



NSW
Skills
Board

NSW SKILLS BOARD
**ANNUAL
REPORT
2017**



NSW Skills Board

Annual Report 2016–2017

The Honourable John Barilaro MP
Deputy Premier
Minister for Regional New South Wales,
Minister for Skills and Minister for Small Business
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Deputy Premier

In accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, it is our pleasure to submit a copy of the 2017 Annual Report of the NSW Skills Board, which covers the work of the Board from 1 July 2016 to 30 June 2017.

Yours sincerely



Philip Marcus Clark AM
Chair



Adam Boyton
Member

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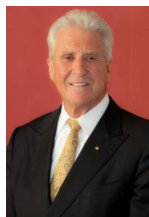
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Chair's Overview



The NSW Skills Board met formally six times during the year. In April the Board visited Western Sydney to meet local businesses, apprentices and trainees, to discuss their VET experiences and the Smart and Skilled program.

The Board's Reference Groups and Research Committee also made significant contributions to our activities during the year, details of which are set out in the Report which follows.

As I pointed out last year, Smart and Skilled only directs approximately one third of the total government-supported VET in NSW. Another substantial portion comes from direct allocations by the NSW Government to TAFE NSW. The third funding stream is from the VET FEE-HELP/VET Student Loans program provided by the Australian Government, which declined during the year.

Now that Smart and Skilled has been successfully established in NSW, the Board is turning its attention to focus on strategic issues, involving the whole VET system in NSW, as well as continuing our oversight of Smart and Skilled.

The NSW Government, through the Deputy Premier, has issued a Directions Statement for Vocational Education and Training. The Directions Statement outlines the next phase of Smart and Skilled.

The Directions Statement also confirmed our objectives. Those objectives are to provide greater access to vocational education and training and greater choice for students and employers, to improve VET student outcomes and to provide VET which better meets industry needs and the needs of the NSW economy.

In addition to adopting a more strategic profile, the Board has accelerated its research program. Details are provided in the Report. Our research program is unique in Australia. Its objective is to provide a sound evidence base for analysis and decisions. It is producing valuable information and insights and we are acting on that information.

For example, one important initiative we are undertaking is improving the quality of information on VET opportunities available to employers, and to students and their families and advisors, to help them make better informed VET choices. The need for better information was highlighted by one of our research programs.

The Board was pleased to see further evidence of an increase in VET enrolments in NSW during the year and better alignment of VET with industry needs and the future needs of the NSW economy. But we know there is a lot more work to be done.

I wish to thank the Deputy Premier, The Honourable John Barilaro MP, for his unwavering support. He has continued to demonstrate a very strong commitment to ensuring that NSW, including regional NSW, has the best VET system in Australia.

Our Secretariat in the NSW Department of Industry has again provided very helpful support for the Skills Board's activities, for which I am grateful.

Finally, I thank my fellow Board members for their significant contributions during the year, with particular thanks to those Board members who have chaired our Reference Groups and our Research Committee so effectively.

Philip Marcus Clark AM
Chair
NSW Skills Board

The Role of the Board

The NSW Skills Board was established in late 2013 to provide independent advice to 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 industry, employers, regions and the economy. The Board is responsible for overseeing the VET system in NSW, including the Smart and Skilled reform which introduced an entitlement to training up to Certificate III, or in selected higher level courses, and which increased contestability, transparency, quality and choice.

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

In 2016, the Board consisted of nine part-time members, eight of whom are appointed by the Deputy Premier and Minister for Skills. Gary Barnes was an ex-officio member as the Deputy Secretary of the Department of Industry until January 2017. The Deputy Secretary role has been substantively vacant for the remainder of the reporting period. Consequently, the Board consisted of eight members during 2017 without replacing the ex-officio position. Members selected have significant experience and expertise in skills and tertiary education, project and risk management, business and industry, government, economics and finance.



Philip Marcus Clark AM (Chair)

Philip 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.

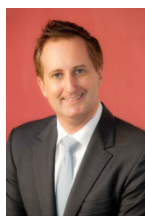
Prior to joining Minter Ellison, Phil was Director and Head of Corporate with ABN Amro Australia and prior to that he was Managing Partner of Mallesons Stephen Jaques for 16 years. Earlier in his career he worked with a Pratt Industries subsidiary and with Shell Australia. Phil now serves on a number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

Phil has extensive board experience in the tertiary education sector.

His work in the not-for-profit sector has also included 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.



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.

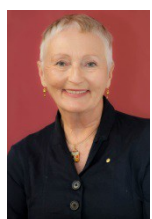
Deutsche Bank's Australian economics research is consistently ranked as one of the top economic research teams in financial market survey.

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 been a Policy Director and Chief of Staff.

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 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, the University of Sydney and the University of Western Sydney.

Denise chairs 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 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 AM

Kay Hull AM 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 based in Geneva from 2008 to 2012.

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.

In October 2014, Kay was appointed as the Chair of The Australian National Advisory Council on Alcohol and Drugs by the Commonwealth Minister for Health. She was awarded an AM in the 2015 Queens birthday Honours for her contribution to the Parliament of Australia and her leadership in the Riverina.

Kay was appointed the Chair of the Rural Industries Research and Development Corporation in September 2016.



David Liddiard OAM

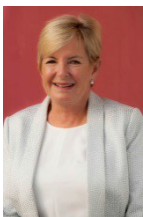
Mr David Liddiard OAM has devoted himself to youth welfare and development, Indigenous health and education and Indigenous employment and participation for over 30 years.

David was a successful sportsman, playing in the National Rugby League, was the recipient of the Dally M Rookie of the Year in 1983, played in two grand finals for Parramatta Eels in 1983 and 1984 and won the Premiership in 1983.

In 1995 he founded the National Aboriginal Sporting Chance Academy (NASCA) which provides real opportunities for Indigenous youth in sport and education. Having seen first hand what opportunities can be opened through sport David has long promoted sport as a bridge to a brighter future.

David has spearheaded initiatives which provide practical support to businesses large and small with workplace participation strategies for Indigenous talent. He has worked with programs at both national, state and territory levels, which focus on economic leadership development and has presented at numerous forums, conferences and events.

David has led numerous educators and corporate CEOs on cultural immersion programs to remote Indigenous communities aiming to close the gap between Indigenous and Non-Indigenous Australians through interactive cultural experiences and educational activities.



Marie Persson

Marie Persson 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 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 is currently chief Judge for the NSW Telstra Business Awards.

Marie chairs the Board's Industry Reference Group.



Gemma Van Halderen

Gemma Van Halderen leads the Australian Bureau of Statistics Strategic Transformation and Implementation Division. This Division leads the transformation of ABS' statistical programs and strategies for data use, data integration and data access. During 16-17, Gemma was seconded to the Commonwealth Department of the Prime Minister and Cabinet to lead a Taskforce preparing a Government response to the Productivity Commission Data Availability and Use Inquiry.

Gemma has been with ABS since 1989, initially as a methodological cadet prior to roles in the delivery of demographic, social and environmental statistics, corporate governance, and statistical modernisation. Gemma has extensive experience with Commonwealth and State Governments, the research sector and global statistical community.

Gemma has a Bachelor of Science (Honours) from the Australian National University, is an Accredited Statistician, and an elected member of the International Statistics Institute. She is a member of the Executive of the International Association of Official Statistics and co-chairs a United Nations Working Group on the Integration of Statistical and Geospatial Information.

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

Gemma chairs the Board's Research Committee.



Gary Barnes

Gary Barnes was Deputy Secretary, Skills and Industry Policy from December 2015 to January 2017.

Gary was previously the Northern Territory's Coordinator-General, Office of Major Projects, Infrastructure and Investment with responsibility for initiating, coordinating and facilitating the delivery of major projects in the Northern Territory, including oil and gas, agribusiness, mining, tourism and other enabling infrastructure as well as asset sales.

Prior to this, Gary held a number of senior executive positions in the Northern Territory Public Service including notably the Chief Executive Officer, Department of the Chief Minister and Cabinet (where he led the economic reform agenda and regional development) as well as the Chief Executive Officer, Department of Education and Training.

Before relocating to the Northern Territory, Gary was the Deputy Chief Executive, Queensland Public Service Commission where he led sector-wide reform in the area of Workforce Performance and also held a number of other senior executive positions.

Meetings of the Board

There were six meetings of the Board in 2016-17.

Table 1: Members' Attendance at Board Meetings

Member	Meetings eligible to attend	Meetings attended
Philip Clark AM	6	5
Gary Barnes	3	3
Adam Boyton	6	5
Denise Bradley AC	6	5
Mark Goodsell	6	5
Kay Hull AM	6	5
David Liddiard OAM	6	4
Marie Persson	6	6
Gemma Van Halderen	6	6

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 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 *Government Sector Employment Act 2013*, the NSW Department of Premier and Cabinet's *Conduct Guidelines for Members of NSW Government Boards and Committees (2011)*, and Chapter 8 Model Code of Conduct, of the NSW Public Service Commission's *Personnel Handbook (Version 13.3, 2013)*. 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 are completed annually or as and when required and filed by the Board's Secretariat.

The members of the Board take workplace health and safety very seriously. All Board members and secretariat staff are aware of their duties as officers and workers in accordance with the *NSW Work Health and Safety Act 2011*.

The Board has developed an overarching legislative compliance framework. The framework lists relevant legislation where the Board has some obligation of compliance or accountability. The framework makes transparent the Board's statutory and policy requirements, and provides evidence of the Board's endeavours to meet its obligations and ensure accountability for complying with obligations. The Board has also developed a comprehensive Risk Register, which includes both strategic and operational risks. The Board reviewed the Skills Board legislative compliance framework and risk register at its June 2017 meeting.

A Memorandum of Understanding (MOU) exists between the Board and the Department of Industry which establishes agreed areas of cooperation and accountabilities between the parties, and the provision of the annual allocation of funds and resources to the Board.

The 2016-2017 Year in Review

In 2016-17, the Board focused on providing the Deputy Premier and Minister for Skills with a strategic perspective of the whole VET system in NSW. This included monitoring total VET activity in NSW, advising on strategic budgeting and financing issues and having a greater role in advising on the effectiveness of the entire NSW educational system in supporting skills needs in NSW. In addition, the Board maintained its significant role in overseeing and reviewing the implementation of the NSW Government's Smart and Skilled program, the reform to create a successful contestable VET market in NSW. The Board has commissioned and completed several research projects that have provided the Department with data to inform evidence-based policy recommendations.

The Board continues to be supported by a Secretariat in the Policy, Enablers and Analytics Branch within the Department of Industry.

NSW Student Outcomes Survey

Over 25,000 people participated in the NSW Student Outcomes Survey, which the Skills Board commissioned in late 2016. The survey is the first opportunity to gather Smart and Skilled student outcomes data since the reform of the NSW VET market in January 2015. The survey captured employment and post-study outcomes data on students who participated in Smart and Skilled training including student satisfaction with training providers and employment and income levels. The survey data has been analysed to inform the Department on various Smart and Skilled policy adjustments.

Smart, Skilled & Hired

The Skills Board has an oversight and advisory role to the Minister for Skills on the implementation of the Smart, Skilled and Hired program. The \$100 million Smart, Skilled and Hired program is a package of initiatives to build skills and to actively match skills with those most in need of a job. The program consists of the following initiatives:

- The **Youth Employment program** is designed to target regions in NSW with high youth unemployment rates to remove young people's barriers to employment, be it training, assistance with transport, accommodation or mental health, and help secure sustainable jobs. It targets those not receiving Commonwealth employment support, aged 15-24 years and those young people who are underemployed.
- **Disability Sector Scale-Up** aims to assist businesses, workers and local communities with maximising economic opportunities from the National Disability Insurance Scheme (NDIS) roll out. The program will support individuals and organisations participating or wanting to participate in the sector by offering business acceleration grants, providing small business advisory services and partnering with Aboriginal Affairs to increase the number of Aboriginal people and businesses participating in the NDIS.
- Smart, Skilled and Hired provides additional funding to support the **Infrastructure Skills Legacy Program** which aims to boost the number of skilled construction workers and create fresh pathways to employment across the state.

VET in Schools

The Skills Board maintained a significant interest in the VET in Schools activity. The Board reviewed the VET in Schools framework during 2016 and advised the Minister for Skills on methods that would improve the employment outcomes for secondary students participating in VET. Following the Board's advice, the Minister for Skills and Education are co-sponsoring a 'once in a generation' opportunity to reconsider the structure, content, credentials and other policy settings of the NSW education system to improve young people's transition into the workforce.

The Board maintains its role in allocating funding to the NSW Schools Consortium which is comprised of the three school sectors, NSW Department of Education, Catholic Education Commission, and the Association of Independent Schools with the NSW Education Standards Authority. This funding supports the delivery of VET in schools by raising the quality and expanding the delivery of school-based VET, supporting the development of curricula and resources and targeting areas of skills shortages.

The Board continues to part fund the 2017 Post-Secondary School Destination Surveys commissioned by the Centre for Education Statistics and Evaluation (CESE) and to conduct collaborative research with CESE to inform skills policy. CESE presented a literature review into VET programs for secondary students in Australia to the Board for the April 2017 meeting which informed the Board's advice to the Minister for Skills.

Review of the Apprenticeships and Traineeships Act

The *Apprenticeship and Traineeship Act 2001* regulates the employment and training of apprentices and trainees in NSW. The NSW Government undertook the requirement of reviewing the Act to ensure the provisions are appropriate in meeting the requirements of industry and are aligning with the Government's efforts to secure the future NSW workforce and economic growth. The Board received updates on the progress of the review throughout the reporting period, providing input on potential areas of improvement and reviewing the Department's response.

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 matters relevant to the functions of the Board. In addition to the NSW Student Outcomes Survey, a number of research projects commenced, continued or were completed during the reporting period.

Research Committee

The Skills Board Research Committee continued to advise the Board on a comprehensive research program related to all aspects of VET and the impact of skills reform on the NSW economy. In 2016-17, the Research Committee considered and initiated a range of proposals and made recommendations to the Board.

Membership of the Research Committee at 30 June 2017 was as follows:

- Gemma Van Halderen – Chair
- Denise Bradley AC – Member
- Adam Boyton – Member
- Mark Goodsell - Member

Drivers of student participation and completion in VET

The Research Committee agreed to commission a research project to address concerns that NSW participation in VET was lower than activity nationwide and that existing research was of insufficient detail to inform targeted interventions to improve completion rates. Woolcott Research was commissioned to investigate student drivers of participation in VET by identifying:

- Relevant factors influencing a student's decision to participate in VET; and
- Factors which influence a student's decision to complete VET.

The outcomes of this research have informed the development of policy interventions to improve participation and completion rates.

Employers' perceptions of and engagement with VET in NSW

The Board identified a need to investigate how employer skill needs can be met through the VET sector in NSW. The Social Research Centre has been commissioned to conduct this research project. The key objective of the research is to explore how NSW employers view and engage with the VET system and to what extent they use publicly funded training, fee for service training and unaccredited training. It will also explore whether the implementation of VET reform in NSW has impacted on the accessibility and quality of training and the relevance of qualifications to employers' business needs. The outcomes of the research will inform actions to increase the responsiveness and accessibility of training across NSW.

Tertiary and Apprenticeships Pathways Projects

The Board is sponsoring two sets of pathways projects: tertiary and apprenticeship pathways, led by the Department of Education in conjunction with the Department of Industry. The projects aim to develop various pathways that can overcome barriers inherent in the vocational and higher education systems and demonstrate how integrated pathways can benefit students, employers, industry and institutions. A number of pilots have either been completed, are in progress or are under development.

- The University of Newcastle has developed a tertiary pathway in Aged Care to transition from Certificate III or IV to higher education, including the development of an Associate Degree of Integrated Care in Ageing. It offers those who enter the sector with a Certificate III or IV a career path that did not previously exist or was much harder to progress.
- The Master Builders Association of NSW has developed a pilot pathway that provides an integrated apprenticeship to degree pathway from traditional trade qualifications to a bachelor in construction management, bridged by a Diploma of Project Management. The consortium for this project includes UTS, University of Newcastle, Western Sydney University, University of Canberra, and a number of mid-tier building companies.
- Degree Apprenticeship pathways in Electrical Engineering and Construction Management

are in progress of being developed.

- Additional pathway pilots are being considered for further consideration and development.

Collaborative Research Partnership with the University of Sydney-led consortium for Vocational Education and Training Reform

The three year collaborative partnership with the University of Sydney-led consortium made significant progress in 2016-17 on all three strands of the project:

1. A capabilities-based pilot program designed to build marketing expertise across regional food value chains has been launched in regional NSW.
2. The consortium developed and tested a model for predicting Smart and Skilled activity using financial subsidy payments.
3. Analysis of how workers move through qualifications and occupations suggests considerable scope for clustering and rationalising existing qualifications.

The outcomes of the project will inform establishing qualifications that are recognised and used by industry, using the predictive model to better inform policy decisions within Smart and Skilled and to better align labour supply and demand.

Collaboration with NSW Data Analytics Centre and University of Technology Sydney

This project developed a set of algorithms and tools to monitor demand for VET-qualified roles in the NSW labour market. Outcomes of the project have informed the Department's efforts to monitor occupational demand for emerging areas for the NSW Skills List and observing the responsiveness of the VET system.

Factors affecting the demand of higher level VET by students with low socioeconomic status

Conducted by the University of Melbourne, this research project investigated factors affecting demand for higher level VET qualifications from people from low socio-economic status (SES) backgrounds. The research examined the extent to which these factors are responsive to change and identified potential policy interventions to increase participation rates for low-SES background students in higher VET qualifications. The report confirmed previous findings that educational outcomes for young people of low SES are lower than their peers and that early intervention is the most effective way to address SES inequality and improve educational attainment. Findings of this research informed the Board's advice to the Minister for Skills on VET in schools reform.

Overseeing Smart and Skilled

The Board continued to oversee the implementation of the Smart and Skilled reform, moving from guiding operational detail to taking a more strategic view.

Implementation of the Directions Statement for VET in NSW

The *Directions Statement for VET* was released in July 2016, which outlined the next phase of the Smart and Skilled reform in response to the findings from the Skills Board's *Year One Review of Smart and Skilled* and the Legislative Council Inquiry into VET in NSW. The Board has commissioned a number of ongoing research projects to complement the work of the Smart and

Skilled review and guide the implementation of the *Directions Statement for VET*. This includes but is not limited to:

- Initiated the collection and analysis of additional data to better understand the needs of disadvantaged students to improve access and choice for students through the Student Outcomes Survey and Drivers of Student Participation projects;
- Supporting a review of the methodology for qualification prices, student fees and subsidises to determine whether it continues to provide fair value to students and providers;
- Reviewed the Skills List methodology to ensure a more flexible and responsive Skills List.

Smart and Skilled 2017 Provider Allocations

Eligible Registered Training Organisations (RTOs) are contracted by the NSW Government to deliver training under Smart and Skilled. Training providers are assessed on organisational capacity, compliance and capacity to offer qualifications in specified regions. The Board reviewed the Department's approach to provider allocations for the 2017 Smart and Skilled contracts at the October 2016 meeting. At the June 2017 meeting the Board supported transitioning to financial year allocations from 2018.

Smart and Skilled Performance Monitoring

Performance monitoring is undertaken to support training providers in the continuous improvement of Smart and Skilled training delivery, to ensure quality of training delivery and to ensure providers are meeting their contractual obligations. The Smart and Skilled contract has enforceable sanctions for providers that are found to be non-compliant. Possible sanctions include withholding payments, removing financial cap allocations and suspension or termination of the contract, depending on the degree of non-compliance. Being a high priority matter, the Board undertakes a review of Smart and Skilled Performance Monitoring data at every meeting. Details of terminated providers are publicly available on the Smart and Skilled website.

NSW Skills List

The NSW Skills List is reviewed annually, allowing the addition and removal of qualifications. The Board approved the 2017 Skills List following wide consultation conducted by the Department during 2016. Additions to the Skills List were proven to support the training of the VET workforce and met specific needs in regional and rural NSW. From May 2017, the Skills List is no longer defined by calendar year, with qualifications added or removed on a 'rolling' basis to be flexible and more responsive to industry needs.

VET Budget and Funding 2016-17

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

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, which provides ongoing

funding and sets targets and reform goals for the national system.

2. The National Partnership Agreement on Skills Reform, which commits NSW to 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 expired on 30 June 2017.

The Board reviewed the VET budget and allocations for 2016-17 at its August 2016 meeting. The Board received an initial report on the Skilling Australia Fund, which is proposed to replace the National Partnership Agreement, at its June 2017 meeting.

NSW Skills Board Reference Groups

Provider Reference Group

The Provider Reference Group provides advice to 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 Chair of the Provider Reference Group is Board member Denise Bradley AC. Membership of the Provider Reference Group at 30 June 2017 was as follows:

- from TAFE NSW: Jon Black, Philip Clarke, Gillian Gray
- from ACPET: Bruce Callaghan, Ron Maxwell and Catherine Tracey
- from Community Colleges Australia: David Fuller and Don Perlgut
- from the Enterprise RTO Association: Gabrielle Deschamps

The Provider Reference Group met on 18 July 2016, 14 November 2016, 9 February 2017 and 11 May 2017 to provide advice on implementation issues in relation to Smart and Skilled. Reports from these meetings were supplied to the Board.

Industry Reference Group

The Chair of the Industry Reference Group is Board member Marie Persson. Membership of the Industry Reference Group expired on 30 June 2017. Membership at expiration was as follows:

- Rebecca Burdick, Policy Advisor, Workforce Skills, NSW Business Chamber
- Rachel Edwards, Training and Capability Manager, BlueScope
- Sarah Kevin, Training and Development Manager, McDonalds Australia Ltd
- Michelle McCallum, Skills Advisor, Australian Industry Group
- David Castledine, CEO, NSW Civil Contractors Federation
- Cathy Foley, Chief, CSIRO'S Division of Minerals, Science and Engineering
- Susan Scowcroft, Executive Director, NSW Community Services and Health ITAB

The Industry Reference Group met on 7 September 2016. Bill Galvin from the Australian Industry and Skills Committee presented on VET governance and the development of training packages. Membership of the Industry Reference Group is being reconstituted to better reflect the breadth of NSW industry. It will also incorporate a stronger focus on regional businesses, science, technology, engineering and maths (STEM) and Indigenous skills.

Skills Board visit to Western Sydney

Members of the NSW Skills Board visited Western Sydney on 20 - 21 April 2017 to meet with students, employers and training providers to discuss their experiences of Smart and Skilled and the unique opportunities and challenges the area faces.

The Board visited the K-mart Distribution Centre and Retail Ready Operations (Coles Supermarkets' meat processing plant) and hosted a dinner with local businesses and training providers. The Board also visited the TAFE Nirimba campus and held roundtable sessions with representatives from the construction industry and with organisations working to support Aboriginal and Torres Strait Islander employment and education in Western Sydney.

Many industries in Western Sydney are experiencing rapid growth. However employers identified a range of challenges to the Board including high levels of staff turnover and the impact of technology on their business models. The Board also discussed local training issues, including the adequacy of training packages, students' numerical and English literacy levels, unique support required by disadvantaged groups and young trainees' capacity to gain employment.

Training Awards

The NSW Training Awards are conducted annually by the NSW Department of Industry to recognise outstanding achievement in the vocational education and training sector. The awards honour and reward the achievements of students, trainers and teachers, training organisations, large and medium employers.

2016 NSW Training Awards

The 2016 NSW Training Awards were held on 8 September 2016 at the Four Points by Sheraton, Darling Harbour. The NSW Skills Board sponsored the NSW Training Awards as a Strategic Partner, sponsoring the NSW Aboriginal and Torres Strait Islander of the Year award. The 2016 Aboriginal and Torres Strait Islander Student of the Year was Leteah Mitchell, who studied a Community Services Work Certificate IV at TAFE NSW - North Coast Institute. Leteah embraced her studies in the Certificate IV in Community Services Work which brought to life her passion to help people in the community, particularly those disadvantaged. An example of Leteah's commitment was her role in establishing a drop-in centre for youth at the Taree PCYC as part of her work placement. The centre provides a safe space to allow important "time-out" for young people who are having difficulty with the school system. Leteah has chosen this career path because "as a social worker I want to support people to where they want to be and reach their goals, even if they've lost their way." An advocate for continuing education, Leteah has successfully encouraged three of her family to enrol in vocational education and training.

Financial Statements

NSW Skills Board

For the period ended 30 June 2017

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INDEPENDENT AUDITOR'S REPORT

NSW Skills Board

To Members of the New South Wales Parliament

Opinion

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 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2017, 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* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Board in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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
- precluding the Auditor-General from providing non-audit services.

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

The Board's Responsibility for the Financial Statements

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

In preparing the financial statements, the members of the Board must assess the Board's ability to continue as a going concern except where the Board will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Sally Bond
Director, Financial Audit Services

16 October 2017
SYDNEY

NSW SKILLS BOARD

STATEMENT BY MEMBERS OF THE BOARD

Pursuant to section 41C (1B) and (1C) of the *Public Finance and Audit Act 1983*, and in accordance with a resolution of Members of the NSW Skills Board, we state that:

- (a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (which include Australian Accounting Interpretations), the provisions of the *Public Finance and Audit Act 1983*, the applicable clauses of the *Public Finance and Audit Regulation 2015*, and the Financial Reporting Directions mandated by the Treasurer;
- (b) the accompanying financial statements exhibit a true and fair view of the financial position and the financial performance of the NSW Skills Board for the year ended 30 June 2017;
- (c) at the date of signing we are not aware of any circumstances that would render the financial statements materially misleading or inaccurate.



Philip Marcus Clark AM
Chair

12 / 10 / 2017



Adam Boyton
Member

12 / 10 / 2017

Beginning of audited financial statements

NSW SKILLS BOARD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Actual 2017 \$000	Actual 2016 \$000
Expenses excluding losses			
Operating expenses			
Personnel services	2(a)	537	641
Other operating expenses	2(b)	2,271	1,167
Total expenses excluding losses		2,808	1,808
Revenue			
Investment revenue	3(a)	49	25
Grants and contributions	3(b)	2,060	1,981
Total revenue		2,109	2,006
Net result		(699)	198
Other comprehensive income		-	-
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(699)	198

The accompanying notes form part of these financial statements.

NSW SKILLS BOARD
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	Actual 2017 \$000	Actual 2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents	4	3,287	2,824
Receivables	5	135	938
Total current assets		3,422	3,762
Total assets		3,422	3,762
LIABILITIES			
Current liabilities			
Payables	6	917	558
Total current liabilities		917	558
Total liabilities		917	558
Net assets		2,505	3,204
EQUITY			
Accumulated funds		2,505	3,204
Total equity		2,505	3,204

The accompanying notes form part of these financial statements.

NSW SKILLS BOARD
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Funds \$000	Total \$000
Balance at 1 July 2016	3,204	3,204
Net result for the year	(699)	(699)
Total other comprehensive income	-	-
Total comprehensive income for the year	(699)	(699)
Balance at 30 June 2017	2,505	2,505
 Balance at 1 July 2015	 3,006	 3,006
Net result for the year	198	198
Total other comprehensive income	-	-
Total comprehensive income for the year	198	198
Balance at 30 June 2016	3,204	3,204

The accompanying notes form part of these financial statements.

NSW SKILLS BOARD
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Actual 2017 \$000	Actual 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Secretariat/ personnel services		(601)	(921)
Other		(2,018)	(453)
Total payments		(2,619)	(1,374)
Receipts			
Interest received		39	9
Grants and contributions		2,975	1,065
Other		68	71
Total receipts		3,082	1,145
NET CASH FLOWS FROM OPERATING ACTIVITIES	7	463	(229)
NET INCREASE/ (DECREASE) IN CASH			
Opening cash and cash equivalents		2,824	3,053
CLOSING CASH AND CASH EQUIVALENTS	4	3,287	2,824

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The NSW Skills Board (the Board) is a NSW government entity and was established under the Skills Board Act 2013. The Board is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

As of 1 July 2015, responsibility for the Board transferred from the NSW Department of Education to the Department of Industry.

These financial statements for the year ended 30 June 2017 have been authorised for issue by the Board members on the date the accompanying statement in relation to the particular audit was signed.

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions mandated by the Treasurer.

Judgements, 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 Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claim experience.

(e) 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 is recognised as part of the cost of acquisition of an asset 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 Australian Tax Office are classified as operating cash flows.

(f) 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

Project funds represent income received from the Commonwealth. The Commonwealth funds are allocated by the NSW Minister for Skills to the Board for vocational education and training and research and development projects. These funds are recognised when the Board obtains control over the contribution. The Board is deemed to have assumed control when the grant is received or receivable.

State contribution represents funding received by the Board from Department of Industry to fund the Board's operating expenses. This funding is recognised when it becomes payable by the Department of Industry as per the Memorandum of Understanding (MoU) agreement clause 2.3.

(ii) Investment Revenue

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(g) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in net result.

The Board determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

(i) Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

• Receivables

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment. 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 unless the effect of discounting is material.

(ii) Financial liabilities

Financial liabilities are classified as either 'at fair value through profit or loss' or 'at amortised cost'.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Payables represent liabilities for goods and services provided to the Board and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(h) Equity and reserves

(i) Accumulated funds

The category 'accumulated funds' includes all current and prior period retained funds.

(i) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(j) Secretariat/personnel services

Secretariat services represent the salaries and wages of Department of Industry employees who were allocated to the Board during the year in line with the MoU agreement between the Board and Department of Industry. These costs were incurred by Department of Industry and have been subsequently recharged to the Board as a fee for services rendered when incurred. All related on-costs of these Department of Industry employees, such as payroll tax have also been included in this charge.

(k) Corporate service support charge

In the year ended 30 June 2017, the Board compensated Department of Industry the sum of \$75,000 as per Schedule A to the MoU.

(l) Other operating expenses - Board Members

Other operating expenses include fees for Board member services plus superannuation, payroll tax and departmental on-costs. Board members are not entitled to any leave provisions.

(m) New Australian Accounting Standards issued and effective for the first time in financial year 2016/17

The following new Australian Accounting Standards have been issued and are now effective for the first time in the financial year 2016/17.

- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-1 Annual Improvements to Australian Accounting Standards 2012-2014;
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-profit Public Sector Entities
- AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities

NSW SKILLS BOARD

Notes to and forming part of the financial statements for the year ended 30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) New Australian Accounting Standards issued but not effective at 30 June 2017

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the financial year ended 30 June 2017. These are listed as follows with their effective date:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (1 July 2017)
- AASB 9 Financial Instruments (1 July 2018)
- AASB 16 Leases (1 July 2019)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities (1 July 2019)
- AASB 1058 Income of Not-for-Profit Entities (1 July 2019)
- AASB 15 Revenue from Contracts with Customers - the mandatory application date has been deferred for not-for-profit entities (1 July 2019)
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 - the mandatory application date has been deferred for not-for-profit entities (1 July 2019)

The Board has reviewed the new accounting standards and at this stage does not anticipate any material impact on the financial position or performance of the Board.

2. EXPENSES EXCLUDING LOSSES

	2017 \$000	2016 \$000
(a) Personnel services expenses include the following:		
Salaries and wages (including annual leave)	480	589
Superannuation	30	32
Payroll tax	27	20
	<u>537</u>	<u>641</u>
(b) Other operating expenses include the following:		
Board member fees and on-costs*	296	287
Auditor's remuneration – audit of financial statements	22	21
Administration fees	75	75
Contractors and other fees	1,796	701
Sponsorship	50	50
Travel	16	9
Other operating	16	24
	<u>2,271</u>	<u>1,167</u>

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

3. REVENUE

	2017 \$000	2016 \$000
(a) Investment revenue		
Interest revenue	49	25
	<u>49</u>	<u>25</u>
(b) Grants and contributions		
Grants – Commonwealth (Projects)	976	976
Grant from Department of Industry	1,084	1,005
	<u>2,060</u>	<u>1,981</u>

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2017 \$000	2016 \$000
Cash at bank and on hand	3,287	2,824
	<u>3,287</u>	<u>2,824</u>

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, and short term deposits.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	3,287	2,824
Closing cash and cash equivalents (per statement of cash flows)	<u>3,287</u>	<u>2,824</u>

Refer to Note 8 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. CURRENT ASSETS - RECEIVABLES

	2017	2016
	\$000	\$000
CURRENT		
Receivable from Department of Industry	1	916
GST receivable	108	6
Interest receivable	26	16
	<u>135</u>	<u>938</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 8.

6. CURRENT LIABILITIES - PAYABLES

	2017	2016
	\$000	\$000
CURRENT		
Creditors	910	551
PAYG tax payable	7	7
	<u>917</u>	<u>558</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables are disclosed in Note 8.

7. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2017	2016
	\$000	\$000
Net cash used on operating activities	463	(229)
Increase / (decrease) in receivables	(803)	935
Decrease / (increase) in payables	(359)	(508)
Net Result	<u>(699)</u>	<u>198</u>

8. 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 Board's operations. The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set risk limits and controls and to monitor risks.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Class:				
Cash and cash equivalents	4	N/A	3,287	2,824
Receivables ¹	5	Loans and receivables (at amortised cost)	27	932
Financial Liabilities	Note	Category	Carrying Amount 2017 \$000	Carrying Amount 2016 \$000
Class:				
Payables ²	6	Financial liabilities measured at amortised cost	910	551

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 a 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).

Credit risk arises from the financial assets of the Board, including cash, receivables, authority deposits and advances receivable. No collateral is held by the Board. The Board has not granted any financial guarantees.

Credit risk associated with the Board's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (Tcorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

8. 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.

The Board is not materially exposed to concentrations of credit risk to a single trade debtor or group of 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 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 loans and other advances.

During the current year and prior year, there were no defaults or breaches 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.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which the invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Board may automatically pay the supplier simple interest.

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

8. FINANCIAL INSTRUMENTS (continued)**Maturity analysis and interest rate exposure of financial liabilities**

	Weighted Average Effective Int. Rate	Nominal Amount ¹ \$000	Interest Rate exposure			Maturity Dates		
			Fixed Int. Rate \$000	Variable Int. Rate \$000	Non-interest Bearing \$000	< 1 yr \$000	1 - 5 yrs \$000	> 5 yrs \$000
2017								
Payables	-	910	-	-	910	910	-	-
		910	-	-	910	910	-	-
2016								
Payables	-	551	-	-	551	551	-	-
		551	-	-	551	551	-	-

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Board can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the statement of financial position.

(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 foreign currency risk and does not enter into commodity contracts. The Board has no borrowings or investments.

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 and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the entity 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 is performed on the same basis as for 2016. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the entity's interest bearing liabilities. The entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The entity's exposure to interest rate risk is set out below.

	Carrying Amount \$000	Result \$000	Equity \$000	Result \$000	Equity \$000
			-1%		+1%
2017					
Financial assets					
Cash and cash equivalents	3,287	(33)	(33)	33	33
Receivables	27	-	-	-	-
Financial liabilities					
Payables	910	-	-	-	-
2016					
Financial assets					
Cash and cash equivalents	2,824	(28)	(28)	28	28
Receivables	932	(9)	(9)	9	9
Financial liabilities					
Payables	551	-	-	-	-

(e) Fair value measurement**(i) Fair value compared to carrying amount**

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

NSW SKILLS BOARD**Notes to and forming part of the financial statements for the year ended 30 June 2017****9. RELATED PARTY DISCLOSURE**

During the year, the Board incurred \$444,628 in respect of the key management personnel services that are provided by a separate management entity, Department of Industry.

During the year, the Board did not enter into transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Board entered into transactions with other entities that are controlled / jointly controlled / significantly influenced by NSW Government. These transactions (incurred in normal course of business) in aggregate are a significant portion of the Board's revenue and expenses, and the nature of these significant transactions are detailed below;

Entity	Nature of Transactions
Audit Office of NSW	Provides independent audit services on the Board's financial statements.
Department of Education	Administers the Board's Tertiary Pathway and Post-School Destination projects.
Department of Industry	Provision of grants funding, administrative, secretariat support and operational assistance.
Department of Finance Services and Innovation	Provides data analysis and modelling for research projects.

10. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Board is unaware of the existence of any contingent liabilities or contingent assets as at balance date (2016: Nil).

11. COMMITMENTS

As at the reporting date there were no commitments outstanding (2016: Nil).

12. EVENTS AFTER REPORTING PERIOD

There are no events subsequent to the balance date which affect the financial information disclosed in these financial statements.

End of the 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 2015*.

Access

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

Locked Bag 53, Darlinghurst NSW 1300

Telephone: +61 2 9338 6600

www.skillsboard.nsw.gov.au

Business Hours: Monday–Friday 9am–5pm

Charter

The Board was established under the *Skills Board Act 2013*, replacing the Board of Vocational Education and Training (BVET). See Role of the Board on page 5.

Management and structure

Refer to Board Members, pages 6-10.

Summary review of operations

Refer to The Year in Review, pages 13-19.

Funds granted to non-government community organisations

No funds were granted to non-government community organisations.

Legal Change

No amendments were made to the *Skills Board Act 2013* during the reporting period.

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 13-19,

Research and development

See The Year in Review, pages 13-19.

Human resources

There were eight board members at 30 June 2017. There were no exceptional movements in wages, salaries or allowances. At 30 June 2017, the Board's secretariat comprised 4.1 equivalent full-time employees of the Department of Industry, Skills and Regional Development who are subject to the personnel and industrial relations policies and practices of the Department of Premier and Cabinet's guidelines.

Salary Level	\$60,154- \$65,396	\$79,384- \$87,591	\$90,215- \$99, 862	\$102,838- \$113,324	\$118,943- \$137,557
Female		1	1		
Male	1			1	1

Numbers and remuneration of senior executives

The total number of executives employed at the end of the 2016-2017 financial year was 1.

Band	Female	Male	TRP band (\$)
SE1		1	\$178,850 - \$255,050

Consultants

Consultant	Costs \$	Title
The University of Melbourne	\$80,805	<i>Higher Level VET by Students with Low SES</i>
Department of Education (Higher Education Directorate)	\$65,000	<i>Tertiary Pathways</i>
Department of Education (Centre for Education Statistics and Evaluation)	\$350,000	<i>Collaboration with CESE (Destination and Longitudinal Surveys)</i>
Department of Education (Centre for Education Statistics and Evaluation)	\$81,942	<i>Collaboration with CESE (Research Manager)</i>
The University of Sydney	\$200,000	<i>Collaborative Research Partnership</i>
Department of Education (Higher Education Directorate)	\$150,000	<i>Innovative Apprenticeship Pathways</i>
The Social Research Centre	\$120,000	<i>Employer Perceptions of and Engagement with VET Sector</i>
Woolcott Research and Engagement	\$237,670	<i>Investigate Drivers of Participation and Completion</i>
NSW Data Analytics Centre and the University of Technology Sydney	\$120,000	<i>Collaboration with DAC & UTS</i>
Woolcott Research and Engagement	\$340,165	<i>Student Outcome Survey of NSW VET Graduates</i>
Power and Associates	\$40,000	<i>Review of School Consortium</i>
EduSmart Solutions	\$10,911	<i>Review of TVET Funding for VET in Schools</i>

Disability Inclusion Action plans

The Board adheres to the NSW Government's Disability Policy Framework through the Department of Industry, Skills and Regional Development's Disability Inclusion Action Plan.

Land disposal

The Board does not own land or buildings.

Promotion

There were no overseas visits by Board Members or Secretariat staff for 2016-17.

Consumer response

The Board is open to, responds to and addresses any suggestions or complaints it receives. Any complaints up to 30 June 2017 to the Board would be dealt with according to the Department of Industry, Skills and Regional Development's complaints handling policy.

Payment of accounts
All suppliers

Measure	September 2016	December 2016	March 2017	June 2017	Full Year
Invoices due for payment (Number)	23	22	15	22	82
Invoice paid on time (Number)	22	20	15	22	79
Percentage paid on time (%)	95.7%	90.9%	100.0%	100.0%	96.3%
Amount due for payment (\$)	\$669,339	\$476,166	\$493,933	\$765,913	2,405,351
Amount paid on time (\$)	\$608,839	\$468,448	\$493,933	\$765,913	2,337,133
Percentage paid on time (%)	91.0%	98.4%	100.0%	100.0%	97.2%
Number of payments of interest on overdue accounts (Number)	0	0	0	0	0
Interest paid on late accounts (\$)	\$0	\$0	\$0	\$0	0

Small Business

Measure	September 2016	December 2016	March 2017	June 2017	Full Year
Invoices due for payment (Number)	0	0	0	0	0
Invoice paid on time (Number)	0	0	0	0	0
Percentage paid on time (%)	NA	NA	NA	NA	NA
Amount due for payment (\$)	\$0	\$0	\$0	\$0	0
Amount paid on time (\$)	\$0	\$0	\$0	\$0	0
Percentage paid on time (%)	NA	NA	NA	NA	NA
Number of payments of interest on overdue accounts (Number)	0	0	0	0	0
Interest paid on late accounts (\$)	\$0	\$0	\$0	\$0	0

Time for Payment of accounts

All Suppliers

Quarter	Current Within Date	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	Greater than 90 days overdue
September 2016	\$608,839	\$60,500			
December 2016	\$468,448	\$101	\$7,618		
March 2017	\$493,933				
June 2017	\$765,913				

Small Business

Quarter	Current Within Date	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	Greater than 90 days overdue
September 2016	NA	NA	NA	NA	NA
December 2016	NA	NA	NA	NA	NA
March 2017	NA	NA	NA	NA	NA
June 2017	NA	NA	NA	NA	NA

Risk management and insurance activities

Insurance policies to 30 June 2017 are the responsibility of the Department's Corporate Services division and are reported through the Department's Annual Report. The Board has a Risk Register, which covers both strategic and operational risks.

Disclosure of controlled entities and subsidiaries

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

Workforce Diversity

The Board does not have direct employees - the secretariat is staffed by employees of the Department of Industry, Skills and Regional Development. The Board supports the Department of Industry's Workforce Diversity initiatives.

Multicultural Policies and Services Program

The Board supports the Department of Industry, Skills and Regional Development's multicultural policies and initiatives.

Agreements with Multicultural NSW

The Skills Board has not entered any agreement with Multicultural NSW under the *Multicultural NSW Act 2000*.

Work Health and Safety

There were no injuries or prosecutions under the *Work Health and Safety Act 2011* in the reporting period.

Budgets

The Board received a grant from the Department of Industry for Board and Secretariat costs and Commonwealth grant for research activities, as reflected in page 24 of the financial statements. The Department of Industry and the Board agreed on a Budget of \$1.084 million for Board and Secretariat costs for 2016-17. The Board will also receive a \$976,000 Commonwealth grant to fund research activities.

Expenditure Area	Function of Budget Area	Total Budget 2016-17
Research Payments	Research Fund from National Agreement for Skills and Workforce Development	\$976,000
Employee related costs	Strategic advice to Board on all aspects of NSW VET system, project management and secretariat activities	\$634,108
Board Members Fees including On Costs	Independent advice to the NSW Government on the vocational education and training (VET) system	\$311,850
Board Meeting Expenses	Board Meeting, Reference Group and Regional Visit Expenses	\$9,903
Website costs	Website enhancement and maintenance	\$3,780
Other Expenses	Audit Fees, Payments to Department under MoU, Travel Costs, Administrative costs	\$123,890

Implementation of Price Determination of Independent Pricing and Regulatory Tribunal (IPART)

The Board is not subject to determinations of the Tribunal.

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 three members of the Secretariat in 2016-17 was in accordance with the Premier's Memoranda and Treasurer's Directions.

Government Information (Public Access) Act 2009

The Board does not process applications under the GIPA Act. The Department of Industry processes Government Information Public Access Applications made on the NSW Skills Board.

Public Interest Disclosures (PID)

Secretariat staff were notified of responsibilities under s6E(1)(b) of the *Public Interest Disclosure Act 2013*. No Public Interest Disclosures were made during the reporting period.

Public availability of annual reports

The Board's Annual Report and other Board publications and reports are available for viewing and downloading on the Board's website, <http://www.skillsboard.nsw.gov.au/>.

Printing and distribution requirements

As required by the Department of Premier and Cabinet, costs of production of the 2017 Annual Report have been kept to a minimum by restricted use of photos and graphs and eliminating external production costs.

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 Department and reported on in the Department's Annual Report.

Exemption - Risk Management and Internal Audit

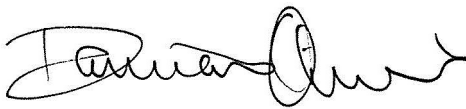
The Board has an exemption from the core requirements of the *Internal Audit and Risk Management Policy* (TPP 15-03) by the Treasury. The Board satisfied the exemption criteria as a small agency for the reporting period.

ATTESTATION STATEMENT

Digital Information Security Annual Attestation Statement for the 2016-2017 Financial Year for the NSW Skills Board (Department of Industry)

I, Damian Oliver, am of the opinion that the security controls in place to mitigate risks to the digital information of the NSW Skills Board were adequate. Information security management arrangements in place during the 2016-2017 financial year were consistent with the core elements set out in the *Digital Information Security Policy* for the NSW Public Sector.

There is no agency under the control of the NSW Skills Board which is required to develop an independent ISMS in accordance with the *NSW Government Digital Information Security Policy*.

A handwritten signature in black ink, appearing to read 'Damian Oliver', with a stylized flourish at the end.

**Damian Oliver
A/DIRECTOR
NSW SKILLS BOARD SECRETARIAT**

17 October 2017

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