

# **Review of the future of vocational education, training and skilling in central-western Queensland**

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## **Objective, Context and Methodology of this Review**

The objective of this Review is “to make recommendations on how to grow the education, training and skills sector, in central western Queensland, including through leveraging existing educational offerings and facilities, to help boost economic growth and regional resilience”. The full terms of reference are set out in **Appendix A**.

The core issue within that context is the performance of the two residential Colleges – the Longreach Pastoral College (LPC) and the Emerald Agricultural College (EAC), which operate under the auspices of the Queensland Agricultural Training Colleges (QATC). QATC, which reports through its Governing Board to the Minister for Agricultural Industry Development and Fisheries, itself commenced operations in July 2014 under the Queensland Training Colleges Act 2005, having replaced the Australian Agricultural Colleges Corporation (AACC). In addition to the two residential training Colleges at Longreach and Emerald, and a corporate support group, QATC oversees Rural Training Queensland (RTQ), the industry-based training provider with training hubs located in Gatton, Dalby, Bundaberg, Mackay, Mareeba, Ayr, Rockhampton and Charters Towers. Details of these are contained QATC’s Annual Report 2016-2017 (page 10).

This Review was conducted between April and early June 2018, and involved two parts. The first was a desk audit–type study of previous reviews, annual and other reports and strategic plans relating to QATC and its predecessor body. This phase of work also drew on relevant experiences and reports from other jurisdictions and agencies. The second part has involved consultations via site visits to Longreach (29 April – 1 May) and Emerald (3-4 May) as well as two days in Toowoomba (10 April, 9 May). The site visits involved stakeholders and community leaders, and included separate meetings with staff and student groups at both LPC and EAC. Other consultation has included meetings with the Board of QATC (28 March, 14 May). In all, more than 60 individuals (in addition to the staff and student group meetings) were consulted. Details of those consultations are set out in **Appendix B**.

The terms of this Review make plain that it is a review of education and training activity, and not an organisational review of QATC. Nevertheless, implications of the review for the organisation are clearly evident and suggested.

## **An Increasingly Challenging Journey**

There is a proud tradition of agricultural education and training across Queensland and throughout Australia. In central western Queensland, the establishment of the Longreach Pastoral College (LPC) and the Emerald Agricultural College (EAC), in 1967 and 1972

respectively, were emblematic of the importance of the agricultural sector and a well-trained agricultural workforce, to the regional economy and community.

The students who came to the Colleges in the 1970s and 1980s were mostly from farming backgrounds, the residential model of education they provided at these places being seen as a distinct and attractive option for young people transitioning from school to adult worklife. Their hope, and that of their families of course, was that most of them would stay on in the country. The alumni of those early years did indeed value highly the worklife preparation provided by the Colleges and many of that generation did stay on in the local district or neighbouring region.

But times were changing. By the 1990s Australia's rural economy, buffeted by international and domestic factors, was in major flux, with many smaller townships struggling to survive. In central western Queensland the undulating pattern of droughts and the consequent destocking of pastoral properties meant fewer jobs on the land and in the towns, collectively tearing at the fabric of the local economy. The situation was more mixed in the central highlands, where the stresses on the pastoral industry would be often offset in the overall regional economy by the mining sector (itself somewhat cyclical, because of international trade factors) and the productivity of large irrigated land holdings sustaining cotton and other crop production.

Other factors were also in play. In Australia, the university sector was starting to compete much more aggressively for school-leavers. Meanwhile, the opportunities for vocational education within schools and a more energised vocational sector were expanding. The model of residentially based agricultural education was also expensive, prohibitively so if rural conditions were adverse, and families were making difficult choices about education pathways for their sons and daughters. Even the alumni of the Colleges, hitherto reliable allies in such matters, were deciding in increasing numbers to send their children to boarding schools in Brisbane, Toowoomba and other centres. And if they were intent on encouraging their youngsters to pursue an agricultural education, Gatton was an attractive option for some of them and, for others, even Marcus Oldham College in Victoria or Tocal College in New South Wales. The fact that boarding schools attract subsidies through the Department of Education for Isolated Children further diminishes the competitiveness of the Agricultural Colleges' residential offerings.

The economic impact of the sustained drought, the attending social stresses on communities as a result of the loss of rural jobs and the outmigration of population and the consequent impacts on the viability of small business, have all been factors affecting the operating environments of the Agricultural Colleges. Technology also has played a role. The arrival of motor bikes to assist farmers in their mustering occurred many years ago and, over the last two decades, we have seen major developments in the mechanisation of cropping, the advent of GPS and, more recently, of drone capability. And so, whereas farmers or graziers thirty years ago may have employed five or six permanent offsiders, nowadays that figure is more likely to be one or two. Meanwhile, the availability of a casual seasonal workforce in the form of backpackers has provided a cheap and ready supply of unskilled labour while hastening the hollowing-out of the permanent rural workforce. Equally, there has been a continuing move away from family-owned or run rural properties. Large pastoral companies are increasingly the norm, and they have very little incentive to fund a permanent agricultural workforce in a rapidly evolving skills environment. They will choose either to do their own just-in-time, on-the-job skills training, or to support the relatively newer breed of RTOs –

many private – which have settled in to the training space. The latter are not burdened with the costly overheads of the Colleges, and – while of variable quality and reputation – the better performing of them have developed something of a following for their market responsiveness and the fit-for-purpose nature of their training and education. Others have come and gone.

The issues faced by the agricultural colleges in Queensland need to be understood in the broader context of the major changes and disruptions affecting the education and training sectors at large. As far back as the 1970s – when the Longreach and Emerald Colleges were themselves only newly-minted – the Federal government was being guided by the Kangan Committee toward a more distinctive role for vocational education and training, vis-a-vis that of the universities and secondary schools. For its part, the still fledging university sector was seeking to deepen its roots in the ‘training’ space by upgrading diploma activity to undergraduate degrees in a number of fields. The newly formed TAFE sector’s role, in the mix, was to focus on certificate courses at the “15-19 year olds” entry level, and targeting opportunities for both disadvantaged youth as well as retraining for adults.

The challenges facing the vocational sector have multiplied over the years, and both sides of politics at both federal and state levels have been complicit in creating the system we now have. The demand-driven system in higher education, introduced from 2011, has had a number of important virtues in growing the system and encouraging aspiration. But one of its byproducts has been its contribution to the hollowing-out of the VET sector and more overlap with the university sector in the Certificate IV-VI space. Likewise, the move toward a more contestable national vocational education model should have been important in sharpening TAFE, though in practice the funding model has encouraged players to focus on cheaper fields (for example, business and management) and to withdraw from more expensive ones. Also, the flawed implementation of VET Fee Help did encourage egregious behaviour amongst some of the new breed of private providers also now accessing public subsidies – for a time taking advantage of vulnerable students and abusing the public purse – thus further weakening public confidence in the VET system overall.

The troubled state of agricultural education and training has been the focus of a number of specific investigations over recent years, including by major reviews in Victoria (2012) and New South Wales (2013), by a Federal Senate Committee in 2012, by Allen Consulting Group in a report to the Business-Higher Education Roundtable of the same year, and the Federal government’s Agricultural Competitiveness White Paper in 2015. The themes echoed by these various reports have been similar: the shortage of young people choosing careers in the agricultural sector, the gentrification of the agricultural workforce, the dissonance between the inability to attract as against the potential new job opportunities opening up in agribusiness, the imperative to mobilise industry engagement strategies and the need for education and training providers to embrace flexible delivery.

Here in Queensland the need for a closer collaborative partnership between the agricultural sector and those delivering agricultural education and training was set out by John Blakeley and Jenny Daly in their report to the DPIF and AACC of December 2008. They focussed on pathways for secondary to postsecondary to tertiary education. They emphasised the cross-industry sector need for management and business skills, the need to flexibly deliver “skill sets” as well as complete qualifications, and the consequent need for training to be targeted for industry requirements in terms of time, place and mode. Importantly, Blakeley and Daly drew a distinction between the need to promote Agribusiness career opportunities and

pathways across a range of disciplines (for example, business and IT), not just those traditionally associated with agriculture.

Then, in 2012, the responsible Minister, Tim Mulherin, set out a plan for the then Australian Agricultural College Corporation to reconnect agricultural education in this State to the skills needed for the agricultural, pastoral and agribusiness workforce of the future. Two years later, his successor, John McVeigh oversaw the release of a statewide blueprint for agricultural education, attaching particular significance to developing strategies to improve the image and appeal of the agricultural sector as a potential pathway for both new entrants into the workforce as well as for adults who could be retrained for it.

Late 2012, the Director-General of DAFF, in his role as CEO of AACC - no doubt aware of the more commercial and market-based approach of the still new Newman government, and directly informed by the prospect of significant operating deficits projected for the upcoming triennium - commissioned Ernst and Young (EY) to undertake an urgent independent business review of the entity. That review pointed out that the AACC had not operated profitably since its formation in 2005, that there had been an underinvestment in CAPEX, that the organisation was receiving a poor commercial return on its extensive asset base, and that cash resources were depleting. Key to the problems at the time were low student demand in the agricultural colleges and an inability on the part of the AACC to meet the training hours targets set out in its funding agreement with the relevant Department (DETE). EY also noted poor management and record keeping, shortfalls with workplace health and safety compliance, and a top-heavy management structure. EY found that some 34 per cent of revenue was being allocated to education and training functions and 66 per cent to corporate overhead, while only 81 of 190 FTE staff were dedicated to education and training roles. The majority of EY's findings are equally relevant today. These issues have not been adequately addressed over the six years which have since elapsed.

Two options were canvassed by EY for the future, one being a fairly immediate transition to an entirely industry-based model at all locations, and the second a rationalisation of the Emerald and Longreach sites into one. The first was attractive to those in government and industry wishing to accelerate contestability, but the second was troublesome for the local communities which would be affected.

A decision was then made by the State government to commence down the reform pathway by replacing the AACC with an independent statutory body. The Queensland Agricultural Training Colleges (QATC) came into being on 1 July 2014, and was vested with responsibility as a specialist provider of vocational training in the agricultural sector. Its governing body was to oversee the two residential Agricultural Colleges (each with its own College Local Board) as well as eight industry training hubs across the state. Details of those are contained in **Appendix C**.

At the time of its formation, there was an ambition by the QATC Governing Board for the organisation to achieve an operating surplus within three years. This objective was to prove elusive, with deficits of \$1.58M and \$1.61M recorded in the 2015-2016 and 2016-2017 years respectively. The task of achieving budget sustainability was not made any easier by the continuation of severe drought conditions affecting the central west. The requirement placed on the organisation to achieve an operating surplus was doubly challenging to achieve because QATC was being simultaneously weaned-off the special triennium transitional grant

assistance which was being provided. The intention was for the organisation to reach a surplus by the end of 2017-2018 financial year.

In 2015 the governing board of QATC invited David Crombie to review the organisation's governance structure and systems. Crombie's report, both forensic and far-reaching, noted that the transitioning of AACC to QATC had involved something of a compromise, with Local Boards being retained for Longreach and Emerald in addition to the parent governing body. His report also noted that there was a continuing reducing demand for longer-term residential career training, that the residential assets of the Colleges were underutilised and that the demand for short-term skills-based training was expanding within an increasingly competitive environment. Crombie was particularly pointed in his assessment that QATC had cumbersome systems of governance and that the organisation's business model was anchored in the past. He noted *"its teaching and curriculum offerings are perceived to be 'out of touch and expensive' and there are high costs for the maintenance of underutilised assets"*.

Crombie also pointed out the emerging opportunities existing in fields beyond traditional agriculture, and touched upon the opportunities for MOUs for educational pathways with universities where there is or could be recognition of QATC unit credits as part of degree courses.

The current Board of QATC and management have taken action to contain wages and salaries, and there has been an injection of CAPEX to bring college facilities to OHS compliance levels. There also have been some new course initiatives taken. The Northern Beef Industries Program has been introduced (offered at both Longreach and Emerald) and some new short courses and taster programs have emerged. Perhaps more significantly for the long term, a trial with CQU for the delivery of a joint specialist Bachelor Agriculture program at Emerald, Bundaberg and Rockhampton has now been turned into a five-year agreement. QATC is also partnering with CQU, Department of Agriculture and Fisheries and AgForce in pursuing opportunities for research as part of an agreement to form the Central Queensland Livestock Centre of Excellence. Meanwhile, QATC also remains involved in the VET 'in schools' program (funded by VETIS) and has signed an MOU with AgForce as preferred supplier of certain AgForce-endorsed training projects.

Notwithstanding these developments, QATC's position has continued to weaken, making it difficult for the Board and Management to reliably forecast their financial position. The operating result for the FY to March 2018 was a deficit of \$5.0M (see **Appendix D** for details). Revenue streams are below target – and expenses in excess of revenue received – in all areas (training, production and assets, and student services).

'Completed units of study' is the key figure to determine and track funding income for QATC, and the data demonstrate that the organisation is consistently unable to breach the gap between its targeted enrolments and completed units of competency (see **Appendix E**).

The situation with enrolments and completions at the two residential colleges is stark, with a mere 25 students commencing at Longreach in 2018 and 48 in Emerald, down from 37 and 85 respectively, two years earlier (see **Appendix F**). Half of the students at EAC are enrolled in CQU. As at June 2018, there are 23 fulltime-equivalent (FTE) staff at Longreach, and 32 FTE at Emerald.

It is evident then, that the challenge around the funding model of agricultural colleges has been there for a long time, with similar other colleges in the Statewide network closed over the years. Some have been repurposed, as in the case of Dalby, which is now a boarding campus and education facility attached to the Dalby State High School. And, as referred to earlier, the EY review had earlier canvassed the possibility of rationalising the Emerald and Longreach Colleges into a single entity.

The challenge facing Emerald and Longreach may derive from financial pressures, but is now a much broader one for them in terms of their loss of credibility. Although there remains some residual value in their EAC and LPC brands, it is much diminished. The sentimental attachment held for the two Colleges in their respective communities, especially by their own alumni, has largely dissipated, with the frequent observations made that they have “lost their way” and that the model of education they offer is no longer either relevant to industry needs, or affordable. The most obvious evidence to sustain these observations is the loss of student demand for the Colleges and their residential offerings; and the rise of new players in the regional and rural training and education market. In the early years, these Colleges and their staff decided what courses they would offer and assumed students would enrol. For some years they did, but the Colleges were slow to realise that what was increasingly needed by industry and the community was not so much agricultural and pastoral colleges, but education and training occurring in and contextualised to agricultural and pastoral areas. That is to say, what was nowadays needed was education and training organisations offering programs ranging from the latest fencing techniques and farm mechanics and crop production to training in financial and IT literacy, business management, as well as training to support new industries centred on mining, tourism and hospitality and rural community health.

There are those who will argue that the legislation under which the QATC and its predecessors have operated in fact limited the ability of the Colleges to broaden their offerings. There may be some validity in the claim, but the Colleges themselves have shown only episodic interest to experiment in new and emerging fields. Their preference has been to stick to their core areas of historical interest. The problem is, of course, that this core is eroding as patterns of student and industry demand change and as the provider space becomes more contestable. Some new or refreshed offerings have involved good ideas, such as the TASTE program designed to help secondary school students to explore the wide range of career opportunities available in agriculture and rural industries. Others, such as the Sheep and Wool initiatives at Longreach (designed in partnership with the wool industry), had no uptake, while the Northern Beef program – which is still offered at both Colleges – is attracting only a small enrolment. Even the Equine program – so long a flagship at Longreach – continues to exist with a very much reduced appeal.

Meanwhile, private and not-for-profit providers are taking much of the Certificate-level funding for rural-related courses, while actual enrolments at QATC are relying more on Certificate II- level qualifications that are funded at a lower subsidy rate but are more expensive to deliver than other industry qualifications.

Thirty years ago these colleges were a first choice for most of the students who enrolled, and for their parents. The Colleges provided, in effect, an important transitioning experience between secondary school and adult working life on the land. This characterisation is no longer anywhere near as apt. For some of the students the choice to attend LPC or EAC may still be related to the prospective skills to be acquired. Many others, however, attend

the College either because they lack academic aspiration and other study options or because of family dislocation at home or behavioural issues at school.

Whatever the contributing factors, the student cohorts at the two Colleges nowadays largely comprise quite vulnerable young people. Some of them will be able to go on and acquire a trade, and others may develop the practical skills required for working life on rural properties. Those who drop out, on the other hand, may become a risk to themselves and a concern for the community.

The pressures are upon both the students in the Colleges as well as the instructional and support staff who have responsibility for them. Students who are indifferent about being there may be difficult to manage in any case and, like many others in their age group (15-18 year olds) will regard the disciplines imposed upon them as unreasonable and restricting. Meanwhile, staff members who supervise the dormitories are all too aware of their duty of care responsibilities, especially for those under 18 years, while the instructional staff will be mindful of their obligations under workplace health and safety. The latter plays out in the students feeling that they are not trusted to undertake even the most basic practical tasks without supervision, the students forming the view that their courses comprise too much theory.

It is little wonder, given the combination of pressures at play, that the Colleges have struggled to regenerate their staff. And nor does the understandable anxiety about the future of the Colleges assist. And all this links with the criticism that the agricultural colleges have “lost their way” and are “out of touch” with the needs of employers and industry. This is reinforced by the view that some course instructors, and the instructional materials they use are out of date. The staffing models of the Colleges obviously comply with legislative requirements, but those requirements are more relevant to public sector and TAFE settings, and are unduly restrictive and extremely costly in the context of residentially-based rural education taking place in farming environments which operate on the basis of a 24/7 cycle. In other words, the associated overheads render these institutions less competitive, and less relevant, in a rapidly evolving provider landscape. Meanwhile, neither the LPC nor the EAC employs a child or adolescent psychologist, surely a core skill set for any staff complement in the contemporary learning environment for the 15-18 year age group.

### **Where to from here?**

The model of residential-based agricultural education is under huge threat across Australia and, as the foregoing discussion has demonstrated, is clearly unsustainable in central western Queensland. Nor is there any prospect that in the future it can be resurrected.

Against that gloomy assessment, successive Queensland governments have demonstrated a deep commitment to the regional economy and communities, and the current Palaszczuk government gives voice to this commitment in its policies to protect and grow jobs and industry opportunities, and especially to foster youth employment and measures to encourage the resilience of regional communities.

Both Longreach and Emerald are strategically important regional centres in Queensland, and both share their early establishment as key points on the central railway line which runs west from Rockhampton along the Tropic of Capricorn. Over the years Emerald, as the largest town in the central highlands, has been sustained by mining, cattle production and a wide variety of agriculture including, more recently, strong agribusiness. Longreach, 400kms

to the west and the administrative hub of the central west, has long been associated with the pastoral (mainly sheep) industry. Although tormented by long periods of drought which have impacted both the economy and population, Longreach has managed to develop a significant tourism sector around the Australian Stockman's Hall of Fame and the QANTAS Founders Museum.

It is also the case that, while neither the LPC nor the EAC any longer carries anywhere near the influence in their respective districts that they did thirty or forty years ago, the education and training sectors in both centres have a critical role in shaping future prospects. This is evident not only in the established schools in the respective towns, but in the growth of industry-based training to support relevant sectors in the two regions.

Both the LPC and the EAC have at their disposal significant building assets and rural landholdings, and associated equipment (these are summarised in **Appendix G**). All categories of assets are seriously under-utilised, and while there have been CAPEX investments over recent years in both Colleges to meet compliance standards, there are ongoing maintenance pressures and serious risks of deterioration of both plant and equipment.

There are a number of possibilities to repurpose the buildings and/or facilities attached to each of the LPC and the EAC. Some of these may offend traditional notions of ownership or responsibility for these facilities, and liability issues are a real challenge in this respect. However, it is nonsense to suggest that these matters cannot be tackled when, to do nothing, ensures only a continuation of under-utilisation of those assets and inevitable risks around the deterioration of the facilities.

Those possibilities for repurposing of the College buildings and facilities at LPC and EAC would seem to be, singly or in combination:

- a) Wholesale combining of the relevant College with a local school, TAFE entity or university.
- b) Repurposing the entire building facilities of the relevant College, for either education or other community purposes.
- c) Transferring the buildings and facilities to another State government department or agency or other entity (either a private or not-for-profit) or to the relevant regional council.
- d) Separating the management of the residential facilities from the educational entity, with the express purpose of improving utilisation and securing a more commercial return.
- e) Disposing of or leasing the landholdings of the relevant College (dealing with the associated water rights, if and as relevant) to government, a commercial party, regional council or other entity. This might entail, especially in the case of a lease, a stipulation for a portion of the relevant property to be made available for student education and training purposes.

Nor should it be necessarily the case that the method of repurposing of one College should mirror that for the other. Each region has different economic and community characteristics and, in particular, there is a very different educational infrastructure in Emerald to that in



Longreach (the former hosting a collaboration between CQU and TAFE). On the other hand, Longreach hosts – on behalf of the seven shires of the central west – a regional organisation, RAPAD (Remote Area Planning and Development Board) with more capacity and interest than its central highlands equivalent to sponsor the delivery of education and training via public/not-for-profit provision.

The first possibility for repurposing – combining with a school, TAFE or university – is a relevant one for both the EAC and LPC, though each in a very different manner.

There is no university campus domiciled in Longreach, though the town has ad hoc connections with various university research projects and a productive relationship with James Cook University via a rural medical students placement program (the students reside in town). There are some connections between the Longreach State High School (LSHS) and the LPC, though these have been pursued somewhat intermittently over the years, although significant opportunities for cooperation should exist on both the training and accommodation sides of the equation.

Arguably stronger ties are being forged between the LSHS and the Longreach Regional Council (LRC) and RAPAD in the Certificate-level training space than between the school and the LPC.

RAPAD, the Remote Area Planning and Development Board, is a regional development organisation owned by and comprised of the seven neighbouring councils of the central west and headquartered in Longreach. Established in 1992, it has been an active body working with different levels of government and community on a range of specific industry or civic needs spanning outback regional roads and transport, regional water and pest management. RAPAD has developed its own business units, most notably RAPAD Skilling and RAPAD Employment Services Queensland (RESQ). RAPAD has been proactive in identifying opportunities for training across a range of sectors, the links with LPC already mentioned being an example, over recent years.

This presents opportunities for both parties. For the LRC the prospect is providing and attracting young people to train in and transition to meaningful employment with the council or the state government, in areas such as road construction and maintenance, land care, or as wildlife or Indigenous rangers. For the LSHS it means that it can offer students – especially those unmotivated to continue at school – with valuable basic training and work experience and the prospect of a Certificate I or II nationally-recognised qualification indicating their acquisition of a basic skill set for future employment. This type of partnership squares well with the Government's commitment to reduce the percentage of children and young people who are not committed to education and employment.

A very clear example of the way in which the business model of the LPC has been bypassed in the central west by new players, is the Big Red Truck initiative. Officially the 'Outback Hospitality Trade Training Centre', the Big Red Truck is a large training truck which gives outback students access to state-of-the-art hospitality training. An initiative of five state high schools (Longreach, Barcaldine, Winton, Blackall and Aramac) which continue to share the running costs, the initiative was commenced in 2011 with the support of the relevant Regional Councils and the financial assistance of both the Queensland and Federal Governments. Some twenty students at a time can work in the truck's commercial kitchen, and these students undertake a Certificate II in Hospitality. The Big Red Truck now does big business, catering for weddings and cultural events of up to 800 people, seeking to broaden

its interest to areas like events management, and travelling regularly to various schools across the outback. Notably, the initiative has led to a significant improvement in QCE attainment, with one-quarter of those completing the program continuing on with traineeships and apprenticeships.

It says something of the diminished place of the traditional provider, the LPC (with its own commercial kitchen), that the Big Red Truck initiative was taken by the schools of the central west working with the Regional Councils, with the LPC neither engaged nor engaging.

Emerald provides some different opportunities. In addition to secondary schools, Emerald now hosts a partnership between Central Queensland University (CQU) and TAFE. Three years ago an agreement was struck between CQU and the relevant Department (now the Department of Employment, Small Business and Training) for the offering of vocational training in central Queensland. CQU also came to terms, initially as a trial but now a five-year agreement, with EAC for the latter to offer the first year of CQU's Bachelor Agriculture program. CQU sees the potential to build upon the TAFE and Bachelor-level Agriculture foundations by significantly diversifying and tailoring its offerings to the needs of the central highlands and, over time, to deepen its applied research base in relevant fields.

The physical consolidation of CQU-TAFE Emerald and EAC on to a single site at the EAC is a serious option for the future, perhaps complemented by a major trades training centre (for which CQU is enthusiastic) and the mooted redevelopment of the Emerald showground on an adjoining site. Clearly CQU would need the buildings on the site, and also would wish for its students to be able to use the production facilities on the site. DAF currently undertakes research on cropping and horticulture on the site, and may wish to expand that activity. Given CQU's own research ambitions, it may be possible for the two organisations to work together. The challenges to be met relate to the significant refurbishment costs associated with the consolidation, arrangements for the disposal of the existing CQU-TAFE Emerald site, and the future of the EAC's land holdings. Property physically attached to the EAC site might be considered for transfer to CQU.

The consultations which occurred as part of this Review also canvassed the possible repurposing of the respective College facilities. In Emerald the suggestions were mostly education and training related, but for Longreach more lateral ideas emerged. These included turning the LPC into a low-security correctional facility, probably for youth offenders or adults nearing the completion of their sentences. Another was using the facilities as the base for a national Indigenous training centre, a limitation being that the Indigenous population in the central west is small, any such centre would have to draw its trainees from long distances and Indigenous peoples often yearn to return to their own country and thus may not be likely to settle in the district thereafter. Other ideas included using the facilities to accommodate refugee populations or, looking at the matter more widely, for Longreach to promote itself as a centre attractive to certain refugee populations. There has been some success in attracting and integrating refugee populations into Australian rural towns, preconditions for which tending to be based on employment opportunities being available (as in the case of the Vietnamese community who staff the goat abattoir in Charleville) and the local community's preparedness to welcome such communities on a permanent basis.

The third possibility is the transfer of the buildings and facilities of the respective Colleges to another type of entity, public or private. The risk of doing so would be in transferring a costly asset with significant encumbrances to a party who might then struggle to maintain the

facilities which, in turn, would continue the risk of them being a stranded asset. On the other hand, there might be a future for the facilities if they were transferred to a public entity capable of using them for a range of complementary purposes. In the case of Longreach, there is a real possibility here with the LRC and RAPAD.

The fourth possible repurposing involves separation of the management of residential facilities from the remainder of the current campuses, with the express purpose of securing a more commercial return. In both towns the issue is complicated by two realities: the occupancy factor in each is extremely low; and the accommodation wings serve both under-age children and young adults, with different duty of care obligations applying to each cohort. The latter factor encourages the Colleges to be understandably conservative in their tolerance of risk and resistant to allowing the accommodation to be used by other parties. Indeed, the distinct impression is left that the Colleges would prefer more for the accommodation to remain vacant than to incur the risk and inconvenience of alternative users. This approach requires to be rethought. While it is unrealistic to expect that the accommodation at the LRC could easily turn a profit, a commercially-oriented manager could do hugely better than the up to 20 per cent occupancy level currently achieved. There would be an opportunity to provide boarding accommodation for students at the LSHS (some of whose parents send their children to boarding school in Brisbane, Toowoomba, Yeppoon or elsewhere precisely because there is no suitable accommodation in Longreach), overflow accommodation for tourists in the high-season months, organised study trips for university students and school camps, and other purposes.

The final possible repurposing, that of disposing or leasing the landholdings of the relevant college – and dealing with the associated water rights if and as relevant – is also relevant. Even if the Colleges were to be retained in their present form, it is difficult to argue – on the basis of current activity levels – that they need to retain the extent of landholdings which they have for the purposes of education and training, or research. Nor does QATC generate net revenue from pastoral or agricultural productivity on their properties now. Government may or may not be prepared to dispose entirely of the various properties, but there would likely be interest in long-term leases by commercial parties. And this could well entail a stipulation that a portion of the relevant property, or an allocated block of weeks per year, could be made available for education and training purposes.

### **Conclusions and Recommendations**

1. The model of residential-based agricultural education, as provided for by the Longreach Pastoral College (LPC) and the Emerald Agricultural College (EAC), is under threat everywhere, and is clearly unsustainable in central western Queensland. Nor is there any prospect that the model – which was established in the central west forty years ago – can be resurrected in the future. This is despite the support which has been provided by successive Queensland Governments over the years, to the Queensland Agricultural Training Colleges (QATC) and its predecessors.
2. While the residential-based model of historically-styled education and training is no longer fit for purpose or context, new jobs and even new industries are emerging in the agricultural and pastoral sectors and across the rural and regional economy. There is therefore a major need for education and training in the future to help build and sustain a range of industry sectors in both the central west and the central highlands. This is demonstrated by the rise over the last decade in particular of new

training providers. These include though are not confined to not-for-profit organisations which are seeking to meet the needs of the education and training market, including through the flexible delivery of tailored offerings.

Areas of opportunity – either those which have emerged already or which are emerging – include tourism and hospitality, civil construction and maintenance, health and community (especially nursing and aged) care, business management, IT literacy, solar farming, drone/robotic/GPS technologies for the agricultural, pastoral and mining sectors, farm aviation, water management, new techniques in farm management (including cluster fencing and pest management), new agribusiness opportunities (including crop production techniques and pulses) and digital extension services.

Many of these training opportunities are at Certificate level and relevant to those in the later school years and young adults, as well to adults requiring or seeking retraining as a result of their changing professional interests, wishing to re-enter the workforce or previous employment disruption.

3. The circumstances of the EAC and the LPC, and those of the central highlands and central west, are quite different. The pathways ahead should be distinctive to reflect those different circumstances.

For Emerald, the recommendation is that there be a physical consolidation on the EAC site of the CQU – TAFE Emerald presence, and an exit from the current “CQU University Emerald” site off the Capricorn Highway to the west of the town. Obviously any new trades training precinct established by CQU would also be located on the EAC site, while a relocation of the showgrounds to that area – if it were to proceed – would provide added synergy. This recommendation folds EAC into CQU-TAFE Emerald, and EAC would cease to exist.

In respect of Longreach, the recommendation is for a local regional solution, that is, one which gives effective ownership of and responsibility for a re-energised training sector to the region itself. That is, to the seven regional councils of the central west, operating as RAPAD. As RAPAD, these councils already have a record of working collaboratively to address economic issues and challenges in general, and employment and training opportunities (through RESQ and RAPAD Skilling) in particular.

Under this recommendation, LPC would cease to exist and not-for-profit training in the central west would be overseen by RAPAD or a subsidiary of RAPAD, perhaps rebadged to reinforce its ‘central west’ mission. There may be an opportunity, on agreed terms, for the new organisation to utilise some of LPC’s facilities, and it is equally possible that other training organisations or other institutions altogether could seek to utilise some of those same LPC facilities. But obviously there would be no support whatsoever from RAPAD for an arrangement which did nothing more than transfer a troubled entity from QATC to the seven regional councils of the central west.

It is important to note that it is the intention of this Review to grow the regional economies, creating new jobs and generating new opportunities for the respective communities. The path to doing so involves adverse impacts for the current

employees of QATC, though a significant prospective gain for the two regions in terms of developing the skills mix required for tomorrow's economy.

4. It is recommended that the EAC and LPC cease operations as at 31 December 2018. This would have obvious implications for existing students, for staff and for the campuses themselves.
5. This Review has been of education and training in the central west, focussing on the EAC and LPC. The closure of those two Colleges obviously would have profound implications for QATC as a whole. Without the two Colleges in the central west QATC has only one other program area, Rural Training Queensland (RTQ), as well as its corporate support group headquartered in Toowoomba. Given that there would be little to justify the continuation of QATC if its only program responsibility was to supervise RTQ, it is proposed that TAFE Qld assume responsibility for the delivery of RTQ's contracts.
6. If these recommendations are accepted, arrangements will need to be developed in respect of the staff currently employed by the EAC and LPC. Some roles (instructional and other) at Emerald may transfer to CQU-TAFE Emerald, and some roles directly related to management of the properties at both Colleges are likely to continue under the changed operating circumstances.

Obviously the acceptance of these recommendations also has implications for the employment of those engaged in the corporate support function of QATC.

7. If these recommendations are accepted in principle, the implications need to be understood and worked through, for:
  - current students at LPC and EAC, to ensure they are able to complete their programs. Those who are unable to complete their studies at the respective Colleges by the end of 2018 would have the opportunity to transition to courses at CQU-TAFE Emerald.
  - current employees of the EAC and LPC, as well as for the corporate support group of QATC. Job dislocations are involved, though the intention of the recommendation is to add to and reinvigorate education and training in both the central west and the central highlands, and hence add additional employment opportunities in the short to medium term.
  - the transition arrangements to enable EAC to be absorbed within CQU-TAFE Emerald.
  - the mechanism to transition to a regional community-led training model in the central west.
  - the future use of the education and training core facilities at LPC.
  - the future of the farm properties currently attached to LPC and EAC. It is suggested that CQU-TAFE Emerald assume responsibility for the farm holdings attached geographically to the EAC facilities.

- the outlying properties attached to LPC and EAC, specifically, Rosebank and Berrigurra respectively. These should be considered for lease or sale.
- the management of accommodation. In the case of EAC it is suggested that CQU-TAFE Emerald assume responsibility. In that of Longreach it is important that this function be separately managed in order to significantly enhance occupancy levels.

## **Appendix A**

### **Review of the future of vocational education, training and skilling in central-western Queensland**

#### **Terms of Reference**

##### **Background**

Prolonged drought has significantly impacted on the central-western Queensland region. With 22 per cent of the region's population employed in the agriculture industry, drought is causing unprecedented rural debt and hardship as well as population outmigration, which is impacting the broader regional economy.

To build regional resilience the central-western Queensland region has partnered with government at all levels to: reinvigorate the sheep and wool industry through improved fencing to mitigate wild-dog attacks; enhance the value of tourism through facility upgrades to grow visitation; consolidate employment and training within health through hospital upgrades; and diversify the economic base through solar energy generation.

An opportunity exists to further strengthen the region's resilience and adaptive capacity by growing the education, training and skilling sector in central-western Queensland.

Central-western Queensland has a number of major educational stakeholders, offerings and facilities including Central Queensland University (which merged with the former Central Queensland Institute of TAFE in 2014) and two major campuses of the Queensland Agricultural Training Colleges (QATC). The Longreach QATC is also facing difficulties attracting students during the current drought conditions, and from a perception that agriculture offers limited career pathways or poor remuneration. As a result, the on-site student housing is run at approximately 20 per cent occupancy.

A stronger education, training and skilling sector is particularly important in light of the challenges and opportunities presented by technological disruption. There remains the risk that new technologies will further reduce the requirement for unskilled or low skilled labour in central-western Queensland, with declining terms of trade continuing to force agriculture to reduce input costs.

At the same time, however, many of these technologies, including drones, robotics, artificial intelligence and big data, are in the developmental stage and opportunities exist for populations to upskill in the practical application of these technologies to existing industries. The industry-led Regional Jobs and Skills Alliance established by the Queensland Government has noted that to remain relevant and continuously adapt to the advancement that technology and innovation brings, government, industry, registered training organisations and those developing training packages must embrace the concept of continuous learning.<sup>1</sup>

A number of innovative education, training and skilling programs and partnerships in the region demonstrate the possibilities in the sector. These include for example:

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<sup>1</sup> Queensland Farmers' Federation, April 2017. *Submission to the Department of Education and Training – Advancing Skills for the Future*. Available online at: <https://www.qff.org.au/wp-content/uploads/2017/04/20170413-RJSA-Advancing-skills-for-the-future-WEB-1.pdf>.

- Health sector education established through a partnership between Queensland Health, the Central West Health and Hospital Service, private general practice, Mount Isa Centre for Rural and Remote Health (MICRRH) and James Cook University to offer rural GP registrar and nursing training across central-western Queensland through existing and new facilities
- A recent Memorandum of Understanding between the Department of Agriculture and Fisheries, QATC and Central Queensland University is helping to build capacity in sheep and agricultural technology research and training through a Livestock Centre of Excellence.
- Longreach State High School's award-winning facilities for mobile hospitality training, delivering Certificate II training to high school students across central-western Queensland

Growing central-western Queensland's education, training and skilling sector has the potential to have a multiplier effect – it will enhance employment opportunities within the sector, while also supporting other major industries in the region by providing the population with the opportunity to obtain the skills existing and emerging local industries need. This will help to deliver economic and social benefit, support job creation and build regional resilience in central-western Queensland.

However, there are challenges. These include:

- The generally low engagement rates of youth in training, low completion rates for high school and low levels of participation in higher education and training in rural and remote areas, with the potential to impact on future productivity growth and employment.
- There is a natural limit on the feasible population for targeted training activities which has implications for the business model and the delivery approach.
- This thinness in the potential training market is also affected by the limited diversity in business and employment in these areas. When the resource industry or agriculture are booming people go into employment very quickly and by-pass training; when one or more of the dominant sectors fall on hard times no-one has cash for training! The potential to buffer these swings with trainees attracted into the area is worth considering, but marketing efforts to date have not delivered results which have alleviated low enrolment numbers.

### **Objective**

To make recommendations on how to grow the vocational education, training and skills sector in central-western Queensland, including through leveraging existing educational offerings and facilities, to help boost economic growth and regional resilience.



## **Scope**

The work will examine:

- Current and future education, training and skilling needs and potential opportunities for traditional and emerging industries in central-western Queensland, such as health, tourism, agriculture, mining and education. This will include consideration of the impact and opportunities presented by technological disruption.
- Consideration of existing offerings and capability of major education stakeholders in the region, including assessment of the overall strategic direction and financial sustainability of Queensland Agricultural Training Colleges as a major education stakeholder in the region.
- How to effectively and efficiently meet identified education, training and skilling needs, and seize opportunities to deliver economic and social benefit to the region, including consideration of:
  - how to potentially leverage existing educational facilities and partnerships in the region; and
  - any opportunities for enhanced partnerships and governance arrangements, and/or service delivery models, for the education, training and skills sector in central-western Queensland.
- Any relevant previous investigations or reviews, including by Jobs Queensland and reviews of the operations of the agricultural colleges at Longreach and Emerald.

## **Governance**

The project will be led by Professor Peter Coaldrake and supported by the Department of Agriculture and Fisheries and the Department of the Premier and Cabinet.

Consultation with key stakeholders, including the Department of Employment, Small Business and Training will occur as appropriate.

## **Deliverables**

A draft report is to be submitted to the Premier and Minister for Trade, and the Minister for Agricultural Industry Development and Fisheries by 11 May 2018, with a final report provided by 31 May 2018.

## **Appendix B**

### **CONTRIBUTORS**

#### ***State Government and Parliament***

The Honourable Lachlan Millar, MP - State Member for Gregory

#### ***The Longreach Community***

Mayor Ed Warren, Longreach Regional Council

Mayor Rob Chandler, Barcaldine Regional Council

Deputy Mayor Leonie Nunn, Longreach Regional Council

Cr Trevor Smith, Longreach Regional Council

Cr Tony Rayner, Longreach Regional Council

Ian Bodill, CEO, Longreach Regional Council

Russell Lowry, Longreach Regional Council

Brendan Kruger, Principal, Longreach State High School

Warwick and Rosemary Champion, member Engagement, Advocacy and Advisory Council

Katrina Paine, member, Engagement, Advocacy and Advisory Council

David Arnold, CEO, RAPAD

Gabrielle Passlow, Training Manager RAPAD Skilling

Jane Williams, Central West Health Board

Tony Martin, QANTAS Founders Museum

Marty Smith, Business Owner

James Walker, Pastoralist

Neil Judd, Department of Agriculture and Fisheries

David Phelps Department of Agriculture and Fisheries

#### ***The Emerald Community***

Mayor Kerry Hayes, Mayor, Central Highlands Regional Council

Cr Christine Rolfe, Central Highlands Regional Council

Sandra Hobbs, Central Highlands Development Corporation

Cat Spalding, Central Highlands Development Corporation

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David Loch, Department of Agriculture and Fisheries

***QATC Board, Advisory Committees, Staff and Students***

Mark Tobin, CEO

Marc Levy, Chief Operating Officer

Hugh Rose, Chair QATC Board

Mike Stalley, Deputy Chair QATC Board

Richard Pietsch, QATC Governance Board and Chair, Engagement, Advocacy and Advisory Council, Longreach

John Arnold, Longreach Pastoral College

Rob Carr, Longreach Pastoral College

Anthony Jesberg, Longreach Pastoral College

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Tony Jensen, Emerald Agricultural College

Andrew Lewis, Emerald Agricultural College

Terry Urquhart, Emerald Agricultural College

Rachele Malone, Emerald Agricultural College

Christine Naylor, Customer Service

Joanne Horne, Customer Service

Melissa Vohland, Senior Training Officer

Julie McKerrow, former Manager Marketing and Sales

Trish Richardson, Berrigurra

Lauren Dwyer, Student Services Coordinator

Current Students of the Longreach Pastoral College

Current Students of the Emerald Agricultural College

***Agricultural Vocational Education and Training Partners***

Travis Tobin, CEO Queensland Farmers' Federation and Chair Rural Jobs and Skills Alliance

Diana Saunders, Queensland Farmers' Federation, Secretariat Rural Jobs and Skills Alliance

Professor John Cole, Executive Director Institute for Resilient Regions, University of Southern Queensland

Dr Dean Russell, Boarding Campus of Dalby State High School

Jodi Schmidt, former CEO TAFE Queensland

Mr Brent Kinnane, former CEO QATC and General Manager TAFE Queensland, South West

Professor Scott Bowman, Vice-Chancellor Central Queensland University

Narelle Pearse, Deputy Vice-Chancellor (Finance and Planning), CQU

Grant Stanley, Deputy Vice-Chancellor (Research), CQU

Andy Bridges, Deputy Vice-Chancellor (Strategic Development), CQU

Peter Heilbuth, Deputy Vice-Chancellor (VET Operations and Growth), CQU

Blake Repine, Associate Vice-Chancellor for the Central Highlands Region, CQU

Kim Harrington, Associate Vice-Chancellor for the Rockhampton Region, CQU

Lynne Turner, Department of Agriculture and Fisheries

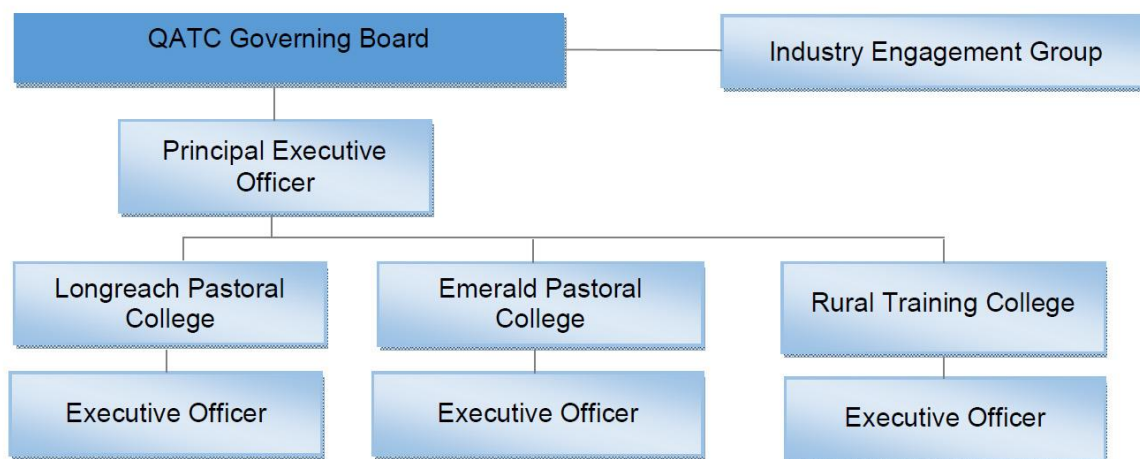
Geoff Johnston, Department of Agriculture and Fisheries

## Appendix C

### Current QATC Governance

Mr David Crombie was engaged in 2015 to conduct a review of the performance of QATC's Governing Board. His report recommended the following governance structures be implemented.

**Figure 3 QATC Proposed Organisational Structure**



The QATC Strategic Plan 2017-22 was approved by the former Minister for Agriculture and Fisheries on 9 January 2017. This plan reflected the recommendations of the Crombie report and changes were implemented during the 2017. The current QATC governance arrangements are as follows:

1. The QATC Governing Board comprises seven (7) representatives appointed by written notice by the Governor in Council.
  - The QATC Board met nine (9) times during 2017-18.
  - On the 8 June 2017, the Governor in Council reappointed the current chairperson, Mr Hugh Rose, current deputy chairperson, Mr Mike Stalley and current members, Mr Richard Pietsch, Councillor Anthony Rayner, Councillor Christine Rolfe and Ms Leith Brown, as members of the QATC Governing Board.
  - These appointments are for a term of 3 years, commencing on 16 June 2017, effective up to and including 15 June 2020.
  - A board vacancy remains due to the non-acceptance of an initial appointment in 2017.

2. The Board is supported by two regional Engagement Advocacy and Advisory Committees (EAAC) at LPC and EAC to provide the QATC Governing Board and Chief Executive Officer with high level strategic engagement, advocacy and advice.
  - Emerald EAAC
    - i. Chair - Christine Rolfe
    - ii. Member - George Bourne
    - iii. Member - Kerry Piggott
    - iv. Member - Brad Stallard
    - v. CEO Mark Tobin
  - Longreach Engagement, Advocacy and Advisory Council
    - i. Chair - Richard Pietsch
    - ii. Deputy Chair - Tony Rayner
    - iii. Member - Rosemary Champion
    - iv. Member - Katrina Paine
    - v. Member - Joy Hardie
    - vi. Member - Ian Duncan
    - vii. Member - Boyd Webb
    - viii. CEO Mark Tobin
3. An Academic Advisory Board assists the Chief Executive Officer by providing recommendations on course proposals.

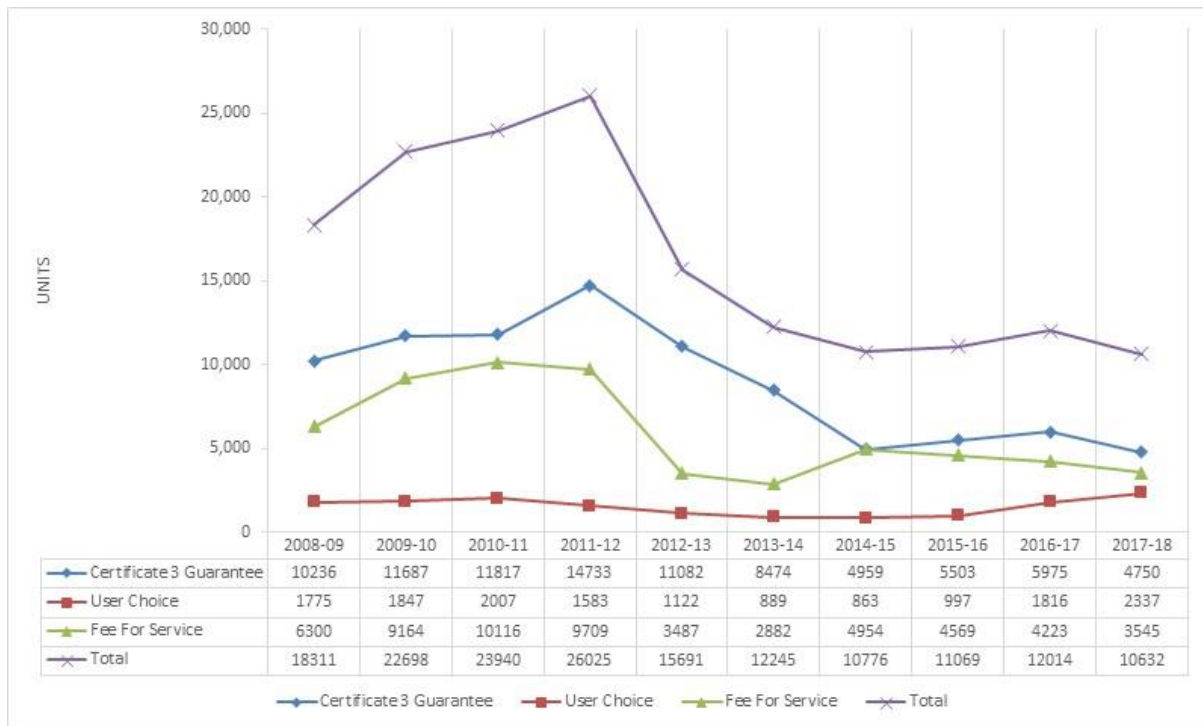
## **Appendix D**

### **Current Financial Status**

1. The QATC's Governing Board ratified the Ministerial Quarterly Report – Quarter ended 31 March 2018 at the meeting held on 26 April 2018 in Brisbane.
2. The QATC operating result, year to date (YTD) March 2018 was a deficit of \$5M against a budgeted whole-year deficit of \$4.84M.
3. Total QATC revenues YTD March 2018 were \$10.57M against a budget of \$11.27M. This compares with \$13.26M at this time last year.
4. QATC's revenue streams including training, production and assets and student services have been well below budget targets. Expenses are in excess of revenue received.
  - total YTD training revenues were \$4.21M
  - total YTD production revenues were \$1.26M
  - total YTD asset and student services revenues were \$2.87M.
5. Total QATC expenses YTD were \$15.57M against budget of \$16.11M. This compares with \$14.99M for the same period last year.
  - total YTD training expenses were \$5.84M
  - total YTD production expenses were \$2.07M
  - total YTD asset and student services expenses were \$3.72M.
6. Total wages and salaries expenses were \$8.36M against a budget of \$8.52M. Savings in wages and salaries of \$0.158M were made as the organisation managed its full time equivalent (FTE) in response to training demand revenues.

## Appendix E

### History of Units of Competency Delivered



Note:

Initial graph (up to 2014 – 2015) taken from the October 2015 David Crombie review of the performance of the QATC Governance Boards and their relevant subcommittees.

*Graph has since been updated by QATC to reflect current data.*



## Appendix F

### QATC Student Summary for 2018

- Current enrolments across the Queensland Agricultural Training Colleges (QATC) total 1,516 students (fulltime and part-time).
- There are 491 students (excluding Central Queensland University students) enrolled across QATC CQ (Mackay, Rockhampton, Emerald, Longreach, Bundaberg) sites as follows:
  - 151 students (VETiS) across 12 high schools
  - 52 Traineeships and apprenticeships
  - 122 Certificate students
  - 166 Fee for Service short course students
- 63 first, second and third year students are also enrolled in CQU and QATC joint delivery of a Bachelor of Agriculture program.

<b><i>Annual Average Full Time Student Number Commencements</i></b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
EAC	35	85**	67**	48**
LPC	36	37	26	25
<b>Total</b>	<b>71</b>	<b>122</b>	<b>93</b>	<b>73</b>

Notes: \*\* CQU degree students being trained in partnership with EAC (24 in 2018).

## Appendix G

### Building Assets and Rural Landholdings and Associated Equipment

(taken from QATC Annual Report 2016-2017)

Queensland Agricultural Training Colleges

Notes to and forming part of the Financial Statement 2016-2017

#### Property, Plant and Equipment Reconciliation

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current reporting period.

	Land		Buildings		Infrastructure		Major Plant and Equipment		Plant and Equipment		Work In Progress		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	14,361	14,361	35,650	45,308	12,324	8,971	3,038	3,626	1,281	1,110	111	751	66,765	74,128
Acquisitions			389		923	3,927	23	231	264	374	729	110	2,327	4,642
Disposals							(281)		{13}				(294)	
Transfers between classes			54		(927)		(21)		894		(111)	(751)	(111)	(751)
Revaluation increments (decrements)	809		2,520		1,316	-	(1,748)	210					2,897	210
Depreciation			(677)	(676)	(413)	(257)	(217)	(190)	(208)	(203)			(1,514)	(1,325)
Impairment				(8,983)		(317)		(839)						(10,139)
Impairment reversal			179				209						388	
Carrying amount at 30 June	15,170	14,361	38,115	35,650	13,223	12,324	1,004	3,038	2,218	1,281	729	111	70,458	66,764

## Categorisation of fair values recognised as at 30 June 2017

	Level2 \$'000		Level3 \$'000		Total \$'000	
	2017	2016	2017	2016	2017	2016
Land	15,170	14,361	-	-	15,170	14,361
Buildings		380	38,114	35,269	38,114	35,649
Infrastructure		-	13,223	12,325	13,223	12,325
Major Plant and Equipment	1,004	3,038	-	-	1,004	3,038

	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Carrying amount at 1 July	35,269	44,872	12,325	8,970	47,594	53,842
Acquisitions	389		922	3,927	1,311	3,927
Transfers between classes	54		(927)		(873)	
Transfers between levels	380				380	
Revaluation increments	2,520		1,316		3,836	
Depreciation	(677)	(620)	(413)	(255)	(1,090)	(875)
Impairment		(8,983)		(317)		(9,300)
Impairment reversal	179				179	
<b>Carrying amount at 30 June</b>	<b>38,114</b>	<b>35,269</b>	<b>13,223</b>	<b>12,325</b>	<b>51,337</b>	<b>47,594</b>

## Accounting Policy

### Highest and Best Use

All of QATC's property, plant and equipment have been valued at highest and best use.

### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by QATC include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by QATC include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of QATC assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of QATC for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 - represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 - represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

- Level 3 - represents fair value measurements that are substantially derived from unobservable inputs.

There were transfers of assets between fair value hierarchy levels during the period.

**Basis of Capitalisation and Recognition Thresholds**

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition.

Intangibles	\$100,000
Buildings and Infrastructure	\$5,000
Land	\$1
Major Plant and Equipment	\$5,000
Other	\$5,000

Items with a lesser value are expensed in the year of acquisition.

Land improvements undertaken by QATC are included with buildings and infrastructure.

**Accounting Policy - Cost of Acquisition**

Actual cost is used for the initial recording of all non-current physical asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to acquisition, including all other costs incurred in getting the assets ready for use. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government department or Statutory Body (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government department or Statutory Body, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

**Measurement Using Historical Cost Accounting Policy**

Plant and equipment, (excluding major plant and equipment) is measured at historical cost in

accordance with the Non-Current Asset Policies. The carrying amounts for such plant and equipment is not materially different from their fair value.

**Measurement Using Fair Value Accounting Policy**

Land, buildings, infrastructure, major plant and equipment are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable.

The cost of items acquired during the financial year has been assessed by management of QATC to materially represent their fair value at the end of the reporting period.

Property, plant and equipment classes measured at fair value are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices.

**Use of Specific Appraisals**

Revaluations using independent professional valuer or internal expert appraisals are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

Materiality is considered when reviewing difference between the carrying amount and the fair value of an asset. If there are material variances, then revaluation is warranted,

The fair values reported by QATC are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

### Use of Indices

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. QATC ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. The State Valuation Service (SVS) supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by SVS based on QATC's own particular circumstances.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

For assets revalued using a cost valuation approach (e.g. current/depreciated replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'.

For assets revalued using a market or income-based valuation approach, accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

### **Impairment Accounting Policy**

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost. Where the carrying amount of the asset exceeds the recoverable amount, the impairment loss is accounted for as follows:

for assets measured at cost, an impairment loss is recognised immediately in the statement of comprehensive income.

for assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the asset revaluation surplus of the relevant class to the extent available. Where no asset revaluation surplus is available in respect of the class of asset, the loss is expensed in the statement of comprehensive income as a revaluation decrement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For assets measured at cost, impairment losses are reversed through income. For assets measured at fair value, to the extent the original decrease was expensed through the statement of comprehensive income, the reversal is recognised in income, otherwise the reversal is treated as a revaluation increase for the class of asset through asset revaluation surplus.

When an asset is revalued using either a market or income valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

## **Key References**

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David Crombie, Review Report for QATC (October 2015)

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