



**The Hon. John Barilaro MP**

Minister for Regional Development  
Minister for Skills  
Minister for Small Business



BN16/4889

Mr David Blunt  
Clerk of the Parliaments and  
Clerk of the Legislative Council  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Blunt

Please find attached the Government's response to the Legislative Council's Inquiry into *Vocational education and training in NSW*. The response has been prepared in accordance with the Legislative Council Standing Order No 233.


I thank the Chair and the Members of the Legislative Council's General Purpose Standing Committee No. 6 for its thorough report. The findings and recommendations of the Inquiry will be further considered alongside the outcomes of the *Smart and Skilled Year One Program Review* reports.

If you have any further queries, please contact my senior advisor, Daniel Newlan, on phone 02-8574 5173 or by email: [daniel.newlan@minister.nsw.gov.au](mailto:daniel.newlan@minister.nsw.gov.au).

Yours sincerely



The Hon. John Barilaro MP  
Minister for Regional Development  
Minister for Skills  
Minister for Small Business

Received at 11:30 am  
Tuesday 21 June 2016  


## NSW Government response to the Legislative Council's Inquiry into *Vocational Education and Training in NSW*

---

This response has been prepared in accordance with the Legislative Council Standing Order No 233.

### **Recommendation 1**

That the NSW Government require IPART to revise its market price testing procedures to reflect current market conditions in the vocational educational and training (VET) sector.

Response

#### **Supported**

The NSW Government will consider market price testing procedures in line with the findings of the Smart and Skilled Year One Review (Stage 2) commissioned by the NSW Skills Board.

### **Recommendation 2**

That the NSW Government ensure that the Smart and Skilled Review being overseen by the NSW Skills Board takes into account concerns regarding inadequate pricing of qualifications and high student fees.

Response

#### **Completed**

The Smart and Skilled Year One (Stage 2) Review evaluated the effectiveness and appropriateness of current pricing tools, and considered the adequacy of pricing and fee levels.

### **Recommendation 3**

That prior to endorsing any fee structure, the NSW Skills Board model the price elasticity of demand of different qualification prices.

Response

#### **Completed**

The Smart and Skilled Year One (Stage 2) Review examined the effect of pricing on the demand for qualifications.

### **Recommendation 4**

That the NSW Skills Board research whether an 'efficient price mechanism' is suitable for estimating the cost of a non-commodified service like vocational education, or whether alternative pricing mechanisms would produce more equitable and efficient outcomes.

Response

#### **Completed**

The Smart and Skilled Year One Review (Stage 2) included an assessment of pricing mechanisms.

### **Recommendation 5**

That the NSW Government make VET under Smart and Skilled more accessible to students with a disability by:

- a) abolishing the current 'one size fits all' 15 per cent disability loading
- b) developing and implementing a new disability loading system based on the principle of individual needs, which may include a sliding scale, in consultation with the disability sector
- c) removing the requirement to declare disability on enrolment in order to access the disability fee exemption and loading, allowing students with a disability to access these supports at any stage throughout their studies
- d) providing more information around why disability questions are asked only at the enrolment stage.

Response

#### **Supported in principle**

The Smart and Skilled Year One Review (Stage 2) assessed the effectiveness and appropriateness of loadings in its examination of pricing.

The NSW Government is committed to ensuring that VET is accessible to people with disability. Price loadings are not the sole source of funding for students with high cost needs. TAFE NSW receive Community Service Obligation funding to provide support services for higher cost learners, including students with disability and those with multiple needs. This funding assists TAFE NSW to offer support services, specialist staff and equipment to disadvantaged learners who face barriers to access training.

### **Recommendation 6**

That the NSW Government improve the Smart and Skilled contractual arrangements with training providers by:

- a) extending the contracts to three-year terms, subject to the budget appropriation process and providers demonstrating satisfactory performance
- b) amending its current policy so that private providers are paid upon completion of a unit rather than in stages, similar to the policy in use in Victoria, Queensland and Western Australia
- c) continuing to look at ways of improving its arrangements with providers as part of the Smart and Skilled Review being overseen by the NSW Skills Board.

Response

#### **Supported in principle**

While Smart and Skilled contracts are reviewed annually, training providers who demonstrate satisfactory performance will have their contracts rolled over into future years.

Under Smart and Skilled providers will continue to be paid in instalments aligned with the achievement of student milestones.

To ensure compliance with Smart and Skilled contract conditions, the Department of Industry, Skills and Regional Development (the Department) closely monitors providers, including interviewing students to assess satisfaction with training delivery.

The NSW Government will continue to explore options for improving arrangements with training providers while ensuring that the delivery of quality training is maintained.

The NSW Government recently released a Statement of Expectations for Smart and Skilled Providers which sets out service standards and obligations for providers to deliver high quality training, meet legislative and regulatory requirements, work ethically and be responsive to student and employer needs.

**Recommendation 7**

That the NSW Government improve the Smart and Skilled provider application process by:

- a) enabling applicants to provide more qualitative information
- b) including industry standing and Australian Skills Quality Authority (ASQA) accreditation track record as part of the criteria used to assess providers
- c) making public the methodology used to assess providers
- d) establishing a phone line for providers to ask questions and receive feedback on the provider application process.

Response

**Partially supported**

The Smart and Skilled application process is being revised to allow applicants to include more qualitative information in their applications. The Smart and Skilled assessment process also considers additional indicators such as information held by Australian Skills Quality Authority (ASQA).

The NSW Government delivers support to applicants for the Smart and Skilled application process. This includes a phone line and support materials on the Smart and Skilled website, including guidance on the NSW Quality Framework (<https://smartandskilled.nsw.gov.au/>).

**Recommendation 8**

That the NSW Government modify the Smart and Skilled funding arrangements to limit contestability for regional, rural and remote areas by:

- a) considering placing a cap on the level of contestable funding for areas deemed to be thin markets
- b) considering allocating additional Community Service Obligation (CSO) funding to TAFE NSW institutes operating in thin markets
- c) conducting an annual review to identify thin markets and decide on funding needs, involving consultation with industry, training providers and the community.

Response

**Partially supported**

The Government does not support limiting contestability in thin markets (8a), but does support considering allocating additional Community Service Obligation (CSO) funding to providers in thin markets, including TAFE NSW, to allow flexibility to ensure students in thin market receive adequate training and support (8b). The Government supports 8c.

**Recommendation 9**

That the NSW Government establish and enforce minimum face-to-face delivery hours for all courses subsidised under Smart and Skilled to ensure that there is adequate teaching time.

Response

**Supported in principle**

Delivery requirements are set by industry as part of the development of national Training Packages. Specifications relating to training delivery modes (including the number of face-to-face hours) apply uniformly across states and territories. Delivery modes are considered as part of the NSW Government's quality assurance process.

**Recommendation 10**

That the NSW Skills Board study the post-qualification outcomes of graduates of online courses, compared with graduates of face-to-face courses, to determine whether there is any variance in employment, income and participation in further vocational or tertiary education.

Response

**Supported**

The NSW Skills Board is considering commissioning research to examine the post-qualification outcomes of VET graduates, including those undertaking online courses in the context of its future research agenda.

**Recommendation 11**

That TAFE NSW:

- a) allow other training providers to use its facilities for a commercial fee, subject to rigorous safety precautions
- b) be guaranteed secure access to its buildings and facilities.

Response

**Supported in principle**

TAFE NSW has a Third Party Access Policy in place. This recommendation will be considered in a review of that policy. This is in line with the Commonwealth's *Skilling Australia's Workforce Act 2005* which requires public training institutions to provide third party access at commercial rates. Any access by other providers is subject to TAFE NSW students receiving priority at all times and the requirement to ensure that Work, Health and Safety obligations are fully discharged.

### **Recommendation 12**

That the NSW Government continue to support the *Indigenous Police Recruiting Our Way Development* program and liaise with the Australian Government regarding continued funding and support for this program so that it may expand in the future.

Response

#### **Supported**

The *Indigenous Police Recruiting Our Way Development* (IPROWD) program provides a Certificate III in Vocational and Study Pathways (10098NAT) which contributes to an entry requirement into the Associate Degree in Policing Practice offered by Charles Sturt University for the NSW Police Force Academy. The Certificate III is listed as a subsidised qualification on the NSW Skills List due to the recognised demand for the qualification and employment opportunities available. The program is supported and valued and TAFE NSW will continue to work collaboratively to seek funding sources for the continued delivery of this program.

### **Recommendation 13**

That the NSW Government:

- a) make public the amount and breakdown of TAFE NSW's direct funding allocations
- b) make public the MOU regarding the accountability arrangements for the direct funding allocations
- c) expedite the development of clear and transparent guidelines for the use of Operational Base Funding and CSO funding.

Response

#### **Supported in principle**

The NSW Government is committed to improving transparency of TAFE NSW funding. Release of funding information relating to TAFE NSW is contingent on ensuring its competitiveness under Smart and Skilled is not unfairly impacted.

### **Recommendation 14**

That the NSW Government abolish the Student Administration and Learning Management /Education Business System (SALM/EBS) system used by TAFE NSW, and go back to the drawing board.

Response

#### **Supported**

The NSW Government supports the replacement of the SALM/EBS System and expects a new system to be in place for the 2018 enrolment period.

### **Recommendation 15**

That TAFE NSW introduce simpler online and hard copy course, fee and enrolment information for students, and establish a phone line to guide students through the enrolment process.

Response

**Supported**

TAFE NSW is currently exploring options for the implementation of this recommendation.

**Recommendation 16**

That the NSW Government lobby the Australian Government to:

- a) introduce a new model for VET FEE-HELP as a matter of urgency, with stronger safeguards against abuse
- b) ensure that the ASQA has adequate funding and powers to deal with 'dodgy' providers.

Response

**Supported**

The Minister for Skills has made representations to the Australian Government on this issue.

The Australian Government introduced new measures from January 2016 to protect students from unscrupulous training providers and to stop such training providers from taking advantage of the scheme. The NSW Government will continue to make representations to the Australian Government to ensure that strong safeguards are in place to protect students.

The NSW Government has strong quality assurance mechanisms in place to protect students from unscrupulous behaviour by Smart and Skilled training providers.

**Recommendation 17**

That the NSW Government ensure that the Smart and Skilled Review being overseen by the NSW Skills Board examines ways of improving the performance monitoring and compliance provisions in the Smart and Skilled contracts.

Response

**Completed**

The Smart and Skilled Year One Review (Stage 2) examined the performance, monitoring and compliance provisions in Smart and Skilled contracts.

The NSW Government recently released a Statement of Expectations for Smart and Skilled Providers which sets out service standards and obligations for providers

**Recommendation 18**

That the NSW Government recognise that it has primary responsibility for regulating quality outcomes and ensuring contractual compliance for all providers in receipt of Smart and Skilled contracts.

Response

**Supported in principle**

The NSW Government has the responsibility for ensuring that quality outcomes are achieved through its Smart and Skilled contracts and Operating Guidelines. Training providers may be subject to enforceable sanctions where they do not comply. These may include: withholding payments; removing allocations; suspension or termination of contracts.

**Recommendation 19**

That State Training Services include in all Smart and Skilled contracts:

- a) performance standards reflective of all the conditions contained in the Smart and Skilled Quality Framework
- b) the requirement for a provider to consent to any inspection by an authorised State Training Services agent, and any request for any document relevant to a State Training Services investigation.

Response

**Completed**

The performance standards in the Smart and Skilled contract reflect all conditions and requirements contained in the NSW Quality Framework. The contract also requires training providers to consent to any inspection by the Department of Industry, Skills and Regional Development and any requests for relevant documentations for quality assurance purposes.

As stated above, the NSW Government recently released a Statement of Expectations for Smart and Skilled Providers which sets out service standards and obligations for providers

**Recommendation 20**

That independently of ASQA, State Training Services develop an audit and compliance strategy that, throughout the course of a three-year contract, ensures that every provider is checked for contractual compliance, and continued compliance with the NSW Quality Framework.

Response

**Supported in principle**

The NSW Government has an audit and compliance strategy in place. Appropriate actions, including the suspension of all or part of the Smart and Skilled contract, or termination where necessary, is taken against any training provider who fails to meet contract conditions.

Triggers for additional performance monitoring include:

- where serious complaints have been made against a training provider
- when referrals have been made by ASQA
- when there are unsatisfactory student survey results.

All Smart and Skilled training providers are reviewed as part of the Department of Industry, Skills and Regional Development's performance monitoring procedures.

**Recommendation 21**

That the NSW Government investigate:

- a) further compliance measures that may allow State Training Services to recover any student fee or contribution for any student found to have been adversely affected by a breach of a Smart and Skilled contract
- b) the option of banning any vocational provider from participation in the Smart and Skilled program if that provider, at any time, has been found to have unscrupulously offered any inducement to a student to enrol in a vocational education and training course
- c) the option of including in all Smart and Skilled contracts a termination clause that lets State Training Services terminate any contract if a contractor has been found to have



unscrupulously offered any inducement to a student to enrol in a vocational education and training course while contracted to State Training Services.

Response

**Supported in principle**

Smart and Skilled contracts contain specific provisions which allow termination of a contract when a training provider fails to meet contract conditions, including any inappropriate recruitment of students.

**Recommendation 22**

That the NSW Government improve school careers advice on VET by:

- providing better quality guidance to students, parents and teachers in relation to vocational pathways
- promoting the range of VET options available.

Response

**Supported**

Training Services NSW's regional offices engage with schools to communicate information on career pathways available through vocational education and training. In addition, the Department of Industry, Skills and Regional Development, in consultation with the Department of Education, is exploring further opportunities to provide information on vocational pathways to school students.

**Recommendation 23**

That the NSW Government review the funding arrangements for school-based VET programs to promote equity of access between public and private school students.

Response

**Supported**

The NSW Skills Board has commissioned a review of its funding arrangements for school VET programs, and in consultation with the Department of Education is examining funding for externally delivered VET for school students.

**Recommendation 24**

That the NSW Government expand the school-based apprenticeship and traineeship program to facilitate greater participation by students, including those living in regional, rural and remote areas.

Response

**Supported in principle**

School-based apprenticeships and traineeships on the NSW Skills List are eligible for government-subsidised funding under Smart and Skilled and the Department of Industry, Skills and Regional Development will work with employers and with the public, Catholic and Independent school sectors to facilitate greater participation from students, including in non-metropolitan areas.

**Recommendation 25**

That the NSW Government promote equity by amending the Smart and Skilled eligibility criteria to allow registered home-schooled students to access subsidised Smart and Skilled entitlement training.

Response

**Supported in principle**

The NSW Government is giving strong consideration to this recommendation for decision in the near future.