



# Directions Statement for Vocational Education and Training

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# Foreword



As the nature of work and the NSW economy evolves, so too must the vocational education and training (VET) system.

The NSW economy is becoming more service-oriented, with the finance and insurance; construction; health care and social assistance; and professional, scientific and technical services industries forecast to grow.

Critically, our young people need to be trained for the jobs of the future. Currently more than half of Australian students are training for occupations where the vast majority of jobs will be radically affected by automation in the next 10 to 15 years. If we focus on VET students, this number rises to more than 70 per cent of students.

If ever there was a call for the VET system to change, this would be it.

In 2011, the Council of Australian Governments agreed to a new national framework to transform the VET system. The framework included building a more flexible and demand-driven system as well as greater contestability of funding for government-funded training.

New South Wales continues to have the strongest performing economy of any state or territory in the country and the highest jobs growth. To ensure that our economic advantage is supported and sustained, we need to continue to grow and strengthen our skills base by providing vocational education and training options that connect students with jobs.

In 2015, the NSW Government introduced major reform of the VET system called Smart and Skilled. Smart and Skilled is designed to make our VET system more responsive to the needs of industry and students.

Students can now choose the training provider that best meets their needs, gives them quality training and delivers the training that grows the skills of the NSW workforce. Whether people are seeking to enter or re-enter the job market, take up a trade, or further their education, the NSW VET system offers pathways to the jobs of the future.

The NSW Government has listened, and continues to listen, to feedback and insights from students, employers, training providers and peak bodies representing our stakeholders.

I welcome the findings of the NSW Skills Board's One Year Review of Smart and Skilled and the Legislative Council's Inquiry into *Vocational Education and Training in NSW*. The NSW Government has taken on board the key learnings from these important reviews.

The NSW Government's Directions Statement for VET outlines the next phase of the Smart and Skilled reform. Our focus remains on being student-centred, industry driven, promoting quality training providers and an effective and efficient TAFE NSW.

We will work with the Australian Skills Quality Authority (ASQA) to ensure a high quality VET system in NSW. We will ensure the contestable training market prospers alongside TAFE NSW. We will deliver the skilled workforce for the successful delivery of the State's infrastructure priorities.

**The Hon John Barilaro MP**  
**Minister for Skills**

# At a glance – future directions

## 1. Improving access and choice for students

The NSW Government will:

- commit to continually evaluating the NSW VET system to improve future training delivery
- prioritise training delivery in thin markets
- provide appropriate and equitable funding for TAFE NSW and non-TAFE NSW providers to fully support disadvantaged students and students with disability in their training
- better measure student training outcomes, training satisfaction, progress to further education and training opportunities and social participation.

## 2. Continue to ensure fair pricing and funding

The NSW Government will:

- review the methodology for qualification prices, student fees and subsidies to determine whether it continues to provide fair value to students and training providers
- make targeted adjustments to prices for qualifications where price anomalies have affected supply or demand.

## 3. A responsive, flexible NSW Skills List

The NSW Government will:

- actively review and update the NSW Skills List and provide greater flexibility for Smart and Skilled training providers to offer new qualifications.

## 4. Stronger accountability and controls over subcontractors and brokers

The NSW Government will:

- strengthen its minimum expectations of subcontracting arrangements under Smart and Skilled
- introduce new quality assurance requirements to prevent misuse of brokers
- hold Smart and Skilled training providers accountable for the actions of their subcontractors and brokers.

## 5. Ensuring an efficient application process that maintains quality

The NSW Government will:

- simplify the Smart and Skilled application process and enable additional qualitative information to be submitted
- ensure training providers have confidence that their Smart and Skilled contract will be rolled over where there is proven satisfactory performance
- strengthen performance monitoring and compliance under Smart and Skilled

# Introduction

## Vocational education and training in NSW

The NSW Government introduced Smart and Skilled in 2015 to help people in NSW get the skills they need to find a job and advance their careers. With an annual budget in excess of \$2 billion, the VET market in NSW is well supported.

Smart and Skilled is underpinned by three key principles:

1. directing government subsidies towards training that meets the skills needs of NSW and leads to a job
2. allowing students to choose their preferred training provider, with quality training assured by strict criteria on which providers are approved to deliver government-subsidised training
3. ensuring fees are affordable, while guaranteeing that disadvantaged and vulnerable students pay a reduced fee, or none at all.

At the same time, the NSW Government provides direct funding for TAFE NSW to support its role as the public provider.

Under Smart and Skilled, students can choose to train with any of 400+ approved training providers, including:

- TAFE NSW
- Adult and Community Education (ACE) providers
- Non-government organisations including private training providers, charities and industry associations.

There are over 3,000 Federally-registered training providers in NSW, however only those approved by the NSW Government under the Smart and Skilled NSW Quality Framework can provide government-subsidised training.

Smart and Skilled is fundamentally demand-driven, meaning students are given the opportunity to choose how, when and where they train at a government-approved provider.

All approved training providers must charge the same government-subsidised price that is set for each qualification, ensuring that students can choose a provider based on quality not price.

The NSW Skills List identifies the qualifications eligible for a government subsidy under Smart and Skilled. Developed through extensive industry and community consultation and labour market research, the Skills List includes a wide range of vocational qualifications to support the diverse skills needs of NSW employers.

The Skills List enables people in NSW to make informed choices about their training, knowing that Smart and Skilled courses can give people the skills they need to get a job, advance their career or continue onto further study.

The Skills List covers all industry sectors in NSW and includes qualifications up to Advanced Diploma. All NSW apprenticeship and most traineeship qualifications are on the Skills List.

# Recent reviews of Smart and Skilled and the Directions Statement

The NSW Skills Board commissioned an independent review of the first year of Smart and Skilled which was conducted in two stages and concluded in April 2016:

- Stage 1 assessed the effectiveness and adequacy of the selection of Smart and Skilled training providers
- Stage 2 assessed the impact of Smart and Skilled policies on the NSW VET market.

In 2015, the Legislative Council announced an Inquiry into Vocational Education and Training (VET) in NSW. Following consultations with government agencies, industry, training providers, students and peak interest groups, the Legislative Council released its report in December 2015.

The Inquiry concluded that:

*a contestable training market will benefit all parts of the sector over time, driving up quality and efficiency, and ultimately benefiting students, industry and the economy. Accordingly, the committee concluded that there should be no ceiling or cap on the overall level of government funding that is contestable; rather, the level of contestability should be determined gradually over time, as TAFE becomes a seasoned competitor in the market. (Final Report, page xi)*

The Legislative Inquiry made 25 recommendations: five recommendations have already been implemented, eight are fully supported and a further 12 are supported in principle.

This Directions Statement addresses the key findings from both the review of Smart and Skilled and the recommendations resulting from the Legislative Council Inquiry.

The findings and recommendations addressed in this Statement are organised by key themes emerging from the reviews:

1. improving access and choice for students
2. continue to ensure fair pricing and funding
3. a responsive, flexible NSW Skills List
4. stronger accountability and controls over subcontractors and brokers
5. ensuring an efficient application process that maintains quality.

# 1. Improving access and choice for students

The NSW Government prioritises government subsidies to areas of high student or employer demand and need, and to ensure quality provision in regional and remote areas, or in 'thin' markets.

## Access in regional and remote areas

### Current approach and objectives

The NSW Government allocates government subsidies across all regions of NSW, based on demand, which ensures that students in regional and remote areas are not disadvantaged.

The NSW Government is committed to ensuring there is sufficient availability of training opportunities in locations that would not normally be economically viable for training providers. These are called 'thin markets' and usually occur in regional or remote locations. In these cases, the NSW Government pays additional loadings to support the increased cost of training.

In 2015, new policy measures were introduced to increase the flexibility for providers (including TAFE NSW) to deliver qualifications in ways that better meet student and industry demand.

These include allowing training providers to deliver state-wide training for apprenticeships and traineeships; and deliver training across adjacent regional boundaries to reflect industry and student demand.

These measures have enabled greater access and choice for students; a balanced distribution of funding and training across the State; and greater flexibility for industry and training providers in the delivery of training for apprenticeships and traineeships.

### What the reviews found

The two-stage review of Smart and Skilled found that greater flexibility was needed for providers to deliver training within their financial allocations (financial caps). The NSW Legislative Council Inquiry into VET recommended that the NSW Government conduct an annual review to identify thin markets and decide on funding needs, involving consultation with industry, training providers and the community.

## Going forward

The NSW Government will evaluate the impact of the policy measures adopted in 2015 to improve future training delivery. The NSW Government will consider:

- different models which improve flexibility for training providers to ensure they can deliver training where there is demand
- establishing new regional boundaries that better align with student and industry needs and provide better coverage of training delivery across the State

- examining the expansion of the scope of the application process for 2017 to include and prioritise training delivery in thin markets.

In addition, the NSW Government will introduce more robust mechanisms to measure student outcomes. In the short-term, these will include employment outcomes and employer and student satisfaction surveys. Over time, measures will include indicators on student progress to further education and training opportunities and social participation.

In considering these changes, primary consideration will be given to student outcomes, industry need, consumer protection and fiscal responsibility.

## Delivering training to disadvantaged students and students in regional and remote areas

### Current approach and objectives

In recognition of the additional costs associated with delivering training to disadvantaged students, the NSW Government provides additional funding support (loadings) to training providers. Needs-based loadings are available for students of Aboriginal and Torres Strait Islander backgrounds, students with disability and students who are long-term unemployed. In addition, location loadings are provided for students who reside in regional and remote areas of the state.

Currently training providers can receive one needs-based loading and one location-based loading for each eligible student, regardless of whether the student meets more than one needs-based category.

### What the reviews found

The reviews have highlighted that:

- the disability loading is fixed and does not take into account the varying support needs of students with disability
- students with disability have to declare their disability at enrolment in order for the training provider to receive the needs-based loading
- if training providers could access more than one needs-based loading, they could provide additional support to students with complex needs, where appropriate
- the Smart and Skilled approach used to determine location loadings requires review to better target eligible students, particularly those living in rural and remote regions.

### Going forward

The NSW Government will:

- collect additional data on the needs of students with disability and other disadvantaged students who currently attract needs-based loadings
- examine programs and initiatives in other jurisdictions to assess their suitability and applicability to NSW
- allow students to declare their disability at any time during the course of their training rather than just on enrolment, so that training providers can be funded to provide the appropriate level of support



- explore different methods for defining location loading eligibility and seek to ensure that funding is applied accurately and appropriately
- review the methods used for determining eligibility for needs and location loadings.

This approach is consistent with Recommendation 5 of the Legislative Council Inquiry into VET.

## 2. Continue to ensure fair pricing and funding

### Current approach and objectives

In 2013 the Independent Pricing and Regulatory Tribunal (IPART) developed the methodology for pricing qualifications and setting student fees and concessions for training delivered under Smart and Skilled. The current pricing approach takes into account the cost of delivering the units of competencies that make up the qualification and the qualification level.

The fee setting is based on a 'beneficiary pays principle' where those expected to receive a higher benefit contribute a higher proportion of the cost of their training. In addition, the Government pays loadings to training providers for disadvantaged students to support the additional cost of training these students.

### What the reviews found

The Smart and Skilled Review highlighted that:

- qualification prices have supported stability in training provision with a similar distribution of training activity between 2013, 2014 and 2015
- prices or fees for a small number of qualifications may have reduced supply or demand, and therefore should be reviewed.

### Going forward

The NSW Government will:

- conduct a review of the methodology for qualification prices, student fees and subsidies in 2017 to determine whether it continues to provide fair value to students and providers
- make targeted adjustments to prices for qualifications where price anomalies have affected supply or demand.

This is consistent with Recommendations 1-4 of the Legislative Council Inquiry into VET.

## 3. A responsive, flexible NSW Skills List

### Current approach and objectives

The NSW Skills List defines the qualifications and accredited courses the NSW Government subsidises under Smart and Skilled and works with industry to identify skills gaps and future training needs.

The NSW Skills Board reviews the Skills List annually in consultation with industry, and makes recommendations to government on changes to eligible qualifications that should be funded.

The NSW Government acknowledges that the current process for updating the Skills List can be enhanced.

### Going forward

The NSW Government will:

- consult with the NSW Skills Board and industry throughout the year and make active changes to qualifications eligible for funding at the time a need is identified
- allow training providers to apply to deliver new qualifications added to the NSW Skills List, if they are already delivering similar qualifications under Smart and Skilled.

## 4. Stronger accountability and controls over subcontractors and brokers

### Current approach and objectives

A small number of Smart and Skilled training providers assign some of their obligations under their contract to other providers through subcontracting arrangements. In most instances, this allows the expansion of coverage of training delivery to other geographic areas.

Smart and Skilled contracted providers who enter into subcontracting arrangements are responsible for the training delivered.

The NSW Government recognises that Smart and Skilled providers act in good faith when they engage subcontractors to deliver training. However subcontracting arrangements should not limit or reduce the quality of training that is delivered to students.

Brokering is the process of a third party acting as an agent and charging the training provider a commission for its services. Although brokering in the VET market can be advantageous in terms of attracting and informing prospective students about their training options, there is evidence in other jurisdictions of unscrupulous brokers failing to act in the best interests of students.

### What the reviews found

The reviews highlighted that better guidelines need to be developed to improve the oversight of subcontracting and brokering arrangements.

### Going forward

The NSW Government will:

- ensure that training providers are aware of their responsibilities with subcontracting and brokering arrangements under the Smart and Skilled contract
- publish stronger guidelines outlining expectations of subcontracting and brokering arrangements, emphasising that training providers maintain full accountability for training delivery under their contract
- require providers to seek approval for the use of brokers
- closely monitor brokering and subcontracting arrangements as part of quality assurance processes.

This is consistent with Recommendations 17,18, 19, 20 and 21 of the Legislative Council Inquiry into VET.

The NSW Government continues to work constructively with the Australian Government and other agencies such as NSW Fair Trading to ensure that brokering is not used to misinform or disadvantage students.

# 5. Ensuring an efficient application process that maintains quality

## Current approach and objectives

Underpinning Smart and Skilled is the NSW Government's commitment to delivering quality government subsidised training through approving and issuing contracts to high quality providers.

## What the reviews found

There is a need for:

- greater emphasis on qualitative information in the application process
- greater efficiency in the application process to reduce the burden on applicants
- extending the period for Smart and Skilled contracts where appropriate.

## Going forward

The NSW Government will:

- simplify the application process and allow applicants to submit additional qualitative information to demonstrate their capability and commitment to deliver quality training
- increase awareness among training providers that Smart and Skilled contracts will be rolled over, subject to satisfactory performance, delivering greater market certainty
- examine further ways of improving performance monitoring and compliance under the Smart and Skilled contract to reduce the risk of unscrupulous or sub-standard providers delivering training under Smart and Skilled.

This is consistent with Recommendations 7 and 18-21 of the Legislative Council Inquiry into VET.

# Conclusion

In 2016-17, the NSW Government has the capacity to offer 550,000 subsidised training places for VET students, an increase of 50,000 from the previous year. By evaluating the Smart and Skilled framework and setting a clear direction for the next steps, the NSW Government can:

- give greater certainty to the NSW VET market
- raise the profile of VET
- ensure the benefits for students and ultimately jobs for NSW from the significant Government investment are maximised.