



NSW SKILLS BOARD  
**ANNUAL  
REPORT  
2014**



# NSW Skills Board

## Annual Report 2013–2014

The Honourable Adrian Piccoli MP  
Minister for Education  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Minister

In accordance with the provisions of the *Annual Reports (Statutory Bodies) Act (1984)*, it is our pleasure to submit the first annual report of the NSW Skills Board, which covers the period from the Board's establishment in late 2013 to 30 June 2014.

Yours sincerely



**Philip Marcus Clark AM**  
Chair



**Adam Boyton**  
Member

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## Abbreviations

ACPET	Australian Council for Private Education and Training
CEO	Chief Executive Officer
COAG	Council of Australian Governments
DEC	NSW Department of Education and Communities
IPART	Independent Pricing and Regulatory Tribunal
ITAB	Industry Training Advisory Bodies
OTEN	Open Training and Education Network
RTO	Registered Training Organisation
SASSI	Smart and Skilled Simulator
TAFE	Technical and Further Education
VET	Vocational Education and Training
YWCA	Young Women's Christian Association

## Chair's Overview



The Minister for Education, the Hon Adrian Piccoli MP, announced the establishment of the NSW Skills Board on 6 September 2013. A key role of the new Board is to provide

oversight of the Smart and Skilled reforms including training outcomes, quality assurance and fiscal sustainability. It has been a privilege to chair the Board during a period of challenge and change.

The Board met on seven occasions between October 2013 and June 2014, on two of these occasions in the presence of the Minister. Those meetings enabled a valuable exchange of views and ensured a mutual understanding of expectations.

The period under review has been an active one for the Board. Early in its existence, the Minister asked the Board to consider a number of matters of critical importance to the Government in finalising the VET reform agenda. These included the NSW Quality Framework, the NSW Skills List, and prices, fees and subsidies to apply for VET qualifications in 2015. Each of these required careful deliberation and consideration of options, and in each case the NSW Government accepted the Board's recommendations.

With the major policy settings in place for the introduction of Smart and Skilled on 1 January 2015, the Board turned its attention to implementation. This included approving the Provider Application process and the planned Communication and Engagement Strategy. The Board also considered the budget available for Smart and Skilled, and reviewed and advised on budget control mechanisms to ensure that the introduction of the training entitlement is budget neutral.

Consistent with its terms of reference, the Board made recommendations to the Minister concerning the allocation of the 2014 VET budget.

The Board commenced four other initiatives that will come to full fruition in the 2014-15 financial year.

1. The Board is strongly of the view that transparent and accurate financial information is essential to enable effective decision-making and is putting arrangements in place to access that information. It requested the development of a Memorandum of Understanding between TAFE NSW and the Department of Education and Communities, to ensure the exchange of data and information under Smart and Skilled. The Board is committed to TAFE NSW as the public provider in NSW, while at the same time recognising that it must continue to evolve into a more efficient and effective organisation.

2. The Board agreed terms of reference for three Reference Groups – an Industry Reference Group, a Provider Reference Group and a Consumer Reference Group – and recommended membership of the first two of these to the Minister.

3. The Board approved the development of a Strategic Skills Plan for NSW, to be introduced in 2015.

4. Lastly, the Board considered and approved a number of research projects to inform the introduction of Smart and Skilled, to be commissioned on the Board's behalf.

In the course of the year, the Board also approved specific funding for structural adjustment and infrastructure support for Smart and Skilled, new apprenticeship scholarships and the NSW Training Awards.

In addition, it reviewed the 2013 report of the NSW Schools Consortium, which assists school sectors to improve VET in Schools.

These matters are outlined in the remainder of this report.

I am very pleased with the way in which the NSW Skills Board has developed into an effective team committed to ensuring the evolution of a more efficient and effective VET system in NSW. This includes enabling the system to meet the needs of industry and employers, as well as being responsive to students in all parts of the State and particularly those who are experiencing disadvantage.



**Philip Marcus Clark AM**  
**Chair, NSW Skills Board**

We have been impressed by the dedication of staff in the Department of Education and Communities who have worked energetically to ensure the smooth introduction of VET reform in NSW. The material they have provided to the Board has been of a consistently high standard.

As we move into a new financial year, the Board looks forward to working with the NSW Government, industry, employers, training providers and students to support VET throughout NSW.

#### **The Minister for Education and the NSW Skills Board**



Standing (L-R): Jack Manning Bancroft, Denise Bradley AC, Adam Boyton, Leslie Loble, Kay Hull, Gemma Van Halderen, Mark Goodsell.

Sitting (L-R): Philip Clark AM, Adrian Piccoli MP, Marie Persson.

# The Role of the Board

The NSW Skills Board was established in late 2013 to provide independent advice to the Minister for Education and the NSW Government on the vocational education and training (VET) system in NSW, and on how best to meet the skills and training needs of NSW individuals, employers, regions and the economy. The Board is responsible for overseeing major reform of the VET system in NSW under Smart and Skilled, which will introduce an entitlement to training up to Certificate III, and increase contestability, transparency, choice and effective outcomes.

## Aims and Objectives

The Board's aims and objectives, as specified in section 6 of the *NSW Skills Board Act 2013*, are:

- (a) to provide the Minister with an independent, strategic perspective on the vocational education and training system in New South Wales
- b) to oversee major reform of the vocational education and training system in New South Wales and its implementation, including reform that maintains the TAFE Commission as the major provider of vocational education and training, accessible across New South Wales
- c) to monitor and advise the Minister on the performance of the vocational education and training system in New South Wales, including financial performance, fiscal sustainability, levels of training activity and the achievement of State priorities
- d) to advise the Minister on the allocation of the State and Commonwealth vocational education and training funding and the New South Wales vocational education and training budget
- e) to collect and analyse labour market intelligence, in particular intelligence on skills shortages and future skills and workforce development needs in New South Wales
- f) to coordinate the development of strategic skills plans that reflect the priorities and directions of the New South Wales Government regarding vocational education and training
- g) to oversee quality assurance in the vocational education and training system in New South Wales
- h) to ensure the availability of accurate consumer information on vocational education and training in New South Wales and appropriate consumer protections
- i) to commission and conduct enquiries and research into any matter relevant to the functions of the Board
- j) to advise on strategies for more effective educational pathways between secondary school, vocational training and higher education in New South Wales
- k) to consult widely with reference groups and other representative bodies and persons in the vocational education and training industry
- l) to investigate and advise the Minister on any matter relating to training, skills development and higher education referred to the Board by the Minister or on its own initiative
- m) such other functions conferred or imposed on it by or under this or any other Act.

# Members of the Board and Governance

## Board Members

The Board consists of nine part-time members, eight of whom are appointed by the Minister. The Deputy Secretary of the Department of Education and Communities is an ex-officio member. Members selected have demonstrated significant experience and expertise in skills and tertiary education, project and risk management, business and industry, government, economics and finance.



### **Philip Clark AM (Chair)**

Philip Clark AM is a member of the J P Morgan Advisory Council.

He was Managing Partner and CEO of Minter Ellison and worked with that firm from 1995 until June 2005.

Prior to joining Minter Ellison, Phil was Director and Head of Corporate with ABN Amro Australia and prior to that he was Managing Partner of Mallesons Stephen Jaques for 16 years. Earlier in his career he worked with a Pratt Industries subsidiary and with Shell Australia. Phil now serves on a number of boards and advisory boards.

Phil also has extensive board experience in the tertiary education sector. He served as Chair of the Higher Education Endowment Fund (HEEF) Advisory Board and of the Education Investment Fund (EIF) Advisory Board. He chaired the NSW Government Taskforce on International Education and Research and was a member of the Australian Research Council. He is a member of the working group tasked by Federal Education Minister Pyne with reporting on infrastructure funding for the higher education sector. He also chairs the ATN Universities Research Impact Advisory Board and the University of Wollongong Early Start Advisory Board.

His work in the not-for-profit sector includes positions in education foundations, as a

Director of High Resolves Foundation, the Australian Indigenous Mentoring Experience (AIME) and Karen Lynch Foundation. Phil also served as a Director of the Garvan Foundation from 2005 to 2008 and of the St James Ethics Centre from 2004 to 2013.

Phil has Bachelors degrees in Arts and Law from Sydney University and an MBA from Columbia University.

He was appointed as a Member in the General Division of the Order of Australia in 2007 for his contribution to the development of national law firms and encouraging corporate involvement in community programs.



### **Adam Boyton**

Adam Boyton is Deutsche Bank Australia's Chief Economist.

Adam has almost twenty years' experience across economics, public policy and foreign exchange. He started his career in the Federal Treasury and the Department of the Prime Minister and Cabinet before joining Deutsche Bank in 2000.

After spending three years in New York as Deutsche Bank's US-based currency strategist, Adam was appointed the Australian Chief Economist in July 2010.

Deutsche Bank's Australian economics research is consistently ranked as one of the



top economic research teams in financial market surveys.

Adam is regularly quoted in the press and on radio, and appeared frequently on CNBC when he was based in New York.

He is also a regular contributor to the economic and public policy debate in Australia. He has had various opinion pieces published in *The Australian* and the *Australian Financial Review* newspapers, and also contributed an essay to 'What If' – a book that canvassed a range of unconventional public policy ideas.

Adam has also been the Policy Director and Chief of Staff to a NSW Opposition Leader.

In addition to being a member of the NSW Skills Board, he is also a Trustee of the Centennial Park and Moore Park Trust.



### **Denise Bradley AC**

Emeritus Professor Denise Bradley AC is a noted Australian higher education administrator, with specialist interests in educational equity and excellence. She led the Review of Australian Higher Education in 2008 (the Bradley Review).

Professor Bradley served as Vice-Chancellor and President of the University of South Australia from 1997 to 2007. She was Chair of the South Australian Training and Skills Commission between 2008 and 2010 and has been a non-Executive Director of SEEK Limited since February 2010.

Professor Bradley was a member of the TAFE Council of the Commonwealth Tertiary Education Commission, has also been the foundation Director of the Australian Universities Quality Agency (2000–2003) and was a member of the Board of Directors of the Business/Higher Education Round Table (1999–2007).

Professor Bradley began her professional career as a teacher in secondary schools and colleges, and was Women's Adviser to the

South Australian Education Department from 1977 to 1980.

She has a Bachelor of Arts degree from Sydney University, a Diploma of Education from Adelaide University, a Diploma of Librarianship from the University of NSW, and a Masters degree in Social Administration from Flinders University. She holds Honorary Doctorates from Pukyong University (Korea), the University of South Australia, RMIT University and the University of Western Sydney.

Denise has agreed to chair the Board's Provider Reference Group.



### **Mark Goodsell**

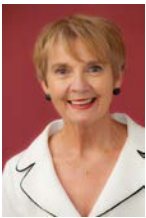
Mark Goodsell is the Director–NSW for the Australian Industry Group (Ai Group). Ai Group is a peak industry association in Australia, which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries.

Mark has been with Ai Group since 1985, initially as an industrial relations adviser to the manufacturing, heavy engineering and construction sectors.

In the 15 years as NSW Director, Mark has been responsible for pursuing business and industry policy issues on behalf of these businesses with both State and Commonwealth Governments including employment regulation, OHS and workers compensation, regulatory and occupational licensing issues, state and regional development, innovation, skills formation and vocational education.

Mark is the Chair of the NSW Industry Capability Network (ICN), and a member of Safe Work Australia.





### Kay Hull

Kay Hull is a former Australian politician. She was a National Party member of the Australian House of Representatives from

October 1998 to August 2010, representing the Division of Riverina, New South Wales. Kay was the first female NSW National to be elected to Federal Parliament and the first female Nationals Chief Whip.

Kay served on a range of parliamentary committees including: the Economics, Finance and Public Administration Committee; Aboriginal and Torres Strait Islander Affairs Committee; and Legal and Constitutional Affairs Committee. As Chair of the House of Representatives Standing Committee on Family and Community Services, Kay's report, Every Picture Tells a Story, created the initiative for substantial reforms to family law and the child support system.

Kay was appointed by the Australian Government to represent Australia on the International Parliamentary Union/UNAIDS HIV committee from 2008 to 2012 based in Geneva.

Before entering Federal Parliament, Kay served on the Wagga Wagga City Council from 1991 to 1998, including five years as Deputy Mayor, and was Chair of the Council of Tourist Associations in NSW from 1995 to 1998. She was also a member of the Board of Tourism NSW from 1995 to 1998, and received the Rod Murdoch Award for Contribution to Tourism in NSW in 1998.

Kay has been a medium enterprise owner operator in the Motor Vehicles Trades and Services sector since 1978. She was awarded the Golden Crow Roll of Honour Award for contribution to the business community of Wagga Wagga in 2010, and received the Freedom of the City of Wagga Wagga in March 2011.

She convened the Parliamentary Cancer Network from 1999 to 2010, and has been a Board member of Can Assist, a not-for-profit organisation, since 2010, and President since 2012.



### Jack Manning Bancroft

At 29 years of age Jack Manning Bancroft is the CEO and Founder of the Australian Indigenous Mentoring

Experience (AIME)

([www.aimementoring.com](http://www.aimementoring.com)). In 2005, then a 19-year-old university student, Jack founded the AIME Program with 25 Indigenous kids in Redfern. AIME incorporated in 2008 and Jack became a CEO at the age of 22.

Jack is now one of Australia's youngest CEOs leading a team of nearly 100 staff across the country and in 2013, AIME was voted 26th in BRW's Best Places to Work. Today AIME works with over 3,500 Indigenous high school students and 1,250 university students acting as mentors across Australia.

Over the last four years, back-to-back, AIME students have finished school at almost the same rate as every Australian child. By 2018, AIME seeks to expand across the nation to connect with 10,000 Indigenous high school kids annually and to have all of these kids finishing school at the same rate as every Australian child.

In recognition of AIME's impact, Jack was named 2010 NSW Young Australian of the Year, 2010 Young People's Australian Human Rights Medallist and received the University of Sydney 2010 Young Alumni of the Year Award.

Jack is also the CEO and a Founder of Fone Free Feb [www.fonefreefeb.com](http://www.fonefreefeb.com) and a graduate of the University of Sydney and Stanford University.

Jack has agreed to chair the Board's Consumer Reference Group.



### **Marie Persson**

Marie has held senior executive positions in the Australian public sector at state and national levels for over 30

years. From 2005 to 2010 she was the head of TAFE NSW and the Adult and Community Education Sector. During this time she led a major reform of the organisation's strategic direction and structure: TAFE in the 21st Century.

Marie is the recipient of several awards recognising her skills and contributions including the NSW Telstra Business Woman of the Year (2003), the Australian Telstra Community and Government Award (2003) and the International Literacy Year medal (1990).

From 2008 to 2014 Marie was a member of the board of the Australian Workforce and Productivity Agency, formerly Skills Australia, which provided advice to the Australian government on current, emerging and future skills and workforce development needs.

Marie has a Masters of Education from the University of NSW, is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. As a Board member and reviewer, she has brought her policy and leadership skills to the NSW Board of Studies, the YWCA, the NSW TAFE Commission, the University of Melbourne's LH Martin Institute, as well as the Australian Government's Expert Panel on Australian Apprenticeships.

Marie has agreed to chair the Board's Industry Reference Group.



### **Gemma Van Halderen**

Gemma is responsible for the Australian Bureau of Statistics' Population, Education and Data Integration Division. This

Division has a diverse range of activities including responsibility for Australia's official

population estimates, maximising the use of existing data, education statistics, wellbeing, and geospatial strategies.

Gemma has been a member of the Senior Executive Service since 2005, at the SES Band 2 level since September 2012. Her interests are in improving the range, accessibility and visibility of statistics and data for evidence-based decision-making and research.

Gemma has a Bachelor of Science (Hons) from the Australian National University majoring in mathematical statistics, is an Accredited Statistician, and an elected member of the International Statistics Institute.

She is a member of the Australian Institute of Management, and an ACT finalist in the 2013 Telstra Business Women's Awards.



### **Leslie Loble**

Leslie Loble is Deputy Secretary, NSW Department of Education and Communities, responsible for the Office of Education.

Leslie leads strategy and policy on cross-sectoral, state-wide and national developments in education, spanning early childhood education, schooling, training and higher education. She shapes State policy and leads negotiations with the Commonwealth over education policy and funding. She is responsible for funding and regulating early childhood education and care, and manages the NSW training market and its resourcing. Leslie recently established the Centre for Education Statistics and Evaluation, which analyses cross-sectoral education trends and evaluates education initiatives to assess what works.

Prior to joining the Department of Education and Communities, Ms Loble held several appointments in President Clinton's

Administration, including as Chief of Staff to Labor Secretary Robert B. Reich, and as a senior executive in the U.S. Department of Labor.

Ms Loble has a Masters in Public Administration from Harvard University and a Bachelor of Science from Cornell University.

## Meetings of the Board

There were seven meetings of the Board in 2013-2014.

**Table 1: Members' Attendance at Board Meetings**

Member	Meetings eligible to attend	Meetings attended
Philip Clark AM	7	7
Adam Boyton	7	7
Denise Bradley AC	6	6
Mark Goodsell	7	6
Kay Hull	7	7
Jack Manning Bancroft	7	7
Marie Persson	7	7
Gemma Van Halderen	7	7
Leslie Loble	7	7

## Corporate Governance Structure

The NSW Skills Board's *Code of Conduct for Board Members* outlines the values, principles and standards of behaviour expected of members of the Board, its Reference Groups and Sub-Committees. The NSW Skills Board is a government board, subject to relevant NSW Government guidelines and legislation.

The Code of Conduct has been developed with reference to the ethical framework outlined in the *Public Sector Employment and Management Act 2002*, the NSW Department of Premier and Cabinet's *Conduct Guidelines for Members of NSW Government Boards and Committees (2008)*, and Chapter 8 Model Code of Conduct, of the NSW Public Service Commission's *Personnel Handbook*

(Version 12.4, 2012). This is to ensure best practice and high standards of corporate governance in the conduct of the Board.

As outlined in the *Code of Conduct*, a member must declare interests to the Board, which includes positions and pecuniary interests in corporations, partnerships or other businesses that may be relevant to the activities of the Board. A Personal Interest Declaration form has been developed for this purpose. Personal Interest Declaration forms will be completed annually or as and when required and filed by the Executive Officer of the Board.

# The 2013–2014 Year in Review

Since its establishment, the key priorities of the NSW Skills Board have included overseeing VET Reform in NSW, recommending the allocation of Commonwealth and State VET funding, establishing reference groups, and initiating a NSW Strategic Skills Plan and various research projects. For the past year, the NSW Skills Board has had particular responsibility for overseeing Smart and Skilled and its implementation in New South Wales.

## VET Reform in NSW – Smart and Skilled

In the context of COAG decisions and the Commonwealth-State National Partnership Agreement on Skills Reform, NSW is introducing significant changes to its training system. On 28 September 2011, the Minister for Education announced the start of consultation on reforms to the NSW VET sector designed to improve the NSW economy. Following careful consideration of consultation findings, the Minister announced the Smart and Skilled reforms in October 2012.

Briefly, from January 2015 Smart and Skilled will introduce:

- an entitlement for entry level training up to and including Certificate III
- targeted support for higher level qualifications
- informed choice with improved quality measures
- recognition of the role and function of TAFE NSW as the public provider
- greater support for regions and equity groups
- better information for consumers.

The NSW Skills Board has been actively involved in the development of policy settings to enable optimal outcomes of Smart and Skilled.

## Smart and Skilled Quality Framework

The NSW Quality Framework, which underwent extensive community consultation, defines the quality standards required of registered training organisations (RTOs) delivering training under Smart and Skilled.

The Smart and Skilled Quality Framework:

- sets stricter criteria for approval of training organisations seeking to deliver subsidised training
- ensures closer monitoring of training provider performance and outcomes
- gives students better information and clear avenues for complaint
- encourages industry involvement in training and assessment
- encourages training providers to build the capability of their staff and systems
- seeks feedback from students and employers on training outcomes.

At its 2 December 2013 meeting, Board members considered the Smart and Skilled Quality Framework and its implications. Members were impressed with its coverage. The Board approved the Framework, and proposed a review six to nine months after implementation to focus on the impact of the new arrangements, especially on rural and regional providers.

The Minister released the Quality Framework on 10 December 2013 in conjunction with the 2014 Skills List.

## 2014 NSW Skills List

The NSW Skills List includes all qualifications eligible for funding under Smart and Skilled.

The 2014 NSW Skills List was developed with substantial input from industry and the VET community and was designed to provide individuals with the skills they need to get good jobs in line with the needs of the NSW economy. The 2014 NSW Skills List defined the qualifications eligible for government funding in 2014. The Skills List covered:

- Full Qualifications – from Certificate II to Advanced Diploma, foundation courses at Certificate I and II, all apprenticeships and selected traineeships at all levels.
- Part Qualifications – while not specifically listed, the Skills List outlines the policy on priority sectors and target groups for part qualifications and pre-vocational training.

In developing the 2014 NSW Skills List, an evidence-based methodology was used to prioritise qualifications, involving rigorous labour market and qualifications analysis, employment projections, industry input and validation and modelling for student demand and budget impact. The aim was to ensure that for each qualification, a comprehensive picture of its contribution to industry, occupations and the NSW economy was considered. 1,642 qualifications were assessed for possible inclusion on the Skills List, with 734 identified as priorities. The requirement of budget neutrality meant that not all qualifications could attract government funding.

At its November 2013 meeting, the Board discussed and endorsed the priority qualifications without alteration as the 2014 NSW Skills List. The Board also confirmed the need for annual and periodic reviews of

the Skills List and of the methodology for developing the List.

The Minister announced the 2014 NSW Skills List on 10 December 2013. During 2014, in the lead up to Smart and Skilled, the List has been monitored and has informed TAFE NSW VET activity and purchasing of qualifications from private providers through the Department's State Training Services Directorate.

## 2015 NSW Skills List

The 2015 NSW Skills List was developed as a refinement of the 2014 List and was based on feedback from targeted industry consultations and a re-assessment of more than 100 qualifications. At its 14 April 2014 meeting, the Skills Board approved the 2015 NSW Skills List, which differed from the 2014 List in respect of a small number of qualifications. The Board also approved a more targeted approach for purchasing pre-vocational and part qualifications.

The 2015 NSW Skills List was released by the Minister on 15 May 2014. The 2015 List provided the basis for public and private training providers to apply for funding under Smart and Skilled in 2015, with the Provider Application process opening on 30 June 2014. The requirement for budget neutrality remains, and qualifications to be funded will be managed through provider activity caps.

## Smart and Skilled Prices, Fees and Subsidies – IPART – Pricing VET under Smart and Skilled

In February 2013, IPART was commissioned by the NSW Government to review price and fee arrangements for government-subsidised VET. This covered establishing a methodology for pricing VET qualifications and setting student fees and government subsidies. Using the methodology, IPART also recommended actual prices, fees and subsidies for Smart and Skilled.



IPART released a draft report for consultation in July 2013 and submitted its Final Report in October 2013. IPART's approach aimed to allow greater participation in a budget-constrained environment. To achieve this, IPART sought to balance affordability for students with availability of training. For example, IPART calculated that retaining current low fees would require cutting 50,000 funded places to stay within budget.

IPART made 44 recommendations covering: base prices for qualifications; student fees and government subsidies; loadings for higher cost learners; community service obligations for thin markets; and administrative arrangements for reviewing and adjusting prices and fees.

The approach to setting prices was based on the 'efficiency principle' where the recommended price reflects the efficient cost to deliver training to a required quality standard to a standard student. The price covers variable and fixed costs for each qualification and accounts for industry categories, qualification level and the typical combinations of units of competency that make up the pathway to a qualification.

Once base prices were calculated, IPART applied a methodology to determine the relative contribution made by students in the form of fees and by government in the form of subsidies. This was based on the 'beneficiary principle' where those with a higher benefit make a higher contribution.

### **NSW Skills Board Recommendations in response to the IPART Report**

The Board considered prices, fees and subsidies to apply under Smart and Skilled at several of its meetings. The Board recognised that NSW needs to move to sustainable funding of VET. At its 15 November 2013 meeting, the Board was briefed by IPART officials. It subsequently reviewed in detail the recommendations made by IPART.

The Board accepted the IPART methodology and many of its recommendations. However the Board recommended lower standard student fees in 2015 and higher fee concessions for lower level courses than IPART had proposed, a lower apprentice fee cap, and a review of the cap in the context of the proposed 2017 review of the pricing methodology.

The 2015 Smart and Skilled Prices, Fees and Subsidies are the product of IPART's recommendations, the advice of the NSW Skills Board and Government's approval of that advice. The approved fees and prices will mean that 46,000 more students will be able to train in NSW in 2015 than would otherwise have been the case.

### **Smart and Skilled Provider Application**

At its 27 February 2014 meeting, the Board considered the proposed Smart and Skilled Provider Application. The methodology for the Provider Application process is intended to balance the policy imperatives of quality, consumer choice, budget neutrality, a viable TAFE NSW and the constraints of the VET budget. The Board noted government decisions framing the four-stage methodology of the Smart and Skilled Provider Application, involving baseline eligibility requirements, assessment, allocation and the contract.

The Board endorsed the methodology of the Smart and Skilled Provider Application process. In addition, it approved the proposed capping arrangements for the Smart and Skilled entitlement. The proposed cap is a financial cap accounting for standard student enrolments, with subsidies for exempt and concession students and loadings managed separately.

The Board also agreed that the arrangements be reviewed as part of the one-year review of the Smart and Skilled entitlement. This will occur in the context of reviewing all five measures for managing the VET budget under Smart and Skilled: the design of the



entitlement; the NSW Skills List; regulated prices and fees; the strict quality gateway through the Provider Application; and capping.

## **VET Budget and Funding 2013–2014**

One of the Board's terms of reference is to advise the Minister on the allocation of the State and Commonwealth VET funding and the New South Wales VET budget.

The Board considered aspects of VET funding at several meetings during the reporting period, commencing in November 2013. In addition to funding from the NSW Government, NSW receives funding for VET from two Commonwealth sources:

1. The National Agreement for Skills and Workforce Development provides base funding and outlines targets and goals for the national training system. For 2013–14, nearly half a billion dollars was available to fund TAFE NSW, the Strategic Skills Program, the Apprenticeship and Traineeship Program, Adult and Community Education, VET in Schools and specific research and development projects.
2. The National Partnership Agreement on Skills Reform commits NSW to major reform of the training system covering a student entitlement, support for the competitive training market and access to income contingent loans. The National Partnership Agreement is worth more than half a billion dollars to NSW over five years.

At its 27 February 2014 meeting, the Board was briefed on what the budget might look like in a Smart and Skilled environment. In terms of the 2014-15 VET budget, the Board identified a number of significant matters for ongoing consideration including: the amount of Operational Base Funding provided to TAFE NSW; the potential to increase contestability of Community Service Obligation funding; the need to reduce the costs of structural reform; and a desire to

shift attention from inputs to outputs as Smart and Skilled moves into full implementation.

The Board noted the proposed allocation of National Agreement for Skills and Workforce Development funds for July to December 2014 to enable maintenance of ongoing activities up to the commencement of Smart and Skilled. The Board also endorsed a proposed allocation from the Emerging Priorities Fund for 2013–14 to go to Smart and Skilled Structural Adjustment and Infrastructure Support, targeted scholarships for apprentices and the NSW Training Awards.

At its 26 May 2014 meeting, the Board approved funding for the Country Apprentice Scholarship program and for new scholarships for Aboriginal apprentices, those with a disability and women apprentices from the 2014–2015 Emerging Priorities Fund. It noted the need for an ongoing commitment to the scholarship program for future years. The Board also supported the proposed naming of the scholarships after Mr Bert Evans AO in recognition of his outstanding commitment and services to vocational training in NSW. Mr Evans is the NSW Apprenticeships Ambassador.

## **Communication and Engagement 2014**

At its 23 June 2014 meeting, the Board reviewed the Smart and Skilled Communication and Engagement Strategy. The successful implementation of the Smart and Skilled reforms relies on effective communication and engagement with users of the training system and key stakeholders. Employers, training providers and learners constitute key groups for whom the provision of accurate information and user-friendly processes for accessing Smart and Skilled is essential.

The Smart and Skilled Communication and Engagement Strategy includes the following elements:

- release of information for providers and students through email alerts and information materials on the Smart and Skilled website
- customer engagement, including strategies to direct students, parents and employers to the Smart and Skilled website, to provide information to careers counsellors and others advising people seeking training, and - for key periods - an information hotline
- consumer protection mechanisms to come into place in 2015.

Board members Jack Manning Bancroft and Gemma Van Halderen agreed to provide assistance in relation to the Smart and Skilled website and related modes of communication including social media, within the Communications and Engagement Strategy.

The Board endorsed the 2014 Smart and Skilled Communication and Engagement Strategy.

## NSW Skills Board Reference Groups

During the reporting period, the NSW Skills Board took steps to establish a Provider, Industry and Consumer Reference Group. The Reference Groups are advisory bodies to the Board.

### Provider Reference Group

The objective of the Provider Reference Group is to offer provider input to the NSW Skills Board, so that the Board can deliver informed advice to the Minister on the implementation of Smart and Skilled in NSW. In particular, the Provider Reference Group will advise the Board on the extent to which skills reform is enabling training organisations to offer responsive, high quality training that meets the needs of learners and industry. The Provider Reference Group is chaired by

Skill Board member, Emeritus Professor Denise Bradley AC. The Chair of the NSW Skills Board also attends meetings of the Provider Reference Group.

The Chair of the Skills Board, Philip Clark AM, wrote to members of the Provider Reference Group on 30 June 2014 inviting them to join the group. Membership of the Provider Reference Group is as follows:

- from TAFE NSW: Pam Christie, Kerrie Penton and Peter Roberts
- from ACPET: Bruce Callaghan, Mark Hutchinson and Ron Maxwell
- from Community Colleges Australia: Kate Davidson and David Martin
- from The Enterprise RTO Association: Chris Butler

The Provider Reference Group held its first meeting after 30 June 2014 and before the date of this report, on 18 August 2014.

### Industry Reference Group

The Industry Reference Group will be a vehicle through which industry and employers can provide input to the NSW Skills Board to enable the Board to deliver informed advice to the Minister on the implementation of Smart and Skilled in NSW. In particular, the Industry Reference Group will advise the Board on industry skills and training priorities, the impact on NSW industry of skills reform, and responsiveness and quality issues in the training system. The Industry Reference Group is chaired by Skills Board member, Ms Marie Persson. The Chair of the NSW Skills Board also attends meetings of the Industry Reference Group.

Membership of the Industry Reference Group was finalised after 30 June 2014 and before the date of this report. Membership of the Industry Reference Group is as follows:

- Lisa Apthorpe, National Training and Human Resources Design Manager, McDonalds Australia Ltd
- Michelle Bass, Training Manager, NSW Master Builders Association
- James Bond, Chief Economist, Financial Services Council
- David Castledine, CEO, NSW Civil Contractors Federation
- Dr Cathy Foley, Deputy Director and Science Director, Manufacturing Flagship, CSIRO
- Margaret Haseltine, Deputy Chair, AgriFoods Skills Australia
- Jelena Kralic, Organisational Development Manager, BlueScope Steel Ltd
- Andrew McMahon, Director, People and Skills, NSW Minerals Council
- Nick Minto, Director, Policy and Advocacy, NSW Business Chamber
- Arthur Rorris, Secretary, South Coast Labour Council
- Susan Scowcroft, Executive Director, NSW Community Services and Health ITAB.

The Industry Reference Group held its first meeting on 27 August 2014.

### Consumer Reference Group

The objective of the Consumer Reference Group is to provide consumer input to the NSW Skills Board, so that the Board can deliver informed advice to the Minister on the implementation of Smart and Skilled in NSW. In particular, the Consumer Reference Group should advise the Board on the extent to which skills reform is enabling learners to access high quality, responsive training that enhances employment opportunities. The Consumer Reference Group will be chaired

by Skills Board member, Mr Jack Manning Bancroft.

Membership of the Consumer Reference Group has yet to be established. Its first meeting will be held in 2015, following the commencement of Smart and Skilled.

## NSW Strategic Skills Plan 2015–2017

One of the functions of the NSW Skills Board, as indicated in the *Skills Board Act 2013*, is to coordinate the development of strategic skills plans that reflect the priorities and directions of the NSW Government regarding vocational education and training. A Strategic Skills Plan constitutes the Government's strategy to meet the VET needs of individuals, businesses and the NSW economy.

The NSW Skills Board considered the development of a Strategic Skills Plan for NSW at its 23 June meeting. It agreed to the following overarching goals of the Strategic Skills Plan:

1. increasing VET participation and attainment
2. addressing the workforce needs of industry, employers, individuals and the NSW economy
3. increasing the skills of disadvantaged learners
4. supporting the regions of NSW
5. improving VET quality
6. the efficient and effective provision of VET that adds value and delivers market outcomes.

The Strategic Skills Plan will be finalised in early 2015.

## Research Projects of the NSW Skills Board

Under the *Skills Board Act 2013*, the NSW Skills Board has a mandate to lead a strong research program. One of its functions is to commission and conduct inquiries and research into any matter relevant to the functions of the Board.

### Expectations and Destinations of NSW Senior Secondary Students

A major study was undertaken in 2013, commissioned by the Skills Board's predecessor, the NSW Board of Vocational Education and Training, which researched the experiences of students as they transition through their final years of schooling, and the factors that influence their further education, training and employment pathways. The 2013 study updated and extended an earlier study undertaken in 2010.

The study found discrepancies between the expectations of students, parents and teachers concerning going to university; positive attitudes towards VET in Schools; a range of views concerning career guidance in schools; continuing numbers of school leavers making poor post school transitions; and different perceptions about whether female students were encouraged to consider male-oriented occupations.

The NSW Skills Board endorsed the report at its 14 April 2014 meeting for forwarding to the NSW Education Minister and for publication on the Board's website. A full copy of the report can be downloaded from the NSW Skills Board website

[www.skillsboard.nsw.gov.au](http://www.skillsboard.nsw.gov.au)

### New Research Proposals

In the first instance, it is proposed that the NSW Skills Board focus its research effort on issues that impact directly or indirectly on the implementation and success of Smart and Skilled and provide an evidence base for

effective decision making in relation to VET reform. At its 14 April 2014 meeting, the Skills Board considered a number of relevant research proposals, and at its 23 June 2014 meeting, approved funding for four research projects to be undertaken as part of the Board's research program in 2014–2015. Details of those four projects are as follows.

#### **1. Factors affecting demand for higher level VET qualifications by students from low SES backgrounds and possible policy interventions to increase their participation in higher VET qualifications**

The research aims to explore the aspirations and outcomes of VET students from low socio-economic backgrounds with a view to improving their representation in higher level VET qualifications. This is an essential step in exploring and formulating specific interventions to encourage low SES students to undertake higher level VET. The project will require both quantitative and qualitative research.

The Department will undertake a targeted Expression of Interest process among researchers with appropriate backgrounds and experience, to commission the research.

#### **2. Developing a skills list – review of methodology**

A review of the Skills List methodology will assist in assessing the contribution of different elements to its final form, as well as ensuring that the List supports future industry and employment needs and remains appropriate as a tool for identifying government subsidised qualifications.

A multi-stage approach is proposed, focusing on the part played by occupational demand in informing the Skills List, analysis of input from the industry consultations, and an assessment of all other elements of the multi-faceted analysis used to develop the List. The research will also examine 2014 student qualification take-up data relative to previous

years to examine the effect of the Skills List on student qualification choices.

The Department will undertake a targeted Expression of Interest process among researchers with appropriate backgrounds and experience, to commission the research.

### **3. Exploring labour market outcomes of VET qualifications**

The aim of this research project is to determine the relationship between VET qualifications and labour market outcomes and the implications of this for Smart and Skilled.

The project will explore the link between qualifications and employment within the context of Smart and Skilled and the decision of the NSW Government to offer an entitlement to training based on student demand. If a significant number of students do not take up employment in the fields they have studied, there is no clear way to ensure that the skill needs of the NSW economy are met. On the other hand, it is well recognised and inevitable that many qualifications offer pathways to a range of study and occupational outcomes.

The Department will undertake a targeted Expression of Interest process among researchers with appropriate backgrounds and experience, to commission the research.

### **4. Investigating targeted areas that impact on training demand to improve the accuracy of modelling of estimates of demand for training**

The aim of this project is to build additional information into the Smart and Skilled Simulator, SASSI, to enable more accurate estimates of student demand and budget impact.

The requirement of budget neutrality means that the Department needs to be able to accurately estimate completion rates and student demand, because changes in completion rates and forecasts of demand

have substantial impacts on budget. The proposed research will focus on completion rates, the impact of VET FEE-HELP on student demand for training, and course substitution.

It is proposed to commission NATSEM, which developed the SASSI modelling tool, to undertake the research.

## **NSW Schools Consortium**

Since 1997, States and Territories have received Commonwealth VET funds for the expansion of vocational education and training in secondary schools and for improving the outcomes of these programs. Until 2012–13 the allocation of these funds was recommended to the Minister by the former Board of Vocational Education and Training. For 2013–14, the Skills Board recommended the allocation, which is made under the National Agreement for Skills and Workforce Development.

The NSW Schools Consortium consists of the NSW Department of Education and Communities (DEC), the Catholic Education Commission, the Association of Independent Schools and the Board of Studies, Teaching and Educational Standards (BOSTES) NSW, with representation from TAFE NSW. The Consortium oversees the use of funds allocated to the NSW school sectors and engages in joint projects.

The schools sectors and BOSTES are required to report annually to the NSW Skills Board on the use of Schools Consortium funding. The 2013 report from the NSW Schools Consortium was presented to the NSW Skills Board at its 23 June 2014 meeting. The report provided information on outcomes achieved and the initiatives and strategies adopted, as well as broader NSW achievements in VET in Schools in 2013.

The Board endorsed the report for 2013 but requested a review of the six reporting areas and the current funding allocation mechanism.



## Training Awards

### 2013 NSW Training Awards

The 2013 NSW Training Awards were held on 5 September 2013, with the Aboriginal and Torres Strait Islander Student of the Year award supported by the Skills Board's predecessor, the NSW Board of Vocational Education and Training. The award was won by Markeeta Douglas who had studied the Certificate IV in Audiometry. Markeeta was trained by TAFE NSW - Western Sydney Institute (OTEN) and employed by Hunter New England Health, Local Health District.

### 2013 Australian Training Awards

On 22 November 2013, the Australian Training Awards gala presentation was held in Perth. Markeeta Douglas was selected as the best in the country, winning the Australian Aboriginal and Torres Strait Islander Student of the Year Award for 2013. A highlight of the event was the receipt of the Lifetime Achievement Award by Bert Evans AO, patron of the NSW Training Awards and NSW Apprenticeships Ambassador.

### 2014 NSW Training Award Sponsorship

For 2014, the NSW Skills Board is sponsoring the NSW Training Awards as a Strategic Partner and will again support the NSW Aboriginal and Torres Strait Islander of the Year award. The 2014 NSW Training Awards will be held on 9 September 2014 at the Sydney Convention and Exhibition Centre, Darling Harbour. For further information on the NSW Training Awards visit [www.trainingawards.nsw.gov.au](http://www.trainingawards.nsw.gov.au)

## Events Subsequent

Since the reporting period the following additional activities of the NSW Skills Board have occurred.

The Industry Reference Group membership was finalised. (see page 16)

The first meeting of the Provider Reference Group was held on 18 August 2014.

The first meeting of the Industry Reference Group was held on 27 August 2014.



# Financial Statements

## NSW Skills Board

For the period ended 30 June 2014

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## INDEPENDENT AUDITOR'S REPORT

### NSW Skills Board

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the NSW Skills Board (the Board), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

My opinion should be read in conjunction with the rest of this report.

### The Board's Responsibility for the Financial Statements

The members of the Board are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the members of the Board determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Board
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.



Renee Meimaroglou  
Director, Financial Audit Services

20 October 2014  
SYDNEY

## NSW SKILLS BOARD


### Financial Statements

For the period ended 30 June 2014

#### STATEMENT BY MEMBERS OF THE BOARD

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of the Board that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of the NSW Skills Board as at 30 June 2014, and its financial performance for the period then ended.
2. The financial statements and notes have been prepared in accordance with:
  - The applicable Australia Accounting Standards, which include Australian Accounting Interpretations and other mandatory professional reporting requirements;
  - The requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions; and
  - The Financial reporting directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.
3. There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Philip Marcus Clark AM  
Chair  
NSW Skills Board



Adam Boyton  
Member  
NSW Skills Board

## NSW SKILLS BOARD

### Statement of Comprehensive Income for the period 27 November 2013 to 30 June 2014

	Notes	30 June 2014 \$'000
<b>Expenses excluding losses</b>		
Operating expenses		
Secretariat services	2(a)	277
Other operating expenses	2(b)	325
<b>Total Expenses excluding losses</b>		<b>602</b>
 <b>Revenue</b>		
Grants and contributions	3(a)	1,099
Investment revenue	3(b)	34
<b>Total revenue</b>		<b>1,133</b>
 <b>Net result</b>		<b>531</b>
<b>Other comprehensive income</b>		<b>--</b>
<b>Total other comprehensive income</b>		<b>---</b>
 <b>TOTAL COMPREHENSIVE INCOME</b>		<b>531</b>

The accompanying notes form part of these financial statements

## NSW SKILLS BOARD

### Statement of Financial Position as at 30 June 2014

	Notes	30 June 2014 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4	2,344
Receivables	5	23
<b>Total Current Assets</b>		<b>2,367</b>
<b>Total Non-Current Assets</b>		<b>---</b>
<b>Total Assets</b>		<b>2,367</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	6	117
<b>Total Current Liabilities</b>		<b>117</b>
<b>Total Non-Current Liabilities</b>		<b>--</b>
<b>Total Liabilities</b>		<b>117</b>
<b>Net Assets</b>		<b>2,250</b>
<b>EQUITY</b>		
Accumulated funds		2,250
<b>Total Equity</b>		<b>2,250</b>

The accompanying notes form part of these financial statements



## NSW SKILLS BOARD

### Statement of Changes in Equity for the period 27 November 2013 to 30 June 2014

	Notes	Accumulated Funds \$'000	Total \$'000
<b>Balance at 27 November 2013</b>		--	--
<b>Net result for the year</b>		<b>531</b>	<b>531</b>
<b>Other comprehensive income</b>		--	--
<b>Total other comprehensive income</b>		--	--
<b>Total comprehensive income for the year</b>		<b>531</b>	<b>531</b>
<b>Transactions with owners in their capacity as owners</b>			
Increase/(decrease) in net assets from equity transfer	9	1,719	1,719
<b>Balance at 30 June 2014</b>		<b>2,250</b>	<b>2,250</b>

The accompanying notes form part of these financial statements

Statement of Cash Flows for the period 27 November 2013 to 30 June 2014

	Notes	30 June 2014 \$'000
<b>Cash Flows from Operating Activities</b>		
<b>Payments</b>		
Secretariat services		(457)
Other		(1,109)
<b>Total Payments</b>		<b>(1,566)</b>
<b>Receipts</b>		
Grants and contributions		1,833
Interest received		51
Other		51
<b>Total Receipts</b>		<b>1,935</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7</b>	<b>369</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>		<b>369</b>
Opening cash and cash equivalents		--
Cash transferred in/(out) as a result of administrative restructuring	9	1,975
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>4</b>	<b>2,344</b>

The accompanying notes form part of these financial statements

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 1. Summary of Significant Accounting Policies

#### (a) Reporting entity

The New South Wales Skills Board ('the Board') is a not-for-profit entity (as profit is not its principal objective) and has no cash generating units. The Board is the Government's principal advisory body on vocational education and training. The Board advises the Minister for Education on the distribution of the NSW Vocational Education and Training (VET) budget and on state and national training policy, including overseeing VET reform in NSW. The Board was constituted by section 4(1) of the *Skills Board Act 2013*. The entity commenced operation on 27 November 2013. On the same date, the Board of Vocational Education and Training was dissolved and the assets, rights and liabilities were transferred to the NSW Skills Board. See note 1(i) and Note 9 for details of the transfer.

This financial report covers the period from 27 November 2013 to 30 June 2014, and has been authorised for issue by the Board on 20 October 2014.

The financial statements of the Board have been prepared on a going concern basis.

The Board and the Department of Education and Communities (DEC) have agreed to service and funding support for the forward financial year, consistent with Section 9 of the *Skills Board Act 2013*. Appropriated funds, combined with other revenues earned, are applied to pay debts as and when they become due and payable. The support arrangement with DEC requires local management to control the financial viability of the Board. Where the Board fails to meet service agreement performance standards, DEC can take action, including the provision of financial support and increased management interaction.

#### (b) Basis of preparation

The Board's financial statements are general purpose financial statements which have been prepared on an accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 1. Summary of Significant Accounting Policies (continued)

#### (b) *Basis of preparation (continued)*

Judgement, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

#### (c) *Statement of compliance*

The financial statements and notes comply with the Australian Accounting Standards, which include Australian Accounting Interpretations.

#### (d) *Accounting for the Goods and Services Tax (GST)*

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (e) *Income recognition*

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below:

##### (i) Grants and contributions:

- Revenue received from the State and allocated by the NSW Minister for Education to the Board for research and development projects. These funds are recognised when they are received;
- A direct contribution from the State received by the Board from the NSW Department of Education and Communities ('the Department') to fund the Board's operating expenses. This funding is recognised when it is received.

##### (ii) Investment revenue

is recognised using the effective interest method as set out in AASB 139 *Financial Instruments Recognition and Measurement*.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 1. Summary of Significant Accounting Policies (continued)

#### (f) Assets

##### (i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (g) Liabilities

##### (i) Payables

These amounts represent liabilities for goods and services provided to the Board and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (h) Equity

##### (i) Accumulated Funds

The category 'Accumulated Funds' includes all current and transferred equity from the NSW Board of Vocational Education and Training.

##### (ii) Equity Transfer

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs/functions and part thereof between NSW public sector entities and 'equity appropriations' are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 1. Summary of Significant Accounting Policies (continued)

#### (i) *Equity Transfer (continued)*

Transfer arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure.

Effective 27 November 2013, all assets, rights and liabilities of the Board of Vocational Education and Training were transferred to the NSW Skills Board.

#### (j) *Comparative information*

The current reporting period is less than 12 months, from 27 November 2013, when the Board was established, to 30 June 2014.

#### (k) *Secretariat Services*

Secretariat services represents the salaries and wages of the Department's employees who were allocated to the Board during the year to provide a range of policy and support services. These costs were incurred by the Department and have been subsequently recharged to the Board as a fee for services rendered when incurred. All related on-costs of these Department employees, such as workers' compensation and payroll tax have also been included in this charge.

#### (l) *Corporate Service Support Charge*

In the period ending 30 June 2014, the Board compensated the Department for corporate support services by way of an additional loading on actual Secretariat and Operational Support Services in accordance with Treasury directions.

#### (m) *Other Operating Expenses – Board Members*

Other Operating Expenses includes fees for Board member services plus superannuation, workers' compensation, payroll tax and departmental on-costs. Board members are not entitled to annual leave or long service leave.



## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 1. Summary of Significant Accounting Policies (continued)

#### (n) *Cash and Cash Equivalents*

The Board does not maintain an operating bank account. During the reporting period all cash receipts earned and cash payments made were managed through the Department's operating bank account. At 30 June 2014 the Department held \$2,344K on behalf of the Board, which represents net cash surplus of the Board's activities. Interest is earned on these funds. The cash fund position will vary at any stage during the reporting period depending on the timing of all operating receipts and payments.

For the purpose of the Statement of Cash Flows, cash includes cash at bank as at 30 June 2014.

#### (o) *Change in accounting policy, including new or revised Australian Accounting Standards*

##### (i) Effective for the first time in 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of following new or revised Australian Accounting Standards that have been applied for the first time in 2013-14. The impact of these standards in the period of initial application includes:-

AASB 13 *Fair Value Measurement* (application date 1 July 2013); The Board has reviewed the standard and has determined that there is no financial impact and additional notes disclosures are not required.

AASB 119 *Employee Benefits* (application date 1 July 2013); The Board has reviewed and assessed the impact on measurement of annual and long service leave liabilities. There is no financial impact and no additional note disclosures were required.

##### (ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective (refer NSW Treasury Mandates TC14/03 and NSW Treasury website). Management cannot determine the actual impact of these Standards in the Board's financial statements in the period of their initial application:-

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 1. Summary of Significant Accounting Policies (continued)

(ii) Issued but not yet effective (continued)

AASB 9 *Financial Instruments* (application date 2017-18); AASB 2010-7 and AASB 2012-6 regarding financial instruments;

AASB 1031 *Materiality* (effective date 2014-15);

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities* (effective date 2014-15);

AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139] (effective 2014-15);

AASB 2013-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities* [AASB 10, AASB 12 & AASB 1049] (effective 2014-15);

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* [Part C *Financial Instruments*] (effective 2015-16).

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 2. *Expenses excluding losses*

	30 June 2014 \$'000
<b>a. Secretariat Services</b>	
Secretariat services and departmental on-costs	228
Superannuation defined contribution	23
Long Service Leave	9
Worker Compensation Insurance	5
Payroll tax and fringe benefit tax	12
<b>Total secretariat services expenses</b>	<b>277</b>
<b>b. Other operating expenses</b>	
Fees for Board member services and on-costs *	198
Auditor remuneration (audit of financial statement)	20
Operating lease rental expense (minimum lease payment)	21
Travelling and sustenance	2
Contractors (projects)	84
<b>Total other operating expenses</b>	<b>325</b>
<b>Total expenses excluding losses</b>	<b>602</b>

\* refer to note 1(m) for items associated with Board member services and on-costs.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 3. Revenue

	30 June 2014 \$'000
<b>a. Grants and contributions</b>	
State grant for operating expenses *	521
State grant for projects	578
<b>Total grants and contributions</b>	<b>1,099</b>
<b>b. Investment revenue</b>	
Interest revenue	34
<b>Total investment revenue</b>	<b>34</b>
<b>Total revenue</b>	<b>1,133</b>

\* The State grant for operating expense amount has been derived from total expenses excluding losses less project expenses (contractors)

### 4. Current Assets – Cash and Cash Equivalents

Cash and cash equivalents	2,344
<b>Total cash and cash equivalents</b>	<b>2,344</b>

### 5. Current Assets – Receivables

GST receivable	10
Other receivable	13
<b>Total receivables</b>	<b>23</b>

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 6. *Current Liabilities – Payables*

	30 June 2014 \$'000
Accrued expenditure	117
<b>Total payables</b>	<b>117</b>

### 7. *Reconciliation of Cash Flows From Operating Activities to Net Result*

Net cash used on operating activities	369
Decrease/(Increase) in Payables	961
Increase/(Decrease) in Receivables	(799)
<b>Net Result</b>	<b>531</b>

### 8. **Contingent Assets and Liabilities**

The Board is not aware of any contingent assets and liabilities in existence as at 30 June 2014.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 9. *Administrative Restructure*

#### **NSW Board of Vocational Education and Training as transferor**

Effective date 27 November 2013, all assets, rights and liabilities of the NSW Board of Vocational Education and Training were transferred to the NSW Skills Board.

This is an administrative restructure, which is treated as a contribution by owners and recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. The carrying value of assets and liabilities held by the NSW Board of Vocational Education and Training as at 27 November 2013 approximates the fair value transferred to the NSW Skills Board.

Assets and Liabilities transferred to the NSW Skills Board are outlined below:

	NSW Skills Board \$'000
Cash and cash equivalents	1,975
Receivables	822
Payables	(1,078)
<b>Net assets transferred on equity transfer</b>	<b>1,719</b>

### 10. *Financial Instruments*

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance the operations. The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Board does not use financial derivatives.

The Board's main risks arising from financial instruments are outlined below, together with the Board's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.



## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 10. Financial Instruments (continued)

#### (a) Financial instruments categories

Financial Assets Class:	Notes	Category	Carrying Amount 30 June 2014 \$'000
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Cash and cash equivalents	4	N/A	2,344
Receivables <sup>1</sup>	5	Loans and receivables (at amortised cost)	13

#### Financial Liabilities Class:

Payables <sup>2</sup>	6	Financial liabilities measured at amortised cost	117
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#### Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

#### (b) Credit risk

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations, resulting in financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

#### Cash

Cash held with the Department of Education and Communities. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11 am unofficial cash rate, adjusted for a management fee to NSW Treasury.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 10. *Financial Instruments (continued)*

#### **(b) Credit risk (continued)**

##### *Receivables – trade debtors*

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the Board will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors.

There are no financial assets that are past due or impaired.

#### **(c) Liquidity risk**

Liquidity risk is the risk that the Board will be unable to meet its payment obligations when they fall due. The Department of Education and Communities, on behalf of the Board, continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

During the current and prior years there were no defaults on any loans payable. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12, which specifies payment of accounts requirements. For small businesses, payments must be made within 30 days of receipt of a correctly rendered invoice, unless an existing contract or standing offer provides for an alternative time period. If payment is not made within the specified time period, simple interest must be paid automatically. For suppliers other than small businesses, if trade terms are not specified, payment is made by the end of the month following the month in which a correctly rendered invoice or statement from the supplier is received.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 10. Financial Instruments (continued)

#### (c) Liquidity risk (continued)

The table below summarised the maturity profile of the Board's financial liabilities, together with the interest rate exposure:

##### *Maturity analysis and interest rate exposure of financial liabilities (\$'000)*

	Weighted Average Effective Int. Rate	Nominal Amount	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non- interest bearing	< 1 yr	1-5 yrs	> 5 yrs
30 June 2014								
Payables:								
Creditors	--	--	--	--	117	117	--	--

#### (d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Board has no exposure to other price risk.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Board operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis assumes that all other variables remain constant.

## NSW SKILLS BOARD

Notes to and forming part of the Financial Statements for the period 27 November 2013 to 30 June 2014

### 10. *Financial Instruments (continued)*

#### (e) Interest rate risk

The Board's exposure to interest rate risk and the effective interest rates of financial assets and liabilities are as follows:

		\$'000			
	Carrying Amount	Net Result	-1% Equity	+1% Net Result	+1% Equity
<b>30 June 2014</b>					
<b><i>Financial assets</i></b>					
Cash and cash equivalents	2,344	(23)	(23)	23	23
<b><i>Financial liabilities</i></b>					
Payables	117	(1)	(1)	1	1

#### (f) Price Risk

The Board's exposure to Price risk is considered minimal.

#### (g) Net Fair Value of Financial Assets

The net fair value of cash and interest bearing monetary financial assets approximates their carrying value.

### 11. *Events after the Reporting Period*

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Board, the results of those operations or the state of affairs of the Board in subsequent financial years.

## End of Audited Financial Statements

# Appendix 1: Report of Operations

The following report addresses additional reporting requirements of the *Annual Reports (Statutory Bodies) Act 1984* or the *Annual Reports (Statutory Bodies) Regulation 2010*.

## Access/Address

Correspondence to the NSW Skills Board should be addressed to the Board at:

Locked Bag 53, Darlinghurst NSW 1300

Telephone: (02) 9244 5009

[www.skillsboard.nsw.gov.au](http://www.skillsboard.nsw.gov.au)

Business Hours: Monday–Friday 9am–5pm

## Management and structure

Refer to *Members of the Board*, pages 6-10.

## Summary review of operations

Refer to *The Year in Review*, pages 11-19.

## Funds granted to non-government community organisations

No funds were granted to non-government community organisations.

## Legal change

The NSW Skills Board has been established under the *Skills Board Act 2013*, which received assent on 27 November 2013. The NSW Skills Board replaces the Board of Vocational Education and Training. The *Board of Vocational Education and Training Act 1994* was abolished on 27 November 2013. All the legal and financial responsibilities of the Board transferred to the NSW Skills Board under Schedule 2 of the *Skills Board Act 2013*.

## Economic or other factors

There have been no economic factors that have affected achievement of the Board's operational objectives during the year in review.

## Management and activities

See *The Year in Review*, pages 11-19.

## Research and development

See *The Year in Review*, pages 11-19.

## Human resources

The Board's secretariat comprises 4.5 employees of the DEC subject to the personnel and industrial relations policies and practices of the Department of

Premier and Cabinet's guidelines. Wages, salaries and allowances during the reporting period reflect actual costs.

## Consultants

No consultants were engaged by the Board during the year in review.

## Equal Employment Opportunity

The Board adheres to the DEC's *Equal Employment Opportunity (EEO)* policies and practices. The Department's EEO achievements and strategies are highlighted in its *Annual Report*.

## Disability plans

The Board adheres to the NSW Government's *Disability Policy Framework* through the DEC's *Disability Action Plan*.

## Land disposal

The Board does not own land or buildings.

## Promotion

Refer to *The Year in Review*, pages 11-19.

## Consumer response

The Board is open to, responds to and addresses any suggestions or complaints it receives. Any complaints to the Board would be dealt with according to the DEC's policy *Responding to Suggestions, Complaints and Allegations*.

## Payment of accounts

The Board's accounts are paid centrally by the NSW DEC.

## Insurance

Insurance policies are the responsibility of DEC's Corporate Services division and are reported through the Department's *Annual Report*.

## Risk Management and Internal Audit

The Board will make an application for an exception from the core requirements of Treasury Circular 09/08.

## Disclosure of controlled entities

The Board does not control any entities or have any subsidiaries.

## **Multicultural Policies and Services Program**

The Board will next report progress on its Multicultural Plan in 2015.

## **Occupational Health and Safety**

The Board observes the Department's Occupational Health and Safety Strategy *Safe Working and Learning 2009-2012*. There were no related injuries, illnesses or prosecutions in respect of Board members or secretariat staff.

## **Waste management**

Implementation of the NSW Government's *Waste Reduction and Purchasing Policy* is the responsibility of the Department of Education and Communities Corporate Services division. Waste reduction initiatives are reported through the Department's *Annual Report*.

## **Annual Report costs and Publications**

As required by the Department of Premier and Cabinet, no external costs were incurred in publication of the 2014 *Annual Report* of the NSW Skills Board.

The Board's *Annual Report* and other Board publications and reports are available for viewing and downloading on the Board's website, [www.skillsboard.nsw.gov.au](http://www.skillsboard.nsw.gov.au). Publications available in hard copy may be obtained by contacting the Board at the address given in Access above.

## **Production costs of Annual Report**

As required by the Department of Premier and Cabinet, costs of production of the 2014 *Annual Report* have been kept to a minimum by restricted use of photos and graphs, and printing of text in black and white only.

## **Investment performance**

The Board's funds are managed by the NSW DEC.

## **Government Information (Public Access) Act 2009**

No requests were made of the NSW Skills Board under the *Government Information (Public Access) Act 2009* during the reporting year.

## **Implementation of Price Determination of Independent Pricing and Regulatory Tribunal**

The Board is not subject to determinations of the Tribunal.

## **Records management**

The Board is covered by the NSW State Record Authority's *Functional Retention and Disposal Authority: FA281* which is approved under section 21(2) c of the *State Records Act 1998* following prior approval by the Board of the State Records Authority of NSW in accordance with section 21(3) of the Act.

## **Privacy management plan**

The Board and Departmental staff supporting the work of the Board comply with the *Privacy and Personal Information Protection Act 1998*, which is managed by the DEC and reported on in the Department's *Annual Report*.

## **Government energy management policy**

Implementation of the *NSW Government Energy Management Policy* is the responsibility of the DEC Corporate Services division. Energy management initiatives are reported through the Department's *Annual Report*.

## **Electronic service delivery**

The Board maintains a website on which publications and reports may be accessed and downloaded at [www.skillsboard.nsw.gov.au](http://www.skillsboard.nsw.gov.au).

## **Credit card certification**

In accordance with the requirements set down in Treasurer's Direction 205.01 concerning the use of corporate credit cards, the Board has certified that corporate credit card use by the executive officer of the Board during 2014 was in accordance with the Premier's Memoranda and Treasurer's Directions.



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