The NSW Government’s top priority is to restore economic growth throughout the State. If we want industries and businesses in NSW to be able to adapt, thrive and grow we have to ensure we have a strong and comprehensive skills base.

We know the needs of industry are dynamic and the education and training sector must adjust to meet these emerging needs. TAFE NSW is the State’s public vocational education and training (VET) provider and has an essential role to play in strengthening the skills base of the NSW economy and supporting economic growth for NSW communities.

TAFE NSW also operates in an environment of increased competition in the VET sector. TAFE NSW is widely recognised as a provider of the highest quality of vocational education. In an era where there is greater and greater competition from private and community training providers, TAFE NSW must be free to evolve and change the way it works so it can continue to provide high-quality and cost-effective education and training to support NSW industries.

The TAFE NSW Statement of Owner Expectations outlines how we will ensure TAFE NSW services are efficient, effective and relevant to the State’s interests and to those of individuals and communities of NSW. The Statement clarifies the role of TAFE NSW during a period of VET sector reform. It addresses the objectives of TAFE NSW operating successfully as the public VET provider with greater separation from the Department of Education and Communities as purchaser of skills under Smart and Skilled policy reforms.

The Statement also outlines new governance and budget arrangements for TAFE NSW. These arrangements give TAFE NSW and its Institutes more authority to manage their businesses locally, respond to local community and customer needs and to achieve the State’s goals for the renewal of the NSW economy.

The accountabilities under the Statement will be reviewed and updated regularly so that we can be sure TAFE NSW keeps pace with global economic change and keeps adding value to the services it delivers for individuals, industry, communities and the NSW economy.

The Hon. Adrian Piccoli MP
Minister for Education
1. INTRODUCTION

The TAFE NSW Statement of Owner Expectations is framed by *NSW 2021: A plan to make NSW number one (NSW 2021)* and the NSW Smart and Skilled policy reforms of the VET sector. These reforms will be implemented from July 2014 and competitive pressure on TAFE NSW will be increased along with the introduction of new funding and pricing arrangements for VET services.

The NSW Government has already announced its expectation that under Smart and Skilled, TAFE NSW will continue to be the backbone of the training system in NSW, setting the benchmark for quality and playing a critical role in meeting the government’s economic priorities.

TAFE NSW is also expected to operate responsibly within the current challenging fiscal environment and compete with private and community training providers for contestable government training funds. To meet these expectations TAFE NSW and its Institutes need to transform and become more locally responsive, flexible and autonomous.

The NSW Government’s expectations of TAFE NSW as the State’s public VET provider have also been informed by *Let’s talk about TAFE*, a public consultation led by the NSW TAFE Commission Board. This community engagement showed high levels of support for the depth and breadth of TAFE NSW’s role as a comprehensive service provider. People said TAFE NSW delivers on skills critical to the NSW economy, contributes to individuals’ work and career prospects, meets the skills demands of enterprises and industry and supports the economic and social needs of communities.

TAFE NSW enjoys strong brand recognition, market penetration and widespread personal experience of its services within the NSW community. The people and businesses of NSW expect the public VET provider to deliver a choice of courses and make them widely accessible across the State.

A number of state and national reviews have noted the opportunities for business development, improvements in customer service and operational reforms in TAFE NSW. These have been recently outlined in recommendations from the NSW Government’s Commission of Audit. The Commission recommended TAFE NSW undergo governance reforms, operate more efficiently and respond to a more highly competitive VET market. The NSW Government’s priority is for a stronger focus on customers and communities and the devolution of decision making closer to where services are being delivered.

For TAFE NSW to realise this priority and achieve change, TAFE NSW and its Institutes need to be given greater authority and control over business decisions. This will enable TAFE NSW to innovate and prosper in this new environment. With greater independence also comes the requirement for additional transparency and accountability to the NSW Government and to the public to demonstrate the value of public investment.
2. OWNER EXPECTATIONS OF TAFE NSW

Consistent with the legislative framework and accountabilities of the TAFE Commission Act 1990, the NSW Government endorses the role of TAFE NSW as the State’s public VET provider, ensuring stability at the centre of the NSW training market.

NSW 2021 recognises that the NSW economy needs new and higher level skills to become more productive and globally competitive. To meet these challenges, NSW 2021 sets the long-term goal of strengthening the skills of people in NSW.

TAFE NSW’s key responsibility in implementing NSW 2021 is to meet the State’s skill priorities and deliver better outcomes for its customers. It must be effective in increasing individuals’ workforce capability, strengthening the skills base of the NSW economy and supporting economic growth for NSW communities.

TAFE NSW will be funded in its role as the public VET provider by the NSW Government with transparent accountability and reporting arrangements. It will achieve its role and accountabilities with public and other income sources such as fee for service activity, business partnerships and education exports.

The NSW Government’s expectations of TAFE NSW are outlined below.

2.1 Be a state-wide service

The NSW Government wants to ensure that people across NSW have access to a world-class training system that encompasses the best of campus-based delivery as well as online, e-learning and other flexible alternatives appropriate for remote students and others managing access or timing issues.

In response to this, TAFE NSW is required to manage an effective and sustainable network of Institutes in order to provide access to essential training services across NSW regions.

TAFE NSW will be expected to compete in a contestable market and to deliver specialist training in industry and labour market priority areas, particularly in thin markets or high-cost areas including regional and rural communities under community service obligations.

2.2 Offer a broad choice of courses

Restoring a strong economy depends on NSW having high-level workforce skills and expertise across the spectrum of industry sectors and enterprises.

To support this, TAFE NSW is required to offer a wide and flexible suite of vocational education and training services across Australian Qualification Framework levels to meet industry needs, based on stakeholder consultations, independent forecasts and evidence of demand.

Partnerships between TAFE NSW, schools and universities are essential to promote student mobility and progress to higher level and broader skill outcomes. TAFE NSW is required to plan and establish pathways between schools and higher education programs appropriate to identified local needs so students can have access to ongoing learning and more satisfying and rewarding work.
2.3 Provide inclusive services

The NSW Government wants to ensure that people experiencing disadvantage gain the education and skills and services they need to join the workforce and participate fully in community life and in the economy.

TAFE NSW is expected to provide specialist and accessible training services to support skill development, higher-level qualifications, further study and employment for people who face disadvantage through community service obligation funding and loadings.

By providing foundation skills and second chance education options, TAFE NSW is expected to increase educational opportunities for learners and deliver improved outcomes including increased workforce participation and ongoing education.

2.4 Deliver skills critical to the NSW economy

NSW economic growth relies on the prosperity and resilience of industry and businesses across the State, especially in regional areas.

TAFE NSW must work proactively with employers and industry to deliver on the State’s skills priorities. Local, national and international collaborations between TAFE NSW and industry will be essential to support the development of a highly-skilled workforce as well as the increased competitiveness and productivity of NSW enterprises and economy.

TAFE NSW is also required to respond to emerging training needs including sudden or significant industry or regional restructuring or economic or social impacts. This includes collaboration with the Commonwealth Government, other state and territory governments, local government, industry or community bodies to provide appropriate workforce development and retraining solutions.

2.5 Lead quality, innovation and customer focus in service delivery

The NSW Government wants to make sure that all members of the community have access to the highest quality training and responsive services. It expects TAFE NSW to lead the field in the provision of high-quality teaching, learning and assessment which exceed or meet national benchmarks and customer expectations.

This means that TAFE NSW must be innovative in its responses to individual, enterprise and community demands, leveraging capability and resources to customise services. It must reduce complexity and be easy for people to deal with. It must be quick to respond and keep customer needs front of mind.

As the public VET provider, TAFE NSW is to be trusted for its high ethical standards and values which are to be explicitly stated through customer service standards.

2.6 Operate as a sustainable business

In order to deliver ongoing public value for the people and enterprises of NSW, as well as succeed in a more contestable VET market, TAFE NSW must be effective and efficient as a government-owned business.

This means that TAFE NSW must identify areas where it can become more competitive and remove barriers impeding improved productivity. TAFE NSW must increase its competence in commercial acumen and support improvement in business processes and systems, thus becoming financially resilient and able to accommodate change.

Such improvements can expand TAFE NSW’s local and global commercial business potential. By developing innovative solutions to increase the generation of commercial revenue, TAFE NSW will be less reliant on government funding and deliver increased public value for industry and the NSW economy.
2.7 Be an employer of choice

The NSW Government requires TAFE NSW to lead the field as an employer by attracting, developing and retaining the best people to deliver the critical skills the NSW economy needs. As an employer of choice, TAFE NSW must continue to maintain high ethical values and standards and to develop, utilise and recognise its workforce capability in meeting emerging business challenges.

Sharing expertise and working collaboratively with business and industry will promote the ongoing currency and relevance of TAFE NSW capability.

To remain responsive TAFE NSW must also adapt its workforce model to ensure its ongoing ability to meet the needs of its customers and the demands of increased competition. Through the negotiation of new enterprise agreements TAFE NSW must explore achievable reforms that can reduce rigidities and allow more tailored responses for its customers.

Workforce reforms should also include improved productivity, efficiency and modernisation to reflect the way work is performed and to take advantage of the new business opportunities that TAFE NSW is in a position to win.

TAFE NSW is subject to the NSW public sector Wages Policy and the requirements of Fair Work Australia.
3. GOVERNANCE AND BUSINESS ARRANGEMENTS

TAFE NSW is established under the *TAFE Commission Act 1990* as an independent statutory body. The functions of the NSW TAFE Commission Board are to advise the Minister on TAFE NSW’s corporate plan, the efficiency and effectiveness of its operations and management and commercial activities. As a statutory authority, TAFE NSW represents the corporate brand and protects and promotes its integrity domestically and internationally.

The NSW Government’s goal is for a transparent, flexible and competitively neutral VET system. The role of Managing Director of TAFE NSW has been separated from the role of Director-General of the Department of Education and Communities to achieve greater separation of purchaser provider roles and reinforce TAFE NSW’s increased accountability.

The NSW Government requires that TAFE NSW governance and business arrangements are fit for the times so it can achieve its role as the public VET provider and be successful in a more contestable VET market under Smart and Skilled reforms.

With the support of its Board, TAFE NSW is authorised to undertake and be accountable for implementation of further governance and business reform priorities as set out below.

### 3.1 Greater Institute autonomy

The NSW Government has agreed that TAFE NSW Institutes are to be established as separate entities, wholly owned and controlled by TAFE NSW.

In this new model Institutes will have greater authority within an agreed accountability framework to manage their finances, assets and workforces, to develop and respond to business opportunities and to strengthen their commercial capability so they can thrive in an increasingly contestable VET market.

The details of this change, including the relationship between Institutes and the NSW TAFE Commission and any legislative changes required, are to be approved by the NSW Government.

### 3.2 Increased financial transparency and accountability

A new VET budget funding model will be introduced from July 2014. This model will provide greater clarity and transparency in relation to TAFE NSW’s budget components, cost of services and accountability for financial management.

New budget and funding arrangements will allow TAFE NSW to operate as a distinct financial entity with greater transparency of its financial management including decisions regarding corporate and shared services within the Department of Education and Communities.

TAFE NSW Institutes will also have greater budget transparency operating as financial entities within TAFE NSW with authority to manage their revenues, expenditures and assets. They will have the capacity to retain and invest earnings on an agreed basis from the NSW Government and will fulfil the required financial management and reporting benchmarks associated with this responsibility.
3.3 Effective asset management and service provision

TAFE NSW will continue to have ownership and management over its capital assets. TAFE NSW is expected to regularly review its services and assets to determine the best localised and responsive forms of delivery to suit new and emerging customer requirements for the short and long term.

In addition TAFE NSW is required to maintain and review its property assets and develop short and long term, regional and state-wide asset management strategies.

While managing an efficient state-wide service network of Institutes, TAFE NSW must seek to deliver efficient and flexible services through a range of strategies including:

- rationalisation of under-utilised or duplicated courses and assets
- exploitation of new technologies and leading edge forms of service provision to increase customer appeal and to penetrate new markets, cohorts or specialisations
- diversifying delivery arrangements through partnerships, licensing and/or fee for service contracts to share the cost of services.

The NSW Government will continue to have the final decision on the acquisition and disposal of land and buildings for TAFE NSW.
4. BUDGET AND FINANCIAL ARRANGEMENTS

The NSW Government will provide funding to TAFE NSW through a separate and distinct budget consistent with its role as the State’s public VET provider. In addition, the NSW Government expects TAFE NSW to successfully compete for entitlement funding and increase commercial revenue sources.

The new Smart and Skilled and VET sector financial arrangements will be undertaken through staged implementation and their progression informed by outcomes of the first year.

TAFE NSW is required to deliver specific accountabilities related to its budget as determined by the Department of Education and Communities, including applying government-approved fees for courses on the NSW Skills List for government-subsidised training and meeting government efficiency requirements as determined from time-to-time. The Managing Director of TAFE NSW will report regularly on the performance of TAFE NSW against these specific accountabilities to the Department of Education and Communities.

TAFE NSW’s budget will comprise three funding types as set out below.

4.1 Contestable funding

Under Smart and Skilled reforms, funding to support student entitlements will be subject to contestability. Students aged 15 years and over who have left school and do not have a Certificate IV or higher will be entitled to government-subsidised training up to and including Certificate III qualifications with the approved provider of their choice. The entitlement will also cover specified stand-alone foundation courses delivered by TAFE NSW and adult and community education providers.

TAFE NSW Institutes will be expected to compete with approved private and community training providers for entitlement funding under transparent contractual arrangements with the Department of Education and Communities.

4.2 Direct funding allocation from the NSW Government

The NSW Government will provide TAFE NSW with a direct funding allocation which will include operational base funding, funding for community service obligations and for directly purchased services.

4.2.1 Operational Base Funding (OBF)

TAFE NSW will be directly funded for OBF which is defined as the costs incurred as a result of the competitive disadvantages arising from public ownership of TAFE NSW.

This funding recognises that TAFE NSW faces additional costs that are not faced by other training providers, such as additional salary costs resulting from public sector specific enterprise agreements, costs incurred as a result of complying with public sector reporting requirements and costs of maintaining assets that are required to be kept under heritage agreements. OBF funding for TAFE NSW will be reviewed over time and adjusted to changes in circumstances.
4.2.2 Community Service Obligation (CSO) Funding

TAFE NSW will receive direct funding to support community service obligations. These are defined as responses to market failures which cannot be addressed sufficiently in a competitive market and where there is clear government directive to address this failure. They are activities that cannot be delivered through the NSW Government’s subsidised training price and they are not a general requirement of all training providers in receipt of government funds. Community service obligations will be defined under the new funding arrangements and may become contestable over time.

4.2.3 Funding for directly purchased services

TAFE NSW will be directly funded for pre-vocational training, skill sets and full qualifications from Certificate IV to Advanced Diploma. This funding will be subject to review after one year of Smart and Skilled implementation.

TAFE NSW will also continue to receive direct funding for the delivery of training services outside the scope of the Smart and Skilled reforms. This includes funding for school-equivalent education services, such as the Higher School Certificate and the Tertiary Preparation Course for students of all ages, and other school-equivalent education and training (as defined under the *Education Act 1990*).

Funding for TAFE delivery for school students who also study at TAFE NSW, such as TAFE-delivered VET in schools, will continue as a separate funding stream.

The NSW Government may also determine to fund specific TAFE NSW services to assist particular communities outside the scope of Smart and Skilled, such as community emergencies or industry restructuring.

4.3 Commercial revenues

The NSW Government expects TAFE NSW to continue to reduce dependency on NSW Government funding and seek new opportunities to grow commercial revenues in areas that add public value by supporting the NSW economy and the economic and social wellbeing of NSW communities.

These will include, but not be limited to:

- commercial partnerships, consultancies or licensing arrangements with industry, VET sector or other collaborators
- growing education export opportunities both in Australia and offshore
- expanding higher education opportunities for individuals and communities
- increasing fee for service offerings for individuals and industries not eligible for government supported training places.

TAFE NSW is authorised to establish fees for commercial services and products appropriate to the professional activities it provides.

TAFE NSW and its Institutes will be supported in commercial operations by being enabled to retain surpluses and reinvest earnings on an agreed basis in order to decrease reliance on NSW Government funding, deliver targeted services to industry and invest in capability building.

TAFE NSW and its Institutes will operate within the requirements of the *Public Authorities Financial Arrangements Act 1987* and the Commercial Policy Framework. This will cover matters related to revenue retention, investment powers and debt limits.
5. ACCOUNTABILITY AND REPORTING ARRANGEMENTS

5.1 Corporate plan

The NSW TAFE Commission Board is required to prepare and deliver to the Minister a corporate plan for the financial year outlining the business strategy and financial projections that feed into both the State Budget and the Statement of Business Intent.

NSW Government businesses are required to align the substantive completion of their planning processes with the timeframes necessary for preparation of the State Budget and comply with guidelines provided by the NSW Government’s Office of Financial Management.

5.2 Statement of Business Intent

The NSW TAFE Commission Board must provide to the Minister a Statement of Business Intent consistent with the TAFE NSW Statement of Owner Expectations annually. An essential purpose of this agreement is to enhance accountability for the performance of TAFE NSW and its Institutes and provide certainty as to expectations for financial performance.

This document is also to provide an outline of any major risks that may confront TAFE NSW and its Institutes and indicate where there is a moderate to high likelihood of any financial or operational impacts. It should also provide an overview of the Risk Management Plan and internal audit controls.

The Statement of Business Intent will document the critical areas of performance formulated as part of TAFE NSW’s annual corporate planning process. It will outline the objectives, strategies, obligations and targets by which the business will operate and be accountable for over 12 months.

5.3 Financial and non-financial reporting

TAFE NSW will continue to meet its financial and non-financial reporting requirements to NSW Treasury and the NSW Auditor-General.

TAFE NSW will also comply with financial and non-financial reporting obligations in keeping with revised governance arrangements.

TAFE NSW will also report regularly on its performance against specific deliverables negotiated and established annually with the Department of Education and Communities.

TAFE NSW will also report against agreed State and Commonwealth targets as required by NSW 2021 and intergovernmental agreements. The key performance indicators and outcomes measures in relation to these deliverables will be reflected in TAFE NSW’s corporate plan for the financial year.

TAFE NSW will also continue to meet all national reporting requirements, including to the National Centre for Vocational Education Research and the Australian Skills Quality Authority.

The NSW TAFE Commission will provide the Minister with an annual report.