

Strategic Planning Guidelines – TAFE Institutes

Guidelines concerning monitoring and reporting in accordance with Part 5.2 of the *Education and Training Reform Act 2006*

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Authorising provisions

1. These Guidelines –
 - (a) are issued pursuant to section 5.2.1(2)(b) of the **Education and Training Reform Act 2006** (the Act); and
 - (b) must be complied with by TAFE institutes pursuant to sections 3.1.18A(2) and 5.2.1(3)(a) of the Act.

Purpose

2. The Guidelines provide direction and advice to TAFE institutes about the content, process, endorsement and key dates associated with monitoring and reporting obligations to the Minister and Department, and additional obligations relating to a compliance plan and asset management plan.
3. The Guidelines outline the strategic planning and performance reporting obligations of TAFE institutes, in order for the Minister and Treasurer to effectively monitor and review the performance of the TAFE institutes and for the Department to provide advice to the Minister and Treasurer in a timely manner.

Commencement

4. These Guidelines take effect on the date of their publication in the Government Gazette.

Application of other laws

5. These Guidelines are subject to –
 - (a) the **Education and Training Reform Act 2006**;
 - (b) the provisions of, and any directions or regulations under, the **Financial Management Act 1994** that apply to the TAFE institutes; and
 - (c) other Acts, laws or subordinate instruments that apply to the TAFE institutes.

Definitions

6. Words or expressions defined in the Act have the same meaning for the purposes of these Guidelines. In these Guidelines, unless the contrary intention appears –

Act means the **Education and Training Reform Act 2006**;

Annualised Full Time Equivalents means the average of the number of Full Time Equivalents at the end of each of the previous four quarters;

Example

The annualised Full Time Equivalents for December would be the sum of the number of Full Time Equivalents at the end of March, June, September and December, divided by four.

Board means the Board of a TAFE institute established under the Act;

Board secretary means the board secretary appointed by the Board in accordance with the TAFE institute's Constitution;

Compact means an agreement between the Department and TAFE institutes that articulates the respective roles and responsibilities, particularly in relation to professional trust, autonomy and accountability, and support;

Department has the meaning given in section 1.1.3(1) of the Act;

Deputy Secretary means the person for the time being holding, acting in or performing the duties of the Deputy Secretary, Higher Education and Skills Group within the Department, and if its name is changed, means the person for the time being holding, acting in or performing the duties of the Deputy Secretary of that part of the Department with responsibility for vocational education and training;

Minister means the Minister responsible for administering the Act;

Performance Monitoring Framework means a framework developed by the Department for monitoring the financial and non-financial performance of the TAFE institutes, by:

- (a) comparing actual data against forecast data;
- (b) comparing performance against measures over a period of time; and
- (c) benchmarking the performance of the TAFE institutes against each other.

Guideline 1 – Financial objectives for TAFE institutes

7. The purpose of setting appropriate financial objectives for TAFE institutes is to –
- (a) ensure that TAFE institutes operate efficiently, that is, at minimum cost for a given scale and quality of outputs;
 - (b) ensure that TAFE institutes set fees efficiently, that is, set fees that take into account economic forces, including the level of demand for, and the TAFE institute's capacity for and cost of supplying services; and
 - (c) provide an environment for TAFE institutes which is competitively neutral with the private sector.

Note

In addition to complying with Guideline 7 and any relevant laws, a TAFE Institute is bound by Victorian Government *Competitive Neutrality Policy*.

8. A TAFE institute's strategic plan should outline how it will maintain its investment in the TAFE institute.
9. The investment is maintained when the TAFE institute's return on non-current assets is the weighted average cost of capital (WACC), where WACC is –

$$\text{WACC} = E/V * R_e + D/V * R_d$$

where –

R_e is the cost of equity, as per paragraph 10(a)
 R_d is the cost of debt, as per paragraph 10(b)
 E is the value of the institute's equity or net assets
 D is the value of the institute's total liabilities
 $V = E + D$

10. The WACC takes into account the different required rates of return attached to the different components of the TAFE institute's capital structure –
- (a) the cost of equity is the risk free rate plus a risk premium appropriate to the TAFE institute; and
 - (b) where applicable, the cost of debt is the expected rate at which the TAFE institute is able to borrow.

11. Once annually, prior to publishing the annual statement of corporate intent, a TAFE institute must consult with the Minister and come to an agreement as to the proposed financial return for the TAFE institute for the following financial year.
12. Where a TAFE institute achieves a lower financial return than agreed with the Minister in the previous year, it has not achieved the minimum return acceptable to the Minister, and the institute must advise the Minister of strategies that the institute has or will adopt in order to achieve the agreed financial return.
13. The TAFE institute must also meet any other financial and non-financial performance measures, consistent with the Performance Monitoring Framework, that are agreed by the Board and the Minister in the process of agreeing the proposed financial return for the TAFE institute for the following year.

Guideline 2 – Strategic plan

14. The Board must have a current strategic plan.
15. The strategic plan is a comprehensive performance plan which should be prepared over at least a three year period and include the following –

Section	Detail
Operating environment	<ul style="list-style-type: none">• external factors impacting on performance (e.g. regulatory constraints, competitive environment, economic and market conditions, opportunities and threats, Community Service Obligations);• internal factors impacting on performance (e.g. competitive strengths and weaknesses, organisational structure, asset condition);• key drivers of performance (e.g. determinants of demand, key input costs, asset utilisation); and• identification of internal and external risks (e.g. business risks, technological change, environmental impacts).
Key strategies	<ul style="list-style-type: none">• the nature and scope of the business strategies to be undertaken;• risk and asset management strategies;• strategies to transition to maintaining its investment in the TAFE institute; and• other strategies (e.g. pricing, marketing and customer service).
Capital expenditure	<ul style="list-style-type: none">• outline of capital expenditure program, including:<ul style="list-style-type: none">○ a breakdown of payments for each year of the planning period; and○ financing requirements; and• for each major capital expenditure proposal:<ul style="list-style-type: none">○ the proposal's total estimated investment;○ aggregate capital expenditure in prior years;○ forecast capital expenditure for each year of the planning period; and○ financing requirements.

Section	Detail
Financial information	<ul style="list-style-type: none"> • forecast financial statements in nominal dollars; • financing requirements including borrowing limits and whether borrowings are new or refinanced; and • sensitivity analysis including high and low scenarios for key variables.
Key Performance Indicators (KPIs)	<ul style="list-style-type: none"> • financial and non-financial targets; and • clear linkages between KPIs and key strategies.
Planning assumptions ¹	<ul style="list-style-type: none"> • pricing; • interest rates; • labour and other input costs; • economic outlook; • climatic conditions; and • product demand and supply forecasts.

16. The Board must prepare and submit a strategic plan to the Minister in accordance with section 3.1.18A of the Act. The strategic plan is to be submitted on a commercial in confidence basis.
17. The Minister or delegate may elect to meet the Board prior to accepting or not accepting the strategic plan and may contact the TAFE institute with questions of clarification.
18. In accordance with section 3.1.18A(3) of the Act, the Minister may, following a thorough analysis and review, accept the strategic plan, accept the strategic plan with amendments or refuse to accept a strategic plan.
19. The strategic plan must be reviewed by the Board on at least an annual basis. When the Board determines that the plan is no longer current, either due to the lapsing of time or changing circumstances, or where directed to do so by the Minister, the Board must replace or update the strategic plan.² In those years in which the strategic plan is replaced or updated, the key dates for submission are as follows –

¹ DTF's economic forecast data is outlined in Budget Paper No.2 (Chapter 2- Economic Conditions and Outlook) and in the Budget Update. TAFE institutes are encouraged to use this data in the strategic planning process.

² It is expected that the strategic plan will be reviewed by the Board on an annual basis but it is not expected that it will be replaced or updated each year.

Requirement	Due date
Preliminary discussions between the TAFE institute and Department regarding the strategic plan	April – June
Proposed strategic plan submitted to the Minister, if required	Last business day in August
Strategic plan submitted to the Minister, if required	Last business day in October

Guideline 3 – Annual statement of corporate intent

20. The Board must prepare and submit an annual statement of corporate intent to the Minister in accordance with sections 3.1.18B and 3.1.18C of the Act. The statement of corporate intent is a public document.
21. The statement of corporate intent is a brief, high level, plain English document that is to be no more than five pages expressed in terms of programs and outcomes. The content of the statement of corporate intent is set out in section 3.1.18C of the Act.
22. The statement of corporate intent can be presented as a separate document or integrated with the strategic plan or Business Plan.
23. The key dates for the submission of the statement of corporate intent are as follows –

Requirement	Due date
Preliminary discussions between the TAFE institute and Department regarding the statement of corporate intent	September
Minister's statement of expectations, if required	Last business day in September
Statement of corporate intent submitted	Last business day in October

Guideline 4 – Business Plan

24. The Board must prepare, on an annual basis, a Business Plan. The Business Plan is a detailed action plan and must include –
- (a) the actions and strategies to achieve the TAFE institute’s objectives; and
 - (b) quarterly phasings (for the quarter and year to date) for the financial statements, and financial and non-financial performance measures.
25. The Board must provide the quarterly phasings (for the quarter and year to date) for the financial statements and the number of annualised Full Time Equivalents (teaching and non-teaching), from the Business Plan, to the Deputy Secretary. The financial statements must include a detailed trial balance split by months. The quarterly phasings are submitted on a commercial in confidence basis.
26. The key dates for the submission of the quarterly phasings are as follows –

Requirement	Due date
Quarterly phasings (for each quarter and year to date) and annualised Full Time Equivalents from the Business Plan	Last business day in January

Guideline 5 – Monitoring and reporting by the TAFE Institute and Board

27. TAFE institutes must report as required by –
- (a) the Act;
 - (b) other applicable legislation;
 - (c) Ministerial and Government directions and guidelines under the Act and other legislation, laws and conventions; and
 - (d) the VET funding contract.
28. The Board must regularly monitor its performance against the financial and non-financial performance measures that are included in its strategic plan, statement of corporate intent and the Business Plan.

Continuous disclosure requirements

29. The Board must advise the Deputy Secretary as soon as it becomes aware of –
- (a) significant variations to strategies compared to the strategic plan, statement of corporate intent or Business Plan;
 - (b) significant variations to the timing of capital investments compared to the strategic plan, statement of corporate intent or Business Plan;
 - (c) a material variation (+/- 10% or more) in forecast full year profit or cash flow from operating activities compared to the Business Plan;
 - (d) significant variation in financial or non-financial performance measures compared to the Business Plan; and
 - (e) any financial or non-financial (including reputational) developments which may materially impact the TAFE institute or the Government.

Quarterly reporting requirements

30. Quarterly reports provide a summary of the TAFE institute's performance against the targets established in the Business Plan.
31. The Board must provide a report to the Department on a quarterly basis containing the following information –
- (a) financial statements for the quarter and year to date (actual against plan) and the annualised Full Time Equivalents. The level of detail

provided should be consistent with that provided in the quarterly phasings, and include cash flow forecasts where requested;

- (b) an exceptions based report on the TAFE institute's performance for the quarter and year to date for all material variations. The report should include the reason for the variance and any corrective actions being implemented to address the underperformance or non-achievement of financial targets and performance measures; and
- (c) any expected material changes to full year financial results.

32. The key dates for the submission of the quarterly reports are as follows –

Requirement	Due date
March quarterly report	15 th working day after 31 March
June quarterly report	15 th working day after 30 June
September quarterly report	15 th working day after 30 September
December quarterly report	20 th working day after 31 December (unaudited)

Guideline 6 – Annual Report

33. The Board must prepare an Annual Report in accordance with the **Financial Management Act 1994** and Part 4 of the Standing Directions of the Minister for Finance under the **Financial Management Act 1994**.
34. The key dates for the submission of the Annual Report are as follows –

Requirement	Due date
Draft Annual Report submitted	Last business day in February
Final Annual Report submitted	Last business day in March

Guideline 7 – Monitoring by the Minister and Department

35. The Department will maintain an ongoing oversight role so that it may advise the Minister in relation to whether a TAFE institute is being governed appropriately to ensure its short term and long term financial and non-financial objectives are being met.
36. In determining whether a TAFE institute is being governed appropriately to ensure that its short term and long term financial and non-financial objectives are being met, the Minister may consider any relevant documents or information, including a TAFE institute's –
 - (a) strategic plan;
 - (b) compliance attestations as provided in the annual return in accordance with Guideline 8;
 - (c) performance against financial and non-financial measures; and
 - (d) Board's effectiveness in achieving the institute's objectives or exercising its powers or functions.
37. The Department may implement a more interventionist approach, consistent with the Compact, where the Minister is not satisfied that the TAFE institute is being governed appropriately to ensure its short term and long term financial and non-financial objectives are being met.
38. Before taking a more interventionist approach –
 - (a) the Minister will write to the Board outlining his or her concerns in relation to whether the TAFE institute is being governed appropriately to ensure its short term and long term financial and non-financial objectives are being met;
 - (b) the Board will have the opportunity to respond to the concerns raised by the Minister and may provide evidence to demonstrate that the TAFE institute is being governed to ensure its short term and long term financial and non-financial objectives will be met; and
 - (c) where the Board provides a response and any evidence within the timeframe set out in the Minister's letter, that evidence will be considered.
39. Where required, the types of interventions that could be introduced include –
 - (a) monthly reporting to the Deputy Secretary;

- (b) more frequent strategic dialogues with the Minister or his or her delegate; or
 - (c) monthly financial meetings between the Department's Chief Financial Officer and the TAFE institute's Chief Financial Officer.
40. Interventions applied by the Department will be appropriate to the matters considered by the Minister in determining whether or not the Minister is satisfied that a TAFE institute is being governed appropriately to ensure its short term and long term financial and non-financial objectives are met, and any measures undertaken by the TAFE institute as a result of the Minister determining that he or she is not so satisfied.

Guideline 8 – Annual return

41. The Board must prepare an annual return to the Deputy Secretary which includes the following information –
- (a) a list of all the directors of the Board holding office as at the previous 31 December, including in relation to each director –
 - i. their full name; and
 - ii. the dates of commencement and expiry of their terms; and
 - iii. their periods of previous service, if any; and
 - iv. their category of membership; and
 - v. an attestation that to the best of his or her knowledge, the institute has complied with its legal, ethical, and policy obligations and in instances where the institute has committed a breach, to provide the number of types of breaches, the number of breaches for each type of breach, a description of each type of breach and the actions taken to rectify each type of breach; and
 - (b) a list of committees of the Board as at the previous 31 December, including for each committee –
 - i. the committee's name and functions; and
 - ii. details of any delegations by the Board to the committee; and
 - (c) a list of all the members of each committee holding office as at the previous 31 December, including in relation to each committee member –
 - i. their full name; and
 - ii. the dates of commencement and expiry of their terms; and
 - iii. their periods of previous service, if any; and
 - iv. whether they are a Board director; and
 - (d) a copy of any governance protocol adopted by the Board.

42. The key dates for the submission of the annual return are as follows –

Requirement	Due date
Annual return submitted	Last business day in February

Guideline 9 – Compliance plan

43. The Board must prepare and keep up to date a compliance plan, and set out adequate measures that the Board is to apply to ensure compliance with –
- (a) the Act; and
 - (b) Ministerial and Government directions and guidelines under the Act and other legislation, laws and conventions; and
 - (c) any other matters which the Minister directs must be included in the compliance plan.

Guideline 10 – Asset management plan

44. The Board must prepare and keep up to date an asset management plan, and set out adequate measures that the Board is to apply to ensure compliance with –
- (a) the Act; and
 - (b) Ministerial and Government directions and guidelines under the Act and other legislation, laws and conventions; and
 - (c) any other matters which the Minister directs must be included in the asset management plan.
45. A copy of the asset management plan must be provided to the Deputy Secretary on request.
46. The board secretary must –
- (a) ensure that the original asset management plan is up to date, incorporating any amendments made by the Board; and
 - (b) ensure that the asset management plan, and any amendments to or remaking of the asset management plan, is provided to the Deputy Secretary in accordance with paragraph 45.

As signed by me on this 17th day of April 2013:



The Hon. Peter Hall, MLC
Minister for Higher Education and Skills