

INQUIRY INTO VOCATIONAL EDUCATION AND TRAINING IN NEW SOUTH WALES

Supplementary questions on notice – hearing on 22 September 2015

Questions for the Hon John Barilaro, Minister for Skills

Question:

1. Can you provide more detailed information around each of the recent initiatives mentioned in your opening statement, namely:

- a. Extending the geographic boundaries for 250+ providers so employers have greater choice of training providers for apprentices and trainees
- b. \$48 million for fee-free scholarships to help 200,000 disadvantaged young people access training under Smart and Skilled
- c. \$10 million to support the NDIS workforces
- d. Capping traineeships at \$1,000
- e. Giving people with a disability unlimited access to fee-free subsidised training
- f. \$10 million to fund pre-apprenticeship and pre-traineeship programs for school leavers with training in key industries including construction, electro-technology, automotive and hospitality, and supporting commencement in these industries in 2016
- g. Opened access to subsidised training at the Foundation Skills and Certificates II and III levels (provided it is on the Skills List) for people with a Certificate IV or higher qualification enabling them to reskill for a new career
- h. \$25 million for the 'Jobs of Tomorrow' (STEM) scholarship program (from 1 January 2016)
- i. \$8 million to help young people in regional areas with tailored support to stay connected with education or find sustainable employment (from 1 January 2016).

Answer:

1a. On 4 June 2015, 259 contracted training providers delivering apprenticeship and traineeship training under Smart and Skilled were able to extend the delivery of their apprenticeship and traineeship training across different geographic areas where there was a demand for their services. This provided employers with a greater choice of training providers and meets the demand of students.

1b. On 1 July 2015, the NSW Government introduced Fee-Free Scholarships for concession eligible 15-30 years olds to undertake subsidised training. Priority is given to people in social housing or on the waiting list for social housing. The Government committed \$48 million, over four years, for 200,000 scholarships

(50,000 each year). This meets the needs of highly disadvantaged people and communities in NSW.

1c. The NSW Government is investing \$10 million for students to learn new skills that will support the delivery of National Disability Insurance Scheme. Commencing in 2016, the investment will allow the NSW Government to subsidise 2,000 additional training places in courses including Disability, Community Services, Auslan and Aged Care. Over the past four years, students studying to be carers and welfare workers in NSW have increased by 38 per cent and 33 per cent respectively.

1d. Traineeship fees in 2016 will be capped at \$1,000 for the whole qualification to minimise the costs to students and employers. This means that over 85 per cent of traineeship qualifications on the NSW Skills List will be cheaper for students in 2016, with the average saving being \$1,128.

1e. From 1 January 2016, students with disability will have all courses they participate in under Smart and Skilled exempted from fees. This makes accessing training for life or work skills for people who generally have higher costs of living much easier.

1f. The NSW Government will invest \$10 million in 2015-16 to help school leavers start their career through free pre-traineeship and pre-apprenticeship courses. Our investment will help up to 2,000 students find a career that suits them and increase the likelihood of completing a subsequent traineeship or apprenticeship.

1g. From 1 January 2016, Smart and Skilled eligibility criteria will be amended to allow people with an existing qualification of Certificate IV and above to access subsidised training. This change could help up to 35,000 students a year. It will benefit workers who need to retrain, people whose first qualifications were gained in another country, and stay-at-home parents who wish to re-enter the workforce.

1h. The NSW Government has committed \$25 million over four years for 'Jobs of Tomorrow' Scholarships in science, technology, engineering and mathematics (STEM) VET qualifications. Eligible students will receive a \$1,000 scholarship to encourage more enrolments in and completion of qualifications that are of high value to technology-based growth industries. The program starts on 1 January 2016, with \$6.25 million allocated for each calendar year over four years. Students will receive a \$500 payment on the start of their training and \$500 on achievement of their qualification. As demand could potentially be high, students who meet the eligibility criteria will be entitled to no more than one scholarship each over the four years. Consultation has taken place with NSW Industry Training Advisory Bodies (ITABs) and peak provider bodies to help develop the list of qualifications for Jobs of Tomorrow scholarships. These qualifications will be clearly identified in the NSW Skills List.

1i. The Government has committed \$8 million over four years to provide viable pathways into education, training and/or work for disengaged young people in regional areas with high levels of youth unemployment and limited support services. Disengaged young people will be identified by schools, TAFE NSW Institutes, Family and Community Services, and Juvenile Justice centres around the state. Local community organisations may also serve as referral points.

Under the program, non-government organisations that already have strong local networks will be contracted to provide career mentoring support, work experience, career transition planning and broker employment pathways linked to training including apprenticeships and traineeships.

The program will support 1,000 young people in five regional areas with high rates of youth unemployment. Implementation planning, stakeholder consultations and the tender process will be completed by December 2015.

Question:

2. Please explain the status of the document titled "TAFE NSW Asset Investment 2015/16" which details \$63 million of Proposed divestments 2015/16 and \$54.5 million of "proposed capital investments in 2015/16" (a copy of the document is available at

<http://j.mp/TAFEassetsales201516>) and in particular:

- a. Have you previously seen the document or an earlier draft of it?
- b. Are you aware of who wrote it?
 - i. If so, please identify which organisation or agency wrote it.
- c. Has the document been adopted as policy by TAFE NSW or by the government?
 - i. If so, when did this occur?
- d. For each proposed asset sale on the document, please identify where the process is up to.
- e. Are there any other campuses that are currently under investigation for closure or partial sale?

Answer:

- 2.
 - a. TAFE NSW is developing a strategic asset management plan to ensure that the services provided meet the needs of employers and students across the state. This plan takes account of the changing expectations of students, employers and industry on how when and where TAFE courses are available. The document you refer to is part of the planning process. The divestment of old, underutilised facilities or surplus land will allow TAFE to invest in modern facilities.
 - b. This document was developed by TAFE NSW as part of the work in developing a strategic asset management plan. The development of a SAMP was recommended by Infrastructure NSW and supported in the NSW Government's 'Rebuilding NSW' Infrastructure Strategy. This document is publicly available.
 - c,d & e. This document aligns with the NSW Government Statement of Owner Expectations for TAFE NSW, published in August 2013 and the TAFE NSW Strategic Plan 2014-2016. These documents are both publicly available. These documents were informed by extensive public consultation on the value of TAFE

and community expectations. TAFE NSW regularly reviews its facilities to ensure that they are fit for purpose and align with training demand.

Question:

3. TAFE NSW's "Teachers and Related Employees Enterprise Agreement 2015: Full Proposal" dated 3 September 2015 states that "Adding a Trainer role to help us win new business".

- a. How will this new position increase the capacity of TAFE to 'win new business'?
- b. Please provide the proposed hourly wage rates and annual salaries comparisons between trainers and teachers.
- c. Please explain the proposed difference in qualifications between the two grades.
- d. What advantages are there for students being taught by a trainer rather than by a teacher?
- e. What advantages are there for TAFE other than cheaper wage rates?

Answer:

3.a. The Trainer role will enable TAFE NSW to further customise its delivery model to increase the organisation's flexibility and competitiveness in a changing market.

3.b.

	Trainer (proposed)	Teacher (current)
Hourly Rate	\$ 43.06	\$ 44.1254 (step 10) \$ 52.3307 (step 13)
Salary	\$ 78,643	\$ 80,584 (step 10) \$ 95,569 (step 13)

3.c.

	Trainer (proposed)	Teacher (current)
Qualification Requirements *	<p>Trainers must hold:</p> <ul style="list-style-type: none"> • TAE40110 Certificate IV in Training and Assessment, or its successor, or • a diploma or higher level qualification in adult education; and • the vocational qualification at or above the level of the training package qualification and current vocational experience required by the training package qualification being delivered; and • Current knowledge and skills in 	<p>Teachers must hold:</p> <ul style="list-style-type: none"> • TAE40110 - Certificate IV in Training and Assessment, or its successor, or • a diploma or higher level qualification in adult education; and • a relevant vocational qualification: Degree, Diploma or equivalent in the teaching designation that they are being recruited to; and • two to five years current and relevant industry experience and skills; and • Current knowledge and skills in vocational training and learning

d. The proposed TAFE Delivery Model is designed to be agile and responsive to the needs of students. TAFE NSW will continue to provide quality vocational education and training and the proposed TAFE Delivery Model will help us achieve this:

- The educational team will be managed and led by TAFE Head Teachers
- The model will allow Teachers to do what they do best – teach
- Existing Education Support Officer and Assessor roles, which TAFE NSW in collaboration with the NSW Teachers Federation has been trialing successfully since the last agreement, will underpin and support the work of Head Teachers and Teachers within the team.

The proposed Trainer role will complement the team by supporting Teachers and Head Teachers with compliance requirements and facilitate the delivery of programs which are pre-designed by the existing TAFE professional teaching workforce.

e. The Trainer role is proposed to support areas of the business that would benefit from core flexible deliver approaches. The proposed Trainer role will complement the team by supporting Teachers and Head Teachers with compliance requirements and facilitate the delivery of programs which are pre-designed by existing professional teaching workforce. Institutes would determine which courses were appropriate for the Trainer role, and which were not.

Question:

4. TAFE NSW's "Teachers and Related Employees Enterprise Agreement 2015: Full Proposal" dated 3 September 2015 identifies policy changes as driving the need to "reform the way we work". Are Smart and Skilled and the VET FEE Help higher qualification changes resulting in the need to increase face-to-face teaching hours for professional teachers and introduce paraprofessional grades to do work that has been performed by professional educators?

Answer:

4. The VET sector has experienced significant reforms, increased competition and changes in demand from students in recent years.

TAFE is primarily funded through the number of students and employers who choose TAFE NSW.

The design and delivery of programs is guided by Training Package requirements, the needs of student groups and employers. The delivery models used to deliver these programs are customised to suit these groups and maximise learning outcomes for students. The use of a teacher or trainer (or combination of both) will be guided by TAFE educational leaders (Head Teachers) and Faculty leaders.

Question:

5. The National Partnership on Skills Reform expires on 30 June 2017.

a. What principles will you take to the negotiation of the next National partnership or other federal state agreement on vocational education and training funding?

b. How will you ensure that the next agreement protects TAFE from the level of decline in market share seen in Victoria and South Australia?

Answer:

5a-b. In any negotiations over future agreements, the NSW Government's approach will be based on an overriding objective of putting students first, to help as many people as possible to get a good job or a better job.

Question:

6. In the transcript for 22 September:

Mr JOHN BARILARO: The IPART model was in relation to fees and the cost of delivery through looking at TAFE's cost of delivery and looking at its workforce, looking at its business model, looking at its heritage buildings and its assets base. It determined a price, a fee, in relation to a regulated fee structure under Smart and Skilled in New South Wales.

a. IPART however set prices based on "efficiency", that is the prices that would emerge from a fully competitive market? How do you reconcile these two views?

b. IPART's report said; "Therefore we exclude any costs identified through inter-related work on the VET Budget and Funding Model that relate to operation base funding (OBF). OBF costs are defined as the costs incurred by TAFE as a result of the competitive disadvantage arising from public ownership." How do you reconcile this view with your statement to the committee?

Answer:

6a. The IPART funding model recognised TAFE NSW's budget would include Operational Base Funding to meet its higher workforce cost, the cost of its heritage assets and its reporting requirements as a public agency.

The efficient price developed by IPART is intended to allow only for the reasonable costs incurred by public and private training providers in the delivery of quality training.

6b. This is consistent with my statement to the Committee. IPART's model means that students face a fair fee. However taxpayers are currently paying more than a fair price to subsidise TAFE's current competitive cost disadvantage.

Question:

7. How is the Operational Base Funding to TAFE set? Please provide the formula.

Answer:

7. The methodology of operational base funding is based on estimates of three values:

1. The additional cost TAFE NSW bears due to prevailing workforce terms and conditions relative to those in the private sector.
2. The cost of maintaining its heritage assets.
3. The extra costs relating to its reporting requirements as a public sector agency.

The operational base funding was calculated by TAFE NSW using internal and publicly available data and applying averages to the TAFE NSW salary budget.

Question:

8. The Managing Director of TAFE NSW, Ms Pam Christie, told the Committee that "The operational base funding is a formula and it takes into account some of our higher costs of being a Government provider. My understanding is that is revisited on a regular basis and, yes, the expectation of Government is that we reduce our reliance on that operational base funding."

- a. Can you explain why Ms Christie understands this to be the case?
- b. Can you provide the Committee with the level of OBF you expect for the next five years?
- c. If your expectation is that the OBF will diminish, what changes do you expect TAFE to make to reduce the higher costs of public ownership?

Answer:

8a. It is not appropriate for me to comment on why Ms Christie understands this to be the case. This question should be directed to Ms Christie.

As outlined in the Statement of Owner Expectations – TAFE NSW released in August 2013, the OBF funding for TAFE will be reviewed over time and adjusted to changes in circumstances.

8b & c. The NSW Government expects that the management of TAFE NSW will explore a wide range of options to make TAFE NSW more efficient while continuing to provide high quality training and meet community service obligations. The NSW Government expects TAFE NSW to review its asset base, delivery model, overheads and other major cost items. The NSW Government will continue to work with TAFE NSW to ensure any actions are consistent with the Government's broader objectives for vocational education and training.

Question:

9. What is the current value of OBF paid to TAFE and what are the forward estimates for the next four years and beyond?

Answer:

9. Refer to answer to Question 7 above. As noted in the “Statement of Owner Expectations, TAFE NSW”, page 7, “operational base funding for TAFE NSW will be reviewed over time and adjusted to changes in circumstances.”

Question:

10. How is the Community Service Obligation (CSO) payment to TAFE NSW calculated? Please provide the formula.

Answer:

10. Community service obligations are a component of the total grant paid to TAFE NSW to fund its ongoing operations. The total grant includes non-contestable funding for the delivery of training (Certificate level IV and above), operational base funding and community service obligations funding. The system of apportioning TAFE allocations across the categories is rudimentary and there is no specific formula that ties CSO to specific services provided.

Creating a methodology to the specific services for CSO payments is a reform priority for the Government. Work has commenced to move to a model where payments for community service obligations are explicit to activities and training delivered with transparent reporting on the cost of delivering community service obligations.

Question:

11. What is the current level of CSO and what are the forward estimates for the next four years and beyond?

Answer:

11. Please see above in response to Question 10.

Question:

12. What instructions have you issued to State Training Services in respect of the 2016 year:

- a. the rolling over of existing contracts under Smart and Skilled for 2016, and
- b. the issuing of new contracts for 2016
- c. contracts or contract values that are limited to TAFE?

Answer:

12a-c. I have instructed the Department to implement the changes that I have announced, and to ensure that 2016 contracts support the commitments made in relation to National Disability Insurance Scheme workforce training and the delivery of pre-apprenticeship and pre-traineeship training for school leavers.

Question:

13. In the hearing of 22 September, the Minister declined to put a limit on the fraction of the VET budget that would be allocated contestably, instead stating that "The level of contestability will be determined over time as we continue to implement the efficiencies in TAFE that allow it to compete."

- a. Do you envisage a time at which all of TAFE's funds are derived from the contestable market or commercial activities?
- b. What attributes of TAFE as compared to non-government providers do you recognise as being distinct and uniquely valuable and worthy of protection from the competitive market?

Answer:

13a. 100 per cent allocation of government funds by contestable rounds is not envisaged. The Government supports TAFE generating commercial income from its training services.

13b. The NSW Government funds TAFE NSW for community service obligations in relation to support the most disadvantaged students, and through 'thin market' provisions under Smart and Skilled.

The 'Statement of Owner Expectations – TAFE NSW' makes it clear that TAFE is expected to compete in a contestable market and deliver specialist training in industry and labour market priority areas, particularly in thin markets or high-cost areas, including regional and rural communities under Community Service Obligations.

Question:

14. The new Federal Minister for Education Simon Birmingham has flagged an increased role for the federal government in TAFE and VET, including the possibility of a complete federal takeover.

- a. Do you support this and if so to what extent?
- b. What do you see as the future for TAFE under federal ownership?

Answer:

14. The NSW Government has indicated that it is willing to work with the Commonwealth and other jurisdictions to explore future arrangements for VET funding.

Question:

15. Is the August 2013 "Statement of Owner Expectation – NSW TAFE Commission (TAFE NSW)" still current?

- a. If not, please indicate what areas are no longer current.

Answer:

Yes.

Question:

16. Please explain what changes are to occur to the funding of TVET and when they will occur.

- a. How will this impact on public schools?
- b. How will it impact on non-government schools

Answer:

TVET for government school students is partially funded by the Department of Education and partially funded by an allocation to the Department of Education from the NSW Skills Board.

TVET for non-government school students is partially funded by similar allocations to non-government school sectors from the NSW Skills Board and partially funded by the schools themselves (including by fees charged by non-government schools to parents).

TAFE NSW has released prices for TVET programs in 2016 for government and non-government schools which align with Smart and Skilled prices.

A handwritten signature in blue ink, appearing to read 'John Barilaro'.

John Barilaro MP
Minister for Regional Development
Minister for Skills
Minister for Small Business