation, as owner of TAFE institutes.

4.1.4 contract management

Skills Victoria will continue to manage contracts and performance agreements with TAFE institutes and RTOs in the new skills environment. The key changes will be the number of contracts and the nature of the agreements in terms of the basis for payment. As a result of increased contestability introduced through training system reform, many more RTOs will be able to offer government subsidised places to eligible students. Skills Victoria will therefore manage contracts with an expanded network of training providers. Revised funding agreements that reflect the shift to a demand based model are examined in section 7.4.

4.1.5 responsibility for the apprenticeship and traineeship system

The VSC delegates oversight and management of the apprenticeship and traineeship system to Skills Victoria.

An apprenticeship or traineeship involves a legal commitment, based on a training contract between the employer and the apprentice/trainee. The training contract includes a training plan to be delivered by an RTO, in conjunction with the employment opportunity. Skills Victoria can inspect or audit an employer or RTO in relation to an apprenticeship and traineeship training contract and has the ability to suspend or cancel a contract if it does not meet its specifications. If the issue is a matter of quality with the course content, it can be referred to the Victorian Registration and Qualifications Authority (VRQA). When an apprentice has a complaint, contact can be made with an apprenticeship field officer, who are either directly employed by Skills Victoria or on contract to Skills Victoria.

Although no issues were raised in relation to Skills Victoria's role in regulating apprenticeships and traineeships, Review consultations revealed a number of different perspectives on the location of this function. As the role has a regulatory aspect there was a viewpoint that extending the VRQA's role to include regulating apprenticeship and traineeship training contracts could facilitate functional consolidation with its other course quality regulation role.

However, given the changes to the VET regulatory landscape in line with COAG recommendations, national and state policy activity and the development of the Tertiary Education Quality and Standards Agency, it is preferable that Skills Victoria continues overseeing the apprenticeship and traineeship system at this point in time.

4.1.6 delivery of skills programs and projects

Skills Victoria will continue to provide a number of programs that commenced before the reform package was introduced. In addition, there are a number of new projects to be delivered by Skills Victoria under the reform agenda, such as 21st Century Connectivity and Skills for Growth. Skills Victoria will be required to have the flexibility and agility to undertake initiatives and projects as required.

4.1.7 VET data collection, analysis and reporting

All RTOs in receipt of State or Commonwealth funding submit data to the VET Student Statistical Collection. The VET Student Statistical Collection captures information about RTOs, courses, modules/units of competency, client demographics and prior education background as well as enrolment and qualification completion details associated with VET delivery in Victoria.

Under the new funding model, Skills Victoria utilises data to:

- determine payments to TAFE institutes and RTOs;
- report at the state and national levels; and
- support other business areas.

Information derived from the collection is also used to shape policy, monitor VET activity, evaluate initiatives and plan for the future.

Skills Victoria is currently participating in the National VET Data Strategy to improve the capacity of the entire national VET Statistics Collection to capture student outcomes, including the number of completions. This national strategy includes proposals for the following:

- introducing a unique student identifier to improve the measurement of completion rates;
- transitioning to more frequent quarterly national data collection and reporting;
- expanding and increasing the frequency of national surveys that capture the relationship between training and employment;³ and
- national collection of fee-for-service training delivered by private providers.

In the main, Skills Victoria has transitioned to a monthly reporting cycle. It is anticipated that the implementation of a unique student identifier will commence in 2010 (the Victorian Student Number).

³ for example the National Centre for Vocational Education Research (NCVER) Student Outcomes Surveys

The activities outlined above as part of the National VET Data Strategy aim to improve the capacity to measure VET outcomes at both the state and national level. Victoria's progression with these proposals and associated activities will support enhanced policy capability.

Recommendation 1 Role of Skills Victoria

That the Minister for Skills and Workforce Participation, with the Secretary DIIRD and Deputy Secretary, Skills Victoria, endorse the following ongoing roles for Skills Victoria:

- 1.1 providing policy functions and giving policy advice to the Minister on skills and training and the higher education sector. This localised policy function should work closely with economic modelling and labour market research sections of DIIRD to include broader labour market and industry analysis. Skills Victoria's role will include leadership in relation to future Victorian and national skills and training related matters.
- 1.2 undertaking broad stakeholder engagement and communication with a wide network of public and private training providers, employers, industry bodies, workplaces, students (actual and potential), and national bodies. This includes providing services (e.g. assisting training providers, information provision) to make the overall training market more efficient and effective.
- 1.3 managing Government's relationship with TAFE institutes.
- 1.4 contract management of vocational education and training services. In particular, ensuring an accurate, timely and robust payment system and processes to eligible registered training providers supported by high quality data collection.
- 1.5 oversight and regulation of the apprenticeship and traineeship system; and oversight of the Victorian VET and higher education legislation.
- 1.6 delivery of specific skills programs and projects, as required (e.g. Skills for Transition).

Recommendation 2 Data collection

That Skills Victoria should continue to play an active role in the national implementation project to ensure improved capacity to measure VET outcomes, including completions.

5 Skills Victoria's capabilities

Consistent with the Review's Terms of Reference, this chapter examines Skills Victoria's organisational capabilities.

'Capability' has many different meanings and there is no single public sector definition of the term. The Review adopted the following definition of capability:

What an organisation needs, in order to deliver efficiently the outputs required to achieve the Government's goals as set out in its strategy.

5.1 capability framework

The Review developed a capability framework to assess Skills Victoria's capabilities in a systematic and objective way. This framework provided an objective way to identify and assess Skills Victoria's capability.

5.1.1 framework development

The framework and its application adopted by the Review, took a forward looking approach in order to:

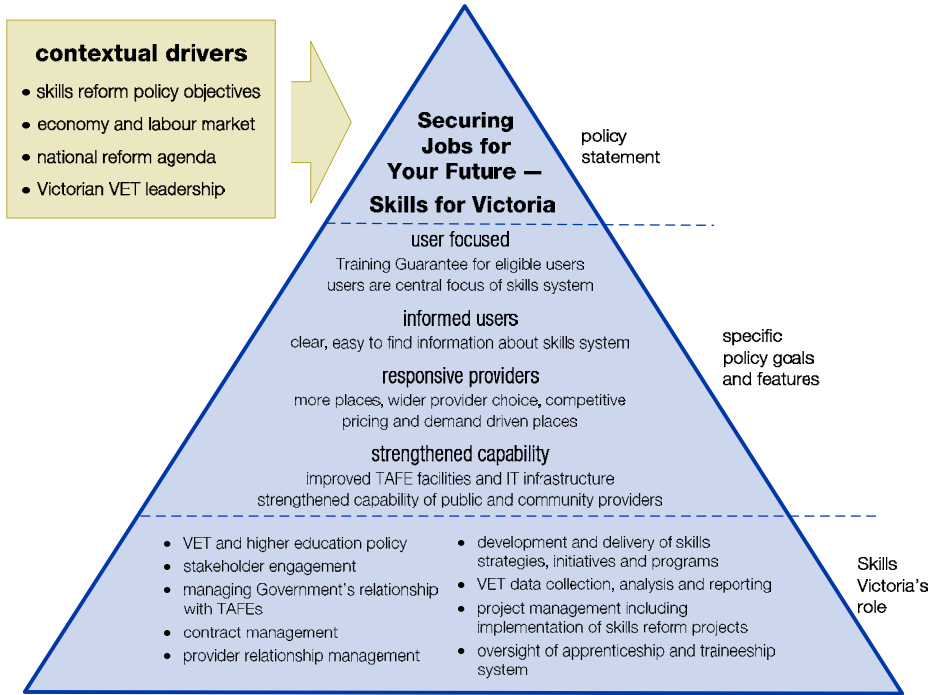
- be future focused, rather than assess past performance;
- serve as a conceptual framework as well as a practical, evidence based, analytical tool;
- identify and consider capability areas most relevant to the public sector and the Review purpose; and
- contribute to the identification of capability strengths, gaps and opportunities relevant to successful implementation of the skills reform package.

The Public Sector capability models used in international and interstate jurisdictions, including the Commonwealth Government, the New Zealand Government and the Queensland Government, informed the development of a suitable capability framework for the Review. In particular, the framework features key concepts of the Commonwealth Government's Service Delivery Capability Model.

5.1.2 contextual drivers

The Review examined Skills Victoria’s capability to deliver *Securing Jobs for Your Future*. This policy and the national skills agenda are determined as key contextual drivers that set the boundaries for the capability analysis, as outlined in Figure 5.

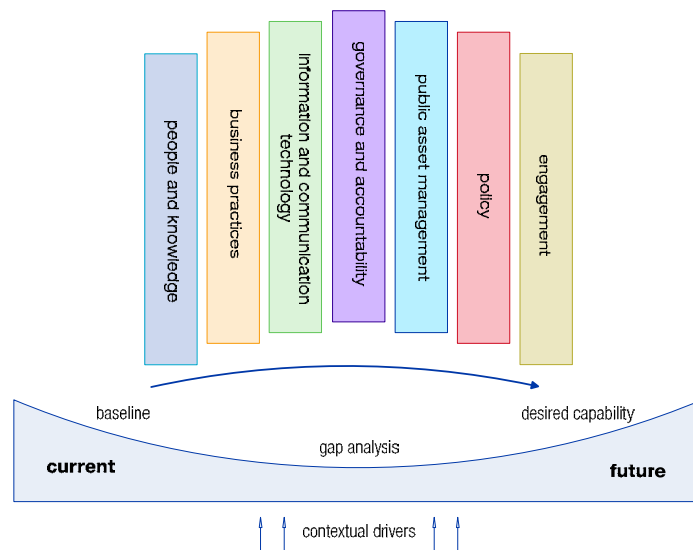
Figure 5: Contextual drivers in capability analysis



5.1.3 capability analysis

The Review adopted a high level approach to assessing capability areas and elements, rather than a detailed and exhaustive examination of all organisational activity. Figure 6 depicts the framework utilised for capability analysis.

Figure 6: Capability framework



Source: Adapted from the Australian Government Service Delivery Capability Model 2006.

The Review drew on information from an extensive range of sources to capture an accurate baseline capability of Skills Victoria. Source references included corporate documents, published research, public documents and consultation notes.

The Review undertook consultation with Skills Victoria’s executive team to assist in refining and validating baseline data. Longer term capability goals and objectives were identified in relation to Skills Victoria’s future capability requirement. The future capability identified by the Review reflects broader *Securing Jobs for Your Future* objectives and associated capabilities in the new skills environment. The capability assessment also draws heavily from the envisaged role and functions of Skills Victoria in this new environment as outlined in chapter 4, as well as best practice descriptors adopted in other capability models.

Gaps, strengths and opportunities were determined after comparing the baseline existing capability with the desired future capability. Skills Victoria needs to determine whether to develop and expand the skills of existing staff or recruit new skill sets to address the new or expanded capabilities required.

5.1.4 capability areas

Capability areas were chosen for inclusion in the framework on the basis of their relevance to the Terms of Reference and on the Review’s assessment of Skills Victoria’s future role (see Recommendation 1). Sub-elements within each capability area were also identified to assist in the analysis process and subsequent identification of gaps, strengths and opportunities. For example, people and knowledge was identified as a key capability area and includes sub-elements of workforce planning and profile, leadership and organisational structure.

5.1.5 future capability

Future capability descriptors were developed for each of the capability areas examined by the Review. Table 5 outlines key capability descriptors relevant to Skills Victoria’s future role. This future capability describes the attributes and outcomes that Skills Victoria should have in order to best deliver *Securing Jobs for Your Future* and future policy directions.

Table 5: Future capability

Capability area	Skills Victoria’s future capabilities
People and Knowledge	<p>Skills Victoria will have:</p> <ul style="list-style-type: none"> • realigned the organisation and workforce to maximise achievement of policy objectives; • stable and effective leadership that contributes to a collaborative and positive culture that drives achievement of DIIRD’s and Skills Victoria’s objectives; • a flexible and high performing workforce that has the required capabilities to effectively meet Skills Victoria’s responsibilities within a new skills environment; and • built a workplace culture that is recognised for being adaptable, proactive and forward looking.
Business Practices	<p>Skills Victoria will have:</p> <ul style="list-style-type: none"> • business planning processes that guide the development of integrated plans that clearly outline key performance requirements and measurements; and • contributed to the integration of DIIRD and Skills Victoria’s financial systems to create streamlined and more efficient business processes.

Capability area	Skills Victoria's future capabilities
Information and Communication Technology (ICT)	Skills Victoria will have: <ul style="list-style-type: none"> integrated ICT systems that adequately support requirements of the new skills environment; and user friendly ICT systems that provide clear, easy to find information about the skills system.
Public Asset Management	Skills Victoria will have: <ul style="list-style-type: none"> established a framework that enables development of high quality public infrastructure that meets policy reform objectives and maximises service potential; and successfully implemented a range incentives and enabling strategies which supports the efficient and effective management of TAFE capital assets.
Governance and Accountability	Skills Victoria will have transitioned to work within a comprehensive accountability framework that is congruent with longer term policy intent and objectives.
Policy	Skills Victoria will have: <ul style="list-style-type: none"> influence and leadership of relevant skills policy and planning activities, including direction and priority setting for the short, medium and long term at the state and national levels; and a culture that supports flexibility and innovation with policy capability to anticipate emerging issues and responds rapidly to new priorities.
Engagement	Skills Victoria will have: <ul style="list-style-type: none"> adapted to its changed role in the demand driven system and established high quality, extensive and effective relationships across all stakeholders groups; a culture that actively engages with, and positively influences, other DIIRD divisions to progress and achieve strategic policy and skills related project outcomes; supported an extensive range of providers for the purposes of strengthening provider capability in attracting individuals and businesses to provide high quality training and outcomes; and undertaken a successful public information campaign to promote the changes in the skills system and the new opportunities available through <i>Securing Jobs for Your Future</i>.

5.2 people and knowledge

The capability area of people and knowledge represents Skills Victoria's people and their collective experience, knowledge, culture, attitudes, needs and expectations necessary to fulfil Skills Victoria's role in the new skills environment. The capability elements analysed were:

- workforce planning and profile;
- leadership and organisational structure; and
- culture.

5.2.1 findings

DIIRD currently employs around 1000 staff and Skills Victoria represents nearly 13 per cent of this workforce. Skills Victoria's workforce comprises staff from a broad range of backgrounds and experience, representing a range of disciplines and drawn from different sectors. DIIRD has responsibility for corporate human resources, including higher level people strategies and policies. Skills Victoria applies these policies and strategies through its operational responsibilities for human resource functions such as recruitment, training and performance development.

Stable leadership is essential to organisational stability and capacity. It is a key enabler of all other dimensions of capability, from setting the strategic direction of an agency and developing engaged staff, through to determining resource investments to achieve outcomes.

The quality of leadership plays a crucial part in attracting and retaining excellent staff and role modelling of collaborative and ethical behaviours. In addition to the need for quality leaders, the capability of the leadership team as a whole is important. A senior leadership team requires stable membership and a common sense of purpose for optimal performance.

The Review found that there has been instability of Skills Victoria's Executive team over an extended period of time. A key capability gap that will continue to have an adverse impact on Skills Victoria's overall capability is the lack of a stable Executive leadership team. This team currently comprises ten positions. Of these, eight are currently filled on an acting basis and many of these over an extended period of time. This has included the key organisational leadership role of Deputy Secretary.

Participants in the Review made a range of workforce related comments relevant to Skills Victoria's capability. Observations included that high staff turnover contributed to a loss of corporate knowledge and that Skills Victoria has been less responsive and flexible to the changing policy environment than is optimum. In addition, a number of stakeholders emphasised that Skills Victoria's workforce requires new expertise to undertake reform related functions and roles, particularly in the areas of economic analysis, industry engagement and supporting changed provider arrangements.

Skills Victoria's workforce currently supports a range of pre-reform, continuing roles and functions, in addition to new *Securing Jobs for Your Future* related activities. Skills Victoria will also continue to manage a broad range of its activities through contracted arrangements, such as apprenticeship field officers and audit functions.

Review consultations suggest that Skills Victoria's workforce requires changed expertise to undertake new functions and roles required in the new skills environment. In particular, the skills to increase and support changed and significantly expanded provider arrangements. Provider relationship management skills were identified as requiring expansion, as well as the development of skills such as marketing and industry engagement.

The Review found that Skills Victoria does not currently have an overarching workforce development plan that outlines medium to longer term workforce requirements in the context of the new skills environment. Skills Victoria has undertaken some identification of a relatively small number of new reform related roles in the short term, or on a fixed term basis, rather than the longer term ongoing roles that will be required into the future beyond initial reform implementation.

Table 6 outlines the key capability gaps and strengths that were identified by the Review.

Table 6: Gaps and strengths: people and knowledge capability

Gaps	Strengths
<p>Skills Victoria does not have:</p> <ul style="list-style-type: none"> • a division wide workforce change management strategy; • a medium to longer term workforce strategy that clearly identifies the optimum profile of skills and capability required by Skills Victoria to perform its role in the new skills environment; • a stable Skills Victoria executive team; and • thorough and shared corporate knowledge. 	<p>Skills Victoria has:</p> <ul style="list-style-type: none"> • a workforce comprised of staff with a broad and diverse range of expertise and experience; and • a majority of staff holding qualifications.

5.2.2 opportunities

A range of opportunities should be pursued to positively influence Skills Victoria’s future capability. In particular, Skills Victoria’s culture and adaptability would benefit from a senior leadership team with stable membership that brings the qualities and experience to lead the organisation.

Formal workforce planning should be undertaken to align Skills Victoria’s workforce to its changing role, such as increased engagement and provider relationship management. Activities should focus on appropriate realignment of staffing resources, building a stable workforce and development of shared corporate knowledge. A higher focus will be needed on some functions, while other functions such as determining training place numbers and funding will diminish.

In addition, a comprehensive, organisation-wide people change management strategy would positively assist workforce realignment, shape culture and contribute to Skills Victoria’s capability and reputation in driving achievement of the *Securing Jobs for Your Future* objectives.

Recommendation 3 Leadership and planning

That the Deputy Secretary, Skills Victoria establishes a stable and effective leadership team that:

- 3.1 develops a strategic planning framework that aligns all levels of business and work plans within Skills Victoria. This framework should clearly outline relevant strategies and measures related to Skills Victoria’s transition to its changed role as outlined in recommendation 1.
- 3.2 works with DIIRD Corporate Services and Development, to undertake workforce planning to ensure that Skills Victoria’s workforce is aligned to the requirements of Skills Victoria’s role in the new skills environment.

5.3 business practices

The capability area of business practices represents the documented processes that underpin Skills Victoria’s activities. The capability elements analysed were:

- planning;
- procedures and guidelines; and
- reporting and financials, including business practice documentation relating to contracting.

5.3.1 findings

Agency planning processes are key mechanisms that contribute to performance management and reporting, organisational culture and communication and allocation of resources. High quality strategic and business planning steers prioritisation of resources. It contributes to an organisation's capacity to analyse performance against the plan's objectives, strategies and measures, and adjust activities accordingly. Whole-of-organisation business planning processes contribute to the development of a shared sense of purpose, ensure that divisional units and staff understand roles, responsibilities and priorities and enable staff to identify more localised priorities to implement a broader strategic plan.

The Review found that Skills Victoria has demonstrated sophisticated capability in developing and documenting new or changed business practices required to support business operations. This is evidenced by the comprehensive and thorough *Securing Jobs for Your Future* implementation plans, business processes and associated documentation.

Overall, the Review found that there is an absence of an embedded divisional planning capability. The Review identified that divisional planning across Skills Victoria is currently not undertaken as an embedded, prioritised cyclical business practice. This is evidenced by the absence of a divisional plan that clearly articulates responsibilities, objectives and measurable targets and milestones. While Skills Victoria has demonstrated strong project management capability, it is likely that the absence of a comprehensive divisional plan, supported by a robust cyclical business planning process, impacts on Skills Victoria's capability to align other planning documentation such as corporate reports, branch and team plans and individual performance and work plans.

The Review found that the current Skills Victoria business plan provides a framework reflecting Skills Victoria's role in relation to *Securing Jobs for Your Future*, but success measures are very broadly defined and do not assign responsibility within Skills Victoria.

Skills Victoria is guided by a broad range of Victorian Government and DIIRD instruments, processes and guidelines relating to budget development, management, reporting and procurement. Within this context, Skills Victoria has developed a broad range of organisational procedures and guidelines relevant to areas such as regulation, contract management, data collection and program delivery as well as specific financial businesses practices.

Skills Victoria was only recently incorporated into the DIIRD portfolio as part of 2006 and 2007 machinery of government changes. Skills Victoria remains located in the DEECD building at 2 Treasury Place and is physically separated from the other DIIRD divisions located at the Southern Cross building in Exhibition Street.

This separation acts as a barrier to capitalising on the potential synergies of Skills Victoria and other divisions of DIIRD, particularly workforce and industry. The Review identified a lack of cross Departmental understanding of the scale, scope and operations of the Victorian skills system and a lack of embedded practices for Skills Victoria to leverage the capabilities of other parts of DIIRD. Consultations identified that strengthened relationships between Skills Victoria and other parts of DIIRD would significantly improve capabilities including strategic policy development, stakeholder engagement and a broader understanding of respective roles and synergies.

The Review identified the key capability gaps and strengths outlined in Table 7.

Table 7: Gaps and strengths: business practices capability

Gaps	Strengths
<p>Skills Victoria does not have:</p> <ul style="list-style-type: none"> divisional and branch plans that clearly articulate measurable targets, milestones and responsibilities relevant to Skills Victoria’s mission and activities, including those related to <i>Securing Jobs for Your Future</i> objectives; and a comprehensive, embedded cross divisional planning process. 	<p>Skills Victoria has:</p> <ul style="list-style-type: none"> comprehensive and thorough <i>Securing Jobs for Your Future</i> implementation plans and associated documentation. This includes fit for purpose agreements and contract requirements; and extensive tailored documentation to guide and support existing and new RTOs, and students, in training system requirements and operations in new skills environment.

5.3.2 opportunities

There is an opportunity to improve Skills Victoria’s business planning through better processes and associated documentation, to ensure clear identification of all high level targets, milestones and outcomes. This includes the identification of the Executive roles, branches or areas within Skills Victoria that have key responsibilities for delivery and achievement of these measures.

Review consultations strongly supported the view that co-location of Skills Victoria within DIIRD would serve to optimise and sustain the transfer of skills expertise to support industry development, workforce participation and related DIIRD activities. In addition, co-location would assist in leveraging and supporting clearer linkages between Skills Victoria’s policy role and the broader economic strategy and policy focus of DIIRD.

If co-location is not possible, or as an interim measure, the Review suggests that sharing arrangements could be considered for certain areas, such as policy functions. This would optimise knowledge sharing and facilitate better communication for key areas that would benefit from strengthened relationships.

5.4 information and communication technology

The capability area of ICT represents Skills Victoria’s systems for the communication, capture, classification, storage management retrieval and dissemination of knowledge. The capability elements analysed were:

- specialist skills ICT systems; and
- ICT corporate support.

5.4.1 findings

A significant proportion of Skills Victoria’s data collection and funding activities are contingent on effective ICT systems, facilitating Skills Victoria to manage a greater volume and complexity of business processes in the new skills environment.

Skills Victoria has considerable database and systems requirements to provide the required supports to Victorian training system operations. ICT requirements and data improvements have been a key consideration in *Securing Jobs for Your Future* implementation to manage greater volume and complexity through improved and effective business processes through technology.

Skills Victoria has overseen the development and implementation of the Skills Victoria Training System which substantially increases Skills Victoria’s ICT capabilities relevant to data and payment management. In the next phase of this work, the database that records activity related to apprenticeships and traineeships in Victoria will be examined with a view to aligning and integrating them into the Skills Victoria Training System. Integration of the RTO lodgement system will also be examined.

In addition, a range of Skills Victoria’s ICT systems including websites and call centres facilitate access to extensive VET information. For example, the introduction of the Victorian Training Guarantee and the resulting system changes, combined with marketing and public relations activities, generated increased enquiries from individuals, providers, business and industry. In response, Skills Victoria established a Help Hub, supported by Information Victoria, as the first point of contact for all skills related enquiries.

However, corporate DIIRD support for these systems has been limited due to the outsourced operation of DIIRD systems which primarily support internal desktop operations. Business processes could be greatly streamlined to maximise efficiency if there was electronic automation between the financial systems of DIIRD and Skills Victoria.

Table 8 outlines the key ICT capability gaps and strengths that were identified by the Review.

Table 8: Gaps and strengths: ICT capability

Gaps	Strengths
<p>Skills Victoria does not have:</p> <ul style="list-style-type: none">• an streamlined and automated interface between the financial systems of DIIRD and Skills Victoria; and• integration of existing apprenticeship and traineeship database with the Skills Victoria Training System or a suitable apprentice and trainee case management system.	<p>Skills Victoria has used <i>Securing Jobs for Your Future</i> to build on the momentum to improve skills related ICT systems. Skills Victoria continues to utilise this opportunity to improve ICT related data quality and quantitative analysis across the portfolio.</p>

5.4.2 opportunities

Whilst there is a level of DIIRD ICT support available to Skills Victoria, DIIRD systems are outsourced and primarily support desktop operations for internal use. The Review identified that streamlining and efficiencies could occur through electronic automation between the financial systems of DIIRD and Skills Victoria. This finding is congruent with previous DIIRD development work that identified a number of benefits and efficiencies to increase DIIRD and Skills Victoria’s integration of ICT systems.

An opportunity also exists to co-locate Skills Victoria with other parts of DIIRD to capitalise on multiple synergies across many DIIRD Divisions.

Recommendation 4 Opportunities to improve alignment between Skills Victoria and DIIRD

4.1 That the Minister for Skills and Workforce Participation prioritises co-location of Skills Victoria with other DIIRD divisions to facilitate stronger alignment between Skills Victoria and DIIRD.

4.2 That the Secretary, DIIRD and the Deputy Secretary, Skills Victoria enhance DIIRD corporate support functions to effectively provide for Skills Victoria’s business of running a data and payment system for external stakeholders.

5.5 public asset management

The capability area of public asset management is the framework that Skills Victoria operates in when determining governance and accountability of asset management.

5.5.1 findings

The Review notes that a range of work is underway with respect to possible changes to the management of TAFE assets. This work encompasses TAFE governance, asset rationalisation and Public Private Partnerships (PPPs) with business and industry. The outcomes of this work may potentially reduce Skills Victoria’s role in asset management in the medium to long term.

The Review found that there is a need for a more consistent approach to TAFE capital decisions across different funding sources.

Table 9 outlines the key capability gaps and strengths that were identified by the Review.

Table 9: Gaps and strengths: public asset management capability

Gaps	Strengths
Skills Victoria does not have a comprehensive and endorsed Government TAFE governance framework to advance <i>Securing Jobs for Your Future</i> policy objectives, ensuring an efficient use of TAFE capital and determining Skills Victoria’s role in relation to asset management.	Skills Victoria has advanced key TAFE governance and asset related reform projects.

5.5.2 opportunities

An endorsed comprehensive TAFE governance framework will provide many improvements, including role clarity for Skills Victoria in relation to the management of TAFE assets and capital. The existing public asset management framework is also considered in section 6.5.

5.6 governance and accountability

This capability area represents the framework that Skills Victoria operates in to determine governance and accountability. The capability elements analysed were:

- policy implementation governance; and
- governance and accountability framework.

5.6.1 findings

As a division of DIIRD, Skills Victoria is responsible to the Minister of Skills and Workforce Participation, reporting through the Deputy Secretary, Skills Victoria and the Secretary, DIIRD.

An Inter Departmental Committee is the primary governance mechanism responsible for monitoring the overall *Securing Jobs for Your Future* policy implementation and evaluation over the next four years. The Inter Departmental Committee membership includes the Secretary of DIIRD and the Deputy Secretaries of DPC, DTF and Skills Victoria.

The primary responsibility of the Secretary, DIIRD, in consultation with the Inter Departmental Committee, is to oversee the execution of the reform package implementation, ensuring support for the policy's direction and objectives.

Implementation of *Securing Jobs for Your Future* activities is occurring through large individual projects, managed by a Project Director, reporting to the respective project board. In addition, project managers are responsible for a number of smaller projects and reform funded operations are managed through existing executive accountabilities. They also provide progress reports to the Inter Departmental Committee on a regular basis.

Table 10 outlines the key capability gaps and strengths that were identified by the Review.

Table 10: Gaps and strengths: governance and accountability capability

Gaps	Strengths
Skills Victoria does not have: <ul style="list-style-type: none">a legislative framework that reflects recent policy changes.	Skills Victoria has: <ul style="list-style-type: none">representation on the Inter Departmental Committee that serves as the governance structure to keep key stakeholders, including DPC and DTF, informed and engaged in <i>Securing Jobs for Your Future</i> implementation.

5.6.2 opportunities

Specific recommendations regarding governance and accountability issues are addressed in chapters 6 and 7 of the Review.

5.7 policy

The capability area of policy represents the processes that Skills Victoria has in place to advance the development, adoption, implementation and evaluation of strategic public policy. The capability elements analysed were:

- policy advice;
- labour market and skills analysis; and
- research.

5.7.1 findings

The Review found that Skills Victoria has capability strength in policy implementation and project management. This is based on Skills Victoria's ability to translate skills reform policy objectives into a wide range of detailed project implementation strategies and operational activities in a manner congruent with the policy intent and within the timeframes outlined in the policy statement.

In addition to leading the implementation of *Securing Jobs for Your Future*, an important aspect of Skills Victoria's ongoing role is to advise the Minister on policy matters relevant to skills and training. Skills Victoria provides input into policy decision making in the following ways:

- Ministerial and Executive briefings;
- leading preparation of, or contributing to, Cabinet and Parliamentary materials, such as submissions, reports and legislation;
- contributing to and/or reviewing, other Government Departments and/or DIIRD products, such as policy frameworks and strategies and parliamentary submissions or responses; and
- representation on skills related matters through national bodies such as the National Senior Officials Committee, the National Quality Council and COAG's Apprenticeship Taskforce, as well as support for MCTEE.

Skills Victoria has ongoing responsibility for the collection and maintenance of a broad range of skills related data, in line with national standards. This statistical information informs many organisational activities including policy development and labour market analysis. To ensure robust labour market analysis, outputs are reviewed by Access Economics.

Skills Victoria commissions strategic research to strengthen the evidence base available to inform policy activities. For example, in 2008 research was undertaken regarding university participation. These research findings were then used to inform the Victorian Government's response to the Commonwealth's review of higher education.

While provision of policy advice has always been part of Skills Victoria's role, the Review's consultations found that Skills Victoria needs to build its strategic policy capability and make this a focus of its future business plan and workforce development strategy.

Table 11 outlines the key capability gaps and strengths that were identified by the Review.

Table 11: Gaps and strengths: policy capability

Gaps	Strengths
<p>In the new skills environment, Skills Victoria must maintain a high focus on public policy development.</p>	<p>Skills Victoria has:</p> <ul style="list-style-type: none"> • strong capability in translating strategic policy intent into a wide range of operational activities that are aligned with the objectives of <i>Securing Jobs for Your Future</i>. • developed, and is currently implementing, a range of strategies to strengthen data analysis capabilities.

5.7.2 opportunities

The Review found that an opportunity exists for Skills Victoria to take primary responsibility for the provision of strategic skills policy and progressing policy matters at both the state and national level, consistent with a demand driven training system. Clear linkages between Skills Victoria's policy role and the broader economic strategy and policy focus of DIIRD need to be developed.

5.8 engagement

The capability area of engagement represents Skills Victoria's frameworks and process for identification, building and maintenance of engagement with stakeholders. The capability elements analysed were:

- communications;
- stakeholder engagement;
- provider relationship management; and
- departmental engagement.

5.8.1 findings

Skills Victoria has capability in relation to supporting public and private providers with training reform implementation. This capability was evidenced in the number and range of provider forums and information sessions held from the launch of *Securing Jobs for Your Future*, to date. It is also demonstrated in the system supports in place, such as the provider implementation website and provider hotline, as well as the extensive array of tailored documentation relating to training system changes and requirements to guide and support RTOs, including TAFE institutes and new providers seeking to offer Government funded training places for the first time.

To advance *the Securing Jobs for Your Future's* 'informed user' objective, Skills Victoria has developed and led large scale marketing and promotion exercises, including television advertisements and a range of events. The scope and scale of this new work being undertaken by Skills Victoria has been supported by extending Skills Victoria's in-house capability through the recruitment of staff with communication expertise and using media consultants.

Skills Victoria had an existing level of capability in relation to preparation and dissemination of user publications, for example the TAFE Directory and Guide to Apprenticeships and Traineeships.

The Review found that Skills Victoria is currently in transition from a model of engagement with stakeholders that reflects a planned purchasing model. Successful implementation of the reforms is premised on active engagement with industry, business, providers and students.

In addition to existing forms of engagement, Skills Victoria will need to continue to build its capabilities to advance the *Securing Jobs for Your Future* strategies and objectives including those outlined below:

- **Business:** supporting Small Business Victoria in the implementation of Skills for Growth: The Workforce Development Program through referral and marketing;
- **Students and prospective students:** continuous improvement of new information supports like the Help Hub; and
- **Industry:** leveraging and increasing networks and relationships to support strengthened industry engagement with the training system, including implementation the Industry Engagement Strategy.

In moving to a demand driven VET system, Skills Victoria's relationships with training providers have and will continue to change. In addition the number of providers offering government supported places will increase.

To date, new activity Skills Victoria has undertaken includes:

- development of implementation framework and guides to assist training providers implement changes in their systems, processes and operations; and
- numerous implementation workshops and briefings to provide support and assistance to training organisations to prepare for operational changes, including information on the new data and systems requirements.

The Review identified that Skills Victoria undertakes industry engagement through existing roles and processes, such as the VSC and Industry Training Advisory Bodies. Skills Victoria also works with DIIRD’s other divisions such as Industry and Trade. Skills Victoria has collaborated with other DIIRD Divisions supporting development of the Automotive Centre of Excellence and continues to work closely with Information Victoria, following the establishment of the Help Hub.

Previous organisational development work undertaken when Skills Victoria (then the Office for Training and Tertiary Education) was transferred to DIIRD, identified that not co-locating Skills Victoria alongside other DIIRD divisions was a barrier to capitalising potential synergies. This work identified that stronger alignment with the DIIRD Workforce Victoria Division would deliver a more holistic and effective approach.

Table 12 outlines the key capability gaps and strengths that were identified by the Review.

Table 12: Gaps and strengths: engagement capability

Gaps	Strengths
<p>Skills Victoria does not have:</p> <ul style="list-style-type: none"> • the benefits of co-location with other parts of DIIRD; • the benefits of a cross DIIRD understanding of the scale, scope and operations of the Victorian skills system; • embedded practices to leverage between Skills Victoria and other parts of DIIRD for the purposes of strategic policy development; and • a consistent approach to providing assistance to RTOs. 	<p>Skills Victoria has:</p> <ul style="list-style-type: none"> • designed and implemented a large scale <i>Securing Jobs for Your Future</i> public information campaign; and • initiated a new innovative project, the <i>Industry Engagement Strategy</i>, that is premised on cross divisional collaboration to leverage and increase industry engagement in training system.

5.8.2 opportunities

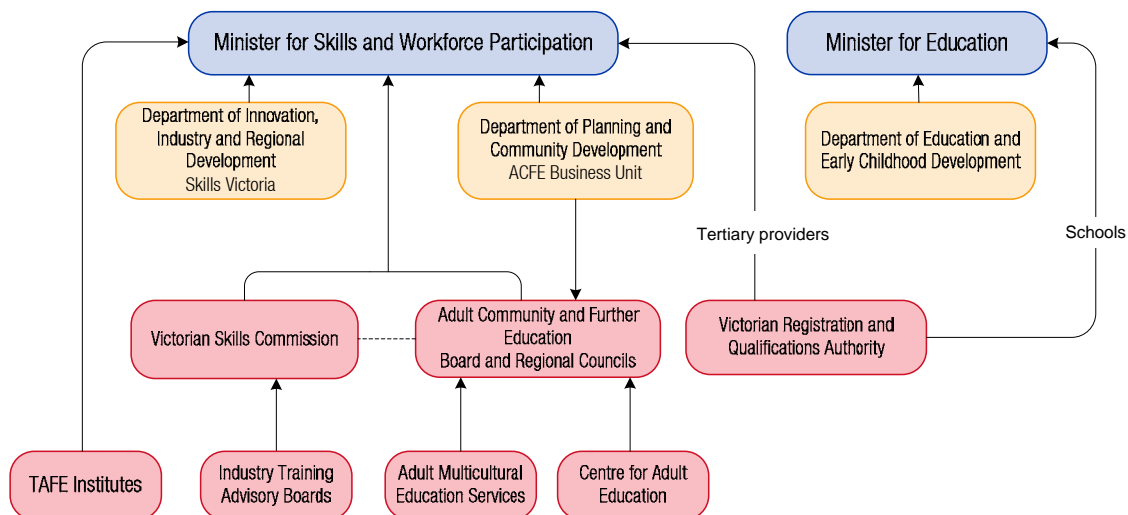
The Review identified an opportunity to optimise and sustain transfer of skills expertise to advance industry development, workforce participation and related activities across DIIRD and build a stronger cross Departmental understanding of the Victorian skills systems opportunities and challenges.

6 governance

The Review's analysis of governance issues focussed on institutional structures, roles and relationships between Skills Victoria and other statutory bodies in the Victorian Skills system.

The Victorian skills and training system is complex. An overview of the key bodies' reporting relationships is provided at Figure 7.

Figure 7: Reporting relationships



Public organisations exist as a means to achieve policy objectives. In light of the recent changes to the skills environment and policies, it is appropriate to revisit the roles of the key Victorian statutory skills bodies. These institutions form a key part of the framework for the Victorian skills system. The future effectiveness of these organisations will depend on their capacity to adapt and keep pace with the changing policy and delivery environment.

A number of these institutions were established many years ago in a different policy environment. The roles developed for these organisations were created at a time when planning and purchasing training places were the key focus of the VET system. Significant aspects of these functions are now outdated and no longer suited to the objectives of a demand driven system.

6.1 Victorian Skills Commission

In 2001, the Victorian Learning and Employment Skills Commission (VLESC) was established under the former *Vocational Education and Training Act 1990*. In July 2007, the VLESC was renamed the Victorian Skills Commission (VSC) under the Education and Training Reform Act. Membership of the VSC comprises of representatives from employer associations and enterprises, unions, community groups and related government authorities.

6.1.1 current VSC role

The VSC has a broad advisory role to Government on post-compulsory education and training. This includes advice on the development and implementation of policy; emerging requirements of government, industry and others; strategies to complement economic and social development; the effective spending of money on VET, and the provision of ACFE in TAFE institutes. Section 3.1 of the Education and Training Reform Act sets out Ministerial Powers, functions and accountabilities of the VSC.

The VSC also regulates apprenticeships and trainees under Part 5.5 of the Education and Training Reform Act. The regulatory role concerns approval of training schemes (e.g. nature and syllabus, duration of training), approval of employers in relation to training contracts and determining questions or differences between employers and apprentices in relation to the training contract.

In its engagement role, the VSC consults and liaises with industry to provide advice to Government on emerging skills requirements within industry and provide industry voice into skills policy development and strategies. A detailed functional analysis of the VSC is found in Appendix I.

Of the other states, only Tasmania is similar to Victoria in that the VSC equivalent, Skills Tasmania, is responsible for advice, system expenditure and engagement with industry. In all other jurisdictions, the VSC equivalent performs a clear advisory and engagement role and is not involved in funding or purchasing, other than by providing advice to the Minister.

6.1.2 delegations and accountability issues

The VSC is the State Training Authority under the *Skilling Australia's Workforce Act 2005*. In this capacity, it executes responsibility for the Victorian training system. The VSC performs this role by funding training and further education. In practice, the VSC delegates many of its statutory functions and powers to Skills Victoria. For example, all contracts and performance agreements with TAFE institutes and RTOs are issued by Skills Victoria under delegation from the VSC. The VSC has delegated its functions under the Act in respect of financial expenditure to the Deputy Secretary, Skills Victoria and to other officers of Skills Victoria up to specific levels. It has also delegated the ability to enter into agreements with TAFE institutes to the Deputy Secretary, Skills Victoria.

The VSC's Audit and Risk Committee oversees the delegations. Delegations are made by the VSC under delegation instruments (operational delegations and financial authorisations). The instruments are made available to relevant Skills Victoria officers, to govern their activities. A report is made by Skills Victoria officers to the VSC Audit and Risk Committee bi-annually on the exercise of delegations by Skills Victoria officers. As circumstances change (organisation restructures, legislative changes) the instruments are revised, approved by the VSC and reissued to Skills Victoria officers.

The delegation of VSC functions to Skills Victoria raises questions about which party is ultimately accountable for certain activities, such as funding. There is an associated lack of clarity of responsibility through such long term delegations.

Further, there does not appear to be a clear rationale for permanently allocating expenditure and operational functions to a body outside Skills Victoria. These types of activities are traditionally performed by departments rather than external statutory bodies. As a large division of a department, Skills Victoria is appropriately resourced and skilled to undertake these functions.

Statutory powers are usually vested in independent statutory authorities on the basis that these powers are best exercised at arm's length from government. Delegating key functions back to a Department would seem to contradict the rationale for these powers and functions to be vested in an independent statutory authority.

The current VSC functions and powers also reflect a planning and purchasing model to VET funding rather than the roles of a statutory body in a demand based funding system. These functions and powers have become unnecessary with the shift to a demand based funding system. The Skilling Australia's Workforce Act expired in 2008. A consequence of this is that a State Training Authority is no longer required by the Commonwealth Government to provide funding. Funds of the delivery of training can now be managed by Departments via the new national arrangements.

The Review proposes role clarity, governance and accountability would be improved if the currently delegated functions were permanently allocated to Skills Victoria. This would entail amending the VSC's role and functions in the Education and Training Reform Act.

6.1.3 future role of the VSC

There is scope to reposition the VSC by enhancing its advisory and engagement functions. There are opportunities to better leverage information sharing with Industry Training Advisory Boards and to broaden the VSC's remit to a wider engagement and promotion role with employers as well as industry, particularly in relation to workplace skills issues and requirements.

Implementation of a demand driven training system will have significant impact on the roles of both Skills Victoria and the VSC. Decision making relating to the allocation of training funding will be decentralised to individual students. Training needs analysis and planning in order to determine subsidised training places will no longer be required. Instead, government will need to focus on monitoring, evaluating and analysing the overall health of the VET system in order to assess whether the settings of the new system are appropriate. There is also a need to provide accurate information about skilling and labour market needs to assist market operation.

The VSC can provide a conduit and a central point of contact for industry and employer groups to raise skills related issues. It would also be possible for the VSC to retain the function of oversight and advice to the Minister on policy development and regulation in the absence of direct responsibility for expenditure and operational functions.

The VSC is uniquely placed to complement Skills Victoria's role in the new skills environment. Skills Victoria is largely focussed on delivering the system and managing relationships with providers and students on a day to day basis. There would be value in the VSC advising on forward looking skills policy, demand stimulation strategies and identifying future challenges within the new skills environment.

Recommendation 5 Role of the VSC

That the Minister for Skills and Workforce Participation propose amendments to the Education and Training Reform Act such that the Victorian Skills Commission:

- 5.1 becomes an industry advisory and engagement body and no longer has the legislative responsibility for skills funding and regulation; and
- 5.2 has a clear remit to engage widely with and be accessible to industry and employers on skills needs within the new skills system.

6.2 Victorian Skills Commission membership

The VSC consists of up to eleven members, including:

- a Chairperson appointed by the Governor-in-Council on the nomination of the Minister;
- the Chairperson of the VRQA;
- the Chairperson of the ACFE Board;
- the Secretary of DIIRD; and
- seven other members appointed by the Governor-in-Council on the nomination of the Minister.

Box 4: Current VSC membership

Governor-in-Council appointments:

- Rowena Allen (A/g Chair) - Chief Executive Officer, Cutting Edge Youth Services;
- Megan Lilly - Associate Director - Education and Training, Australian Industry Group;
- Julius Roe - National President, Australian Manufacturing Workers' Union;
- Gillian Robertson - Vice President, TAFE and Adult Provision Sector, Australian Education Union;
- John Sharkey - Senior Partner, Deacons Law Firm;
- Peter Coyne - Executive General Manager, Human Resources, Crown Melbourne; and
- Roger Leeming - retired, consultant.

Ex-Officio members:

- Howard Ronaldson - Secretary, DIIRD;
- Adrian Nye - Chair, ACFE Board; and
- Stuart Hamilton - Chair, VRQA.

As detailed in Box 4, membership of the VSC comprises representatives from employer associations and enterprises, community groups and related government authorities. Current VSC members have background experience in education, training and community development.

Improved alignment with the government's economic and employment objectives for the new skills environment could be better supported by expertise based membership of the VSC, with a wider set of employer and/or academic experience in labour market analysis and workplace trends. This would allow for greater industry leadership, including representation of new and emerging industries.

Having a Commission whose membership is expertise based would strengthen the VSC's ability to give expert analysis and advice on workforce development requirements that are responsive to the economy's development. The VSC membership provides the foundation for its high performance and strengthens community's confidence in its operation.

Recommendation 6 VSC membership

That the Minister for Skills and Workforce Participation propose amendments to the Education and Training Reform Act to:

6.1 broaden the membership base of the Victorian Skills Commission to improve alignment with the economic and employment objectives of skills and training; and

6.2 ensure the Commission's membership is expertise based rather than representative.

6.3 Industry Training Advisory Boards

The reforms announced in the *Securing Jobs for Your Future* policy outlines changes to the role of Industry Training Advisory Boards. The future role entails:

- providing industry advice to the VSC;
- having a more active role in stimulating demand for training and providing information on skills needs assessment processes;
- building strong linkages with national bodies;
- working to increase the take up of the Victorian Skills Pledge; and
- providing advice to the Skills for Growth project.

Participants in the Review suggested there is scope to improve the systematic provision of high quality industry advice from Industry Training Advisory Boards to the VSC and Skills Victoria. To some extent, Industry Training Advisory Boards have acted as lobbyists for industry rather than giving strategic advice on skills shortages within industries to the VSC and Skills Victoria.

Review consultations indicate that industry has confidence in Industry Training Advisory Boards, as they come from 'within the ranks'. The Industry Training Advisory Boards have strong intelligence on industry and consult effectively with business representatives, industry organisations and government agencies. However, most do not have the skills and knowledge to undertake labour market analysis.

In the new demand driven skills training environment, Industry Training Advisory Boards are well placed to identify barriers and opportunities for student demand for training in specific industries and act as advocates to help their industry to grow. Industry Training Advisory Boards should continue to actively promote engagement in training to the community.

The level of participation by small business in training and the training debate has traditionally been limited. The generic promotional and consultative activities conducted by the VET system do not always reach these operators. Industry Training Advisory Boards can reach small to medium sized enterprises effectively and play a role in encouraging the enterprises' engagement in training by providing the necessary information regarding the available options, and gaining information from them about training related matters.

Government recently committed \$4 million to Industry Training Advisory Boards to work with the VSC on a consolidated industry information service available to students, careers advisors, employers and others seeking to facilitate the take up of training in areas of shortage.⁴ Industry Training Advisory Boards are well placed to undertake the role described in the *Securing Jobs for Your Future* policy document. However, given a reported inconsistency in approach and advice, it is essential that clear guidelines and expectations are developed for Industry Training Advisory Boards. The VSC, as a Ministerial advisory body, could monitor and direct the Industry Training Advisory Boards in this regard.

The Industry Training Advisory Boards would in effect be the agents of the VSC. They would provide the VSC with a clear picture of the issues around skills shortages in industry and associated training needs. This would support the VSC in providing comprehensive and well structured advice to the Minister to complement advice from Skills Victoria. In addition, Industry Training Advisory Boards would be an effective and efficient communication and advocacy conduit for the Commission. If the Education and Training Reform Act is updated to reflect the role of the VSC in the new skills environment, it should clarify the reporting arrangements of Industry Training Advisory Boards in relation to the VSC.

Recommendation 7 Role of Industry Training Advisory Boards

That the Minister for Skills and Workforce Participation direct the Victorian Skills Commission to review and provide advice on the role and operation of Industry Training Advisory Boards, including:

- 7.1 developing clear guidelines and expectations of Industry Training Advisory Boards including key performance indicators; and
- 7.2 developing ways to strengthen the links between the Victorian Skills Commission and Industry Training Advisory Boards.

6.4 Adult Community and Further Education

For the adult community education sector, the recent policy reforms will considerably alter the way that VET is funded and delivered. *Securing Jobs for Your Future* outlines specific initiatives that seek to strengthen and extend this sector. These include:

- increasing the payment to adult and community education organisations to the same level as RTOs other than TAFE institutes; and
- ensuring open access to courses undertaken at the Foundation level.

The VSC currently funds the ACFE Board to deliver VET programs through adult community education organisations established as RTOs. Funding is provided on the advice of ACFE Regional Councils.

In the new skills environment, a significant portion of funds to adult community education RTOs will be managed from Skills Victoria. The ACFE Board, however, will continue to have responsibility for funding the purchase of pre-accredited training that is not subject to the contestable market. Under these new arrangements, ACFE and Skills Victoria will require deep collaboration and consistent systems in relation to funding matters and administrative issues between the ACFE Board and the VSC.

⁴ Department of Innovation, Industry and Regional Development 2008, *Securing Jobs for Your Future — Skills for Victoria*, Victorian Government, Melbourne.

ACFE funded providers operating as RTOs are now eligible to access funding directly in the new demand based model. The new payment system means that there is an unnecessary extra step in the funding process to adult community education organisations, as the funding must pass from DTF to VSC to ACFE and then to the providers.

This creates a question over the existing financial arrangements between the VSC and the ACFE Board. The current Memorandum of Understanding between VSC and ACFE regarding funding arrangements has potential to become redundant.

The introduction of *Securing Jobs for Your Future* has prompted an opportunity to reposition ACFE roles and functions. In the new skills environment, there will need to be consistent systems and detailed understandings on a range of implementation and administrative issues between the ACFE Board, ACFE and the VSC, and between the two departments.

6.4.1 location of ACFE

ACFE is a division of DPCD. The ACFE General Manager is employed by DPCD and is accountable within the structure of DPCD to the Secretary and to the Minister. Under the Education and Training Reform Act, the General Manager is responsible for implementing any policy or decision of the ACFE Board.

Adult community education organisations are usually community owned, not-for-profit organisations, many known as neighbourhood houses and learning centres. Neighbourhood houses are local organisations that provide social, educational and recreational activities for their communities. DPCD contributes funding to neighbourhood houses through the Neighbourhood House Coordination Program. Where a neighbourhood house provides adult community education, this part of its business receives funding from DIIRD through Skills Victoria, separately to funding for any of its other functions.

The Review gave consideration to the location of ACFE within government and examined whether ACFE should move to DIIRD or remain within DPCD. Consultations indicated that there are arguments in favour of both options, making a clear cut decision difficult. If ACFE stays within DPCD, the community focus of the organisations that provide adult community education would remain strong through the support of the other structures of DPCD. Given that enrolments in adult community education are drawn in the greatest proportions from Victoria's lowest socio-economic quintile, there is a strong community emphasis on the structure and provision of adult community education. The DPCD framework is well placed to facilitate this community network.

However, if the status quo is maintained and ACFE remains a division within DPCD, there will need to be a commitment between ACFE and Skills Victoria to work closely together to ensure comprehensive coverage of relevant functions and to avoid duplication of roles. A Memorandum of Understanding is currently being developed to provide this working relationship. This would include both Departments working together to jointly brief the Minister for Skills and Workforce Participation on ACFE matters that intersect with Skills Victoria, such as contestable funding issues, to ensure the Minister receives consistent and considered advice.

Combining ACFE with Skills Victoria in DIIRD would assist alignment of the funding, governance and reporting regime of adult community education with the rest of VET. As adult community education is an important part of the wider skills continuum, there would be benefits from improving the functional alignment between adult community education and the wider VET system, through Skills Victoria. This would enhance ACFE's ability to be responsive to business and industry needs by providing increased choices in a more responsive and more flexible training system.

Recommendation 8 Location of ACFE

- 8.1 That the Minister for Skills and Workforce Participation discuss with the Secretary of DIIRD and the Secretary DPCD, the formal location, business rules and protocols associated with the dual focus of skills training and community enhancement of ACFE.
- 8.2 That DIIRD and DPCD work closely together and, where possible, establish processes to brief the Minister jointly, particularly in relation to funding in the new skills environment.

6.5 Technical and Further Education

There are a number of separate pieces of work currently underway relating to TAFE governance. These are summarised in Table 13.

Table 13: Current work relating to TAFE governance

Activity	Overview
Review of TAFE Governance	<p>Dandolo Partners completed a Review of TAFE Governance for DIIRD. The first phase of the review examines a number of key issues including:</p> <ul style="list-style-type: none"> the Government's relationship with TAFE institutes as owner, regulator and funder/purchaser; overlaps between the instruments which govern TAFE institutes (Education and Training Reform Act, Ministerial Directions and Performance Agreements); and emerging governance issues arising from changes in TAFE institutes operating environment. <p>The second phase of the review examines the practicality and likely effectiveness of the governance options generated in phase one.</p>
World Class TAFE facilities	<p>Skills Victoria has been developing a framework by which TAFE asset management can respond to the new environment.</p> <p>In the last State Budget, funds were allocated for the development of a comprehensive business plan that integrates work regarding TAFE asset management. This includes Public Private Partnerships with businesses and industry, land rationalisation and asset sales, TAFE governance, competitive neutrality and a long term asset strategy.</p>
TAFE Price Review	<p>A Price Review is currently being undertaken of the total skills output price by DTF, in conjunction with DPC and DIIRD to assess the ability of DIIRD to meet the funding shortfall arising from the TAFE Teachers Enterprise Bargaining Agreement which was agreed to in December 2008. As part of this review, issues relating to TAFE asset management will be examined.</p> <p>The TAFE Price Review will examine many aspects of the TAFE sector including asset management.</p> <p>At this stage it is anticipated that the Review will be completed by December 2009.</p>

Under current arrangements, Skills Victoria performs a mix of roles in relation to TAFE institutes. These roles include providing advice to the Minister for Skills and Workforce Participation on her role as owner of the TAFE institutes, which includes advice in relation to asset management, capital replenishment, business strategy expectations and CEO remuneration.

In addition, Skills Victoria (via delegation from the VSC), has responsibility for funding TAFE institutes and entering into performance agreements with the TAFE institute boards. These performance agreements provide the basis for funding for delivery of training and for other specific purposes. These agreements are in a process of transition. By 2011, planned activity targets will no longer be agreed, as demand based funding will be fully implemented. However, the agreements will continue to make provision for a range of special programs for which the TAFE institutes are funded.

Acting as both adviser and funder of TAFE institutes can create conflicts of interest for Skills Victoria in decision making and providing clear advice to the Minister of Skills and Workplace Participation. Another important role of Skills Victoria that also has potential to be in conflict with the TAFE ownership role, is the provision of policy advice to the Minister, which has important implications for the whole VET sector. Managing conflicting roles may lead to a perception that there is a lack of transparency in government processes relating to TAFE institutes.

There is scope to incorporate the outcomes and recommendations of this Review with various pieces of work underway regarding TAFE governance.

A comprehensive proposal on the future of TAFE governance which brings together the information, advice and recommendations generated from the various pieces of work currently underway for Government's consideration would:

- avoid duplication of effort; and
- provide clarity regarding the future of TAFE governance.

Recommendation 9 Governance of TAFE

That the Minister for Skills and Workforce Participation ensure that a comprehensive proposal on the future of TAFE governance which brings together relevant pieces of work is available for consideration by Government by early 2010.

6.6 Victorian Registration and Qualifications Authority

The definition of a regulator as described in the 2009 edition of the Victorian Competition and Efficiency Commission's report is:

...a State Government entity (either independent or within a department) that derives from primary or subordinate legislation one or more of the following powers in relation to businesses and occupations: inspection, regulatory advice to a third party; licensing; accreditation or enforcement.

The VRQA is the regulator of training providers in Victoria.

6.6.1 registration process for training providers

There are many types of training providers in Victoria. A training organisation wanting to provide nationally recognised and accredited training and assessment services must be registered by a State or Territory recognition authority.

In Victoria, a training provider may be registered as a RTO by:

- the VRQA;
- the National Audit and Registration Agency (under the delegation from the Victorian Minister for Skills and Workforce Participation);
- another jurisdiction and is currently contracted by the VSC through the 2009 Priority Education and Training Program; or
- another jurisdiction and is currently contracted by the VSC through the 2009 Apprenticeship Traineeship Training Program.

An organisation that is not a RTO may offer training that is not accredited, but cannot issue nationally recognised qualifications. The VRQA may grant RTO status to a training organisation for up to five years. To register as an RTO with the VRQA, a training organisation must:

- apply to the VRQA if the principal place of business, or all or most of the training operations will be in Victoria; and
- demonstrate compliance with the nationally agreed standards.

The current regulatory system in Victoria has a risk based approach and is geared towards continuous improvement and keeping providers in the education system.

The VRQA currently audits RTOs at the time of registration and in their final year of registration (usually five years) to confirm compliance with the national standards (Australian Quality Training Framework 2007 Essential Standards), as well as ad hoc risk based audits.

In a demand driven system, RTO reputation and word of mouth knowledge take on increased significance. Providers will compete to attract students by the quality of their training delivery. The quality of courses can be enhanced by well informed consumers, who should be aware of what to expect from a training organisation with regard to facilities and resources, as well as details around the course they study, such as course duration, qualifications, and so forth.

The VRQA maintains a register of all schools and providers in Victoria and the accredited qualifications they offer. To provide courses under *Securing Jobs for Your Future*, an RTO must publish on its website or provide on request by any person a copy of its most recent Australian Quality Training Framework audit report. This change of requirement will assist to inform consumers. Under *Securing Jobs for Your Future*, the VRQA has been funded to develop a Qualifications Navigator, which will provide a 'user friendly source of information on the value of each qualification'.

In line with COAG recommendations, the Commonwealth Government has recently announced the development of the Tertiary Education Quality and Standards Agency. From 2013, it is proposed it will undertake regulation and quality assurance for the VET sector.

Skills Victoria needs to ensure a close working relationship with the VRQA to provide advice on the appropriateness of the regulatory scheme and facilitate exchange of information in relation to RTOs. In particular, Skills Victoria has a role in ensuring that the minimum standards of entry are appropriate and that the Minister is advised of the extent of the compliance with required standards.

A full review of the regulatory scheme and operations of the VRQA is outside the scope of this Review. In order to ensure that the Victorian regulatory system continues to provide adequate quality assurance in the new skills environment, a separate examination of registration and other regulatory practices is recommended. This should take into account the recent changes to VET regulation at the national level and any planned changes agreed by COAG.

Recommendation 10 Regulatory oversight of RTOs

That the Minister for Skills and Workforce Participation establishes a process to review the regulatory scheme provided for under the Education and Training Reform Act as it relates to the quality of vocational education and training.

7 financial arrangements

Robust accountability and transparency measures are required to ensure public confidence in the Victorian skills system and to underpin efficient and effective expenditure of public funding.

The Review's Terms of Reference require the SSA to comment on financial arrangements considering agreements between the Commonwealth, Skills Victoria, the VSC and the tertiary sector. This chapter examines funding flows for training delivery and financial accountabilities in the VET sector.

While there is growing delivery of VET in Schools, this aspect of VET funding was considered out of scope and has not been considered in this Review.

7.1 funding relationships and flows

Government funding provided to the Victorian VET system is significant. Funding sources and contributions are outlined in Table 14.

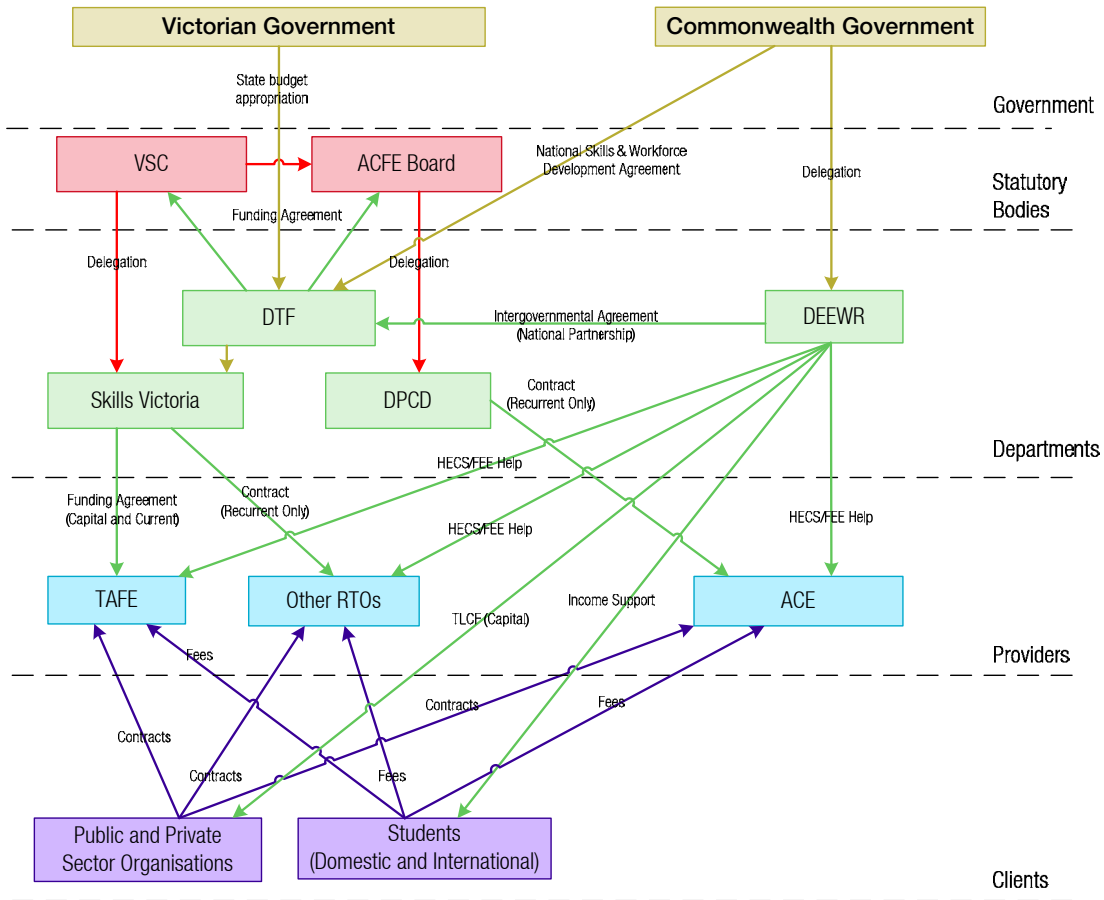
Table 14: VSC revenue sources from operating activities

Grants revenue		2008 (\$'000)
State Government grants		
Recurrent grants		717,347
Capital grants		41,554
		758,901
Commonwealth Government grants		
Recurrent grants		259,497
Capital grants		43,395
		302,892
Total grants revenue		1,061,793
Specific purpose revenue		
Revenue from projects that require specific outcomes		
Commonwealth projects		15,565
State Government projects		8,086
Total specific purpose revenue		23,651
Total revenue from operating activities		1,085,444

Source: Victorian Skills Commission Annual Report 2007-2008.

These funding flows and the relationships which impact on VET delivery in Victoria are outlined in Figure 8. This figure illustrates the complexity of the current VET funding flows and relationships, and the multiple sources of VET funding.

Figure 8: Funding flows and relationships



Government funding for delivery of nationally recognised training is provided by both Victorian and Commonwealth governments. Commonwealth funding is provided to DTF and then to the VSC through a range of agreements. Commonwealth funding is described in Box 5. In addition to government funding, TAFE institutes and other RTOs also receive significant income from fee-for-service and commercial work with public and private organisations and from full fee based courses from students, both domestic and international.

Box 5: Commonwealth funding

The Commonwealth Government provides funding to the DTF which in turn provides funding to the VSC. Commonwealth funding to DTF occurs via three Agreements:

- National Skills and Workforce Development Agreement (\$1.5 billion over five years);
- Intergovernmental Agreement for additional training delivery in Victoria under the Productivity Places Program (\$320 million over four years); and
- TAFE Fee Waivers for Childcare Qualifications (\$1.6m over two years).

The Commonwealth continues to directly fund and administer a range of VET programs, particularly associated with apprenticeships and traineeships. This includes employer incentives that may have an impact on demand for VET delivery. For example, *Securing Australian Apprenticeships* where employers can claim a bonus for recommencements and successful completions of selected qualifications.

The Commonwealth also provides income support to eligible full time VET students. It has also extended VET FEE-HELP (Income Contingent Loans) for eligible full fee VET students and has negotiated an agreement with the Victorian Government to extend VET FEE-HELP to government funded VET Diplomas and Advanced Diplomas as part of the Victoria's reforms to the VET system. The Commonwealth has also extended eligibility to its Education Investment Fund to VET providers.

7.2 impact of skills policy implementation on funding for training delivery

The significant and immediate impacts on funding and accountability arising from the implementation of *Securing Jobs for Your Future* include the progressive introduction of fully contestable funding for publicly funded programs in Victoria.

Under previous funding and accountability arrangements, funding allocation to providers was based on the specification of agreed delivery targets based on assessed and planned activity levels with some capacity for reconciliation and adjustment at the end of the agreement. The exception to this model was funding for apprenticeships and traineeships which is already effectively demand driven.

The most significant impact of *Securing Jobs for Your Future* on funding flows will be created by the shift from the planning and purchasing model with limited contestability to a demand based funding model. The new model will have significantly increased contestability and client choice and the introduction of eligibility criteria for individuals to access different levels of public funding. Under the demand driven system a reconciliation of actual to forecast demand will occur for RTOs through a Memorandum of Understanding that is still being finalised.

Securing Jobs for Your Future implementation will not change the key funding relationships outlined in Figure 8, with the following exceptions:

- there will be new funding relationships between DEEWR and RTOs where DEEWR provides funding under VET FEE-HELP; and
- there will be new funding relationships between DEEWR and RTOs where DEEWR provides capital funding under the Education Investment Fund.

7.3 financial accountability

A range of accountability mechanisms are associated with VET funding sources and flows. They describe the obligations that an individual or entity have for the performance of the function(s) as a condition of government funding or which report on outcomes and outputs from funding for training delivery. A summary of the key financial accountability mechanisms as they relate to the Victorian skills system can be found at Appendix J.

Figure 9 outlines the current financial accountability relationships between the key agencies in the Victorian skills system.

Figure 9: Financial accountability relationships

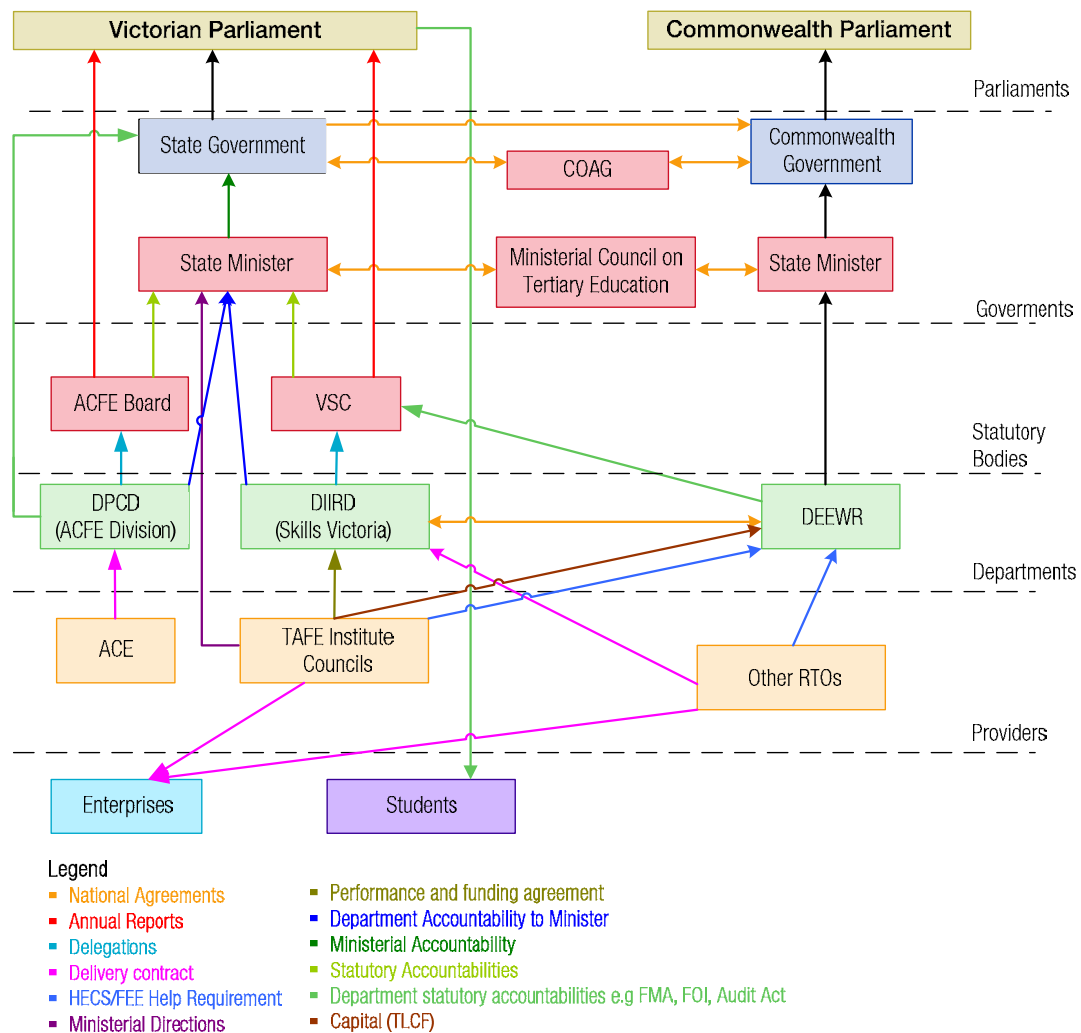


Figure 9 highlights the multiple accountabilities which flow from VET funding agreements and the different sources of funding in the VET system.

The following sections detail the current and proposed key accountability requirements under legislation and intergovernmental agreements, the State budget appropriation, TAFE institute performance agreements, funding agreements with other RTOs, the DIIRD Corporate Plan (2008-2011) and the Skills Victoria Business Plan for 2008-2009.

7.3.1 Intergovernmental agreements

Under the COAG *National Agreement for Skills and Workforce Development*, Victoria is accountable for the number of qualifications awarded to students as shown in Table 15 which is extracted from the COAG Agreement.

Table 15: Outputs under the National Agreement for Skills and Workforce Development

Output	Victoria			
	Year			
	2009	2010	2011	2012
1. Enrolments in vocational education and training	314,689	314,689	314,689	314,689
2. Course completions in vocational education and training	81,259	81,259	81,259	81,259
3. Unit/module completions in vocational education and training	1,692,975	1,692,975	1,692,975	1,692,975
4. Course completions by Indigenous Australians in vocational education and training	527	527	527	527
5. Enrolments by Indigenous Australians in higher level vocational education and training qualifications	1,930	1,930	1,930	1,930

There is also a further agreement between the Commonwealth and the Victorian Government that provides additional funding for VET (the Intergovernmental Agreement for Additional Training Delivery in Victoria under the Productivity Places Program).

7.3.2 Victorian agreements

Portfolio budget statements set out the key service delivery outputs for Victorian Government agencies and departments against the funding appropriated for the outputs through the State budget. The State appropriation includes the Commonwealth funding allocated to Victoria under the National Agreement.

The DIIRD portfolio budget statement sets out expenditure levels, outputs and performance indicators for skills and workforce development in Victoria. An extract of the DIIRD portfolio budget statement can be found at Appendix K.

The ACFE portfolio budget statement contains similar measures and the outputs respond to enhancing participation in adult community education through community settings and adult community education organisations in accordance with the priorities set by government and in response to community demand. An extract of the ACFE portfolio budget statement can be found at Appendix L.

The *DIIRD 2008-2011 Corporate Plan* outlines the Department's overarching objectives, priorities, aims and strategies for achieving a suite of targets over the next three years. The Plan includes an objective to develop better skilled, more productive and innovative people business and industries, with success measures such as the successful implementation of the Victorian Government's skills policy reform agenda.

Skills Victoria has a Divisional Business Plan for 2008-09. The plan sets out the key elements of the skills policy reforms with associated Divisional action and success measures, however, it only includes a general reference to the successful implementation of *Securing Jobs for Your Future*.

Neither the DIIRD Corporate Plan, nor Skills Victoria's Divisional Business Plan, reflect the specific outputs and outcomes in the portfolio budget statement or the achievement of the specified outputs in the Commonwealth-State agreements, beyond a general reference to working with the Commonwealth to implement the National Agreement on Skills and Workforce Development.

7.4 performance and funding agreements

7.4.1 TAFE institute performance agreements

TAFE institute performance agreements are the key accountability mechanism through which the VSC (delegated to Skills Victoria) provides funding to institutes for delivery of training and for other specific purposes. The Review found that the 2009 performance agreements have been extensively revised to meet policy requirements.

The revised agreements and associated schedules set out the roles and accountabilities of TAFE Institute Councils in the context of Victorian Government policies. These agreements are in a process of transition. In 2009 and in 2010, the agreements reflect both planned outputs for programs where funding is not yet implemented and also set out requirements for demand based contestable funding. By 2011, it is understood that planned activity targets will no longer be agreed, as demand based funding is fully implemented. However, the agreements will continue to make provision for a range of special programs for which the institutes are funded.

The performance agreements are cross referenced to a set of delivery guidelines which outline:

- general obligations;
- enrolment requirements;
- funding and payment arrangements;
- specific conditions applying to individuals under and not under contracts of training; and
- record keeping, audit and general compliance requirements.

The agreements also provide the basis of allocation of funding for full service delivery, funding which is being provided to institutes in recognition of their specific role and circumstances as public providers. The schedule of these agreements states that the purpose of the payment is to 'allocate resources across the institute such that requirements associated with being a publicly owned provider of training, including any community service obligations, are adequately met.'

The Review notes that whilst the agreements summarise in general terms the nature of national and state policy reform agenda, they do not set out specific accountability requirements for the achievement of these reforms except as they relate to the implementation of the new funding system.

7.4.2 funding agreements for RTOs

Skills Victoria has also developed revised funding agreements between the VSC and RTOs delivering training. These funding agreements set out the conditions for RTOs to access demand, and eligibility based government funding and includes the services to be delivered, duties and obligations of the RTO, reporting requirements, funding and payment arrangements and record keeping, audit and general compliance requirements.

These funding agreements are also cross referenced to Minimum Performance Standards on a similar but more detailed basis to those applying to TAFE institutes. These differences reflect the timing of their implementation, and the intention of Skills Victoria is to apply common standards and requirements in both sets of agreements in the future as they relate to accountability for demand based funding.

7.4.3 funding agreements with adult community education organisations

The ACFE Board also has funding agreements in place with a range of adult community education organisations. The funding agreements specify delivery and reporting requirements and are negotiated through ACFE Regional Councils.

In addition, between 30-40 adult community education organisations have current contracts for competitive funding under the previous arrangements. These and other adult community education organisations that access demand based funding, will enter into the same funding agreements applying to other RTOs as outlined above. However, they will also still hold separate agreements with the ACFE Board in relation to non contestable funding or in areas where demand based funding is being phased in.

7.5 financial accountability implications

The change in the nature of financial accountabilities occurs at three levels:

1. accountabilities at the provider level in particular for TAFE Institute Councils;
2. accountabilities at a state level; and
3. accountabilities at a national level between the Commonwealth and the State Governments and between the Commonwealth and individual RTOs.

A key consideration across these levels of accountability is how the success of reform of the VET system is to be specified and measured. A particular consideration is the extent to which the objectives of the *Securing Jobs for Your Future* are being achieved and which entities are held accountable for achieving those outcomes.

7.5.1 changes to provider financial agreements

As a result of the policy reforms and under the revised funding agreements and contractual requirements developed by Skills Victoria, there will be a significantly higher degree of accountability required for RTOs:

- to correctly interpret eligibility criteria (including fee concessions) for individuals;
- to apply the relevant funding levels to programs in which individuals are enrolled; and
- to correctly report on student progression and outcomes on a continuous basis.

Where relevant, some RTOs will also face new Commonwealth accountabilities in respect of VET FEE-HELP and also for capital funding under the Education Investment Fund. This is in addition to State Government VET funding accountabilities.

The revised TAFE institute performance agreements and RTO funding agreements developed by Skills Victoria and the associated service delivery standards are designed to effect the shift in the accountability framework for a demand based funding system, including establishment of a more consistent framework between TAFE institutes and other RTOs.

In this regard, and if properly implemented, the agreement and contract requirements appear to be 'fit for purpose' as an accountability framework for monitoring, and reporting on the required funding elements, and to effect the transition between the old and new funding systems.

In particular, the new arrangements will significantly strengthen the capacity of Skills Victoria and the VSC to monitor the levels and pattern of delivery. They will also provide a far more robust and precise means of relating payments to all RTOs against actual outcomes than current arrangements.

Recommendation 11 Financial agreements with providers

That the Minister for Skills and Workforce Participation note that the financial agreements and contract requirements for TAFE institutes and registered training organisations appear to be fit for purpose as an accountability framework for monitoring and reporting on the funding elements of a demand driven system to effect the transition between the old and new systems.

7.5.2 alignment between corporate plans and financial output and outcome measures

Portfolio budget statements reflect specific targets including module enrolments, apprenticeship and traineeship commencements, enrolments in Skills Deepening qualifications and outcome measures, including student satisfaction levels, completions and employment outcomes.

These specific outputs and outcomes are not reflected in DIIRD's Corporate Plan and the Skills Victoria Business Plan. The Business Plan does provide a more comprehensive framework for Skills Victoria's role in relation to skills reform, but success measures are broadly defined in terms of successful implementation rather than specifically defined in terms of the key objectives of the reforms.

There is a risk that failure to achieve the targets could be taken as evidence of failure of the policy objectives. For example, the goal of meeting the demands of users may well be achieved but not result in an increased level of training at higher qualification levels.

The Review found a consistent and comprehensive accountability framework is required across the various state level accountability mechanisms. This framework should reflect objectives and outcome measures related to the broader policy objectives and which are more appropriate to a demand driven funding system. Accountabilities from outcomes can then be more clearly assigned, including the extent to which the accountability framework, or elements of it, should be extended to RTOs.

Recommendation 12 Alignment between Corporate plans and financial output and outcome measures

12.1 That the Secretary, DIIRD and the Deputy Secretary, Skills Victoria work with DTF to ensure that appropriate output and outcome measures are developed to reflect the policy objectives of a demand driven system.

12.2 That the Deputy Secretary, Skills Victoria, work to ensure that future Divisional Business Plans reflect the specific outputs and outcomes measures related to the broader policy objectives of skills reform and which are more appropriate to a demand driven funding system.

7.5.3 national agreements

The outputs specified in the schedule to the National Agreement for Skills and Workforce Development reflects planned outputs rather than a demand driven approach to funding.

In addition, the Commonwealth has extended FEE-HELP to Victorian VET providers often resulting in additional accountabilities. RTOs in receipt of Education Investment Fund funding will also have specific accountabilities which will not pass through the VSC or Skills Victoria.

The Review notes that Victoria will be able to comply with national accountability and reporting requirements. However, there are growing inconsistencies between the current national accountability framework with its focus on planned outputs and the demand based funding system in Victoria. Under the majority arrangements, output requirements are specified in different ways at a state and national level. Therefore Victoria should continue to contribute to the development of arrangements and mechanisms that reflect Victorian policy directions.

8 implementation

This report presents the findings and recommendations of the Review of Skills Victoria. The recommendations propose a number of changes to the role and focus of Skills Victoria. These are driven by the need to ensure that Skills Victoria's governance, organisational and financial arrangements are best aligned to advance the policy objectives of *Securing Jobs for Your Future*.

While the Review recommends a number of actions related to Skills Victoria's organisational arrangements and capability, the recommendations are not based on a judgement about prior organisational performance. The Review found much evidence to suggest that Skills Victoria has worked hard to oversee numerous and complex aspects of implementation of the reform package. Future focus should move to strategic planning to support Skills Victoria's ongoing role, beyond implementation of the reforms.

The Review recommendations regarding enhancement of DIIRD's corporate support functions may have resource implications. More detailed business case development should commence to ascertain the feasibility of enhancing corporate support functions.

It will also be important that Review recommendations are coordinated with other planned changes to the Education Training Reform Act arising from the *Securing Jobs for Your Future* package. Proposed changes to governance arrangements should be progressed as a matter of priority in the interests of clarity, and to progress industry engagement and support within the new skills environment. These changes should be later reflected in the relevant legislation.



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appendix A summary of findings and recommendations

Number	Issue	Findings	Recommendations
1	Role of Skills Victoria	<p>A clear and shared understanding of roles is critical to organisational performance. The introduction of the <i>Securing Jobs for Your Future – Skills for Victoria</i> has prompted a need to reposition Skills Victoria and clarify its roles and functions in the new skills environment. There is an opportunity to clarify Skills Victoria’s long-term directions and ensure that stakeholders and staff at all levels of the organisation have a clear understanding of Skills Victoria’s ongoing role in the new skills environment.</p> <p>Prior to <i>Securing Jobs Your Future – Skills for Victoria</i>, Skills Victoria undertook a number of roles including:</p> <ul style="list-style-type: none"> • purchaser of training places based on the specification of agreed delivery targets; • manager of government’s relationship (financial, asset management and governance) with government-owned TAFE institutes; • oversight of VET and higher education legislation; • policy development and advice in relation to VET and higher education; and • oversight and regulation of the apprenticeship and traineeship system. <p>The most significant impact is the shift from the planning and purchasing model, with limited contestability, to a demand based funding model with significantly increased contestability and client choice.</p> <p>Skills Victoria is currently in transition from this model of engagement that was directly relevant to a planned</p>	<ol style="list-style-type: none"> 1. That the Minister for Skills and Workforce Participation, with the Secretary DIIRD and Deputy Secretary, Skills Victoria, endorse the following ongoing roles for Skills Victoria: <ol style="list-style-type: none"> 1.1 providing policy functions and giving policy advice to the Minister on skills and training and the higher education sector. This localised policy function should work closely with economic modelling and labour market research sections of DIIRD to include broader labour market and industry analysis. Skills Victoria’s role will include leadership in relation to future Victorian and national skills and training related matters. 1.2 undertaking broad stakeholder engagement and communication with a wide network of public and private training providers, employers, industry bodies, workplaces, students (actual and potential), and national bodies. This includes providing services (e.g. assisting training providers, information provision) to make the overall training market more efficient and effective. 1.3 managing Government’s relationship with TAFE institutes. 1.4 contract management of vocational education and training services. In particular, ensuring an accurate, timely and robust payment system and processes to eligible registered training providers supported by high quality data collection. 1.5 oversight and regulation of the apprenticeship and traineeship system; and oversight of the Victorian VET and higher education legislation.

Number	Issue	Findings	Recommendations
		<p>purchasing arrangement to a different model.</p> <p>Industry, business and providers' active engagement with the new skills system is essential to the successful implementation of the reforms. Skills Victoria has a key role in generating and increasing this engagement. The new skills environment also requires Skills Victoria to advance a new type of relationship with RTOs.</p>	<p>1.6 delivery of specific skills programs and projects, as required (e.g. Skills for Transition).</p>
2	Data collection	<p>Victoria is currently participating in the National VET Data Strategy. This strategy extends the national VET Statistics Collection to include student outcomes information.</p> <p>Victoria has already transitioned to a monthly reporting cycle and the implementation of a unique student identifier, the Victorian Student Number, is anticipated to commence in 2010. When tracking of individual student outcomes becomes available, data collected on completions could be used to strengthen evaluation of broad policy objectives.</p>	<p>2. That Skills Victoria should continue to play an active role in the national implementation project to ensure improved capacity to measure VET outcomes, including completions.</p>
3	Skills Victoria's capability	<p>The Review assessed Skills Victoria's capability to undertake its role in new skills environment. The Review examined the following capability elements:</p> <ul style="list-style-type: none"> • people and knowledge; • business practices; • information and communication technology; • policy; • public asset management; • accountability and governance; and • engagement. 	<p>3. That the Deputy Secretary, Skills Victoria establishes a stable and effective leadership team that:</p> <p>3.1 develops a strategic planning framework that aligns all levels of business and work plans within Skills Victoria. This framework should clearly outline relevant strategies and measures related to Skills Victoria's transition to its changed role as outlined in recommendation 1.</p> <p>3.2 works with DIIRD Corporate Services and Development, to undertake workforce planning to ensure that Skills Victoria's workforce is aligned to the requirements of Skills Victoria's role in the new skills environment.</p>

Number	Issue	Findings	Recommendations
		Through the examination of these capability areas, the Review found that Skills Victoria has a number of capability strengths and gaps. The Review identified a range of measures that should be advanced to improve Skills Victoria's organisational capability.	
4	Opportunities to improve alignment between Skills Victoria and DIIRD	<p>Skills Victoria was incorporated into the DIIRD portfolio as part of 2006 and 2007 machinery of government changes.</p> <p>Skills Victoria remains located in the DEECD building at 2 Treasury Place and is physically separated from the other DIIRD divisions located at the Southern Cross building at Exhibition Street. The separation acts as a barrier to capitalising on the potential synergies of Skills Victoria and other divisions of DIIRD.</p> <p>The databases and systems requirements of Skills Victoria are significant, in relation to running a service delivery system for public and private training organisations. Corporate DIIRD support for these systems has been limited. DIIRD has historically relied on outsourced systems which primarily support desktop operations for internal use.</p>	<p>4.1 That the Minister for Skills and Workforce Participation prioritises co-location of Skills Victoria with other DIIRD divisions to facilitate stronger alignment between Skills Victoria and DIIRD.</p> <p>4.2 That the Secretary, DIIRD and the Deputy Secretary, Skills Victoria enhance DIIRD corporate support functions to effectively provide for Skills Victoria's business of running a data and payment system for external stakeholders.</p>
5	Governance and role of the Victorian Skills Commission	<p>Under the Education and Training Reform Act, the Victorian Skills Commission currently has three broad roles:</p> <ul style="list-style-type: none"> • providing advice to the Minister for Skills and Workforce Participation on skills policy, the development of the skills system; • responsibility for allocating funding and entering into performance agreements with public and private providers for the provision of training; and • engagement and consultation with industry, the community and individuals. 	<p>5. That the Minister for Skills and Workforce Participation propose amendments to the Education and Training Reform Act such that the Victorian Skills Commission:</p> <p>5.1 becomes an industry advisory and engagement body and no longer has the legislative responsibility for skills funding and regulation; and</p> <p>5.2 has a clear remit to engage widely with and be accessible to industry and employers on skills needs within the new skills system.</p>

Number	Issue	Findings	Recommendations
		<p>In practice, the Victorian Skills Commission delegates many of its statutory functions and powers to Skills Victoria, including regulation and funding. This delegation raises questions about which party is ultimately accountable for certain activities, such as funding. Formal delegation instruments and monitoring by the VSC risk and audit committee provide a degree of assurance for Board members in this regard.</p> <p>Role clarity, governance and accountability would be improved if the relevant functions were permanently allocated to Skills Victoria. If required, this could entail making the Minister/Secretary the State Training Authority and amending the Victorian Skills Commission's role and functions in the Education and Training Reform Act.</p> <p>The Review found that the Victorian Skills Commission needs to determine clear deliverables, timeframes and key performance indicators to guide its performance and ensure appropriate accountability mechanisms.</p>	
6	Membership of the Victorian Skills Commission	The Victorian Skills Commission's membership is currently representative rather than expert based. Improved alignment with the economic and employment objectives of the new skills environment could be supported by providing for a membership base with a wider set of employer and/or academic experience in labour market analysis and workplace trends.	<p>6. That the Minister for Skills and Workforce Participation propose amendments to the Education and Training Reform Act to:</p> <p>6.1 broaden the membership base of the Victorian Skills Commission to improve alignment with the economic and employment objectives of skills and training; and</p> <p>6.2 ensure the Commission's membership is expertise based rather than representative.</p>
7	Industry Training Advisory Boards	<p>Industry Training Advisory Boards are established under the Education and Training Reform Act and provide advice and support to government and industry:</p> <ul style="list-style-type: none"> by preparing training plans detailing industry skill 	7. That the Minister for Skills and Workforce Participation direct the Victorian Skills Commission to review and provide advice on the role and operation of Industry Training Advisory Boards, including:

Number	Issue	Findings	Recommendations
		<p>requirements, the quantity and types of training needed by industry and training arrangements;</p> <ul style="list-style-type: none"> • on the skill development needs of Victoria’s workforce industry directions; and • on curriculum development initiatives in new and emerging areas. <p>Industry Training Advisory Boards provide varying amounts and quality of advice to the Victorian Skills Commission and Skills Victoria.</p> <p>Skills Victoria manages the performance and funding of the sixteen Industry Training Advisory Boards through performance funding agreements.</p> <p><i>Securing Jobs for Your Future – Skills for Victoria</i> outlined changes to the role of Industry Training Advisory Boards. These include:</p> <ul style="list-style-type: none"> • providing industry advice to the Victorian Skills Commission; • having a more active role in stimulating demand for training and providing information on skills needs assessment processes; • building strong linkages with national bodies; • working to increase the take up of the Victorian Skills Pledge; and • providing advice to the Skills for Growth project. 	<p>7.1 developing clear guidelines and expectations of Industry Training Advisory Boards including key performance indicators; and</p> <p>7.2 developing ways to strengthen the links between the Victorian Skills Commission and Industry Training Advisory Boards.</p>
8	Location of Adult Community and Further Education	The Adult Community and Further Education Board is established under the Education and Training Reform Act. It reports to the Minister for Skills and Workforce Participation. The Board contracts adult, community education	8.1 That the Minister for Skills and Workforce Participation discuss with the Secretary of DIIRD and the Secretary DPCD, the formal location, business rules and protocols associated with the dual focus of skills training and community enhancement of ACFE.

Number	Issue	Findings	Recommendations
		<p>organisations providers to deliver training. The Adult Community and Further Education Board is supported by a Business Unit within DPCD.</p> <p>Adult Community and Further Education funding is provided through the Victorian Skills Commission along with direct State appropriation. Adult, community education organisations include a mix of neighbourhood houses, non-profit training organisations and providers of other community services.</p> <p>Adult Community and Further Education and Skills Victoria will require effective collaboration and consistent systems in relation to a number of funding matters and administrative issues between the Adult Community and Further Education Board and the Victorian Skills Commission.</p> <p>The separation of Adult Community and Further Education from Skills Victoria makes this task more complex. The adult and community education sector is an important part of the wider skills system. There would be benefits from moving Adult Community and Further Education to DIIRD and achieving a functional alignment and improved ability to holistically plan for skills training and education.</p> <p>Adult Community and Further Education staff perform a range of functions including providing secretariat support services to the Adult Community and Further Education Board, quality assurance and program development. In addition there are regional advisers, who develop partnerships between training providers, undertake monitoring and maintenance of training provision and provide executive support to Regional Councils. They work alongside the DPCD Community Engagement team who attend to community development needs across a broad range of functions, including education for a range of community providers.</p>	<p>8.2 That DIIRD and DPCD work closely together and, where possible, establish processes to brief the Minister jointly, particularly in relation to funding in the new skills environment.</p>

Number	Issue	Findings	Recommendations
		Adult Community and Further Education will continue to have responsibility for funding the purchase of pre-accredited training that is not subject to the contestable market.	
9	TAFE governance	<p>There are a number of pieces of work underway relating to TAFE governance, including the 'TAFE Governance Review' commissioned by Skills Victoria. In addition, the TAFE Price Review is examining issues relating to TAFE asset management.</p> <p>Under current arrangements, Skills Victoria performs a mix of roles in relation to TAFE institutes. This includes advising the Minister for Skills and Workforce Participation in relation to her role of the owner of TAFE institutes and also in relation to Skills Victoria's funding role.</p> <p>These dual roles potentially create tensions that contribute to conflicted decision making and advice provided to the Minister. In addition, there may be an associated perceived lack of transparency in government processes as they related to TAFE institutes.</p> <p>There is potential to consolidate the outcomes and recommendations of the pieces of work underway regarding TAFE governance. This process should include consideration of the synergies and potential conflicts between the roles of Skills Victoria as funder of TAFE training provision and adviser to the Minister as owner of TAFE institutes.</p>	9. That the Minister for Skills and Workforce Participation ensure that a comprehensive proposal on the future of TAFE governance which brings together relevant pieces of work is available for consideration by Government by early 2010.
10	Regulatory oversight of Registered Training Organisations	Regulation of registered training organisations is the responsibility of the Victorian Registration and Qualifications Authority. A full review of the regulatory scheme and operations of the Victorian Registration and Qualifications Authority is outside the scope of this review.	10. That the Minister for Skills and Workforce Participation establishes a process to review the regulatory scheme provided for under the Education and Training Reform Act as it relates to the quality of vocational education and training.

Number	Issue	Findings	Recommendations
		Skills Victoria needs to ensure a close working relationship with the Victorian Registration and Qualifications Authority to provide advice on the appropriateness of the regulatory scheme and facilitate exchange of information in relation to registered training organisations. In particular, ensuring that the minimum standards of entry are appropriate and that registered training organisations deliver training that complies with required standards.	
11	Financial agreements with providers	<p>As a result of <i>Securing Jobs for Your Future – Skills for Victoria</i> there will be a higher degree of accountability required by registered training organisations to correctly interpret eligibility criteria for individuals, to apply the relevant funding levels to programs in which individuals are enrolled, and to correctly report on student progression and outcomes on a continuous basis.</p> <p>At a state level, there will be a significantly higher level of accountability for Skills Victoria to monitor and audit compliance with guidelines, standards and contractual requirements, and to make accurate and timely payments to registered training organisations.</p>	11. That the Minister for Skills and Workforce Participation note that the financial agreements and contract requirements for TAFE institutes and registered training organisations appear to be fit for purpose as an accountability framework for monitoring and reporting on the funding elements of a demand driven system to effect the transition between the old and new systems.
12	Alignment between Corporate plans and financial output and outcome measures	<p>The 2008-11 DIIRD Corporate Plan sets out in general terms the challenges, objectives and priority actions and success measures for the DIIRD, including Skills Victoria.</p> <p>The Skills Victoria Divisional Business Plan sets out more specific objectives, divisional actions and success measures including those associated with the implementation of <i>Securing Jobs for Your Future – Skills for Victoria</i>.</p>	<p>12.1 That the Secretary, DIIRD and the Deputy Secretary, Skills Victoria work with DTF to ensure that appropriate output and outcome measures are developed to reflect the policy objectives of a demand driven system.</p> <p>12.2 That the Deputy Secretary, Skills Victoria, work to ensure that future Divisional Business Plans reflect the specific outputs and outcomes measures related to the broader policy objectives of skills reform and which are more appropriate to a demand driven funding system.</p>

Number	Issue	Findings	Recommendations
		<p>However, the Review found that Skills Victoria’s Divisional Business Plan:</p> <ul style="list-style-type: none"> • does not reflect the specific outputs and outcomes in the portfolio budget statement or the achievement of the specified outputs in the relevant Commonwealth-State agreements; • only provides a general reference to working with the Commonwealth to implement the National Agreement on Skills and Workforce Development; and • only defines success measures broadly in terms of successful implementation of the reforms rather than specifically defined outputs of the reforms. <p>Given these outputs and outcomes are not clearly articulated in these plans, there is a risk that broader skills policy objectives may be achieved, but not be assessed.</p>	

appendix B consultations

B.1 external

Name	Role	Organisation
Adrian Nye	A/g Chair	Adult Community and Further Education Board
Lynne Wannan	Ex Chair	Adult Community and Further Education Board
David Windridge	Deputy Chair	Australian Council for Private Education and Training
Megan Lilly	Associate Director, Education and Training	Australian Industry Group
Julius Roe	National President	Australian Manufacturing Workers' Union
Louise Harvey	Chief Executive Officer	Bendigo Regional Institute of TAFE
Darrell Cain	A/g Chief Executive Officer	Box Hill Institute
Patrick Coleman	Director, Policy	Business Council of Australia
Denise O'Brien	Chief Executive Officer	Centre for Adult Education
Bill Oliver	Secretary	Construction, Forestry, Mining and Energy Union
Anne Duggan	Training Unit Trainer	Construction, Forestry, Mining and Energy Union
Bruce McKenzie	Chief Executive	Holmesglen Institute of TAFE
David Williams	Executive Director	Victorian TAFE Association
Brian Boyd	Secretary	Victorian Trades Hall Council
Nicholas Hunt	Chief Executive Officer	William Angliss Institute

B.2 Victorian Government

Name	Role	Organisation
Peter Dawkins	Secretary	Department of Education and Early Childhood Development
George McLean	Director, Youth Transitions	Department of Education and Early Childhood Development/Department of Innovation, Industry and Regional Development
Fran Thorn	Secretary	Department of Human Services
Howard Ronaldson	Secretary	Department of Innovation, Industry and Regional Development

Name	Role	Organisation
Gill Callister	Deputy Secretary 1 June 2009 – 12 August 2009	Department of Innovation, Industry and Regional Development
Philip Clarke	Executive Director, Skills Victoria	Department of Innovation, Industry and Regional Development
	A/g Deputy Secretary Until 30 May 2009	Department of Innovation, Industry and Regional Development
Lee Watts	Executive Director, Skills Funding and Innovation, Skills Victoria	Department of Innovation, Industry and Regional Development
Wendy Timms	A/g Executive Director, Skills Policy Development and Coordination, Skills Victoria – Until 30 May 2009	Department of Innovation, Industry and Regional Development
	Director, Skills Analysis and Reporting, Skills Victoria	Department of Innovation, Industry and Regional Development
Sian Lewis	A/g Executive Director, Training Operations, Skills Victoria	Department of Innovation, Industry and Regional Development
Andree Butler	A/g Director, Skills Policy, Skills Victoria	Department of Innovation, Industry and Regional Development
Ron Cooper-Thomas	A/g Director, Resources and Facilities. Skills Victoria	Department of Innovation, Industry and Regional Development
Jim Strilakos	Director, Finance	Department of Innovation, Industry and Regional Development
Stephen Ward	Director, Workforce Participation	Department of Innovation, Industry and Regional Development
Liz Sinclair	Manager, Workforce Participation Policy	Department of Innovation, Industry and Regional Development
Yehudi Blacher	Secretary	Department of Planning and Community Development
Sandy Forbes	General Manager, Adult Community and Further Education	Department of Planning and Community Development
Helen Silver	Secretary	Department of Premier and Cabinet
Megan Kirchner	Assistant Director, National Reform Branch	Department of Premier and Cabinet
Grant Hehir	Secretary	Department of Treasury and Finance
Jillian Wyatt	Assistant Director, Budget and Performance Analysis	Department of Treasury and Finance
Lynda Rogers	Assistant Director, Budget and Performance Analysis	Department of Treasury and Finance
Michael Coppola	Senior Analyst, Budget and Performance Analysis	Department of Treasury and Finance

Name	Role	Organisation
Stephen Canterbury	Assistant Director, Commercial Division	Department of Treasury and Finance
Dean McKay	Analyst, Commercial Division	Department of Treasury and Finance
Jeremy Nott	Director, Social Policy and Infrastructure	Department of Treasury and Finance
Karen Spindler	Assistant Director, Social Policy and Infrastructure	Department of Treasury and Finance
Stuart Hamilton	Chair	Victorian Registration and Qualifications Authority
Lynn Glover	Director	Victorian Registration and Qualifications Authority
Rob Fearnside	Deputy Director	Victorian Registration and Qualifications Authority
Rowena Allen	A/g Chair	Victorian Skills Commission
Roger Leeming	Member	Victorian Skills Commission

B.3 Australian Government

Name	Role	Organisation
Bill Burmester	Deputy Secretary, Tertiary Youth and International	Department of Education, Employment and Workplace Relations
Philip Bullock	Chair	Skills Australia

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appendix D COAG and national arrangements

D.1 COAG and national frameworks

COAG has committed to a national reform agenda with three streams: human capital, competition and regulatory reform. Accordingly, COAG has established new intergovernmental financial arrangements to promote and enhance accountability for policy reform. The new arrangements rationalised 92 Special Purpose Payments to six new national agreements for the delivery of core government services, including VET, and are reflected in the Intergovernmental Agreement on Federal Financial Relations.

In late 2008 COAG established the National Agreement for National Skills and Workforce Development. The Agreement outlines the intergovernmental commitment to collaboration, the new resource arrangements reflect an increased government investment in higher skills levels nationally and policy directions that include:

- placing clients (individuals and businesses) at the centre of the system;
- reforming training products, services, information systems and regulation to meet a more demand and client driven system; and
- renewal of governance framework to reinforce the role of industry and maximise effectiveness and efficiency in intergovernmental relations.

D.2 Ministerial Council for Tertiary Education and Employment

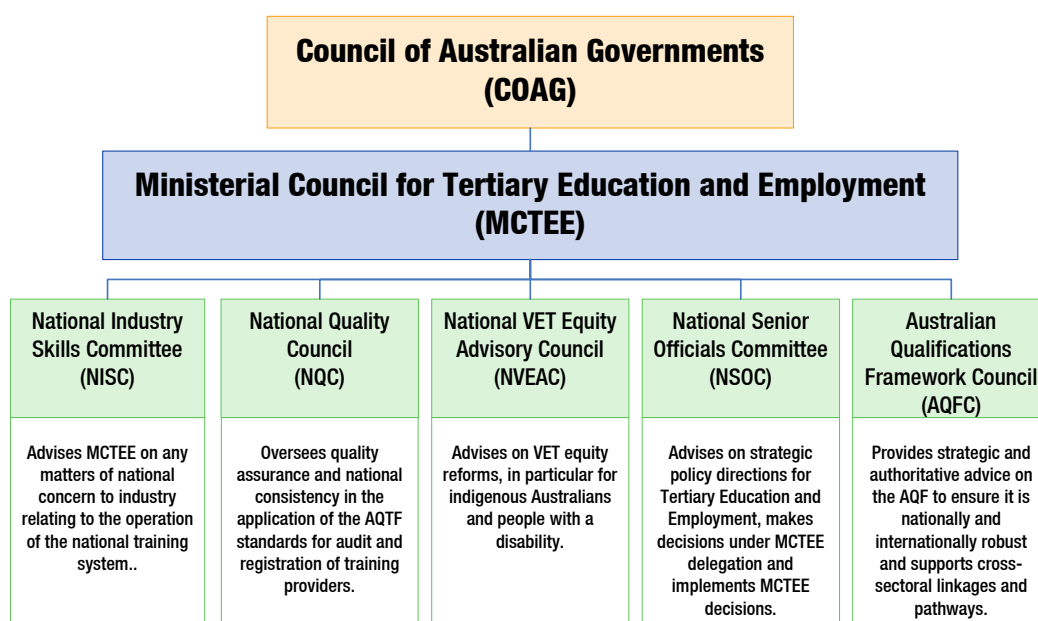
The peak national government body responsible for VET policy and planning is MCTEE. This Council commenced from 1 July 2009, replacing the former Ministerial Council for Vocational Education and Training after COAG approved a new governance framework and an expanded Ministerial Council, in which all post-school education and employment issues would be considered by one Council.

In addition to VET, MCTEE has responsibility for:

- higher education;
- international education (non-school);
- adult and community education;
- the Australian Qualifications Framework;
- employment; and
- youth policy (relating to participating in tertiary education, work and workforce productivity).

MCTEE is complemented by the Ministerial Council for Education, Early Childhood Development and Youth Affairs. The Councils are responsible for ensuring joint work and consultation on matters that overlap areas of responsibility.

key national Councils and Committees



MCTEE is supported by a range of Councils, Committees and Action Groups, with key Councils and Committees outlined above. National Action Groups are also established on a needs basis, for a fixed period of time, with the aim of providing targeted, specialist advice to MCTEE or the National Senior Officials Committee. The groups in operation at July 2009 included the National Data Strategy Action Group and the Adult and Community Education Action Group.

At COAG's request, MCTEE has commenced a review of its advisory and support structures to ensure they reflect the needs of the new Council and avoid duplication of effort.

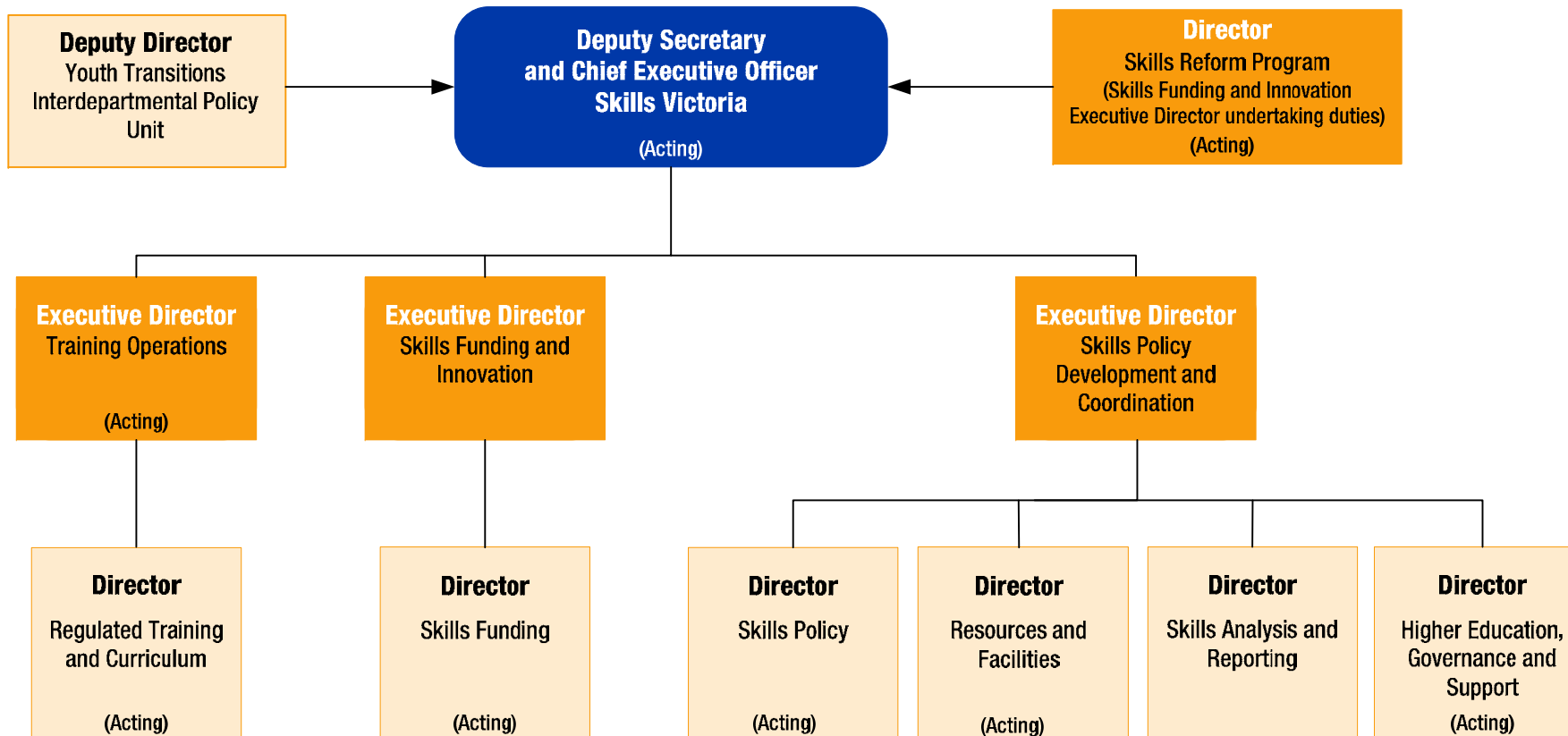
key bodies that support MCTEE at the national level

Body	Overview
Industry Skills Councils	There are eleven Councils representing various industry sectors. The Commonwealth Government funds the Councils to advise on workforce development and skills needs, as well as, develop high quality training products including training packages. Councils have a direct reporting relationship with the National Quality Council.
National Centre for Vocational Education Research	The National Centre for Vocational Education Research is a not-for-profit company owned by the Commonwealth, state and territory ministers responsible for training. It is responsible for collecting, analysing, evaluating and communicating VET research and data and management of the Australian VET statistical collections.
Technical and Vocational Education and Training Australia (TVET Australia)	TVET Australia is a ministerial company and was established to provide responsive and high quality services to support the national training system. TVET Australia manages the National Audit and Registration Agency that operates to provide audit and registration services to RTOs that operate in more than one jurisdiction.

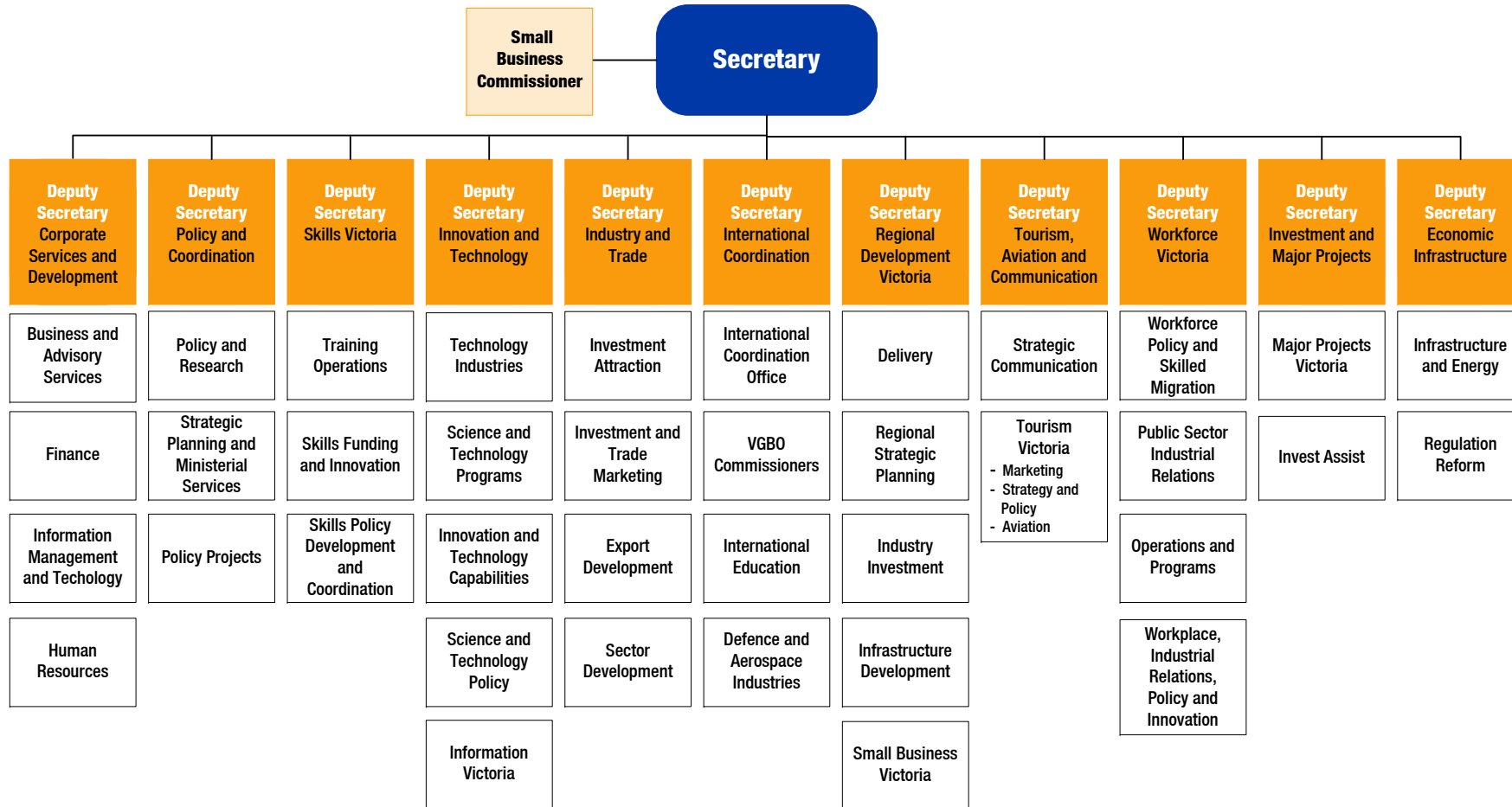
appendix E Commonwealth policy and legislation

Legislation and policies	Overview
Transforming Australia's Higher Education System (2009)	<p>In response to the Commonwealth Government's review of higher education, an additional \$5.4 billion will be provided over the next four years. The Transforming Australia's Higher Education System statement outlines key strategies in a phased 10 year reform agenda and commits to:</p> <ul style="list-style-type: none"> • tertiary education infrastructure upgrades of university and TAFE institutes, including \$710 million for public VET and adult community education infrastructure; • improving pathways between the higher education and VET sectors; and • establishment of a national quality regulation body.
Review of Australian Higher Education (2009)	<p>In 2008 this major Review was initiated by the Deputy Prime Minister, the Hon Julia Gillard MP. Minister for Education The Review examined and reported on the future direction of the higher education sector, its fitness for purpose in meeting the needs of the Australian community and economy and the options for reform. The report concluded that, while the system has great strengths, it faces significant, emerging threats. To address these, the Review recommended reform of the financing and regulatory frameworks for higher education.</p>
Nation Building: Rail, Road, Education and Research and Business (2008)	<p>This statement announced an allocation of \$500 million for the Teaching and Learning Capital Fund for VET as part of a \$4.7 billion nation building infrastructure package to support Australia's economy. Funds are targeted to initiatives focused on improving the quality of teaching and learning across the VET, including a \$200 million allocation for Better TAFE Facilities grants.</p>
Federal Financial Relations Act (2009)	<p>The grants made under the Skills and Workforce Development Special Purpose Payments are governed by the new National Agreement for Skills and Workforce Development, which effectively replaces the former 2005–08 Commonwealth–State Agreement for Skilling Australia's Workforce. Formerly appropriated by the Skilling Australia's Workforce Act, these payments are now provided for under the <i>Federal Financial Relations Act 2009</i>.</p>
Skills Australia Act (2008)	<p>Skills Australia was established by the <i>Skills Australia Act 2008</i> as an independent statutory body to provide advice to the Deputy Prime Minister, the Hon Julia Gillard MP, Minister for Education and Minister for Employment and Workplace Relations, on current and emerging workforce skills needs and workforce development needs. Representatives are drawn from academia, education and training, economics and industry.</p>
Skilling Australia for the Future (2007)	<p>Australian Labor Party election policy document committing to 820,000 additional training places to be delivered in a comprehensively reformed VET system.</p>

appendix F Skills Victoria organisation chart



appendix G DIIRD organisation chart



appendix H Victorian TAFE institutes and multi-sector TAFE providers

- Bendigo Regional Institute of TAFE;
- Box Hill Institute of TAFE;
- Central Gippsland Institute of TAFE;
- Chisholm Institute of TAFE;
- East Gippsland Institute of TAFE;
- Gordon Institute of TAFE;
- Goulburn Ovens Institute of TAFE;
- Holmesglen Institute of TAFE;
- Kangan Batman Institute of TAFE;
- Northern Melbourne Institute of TAFE;
- Royal Melbourne Institute of Technology (TAFE Division);
- South West Institute of TAFE;
- Sunraysia Institute of TAFE;
- Swinburne University of Technology (TAFE Division);
- University of Ballarat (TAFE Division);
- Victoria University of Technology (TAFE Division);
- William Angliss Institute of TAFE; and
- Wodonga Institute of TAFE.

appendix I Victorian Skills Commission functional analysis

Function	How is the role performed?	Impact on function
Advisory functions		
S. 3.1.2 (1) (a) of the Education and Training Reform Act 2006 states that the functions of the VSC are to:		
(i) Advise the Minister for Skills and Workforce Participation about the development and implementation of policy for post-compulsory education and training.	Both the VSC and Skills Victoria provide advice to the Minister.	Negligible. Policy advice is still required.
(ii) Advise the Minister for Skills and Workforce Participation about state wide planning for post-compulsory education and training, including emerging requirements of government, industry, the community and individuals.	As above.	Planning advice on the number of training places required every year is no longer relevant in a demand driven model. Advice on emerging requirements of industry, employers and individuals is still required.
(iii) Advise the Minister for Skills and Workforce Participation about vocational education and training strategies to complement state and national economic and social development.	Skills Victoria maintains a close working relationship with DEEWR, COAG and Skills Australia. VSC, as the State Training Authority, has a relationship with Skills Australia and the national Industry Skills Councils.	Greater role in advising on demand stimulation strategies and promoting the value of training.
(iv) Advise the Minister for Skills and Workforce Participation about the effective spending of money made available for vocational education and training.	The VSC Audit and Risk Committee oversee effective spending of money as well as Skill's Victoria's processes.	No change.
(v) Advise the Minister for Skills and Workforce Participation about the provision of adult, community and further education in TAFE institutes.	Both the VSC and Skills Victoria provide advice to the Minister.	The specific impact will depend on the outcomes of the TAFE Governance Review and the TAFE Price Review.
(vi) Advise the Minister about any other matter that the Minister refers to the VSC.	As above.	No change.

Function	How is the role performed?	Impact on function
Other functions		
S. 3.1.2 (1) states that the functions of the VSC are to:		
(b) Provide for the delivery of vocational education and training in Victoria by registered training organisations and the provision of further education in TAFE institutes.	This function is broadly worded to allow for a range of delivery mechanisms, such as purchasing, direct delivery, demand driven.	Agreements with registered training organisations and TAFE institutes are still required in a demand driven system. The number of student places will be determined by demand rather than planning and purchasing.
(c) Support the statewide network of 31 Local Learning and Employment Networks to improve education, training and employment outcomes of 15–19 year olds. Under section 3.1.4 (4) (d) the VSC may also make payments to a local learning and employment network in accordance with a performance management agreement with the committee of management of the network.	This role is now performed by DEECD following the Machinery of Government changes that moved the VSC from DEECD to DIIRD.	No change.
(d) Promote research in relation to post-compulsory education and training.	Skills Victoria undertakes or commissions research on behalf of the VSC.	No change. Research is still required.
(e) Monitor the outcomes of post-compulsory education and training.	Both the VSC and Skills Victoria monitor outcomes.	Monitoring the outcomes of post-compulsory education and training will be critical to assess the performance of the new skills system.
(f) Act as the State Training Authority under the Skilling Australia's Workforce Act 2005. The State Training Authority participates in the formulation of national policy, planning and objectives, and promotes and implements the agreed policies and priorities within the State.	Delegated to Skills Victoria.	The future role of the State Training Authorities in the new national governance arrangements is still under consideration.
(g) Carry out any other function that is conferred on the VSC by the Education and Training Reform Act 2006 or any other Act.		No change.

Function	How is the role performed?	Impact on function
Engagement functions and requirements on the way the VSC must carry out its role		
Section 3.1.2 (2) states that the VSC, in carrying out its functions, must:		
(aa) Have regard to the functions conferred on the boards of TAFE institutes by or under the Education and Training Reform Act.		No change.
(a) Establish systems to achieve cooperation between the VSC and the ACFE Board and to ensure that the VSC's actions are consistent with arrangements for the provision of adult, community and further education in Victoria.	Both the VSC and Skills Victoria work to ensure consistency with the ACFE Board.	No change.
(b) Liaise, as it considers appropriate, with the VRQA and the Victorian Curriculum and Assessment Authority.	Meetings and membership includes VRQA.	No change.
(c) Consult, as it considers appropriate, with Government, industry and the community.	Consultations.	No change.
Expenditure functions		
Section 3.1.4 sets out the following arrangements in relation to performance agreements and financial powers		
(1) The VSC may enter into a performance agreement with the board of a TAFE institute with respect to the provision by the institute of vocational education and training or adult, community and further education. (4) (b) Make payments to the board of a TAFE institute in accordance with a performance agreement with the board.	Delegated to Skills Victoria.	Negligible. Performance agreements with TAFE institutes are still required.
(3) The VSC may enter into a performance agreement with an industry training board with respect to the board's functions under the Act. (4) (c) The VSC may make payments to an industry training board in accordance with a performance agreement with the board.	Delegated to Skills Victoria.	Negligible. Performance agreements still required. Industry Training Advisory Boards have an expanded role.
(4) (e) Make payments by way of grants, subsidies or loans in relation to vocational education and training to any person, organisation or institution, whether public or private, on any terms or conditions that the VSC thinks fit.	Delegated to Skills Victoria. Many payments outside of provider agreements (for example, TAFE Development Centre, consultants).	No change.

appendix J financial accountability mechanisms

Accountabilities	Application
Ministerial accountability	<p>Ministers have a general, but not well defined, accountability within government and to the Parliament for matters within their area of portfolio responsibility.</p> <p>In this context, the Minister for Skills and Workforce Participation has overall responsibility and accountability for the performance of the relevant government agencies with policy, funding and regulatory roles in the Victorian skills system and for the implementation of the State Government's Policy Statement <i>Securing Jobs for Your Future — Skills for Victoria</i>.</p>
Legislation and statutory requirements	<p>The Education and Training Reform Act 2006</p> <p>Section 3.1 of the Education and Training Act sets out Ministerial Powers, functions and accountabilities of the VSC including financial powers, functions and accountabilities of TAFE Institute Councils, functions of the ACFE Board and CAE and AMES.</p> <p>Section 5 of the Act sets out the general powers of the Minister. The VSC has delegated its functions under the Act in respect of financial expenditure, as well as, to enter into agreements with TAFE institutes, to the Deputy Secretary. In addition, the VSC has delegated some financial expenditure functions to other Skills Victoria officers up to specific levels.</p> <p>The Higher Education Support Amendment (Extending FEE-HELP for VET Diploma and VET Advanced Diploma Courses) Bill 2007</p> <p>The amendment of this Act has provided for an extension of VET FEE-HELP for government subsidised VET Diplomas and Advanced Diplomas and sets out RTO accountability requirements.</p> <p>The Education Services for Overseas Students Legislative Framework</p> <p>The <i>Education Services for Overseas Students Act 2001</i> and associated instruments set out the legal framework for the delivery of education to overseas students. It governs:</p> <ul style="list-style-type: none"> • which providers may be registered; • the Commonwealth Register of Institutions and Courses for Overseas Students; • obligations of providers; • tuition assurance and consumer protection mechanisms; • enforcement and compliance powers; and • charges providers pay to enrol overseas students. <p>Other State Government legislation</p> <p>A number of other legislative frameworks identify the statutory requirements which underpin effective governance and financial management for State Government departments and agencies including the <i>Financial Management Act 1994</i>, <i>Public Administration Act 2004</i>, and <i>Audit Act 1984</i>.</p>

Accountabilities	Application
Ministerial Directions and Executive Memoranda	Provide specific guidelines and directions that must be complied with by relevant government agencies and TAFE institutes.
Department accountability	Departmental Secretaries are accountable to portfolio Ministers, and to government, including for policy implementation, compliance with statutory requirements and government administrative guidelines.
National Agreements	<p>The National Agreement for Skills and Workforce Development sets out high level policy objectives, including specific output targets for each state for 2009-2012.</p> <p>The National Partnership Agreement on TAFE Fee Waivers for Childcare Qualifications provides the basis of compensation paid by the Commonwealth for the waiver of compulsory fees for students enrolled in Child Care courses.</p>
Intergovernmental Agreements	The Intergovernmental Agreement for Additional Training Delivery in Victoria under the Productivity Places Program sets out the additional Commonwealth funded training activity for Victoria and the roles and responsibilities under the Agreement.
Portfolio Budget Statements	Sets out expenditure estimates, broad skills policy objectives and detailed planned outputs for the financial year for DIIRD.
TAFE institute performance agreements	Set out the funding, conditions of funding reporting requirements and other accountabilities provided to TAFE institutes through VSC funding. These agreements have recently been revised to reflect the outcomes and requirements of reform implementation.
RTO funding agreements	These funding agreements set out the conditions of funding to be delivered by RTOs, other than TAFE institutes. These agreements have been revised to reflect policy outcomes and requirements of the reforms.
VSC Memorandum of Understanding with ACFE Board	This Memorandum of Understanding sets out the conditions and requirements set by the VSC for funding provided to the ACFE Board.
Reporting requirements	<p>Reporting on inputs into, and outcomes, from VET occurs at the national, state and provider levels. Reporting requirements include:</p> <ul style="list-style-type: none"> • an obligation to provide VET data to NCVER, including a specific section on the performance of the Victorian system; • all RTOs in receipt of government funding are required to report to the VSC as a condition of their funding agreements; and • DIIRD, DPCD, VSC, TAFE institutes, CAE and AMES report annually to the Victorian Parliament on achievements and activities including audited financial statements.

appendix K DIIRD portfolio budget statement

The following extract from the DIIRD Portfolio Budget Statement sets out expenditure levels, outputs and performance indicators for skills and workforce development in Victoria. The outputs and performance indicators are quantitative and qualitative in nature, including targets for completions and for Skills Deepening qualifications. The Statement outlines:

Skills and Workforce outputs respond to the labour and skills needs of industry through the planning and purchasing of vocational education and training services and the provision of targeted employment initiatives and facilitate cooperative, flexible and productive workplaces.

These outputs make a significant contribution to the following key government outcomes:

- more quality jobs and thriving, innovative industries across Victoria;
- growing and linking all of Victoria;
- high quality education and training for lifelong learning; and
- a fairer society that reduces disadvantage and respects diversity.

Major Outputs/Deliverables	Unit of Measure	2009-10 Target	2008-09 Expected Outcome	2008-09 Target	2007-08 Actual
<i>Performance Measures</i>					
Participation rate of 25-64 year olds in training and further education in Victoria: All Victoria	per cent	9.2	*nm	nm	nm
Percentage of VET graduates who rate quality of training as four or more out of five	per cent	88	88.1	87	88.9
Successful training completions as measured by module load pass rate	per cent	77.5	77.8	77.5	76.8
VET graduates in employment six months following graduation	per cent	81	81.8	81	81.6
<i>Cost</i>					
Total output cost	\$ million	1,829.1	1,796.7	1,659.9	1,608

Major Outputs/Deliverables	Unit of Measure	2009-10 Target	2008-09 Expected Outcome	2008-09 Target	2007-08 Actual
Performance Measures					
Skills					
Provides planning and purchasing of vocational education and training services from TAFE institutions and private RTOs and builds the capability and competitiveness of the vocational education and training system in Victoria to ensure and enhance the quality of services.					
Quantity					
Annual government funded module enrolments	number (million)	2.56	2.61	2.3	2.48
Audit of contract compliance by RTOs and other State Training Systems organisations	number	175	175	175	176
Government funded student contact hours of training and further education provided	number (million)	80	86.9	78.5	82.7
Number of apprenticeship / traineeship commencements by new employees	number	56,000	50,000	56,000	57,991
Number of apprenticeships / trainees completion who qualify for the completion bonus	number	14,000	14,000	15,000	16,057
Number of government funded course enrolments in Skills Deepening qualifications	number	55,800	nm	nm	nm
Number of individuals assisted through <i>Skill Up</i>	number	1,000	5,000	1,000	2,374
Quality					
Participation rate of 15-24 year olds in training and further education in Victoria: all Victoria	per cent	25.1	nm	nm	nm
*Note: nm = new measure					

Source: 2009-2010 Budget Paper No.3, Service Delivery.

appendix L ACFE portfolio budget statement

The ACFE Portfolio Budget Statement is also relevant. It is broadly consistent with and overlaps the measures outlined in the DIIRD statement. The statement outlines:

Develop and implement strategies designed to further enhance participation in adult community education (ACE) across Victoria and strengthen the contribution that community based adult education organisations make to education and training. Education and training is provided in community settings and Adult Education Institutions (AEIs), including AMES and the CAE in accordance with the priorities set by government and in response to community demand. Learning opportunities are promoted and provided by the Adult, Community and Further Education Board (ACFEB) that supports and strengthens the capacity of local communities to respond to and meet educational needs.

Major Outputs/Deliverables	Unit of Measure	2009-10 Target	2008-09 Expected Outcome	2008-09 Target	2007-08 Actual
<i>Quantity</i>					
Annual delivery of student contact hours government funded through the ACFEB – ACE organisations and AEIs	number (million)	5.74	5.95	5.65	*nm
Annual Vocational Education and Training (VET) module enrolments government funded through the ACFEB – ACE organisations and AEIs	number	170,000	178,550	150,000	nm
Number of government funded Skills Deepening level course enrolments in ACFEB registered ACE organisations and AEIs	number	600	nm	nm	nm
Number of pre-accredited module enrolments government funded through the ACFEB – ACE organisations and AEIs	number	48,000	nm	nm	nm
Student contact hours government funded through the ACFEB to 15 to 24 year olds – ACE organisations and AEIs	number (million)	1.67	nm	nm	nm

Major Outputs/Deliverables	Unit of Measure	2009-10 Target	2008-09 Expected Outcome	2008-09 Target	2007-08 Actual
Student contact hours government funded through the ACFEB to 16 to 64 year olds who do not have a Year 12 level of education (or equivalent) – ACE organisations and AElS	number (million)	2.4	2.72	2.4	nm
Quality					
Minimum target for ACE and AEI students funded through Youth Pathways Program	number	500	500	500	nm
Student satisfaction with ACE courses meeting overall needs	per cent	80	83.9	80	85.6
Successful completions as measured by module load completion rate – ACFEB funded ACE organisations and AElS	per cent	73	73	73	nm
Cost					
Total output cost	\$ million	57.7	57.2	50.1	60.3
*Note: nm = new measure					

Source: 2009-2010 Budget Paper No.3, Service Delivery.

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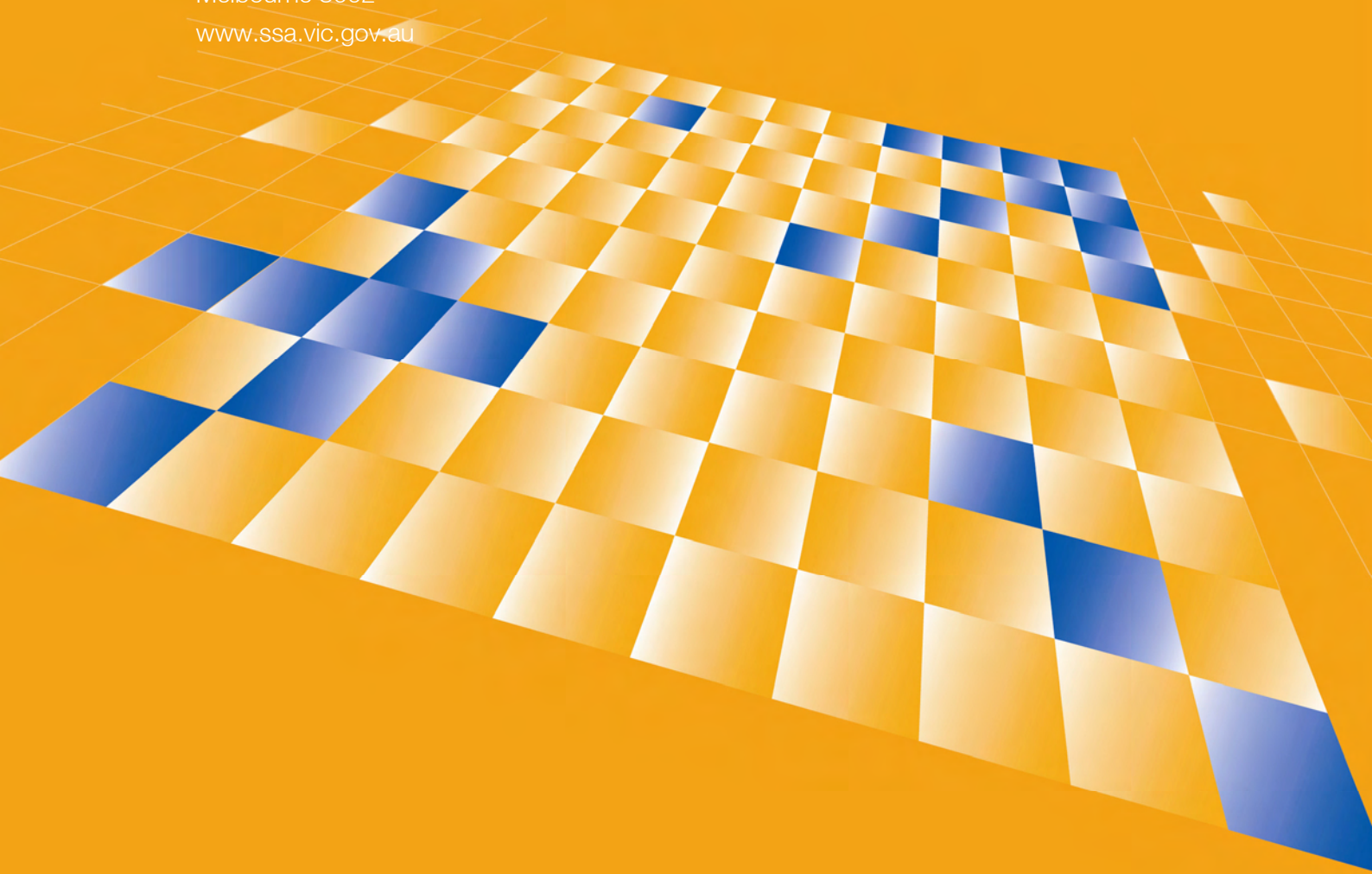
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