

1. FINANCIAL CAP REVIEW – ADJUSTMENTS FOR CONTINUING STUDENTS

The review has been conducted following the finalisation of payments related to the 2024-25 Activity Period and based on Training Activity Data reporting. The outcomes of the review have now been finalised. The program budget context made this review highly complex, and it has taken longer than planned.

From the review, 194 current Smart and Skilled providers will be offered a contract variation to adjust financial caps.

Whilst the department is monitoring activity and expenditure across Smart and Skilled, there is no further review planned for this Activity Period at this stage. The department will advise if there is any additional capacity to adjust financial caps. Any such adjustments are expected to be limited to exceptional circumstances. (For more information see **section c. Further adjustments to 2025-26 Financial Caps** below.) Providers should therefore work within the cap(s) that have been allocated.

To maximise the utilisation of financial caps, following the implementation of the adjustments associated with the review, every provider should review their planned activity and return any excess amounts to the department as outlined below.

Financial Caps for Commencing and Continuing Students	Financial Caps for Continuing Students only
Determine amounts needed for continuing students (factoring in attrition and payments that will be made in the Activity Period).	Determine amounts needed for continuing students (factoring in attrition and payments that will be made in the Activity Period).
Determine whether the balance of the cap will be used for commencing students <ul style="list-style-type: none"> Commence new students whilst ensuring that caps are fully utilised but not exceeded. Providers that have been waiting for this review to be completed before enrolling more students are encouraged to review their financial cap amounts and commitments. 	Return excess financial cap to the department
Return excess financial cap to the department	

a. Factors influencing the Financial Cap Review

As there has been no change to the budget for capped programs since the initial allocation for this Activity Period, the review has continued the conservative approach taken for the initial allocations. When the 2025-26 Review Notices were offered, the department advised providers to manage financial caps and training demand within the financial caps allocated as it was likely that the review would result in limited adjustments for continuing students. The advice

included to first prioritise caps for any continuing student commitments and only enrol new students if there was any remaining uncommitted cap.

The review considered each financial cap. Based on data reported by providers as of early September 2025, the department has calculated (using historical rates) whether there is sufficient financial cap to cover the conversion of the estimated continuing student usage to actual usage.

Please note: In some cases, financial caps may not provide the capacity to enrol further new commencements in this Activity Period.

b. Process for implementing Financial Cap Review adjustments - Contract Variation Offers

The financial cap adjustments for increases will be offered through Contract Variation Offers to be released from Monday 27 October 2025 onwards.

The Contract Variation Offers will be made via STS Online and, providers will have fourteen (14) days to accept.

c. Further adjustments to 2025-26 Financial Caps

Under exceptional circumstances the department may identify limited adjustments to meet urgent priorities, subject to the utilisation of allocations by providers. This will largely rely on the department identifying under-utilisation and/or providers returning unused financial caps.

We encourage providers who are unable to utilise any financial cap in part or full to contact their Regional Provider Support Manager to discuss the process for returning cap.

There should be no assumption that any financial cap will increase to cover students enrolled beyond the level that can be funded from the allocated caps.

d. Reminder of key obligations

Responsible financial cap management obliges providers to prioritise continuing students and avoid exceeding financial caps as follows:

- meeting the training and funding commitment to continuing students within the financial caps allocated and accepted in Approved Qualification Activity Schedules for the 2025-26 Activity Period, and only enrolling new students for 2025-26 if there is financial cap remaining uncommitted:
 - Smart and Skilled Contract Terms and Conditions Clause 18.1 (e (iii)) 'Where a Financial Cap is for Commencing and Continuing Students, the Provider must manage its delivery of Subsidised Training to ensure that there is sufficient Financial Cap available for all Continuing Students. The Provider must only enrol new students using the available remainder of the Financial Cap.'
 - Skills Delivery and Management Policy section 5.1.3 'A Provider is obliged to manage its Financial Cap to ensure there is enough Financial Cap available for all Continuing Students first, then only enrol new students to use the available remainder of the Financial Cap.'
- Smart and Skilled Contact Terms and Conditions Clause 18.6 (c) - There is no guarantee that any individual Financial Cap will be increased.

2. TRADE PATHWAYS FOR EXPERIENCED WORKERS (TPEW) HOUSING CONSTRUCTION

Trade Pathways for Experienced Workers (TPEW) recognises the skills of experienced workers and provides a Recognition of Prior Learning (RPL) pathway to trade qualifications.

TPEW specifically targets experienced unqualified trade workers to increase RPL and gap training. It is different to other Smart and Skilled programs that fund RPL as there are different student eligibility criteria and additional incentive payments for participating Smart and Skilled training providers.

Funding is available under TPEW to support up to 600 learners to gain qualifications in the building and construction sector across 2025/26 and 2026/27.

Providers may be aware that TPEW also ran from 2021-2024. Following the success of the program in this time, evaluation has occurred, and changes made to the program for its recommencement.

a. Changes to Trade Pathways for Experienced Workers (TPEW)

The program includes the following changes to strengthen the rigour and compliance in RPL assessment.

- I. EOI eligibility and assessment – Strengthened EOI eligibility and responsibilities with a focus on RPL rigour and compliance.
- II. Approved qualifications – Approved qualifications under the program are limited to those supporting the building and construction sector.
- III. Increase in minimum work experience criteria from 2 years to 3 years (with a minimum of 12 months in Australia) – To strengthen alignment to the broader Trade Skills Recognition process to obtain a Certificate of Proficiency and trade licencing requirements and upholds the integrity of the apprenticeship and traineeship (A&T) system which includes a nominal term of 3-4 years.
- IV. Inclusion of skilled migrants on a case-by-case basis – The TPEW program is not intended to be used to undertake a recognition process for an overseas qualification. However, students with trade experience or qualifications gained overseas but who do not meet the Smart and Skilled residency requirements may be approved on a case-by-case basis where there are no other suitable alternative pathways available: for example, when an individual is no longer eligible for the Trade Recognition Australia (TRA) pathways. Students must still meet all other TPEW eligibility criteria, including a minimum of 3 years' total employment in the trade, with at least 12 months of that experience undertaken in Australia. Decisions are made at the department's discretion.

b. How the program operates

i. TPEW payments and incentives

Training subsidies for training delivery are as per the Smart and Skilled subsidies. Additional incentive payments are payable to TPEW approved providers for the delivery and reporting of a TPEW Performance Outcome.

A TPEW Performance Outcome is a TPEW eligible student who completes an approved TPEW trade (or trade-like) qualification (see qualification list in program policy) **and** has 3 or more Units of Competency (UoCs) delivered and reported as RPL.

TPEW incentives include a \$1,500 payment (for eligible qualifications) and coverage of the price difference between RPL and the full UoC Smart and Skilled rate. This ensures Smart and Skilled training providers receive 100% of the UoC price for units reported as RPL.

TPEW Performance Outcomes are defined in the *Trade Pathways for Experienced Workers Program – Policy* available in STS Online > Smart and Skilled Contract Management > Support Documents.

ii. Program operation

Training under the program is managed via a supplementary Approved Qualifications Activity Schedule (AQAS). Submissions for training are through a Training Needs Identification (TNI) submission.

Training providers are initially paid the standard Smart and Skilled UoC price for gap training at the standard rate i.e. 50%, for UoCs reported as RPL. Only when the student enrolment status is 'Finalised', and relevant performance criteria are met, will the incentives be calculated and paid. Please refer to the *Trade Pathways for Experienced Workers Program – Policy* for further details.

All students will need to be enrolled by **31 July 2026** and commence by **31 August 2026**.

All training under the program must be completed by **30 April 2027** and reported by **30 May 2027**.

iii. Student eligibility

Unless otherwise agreed by the department, students **must** meet the Smart and Skilled eligibility criteria **and** all the following additional TPEW program requirements:

- be aged 21 years or older at the time of enrolment
- have a minimum of 3 years work experience in the trade they will be undertaking training in, including at least 12 months' work experience in Australia
- be currently working in the industry associated with the qualification, or have worked in the industry within the last 5 years
- if undertaking an MEM or UEE qualification be currently working in the industry related to that qualification
- if undertaking an ESI qualification must already have completed the UEE30820, another ESI qualification or an equivalent qualification
- not be a current apprentice or trainee or, if a cancelled apprentice, cancellation must have occurred more than 6 months prior
- not be enrolled in any related Smart and Skilled subsidised training
- be assessed as capable of achieving at least 3 UoCs as an RPL (outcome code 51) outcome.

c. Next steps – Expressions of Interest (EOI)

Eligible Smart and Skilled providers have received an invitation from the department this week to express their interest in participating in the expanded TPEW program.

EOIs closed in November.

i. Provider eligibility

Eligible providers must:

- have a current Smart and Skilled contract
- have one or more TPEW qualification(s) on their Smart and Skilled contract
- have a satisfactory (or above) Smart and Skilled performance monitoring status as determined by the department
- not have any sanction(s) in place under the Smart and Skilled contract and/or with the Australian Skills Quality Authority
- have a thoroughly documented Training and Assessment Strategy, RPL policy, RPL toolkit and tools that have been validated in the last 5 years, updated in line with the 2025 RTO Standards and aligned to the training package requirements
- be able to demonstrate the application of the RPL policy and toolkit in line with the training package requirements to ensure RPL assessment is consistent, compliant and defensible
- be able to demonstrate how trainers and assessors delivering the qualification maintain the required vocational competencies (including industry currency) for the units of competency/qualifications
- be able to demonstrate sufficient capacity and capability to deliver the relevant qualifications, including access to qualified staff, facilities and resources
- have clear processes for validation and moderation of RPL outcomes, assessor independence and learner support, including arrangements for language, literacy, numeracy or digital needs where required.

ii. Assessment criteria

Provider EOIs will be assessed on the following criteria:

- have a current Training and Assessment strategy, RPL policy and toolkit for each qualification that is aligned to the 2025 RTO Standards and tracking package rules in place
- ability to demonstrate the application of the RPL policy and toolkit in line with 2025 RTO Standards and tracking package rules
- ability to demonstrate how trainers and assessors delivering the qualification maintain the required vocational competencies (including industry currency) for the units of competency/qualifications
- ability to demonstrate sufficient capacity and capability to deliver the relevant qualifications, including access to qualified staff, facilities and resources
- ability to demonstrate clear processes for validation and moderation of RPL outcomes, assessor independence and learner support, including arrangements for language, literacy, numeracy or digital needs where required
- ability to train students across NSW (metro and regional/remote)

- previous Smart and Skilled Financial Caps performance (if applicable) and other department initiatives including Trade Skills Recognition.

Successful providers will be notified of the outcome via email.

d. Enquiries

For enquiries regarding the initiative, please email TPEW@det.nsw.edu.au.

e. TPEW qualifications list

Qualification	NATCODE
Certificate III in Air Conditioning and Refrigeration	UEE32225
Certificate III in Appliance Service	UEE32120
Certificate III in Blinds, Awnings, Security Screens and Grilles	MSF30919
Certificate III in Bricklaying and Blocklaying	CPC33020
Certificate III in Cabinet Making and Timber Technology (Drafting)	MSF30322
Certificate III in Cabinet Making and Timber Technology (Furniture)	MSF30322
Certificate III in Cabinet Making and Timber Technology (Kitchen and Bathrooms)	MSF30322
Certificate III in Cabinet Making and Timber Technology (Wood Machining)	MSF30322
Certificate III in Carpentry	CPC30220
Certificate III in Civil Construction - Bituminous Surfacing	RII30920
Certificate III in Civil Construction - Bridge Construction and Maintenance	RII30920
Certificate III in Civil Construction - General	RII30920
Certificate III in Civil Construction – Pipe Laying	RII30920
Certificate III in Civil Construction - Road Construction and Maintenance	RII30920
Certificate III in Civil Construction - Road Marking	RII30920
Certificate III in Civil Construction - Timber Bridge Construction and Maintenance	RII30920
Certificate III in Civil Construction - Traffic Management	RII30920
Certificate III in Civil Construction - Tunnel Construction	RII30920
Certificate III in Civil Construction Plant Operations	RII30820
Certificate III in Civil Foundations	RII31220

Qualification	NATCODE
Certificate III in Competitive Systems and Practices	MSS30322
Certificate III in Concreting	CPC30320
Certificate III in Construction Crane Operations	CPC32920
Certificate III in Construction Waterproofing	CPC31420
Certificate III in Data and Voice Communications	UEE30420
Certificate III in Demolition	CPC30420
Certificate III in Electrical Fitting	UEE33020
Certificate III in Electronics and Communications	UEE30920
Certificate III in Electrotechnology Electrician	UEE30820
Certificate III in Engineering - Casting and Moulding Trade	MEM31719
Certificate III in Engineering - Composites Trade	MEM31119
Certificate III in Engineering - Fabrication Trade	MEM31925
Certificate III in Engineering - Fabrication Trade (Blacksmithing)	MEM31925
Certificate III in Engineering - Fabrication Trade (Boilermaking)	MEM31925
Certificate III in Engineering - Fabrication Trade (Boilermaking /Welding)	MEM31925
Certificate III in Engineering - Fabrication Trade (Sheetmetal working)	MEM31925
Certificate III in Engineering - Fabrication Trade (Surface Finishing)	MEM31925
Certificate III in Engineering - Fabrication Trade (Welding)	MEM31925
Certificate III in Engineering - Mechanical Trade	MEM30219
Certificate III in Engineering - Patternmaking Trade	MEM31622
Certificate III in Engineering - Technical	MEM30522
Certificate III in Engineering - Toolmaking Trade	MEM31519
Certificate III in ESI - Distribution Overhead	UET30621
Certificate III in ESI - Distribution Underground	UET30821
Certificate III in ESI - Transmission Overhead	UET30521
Certificate III in Fire Protection	CPC32820
Certificate III in Fire Protection Control	UEE31020

Qualification	NATCODE
Certificate III in Flooring Technology	MSF30822
Certificate III in Gas Supply Industry Operations	UEG30122
Certificate III in Glass and Glazing	MSF30422
Certificate III in Instrumentation and Control	UEE31220
Certificate III in Joinery	CPC31920
Certificate III in Laboratory Skills	MSL30122
Certificate III in Landscape Construction	AHC30921
Certificate III in Locksmithing	MEM30819
Certificate III in Manufacturing Technology	MSA30208
Certificate III in Painting and Decorating	CPC30620
Certificate III in Plumbing	CPC32420
Certificate III in Recreational Vehicle Manufacturing	MSM31122
Certificate III in Rigging	CPC30720
Certificate III in Roof Plumbing	CPC32620
Certificate III in Roof Tiling	CPC30820
Certificate III in Scaffolding	CPC30920
Certificate III in Security Equipment	UEE31420
Certificate III in Shopfitting	CPC30120
Certificate III in Signs and Graphics	CPC30216
Certificate III in Solid Plastering	CPC31020
Certificate III in Steelfixing	CPC31120
Certificate III in Stonemasonry	CPC32320
Certificate III in Surface Preparation and Coating Application	MSM30216
Certificate III in Wall and Ceiling Lining	CPC31220
Certificate III in Wall and Floor Tiling	CPC31320
Certificate III in Water Industry Operations - Catchment and Dams	NWP30222
Certificate III in Water Industry Operations - Civil Construction	NWP30222

Qualification	NATCODE
Certificate III in Water Industry Operations - Irrigation Water Supply	NWP30222
Certificate III in Water Industry Operations - Networks	NWP30222
Certificate III in Water Industry Operations – Treatment: Water and Wastewater	NWP30222
Certificate III in Water Industry Operations - Wastewater Treatment	NWP30222
Certificate III in Water Industry Operations – Water Treatment	NWP30222
Certificate III in Water Industry Operations	NWP30222
Certificate II Drainage	CPC20720
Certificate IV in Civil Construction	RII40720
Certificate IV in Work Health and Safety	BSB41419
Certificate IV in Building and Construction	CPC40120
Certificate IV in Plumbing and Services	CPC40920

(*) Under the [Exemptions to the Standards for Training Packages](#), all MEM Training Packages require students to be working in the qualification being undertaken.

(**) TPEW participants undertaking a Electrotechnology Electrician (UEE30820) qualification must be currently employed in the industry

Where a qualification is superseded, the new qualification must be delivered if it is on the provider's scope.

Smart and Skilled providers will be aware of the NSW Skills Plan 2024-2028. The Skills Plan is the NSW Government's strategic plan for skills and the blueprint for reform of the NSW vocational education and training system. It forms the NSW Government's action-based response to the NSW VET Review.

The Skills Plan makes a commitment to implement new performance-based contracts for training providers that provide greater funding certainty, support provider capacity building and innovation, and better reflect diverse student needs.

Training Services is in the early stages of implementing this commitment and is seeking provider input to shape this work.

We thank providers for their willingness to share experience and insights and also value the support and input of key representative organisations, the Independent Tertiary Education Council Australia (ITECA) and Community Education Australia (CEA).

3. SURVEY OF YOUR EXPERIENCE OF PERFORMANCE-BASED CONTRACTING

i. About Smart and Skilled performance-based contracting model

Since 2021, Smart and Skilled has used a performance-based contracting model to encourage and sustain quality outcomes for students. This includes the annual provider performance assessment, and the former High Performing Provider contracting arrangement. Please refer to the attachment for further details on the model.

The NSW Skills Plan and VET Review Final Report 2024 recommend a new performance-based contracting model in Smart and Skilled. The department is committed to delivering a new model aligned with the implementation of other key reforms.

While longer-term reforms are considered, Training Services is implementing transitional arrangements to maintain the focus on student outcomes and high quality.

Your contribution to the design of the transitional performance-based contracting model will enable a smooth journey towards the future reform.

ii. The transition of the performance-based contracting model will occur in three stages

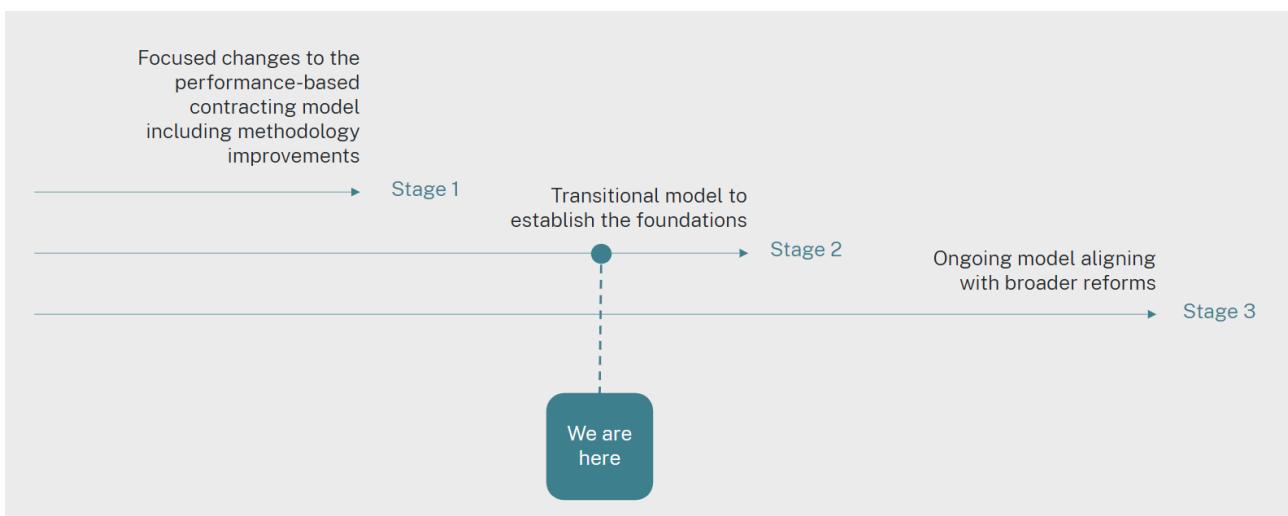


Image 1. Infographic on performance-based contracting transition approach

Stage 1: Focused changes already underway

The department is in the process of implementing feedback that we have previously heard from providers, to use more timely data to inform performance assessments. For the 2025-26 performance assessment, the department is implementing updates to the performance assessment methodology. This includes the shift from the Student Outcomes Survey conducted by the National Centre for Vocational Education Research (NCVER) to the Student Journey Survey conducted by the NSW Department of Education.

This enhancement aims to better assess students' outcomes by collecting timely feedback. This is aligned with suggestions for improvement in the performance methodology from providers in previous consultations. Student outcomes will continue to inform the department's contracting and funding decisions. For further information, refer to Smart and Skilled Update No. 257 (05 June 2025).

Stage 2: Transitional model implemented

The transitional model aims to establish foundations for the new performance-based contracting model with improved clarity and additional non-financial incentives for providers. The details of this model will be designed with input from providers. The engagement for the design of the transitional model is starting now, beginning with the survey that is being sent out to all Smart and Skilled providers at the time of this update. Please see section iii below for more detail on engagement activities.

Stage 3: Ongoing refinement in the future reform

Broader reforms as set out in the NSW Skills Plan will occur over the next two years. The future performance-based contracting model must align with other reforms. Development of the final ongoing model has not yet started, and updates will be shared before this stage begins.

iii. Please participate in the design through ongoing engagement

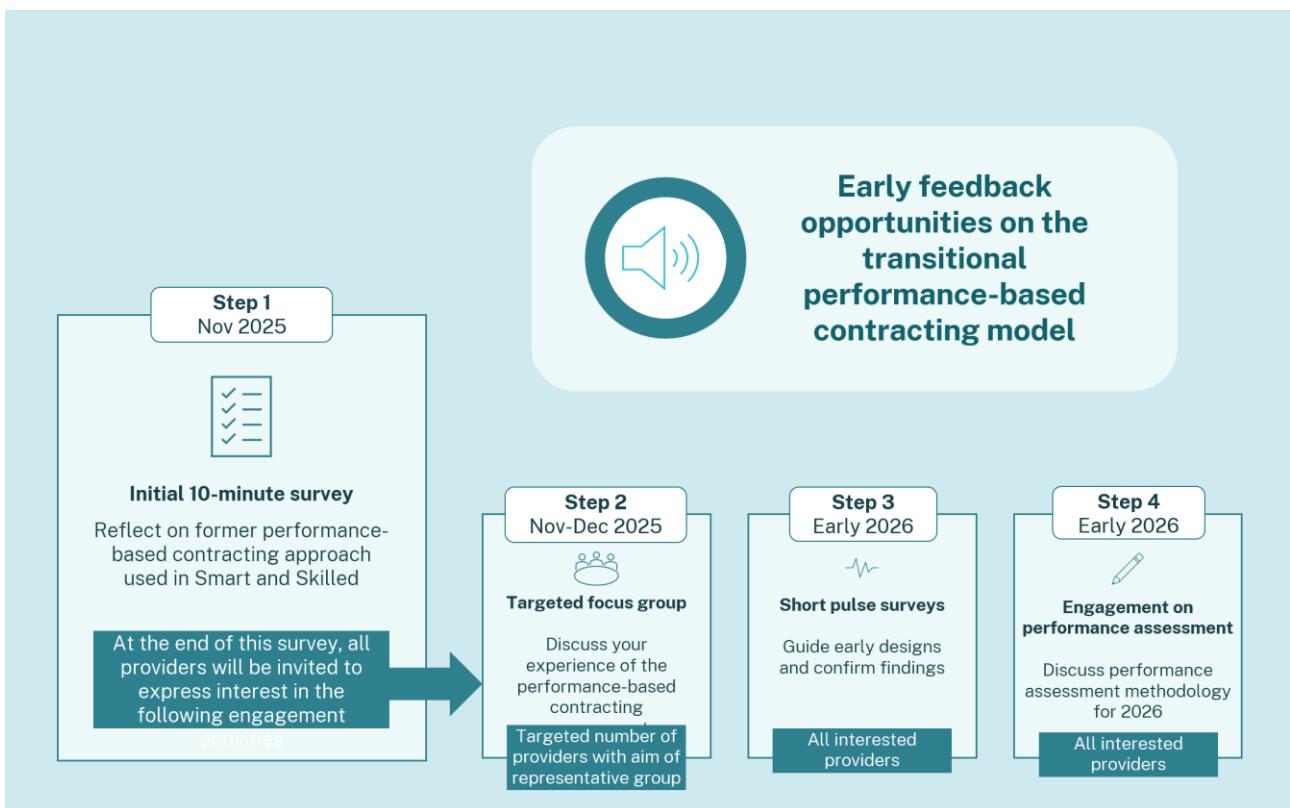


Image 2. Infographic on engagement activities

We invite you to input on the transitional performance-based contracting model through the following steps:

1. A brief 10-minute survey to reflect on your perspective of the former performance-based contracting model. In the final question of this survey, you will have the opportunity to express your interest in the following engagement activities:
 - a. Focus groups with a targeted number of providers to understand the challenges of the former performance-based contracting model. Participants will be selected based on characteristics to maximise the representativeness of the group. Places are limited.

- b. Short pulse surveys for all interested providers to guide early designs of the transitional performance-based contracting model, and cross-reference findings from the focus groups.
- 2. Engagement in the following calendar year on the topic of the performance assessment methodology.
- iv. **The 2025-26 performance assessment will be released in December, and the upcoming engagement will inform the next performance assessment in FY 2026-27**

Please note that this year's performance results will continue unaffected during the transition. Providers will receive their performance assessment results for the 2025-26 activity period in due course. The performance assessment methodology will not be impacted by this year's round of engagement within the transitional performance-based contracting model. Additional information regarding the assessment process will be provided along with assessment results.

In early 2026, providers will receive an opportunity to provide input into the performance assessment methodology. This is planned to inform 2026-27 performance classifications that are expected to be released in November 2026.

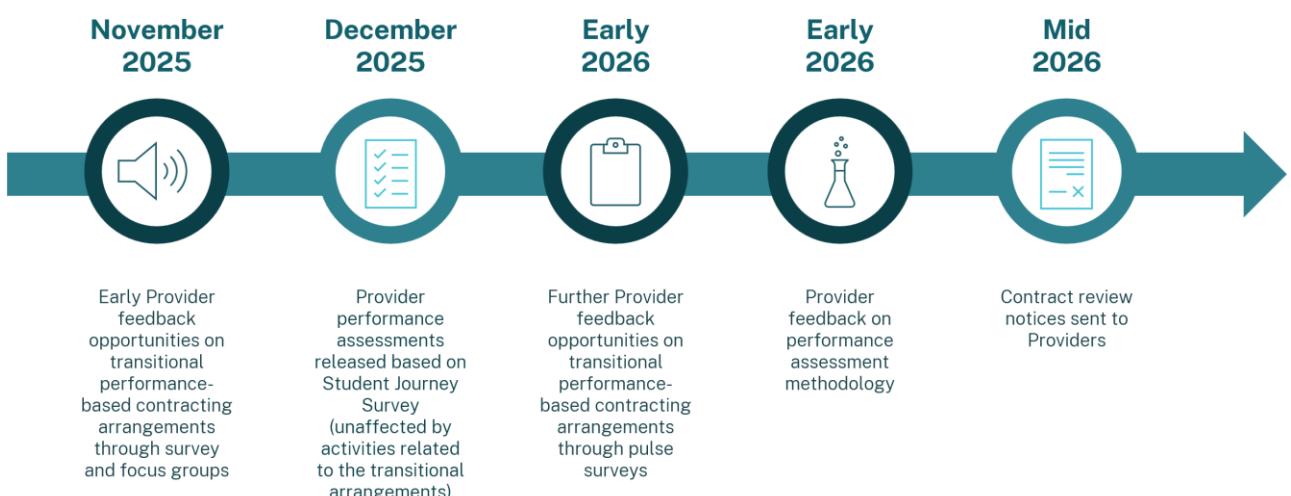


Image 3. Infographic of upcoming activities related to Smart and Skilled outcomes improvement

v. Further information

If your organisation does not receive an email requesting you to complete the survey in the next week, or if you have further questions, please contact your Regional Provider Support Manager.

4. REMOVAL OF TAFE NSW FROM THE CONTESTABLE FUNDING MARKET

Providers will be aware that on 13 February 2025, the NSW Government announced its commitment to remove TAFE NSW from the Smart and Skilled contestable market within 12 months.

On 14 November 2025, the Minister for Skills, TAFE and Tertiary Education, the Hon Steve Whan MP announced changes to funding delivery arrangements for TAFE NSW that remove it from the contestable funding market from Semester 1 2026.

This change was a recommendation of the NSW VET Review. TAFE NSW will continue to align its training delivery with Smart and Skilled settings including the NSW Skills List, and with student eligibility, student fees and other relevant policies set by the department as system steward.

There is no change to funding levels for TAFE NSW or for independent providers as a result of this change. Current contracts and funding will continue for independent Smart and Skilled providers for the 2025/26 financial year contract period.

Students will continue to be able to choose from the diverse network of quality training providers across the NSW VET system.

Independent providers play an essential role in delivering training across a wide range of industries and communities in NSW and will continue to be supported by the NSW Government to ensure that we have the right skills in the right places, as the system is reformed in line with the NSW Skills Plan.

