



Performance Audit Report

Joint Operations in the Education Sector

*A Review of Establishment,
Management and Effectiveness Issues*



BOX 12 GPO
SYDNEY NSW 2001

Mr R D Grove
The Clerk of the Legislative Assembly
Parliament House
SYDNEY NSW 2000

Dear Mr Grove

In compliance with Section 38E(2) of the *Public Finance and Audit Act 1983*, I present to you a performance audit report titled **Joint Operations in the Education Sector: A Review of Establishment, Management and Effectiveness Issues**.

The report is issued pursuant to Section 38C of the *Public Finance and Audit Act 1983* and is to be dealt with in accordance with section 63C of that Act.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A C Harris'.

A C HARRIS

Sydney
13 September 1995

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Management and Effectiveness Issues***

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Glossary of Terms

Accreditation	Refers to the official recognition by the appropriate educational authorities that the contents and standards of a course are appropriate to the credential that is received.
Adult Learning Environment	The individual assumes responsibility for acceptable conduct and standards. Rules of enforcement which commonly exist in schools do not apply.
Advanced Standing	Refers to the amount of exemption granted to a student or trainee from an accredited course or training program on the basis of previous study, experience or competencies held.
Articulation	Any arrangement which provides for access to and/or status in the courses of one party which is granted on the basis of study in all or part of an accredited course of another party.
Body Corporate	Legal status granted to a joint operation that allows it to operate as a separate and distinct educational provider not constrained by the policies of individual partners. Requires an Act of Parliament to be enacted.
Co-location	Two or more educational facilities established on a common site, with each retaining control over its own operation, but liaising on issues of joint interest.
Credit Transfer	Formal agreements between educational institutions which give students advanced standing in courses (refer advanced standing above).
Cross-Sectoral Teaching	Teachers from one sector of education providing tuition to students of another sector.
Curriculum	Refers to a plan incorporating a structured series of intended learning outcomes and associated learning experiences.
Educational Precinct	A defined geographical area dedicated to education, learning and advancement.
Educational Staff	Denotes staff engaged in teaching and/or in other educational duties such as research, planning, and curriculum development.
Enterprise Agreement	An agreement entered into by employees with the employer to regulate the terms and conditions of employment.

Glossary of Terms (continued)

Facility (Educational)	Any building or area designated for educational activities and/or their associated resourcing and practical areas.
General Education	Education which occurs in schools leading to the Higher School Certificate.
Infrastructure	The basic requirements for a developed area including power, roads, carparks, sewerage, water, etc excluding educational facilities.
Integration	<ul style="list-style-type: none">• The extent to which a joint educational development has its own identity, separate and distinct from that of the parties to the development;• The extent to which a function or facility is jointly owned and managed by two (or more) partners to a joint operation.
Joint Operations	Developments between education sectors to provide an educational facility such as a campus, or library.
Joint Use	Use of a facility and/or infrastructure by both students, teaching and staff of both parties, not necessarily on a 50:50 basis.
Memorandum of Understanding	A document that details the spirit and intent of partners to an agreement.
Post-compulsory Education	Schooling is compulsory up to Year 10. After Year 10 schooling is no longer compulsory. Any education which occurs after Year 10 is therefore termed post-compulsory.
Preliminary	Year 11 of high school.
Senior College	A school which caters for Years 11 and 12.
Vocational Education and Training (VET)	Refers to post-compulsory education or training which is directed to the development of competencies and skills related to the workplace. That is the needs of an industry, trade or occupation.

Acronyms

ANTA	Australian National Training Authority
CEO	Catholic Education Office
CHEC	Coffs Harbour Education Campus
DEET	Department of Employment, Education and Training
DTEC	Department of Training and Education Co-ordination
DSE	Department of School Education
EFTS	Equivalent Full Time Student
HOA	Heads of Agreement
HSC	Higher School Certificate
MOU	Memorandum of Understanding
NEP	Nirimba Education Precinct
NSGH	North Sydney Girls High
SCU	Southern Cross University
TAFE	NSW Technical and Further Education Commission
TER	Tertiary Entrance Rank
UWS	University of Western Sydney

Executive Summary

Executive Summary

The Audit Office reviewed the establishment, management and to the extent possible, the effectiveness of three *joint operations* within the education sector.

The term *joint operations* is used to describe the establishment of campus facilities which:

- involve two or more educational institutions;
- have been planned with some level of physical integration; and
- involve the sharing of resources, including infrastructure.

The joint operations reviewed are, with one exception, newly established institutions which accepted students from the beginning of 1995. The overall success of joint operations in achieving efficiency gains and improved educational outcomes is therefore difficult to ascertain at this early stage.

Benchmarks have not yet been established by the partner institutions against which progress can be measured. It is considered that such benchmarks should be established at the start of a project and the success of implementation be measured and published annually.

Joint operations offer potential savings from sharing the cost of infrastructure and establishing joint management arrangements. It is likely that savings in recurrent costs will result from economies of scale, provided partner institutions adequately identify and take advantage of those opportunities.

Most importantly, there is need to provide guidelines at the operational level for the establishment and management of joint operations. Such guidelines should cover areas to consider when setting up a joint operation.

To assist in the preparation of such a guideline, a basic Guide to Best Practice in Joint Operations has been developed. The Guide is included at the end of this report. The Guide is designed to assist partners to develop their own best practice guide and is not intended to be a comprehensive instruction manual.

Audit considers there is a need for partner institutions to examine the extent to which integration actually occurs in the use of infrastructure, cross-sectoral teaching and the management of functions common to each joint operation.

There is also an urgent need for adequate reporting of the financial and operational performance of all joint operations. At present there is no formal reporting on any joint operation as a single entity to either partner institutions, the relevant minister or Parliament. In these circumstances Parliament cannot be assured whether joint operations have been managed efficiently, economically and effectively. Similarly, Government cannot be assured whether its objectives are being achieved. It is more difficult also to hold managers of joint operations accountable for resources entrusted to them in the absence of adequate financial and operational performance criteria.

Audit has made a number of recommendations for improvements to the management and accountability of joint operations. These are contained at the end of section *1 Overview*.

The findings and recommendations outlined in this report could form the basis for further reviews of other joint operations by either partner institutions, their internal audit function or by external reviewers.

1. Overview

1. Overview

1.1 The Audit

To date a number of joint operations have been established, mainly between DSE and TAFE. Details of these are provided within Section 2, Background. For the purposes of this audit the following joint operations have been reviewed.

Title	Partner Institution
Bradfield College	<ul style="list-style-type: none">• Department of School Education (DSE)• NSW TAFE Commission (TAFE)
Coffs Harbour Education Campus (CHEC)	<ul style="list-style-type: none">• DSE• TAFE• Southern Cross University (SCU)
Nirimba Education Precinct (Nirimba)	<ul style="list-style-type: none">• DSE• TAFE• University of Western Sydney (UWS)• Catholic Education Office (CEO) Parramatta Diocese

The operations reviewed are different in how they are established and operated. As such it has been useful to compare those differences.

1.2 Joint Operations Compared

Bradfield College

Bradfield College, a senior vocational college, is managed by a College Director who reports to the Director of the North Sydney Institute of TAFE. A Board (of Management) was originally planned to oversight operations of the College but this was replaced by an Advisory Council. The College is an integrated model with a single identity, corporate goals, structure, and facilities. Funding is shared between DSE and TAFE.

Coffs Harbour Education Campus

CHEC is also an integrated model but less so than Bradfield College. The CHEC campus, while constructed on a single parcel of land (registered under the title of the then Minister for Education and Youth Affairs), accommodates shared facilities for DSE, TAFE and SCU. Partners report separately to their parent organisations in terms of their educational role and responsibilities, but report to a Governing Board of CHEC in operational matters affecting the CHEC campus.

Each partner retains control of its facilities, curriculum, staff and funds and liaises on issues of joint interest. CHEC has taken the opportunity to amalgamate functions where considered appropriate eg. a single library, certain administrative functions.

*Nirimba
Education
Precinct*

Nirimba Education Precinct is less integrated than both Bradfield College and CHEC. Although sharing a common site, each partner has retained separate legal ownership to that part of the overall land on which its facilities are (will be) constructed (but also enabling the use of jointly owned facilities by some or all of the partners). There is no Board governing the precinct; cooperation is determined on a needs basis.

1.3 Principal Findings

*Framework for
Joint Operations*

The impetus for joint operations came from high level Government policies. It was noted that none of the parties had developed a framework within which those policies should be implemented. This has resulted in joint operations having developed on a one by one basis. For example:

- priorities for the development of joint operations have not been established;
- the extent of integration has not been described in any detail;
- administrative difficulties prior to integration have not been resolved to the extent it was practical to do so.

It should be noted however that each joint operation commenced at a different point in time with each joint operation having unique characteristics. In the case of Bradfield College for example, which was the first model of a joint operation in the education sector in New South Wales, the parties developed a framework for implementing government policy in the context of the particular requirements of the College.

*Identification of
Joint Operations*

Some difficulties were experienced by Audit in identifying the extent to which agencies had entered into joint operations.

At the commencement of the audit neither TAFE nor DSE (the more prolific 'joint operators') maintained a record of joint operations of which TAFE or DSE were partners. It is considered that a record should be maintained.

*Feasibility
Study*

In terms of choosing separate locations for each of the three joint operations, only NEP undertook an adequate feasibility study prior to committing itself to the site.

In the case of Bradfield College, the feasibility of North Sydney Girls High (NSGH) being the location of the College was undertaken almost a year after the Government announced its decision to house the College at NSGH. There was no evaluation to determine the need for an education facility of this type within the North Sydney area, which was well served by TAFE and school resources prior to the establishment of the College. It appears the location of Bradfield College was driven by community desire to prevent a school closure within the area.

The site had been valued between five and six million dollars (based on 1992 prices). It is noted that DSE which owns the site has not charged rent for use of the facility. The rental valuation is estimated at \$680,000 per annum (as at 6 January 1994).

In the case of CHEC the site was predetermined by a gift of land to SCU. The site selection was therefore not reviewed by the Steering Committee (established by the former Minister for Education and Youth Affairs) to evaluate the proposed joint operation.

CHEC is located near to Coffs Harbour airport. The impact of the airport was not included within the Terms of Reference of the Steering Committee. It is noted however, that an Environmental Noise Impact Study was undertaken after acquisition of the site. While the study identified no serious obstacle to the establishment of CHEC it did indicate that a certain portion of the site is subject to unacceptable levels of noise (78 decibels). Construction of buildings has occurred, however, on less noise affected areas of land. The likelihood of any future upgrading/expansion of Coffs Harbour airport (to cater for increased population/tourism) and the impact on CHEC has not been determined.

*Memorandum of
Understanding*

All joint operations examined by audit have established a Memorandum of Understanding (or its equivalent). In the case of Bradfield College however, the original agreement was not signed. A requirement of the original agreement to complete various schedules was not complied with. Arrangements as evidenced are considered not to be a satisfactory formal record of the commitment of partner institutions to the joint operation of Bradfield College. The agreement as amended including schedules, was signed on 26 June 1995 (the College opened in February 1993).

The Memorandum of Understanding (document) for NEP provided for a series of sub agreements to govern operational arrangements between partner institutions. This is seen as a positive step and worthy of consideration (for implementation) by other similarly structured joint operations.

Governance

CHEC is governed by a Governing Board, Bradfield College receives advice and assistance from an Advisory Council, NEP is governed by a Board for matters affecting the precinct as a whole. Each partner institution reports to its parent organisation in terms of its educational responsibilities.

In the case of Bradfield College the original agreement required that a Board be established. During the period in which the Agreement was developed an Interim Board was established comprising DSE and TAFE management. The Interim Board was responsible for addressing a number of operational and management issues following the establishment of the College.

The original agreement has been referred to by a representative of TAFE as a draft document and a guide which contained principles under which the partners operated.

In 1994 an Advisory Council was established known as the College Council. The Advisory Council is not accountable to the relevant partner institutions, the Minister or Parliament for management of the College. The advice of the Council to the College can be overridden by TAFE (North Sydney Institute) without the need for contribution and/or agreement of DSE.

The Director of the College reports to the Director of Northern Sydney Institute of TAFE who is responsible to the Managing Director of TAFE. Although DSE is a partner of the joint operation these reporting arrangements appear not to present a problem for DSE. The rationale for this approach is that DSE and TAFE agreed that the nature of the curriculum would determine the structure of the management operations of Bradfield College.

The original Bradfield College Agreement provided for the appointment to the proposed Board of a representative of employer/community groups and a representative staff member of the College. No representative appointees (of these two groups) were in fact made to the Board. In response to the audit report a representative of TAFE has expressed the view that it would not be appropriate for community, industry, staff or student representatives to be held accountable for the financial management of the College.

In its early days of establishment a number of students at Bradfield College required a level of social welfare support which was outside the scope of an educational institution (for example accommodation was provided for students in a home unit at Wahroonga leased by the College). This type of assistance has now ceased although the College does have a budget for student emergencies.

*Enterprise
Agreement*

Enterprise Agreements offer the advantage of a single contract of employment covering terms and conditions for employees of a similar classification. They also allow employment conditions to better meet the needs of the clients of an enterprise without prejudicing important employee conditions.

It is claimed an Enterprise Agreement supports the concept of integration. An Enterprise Agreement would, for example, avoid the situation at CHEC where three librarians under different terms and conditions are employed in a single library to service students of CHEC. However, experience indicates there are difficulties in establishing an Enterprise Agreement.

For example a delay was incurred in achieving registration of the Bradfield College Enterprise Agreement. Indeed, the delay in registration of the agreement caused unrest and threats of industrial action. It appears the terms and conditions of the agreement were not attractive to TAFE staff with the result that no full time TAFE teachers are employed at Bradfield College (but the College has employed a number of part-time teachers).

An Enterprise Agreement has not been adopted by other joint operations or other teaching institutions.

A representative of TAFE, in response to the draft audit report, has indicated that:

- the process of developing an enterprise agreement, especially in a new environment, had many positive features;
- the negotiations for an enterprise agreement opened up new ways of working in an innovative educational environment. As a result of the agreement, which was registered in the second half of 1994, a new and strong culture of innovation has been formed. This culture is best exemplified by the Gold Quality Award the Bradfield team won for student motivation and for the development of workplace resources for information technology.

Ownership of Assets

Land and buildings comprising Bradfield College are owned by DSE. Cyclic maintenance is shared equally between TAFE and DSE. Furniture and equipment purchased on behalf of Bradfield College is financed from funds contributed by DSE and TAFE. The Bradfield College Agreement signed on 26 June 1995 provides that furniture and equipment are deemed to be owned by the College. Furniture and equipment is controlled and accounted for using a TAFE management system called ASSETRACK.

Audit enquiries indicate that furniture and equipment purchased on behalf of the College are recorded within the financial statements of TAFE notwithstanding that DSE has contributed funds for the purchase. The consequence of this accounting treatment is that the assets reflected within the financial statements of TAFE are overstated (and those of DSE understated) to the extent of the contributions by DSE. The effect in dollar terms is likely to be immaterial at this point in time. This issue needs to be addressed and a recommendation to this effect is made later in this section of the report.

Ownership of assets at NEP is determined by separate physical locations of partner institutions.

At CHEC buildings have been recorded in the Assets Register of each partner based on the partner's capital contribution towards the total building cost. Individual building entries in the Assets Registers are shown as those based on the individual partner's proportional contribution to the buildings. Purchases of furniture and equipment to set up the facility have been initially recorded in the Assets Register of the individual partners, again based on the partners' capital contribution to furniture and equipment. It is intended to establish an Assets Register at the Coffs Harbour Education Campus facility to record all the joint 'corporate' furniture and equipment assets. Each partner will in turn be required to adjust the individual Assets Register to reflect the partner's proportion of furniture and equipment.

Distribution of Capital and Recurrent Costs

While capital costs of construction were distributed between partners based on each partner's accommodation and teaching/lecturing requirements, and while recurrent funding is broadly based on EFTS numbers, recurrent expenditure appears to be inconsistently apportioned between partner institutions. This is discussed in the following paragraphs.

DSE has made available for use land and buildings comprising Bradfield College to the value of \$5m-\$6m. Refurbishment of the College (formerly North Sydney Girls High, NSGH) totalled \$3m and was shared between TAFE and DSE. The agreed funding arrangements between DSE and TAFE for operating costs are:

- DSE receives funds from Treasury on a per student basis;
- these funds are applied towards the total operating costs;
- the remainder of costs are shared by TAFE and DSE on a 50/50 basis.

TAFE pays all operating costs initially and is reimbursed by DSE as per the arrangements described above.

On the basis of funding outlined above, the terms of the arrangement mean that the bulk of recurrent costs are borne by DSE. For the 1992/93 and 1993/94 financial years total contributions were in the order of 74% (DSE) and 26% (TAFE). It is noteworthy considering the distribution of recurrent expenditure and as observed under the heading *Governance*, Bradfield College is managed by TAFE while DSE could be regarded as a silent partner.

DSE and TAFE, however, are of the opinion that funding provided by Treasury to DSE is funding of Bradfield College by Treasury and not DSE.

Discussions between audit and a Treasury representative indicate that the Treasury view is that funding provided to DSE for Bradfield College is regarded as routine recurrent funding to DSE in support of its educational role.

If the view of DSE and TAFE is correct, the distribution of recurrent costs of Bradfield College are as follows: Treasury 46%; TAFE and DSE 27% each.

Capital costs of CHEC of \$28.8m were distributed on the following basis: SCU 40.1%, TAFE 35.1%, and DSE 24.8%. In contrast, certain corporate costs of CHEC are generally shared equally between partners (while each partner pays for its own teaching staff and on a user pays basis, bears certain other costs).

As a co-location model, capital and recurrent costs of NEP will be borne by each partner except where the partners have agreed to share costs common to the site, for example, grounds maintenance.

The relative capital and recurrent contributions of each partner institution to each joint operation is a matter for the parties concerned. While the outcome of the decision to apportion capital and recurrent costs between partner institutions is documented, the rationale for the apportionment of capital and recurrent costs of Bradfield College and CHEC was not documented. The equity of sharing of recurrent costs between partners at Bradfield College and CHEC is worthy of periodic review.

Integration

The integration between education providers within the education sector has not been defined in any detail. It is considered nonetheless that the opportunity for integration occurs at three levels: namely educational programs; infrastructure and administration.

Audit considers that, to the extent that different agencies provide different educational programs within the same campus, there is a need for a well defined basis upon which each joint operation will be established and operated. One way to achieve a common basis is by providing guidelines for partner institutions considering the establishment of a joint operation. This was not the case in the examples considered in this audit.

It is noted that each joint operation reviewed has chosen a different model of integration. CHEC has preferred to follow a (partially) integrated model and NEP has opted for a co-location model. While Bradfield College is an integrated model comprising DSE and TAFE, to a large extent it has become another campus of TAFE.

There are promises of integration in *educational* terms such as cross-sectoral teaching (cross-sectoral teaching has not been introduced but does occur to some extent between Bradfield College and TAFE). There are examples of cooperation in education such as credit transfer and articulation arrangements.

In terms of *infrastructure* integration, Bradfield College, CHEC and Nirimba are examples of joint use of land and general infrastructure, including teaching spaces.

Integration of *administration* has occurred to a limited extent in the case of CHEC while Bradfield College has a single TAFE administration. Due to the independence of each partner, NEP does not have a central administration.

Based on the experience of CHEC, full integration will only occur after the expenditure of considerable effort in overcoming obstacles such as different cultures, education practices and industrial relations.

Examples of those obstacles observed at CHEC include the following:

- CHEC employs three librarians within the one library under different terms and conditions of employment;
- infrastructure planning for CHEC provided for open plan office accommodation for all employees of CHEC (equivalent to TAFE head teacher or above). After construction had commenced, SCU was insistent that certain employees of SCU be provided with individual office accommodation. The consequence of this change of plans was that floor space allocated for teaching spaces was re-allocated and refurbished as individual office accommodation (equivalent to TAFE head teacher or above) of CHEC, that is DSE, TAFE and SCU. The additional cost of alterations was \$207,700;
- DSE has a specific duty of care to its students to provide supervision during free time, for example, lunch time. DSE students will be indistinguishable from TAFE and SCU students in common congregational areas. The practicality of supervision under these circumstances is an issue;
- the CHEC site contains an alcohol zone for students of SCU (and presumably students of TAFE) and an alcohol free zone for students of DSE. The risk of under age DSE students consuming alcohol does arise and needs to be managed.

The concept of true integration would be enhanced by establishing certain joint operations as a separate single identity in a legal sense. This approach nonetheless, does present some practical difficulties. For example, NEP includes an education provider from the private sector (CEO) which would be interested in retaining its legal independence. While partner institutions have considered establishing a corporate status for joint operations, this approach appears to have lost its attractiveness. It is noted however that CHEC is pursuing corporate status for corporate functions.

A single identity framework would assist the accountability process in that certain joint operations would be required to report separately financial and operational performance.

*Financial
Accountability*

Joint operations established so far have absorbed many millions of dollars of public funds. In the case of CHEC capital costs are in the order of \$30m for Stage 1. Yet such costs have not been arranged to enable the assessment of financial and operational performance of any single joint operation. There is no formal reporting of any joint operation as a single entity.

Expenditure on joint operations by way of capital and recurrent contributions is accounted for within the financial statements of partner institutions. To this extent expenditure has been incurred for the intended purpose and duly accounted for.

The level of disclosure however, for accountability purposes is inadequate within the Notes to and Forming Part of the Financial Statements of each partner. For example the capital and recurrent costs of CHEC to DSE are not separately identified. TAFE discloses only major capital works costs.

Furthermore, the costs of joint operations are not aggregated by management of each joint operation to determine the total costs of each joint operation. Nor are assets aggregated. The result is that accountability has not been well served in that the managers of joint operations are not in a position to compare total costs of a particular joint operation with outputs and outcomes in terms of efficiency and effectiveness. Nor are they able to be held accountable on this basis because of the absence of relevant criteria. This is discussed further under the next heading *Performance Accountability*.

While CHEC provides year end accounting information on prepayments, accrued expenditure and capital commitments, these figures are not subjected to audit at CHEC. If CHEC were to incur a significant liability there is a degree of risk the liability may not be raised within, say, the financial records of TAFE.

*Performance
Accountability*

While it may be argued that there are savings in the construction of joint infrastructure and the joint use of facilities, improvements in educational outcomes are not so obvious and not so easily quantified.

Audit was not in the position to measure the success or otherwise of joint operations in terms of efficiency improvements and educational outcomes. One reason was the lack of performance indicators. An observation was the absence of planning by partner institutions for the measurement (and reporting) of the effectiveness of implementation of a new government policy.

It was noted that, in the case of Bradfield College, operating since February 1993, no adequate performance measurements have been developed.

The ability to report performance will require the development of adequate management information systems in contrast to systems currently employed for traditional accounting purposes. This report recommends that all joint operations develop and publish performance indicators relative to their core objectives including the objectives of government policy. Examples of performance indicators that might be developed for joint operations are included within section 1.4 *Recommendations*.

Reporting

Joint operations established so far:

- do not have body corporate status;
- are not included within schedules of the Public Finance and Audit Act 1983;
- do not meet the definition of a reporting entity as defined by Australian Accounting Standard AAS 1;
- do not constitute a joint venture in terms of Australian Accounting Standard 19 *Accounting for Interests in Joint Ventures*.

It is noted that joint operations do not prepare separate financial statements and have not provided for the preparation of financial statements. As discussed earlier and for reasons of accountability, there is a need for reporting to partner institutions, the relevant Minister, and to the people of New South Wales of the cost of joint operations, assets and liabilities and achievement, or otherwise, of outcomes including government policy.

For reasons discussed under *Financial Accountability* and *Performance Accountability* the level of reporting is considered inadequate at present.

Audit Arrangements

The operations of Bradfield College have been reviewed by internal audit of TAFE. DSE participated in the initial audit of the College. CHEC has not had the benefit of either an internal or external audit. NEP, a new institution, has yet to arrange for an internal audit.

In 1995, DSE plans to conduct a review of all joint operations in which it is involved.

1.4 Recommendations

Establishment	It is recommended that: <ul style="list-style-type: none">• the Steering Committee for any new joint operation, if and when established by the Minister, include in its Terms of Reference an assessment of the appropriateness of potential sites;• the Memorandum of Understanding (or its equivalent) be supported by more detailed agreements covering specific operational issues for example, as per Nirimba Education Precinct.
Management	It is recommended that:
<i>Memorandum of Understanding</i>	<ul style="list-style-type: none">• the Memorandum of Understanding (or equivalent) be duly executed by partner institutions by the time the Steering Committee has completed its role;• the Memorandum of Understanding include a clause to allow amendments to the terms and conditions contained within.
<i>Lines of Reporting</i>	<ul style="list-style-type: none">• lines of reporting through a Board (or equivalent) be clearly established and comprise the partner institutions and reporting on a periodic basis to each partner institution.
<i>Executive Director</i>	<ul style="list-style-type: none">• where it is considered appropriate to appoint an Executive Director for any future joint operations, the appointment occur at a reasonable interval prior to the opening of the campus so as to enable the Executive Director adequate time to address management issues. The appointee should possess educational and administrative experience and preferably be independent of individual partner institutions.
<i>Internal Audit</i>	<ul style="list-style-type: none">• each joint operation arrange for an internal audit (on a regular basis) of its operations. Internal audit to cover compliance with the Memorandum of Understanding (or its equivalent).
<i>Management Information Systems</i>	<ul style="list-style-type: none">• each joint operation develop appropriate management information systems to record performance indicators relative to core objectives and government policy;• performance indicators be publicly available.

Suggestions for performance indicators include:

- | | |
|-------------------------------------|---|
| <i>Infrastructure Costs</i> | <ul style="list-style-type: none">• the cost per student based on recurrent costs of each joint operation be compared to the cost per student of separate educational institutions. |
| <i>Overhead Costs</i> | <ul style="list-style-type: none">• the extent to which partners of joint operations have identified/reduced common costs, for example cleaning, ground and building maintenance, library service provision, student services, catering information technology, administrative staffing;• the extent to which overhead costs compare (on an appropriate basis) with other institutions. |
| <i>Utilisation of Facilities</i> | <ul style="list-style-type: none">• the utilisation of learning spaces be compared to capacity;• the extent to which infrastructure is used and shared separately and jointly by students of partner institutions. |
| <i>Accessing of Pathways</i> | <ul style="list-style-type: none">• the number of students accessing alternative pathways within the joint operation. <i>See 2.3 State Education Policies.</i> |
| <i>CHEC (specific)</i> | <ul style="list-style-type: none">• an increase in the percentage of people in the region completing secondary, tertiary and higher level education by:<ul style="list-style-type: none">• the attainment of a HSC (perhaps the TER);• the granting of a TAFE certificate;• the earning of a University certificate, diploma or degree;• or, any combination of the above. |
| <i>Bradfield College (specific)</i> | <ul style="list-style-type: none">• the College establish performance indicators in regard to the success of its work placement program and student directions after leaving the College. |

General

It is recommended that:

Central Record

- the responsible area of each government agency entering into joint operations to maintain a record of all joint operations entered into. The record to contain as a minimum: the name and location of each joint operation; the partners involved with the government agency; the name of the contact officer for the joint operation of each agency; the total cost of the joint operation; the cost of the capital asset to the reporting partner; other expenditure on assets; and year to date operating expenditure.

Guide to Best Practice

- in planning and developing any joint operations in the future, consideration be given by partner institutions to those matters identified within the *Guide to Best Practice* at the end of this report.

Accounting for Assets

It is recommended that:

- the accounting treatment for assets (other than land and buildings) within the financial statements of DSE and TAFE be reviewed in light of the comments under *Ownership of Assets* (discussed earlier in this section of the report).

Recurrent Costs

It is recommended that:

- the basis of apportionment of joint recurrent costs be documented. Documentation to include the written agreement of partner institutions to the apportionment.

Separate Legal Identity

It is recommended that:

- in keeping with the government's policy objective of enhanced integration in the education sector, the Department of Training and Education Co-ordination examine in consultation with partners, the desirability and/or need to establish a separate legal identity for joint operations.

Reporting

It is recommended that:

Given the significance of the establishment and growth of joint operations within the New South Wales education sector, and for reasons of accountability a task force be formed to:

- examine ways to improve the quality of reporting either by way of a separate Annual Report for each joint operation or enhanced disclosure within the existing and separate reports of individual partner institutions (reporting to cover both financial and operational matters including appropriate performance indicators relative to key objectives).

Although joint operations are not required to prepare general purpose financial reports, the preparation of special purpose financial reports would address the issue of financial accountability. These reports could be issued to partner institutions and the relevant minister. Managers of joint operations would be encouraged also to include operational performance reporting within special purpose financial reports.

1.5 Acknowledgment

The audit involved several organisations, requiring the cooperation of many people. The Audit Office acknowledges the valuable and timely assistance provided by all personnel involved, as well as that provided by each liaison person in their role as a central point of contact. The following organisations participated in the audit:

- NSW TAFE Commission;
- Department of School Education;
- Department of Training and Education Co-ordination;
- Southern Cross University;
- University of Western Sydney;
- Catholic Education Office (Parramatta Diocese).

1.6 Cost of Audit

The cost of the audit, including printing, was approximately \$180,420.

1.7 Responses

The agencies involved in the audit have been invited to comment on the report. Their responses follow.

Managing Director, NSW TAFE Commission

Thank you for the opportunity to respond to the report of the Performance Audit on a number of joint operations in the education sector.

It was pleasing to note an acknowledgment of the achievements that have been made in the various joint operations. Many of the issues raised relate to the early phase of the operations and have been addressed. The report acknowledges that it is possible that changes will occur in the initial agreements between partners. It is particularly important to allow flexibility in the management arrangements during the early phase of a joint operation as it is not always possible to predict the issues that need be addressed when different organisations combine to form a joint operation.

I support the comment that there needs to be a full assessment of potential sites for joint operations before final decisions are made about location. This requirement should form part of the Guide to Best Practice. This same approach applies equally to the full assessment of funding arrangements, industrial matters and similar issues.

I also agree that internal auditing arrangements need to be clarified in the Memorandum of Understanding, however I contend that to date the application of TAFE Commission funds to joint operations has been audited through the internal audits of the relevant Institutes.

Where a recommendation relates to a decision within the limits of the organisation the recommendation is accepted. In situations where there are several partners and agreement between parties is required, we agree in principle to the recommendations.

The recommendation relating to the examination of the desirability and or need to establish a separate legal identity for joint operations is supported. However this probably needs to occur before there is any consideration given to changing existing arrangements within the joint operations examined.

The formation of a taskforce to examine the issue of reporting is supported as many of the issues raised need broad discussion and the implications need to be carefully considered.

I would like to thank the audit team for their work in undertaking this important review.

Director-General, Department of Training and Education Co-ordination

I have noted the contents of your recent Performance Audit Report on Joint Operations in the Education Sector.

In my capacity as Managing Director of the NSW TAFE Commission, I have already commented on the report, but as requested, it is appropriate to respond on behalf of other areas of the Department.

Joint Operations in the Education Sector is a valuable review of a significant recent development in the provision of education and training services. Commonwealth and State Governments are likely to encourage the establishment of further centres offering schooling, TAFE and higher education at one location and the section 'A Guide to Best Practice' should prove useful.

If it is appropriate, this Department would continue to co-ordinate the establishment of joint education facilities and I welcome your favourable observations contained in the report.

Director-General, School Education

The Director-General acknowledged much of the comment and analysis in the report as constructive and well based. He noted, however, that in some cases the analysis tended to overlook the role of these institutions in providing innovative ways of meeting the changing and emerging educational needs of students in post compulsory education and training.

The Director-General also commented that the Department and current and prospective partner organisations would benefit from the recommendations included in the report and from the Guide for Best Practice. He considered that the report would be of substantial benefit to the development of any future joint operations.

The Director-General noted that the report acknowledged, where relevant, that action was underway or planned in relation to the majority of specific observations and conclusions made about individual joint operations. He also provided a detailed summary of action proposed by the Department in response to the recommendations included in the report. Generally the Department supported the recommendations.

Vice-Chancellor, University of Western Sydney

(Submitted by Bursar and Director, Finance and Business, Hawkesbury on behalf of the Vice-Chancellor.)

Overview Comment *The University of Western Sydney is only involved in one of the Joint Operation Consortiums examined by Audit - the Nirimba Education Precinct. Our comments therefore are restricted to matters directly relevant to that Precinct plus observations on the Recommendations Section of the Report.*

Nirimba Education Precinct *The section of the Report dealing with the Nirimba Education Precinct correctly captures the history and development of the Precinct. As outlined in the Report, the establishment of the Nirimba Education Precinct followed an extensive consultative process involving the Commonwealth, State and Local communities aimed to find the most appropriate alternative use for the previous HMAS Nirimba Naval Training Facility.*

The Nirimba Precinct is, in our opinion, a unique concept. Four (4) education providers have jointly agreed to co-locate operations with the main motivation being educational benefit to all participating students. Quite deliberately, the four parties have negotiated a Memorandum of Understanding that ensures:

- *continued autonomy of each party;*
- *a collective and shared planning process;*
- *avenues exist for joint working and cost benefits;*
- *development of flexible and articulate learning pathways.*

As the Audit Report indicates, the Precinct is in its early stages of development and it is too early to assess in any detail real benefits flowing from the co-location arrangements. From the University's perspective, we are confident that both educational and resource benefits will indeed be realised. An extremely sound co-operative environment has existed between all four partners to date. Real joint activities are already evident in areas such as:

- *development of a single joint UWS/TAFE Library;*
- *provision of common recreational facilities;*
- *joint contracts for site services such as Master Planning, Security, Grounds Maintenance.*

The Nirimba partners are firmly of the view that the nature of our Nirimba Education Precinct Memorandum of Understanding (which emphasises co-operation, joint planning, educational interworking, whilst ensuring separate identity and autonomy of operations are maintained) has produced a real commitment to co-operation. As outlined in the Report, the Precinct concept is quite different to the Bradfield College or Coffs Harbour Education Campus Models. Given the significance of the

	<i>differences between the joint arrangements examined by Audit we must question certain of the Recommendations which by their nature seem to encompass all arrangements.</i>
<i>Comment on Recommendations and Executive Summary</i>	<p><i>We accept most of the Recommendations as being both logical and sensible from an effective management viewpoint. Indeed most are in evidence within the Nirimba Precinct concept and Agreement.</i></p> <p><i>We would however question the logic of the following in relation to the type of Precinct Agreement evident at Nirimba:</i></p>
<i>Recommendation</i>	<p><i>'each joint operation arrange for an internal audit (on a regular basis) of its operations. Internal audit to cover compliance with the Memorandum of Understanding (or its equivalent).'</i></p> <p><i>We would only see this Recommendation as appropriate where there is an integrated management model such as exists at Coffs Harbour and Bradfield College. In the case of Nirimba, we would prefer a situation where the partners had a shared responsibility to annually submit to their individual Boards a report on developments within the Precinct with specific reference to the implementation of the Memorandum of Understanding.</i></p>
<i>Executive Summary Conclusion</i>	<p><i>'There is also an urgent need for adequate reporting of the financial and operational performance of all joint operations. At present there is no formal reporting on any joint operation as a single entity to either partner institutions, the relevant minister or Parliament.'</i></p> <p><i>The whole concept of the Nirimba Education Precinct emphasises that the four partners maintain separate identities. There is no 'single reporting entity'. The partners have not been 'entrusted with joint resources.'</i></p> <p><i>Again, we have no difficulty with the concept of annually identifying, in financial terms, the extent of joint or shared activities and the financial benefits associated therewith. This would not however take the form of a Consolidated set of Accounts for the four partner's operations at Nirimba.</i></p> <p><i>We trust the above comments prove useful.</i></p>

Vice-Chancellor, Southern Cross University

Part 1: Integration and Integrity

<i>Integration:</i>	<i>The making up or composition of a whole by adding together or combining separate part; combination into a whole.</i>
<i>Integrity:</i>	<p><i>The condition of having no part or element taken away or lacking; undivided state; completeness.</i></p> <p><i>(New Shorter Oxford English Dictionary, 1993)</i></p>

Fundamental to any joint development is a decision about the degree or level of integration that is to occur between the joint development partners;
(Joint Operations in the Education Sector, 1995, p.30)

Southern Cross University concurs with the above observation from the Audit Office. In the case of the Coffs Harbour Education Campus, the relationship between the partners is defined in the memorandum of Understanding (MOU) signed by the three Chief Executive Officers and NSW Minister for Education, Training and Youth Affairs on 29 March 1994.

The MOU makes use of the word 'integrity' in reference to the partners on five occasions and makes use of the word 'integration' only once, and this to refer to accredited study programs. Throughout the MOU reference is made to aspects of partnership - 'co-ordination of educational objectives' (p.1); establishment of 'flexible pathways' (p.2); and 'development of co-operative ventures' (p.3). Also throughout the MOU, care is taken to set this co-operative approach within the context of the guaranteed integrity of the partners. Thus, for example, all signatories have agreed not only 'to support the integrity of each of the Partner Institutions in the Coffs Harbour initiative (but have also expressed their) commitment to develop appropriate' (p.1). Further, one of the agreed educational objectives for the Joint Project is 'to ensure that the integrity of courses will be maintained' (p.1) whilst other commitments are to operate the Joint Project 'under a structure which will incorporate and preserve the separate accountabilities of the Partner Institution' (p.3) and to develop 'an academic and administrative structure.....consistent with.....the need to preserve the integrity of the Partner Institutions through preservation of their right to appoint their own staff' (p.3).

In light of the above the University believes that one of the major challenges for CHEC in the short term is to establish an integrated structure which protects the 'integrity' of the individual partners.

The partners have agreed to support each other's integrity and autonomy. The MOU is the formal agreement which exists among the three partners at the Coffs Harbour Education Campus.

Southern Cross University is the State's newest university, having in part emerged from the unsuccessful UNE network university. The Joint State and Commonwealth Advisory Group (the Birt Committee) which reviewed the operations of the UNE federated network university and recommended the creation of Southern Cross University foresaw some of the possible difficulties inherent in replicating an unstable university structure across different geographic locations. It therefore recommended that the new university should be academically integrated and that in Coffs Harbour 'What is essential... is the maintenance of a real and distinct university identity within the joint facility that can give the necessary status and recognition of academic quality to its awards. Whatever provision of facilities and administrative arrangements may be determined for Coffs Harbour... this particular form of academic quality assurance cannot be

compromised' (pp.14 - 15). The Birt Committee also drew attention to the weaknesses of the non-integrated university model and the need for 'an integrated organisational structure with a single line of management authority through the Vice-Chancellor' (p.12). Southern Cross University has fully and firmly adopted a policy of development as an integrated regional university. As recently as June 1994 the University's Council reiterated this policy and reaffirmed its commitment:

'to the spirit and objectives of the Memorandum of Understanding in which the identity and integrity of each of the partner institutions is preserved. The partnership does not presume, nor does the Memorandum of Understanding anywhere refer to the integration of the institution on the Hogbin Drive site, but rather an operational framework which enables maximum articulation and opportunities for the students of the region.'

A further part of the University's concern relates to the quality of services it can provide to its students and the level of resourcing provided for that purpose. The Report notes for example, that the average cost of educating a senior secondary school student in 1994 was \$5,032 whilst the average cost per EFTS in TAFE in Semester 2, 1994 was in the order of \$6,500. In contrast, the average cost per EFTS of educating a student in Southern Cross University in 1994 was \$8,656.

As further example, preliminary data at Coffs Harbour indicated the following levels of library 'book funding' at Coffs Harbour Education Campus:

- DSE c. \$ 25.00 per capita
- TAFE c. \$ 20.00 per capita
- SCU c. \$272.00 per capita

It is clear that these funding differences have major implications for educational programs and bear directly on issues of integration. As an integrated university, Southern Cross University has obligations to its students and staff to ensure that they are provided with equivalent services no matter their geographic location - be it in Lismore or Coffs Harbour.

Similarly, the University has moral and legal obligations to its major funding source - the Commonwealth Government - to ensure that its funds are expended on the purposes for which they are provided.

An issue that needs to be addressed is the implications of differential funding for the development of joint education projects. This issue is also one which relates clearly and closely to the desirability or otherwise of integration of joint educational projects.

The only form of integration of the CHEC joint project which the University could support is one which guaranteed that services provided to students and staff would be ones of the highest quality.

Part 2: Some specific comments on aspects of the report

On page 2 of the report it is stated that:

'Joint operations offer potential savings from sharing the cost of infrastructure and establishing joint management arrangements. It is likely that savings in recurrent costs will result from economies of scale...'

We concur with the general tenor of this comment. However, it is perhaps overly simplistic when applied to the Southern Cross University role in the Coffs Harbour Education Campus. In this case, the University gains economies of scale through its existing structures and systems (eg admissions, enrolments, accreditations, finance). To replicate these systems at CHEC would lead to duplication and diseconomies.

Page 7 Framework for Joint Operations:

Two of the three 'dot points' again make the assumption of integration.

On page 10 and again on pp 14 and 81 concern is expressed at three Librarians from different sectors being employed under different terms and conditions in the CHEC library. We would suggest that a complementary question which also needs to be addressed is whether distinct educational advantages flow to students of the different sectors from the distinctive sectoral expertise and roles of these staff.

On page 15 and again on pp 84-85 concern is expressed about financial reporting and audit at CHEC. Southern Cross University supports these concerns. In the case of the University there will be both full identification and full audit opportunity in the financial reports of SCU. We also assume that there will be full financial reporting and full audit opportunity for the joint or CHEC budget.

On page 33 there is discussion of possible economic benefits of joint projects. In our judgement, economies of scale arise also from within each institution. For example, students in university programs at Coffs Harbour are students of a single Southern Cross University. They enrol in the same courses and units as students in other locations, they undertake the same assessed work and examinations and they graduate with same awards. Similarly, staff of the University at Coffs Harbour are members of the same Faculties as are staff at Lismore and subject to the same rights and obligations. Admission, enrolment, examinations, staffing and payroll systems are standard across the University, thereby providing the University substantial economies of scale in administrative and management structures. To do otherwise would be to duplicate and produce diseconomies.

On page 70 a 'curriculum diagram' is proffered for CHEC. We believe that this could be misleading, at least for the University. The University does not offer 'units of study' in the seven specified areas. Rather, The University offers a series of Bachelor and Associate Degree award courses at Coffs Harbour.

The issues raised in the Conclusion and Memorandum of Understanding sections on page 75 are discussed in our response in Part 1 above.

On page 81, the observation is made that each partner at CHEC is serviced by a separate computer system and the conclusion is drawn that 'advances in technology may alleviate the need for each partner to maintain a separate computer installation'. In the case of the University, several different systems are used to meet the MIS needs of the University. However, these systems, in common with those used by TAFE and DSE are themselves serviced by and provided through a single campus-wide network service.

University purchasing through University budgets (as distinct from CHEC budgets) is managed by the University-wide purchasing system which happens to be based in Lismore. In this way, the University is able to provide efficient financial controls and reporting and is able to benefit from economies of scale.

The University notes and supports the comments on financial reporting and audit on page 84. The University will provide separate and adequate identification of the services and operations at CHEC for which it is responsible and is also strongly supportive of adequate audit and financial reporting of CHEC or joint budgets. It views the suggestion on page 20 of the report of 'special purpose financial reports' as a possible way of achieving the desired aim.

On page 85 on Reporting Item 5.9 is of concern to the University. The statement that 'the level of reporting within the Annual Reports of the partners is not considered adequate' we do not believe is a fair criticism. Given that all academic programs at Coffs Harbour are conducted through University wide Faculties, we believe that activities at Coffs Harbour are well documented within the University Annual Report.

However, the University is prepared to comply with specific recommendations from the Auditor General in relation to our Annual Report.

The University notes the suggestions in the Guide to Best Practice (GBP) provided with the Report and it concurs with the observation that the practices 'are primarily suited to fully integrated sites' (p101 GBP).

2. Background

2. Background

2.1 Introduction

There are three sectors of public education in New South Wales - higher, vocational and school education, provided by Universities, the NSW TAFE Commission and the NSW Department of School Education respectively.

Traditionally each sector has planned and constructed assets, developed education policies and delivered its programs in isolation from the others. The sectors have begun to interact on those matters in some circumstances.

The result is recently, an emergence of institutions titled joint operations, which span education sectors.

This level of cooperation between education providers occurs within the context of significant educational reform at the national and state levels. That reform saw, as too inflexible, the current education system whereby two streams of school leavers were produced - those completing the Higher School Certificate and proceeding to university and those leaving school for TAFE or full time employment.

Policy Context

Both TAFE and DSE are required to respond to national policy directions which impact on educational provisions. In brief, the major change has been to encourage the States to find effective ways of integrating general and vocational education. There is an increased emphasis due to employer, business and community expectations to link school with work, to improve employability of students and to include vocational elements in the traditional academic curricula. Various national reports spell out these directions (Finn, Carmichael and Mayer) which have required cooperation from the states through ministerial councils for implementation.

In NSW the response has been to encourage educational innovation in the post-compulsory years to find effective ways of integrating vocational study in the HSC.

A brief overview of major Commonwealth and State policies follows.

2.2 Commonwealth Education Policies

The major driving force for change at the national level is the *Finn Report*¹.

That report recognises that ongoing training is linked with employment and calls for greater convergence between the general and vocational education sectors. The report recommends that state governments examine the general principles of *co-operation, resource sharing, and joint curriculum provision and development* and how they can be more broadly applied within the overall educational context of each State².

2.3 State Education Policies

In 1992 the Government issued a statement - *New South Wales Facing the World* which included several strategies to expand the range of learning options available to senior secondary school students.

One of these strategies was to provide new learning environments by giving students access to an education stream comprising a vocational training opportunity. Another strategy was to strengthen the links between the Department of School Education (DSE) and the NSW TAFE Commission (TAFE). These strategies were to be implemented in part by developing senior colleges as joint operations between DSE and TAFE. Bradfield College was to be the first joint venture, opening in February 1993.

Facing the World indicated that joint ventures at Coffs Harbour, western Sydney and country areas were also being considered by TAFE and DSE.

The next major educational policy document, *Directions*³, was announced by the Government in July 1993. As a result of this policy statement several study pathways were introduced which allowed senior students to combine general education (mainly HSC studies) with vocational training (TAFE) in either a school or TAFE environment.

¹ *Young Peoples' Participation in Post-Compulsory Education and Training* - Report of the Australian Education Council Review Committee, July 1991. Australian Government Publishing Service.

² Recommendation 6.2 of the *Finn Report*.

³ *Directions - Vocational Education for the Higher School Certificate through schools and TAFE Colleges in New South Wales* issued by the former Minister for Education, Training and Youth Affairs.

To rectify an education system viewed as inflexible, the Directions statement establishes four broad pathways to education, training and employment for young people. They are:

Pathway 1

- a HSC delivered by the school education system. This is the traditional general education pathway into university.

Pathway 2

- a HSC delivered by the school education system. This includes both general education and recognised vocational education and training components.

Pathway 3

- a HSC delivered by TAFE that includes recognised vocational education and training components.

Pathway 4

- a non-HSC training provision. This comprises vocational education and training delivered by TAFE, industry, or private providers. Leads to post-school vocational education and training.

2.4 Impetus For Change

The impetus for change has come from a number of sources.

There has been a tendency for government to reduce levels of expenditure generally and this in turn, has placed a pressure on the quantity of financial resources allocated to education. This has had the following implications.

Firstly, there has been a pressure to reduce infrastructure costs particularly where capital assets are under utilised. Efficiency in the use of infrastructure, which is usually funded by borrowings, is the desired goal.

Furthermore, there is a desire for educational programs to better meet the needs of industry. Educational policies have increased the focus on vocational outcomes and the development of key competencies in students.

The extension of links between curricula and vocational education and training objectives has resulted in increased cooperation between education providers within the education sector.

Finally, there has been a desire to break down barriers between education providers. An example of this is the development of cross credit transfer arrangements between educational institutions.

*Economic
Benefits*

The concept that one library, one canteen, one administration building, one security contract, one maintenance contract, can suffice where separate facilities were once provided (and the resultant reduction in the costs of infrastructure) can allow savings. The opportunity to reduce the level of management structures and introduce one set of administrative systems, simpler procedures for staff and students also presents an opportunity for savings.

Joint operations (ie developments) enable sites to be master planned and enables institution partners to take full advantage of the placement of buildings, agree on aesthetics and building standards. Effective infrastructure planning makes for more effective utilisation of the site and can create a more cohesive, efficient and pleasing educational precinct than separate developments.

*Student
Outcomes*

Of direct importance to the student, joint operations allow for a number of educational benefits that would not be possible to achieve in separate developments. Those benefits are:

- closer educational planning. That is educational programs can be better tailored to suit the needs of students and to secure credit transfer and articulation. The joint identification of needs in local industry and the absorption of needs into curriculum makes for higher quality planning and higher educational outcomes;
- joint operations offer the opportunity to education providers to engage in joint curriculum developments exercises;
- subject to appropriate industrial arrangements, staff can teach across a range of classes that cut across traditional sectors;
- students and staff of joint operations might allow a 'critical education mass' of sufficient size to sustain a wider range of functions, for example research, than otherwise might be the case;

- joint operations assist in breaking down the barriers between traditional education sectors;
- joint operations enable education providers to establish educational pathways for students who will be able to develop a clear understanding of options at all stages in their educational progression;
- the diversity of staff, facilities and students that joint operations provide encourage educational innovation and experimentation.

Overall, joint developments can provide a wide range of potential benefits to students and the community which may not be available if educational institutions pursued the path of separate development. These benefits will only be fully realised with effective management and able and willing staff.

Obstacles to Success

There has been considerable discussion about the benefits of integration but little documentation exists as to the obstacles to success. Difficulties concern:

- industrial relations. Partner institutions have employed staff under different awards and conditions. Industrial conditions do vary for teaching staff, administrative staff, support staff and general staff such as grounds persons and security officers. The introduction of Enterprise Agreements has enabled this situation to be overcome and provides an added bonus in that staff can be employed with a different range of functions to meet the needs of the joint operation;
- education practices. Each education provider has distinct practices involving the treatment of students such as the level of supervision, course structures, students teacher ratios etc;
- management structures. Different education practices impact on the ability of partner institutions to fully integrate management structures. The extent of integration is usually determined on a needs basis;
- coordination of funding. Partner institutions in a joint operation have different funding arrangements including sources of funding and timing of receipt of funds;
- the identity of the joint operation. A separate legal identity may be preferable for each joint operation. This could be achieved by legislation or by seeking body corporate status.

2.5 Types of Joint Developments

There are a variety of joint developments currently underway in Australia. These range from loose associations between institutions, such as the conduct of joint research, to fully integrated developments spanning schools, TAFE, university sectors and in some states, private sector providers.

2.6 Co-location and Integration

Joint operations include various degrees of integration and sharing.

The parties may choose to co-locate on a single parcel of land, each retaining independence and control of its own facilities and education direction, but sharing agreed areas common to all parties.

Some joint educational operations involve the TAFE and school sectors together while the larger facilities involve a university.

Fundamental to any joint development is a decision about the degree or level of integration that is to occur between the joint development partners. Partners may opt for a co-location model at one end of the continuum, retaining control of their facilities, curriculum, staff and funds, and liaising on issues of joint interest; or one which progressively integrates functions so that what finally emerges at the other end of the continuum is a fully integrated institution with its own identity, goals, structures, facilities, and funding. Early developments have proceeded cautiously, with co-location being the preferred option. Newer proposals such as NEP, however, are tending towards a co-location model.

2.7 Legislative Basis

Each of the partners involved in the joint provision of education are charged with the power (specific or general) to enter into such agreements. In particular subsection 7(3) of the Technical and Further Education Commission Act 1990 provides TAFE with the legislative backing to enter into joint operations with the approval of the Minister.

Participation by the Department of School Education is subject to approval by the Treasurer in terms of the *Premier's Memorandum No. 91-2: Guidelines for the Formation and Operation of Subsidiary Companies by Departments and Statutory Authorities*.

Universities have a general power to enter into arrangements for the improvement of education.

2.8 Joint Operations

The following table shows joint operations in NSW which involve TAFE and DSE. The contents of the table have been provided by TAFE and confirmed by DSE.

Name of Joint Operation	Partner Institutions	Student Intake	Description
Bradfield College	<ul style="list-style-type: none"> Northern Sydney Institute of TAFE DSE Metropolitan North 	1993	Senior Vocational College - integrated model
Young TAFE DSE Joint Facility	<ul style="list-style-type: none"> Riverina Institute of TAFE DSE - Riverina Region 	1995	Co-location of high school and TAFE College on adjoining parcels of land
Euraba Education Centre Boggabilla	<ul style="list-style-type: none"> New England Institute of TAFE DSE - North West Region 	1993	Co-locational with some facilities joint-use
Maclean Joint Use Library and other facilities	<ul style="list-style-type: none"> TAFE - North Coast Institute DSE - North Coast Region 	1993	Shared library
Coffs Harbour Education Campus	<ul style="list-style-type: none"> North Coast Institute of TAFE DSE - North Coast Region Southern Cross University 	1995	Integrated campus
Nirimba Education Precinct	<ul style="list-style-type: none"> Western Sydney Institute of TAFE DSE - Metropolitan West Region University of Western Sydney Catholic Education Office, Parramatta Diocese 	1995	Co-location of four facilities with a common zone
Ourimbah Tertiary Education Precinct	<ul style="list-style-type: none"> Hunter Institute of TAFE University of Newcastle 	1996	Co-location of university campus and TAFE College
Open Training and Education Network (OTEN)	<ul style="list-style-type: none"> TAFE DSE 	1996	Distance education and open learning arm of both DSE and TAFE

3. Audit Objectives, Scope and Criteria

3. Audit Objectives, Scope and Criteria

3.1 Audit Objectives

The objectives of the audit were to review the arrangements entered into by joint operators for the establishment, management and effectiveness of joint operations.

3.2 Audit Scope

TAFE and DSE have entered into a number of joint projects for the provision of educational facilities.

The Audit Office reviewed three operations, two of which involved universities, and one the Catholic Education Office. Those operations were:

- Bradfield College;
- Coffs Harbour Education Campus;
- Nirimba Education Precinct.

The scope of the audit was restricted in terms of its review of effectiveness due to the recent establishment of CHEC and Nirimba.

In conducting the audit, discussions were held with representatives of (and documentation was reviewed at) the:

- Department of Training and Education Co-ordination (formerly the Ministry of Education and Youth Affairs);
- Department of School Education;
- NSW TAFE Commission;
- University of Western Sydney;
- Southern Cross University;
- Catholic Education Office, Parramatta Diocese.

3.3 Audit Criteria

The criteria applied in reviewing the joint operations are as indicated below.

Establishment

In establishing a joint operation the parent bodies should make appropriate arrangements such as:

- the creation of a steering committee with responsibility to the relevant Minister;
- entering into a Memorandum of Understanding to define and evidence each joint operator's rights, obligations and commitment.

Management

Management of joint operations should include the following features:

- strategic plans compatible with corporate planning
- adequate management information systems
- adequate monitoring and reporting mechanisms.

Effectiveness

There should be established an adequate performance information system to measure the achievement, or otherwise, of the objectives of joint operations and to provide feedback on key performance indicators.

4. Bradfield College

4. Bradfield College

4.1 Introduction

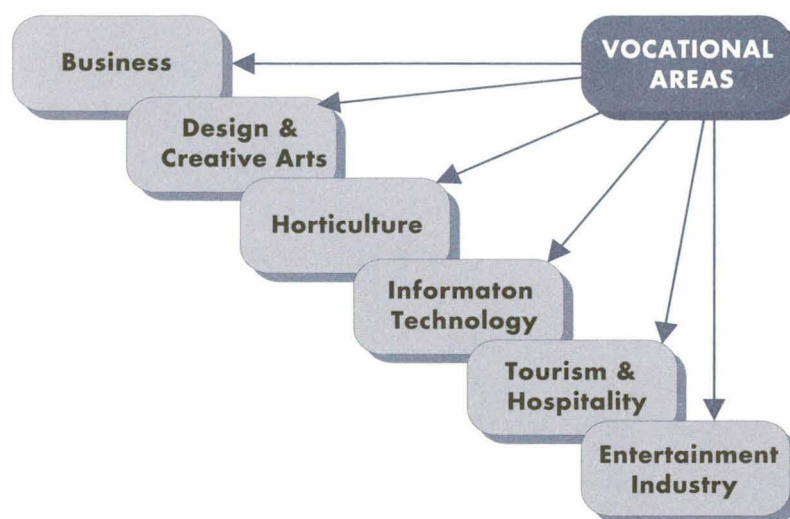
Bradfield College is a joint operation between the NSW Department of School Education and the NSW TAFE Commission.

The College is an adult learning environment open to students in Preliminary and HSC years, as well as more mature students re-entering education.

A significant proportion of the initial student intake were re-entering education after a significant break in study or loss of employment. These students would be unlikely to receive post-compulsory education if the curriculum program and adult learning environment which Bradfield College provides was not available.

The College has a vocational focus. Students receive on a concurrent basis general education and vocational training (leading to a Higher School Certificate (HSC) and TAFE Certificate) in their chosen field of endeavour which enhances preparedness for the transition from school to work to further employment. Traditional HSC programs lead to the outcome of a HSC. Students participate in the Industry Training Program - which involves placing students with an employer to gain work experience for up to one day per week.

<i>Enrolments</i>	The College opened in February 1993 with an initial intake of 164 students. Current enrolments are approximately 500.
<i>Legal Status</i>	The College has no separate status as a corporate body.
<i>Location</i>	Temporarily housed within the grounds of North Sydney TAFE during 1993, the move to its present location on the grounds of the former North Sydney Girls High School took place on 28 January 1994. The land site and of premises Bradfield College are owned by DSE.
<i>Vocational Areas</i>	Bradfield College offers subjects within six vocational areas, represented in the diagram overleaf. The College will introduce Child Studies in 1996.



Bradfield College has targeted vocational areas of study representing areas of growth in employment terms. The need to provide specialist facilities at Bradfield College has been reduced by utilising existing TAFE facilities at other campuses. Such is the case for Horticulture, Tourism and Hospitality and it is proposed to do the same for Child Studies.

Development of the College

The Director of Bradfield College has provided the following background material relevant to the development of the College:

The College's identity was broadly defined initially as vocational and catering for the needs of students who were experiencing difficulties at school or were seeking entry into years 11 and 12 education. The College management was given the task of putting this ideal into practice. The initial group of students represented a challenge as far as their learning was concerned.

The response of the College to the students was to develop a program of learning in response to their needs which were broadly a more diverse curriculum and support with learning. The College management:

- *introduced a wider choice of general education subjects such as visual Arts, Drama, History;*
- *introduced the concept of a contact teacher to provide personal support in learning and social development;*

- *eliminated some vocational areas such as Small Business and Communications and are in the process of introducing Design, Entertainment Industry and Child Studies;*
- *introduced the subject Skills for Living and Life Management.*

*Growth in
Enrolments*

The College has provided the following statistics:

- 700 enquiries were received for the 1995 academic year;
- 300 new students were accepted in 1995, bringing the total to 526 at the beginning of the year;

The College has introduced a selection process (using a self selection technique applicants were required to complete a variety of tasks, to present for interview and to demonstrate appropriate motivation in a vocational area).

*Recent
Achievements*

Bradfield College has earned recognition in the following areas:

- The College was nominated for TAFE quality awards with two teams included in the final ten;
- the Gold Quality award for TAFE NSW went to Bradfield College for its project on student motivation;
- a group of computing students won a National Work Skill Competition for designing information systems using the Internet;
- an exceptional TER score of 97.3 was gained by a student completing her HSC in 1994.

Establishment

4.2 Planning

Original Proposal The proposal to establish Bradfield College was developed in early 1991 by a committee of staff and parents from Crows Nest Boys High. The high school was earmarked for closure due to falling enrolments.

The Lower North Shore Consultative Committee (formed by the then Minister for School Education and Youth Affairs) recommended to the Minister that Crows Nest Boys High School be redesignated as a co-educational senior College, to be known as the Bradfield College. This recommendation was not implemented. The then Minister for School Education and Youth Affairs announced in a Press Release on 27 February 1992 that North Sydney Girls High (NSGH) would move to Crows Nest Boys High. This meant that NSGH would become vacant.

In 1992 the former Government subsequently announced that Bradfield College would open in February 1993 located on the grounds of the former North Sydney Girls High.

Steering Committee A Steering Committee, with membership from both the DSE and TAFE was appointed by the then Minister for School Education and Youth Affairs in April 1992.

The purpose of the Committee was to develop a paper to guide the establishment of the new College. Recommendations were proposed on:

- the management structure;
- capital works and budget requirements;
- the role and conditions of service for the head of the College;
- program to be offered;
- marketing strategies for the project.

The Committee reported to the then Minister for School Education and Youth Affairs at the end of May 1992. It continued to meet in order that more detailed proposals be developed concerning Bradfield College. The Steering Committee operated until February 1993 when it was superseded by the Interim Board.

Feasibility Study As NSGH would not be vacated by the date due for commencement of the College, temporary accommodation was required for students of Bradfield College. Two alternative sites were evaluated by DSE and TAFE at North Sydney College of TAFE and Naremburn Public School. The North Sydney TAFE option was preferred due to lower costs, access to existing TAFE facilities and better public transport.

- Observations**
- The establishment of Bradfield College was driven by community desire to prevent a school closure in the area.
 - DSE could have sold the NSGH site as surplus to its requirements. The estimated value of the site in 1992 was in the range of \$5m to \$6m.
 - No evaluation was undertaken to determine whether a need for such an educational facility existed in the North Sydney area. Prior to the decision to locate Bradfield College at NSGH the North Sydney area appeared to be well served by TAFE and school resources.
 - A feasibility study of the suitability of NSGH as the permanent location for Bradfield College was undertaken by the NSW Public Works Department (in response to a request from DSE) almost a year after the Government announced its decision to house the College at NSGH.
 - The 1995 occupation target of NSGH was seen as tight. In fact the College moved to NSGH in 1994 before the originally planned upgrade was completed.

The site was considered to have some planning constraints namely:

- a small site area of 0.6Ha would limit the number of students;
- no off-street car parking was available;
- there was little open recreational space;
- a high noise level was generated by the Pacific Highway;
- the need to preserve a heritage building.

The buildings of the former NSGH were nonetheless considered to be in sound condition with access to public transport.

4.3 Bradfield College Agreement

Arrangements between DSE and TAFE are governed by a formal Agreement outlining the terms and conditions, rights and responsibilities of both partners.

Original Agreement

The partners operated under this Agreement from inception in February 1993 until early 1995.

The original Agreement was predicated upon the establishment of a Board to control Bradfield College but was rendered obsolete by the proposal to establish a College Council with an advisory role in lieu of a Board (*Refer to 4.4 Board below*).

The original Agreement provided for the completion of various schedules (as part of the Agreement). The schedules governed various provisions relating to the Board, ownership of assets and College courses.

Current Agreement

A new Agreement was drafted to reflect current arrangements between DSE and TAFE whereby TAFE has operational responsibility for the College. (*Refer to Operational Responsibility in 4.6*).

Covered in the Agreement are the composition, terms of reference and operations of the College Council; employment and appointment of the College Director and staff; administrative responsibility; annual audit; College resources (assets, liabilities, capital works and recurrent funding); dissolution and dispute resolution procedures.

Clause 6.2 of the Agreement provides for a review by the partners no later than 1 December 1997 to determine whether the joint operation shall be continued.

Observations

- The original Agreement was not signed. The current Agreement was signed on 26 June 1995.
- The original Agreement was silent in a number of areas such as the process of effecting amendments and the provision of internal audit, financial and operations reporting by the College (these latter aspects are discussed more fully under the heading *4.12 Reporting*).
- The current Agreement provides for an annual audit of the College in regard to the effectiveness of its operations.
- Although DSE retains legal ownership over the land and buildings comprising Bradfield College, it is noted that DSE did not elect to retain ownership over the assets, nor complete a schedule of assets as provided for in the original Agreement.
- It is noted that other schedules required to be completed under the original Agreement were not so completed.

Conclusion

At the time of audit the Bradfield College Agreement remained incomplete in that it was not duly executed until 26 June 1995. The College opened in February 1993.

The fact that the Agreement remained unsigned for such a period is considered not to be a satisfactory record of the rights, obligations and commitment of the partners to the joint operation.

The recent signing is however, a positive step.

4.4 The Board

Bradfield College Board The original Agreement required that Bradfield College be controlled by a Board. It was intended that the Board be formed once the Agreement was signed. In the meantime, an Interim Board was established and operated for approximately two years between February 1993 until December 1994 and had the same powers and functions as the proposed Board.

Board Representation The original Agreement specified the composition of the Board. An independent Chairperson was to be appointed by the Minister. Four groups were to have equal representation namely:

- TAFE
two members - the Managing Director (MD) and one nominee of the MD; or two nominees of that MD;
- DSE
two members - the Director-General (DG) and one nominee of the DG; or two nominees of that DG;
- Bradfield College
two members - the College Director and one elected staff member;
- employer/community groups
two members appointed by the Minister.

Figure 4.2 illustrates the above composition.

College Council In line with the decision to give TAFE management responsibility for Bradfield College (*Refer to 4.6 Contribution by the Partners*) in September 1994, TAFE proposed that an Advisory Council be established in lieu of a Board. The Director-General of DSE concurred with the proposal which was endorsed by the former Minister for Education and Youth Affairs on 13 October 1994. The Council has operated since January 1995.

The Council's role is to *provide advice, information, assistance and promote quality assurance mechanisms* (Terms of Reference).

The composition of the Council is as follows:

- one independent Chair;
- TAFE
2 members who are nominees of the Managing Director;
- DSE
2 members who are nominees of the Director-General;
- Bradfield College
Director and one elected staff member;
- student representative
nominated by the College Director;
- employer/community groups
2 members - one nominated by the TAFE Managing Director and the other nominated by the Director-General DSE.

Observations

- The College Council has less power/authority than was vested in the Board. The proposed Board would have *controlled* the College. In contrast, and as indicated opposite, the Council's role is primarily to provide *advice*.
- The management of Bradfield College report directly to TAFE which has administrative responsibility for Bradfield College. There is no regular reporting on a systematic basis to DSE.
- DSE's major avenue to exert influence is via its representation on the College Council. As the Council is an advisory body and not a controlling authority, its advice, and consequently the advice of DSE, can be overridden by TAFE.
- The arrangement relies on the respective regional managers of DSE and TAFE maintaining the good working relationship they currently enjoy. In an atmosphere of mutual cooperation, both partners can, in effect, exert equal influence. If personnel change and differing management styles come into play, DSE may find it difficult to exercise influence over the resources it has committed to the joint operation.
- The Interim Board (members were appointed under Ministerial discretion) did not reflect the intended composition of the proposed board. Staff of Bradfield College and employer/community groups were not represented on the Interim Board.

- The actual membership of the Interim Board can be compared with that originally proposed in the Agreement, shown in the diagrams below:

Figure 4.2 Composition of the Proposed Board

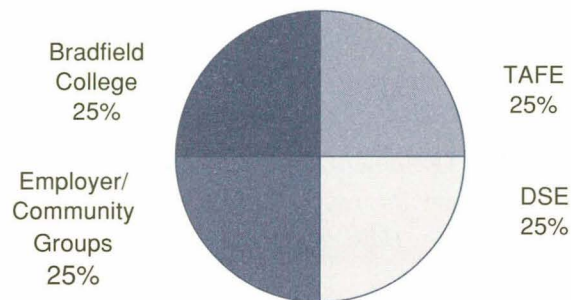
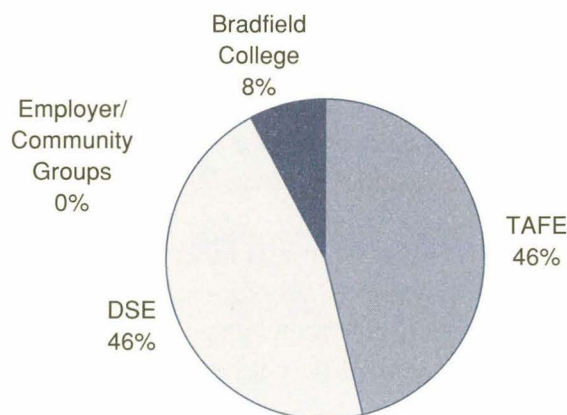


Figure 4.3 Actual Representation of the Interim Board



- From the early days of planning however, employer/community groups, although not represented on the Board, have provided *advice* to the Interim Board. This was achieved through the Employer Reference Group, established in 1993 and which continues to operate. The Group contributed to the nature of vocational provision and the mechanisms for the conduct of industry training.

Both employer/community groups and staff have the opportunity for representation upon the newly formed College Council.

Conclusion

TAFE has become the dominant influence and decision-making authority for the College. This does not seem to present a problem for DSE notwithstanding that DSE is the major asset and revenue contributor to the joint operation. The rationale behind this approach is discussed under 4.6 Contribution by the Partners: Operational Responsibility.

Employer/community groups and staff of Bradfield College (apart from its Director) were not appointed to the proposed Board as was intended by the original Agreement. While employer groups have participated via the Employer Reference Group, staff have not participated (as originally planned in the Bradfield College Agreement) in the formative years of Bradfield College or exercised any degree of influence over its strategic direction. These groups are now represented on the newly formed Bradfield College Council.

4.5 Aims & Objectives of Bradfield College

Mission Statement Consistent with its vocational role, the Mission Statement describes Bradfield College as ‘a learning organisation which bridges the gap between education and work...’

The Mission Statement is supported by a Management Plan being a strategy document by which the College outlines plans to achieve its objectives within the overriding framework provided by the mission. The plan covered the period from 1993 to 1994.

The mission was revised in the Strategic Plan 1995 - 98, which was developed subsequently to the Management Plan. The Strategic Plan sees the College as ‘a centre of educational excellence...¹’ - a slightly different focus from the earlier mission.

Observation

- The corporate planning process is evolving as Bradfield College refines its desired place within the educational community.

Responsibility statements and time-frames for completing individual tasks within the Management Plan are incomplete. However the College Director has advised that subsequent developments provide for clear responsibilities and timeframes by the Curriculum Implementation Group.

¹ Bradfield College Mission 1995-98: *To be a centre of educational excellence providing students with many pathways and relevant experiences leading to rewarding career opportunities through curriculum, industry training, and life skills in an independent and innovative learning environment.*

Conclusion *In the absence of complete assignments of responsibility there was diminished accountability for carrying out tasks essential to the achievement of corporate goals.*

4.6 Contribution by the Partners

Principles governing the contribution, financial and otherwise, of each partner are contained within the Bradfield College Agreement.

Capital Assets and Costs Land and buildings comprising Bradfield College are owned by DSE. As owner DSE bears any risks associated with the property other than cyclic maintenance which is shared equally by DSE and TAFE. For insurance purposes, the buildings are covered by the Treasury Managed Fund. Two security guards are employed to safeguard the premises of the College.

The Bradfield College Agreement provides for capital works funding to be decided jointly on an annual basis by the Director-General DSE and Managing Director, NSW TAFE Commission or their nominees. The total capital injection by the two partners for the refurbishment of NSGH and construction of a new block was \$3 million.

Furniture and Equipment Furniture and equipment purchased on behalf of Bradfield College is financed from a pool of funds contributed by DSE and TAFE.

Clause 4.4 of the Agreement signed on 26 June 1995 provides that all assets held by the College (other than those assets where ownership is retained by DSE or TAFE) shall be deemed to be owned by the College. Assets acquired for the College are recorded within the Assets Register of the College.

Financial contributions by DSE for the purchase of furniture and equipment on behalf of Bradfield College are accounted for by DSE in the year in which the expense was incurred. Assets purchased from contributions by TAFE, as noted earlier, are recorded in the Assets Register of Bradfield College and for year end reporting purposes assets are included within the financial statements of TAFE.

Upon dissolution of the College assets acquired on behalf of the College are to be divided between DSE and TAFE in accordance with the proportions set out in Clause 4 of the Bradfield College Agreement.

The original Agreement provided for each partner to elect to retain ownership over assets contributed to the College. Where an election was so made, assets contributed by DSE and TAFE were to be listed in Schedules 2 and 3 respectively.

Liabilities

Liabilities will be met from the recurrent funding of the College wherever possible. Liabilities are split equally between DSE and TAFE in the same proportion as for recurrent funding.

*Recurrent
Funding*

The agreed funding arrangements between DSE and TAFE for meeting the operating costs of Bradfield College are:

- DSE receives funding for the College from Treasury on a per student formula basis which is consistent with the funding arrangements for all schools operated by DSE;
- these funds are applied towards the total operating costs of the College;
- the remainder of costs are shared by DSE and TAFE on a 50/50 basis.

TAFE pays all operating costs initially and is reimbursed by DSE as per the arrangement described above.

On the basis of funding outlined above, the terms of the arrangement mean that the bulk of recurrent costs are borne by DSE. For the 1992/93 and 1993/94 financial years total contributions were in the order of 74% (DSE) and 26% (TAFE).

DSE and TAFE are of the opinion however, that funding provided by Treasury to DSE is funding of Bradfield College by Treasury and not by DSE.

Discussions between audit and a Treasury representative indicate that the Treasury view is that funding provided to DSE for Bradfield College is regarded as routine recurrent funding to DSE in support of its educational role.

If the view of DSE and TAFE is accepted, the recurrent costs of Bradfield College are distributed as follows: Treasury 46%; DSE and TAFE 27% each.

*Operational
Responsibility*

Responsibility for the operations and management of the College rests with TAFE. DSE and TAFE agreed that the nature of the majority of the curriculum would determine the structure of the management operations at Bradfield College. As the majority of the curriculum was vocationally based, management responsibility would be passed to TAFE. The Agreement allows for a review of management arrangements to occur if circumstances require. This decision alleviated difficulties caused by dual reporting lines of the College Director to both DSE and TAFE.

TAFE administrative systems were adopted in July 1993. The College Director reports to TAFE via the North Sydney Institute Director. Administrative staff positions have been aligned with TAFE Statements of Duties for comparable positions.

Observations*Capital Assets and
Costs*

- DSE receives no compensation for rent revenue foregone as a result of entering the arrangement with TAFE. The Valuer-General estimated fair market rental at \$680,000 per annum (date of valuation: 6 January 1994).
- DSE might have considered disposing the property as surplus to its needs. Evidence indicates that the reason for locating the College at North Sydney (apart from its location on major public transport routes) was in response to local pressure to prevent high school closures in the area (*refer to 4.2 Planning*).
- As indicated under 4.3 *Bradfield College Agreement* a partner to the joint operation may elect to retain ownership over assets. Where an election is so made, a schedule providing details of the asset was required to be completed in accordance with the original Agreement. It is noted that while DSE owns the land and buildings comprising Bradfield College, the required schedule was not completed.

*Furniture and
Equipment*

- The different accounting treatment in the financial records of DSE and TAFE for furniture and equipment purchased on behalf of Bradfield College from funds provided by DSE and TAFE is noted.
- Assets purchased on behalf of Bradfield College from funds contributed by DSE (and TAFE) are reflected within the asset records of firstly, Bradfield College and secondly, within the financial statements of TAFE at year end. The implication is that furniture and equipment purchased from funds contributed by DSE is recorded as an asset of TAFE.

- At the time of audit efforts were being made to attribute ownership of furniture and equipment assets to each of the partners. The process proceeded slowly and was subsequently abandoned due to the practical problems of assigning ownership of assets purchased from a common pool of funds to which both DSE and TAFE had contributed. As noted earlier Clause 4.4 of the current Agreement provides that ownership is deemed to rest with the College.

Recurrent Costs Figures 4.4 and 4.5 show the recurrent expenditure of each partner as a percentage of total recurrent expenditure, for the 1992/93 and 1993/94 financial years, according to both the above bases.

Figure 4.4 TAFE and DSE Recurrent Funding for Bradfield College for the 1992/93 and 1993/94 Financial Years

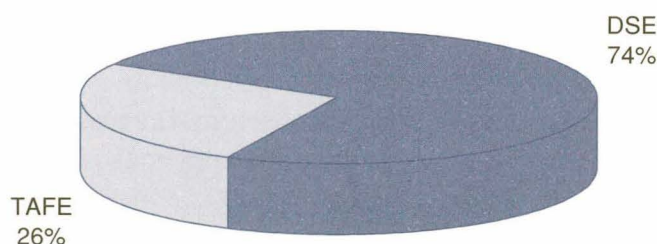
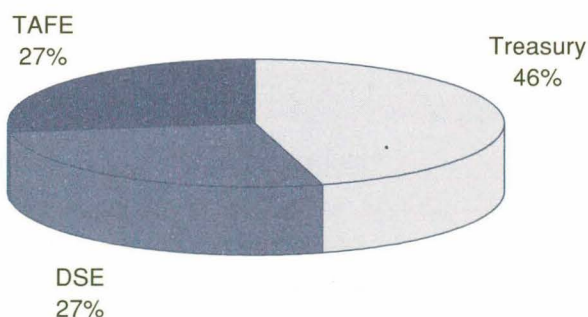


Figure 4.5 Recurrent Funding for Bradfield College for the 1992/93 and 1993/94 Financial Years



Conclusion

It is the prerogative of the joint operators to decide the basis of their respective financial contributions.

The majority of capital and recurrent costs are borne by DSE while TAFE bears administrative responsibility for the day to day operations and management of the College.

Assets in the form of furniture and equipment purchased from funds to which DSE have contributed are recorded within the financial statements of TAFE. While the effect is immaterial in dollar terms, the consequence is that assets reflected within the financial statements of TAFE are overstated (and assets of DSE understated) to the extent of the value of contributions by DSE.

The costs of establishing and operating Bradfield College are not separately identified within:

- *a published financial report of the College or*
- *the financial statements of DSE or TAFE.*

Benefits received by the College free of charge (such as free premises) are not identified and reported. For accountability reasons the audit opinion is that there should be full disclosure of all costs associated with Bradfield College and other joint operations either by way of a separate Annual Report or within the Annual Reports of TAFE and DSE.

Management

4.7 Focus of Bradfield College

The College was established as a vocational senior College. However, in the early stages of Bradfield College, the social welfare of students placed a heavy demand on College resources (financial and time) so that the *primary emphasis was upon pastoral care rather than vocational education*.

Student Welfare

The following examples indicate the level of welfare support provided to the initial intake of students:

- a home unit in Wahroonga was leased by the College to provide homeless students with accommodation. An eviction notice was issued by the owner on the College, as a result of damage caused by the occupants;
- a student's accommodation at the Greenwich Inn (\$113.55 including phone calls and restaurant expenses) was paid by the College;
- a homeless student lived with a teacher for a short period;
- students borrowed regularly from teachers;
- to counter the level of hunger among students a breakfast voucher scheme was introduced;
- student loans were guaranteed by College personnel.

Although the College did not set out to target students with financial and other difficulties, anecdotal evidence suggests that the adult learning environment attracted those who 'fell through the cracks of the education system'.

Extra and continuing effort was required to refocus College activities to its primary purpose. In order to achieve this, the College implemented a student selection process aimed at recruiting those students who displayed maturity, motivation and possess a vocational outlook.

Observations

- In the early days of its establishment and because a significant number of students required a level of welfare support not anticipated by either partner, the College was not able to focus its complete attention towards fulfilling its vocational role.
- It is noted however that the College and its students have enjoyed success and recognition in areas identified in 4.1 *Recent Achievements*.

Conclusion

The social welfare (and demands on staff) provided by the College during its establishment period was outside the scope of an educational institution.

The need for Bradfield College to continue with its student selection process has been addressed by the College. The College recognises also the need to select students who are vocationally oriented, mature and independent to enable it to minimise its pastoral care role.

4.8 Enterprise Agreement

Staff at Bradfield College operate under a negotiated Enterprise Agreement. The Agreement, registered in late 1994, expires in November 1995 and will undergo negotiations once more.

Negotiations were protracted. Anecdotal evidence suggests difficulty was experienced in dealing with representatives from the two parent organisations (DSE and TAFE) as well as the relevant Union. The resultant delay in achieving registration of the Agreement is said to have caused unrest and threats of industrial action.

An Enterprise Agreement opened up new ways of working in the innovative environment at Bradfield College but the Agreement negotiated at Bradfield College has not been adopted by other joint operations or teaching institutions.

The Enterprise Agreement binds the staff of Bradfield College to follow the policies and management plans drawn up by the Director and employees *and approved by the Board*. As indicated earlier in this report there is no Board.

No TAFE Teachers

No full-time TAFE teachers are employed by Bradfield College. It is understood that the arrangements negotiated in the Enterprise Agreement were not attractive to existing TAFE staff. The College has however employed a number of part-time TAFE teachers.

4.9 Management Information Systems

Bradfield College is required to meet the demands imposed by the information needs of two parent organisations (DSE and TAFE). DSE, for example, requires the submission of census information for its planning purposes. This information is not available within the TAFE system and therefore must be compiled separately by the College.

Although the College adopted TAFE procedures and administrative systems, it was found that the TAFE system did not satisfactorily meet the needs of the College, for example in providing students with individual timetables and achievement reports.

A commercially available software package was purchased subsequently by the College to meet requirements. The database operates parallel to the TAFE system. As a consequence student data is keyed separately into each system. The alternative of developing a unique system for the particular needs of Bradfield College would be at considerable additional cost.

Observations

- The information requirements of DSE and TAFE have imposed an extra workload on the administrative function of Bradfield College. However, efficiency may have been obtained by adopting major TAFE systems rather than an alternative of developing a new system to meet the needs of Bradfield College.
- There have been instances of inaccuracies where information has been processed through two computer systems by different staff members. Student data needs to be keyed into each system. The College has addressed this by ensuring that one person only is responsible for making changes.
- The need to deal with two parent bodies (DSE and TAFE) in part lead to the decision to adopt TAFE policies and practices. In an administrative sense, Bradfield College has effectively become another campus of TAFE.

Conclusion

The establishment of joint operations offers an opportunity for overall economic efficiency. The provision of management information systems to meet the different needs of the joint operators is an example however, of additional costs being incurred by the joint operation beyond that which would be incurred by a single institution. Cost savings should overall, exceed the incidence of extra costs being incurred.

4.10 Financial Management

Bradfield College has adopted the major computer systems of TAFE for enrolment, issue of student results and accounting purposes.

Budget

Monthly recurrent and capital expenditure reports are produced and compared to budget allocations, with significant variances investigated. Reports are presented regularly to the Interim Board and now the Bradfield College Council. Quarterly budget reviews are also conducted.

Internal Review

A review of management issues was conducted by TAFE Comprehensive Audit in June 1993 with assistance from DSE Internal Audit. As a result of this review a follow up was conducted in April/May 1994.

A review of the financial and administrative systems was conducted by TAFE in March 1994. This review found that the overall system of control was satisfactory.

DSE Internal Audit plan to review all joint operations in 1995.

Observations

Financial Delegations

- The absence of financial procedures resulted in the use of petty cash as the major tool for receipts and payments. No financial delegations had been given to the Director by the parent organisations. The College therefore was not able to operate a bank account (yet students were paying fees to the College; money and/or cheques were held in the safe for a period of weeks prior to the establishment of a bank account). Payments by the College were made from petty cash, over which procedures and accountability were deficient.
- Instalment payments are accepted for the materials charge and book deposit valued at \$120. Administration costs of keeping track of a multitude of small payments (eg; a student agreed to pay 24 instalments of \$5.00 a week, another agreed to 40 instalments of \$3 per week, another 48 payments of \$2.50 each week) and chasing up those who miss a payment is time consuming.

- College personnel have guaranteed student loans. There appears to be confusion as to what actually happens if a student is late paying loan instalments. The College Director advised that a system has now been implemented to recover late payment of loans.

*Protection of
Assets*

- One of the two officers conducting the stocktake also had responsibility for maintaining asset records.

Conclusion

Initially the College was unable to adequately carry out financial functions in the absence of financial delegations and a bank account. Since transferring to TAFE administrative systems, financial procedures have improved. In particular instances, however, such as acceptance of instalment payments, the procedures of the College are time consuming.

Effectiveness

4.11 Performance Indicators

Measures of Success

Factors by which Bradfield College judges its own success are that students should:

- pursue further studies at TAFE or university;
- enter full-time employment within their vocational area.

Another success factor was the demand for student places at Bradfield College.

In seeking to review the overall performance of Bradfield College enquiries were made by audit as to:

- student attendance patterns;
- student utilisation rates for class spaces;
- statistics in regard to the work placement program;
- student directions after leaving Bradfield College;
- student costs on a per capita basis.

Cost per Student

In 1992/93 the cost of educating a student at Bradfield College was \$9,107. By 1994/95 as a result of increased enrolments the cost had declined to \$5,400 per equivalent full-time student. The original estimate of cost (Premier's Facing the World Statement Costing of Undertakings) was \$5,000 per EFTS². The cost of educating a senior secondary school student in 1994 was \$5,032³. The average cost per EFTS for Semester 2, 1994 of TAFE was in the order of \$6,500⁴.

Observations

- Although there exists common agreement as to general indicators of success, an adequate and recognisable management system to collect information to measure the extent to which these objectives are achieved was not adequately developed at the time of audit.
- The response by Bradfield College to Audit Office requests for information relating to results of the College was delayed. The information was not readily at hand and had to be compiled by staff.

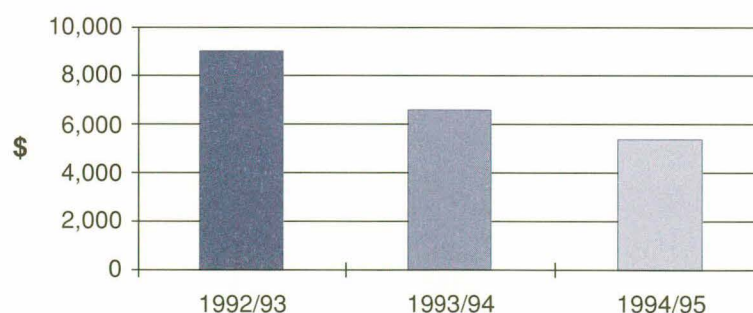
² Finance Directorate, Department of School Education.

³ Finance Directorate, Department of School Education.

⁴ Finance Division, TAFE NSW.

- Students leaving Bradfield College are tracked in an unsystematic way, so the College is unable to determine with confidence the employment and further training outcomes of its former student population.
- A survey conducted by the College from September 1994 to March 1995 showed that 75% of students were placed in Industry Training. The survey revealed that about half the number were poorly motivated.
- The College did not have a coordinated system for monitoring the satisfaction of employers participating in the Industry Training program, nor was there a record of students' attendance at work placement. From the beginning of 1995 a Learning Coordinator has been appointed to coordinate the regular contact of staff with employers and monitor student attendance.
- There are varying levels of monitoring of both employers and students by the individual Learning Coordinators for each vocational stream. As there is no system for forwarding results to a central collection point, the extent of overall achievement of objectives for the Industry Training Program is difficult to ascertain.
- College records indicate student attendance patterns are low. The College has addressed this issue and attendance patterns have improved.
- The cost per student (\$5,400 in 1994/95) is marginally higher than the cost of educating a senior secondary student (\$5,032 in 1994) and approximates the original estimate of \$5,000 per EFTS. The cost compares favourably with the average cost of \$6,500 per EFTS for a TAFE student in 1994.

Figure 4.6 Approximate Cost Per Equivalent Full-Time Student



Conclusion *Management systems to support performance measurement are not considered to be adequate for the intended purpose of measuring the success or otherwise of the operations of the College.*

The Government is not receiving adequate feedback in a formal and organised way as to the success or otherwise of Bradfield College.

4.12 Reporting

Evaluation of the College Bradfield College is a pilot program whose establishment enabled the Government to assess the potential benefits of innovative approaches to education. The former Minister for Education, Training and Youth Affairs stated *that an evaluation of the College would provide the basis for further development of government policy in the area of post-compulsory and vocational education.*

Feedback to the Government For an assessment to be carried out, it would appear necessary to establish arrangements aimed at informing the Government of the degree of success of the operation.

Such arrangements were provided for within the original Bradfield College Agreement where reporting to the Government occurred via the College Board. The Director was *to prepare and submit to the Board for transmittal to the Minister an annual report, including audited financial statements.*

Annual Report The vehicle for reporting includes an Annual Report of Bradfield College and, or inclusion in separate Annual Reports of DSE and TAFE. The information contained in any report should be publicly available for reasons of accountability. By these means the Government and the taxpayers of New South Wales will receive feedback as to the outcomes and cost of government policy.

The range of information that might be reported include key performance information, that is, information relative to the key objectives of Bradfield College (these are discussed under Performance Indicators) and financial information.

Observations

- There is no formal reporting to DSE by management of the joint operation. DSE relies on the TAFE system for the identification, payment and apportionment of costs.
- The operations of Bradfield College are included but not separately identifiable within the Annual Reports of DSE and TAFE.
- The College does not produce a separate Annual Report which might include audited financial statements and other performance information.
- There is no formal reporting to the relevant Minister or Government as to the achievement of objectives or the costs of Bradfield College.

Conclusion

Given that Bradfield College was the first model of a new government policy, it would be reasonably expected that formal mechanisms would have been established for measuring the effectiveness of that policy.

The audit opinion is that the quality of reporting in financial and performance terms to:

- *the partners,*
- *the Government; and*
- *the people of New South Wales*

is inadequate.

5. Coffs Harbour Education Campus

5. Coffs Harbour Education Campus

5.1 Introduction

Coffs Harbour Education Campus (CHEC) is a joint operation between DSE, TAFE and Southern Cross University (SCU). CHEC opened in January 1995.

Enrolments

Enrolments for the 1995 year totalled 1500 Equivalent Full-Time Students (EFTS). Enrolments are expected to rise to 2091 (EFTS) in 1996 and 4630 (EFTS) in the year 2000.

In the 1995 year, no student is undertaking a course in more than one partner institution, however Joint Secondary Schools TAFE programs (allowing school students to undertake introductory TAFE courses) were operational.

Location

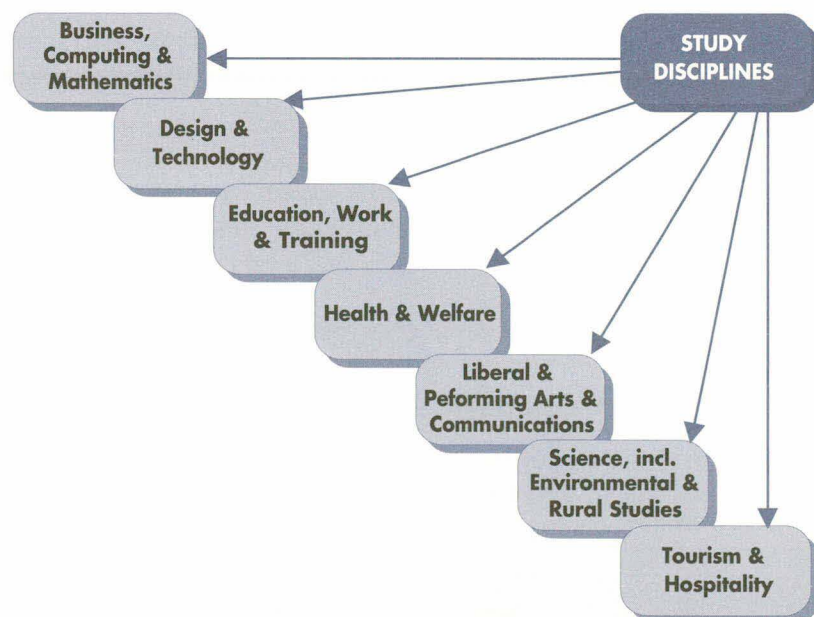
Located in Hogbin Drive, just three kilometres south of the Coffs Harbour Central Business District, CHEC is in close proximity to Coffs Harbour airport, extensive playing fields, a Catholic high school (John Paul College) and a new industrial estate.

Modes of Participation

Student participation modes include full-time and part-time on campus study, distance education, open learning and mixed mode programs.

Pathway Options

All pathway options (explained in section 2 *Introduction*) as identified within *Directions* and *Directions II* policy statements will be available to cater for individual needs through the senior school, TAFE and university sectors. Units of study offered are depicted in the following diagram but it should be noted units are currently under review.



Establishment

5.2 Planning

Ministerial Steering Committee

A Ministerial Steering Committee was established in July 1992 by the former Minister for Education and Youth Affairs. The Steering Committee recommended the establishment of a joint facility at Coffs Harbour. The Committee comprised representatives from DSE; TAFE; Southern Cross University (formerly University of New England); the former Ministry of Education; DEET, and; the local community.

Feasibility Study

The terms of reference for the Steering Committee were to:

- advise the Minister on an appropriate legislative and procedural framework;
- draft articles for agreement;
- complete development of an educational plan and brief;
- initiate preparation of an architectural brief;
- undertake planning measures necessary to establish a corporate structure for future planning and management;
- advise on an appropriate name for the project;
- prepare a project management timetable;
- establish parameters for development, particularly potential enrolment and funding for the first five years.

The Steering Committee recommended (concluded) that:

- a single management structure, supported by a Governing Board is most appropriate;
- a MOU is required to cover the spirit of the partnership;
- individual accreditation and articulation amongst partners will be of paramount importance;
- the development of a master architectural plan, project management timetable, and amalgamation of land into one title under the name of the Minister is necessary;
- several names are available for the proposed institution;
- parameters for capital and recurrent contributions amongst partners be identified;

- the project, as proposed, is most cost effective. Using a 10% discount rate the Net Present Values for the three alternative options resulted in:

◦ separate provision by each institution	\$27.9m
◦ joint provision with integrated facilities	\$24.4m
◦ joint provision with separate facilities	\$26.7m

The Steering Committee was of the view that the proposed joint operation should be established by legislation as a corporate entity. As a result of establishing corporate status, the joint operation would be able to employ, contract and undertake commercial functions with other organisations in order to provide high quality courses across the senior secondary, TAFE and higher education sectors with particular emphasis on articulation, integration and flexibility. The current position in relation to the links between the sectors is reflected in the Memorandum of Understanding.

In recent discussions with the Executive Director it was indicated that the Governing Board will incorporate CHEC as a company limited by guarantee to act on behalf of CHEC for corporate functions only. Legal advice is currently being sought towards this objective.

The establishment of CHEC as reflected within the Memorandum of Understanding as an integrated model was supported by both State and Commonwealth Governments.

*Site
Determination*

CHEC comprises a total land area of 141 hectares. The majority of this site (105 hectares) was a joint gift from the Coffs Harbour City Council and Coffs Harbour Ex-Servicemen's Club to the then University of New England (the name was later changed to Southern Cross University) for the nominal amount of \$1. Land adjacent to that held by the University was purchased for \$3.9m by the partners (TAFE contributed \$3.1m for 29.9 hectares and DSE \$800,000 for 5.7 hectares).

CHEC was built on three parcels of land. For administrative purposes and legal simplicity title is registered under the then Minister for Education, Training and Youth Affairs.

Infrastructure

Capital costs were shared between the three partners. All infrastructure is jointly owned.

*Masterplan of
CHEC*

A Masterplan for the CHEC site was prepared in September 1992. The Masterplan, in part, includes a Development Capability Assessment comprising:

- Environmental Noise Impact Study (ENIS);
- wetlands identification;
- habitat protection.

The ENIS identified areas of the CHEC site affected by aircraft and traffic noise. Construction of Stage 1 of CHEC occurred on areas subject to acceptable noise levels. Construction on areas affected by noise levels will require sound-proofing at extra cost.

The Masterplan also identified a koala and osprey habitat zones. Current planning policies require the preservation of that habitat.

Public Works Site Survey

Information received from NSW Public Works indicates the following characteristics for the 141 hectare site:

- wetlands cover 45% of the total site;
- habitat areas preclude development of a further 15% of the site;
- noise levels preclude development of 5% of the site;
- 30% of land is suitable for building without noise attenuation work;
- 5% of land suitable for building will require noise attenuation work.

Observations

- The Terms of Reference of the Steering Committee did not include site selection. The location of CHEC was pre-determined by a gift of land.
- CHEC is located near Coffs Harbour Regional Airport. The impact of the airport on the operations of CHEC was not considered within the Terms of Reference of the Steering Committee. It is noted however, that an Environmental Noise Impact Study was undertaken after acquisition of the site which identified no serious obstacle to the establishment of CHEC.
- A portion of the CHEC site includes by low lying wetlands and fauna habitat, although it is claimed that this situation will not detrimentally affect the operation of CHEC.
- Out of the total site area of 141 hectares, an approximate area of 50 hectares is suitable for development.

CHEC is seeking a company title for corporate functions. This will not present CHEC as a single integrated institution. While the Executive Director reports to the Board for corporate functions, each partner institution will continue to be separately accountable for educational outcomes to its parent organisation. CHEC will not be directly responsible to a Minister and will not be required by law (the Annual Reports Act, Departments and

Statutory Authorities) to produce an Annual Report for public sector reporting purposes, but will be required to prepare financial statements in terms of the Corporations Law.

Conclusion

Anecdotal evidence suggests that the facilities offered by CHEC are first rate.

There is however, no documentary evidence within the feasibility study to suggest that the choice of the Hogbin Drive site was the most appropriate available. It is considered the impact, if any, of the airport on CHEC should have been included within the Terms of Reference of the Steering Committee.

If integration is the objective of CHEC then legislation (which establishes CHEC as a separate entity) is an option more likely to achieve that objective.

Legislation, however, will not guarantee the required level of integration. In fact, attempts to establish a fully homogeneous environment may create additional pressures between the partners because of different cultures, educational practices, and industrial relations.

5.3 Memorandum of Understanding

Summary of MOU Main Points

The Memorandum of Understanding (MOU) was signed on 29 March 1994. The signatories to the memorandum are the three Chief Executive Officers of DSE, TAFE and SCU.

The MOU evidenced agreed policy between the partners and provided a framework for the establishment and development of CHEC. The main points of the MOU are to:

- promote regional commitment by the partners to achieving access and equity objectives in education; meeting the needs of students in the region, and; to promoting the concept of life long learning;
- establish CHEC as a body corporate subject to the enactment of legislation;
- provide for a mission statement;
- establish accountability relationships of the partners;
- establish education objectives for student accreditation and promote flexible pathways;

- provide for the establishment of a Governing Board and to specify its composition and responsibilities;
- provide for an academic and administrative staffing structure;
- provide for changes to the MOU;
- provide for 'more detailed agreements'.

Observation

- The MOU is silent as to the arrangements governing, or 'more detailed agreements' over, the following:
 - adequate accounting of financial transactions and assets and liabilities;
 - adequate reporting to the partners;
 - auditing arrangements, both internal and external;
 - general purpose and public liability insurance;
 - management decision making processes in regard to corporate functions;
 - dispute resolution;
 - dissolution / termination clauses.

Conclusion

It is considered the MOU or 'more detailed agreements' (pertaining to the MOU) should have made provision for the above mentioned matters.

5.4 Corporate Aims & Objectives

Mission Statement 'The mission for CHEC is to develop and deliver high quality courses at each educational level to a wide range of students; and to do so within a framework of integration and flexibility; and to become a model institution of professional and educational distinction for its students, staff and the communities it serves'.

The Executive Director of CHEC has advised that the mission statement has no status at present and will be revised by the Board as part of the strategic planning process.

Observations

- Corporate aims and objectives have not been prepared to support the mission statement.
- While each partner institution follows the broad strategic direction established by its parent organisation, CHEC has yet to develop a strategic plan.

Conclusion

The absence of corporate aims and objectives and strategic plans for CHEC as a separate identity may encourage the continuation of separate and distinct cultures and thereby impede integration.

The appointment of an Executive Director responsible to the Governing Board to oversee the corporate planning process, provides an opportunity to redress the current situation.

5.5 Financial Contribution by the Partners

Capital Contributions

The financial contribution to date by each of the partners is shown in the table below. The total capital development budget for Stage 1 (incorporating building packages 1, 2 and 3) of the project is \$28.8m.

Table 5.1 Capital Costs of CHEC Stage 1

Sector	Construction Costs \$000	Furniture and Equipment \$000	Fees \$000	Total \$000	%
SCU	8,755	1,920	864	11,539	40.1
TAFE	7,410	1,920	756	10,086	35.1
DSE	5,640	960	540	7,140	24.8
TOTAL	21,805	4,800	2,160	28,765	100

Source: Project Financial Report No 12, 4 November 1994 - NSW Public Works, Pg 7

Capital contributions were negotiated between partners and were based on each partner's estimate of the cost of facilities required to fulfil its educational role. For example, DSE contributed for the Science Laboratories and the Design and Technology areas, TAFE contributed for the Tourism and Hospitality section and the University paid for the lecture theatre.

Stage 1 facilities (incorporating building packages 1, 2 and 3), construction of which commenced in September 1993, include accommodation for administration, student amenities, a canteen and student union, library, open learning facility, lecture theatres, general purpose classrooms, science laboratories, tourism, hospitality and computing facilities, staff offices, support areas, storage, etc, active and passive outdoor recreation areas and parking.

Stage 1 (building package 4) for extra staff accommodation is estimated to cost \$1.7m and to commence in the second half of 1996. Stage 2 works have not yet been decided upon.

Off-site infrastructure including, for example, costs of access roads was shared as follows:

Table 5.2 - Off-Site infrastructure Costs

Sector	Costs \$000	%
DSE	237.6	42.6
TAFE	319.6	57.4
SCU	NIL	NIL
TOTAL	557.2	100

Land Purchase

The cost of land to the partners is identified under section 5.2 *Planning: Site Determination*.

Management

5.6 The Governing Board

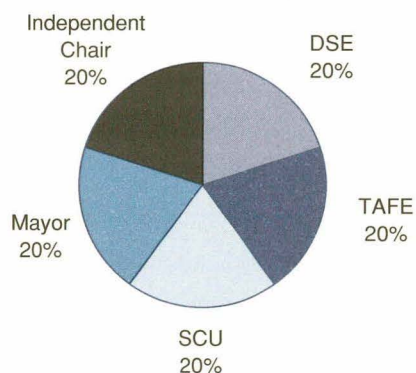
Management Structure

The MOU provides for a Governing Board to oversight the operations of CHEC.

A corporate management structure was adopted because of its flexibility in permitting CHEC to establish its own administrative and educational arrangements.

The Board comprises the three Chief Executive Officers of the three partners; a member of the community (the Mayor of Coffs Harbour) appointed by the then Minister for Education and Youth Affairs and an independent Chairperson also appointed by the Minister.

Composition of Governing Board



An Executive Director was appointed in December 1994 and is accountable to the Governing Board. Within appropriate delegations from partner institutions, the Governing Board will be responsible for policy and strategic directions of the joint project and for the management of the funds allocated by the partner institutions (MOU pg 2).

Partners are separately accountable to their parent organisations for their educational responsibilities. For example, the Regional Director of the North Coast Institute of TAFE is required to ensure that the Academic Director at CHEC (representing TAFE) implements TAFE policies.

The Board is supported by:

- a tender sub-committee to assist in making purchasing decisions;
- a finance sub-committee to assist in the development of financial policy;
- sub-committees on properties, administration, student services, computing, marketing and student residences.

*Plans of
Management*

Plans of Management were to be developed by each of the Academic Directors, in consultation with the Executive Director at CHEC. The plans prescribe management arrangements and allocate functional responsibilities among partners.

As at June 1995, functional responsibilities had been distributed amongst partners (corporate services such as: Student Services to DSE, Administration to TAFE and Library and Computer Services to SCU).

It is recognised the split (between partners) of these corporate functions was intended to minimise the duplication of resources at the site. It was also noted that the functions were said to be distributed to the partners in terms of their relative expertise to provide such a service.

The Vice-Chancellor of Southern Cross University has advised (9 August 1995) that Plans of Management for Computing and Library Services have been completed.

Observations

- The minutes of the Governing Board state that DSE will be responsible for Student Services Management, TAFE for Corporate Management Administration of Campus and SCU for the Library. It is noted, however, that Plans of Management have not been finalised as at June 1995. The College received its first students in January 1995. It is considered highly desirable that Plans of Management should have been finalised prior to the student intake of January 1995 in order to avoid any disruption to services.
- One library services all partners. Three librarians (one from each sector) are employed within the library. It is considered that the employment of three librarians under different awards and conditions is contrary to the concept of integration and may be inefficient as may the use of two cataloguing systems.
- Each partner of CHEC is serviced by a separate computer system. An integrated computer platform presents difficulties for example, meeting the different information needs of each partner.

Conclusion

While CHEC is structured in terms of its distinct educational and operational roles, it is not possible to conclude on the success or otherwise of its integrated management structure.

The employment of three librarians and support staff within the library under different awards and conditions is considered unsatisfactory for an integrated library.

Advances in technology may alleviate the need for each partner to maintain a separate computer installation.

5.7 Financial Management

Financial and Budgetary Management

The Governing Board administers an annual operating budget based on financial contributions that will, in the future, be negotiated on an annual basis with each partner institution. The Board will also, in consultation with the partners, develop a five year strategic capital works program.

The day to day administration of financial matters will be conducted utilising TAFE financial reporting systems.

Recurrent Funding

DSE is funded by Treasury on a per student basis. TAFE is funded jointly by state funds on a student formula basis and the Australian National Training Authority. SCU is Commonwealth funded on a student formula basis.

DEET

The Steering Committee of CHEC attempted to obtain a single source of funding from DEET but was unsuccessful.

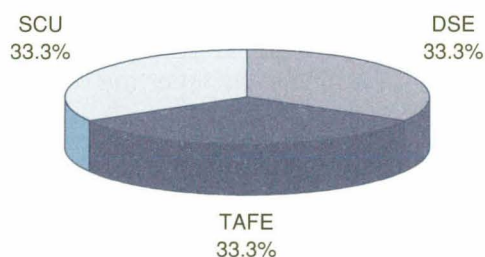
Recurrent Expenditure

A report by the Ministerial Advisory Committee estimated recurrent funding of \$1.1m of CHEC for the years 1993 and 1994 and \$14m in 1995 when CHEC becomes operational.

Each sector pays for its own teaching staff. Each partner is liable for one third of certain corporate costs. However, generally, cost components are allocated on an EFTS basis. Costs such as postage, telephone charges, photocopying usage and paper are charged on a user pays basis. Electricity and gas are allocated on a EFTS basis among partners.

TAFE meets expenditure in the first instance and invoices the other two partners on a quarterly basis for their respective shares.

**Recurrent Expenditure for
Coffs Harbour Education Campus**



The Steering Committee endorsed a policy of providing as many non core services via a single outsourcing contract as possible. Services outsourced so far under one 'head contractor' are landscaping, cleaning, waste disposal, security, catering. Another head contract may need to be negotiated for printing, plumbing, electrical, mechanical services and maintenance of kitchen equipment.

*Ownership
and Protection
of Assets*

Physical assets at the site are recorded on the Assets Register of each partner institution.

The site is patrolled by a security firm contracted to CHEC. Although Hogbin Drive, the site of CHEC, is a remote site, physical and personal security on campus is commensurate with that of any major educational institution.

Computers in training rooms and telecommunications equipment, although not physically immobilised, are protected by locked doors and security coded keypad access.

Observations

- A budget for corporate functions is currently being developed. There is no financial costing or financial reporting system for corporate functions, such as library, student services, administration.
- The absence of a single funding arrangement presents an administrative difficulty for CHEC in arranging its cash flow. It does not support the Government's objective of breaking down the barriers between partners.
- The purchasing function of SCU (CHEC) is managed by the Lismore Campus of SCU.
- Purchasing for the joint functions of CHEC is managed through the TAFE-provided campus purchasing system.
- DSE and SCU are reliant on the accuracy of financial systems of TAFE for the reporting of periodical expenditure.
- There are no separate financial statements for CHEC.
- The financial transactions and operations of CHEC have not been subjected either to internal or external audit.

- Contributions for the construction of CHEC were decided on the basis of each institution's accommodation requirements for educational purposes. Recurrent funding for each partner institution is based broadly on student numbers (EFTS). Recurrent expenditure for certain CHEC corporate costs is apportioned on the basis of 1/3 for each partner.

Table 5 Student Numbers (EFTS)

Partner Institution	1995	1996
DSE	223	450
TAFE	627	825
SCU	650	816
Total EFTS	1,500	2,091
Total Persons	2,500	3,400

Conclusion

It is considered that the operations of CHEC should be separately and adequately identified within:

- *a published financial report of CHEC; and or*
- *the financial statements of SCU, DSE or TAFE.*

It is considered the Governing Board should arrange for the provision of auditing services over the financial and operational functions of CHEC.

The apportionment of recurrent expenditure for certain corporate functions of CHEC at one third for each of three partners is equally spread. It is noted however, that the basis of apportioning capital costs of construction, and other recurrent costs on a student numbers basis is different. Given this situation the sharing of certain other corporate costs is unequal. The equity of this arrangement is a matter for the partners but should be reviewed periodically and agreed arrangements documented.

Effectiveness

5.8 Performance Indicators

CHEC is a new educational institution. The first intake of students at CHEC occurred in January 1995.

Conclusion

It is too early to evaluate the overall effectiveness or success of CHEC. It is important that the Governing Board through management decide on appropriate performance indicators to measure the success (effectiveness) of CHEC.

5.9 Reporting

Observations

- CHEC represents a significant commitment by the taxpayers in financial terms. Capital costs to date of Stage 1 are in the order of \$30m;
- There is no separate reporting of the operations of CHEC;
- The level of reporting within the Annual Reports of the partners is not considered adequate.

Conclusion

As indicated under 5.7 Financial Management it is considered that the level of reporting of the operations of CHEC is currently inadequate.

6. Nirimba Education Precinct

6. Nirimba Education Precinct

6.1 Introduction

In May 1992 the Commonwealth Government announced that the Department of Defence would no longer require its facility (comprising land and buildings) at HMAS Nirimba Naval Base, located at Quakers Hill.

A consultative committee, formed by the Minister for Defence, sought and evaluated proposals for alternative uses of the site. A proposal, put forward by a consortium of education providers, to establish an education precinct was the preferred choice.

Partners

The consortium comprised the:

- University of Western Sydney - Hawkesbury (UWS);
- NSW TAFE Commission (TAFE);
- Department of School Education (DSE); and
- Catholic Education Office, Parramatta Diocese (CEO).

The precinct comprises:

- a campus of the University of Western Sydney;
- a TAFE College; and
- two senior high schools (years 11 and 12) one each by the CEO and the DSE.

The precinct will draw students from a wide area as follows:

- UWS students from the entire North-Western Sydney region, but particularly from Blacktown, Rouse Hill and Baulkham Hills;
- TAFE students from the Blacktown and Baulkham Hills Local Government areas and also from the wider Northwest;
- Catholic education students from areas within the Parramatta Diocese;
- DSE students from Quakers Hill and surrounding High Schools.

*Existing
Limitations*

Reasons for the establishment of NEP include:

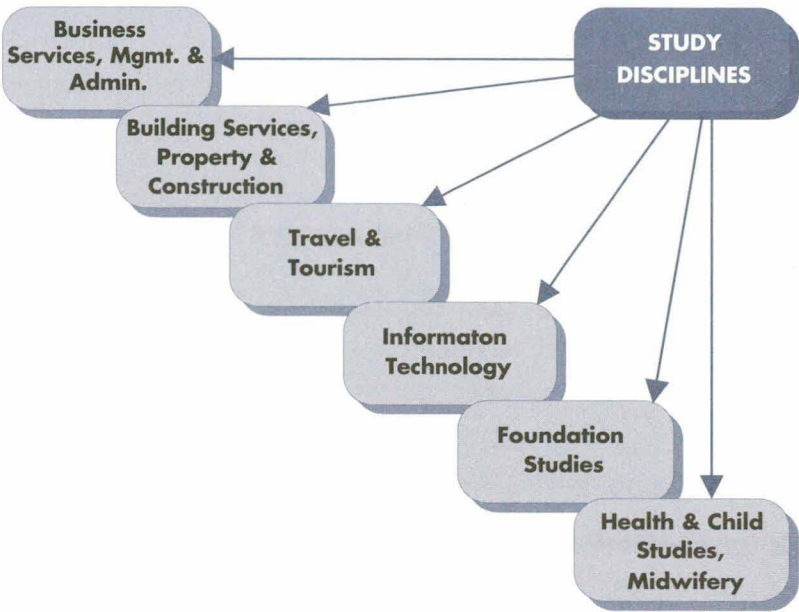
- demand for high school places from existing urban areas and new land releases. NEP is situated in the growth area of the North West section of Sydney. The construction of a senior high school at NEP will alleviate enrolment pressure in existing and future high schools;
- overcrowding at UWS Richmond (the other UWS campus serving North-Western Sydney) and the need to have in place new accommodation for the commencement of the 1995 academic year;
- further development at Blacktown TAFE is not possible (the site is landlocked);
- Blacktown and Baulkham Hills TAFE sites are over developed resulting in overcrowding;
- based on population projections for the area, it is estimated that there will be an increased demand for TAFE enrolments of between 12,000 to 15,000 by 2011. NEP will also be able to cater for un-met demand in university places (in 1992-93 2,700 of 6,000 applications for enrolment from students within the North/Western Sydney Sector were not met).

Site Concept

The concept of the Education Precinct is to bring the partners together on a single site whilst maintaining discrete and identifiable campuses. So called 'soft' boundaries will exist between each campus in physical and educational terms. Emphasis will be placed on maximising the shared use of facilities and services. Resource usage will be coordinated to minimise duplication and unnecessary cost.

UWS commenced academic operations in 1995 with 300 students. First semester courses for 1995 of UWS include MBA, graduate work in Midwifery, parts of the degree in Building and Property Studies. Additional courses in Building and Business Management will be offered later in 1995 and 1996.

TAFE will commence operations in the second semester in 1995 with a range of Business Services courses. In the future other courses will include Building and Construction, Travel and Tourism, Child Studies, Information Technology and Foundation Studies.



	<p>It is planned for the two senior high schools to be constructed in 1996 to 1997 with the first students commencing in 1998.</p>
<i>Enrolments</i>	<p>At full capacity, the proposed education facilities at Nirimba will accommodate more than 1,800 high school students, 3,500 TAFE students and 2,600 University students, a total of almost 8,000 students.</p>
<i>Government Policy</i>	<p>The precinct gives effect to the former Government's Directions policy. As conceived, the precinct will facilitate implementation of Government policy by breaking down educational barriers and providing additional education and vocational pathways. As well, the planned total enrolment will provide a critical mass of students which will produce benefits greater than would be possible if each of the partners operated on physically dispersed sites.</p>
<i>Location</i>	<p>The Nirimba site is well located in terms of public transport and road access. The rail situation will be further improved should the proposed duplication of the Blacktown to Riverstone railway line eventuate.</p> <p>The use of existing buildings and infrastructure on the site will be maximised, consistent with the requirements of the precinct. Certain facilities at NEP are occupied currently by students of UWS. Other facilities are currently being refurbished, infrastructure upgraded and new buildings constructed by DSE and the CEO to make the precinct fully operational.</p>

Establishment

6.2 Planning

Role of the Ministry

The former Ministry for Education and Youth Affairs (MEYA) played a coordinating role during the set up phase of NEP. MEYA chaired the establishment of the Consortium Committee. This role continued until the campus opened.

Negotiations with the Commonwealth were carried out by MEYA, on behalf of the partners. External parties had only to deal with a single point of contact. A mediation role was also provided which may have assisted in promoting harmonious relations in arrangements.

Economic Appraisal

As part of the negotiations for the purchase of the site an Economic Appraisal was commissioned by the consortium partners. The appraisal projects the costs of the NEP option against an alternative approach of the partners developing separate facilities in the North Western Sydney Region to meet their respective needs.

The appraisal identified both quantifiable and non-quantifiable costs. It concluded that the development of the precinct would be the preferred approach. The purchase price was within the bandwidth recommended by the Economic Appraisal. The cost of the precinct was marginally less than separate developments by each of the four partners.

The precinct option also offered substantial non-quantifiable educational benefits consistent with recent trends in education. The appraisal identified the following non-quantifiable benefits:

- educational linkages between all four partners;
- a unique concept and opportunity to implement the government's policy of new educational programs, accelerated learning, integrated post-compulsory school pathways;
- the provision of new facilities and educational options;
- accessibility for students from regional areas. The site is well serviced by major road and rail linkages and is positioned centrally within the planned areas of each of the partners.

Documentation sighted indicates that the economic appraisal was reviewed by Treasury and Capital Works Unit of the former Office of Public Management and found to be satisfactory.

Purchase Price

The appraisal recommended a maximum purchase price for the land and building package. The State purchased the subject land from the Commonwealth for \$20.8 million, payable over two years, with interest.

The purchase price (\$20.8m) of the former HMAS Nirimba Naval Base was spread across the consortium partners as follows, based on the amount of land required by each partner and the valuation of existing buildings on each partner's site.

Table 6.1 - Acquisition Costs

Partner Institution	\$m
UWS	8.3
DSE	1.5
TAFE	9.5
CEO	1.5
TOTAL	\$20.8

The estimated cost to develop NEP is \$65.5m. The distribution between the partners is shown in the following table:

Table 6.2 - Infrastructure Costs

Partner Institution	\$m
UWS	22.0
DSE	12.0
TAFE	21.5
CEO	10.0
TOTAL	\$65.5

Ownership of Land

The land is held under Community Title. This was the preferred option as it allows each partner to have separate legal ownership of the land upon which its facilities are constructed, yet enables the sharing of facilities by some or all of the partners. There is a common zone between TAFE and UWS where the library, student amenities and pool are located.

DSE and CEO intend to construct and share a library, performance space/hall, gymnasium, canteen, carparking and ovals.

This contrasts with Bradfield College where the DSE is the owner of land and buildings and CHEC where the land is jointly owned by the four partners.

Infrastructure

Buildings are owned separately by each partner institution, except for those occupying the common zones referred to previously.

Specific operational agreements will include or provide mechanisms for determining details of the nature of joint or shared use; basis of cost apportionment; obligations and responsibilities of partners; financial settlement provisions and monitoring provisions. These sub-agreements are currently being drafted for formal ratification by the Consortium members.

Insurance arrangements provide for coverage over the total precinct, including the common zone.

Observations

- The value of an independent third party (MEYA) in carrying out negotiations on behalf of the consortium was acknowledged by the partners as a positive contribution to the success of those negotiations.
- The partners chose a co-locational model with shared use of key facilities as the most appropriate means to achieve objectives. Such a model allows sharing and joint-use while retaining independence.
- The arrangement also allows each partner to make decisions regarding its future. Should one partner wish to exit the joint operation, the other partners have first option to purchase the land and premises of the retiring partner. Alternatively, it can be offered for sale in the market place.

6.3 Corporate Aims and Objectives

Mission Statement The mission of the precinct is to develop NEP as a leading centre of educational cooperation and innovation in Australia recognised for the provision of:

- accessible, quality education and training programs that are student, industry and community focused;
- life long learning opportunities;
- quality education and training programs;
- maximum opportunity for educational research and development.

Education Philosophy The educational philosophy of NEP, outlined in the MOU, is based on:

- the provision of new and challenging educational opportunities for students in a unique learning environment;
- the fostering of educational innovation and excellence;
- the provision of relevant, life long education and training for students, industry and the community;
- the development of flexible and articulated learning pathways among the education sectors;
- achieving a high level of cooperation between the four education sectors with the objective of enhancing quality of outcomes for students and achieving social, cultural and economic benefits for the regional and national communities.

6.4 Memorandum of Understanding

Governing the arrangement is the Memorandum of Understanding (MOU) document which lays down the basic principles guiding interactions between the partners and the structural arrangements to be implemented in order to carry out objectives and the educational philosophy of the precinct.

Supporting the MOU is a proposed series of individual sub-agreements. Negotiated between the partners involved, these operational sub-agreements relate to common or shared use of facilities and services. Other proposed agreements will cover arrangements for the provision of services and utilities including ground maintenance, security; gas, electricity, joint water, sewerage and communication systems. Student amenities such as the library, canteen and pool will be the subject of a separate Memorandum of Understanding.

Observations

- The use of special relationship and individual operational agreements meets the needs of the partners and adds a degree of certainty to the relationship, minimising the potential for dispute as the parameters of the arrangement have been established in advance.
- Such agreements are yet to be drawn up but the partners have decided upon the areas subject to such agreement and have specified what must be included in each.

Management

6.5 Management Structures

Management structures to achieve precinct objectives are the *Nirimba Education Precinct Board* (the Board) and the *Nirimba Operations Committee* (the Committee). Responsibility for chairing the Board and the Committee will be rotated on an annual basis. Specialist Sub Committees will be formed as needed to facilitate achieving the Precinct objectives. Sub Committees are to be endorsed by the Board and will report to the Committee.

Forward Planning

Forward planning for the precinct and matters affecting all four partners is the role of the Nirimba Education Precinct Board. Each partner will continue to be responsible to its parent institution, but strategic planning responsibilities for precinct matters will fall to the Board. Matters for the Board's attention include consortium forward planning and policy development, appraisal of the triennial profile plan and capital planning projections of each partner, approval of agreements affecting all four partners, and dispute resolution.

Operations Management

Short term operational management is the responsibility of the Nirimba Operations Committee. The Committee is responsible to the Board for ensuring operational matters affecting all partners are cooperatively addressed and implemented. It will deal with matters including agreements and mechanisms for cooperation on site.

Matters to be addressed by the Nirimba Operations Committee cover the following matters:

- agreements on the shared use of facilities, including codes of conduct, access to licensed areas and student discipline within such facilities;
- mechanisms for cooperative educational and administrative activity on site;
- matters requiring joint or collective discussion or decisions between the partners;
- financial arrangements;
- preparation of the next year's operational and financial agreement for approval by the Board.

Some common membership exists between the above mentioned Board and committee, which should facilitate the flow of communication. Both will operate on the principle of equal representation, each partner having three members on each group.

Specialist Sub Committees, endorsed by the Board, will be formed as required to facilitate attaining the objectives of NEP.

*Academic
Planning*

There has been a degree of cooperative planning in the academic area. TAFE and UWS seek to provide courses which complement each other's offerings. Both intend to initially concentrate courses within the areas of management and building.

This integrated approach is expected to confer increased educational opportunities upon the students and maximise use of specialist facilities.

Observation

- The establishment of committees to manage joint functions of the site is commensurate with the philosophy of NEP.

6.6 Other Issues

Asbestos and buried ordinance (ammunition) are regarded by the partners as the two major sources of possible risks to health and safety. A third potential risk is from land contamination. These issues are considered below.

Ordinance

The Commonwealth has accepted full responsibility for the safe removal of any buried ordinance should it be discovered on site.

Asbestos

All asbestos was removed at Commonwealth expense prior to site occupation.

*Land
Contamination*

An environmental study is to be completed as a prerequisite to rezoning part of the land.

A prime purpose of the study will be to determine whether a contamination issue arises on any part of the land comprising NEP. If this proves to be the case, and remediation is required, the Commonwealth Department of Defence has, in the Contract of Sale, limited its liability to a maximum of \$5m. However, the amount of liability the Commonwealth would accept for removing contamination over and above \$5m is less clear.

Documentation of the former Ministry of Education and Youth Affairs indicates that concerns (expressed by the former Ministry and precinct partners) as to this limitation have resulted in the precinct partners seeking some comfort from the Commonwealth Government.

Correspondence to the former state Minister for Education, Training and Youth Affairs indicates that the Commonwealth would initiate a consultative process involving state officials and the Environment Protection Authority (EPA), in order to determine an appropriate option for remediation. Once determined, the Commonwealth would assume responsibility for *implementation* of the agreement. Given the contracted liability of \$5m, it is not stated whether the said implementation would extend to paying for all costs involved in remediation.

Effectiveness

6.7 Performance Indicators

Observation

- NEP is a new educational institution. The two high schools have yet to commence construction on the site. The university and TAFE have commenced operations on a small scale. It is not feasible to evaluate the effectiveness at this early stage.

6.8 Reporting

Observation

- Each of the partners operates independently retaining autonomy over operations. For reporting purposes each will continue to report to the relevant parent organisation.

A Guide to Best Practice

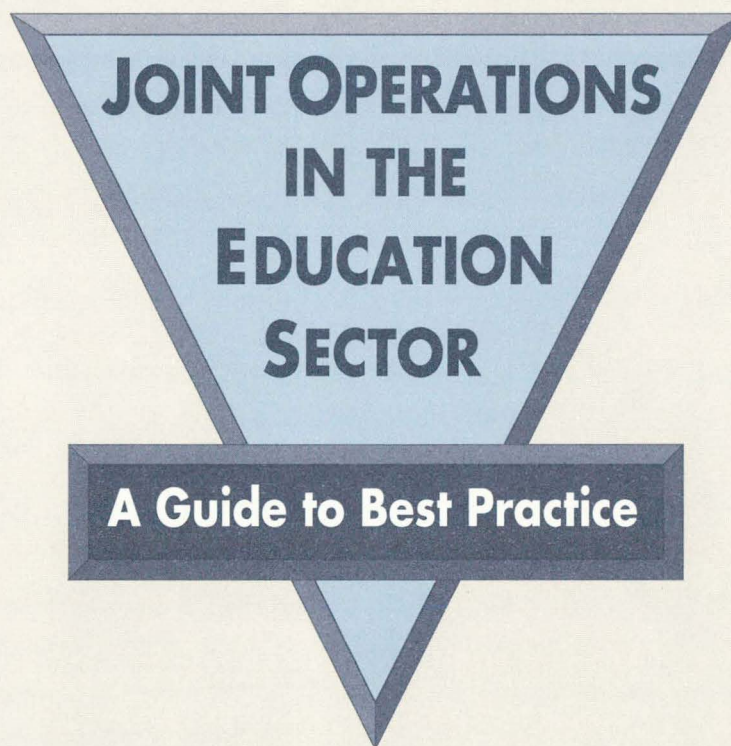


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Best Practice

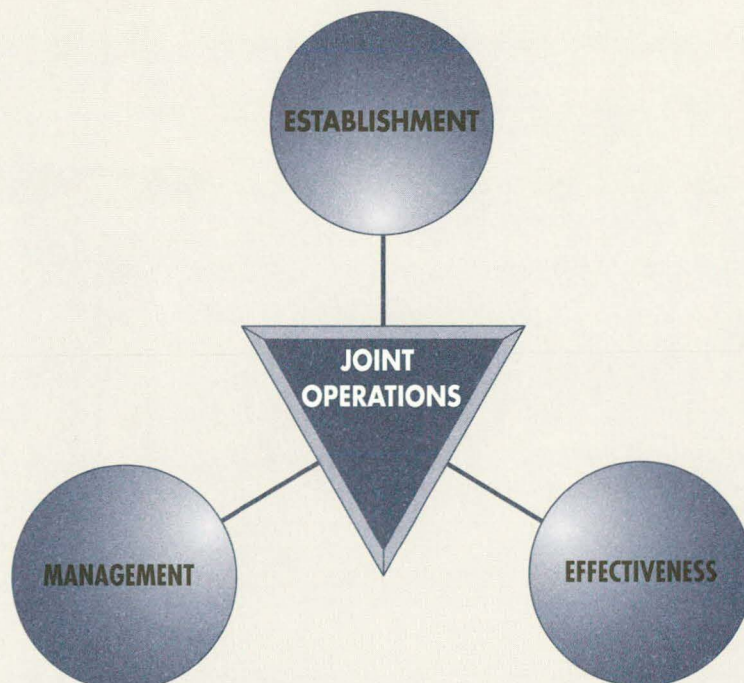
best practice is simply the best way to perform a process, including the desire to learn and adapt others leading-edge ideas to deliver world class standards of performance

The development and issue of this *Guide to Best Practice* flows from the requirement that agencies in the public sector have to strive for best practice. This *Guide to Best Practice* is designed to provide direction to senior public sector management in the education sector to meet best practice with regard to joint operations.

Best practices have been derived from observations at various joint operations in the NSW educational arena. Practices are primarily suited to fully integrated sites, but are also applicable to co-location joint operation models. This publication is equally beneficial to agencies contemplating joint operations outside the education sector. Many of the practices stated may currently be undertaken at existing joint operations, however benefit was seen in providing a summary of all relevant consideration points.

Best practices with respect to joint operations are provided within the following broad areas: **Establishment, Management, and Effectiveness**. Maintenance of best practice requires continuous improvements in cost, quality and timeliness through the adoption of leading edge management techniques and technologies.

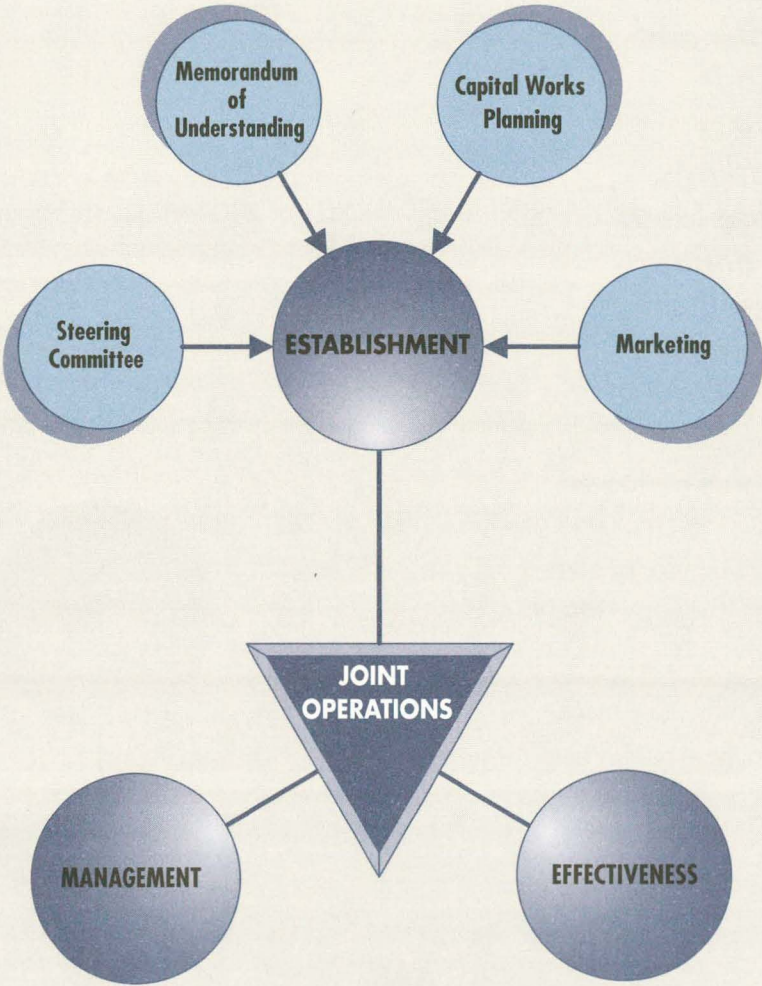
Key result areas of best practice are shown below.



Establishment

the success of any operation is heavily dependent upon good planning

The establishment phase sets the foundation upon which the success of any joint operation will be built. Establishment spans the formation of a project steering committee, the drafting of an agreement between partners, capital construction of site and facilities (including refurbishment or modification of existing site and related facilities) through to marketing the joint operation prior to opening.



Establishment

**Steering
Committee**

an effective steering committee facilitates a smooth transition from planning to policy implementation phase

Steering Committees comprise a number of suitably qualified, representative individuals who are chosen to brief the Minister on the best mechanism to introduce and operate a joint operation. The researched conclusions and action oriented directions provided by a Steering Committee facilitate a smooth transition from planning to policy implementation phase.

The following practices should exist:

- The Steering Committee is to be established by the Minister(s) responsible, having regard to members pre-defined background and experience requirements.
- Clearly articulated Terms of Reference and appropriate time frames, including frequency of meetings and documentation standards for meeting minutes, should be developed.
- The Steering Committee members should include appropriate representation from all partners and be independently chaired.
- Community consultation and/or liaison should be an integral factor in the conduct of Steering Committee business.
- The Steering Committee should define a corporate strategy for the joint operation consistent with government policy.
- The Minister should instruct the Steering Committee to conduct an economic feasibility study and then report findings. The economic feasibility study report should canvas the following issues: demographics, financial appraisal, demand and supply analysis of education and possible savings from options (singular provision, co-location, integrated facilities or do not proceed). The feasibility study should include an assessment of potential sites.
- The Steering Committee should investigate the legal status of any proposed joint operation and recommend options. For example:
 - fully integrated Body Corporate status established by an Act of Parliament and accountable via the tabling of an annual report, or
 - co-location status with no legal contracts and accountable via individual organisations ministerial reporting regimes.
- The Steering Committee should finalise work with a comprehensive Memorandum of Understanding that defines the intentions, powers and limitations of parties to any agreement.

Establishment

**Memorandum
of
Understanding**

**a joint
statement of
commitment
to the
achievement
of a
successful
outcome**

A document called a Memorandum of Understanding (MOU) has been adopted as the norm when organising joint operations between government based providers. A MOU should detail the set-up and operational issues relevant to ensure control and accountability structures are in place.

In the absence of a formal contract, there should be a Memorandum of Understanding. The MOU should:

- Be evidenced in writing, dated and duly executed by all parties to the agreement.
- Detail the aims and objectives of the joint operation so that they are consistent through to corporate planning stage.
- Identify the composition and charter of any management structure (ie a board or committee) established to carry out the objectives of the operation.
- Contain information concerning the Board's authority, specific roles and responsibilities, particularly those relative to: operational and financial controls; compliance with laws and regulations; and financial reporting.
- Set the frequency and general timing of Board meetings.
- Define the Board's reporting requirements.
- Set guidelines for the Board's relationships with management and stake holders, and with internal and external auditors.
- Detail internal and external auditing arrangements for the joint operation.
- Detail listing of resources initially provided by each party (both in dollar terms and ratios).
- Contain documentation on the basis of contribution ie. equal share or some other basis, eg per student capita.
- Provide identification of any liabilities and asset: contribution; ownership; protection; and recording in schedules.
- Document mechanisms to compensate a party in the event of an inequitable contribution.
- Detail funding arrangements, financial management and reporting requirements.
- Contain dispute resolution procedures and termination arrangements in the event of a break-up.
- Provide for sub-agreements that may be drawn up to contain information pertinent to corporate management issues.
- Consider industrial matters, determine the employing authority in terms of personnel salary payments, superannuation, leave loading, etc.

Establishment

Capital Works
Planning

**building
infrastructure
on time
and within
budget**

Capital works planning is integral to bring about the transition of a new site or refurbishment of an existing site into an aesthetically pleasing, quality learning environment. Integral stages include project planning and tracking and control.

Project planning involves the identification of:

- The likely capital scenario out of a number of options
- What needs to be accomplished - ie. an objective.
- The steps required to do this - ie. tasks or activities.
- An estimate of the likely duration of each of these tasks.
- The sequence in which these should be done - ie. dependency links or predecessors.
- The resources required.
- The costs to be incurred.
- The likely completion date - ie. scheduled finish date?
- The likely budget - ie. scheduled costs?

Effective project planner's:

- Clearly document the project scope.
- Maintain task and resource information to form a 'planned' project outline, ensuring adequacy, cost and availability of resources for the joint operation.
- Set clear time frames and ensure specification of correct task relationships (eg. a finish to start relationship means one task must finish to allow the next task to start, etc) to ensure optimum delivery.

Tracking and Control involves asking the questions:

- Which tasks have started and when - ie. Actual Start?
- Which tasks have finished and when - ie. Actual Finish?
- How advanced are tasks that have commenced - ie. % complete?
- How many resource hours were expended?
- What costs have been incurred?

It also involves:

- Ensuring budget controls and mechanisms for monitoring expenditure are in place.
- Implementing procedures for introducing some project variations.
- Implementing a system to monitor and report progress to a Steering Committee via a Project Manager.

Project management structures accommodating a team approach with clearly defined responsibilities are conducive to best practice.

Establishment

Marketing

**telling
others
about the
service on
offer
detailing
place,
promotion
and price
advantages**

Marketing is about informing potential students, and the general public about the planned or actual service provided. It is important to publicise joint operations prior to opening to ensure the community is fully informed of the services available to them. Ongoing marketing is also important to reflect changes in services being provided or to attract students from unexplored avenues.

Marketing includes the following requirements:

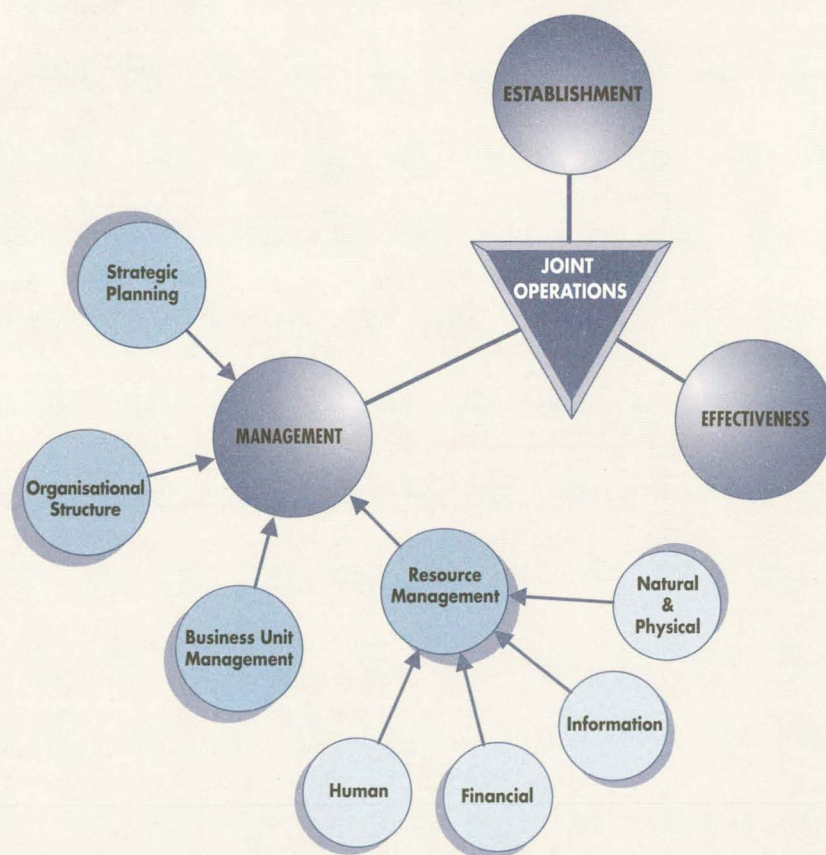
- Establish an integrated marketing strategy covering ‘product’ (high quality education), ‘place’ (market area consisting of a geographic region), ‘promotion’ (advertising of quality of education, flexible methods of delivery, etc) and ‘price’ (cost recovery versus public equity) strategies for the joint operation
- Establish a unique identity and market niche for the services provided by the joint operation.
- Define the market area for the joint operation. Usually this is geographically based.
- Ensure marketing campaign targets local papers, surrounding high schools, parent and teacher associations and networks in an attempt to publicise the joint operation.
- Ensure ongoing marketing is supported by market research and customer observations to project a favourable image of the joint operation. This may involve communicating the joint operation’s subjects, values, strategies and plans, policies and operations, and results and achievements, both externally and internally.
- Supplement advertising to inform the community and potential students by holding open days, exhibitions, presentations, etc to publicise activities/policies of the joint operation.
- Develop an external communications policy or code of practice that determines who is responsible/accountable for communications, and inform all staff of procedure for official public comment.
- Ensure telephone/reception facilities are maintained to present a positive image, as should all publications and written communications.
- Train staff in effective communication techniques and provide media relations courses for those personnel who liaise with the media.
- Follow government guidelines when applying student fees.

Management

**effectiveness
in deciding
what has to
be done,
doing it, and
doing it in an
effective
manner**

Good management can be defined in terms of the level of effectiveness in handling, discharging and directing an individual or institution in line with a conferred responsibility. Good management arrangements are needed to provide services efficiently and effectively in an increasingly demanding environment, and to manage priorities with limited resources.

This section on Management covers the issues of Strategic Planning, Organisational Structure, Business Unit Management and Resource Management. Resource Management is broken up into its resource components of: Human, Financial, Information, Natural and Physical.

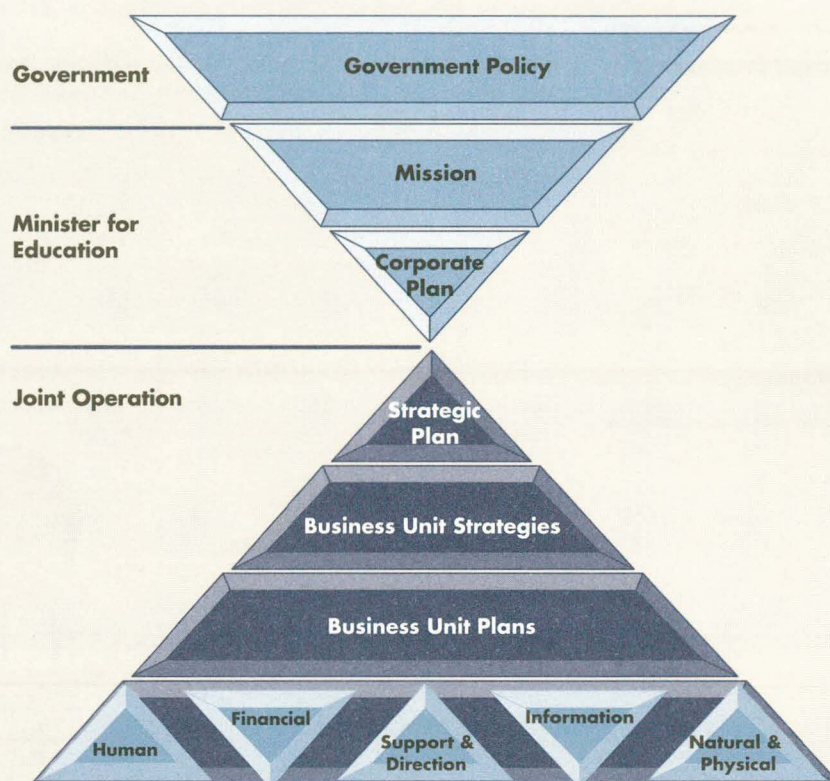


Vital to the good management of each joint operation is the extent to which the objectives of each joint operation are:

- Clear; understood, well integrated
- Reflected in management plans and the organisation structure
- Reflected in delegations of authority and decision making.

The hierarchy of objectives to assist the management of joint operations is shown below.

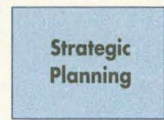
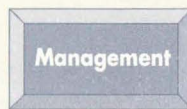
Hierarchy of Objectives



The 1990s have seen senior management set clear organisational Missions/Visions/objectives. Middle managers and general staff are more likely to be in unison with corporate objectives if they understand, control and monitor the sub-process which neatly fit into a larger process hierarchy.

Organising and viewing joint operation's from a 'process' management perspective rather than a 'functional' perspective ensures that managers have both functional (business unit) and process (task) responsibilities. This allows the setting and monitoring of performance indicators on process efficiency and organisational effectiveness.

Performance indicators allow the measurement of key performance 'drivers' and key performance 'outcomes'. Key performance drivers are aligned with what happens inside business processes while key performance outcomes are linked with what the business wants to achieve from business processes. Management of key performance drivers allows early detection and changes in processes rather than relying on what happens with the results from those processes (key performance outcomes).



**organisational
strategies to
implement
corporate
objectives**

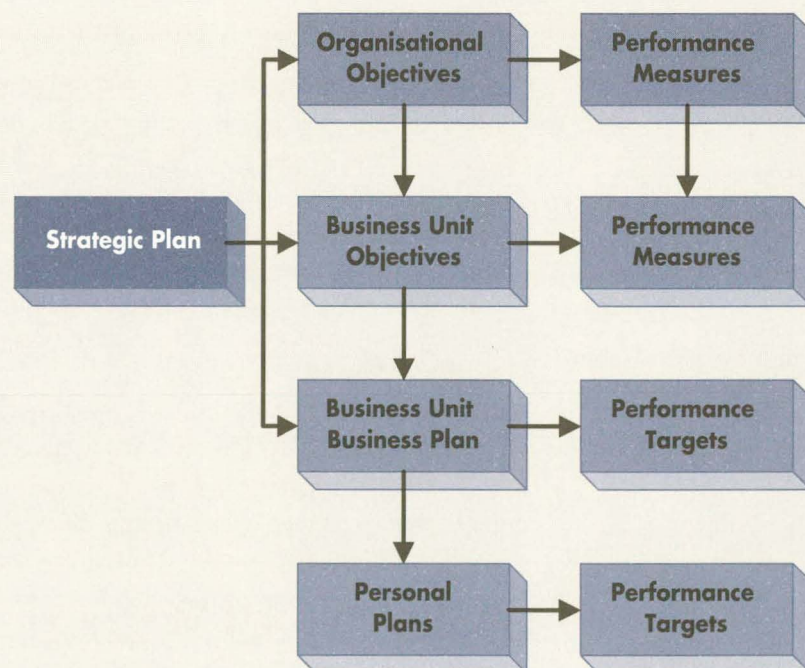
All joint operations should develop a strategic plan consistent with legislative mandate, mission statement and corporate objectives which includes the following:

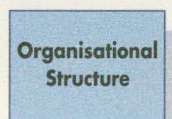
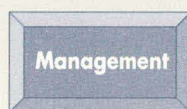
- Organisational objectives
- Business unit objectives
- Business unit plans
- Personnel plans

Performance measures and targets should be developed to complement these strategic objectives and plans.

Periodic strategic planning reviews looking at the achievement of short, medium and long terms goals should be conducted having regard to changing community requirements, laws and regulations and corporate resources. Lessons from previous plans being successful or unsuccessful should also be incorporated.

Strategic Planning Framework





the organisation should be structured in such a way to co-ordinate the desired outcome rather than concentrating on the achievement of individual outputs

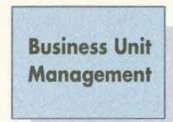
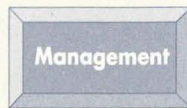
The organisational structure should mirror the core product of the joint operation, ensuring functional areas meet the organisations goals and objectives. The regularly reviewed structure should:

General

- Be clear and understood.
- Be process integrated with appropriate role defined/ differentiated business units, areas of (de)centralisation and specialisation.
- Clearly define responsibilities and provide delegations of authority commensurate with responsibility.
- Have a 'flat' minimum layered structure consistent with proper control.
- Encourage a team approach supported by: process management; devolution of responsibility; employee empowerment.
- Have appropriate reporting lines for effective, efficient communication that allows staff the opportunity to 'own' the process they work on, instead of viewing it as a 'chore'.
- Provide for accurate, consistent, timely and relevant management reporting for decision making purposes.
- Provide properly documented systems and procedures which are communicated to staff and which underpin and support the core joint operation activities and promote continuous improvements.

Specific

- Define the background and experience requirements of Board Members, with chairperson to be rotated at appropriate intervals.
- Clearly define the Terms of Reference (Charter) and a Code of Conduct for the Board, specifying roles and responsibilities.
- Ensure Board Members include appropriate representation from joint operation partners. The Minister may wish to appoint (to the Board) a prominent community representative from, for example, the business sector. This will ensure a balance is provided between consideration of policy and performance, community feedback and operational management issues.
- Establish formal delegation of operational responsibility to the Director, supported by decisions being noted in Board's minutes.
- Allow the Board to endorse the strategic plan, business unit plans, organisation structure, delegations, decision making processes and lines of reporting and communication channels.
- Promote the advance appointment of a joint operation Director independent of partners prior to opening.
- Provide clear working arrangements between the Board and the joint operation Director, and internal/external auditors.

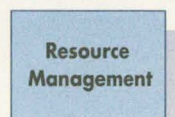
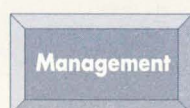


**efficient
business
unit
manage-
ment is
important in
terms of
bringing
about
operational
efficiencies
and
contributing
to corporate
effective-
ness**

Joint operation Business Unit planning (efficiency-orientated) must be complemented by, and be consistent with, a strategic plan (effectiveness-orientated) to be of any benefit.

Each Business unit should:

- Establish specific objectives, to be supported by a business plan.
- Ensure objectives are periodically revisited
- Ensure relevance of objectives and maintain ongoing interaction with key employees.
- Be supported by a Business Plan which must:
 - Be a formal/living document
 - Describe the unit's future destination and how they plan to get there
 - Be action orientated and achievable
 - Meet the needs of the user.
- Conduct thorough operations planning to ensure the right balance to enable: customer service to be maximised; minimum investments in resources to be obtained; and business unit operating efficiency to be maximised.
- Recognise the potential for the corporate provision of a service by one partner for all partners.
- Ensure key result areas cover: the quality of internal processes and competencies; and the ability of the unit to innovate and improve by utilising technology etc.
- Ensure that areas such as maintenance, ground and building cleaning, infrastructure and canteen facilities should be integrated to ensure costs savings amongst joint operation partners.



the achievement of corporate objectives is threatened without adequate resource management

Resource management entails planning, organising, leading and controlling organisational resources to achieve specific organisational goals. Resources span the following:

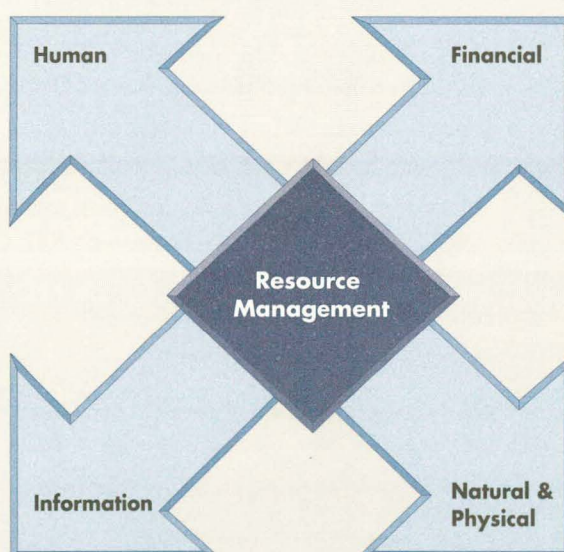
- Human
- Financial
- Information
- Natural and Physical

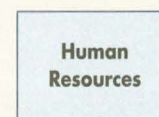
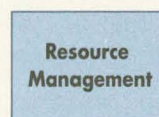
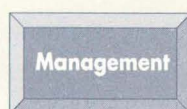
‘Quality’ should be an integral component in the choice, planning, control and accounting for resources, as well as in the activities and processes undertaken utilising the mix of resources.

Probity and prudence should also be exercised in the acquisition and use of resources.

Regular assessments should be made of the affects on resource needs of changes in program direction and priorities, workload, and quality of service.

Resource Management Factors

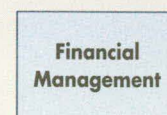
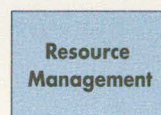
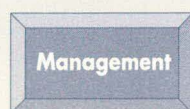




it is people who provide the skill, innovation, leadership and motivation that encourages effective utilisation of other resources

In managing human resources the following factors are important:

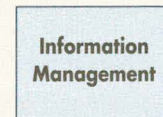
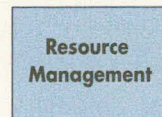
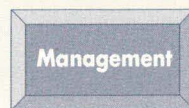
- The joint operation is to develop practices for monitoring, controlling and recognising performance and contribution.
- Individual performance plans and targets (supplemented by accurate job descriptions and related salary gradings/pay scales) should be established for all employees.
- Detailed 'process' / 'task' related personal plans, compatible with organisational objectives, designed to encourage goal congruent behaviour need to be developed.
- Staff management and appraisal procedures should be established containing appropriate performance measures, targets, development action plans. This appraisal system should provide for regular, specific, focused, relevant and timely feedback which is measured against defined outputs and provide comparisons between current and past performance. Appropriate rewards/sanctions to reinforce/discourage high quality/poor performance should also be included.
- Non-productive activities should be monitored and controlled.
- There should be a positive culture developed within the organisation which allows each joint operation's performance to be discussed culminating in productive, remedial action.
- Annually report and review human resource policy targets.
- Each joint operation should deploy its resources to meet changing priorities and should plan to avoid skill limitations or other constraints, having regard to staff 'establishment numbers'.
- Appoint staff as per government recruitment and selection policy and ensure management/staff are covered by minimum conditions in a legislated Industrial Award or Industrial Commission Enterprise Agreement stating: employment guidelines/standards; Codes of Conduct; remuneration levels; employment conditions; equal employment standards; redundancy/redeployment provisions.
- Implement a structured training program to cater for individuals.
- Ensure grievance procedures are available to all staff to allow for quick resolution of problems to minimise work disruption. Engage counselling services where appropriate.
- Implement Workcover guidelines for a safe workplace.
- Record and monitor staff absentee / turnover levels, industrial conflicts, work related accidents / workers compensation claims.
- Establish Occupational Health & Safety Committee to oversight joint operations and have regular reports submitted to the Board for review and appropriate action.



asset recording, cash-flow monitors, budget and actual cost comparisons and proper control of finances are at the core of sound financial practice

For joint operation financial management, best practice requires the following:

- Outline the capital and recurrent costs attributed to partners to the agreement.
- Estimate the relative contribution of each party, and where disparities exist, explain actions of any arrangement to compensate the party.
- Determine, at the outset, how assets and liabilities are to be accounted for in the financial statements of each of the partners. If separate financial statements are prepared they should go to the Board and then be referred to the Minister for presentation to Parliament. This may involve external auditing of accounts.
- Guarantee an effective management control system ensuring the financial control system complements business unit controls.
- Establish a control system that clearly allocates responsibility for budget preparation, funds administration and expenditure commitments and ensure accounts close annually by the due date.
- Establish a well defined budgetary management system compatible with accrual accounting and document responsibilities accordingly.
- Ensure budgets reflect, and support, corporate and strategic goals
- Link business unit budgets to managers and their performance targets to provide responsibility/accountability covering all units.
- Assess the extent to which the approved budget has been met, reasons for, and implications of, over and under expenditure and undertake necessary corrective action.
- Outline a financial management reporting system program that fits into an overall Management Information System framework and ensure it is simple to understand, speedy in response, easy to manage, not expensive to run and supports management control.
- Ensure financial management system keeps abreast of developments in accounting and reporting standards.
- Monitor financial risk, business issues and financial performance.
- Communicate directly and regularly with internal/external audit personnel and review their fees, scope, materiality assessments and results in detecting risks and regulation non-compliance.
- Establish a balance between financial and operational auditing.
- Ensure cash handling and banking arrangements are completed with physical security and daily reconciled cash banking, weekly reconciled petty cash as a minimum requirement.
- Ensure individual expenses claims are proper, related to objectives and approved.



**cost
effective
controls
over the
activities of:
'Senior',
'User',
and
'Information
Systems'
Management**

Management should be supported by adequate information systems which provide information to support the achievement/measurement of organisational and business unit objectives. Information provided to managers should be timely, relevant and easily understood. Appropriate probity and data integrity controls over information systems should be in place, whilst effectively utilising technology to gain competitive advantage and provide efficient operations.

Principal roles identified in information management are:

- Senior Management

The Chief Executive Officer (CEO) of an organisation is responsible for all activities. With respect to information systems, the CEO may set up a steering committee to develop and oversee executive information management policy formation and monitoring.

- User Management

Users play an important role in contributing to the design, and making the best use of, the application of computers.

- Information Systems Management, comprising:

- Information Systems Development

Helping to develop, implement and review the organisations information systems brief.

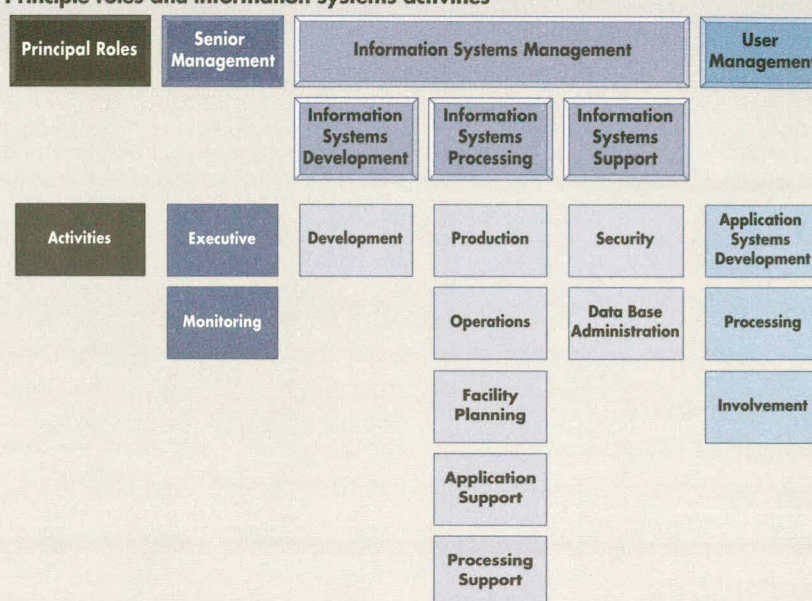
- Information Systems Processing

Ensuring application processing efficiency and effectiveness of information tools.

- Information Systems Support

Examining the adequacy of database administration and physical and data security.

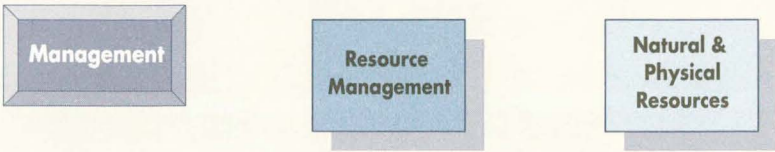
Principle roles and information systems activities



Premier's Department Statements of Best Practice should be consulted in relation to information technology (IT) acquisition and development. They are directed at senior management, with some relevance to Information Systems Management. Information systems should be supportive of corporate core business service delivery and be designed to enhance the efficiency of an organisation's communications network.

Apart from being involved in information technology direction, senior management are also responsible for ensuring management and performance standards/measures are applied to monitor the effectiveness of IT in their organisation. This promotes a healthy 'dividend' from IT investment and ensures the organisation will take full advantage of IT to support corporate/customer and strategic/operational purposes. Senior managers are also concerned to integrate systems to provide maximum user efficiency and ease of use.

Treasury Directives for Financial and Related Operations shall be implemented as per Government requirements. They primarily relate to Information Systems Management, but also include factors prevalent to User Management. Although these Treasury Directives relate primarily to financial systems, their relevance to all business unit operations is paramount, as over time IT has penetrated all aspects of service delivery.

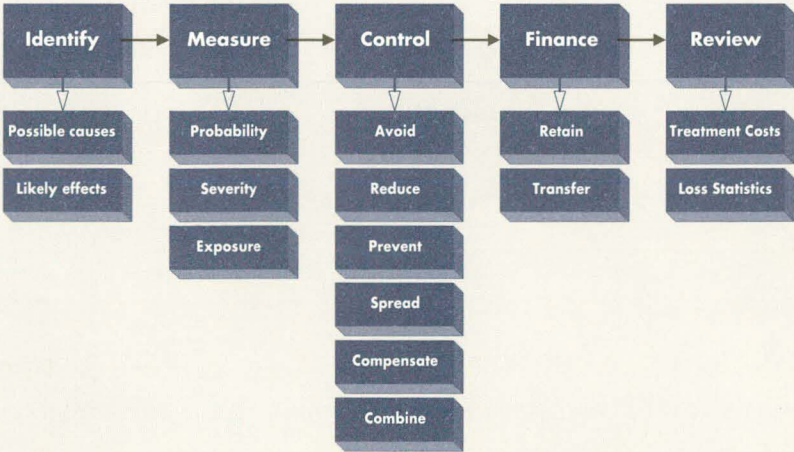


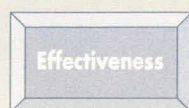
'physical' resources should be protected while 'natural' resources should be sustained

Natural and physical resource management requires:

- Internal and external audit facilities that spans both financial controls and control over all physical resources.
- Assets that are critical to the success of the joint operation to be safeguarded by physical protection and insurance. Assets being human, financial, information, natural and physical resources.
- Plant and Equipment Registers to be maintained to link actual item with a trail from Invoice through to Physical Location. Utilise an appropriate engraving or bar coding technique.
- An audited stocktake of equipment to be completed in one day.
- Insurance to cover likely risk areas.
- Fraud, irregularities, and corruption prevention/detection all of which requires a combination of: preventative, detective, separation and directive management controls, and an effective 'whistleblower' procedure.
- Controls that are cost effective and impose minimum administrative burdens.
- Security services to be contracted where physical or personal safety of personnel or students cannot be guaranteed.
- Key register and security.
- Contingency plans for possible asset loss or destruction.
- Fire evacuation procedures to be known and practiced.
- Natural resources to be maintained to ensure that they remain a renewable resource.
- The conduct of a risk analysis at appropriate intervals to provide management with reasonable assurance that inherent risks are appropriately managed.

The Risk Management Process





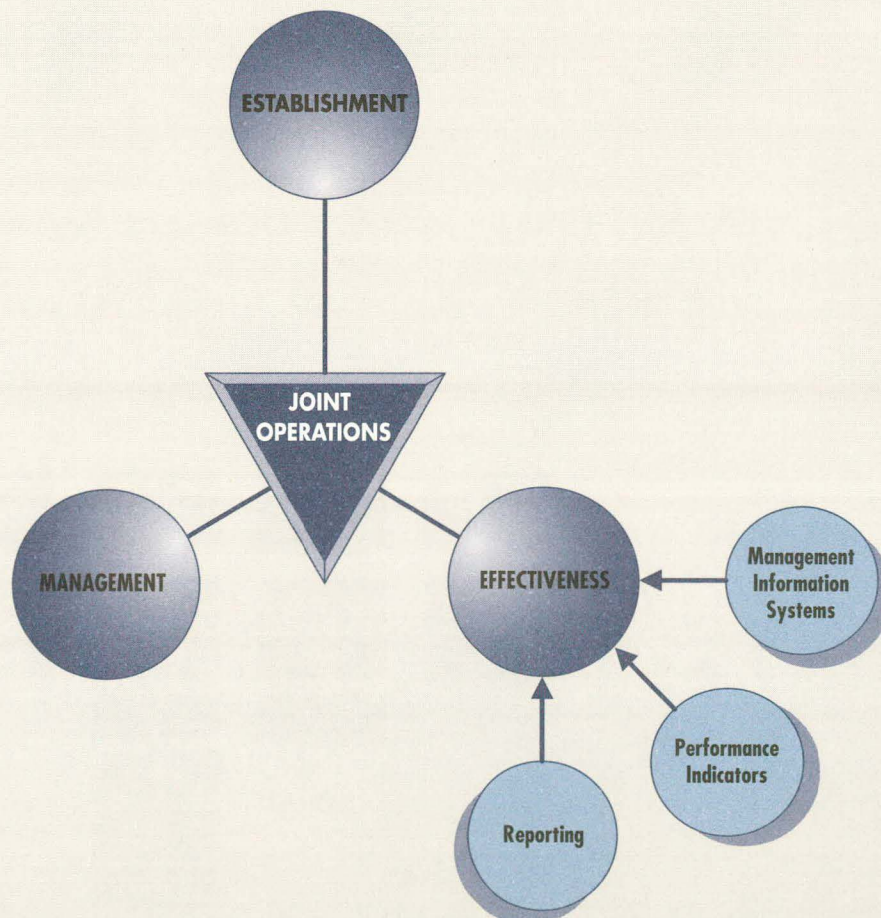
**the
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The ability of a joint operation to measure its performance, requires that:

- Objectives be clearly defined.
- Responsibility for achieving those objectives be set in accordance with the organisational structure of each joint operation.
- Appropriate performance indicators be set by each joint operation in terms which will enable comparison or benchmarking with both internal and external acceptable norms of achievement.

This section details:

- Management Information Systems as an effectiveness tool for measurement, reporting and management action.
- Performance Indicators which measure effectiveness.
- Reporting which allows effectiveness levels to be communicated





**Management
Information
Systems**

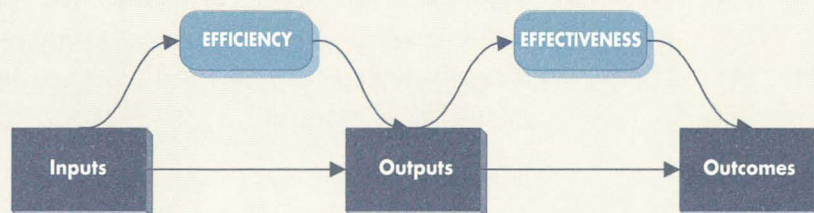
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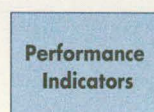
The key components of performance measurement by joint operations are performance indicators and the norms with which they are compared. In addition to establishing the traditional financial reporting mechanisms, it is essential joint operations develop management information systems (MIS) that provide managers with information concerning results of progress in achieving objectives in relation to planned outcomes. This involves developing systems which provide two types of control; that is:

- Resource control (inputs)
- Achievement control (output-outcomes).

Management Information System's should:

- Be in place to enable managers and users to compare performance with norms. The information so produced must be relevant, appropriate, timely and in a form that the recipient can use effectively.
- Allow managers to review performance indicators to determine, and regularly monitor, key performance drivers. Business unit processes or sub-processes should be amended where required.
- Hold key performance indicators that detail both 'efficiency' and 'effectiveness' issues.





**both
'efficiency'
and
'effective-
ness'
performance
indicators are
required**

Joint operation Management Information System's are to provide key performance indicators which:

- Relate to the primary objectives, activities and purpose of the joint operation, as identified within the mission, vision and corporate planning statements.
- Overview operations and business sub-processes.
- Closely represent the extent to which objectives have been achieved.

Examples of performance indicators are detailed below.

Efficiency

Economic and Productivity measures measuring the relationship between outputs as a ratio of inputs.

Student/Teacher Ratios

- Cost per student measured on a course or joint operation basis.
- Cost of teacher per student.
- Cost of support function per student, eg. administration, student records, library services, etc.
- Number of teachers/support function staff (total) per student.

Utilisation of Facilities

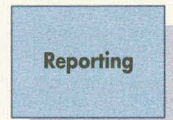
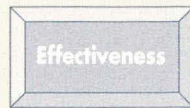
- Current value of land and buildings on a per student basis (measured in terms of maximum capacity and yearly enrolments).
- Current enrolments as a percentage of maximum enrolment capacity.
- Maintenance costs per student.

Effectiveness

Extent to which objectives of the service have been achieved (outcomes).

- Student outcomes in terms of:
 - Student movement to further study
 - Students placed in employment
 - Students unemployed
- Students enrolled versus students completing course.
- Unexplained absences that may reflect satisfaction levels.
- Level of student satisfaction with teacher/course measured by student survey.
- Employer satisfaction level with skill level and competencies of students employed.

Comparisons of the above performance indicators should be made to similar institutions for benchmarking purposes.



**reporting
for assess-
ment,
information
and account-
ability**

Key indicators of performance to be reported annually.

Performance indicators:

- Are used to enable users to assess performance relative to:
 - Targets and goals
 - Previous performance
 - Benchmark performance of other schools, colleges and universities
- Enhance accountability to the:
 - Public
 - Relevant parties
 - Parliament
- Should explain:
 - Any variation from previous indicators
 - Why the indicators are considered to be key indicators, indicating the nature of the indicator, ie. 'driver' or 'outcome'
 - How the indicators have been derived
 - How the indicators can assist user
 - Any impact of unusual circumstances on performance
- Should be:
 - Relevant
 - Quantifiable
 - Verifiable
 - Free from bias
 - Appropriate
 - Studied to verify whether there is a need to dis-aggregate information to manage individual aberrations. Individual aberrations in statistics may point to a need for case-management techniques.

Performance Audit Reports and Related Publications

Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
Police Service	<i>Air Travel Arrangements</i>	8 December 1992
Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
Fraud Control	<i>Fraud Control: Developing an Effective Strategy</i> (joint publication with the Office of Public Management, Premier's Department)	30 March 1994
Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994

Performance Audit Reports and Related Publications (continued)

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Road and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)</i>	17 October 1994
Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
Department of Courts Administration	<i>Management of the Courts: A Preliminary report</i>	5 April 1995
Joint Operations in the Education Sector	<i>A Review of Establishment, Management and Effectiveness Issues</i>	13 September 1995

For further information please contact:

The Audit Office of New South Wales

Level 11
234 Sussex Street
SYDNEY NSW 2000

Switchboard: (02) 285 0049
Facsimile: (02) 285 0060

Contact Officer: Denis Streater, Director

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Access

Location

Level 11
234 Sussex Street
SYDNEY NSW 2000
Australia

Office Hours

Monday - Friday
9.00am - 5.00pm

Postal Address

GPO Box 12
SYDNEY NSW 2001
Australia

Telephone

(02) 285 0155

Facsimile

(02) 285 0100