



Speech by

**Hon. Rod Welford**

**MEMBER FOR EVERTON**

Hansard Tuesday, 16 October 2007

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## **VOCATIONAL EDUCATION, TRAINING AND EMPLOYMENT AND OTHER LEGISLATION AMENDMENT BILL**

### **Second Reading**

**Hon. RJ WELFORD** (Everton—ALP) (Minister for Education and Training and Minister for the Arts)  
(12.35 pm): I move—

That the bill be now read a second time.

The primary objective of the Vocational Education, Training and Employment and Other Legislation Amendment Bill 2007 is to create a legislative framework for the establishment and operation of TAFE institutes as statutory authorities. In doing so, the bill implements the government's commitment under action 2 of the Queensland Skills Plan to move TAFE Queensland to a more commercial governance model. This aspect of the bill represents another key step in the reform of the vocational education and training sector, and the revitalisation of TAFE in particular, to continue to meet the current and future skilling needs of Queensland.

Ensuring we have a vibrant and robust public provider, alongside a thriving private sector, is the cornerstone in ensuring Queensland's workforce matches the needs of industry and our vocational education and training system remains world class. The bill also amends the acts that establish the Library Board, the Queensland Art Gallery, the Queensland Museum, the Queensland Performing Arts Trust and the Queensland Theatre Co. The bill limits the terms of appointment of the chief executive officers of these statutory authorities and requires their terms and conditions of appointment to be decided by the Governor in Council. Currently, the arts acts only require the appointment itself to be approved by the Governor in Council, on the recommendation of the relevant statutory authority.

The terms and conditions of the appointment are determined by the relevant statutory authority. In making this change, the bill recognises the continued role of the relevant statutory authority in negotiating and settling the proposed terms and conditions of appointment of its CEO, with whom it will maintain an employment relationship. The bill also makes transitional arrangements to enable the contracts of employment of the current CEOs to operate so that they can complete their current terms of office. The bill does not operate to prevent any of the current CEOs from being reappointed; it merely requires the reappointment—including the terms and conditions—to be determined by the Governor in Council. These amendments achieve consistency of approach in relation to the appointment processes for chief executive officers of statutory authorities under the education, training and the arts portfolios.

I seek leave to incorporate the remainder of my second reading speech in *Hansard*.

Leave granted.

#### **Queensland Skills Plan**

Last year our Government launched the \$1 billion Queensland Skills Plan, a reform blueprint for Queensland's vocational education and training system.

High-quality training is more important than ever as we work to overcome the challenges of Queensland's tight labour market, skills shortages and the lowest levels of unemployment in 30 years.

Our Government must ensure that the training and employment needs of a quarter of a million Queenslanders are being met, that our workforce matches the needs of industry and our training remains world-class.

In response to these challenges, the Queensland Skills Plan is reshaping our training landscape, including improving the way TAFE institutes operate.

Our Government is determined that TAFE institutes continue to play a major role in meeting Queensland's skilling requirements, alongside the thriving private sector.

To achieve this, some key aspects of the TAFE Queensland system need to be changed.

Already as part of the Skills Plan initiatives to revitalise TAFE, our Government has reorganised TAFE offerings in the Brisbane metropolitan area by creating a specialist trade institute, SkillsTech Australia, to focus on the critical trade skills requirements of Queensland's burgeoning economy.

Additionally, Southbank Institute of Technology with its state of the art facilities, and progressive partnership with Axiom Education Queensland Pty Ltd, is well positioned to deliver on the high end skills needs of industry and business.

To complement these initiatives, we are moving to ensure TAFE is as flexible and responsive as possible at the local level by introducing new governance arrangements that allow for location specific operational plans.

Currently under the Vocational Education Training and Employment Act 2000, the chief executive of the Department of Education, Training and the Arts is responsible for ensuring the provision of vocational education and training services in Queensland.

The chief executive administers TAFE institutes, which are known collectively as TAFE Queensland.

TAFE Queensland is the largest VET service provider in the State, delivering approximately 850 programs and courses to around 240,000 students each year.

TAFE Queensland is part of the Department and comprises 13 TAFE institutes in metropolitan and regional centres.

The Queensland Skills Plan acknowledged that the rapidly changing training market posed real challenges for the responsiveness of the current TAFE delivery model.

It outlined the need to revitalise the TAFE system to enable more flexibility and greater responsiveness to industry and business needs.

Effectively responding to the changing requirements of local industry and individual student needs demands increasingly sophisticated management of TAFE institutes.

This Bill implements a statutory authority model for TAFE institutes, with the objective of establishing more flexible, cost effective and autonomous governance arrangements.

This will enhance TAFE Queensland institutes' capacity to develop industry partnerships and grow the commercial component of their business in a competitive vocational education and training market.

The Bill inserts a new Chapter 6A in the Vocational Education Training and Employment Act 2000, which contains a mechanism by which one or more TAFE institutes can transition from the current operating model to become a statutory authority known as a 'statutory TAFE institute'.

The Queensland Skills Plan noted that the governance change would occur through a phased transition.

In practice, an institute's readiness to transition to the statutory authority model is contingent on the institute meeting certain operational pre-conditions.

These pre-conditions address sound governance practices and competitive business performance attributes expected in the education and vocational education and training sectors.

This assessment will be made through an administrative pre-condition validation process overseen by a committee chaired by DETA chief executive.

Once approved, the institute will be established as a statutory TAFE institute by regulation.

The Queensland Skills Plan anticipated that the first institutes would be ready to transition by early 2008 and the remainder would follow over time.

Currently, the Southbank Institute of Technology and the Gold Coast Institute of TAFE are both working towards the pre-condition validation process, with a view to at least one institute being established under the new operating model by 1 January 2008.

Both institutes have a strong commercial focus. Southbank Institute of Technology generates 35 per cent and Gold Coast Institute of TAFE generates 37 per cent of their revenue from user charges including the domestic fee-for-service market, the international market and other commercial ventures.

However, the Department is currently giving consideration to the most appropriate model for the TAFE system moving forward.

Consultation with key stakeholders will inform the model to be developed throughout the remainder of this year.

Southbank Institute of Technology is a key part of Queensland's first Public Private Partnership, Axiom Education Queensland Pty Ltd.

Under the partnership the institute has significant revenue obligations which require a flexible, autonomous, decision-making model to respond to emerging opportunities.

The institute also has a major focus on existing workers who are upgrading their skills and qualifications for employment purposes and who have the capacity to pay either independently or through employer sponsorship.

Their current ineligibility to provide FEE-HELP will be alleviated under the proposed model, enabling growth in their professional qualification streams.

FEE-HELP is a loan scheme administered by the Australian Government to assist full fee paying students in higher education.

The Federal Government recently passed legislation to extend FEE-HELP assistance to full fee paying VET students undertaking diplomas and advanced diplomas, vocational graduate diplomas and vocational graduate certificates. This is expected to come into effect on 1 January 2008.

The higher level VET fee-for-service market is expected to grow substantially as a direct result of the expansion of FEE-HELP to the VET sector.

Under the current legislative model, TAFE institutes cannot offer FEE-HELP to students. To obtain provider approval of FEE-HELP under the Higher Education Support Act 2003 (Cth), TAFE institutes are required to have body corporate status, or the equivalent under the law.

I have negotiated an agreement with the Federal Minister for Vocational Education and Training, to ensure eligible TAFE Queensland students are not disadvantaged.

The first institute established under the statutory authority model will act on behalf of all TAFE Queensland institutes as the eligible VET FEE-HELP provider for a transitional period of 12 months while the remaining institutes transition to the new governance arrangements.

Under the new model, the functions of statutory TAFE institutes will ensure continued provision of vocational education and training services in accordance with Government priorities.

The key difference is that statutory TAFE institutes will be established with greater autonomy and flexibility to drive commercial outcomes at the local level.

Under the current operating model, TAFE institutes have an advisory council.

However, consistent with the Queensland Skills Plan commitment in relation to institute boards, each statutory TAFE institute will have a governing board constituted by members nominated by the Minister and appointed by the Governor in Council on the basis of their corporate governance expertise, commercial experience, knowledge of local business or industry, understanding of public accountability or other relevant expertise.

The institute's governing board will be accountable to the Minister and my department's chief executive for the institute's performance.

Each institute will also employ an executive officer (subject to the Minister's approval), who will be responsible for the institute's day to day management.

The executive officer will not be a member of the board, but will be able to attend board meetings, at the board's discretion. The executive officer will be subject to the board's direction.

The governance arrangements under the statutory authority model represent the key change from the current operating model and will deliver a significant degree of autonomy and flexibility for decision making at the local level.

Existing and new staff will remain as public servants employed by the Department.

This arrangement will be implemented through a work performance arrangement between the institute and my department's chief executive.

However, each statutory TAFE institute will have capacity to employ a small number of staff directly.

It is expected that this may include senior management and some commercial positions such as business development, sales and marketing personnel.

I will monitor an institute's use of these direct employment arrangements through a requirement for the institute to provide an outline in its operational plan of its overall staffing arrangements.

The intention is to monitor this provision closely and consult with relevant unions, where appropriate, on the institute's intention regarding direct employment for commercial positions.

The Bill also makes provision for the preservation of rights of any public service officer who is employed by or seconded to a statutory TAFE institute.

TAFE Staff are our greatest asset. We need to be conscious as we change governance arrangements, that we include staff as a part of this change.

We can't just focus on senior management and lose sight of the great value that our teachers, tutors, and administration staff in institutes bring.

Boards will need to ensure they focus on staffing needs and particularly, ensuring staff are actively engaged in business processes like planning and budgeting. A mandated committee of the Board, Staff, Student and Community Voice, will be one key mechanism for engaging with staff.

The Queensland Skills Plan articulated a commitment that each institute will ultimately be accountable to the Minister through the Department and stringent performance targets and performance monitoring arrangements will be established.

The Bill gives effect to this by requiring each statutory TAFE institute to operate with a prescribed accountability framework, which has five key elements.

Firstly, each transitioned institute will have a governing board that is accountable to the Minister and the department's chief executive for the institute's performance.

Secondly, each institute will be a statutory body for the purpose of the Financial Administration and Audit Act 1977 and the Statutory Bodies Financial Arrangements Act 1982.

Thirdly, each institute's operational plan under the Financial Administration and Audit Act 1977 must be approved by the Minister and must address matters including the institute's financial and non-financial performance targets, the nature and scope of its proposed activities (including commercial activities both within and outside Australia), its community service obligations, major financial undertakings and an outline of its staffing arrangements.

The institute will be subject to Ministerial direction in relation to its operational plan, if necessary.

Fourthly, each institute will be required to enter into an agreement with the department's chief executive to give effect to:

- (a) arrangements to enable the chief executive to monitor and assess the institute's performance against targets specified in its operational plan;
- (b) the institute's obligations to deliver government funded training priorities, including arrangements for the performance of the institute's community service obligations. This part of the agreement will strengthen current purchasing arrangements by incorporating incentives to drive performance and efficiencies, including the withdrawal of funds for under-delivery. It will also articulate the institute's lead accountabilities in particular industry sectors for product development and quality assurance;
- (c) arrangements for the institute's participation in core operating, information and data management systems and compliance with public sector policies. This part of the agreement will require the institute to use certain existing departmental systems as a transitional measure; and
- (d) financial and non-financial reporting arrangements with the DETA chief executive.

Negotiation of this agreement will be subject to Ministerial direction, if negotiations are not completed in a timely manner.

In addition to this, statutory TAFE institutes will be required to notify the Minister of anything that may prevent or have a significant adverse effect on the institute performing its functions.

The institute will also be required to notify the Minister prior to entering into a transaction to sell or purchase property or to supply vocational education and training or enter into other arrangements to generate revenue or commit expenditure, with a value exceeding a prescribed threshold amount.

Institutes will also be subject to Ministerial powers of direction in the public interest, to request information or documentation regarding the performance of its functions and to notify compliance with public sector policies.

To ensure transparency, Ministerial directions and notifications must be included in the institute's annual report.

The accountability framework and the degree of Ministerial oversight required by the Bill will facilitate proactive monitoring of an institute's performance under the new operating model.

Whilst the Bill establishes grounds for removing individual members of an institute's board from office, the Bill also provides triggers for dismissal of the entire board.

These include failure to comply with a Ministerial direction or notification, statutory requirement or the institute's operational plan or its agreement with the department's chief executive or where the Minister is satisfied that the board is no longer functioning effectively or is acting in a way that is prejudicial to the interests of the institute.

In the event that there is no board in office, the Bill gives the Minister power to appoint either the department chief executive or another suitably qualified person to administer the institute, until a new board is appointed.

Alternatively, the Minister will have power to dissolve the statutory TAFE institute and bring it back in under the current operating model. The Bill also makes provision for the amalgamation of statutory TAFE institutes.

The Bill also requires the Minister to review the operation of a statutory TAFE institute after the third anniversary of its establishment to ensure the institute is operating efficiently and effectively under the statutory authority model. The review report will be required to be tabled in the Parliament.

One key objective under the Queensland Skills Plan is to increase the level of qualifications within the Queensland workforce, particularly at the paraprofessional level.

Currently, full qualifications in this area are predominately offered through publicly funded arrangements.

These new arrangements position TAFE institutes to deliver more training places particularly at the higher level qualification levels.

Additionally, the institutes will be positioned to improve their flexibility and responsiveness to increase commercial revenue to support the Queensland Skills Plan objectives.

The statutory authority model will enable TAFE institutes to develop more collaborative partnerships with the private training sector, as well as position them to compete with private training providers in the fee-for-service market to drive better outcomes for students, employers and industry.

The Queensland Skills Plan outcomes are dependent on growth by both the public and the private training sectors to ensure capacity in the training system for future skills development.

The transition to statutory TAFE institutes will ensure a flexible training system that is responsive to market demand.

The reform will maximise the opportunity for Queenslanders to enhance their skills by ensuring a world-class training system and providing student access to Commonwealth FEE-HELP assistance.

Statutory TAFE institutes will be enabled to grow their commercial business in the training market, meet the demand for skills identified in the Queensland Skills Plan and engage with, and respond to, industry and individual student needs.

The objectives of the statutory authority model for TAFE institutes are consistent with the overarching goal of the Queensland Skills Plan to enhance the VET system's training capacity while better meeting industry demands for more flexibility and timeliness.

Our Government is committed to building both the public and private training sectors to ensure Queensland is positioned with the skills it needs for continued economic growth.

I commend this Bill to the House.