## Deed of Variation to the 12-Month Skills Agreement FEDERATION FUNDING AGREEMENT – EDUCATION AND SKILLS

## Preliminaries

- 1. In accordance with clause 36 of the Education and Skills Federation Funding Agreement, the Parties agree to amend the 12-month Skills Agreement ("Agreement") as set out in this Deed of Variation.
- 2. The Deed of Variation will amend the Agreement to enable the Commonwealth and State and Territories (the States) to agree on delivery of 300,000 Fee-Free TAFE existing places, and associated payments, reporting, and program parameters. It continues the intent of Fee-Free TAFE delivered through the Agreement to put TAFE at the centre of VET, while recognising varied State delivery contexts.
- 3. Delivery of Fee-Free TAFE Tranche 2 (FFTT2) is expected across 3 years, commencing 1 January 2024 through to 31 December 2026. It will remove the student contributions for 300,000 existing places. Fee-Free TAFE places will continue to be prioritised for First Nations Australians, young people (17-24), people out of work or receiving income support, unpaid carers, women facing economic insecurity, women undertaking study in non-traditional fields, people with disability, and certain categories of visa holders. Fee-Free TAFE students in priority cohorts will continue to have access to appropriate student support services.
- 4. The following appendices of the Agreement will not be impacted by the Deed of Variation:
  - i. Appendix A (Funding Principles for the Fee-Free TAFE Fund (FFT Fund) describing the delivery of Fee-Free TAFE Tranche 1)
  - ii. Appendix B (TAFE Technology Fund)
  - iii. Appendix C (Provision of seed funding for VET Data Infrastructure Reforms) and
  - Appendix D (Principles for cost sharing under the VET Student Loans Program). VET Student Loans requirements beyond 31 December 2023 will be specified in the new National Skills Agreement.
- 5. The following activities and measures described in the Agreement associated with Tranche 1 Implementation Plans will not apply for FFTT2:
  - i. Ancillary funding
  - ii. Additional student support services
  - iii. Baseline measures
  - iv. 15,000 Aged Care places provided for under Paragraph 2 of Appendix A: Funding Principles for the Fee-Free TAFE Fund (FFT Fund)
  - v. Matched contributions
  - vi. New training places

## Variations to the Agreement

6. The Parties agree to amend the Agreement as follows:

ltem	Clause	Variation	
	Reference		
Schedule	Name of	From: 12-month Skills Agreement	
Name	Instrument	To: Fee-Free TAFE Skills Agreement	

1.	Part 1:	Duration					
	Formalities and	From: This Schedule is expected to expire on 30 June 2024.					
	operation of						
	schedule	· · · · ·	To: This Schedule is expected to expire on 30 June 2027.				
		Purpose					
		From: This Schedule establishes shared funding arrangements between the Commonwealth and States and Territories (the States) to deliver Fee-Free TAFE places in agreed areas of priority set out in Appendix A and enhanced infrastructure set out in Appendices B and					
		C.	eu minastru	clures	set out in	Аррению	
		<b>To:</b> This Schedule establishes shared funding arrangements between the Commonwealth and States and Territories (the States) to deliver Fee-Free TAFE places in agreed areas of priority set out in Appendices A and F and enhanced infrastructure set out in Appendices B and C.					
		Estimated financial con From: The Commonwea		vide ar	n estimate	ed total fin	ancial
			•				
		contribution to the States for Fee-Free TAFE of \$493 million in respect of Appendix A and \$50 million for the TAFE Technology Fund as					
		described in Appendix B					
		\$6.85 million for VET Da					
		Appendix C.					
		To: The Commonwealth	will provid	e an es	stimated t	total finan	cial
		contribution to the States for Fee-Free TAFE Tranche 1 of \$493 million					
		in respect of Appendix A	A and \$50 m	nillion f	for the TA	FE Techno	ology Fund
		as described in Appendix B. The Commonwealth will also provide					
		\$6.85 million for VET Da				-	
		Appendix C. The Comm	onwealth w	ill prov	/ide an es	timated to	otal
		financial contribution to the States for Fee-Free TAFE Tranche 2					
		(FFTT2) of \$414.1 million in respect of Appendix F and Table 1a.					
		Insert after Table 1:					
		The Commonwealth will provide an estimated total financial contribution to the States for FFTT2 of \$414.1 million in accordance					
		with the funding principles of the Agreement as described in Table 1a:					
		with the funding princip		green		Scribed in	
		Table 1a: Funding for FFT	2 by juriedie	tion			
		(\$ million)	2023-24 20		2025-26	2026-27	Total
		Estimated total budget	165.642	0	124.231	124.231	414.104
		New South Wales	51.733	0	38.612	38.519	128.864
		Victoria	42.555	0	32.148	32.260	106.963
		Queensland	33.975	0	25.494	25.501	84.970
		Western Australia	17.786	0	13.356	13.363	44.505
		South Australia	11.493	0	8.536	8.498	28.527
		Tasmania	3.593	0	2.681	2.675	8.949
		Australian Capital Territory	2.921	0	2.214	2.225	7.360
		Northern Territory Source: Calculation based on sta	1.586 te population p	0 rojection	1.190 s from 2023-	1.190 24 Commonw	3.966 ealth
		Budget.		ojection	3 110111 2023-	24 COMMONW	culti
		Payments are to be ma	de in accorc	lance v	with Part 2	2: Perform	ance

ivitestories and Faymen	t Summary	for FFTT2	2.		
Additional Terms Insert after paragraph 2 To support FFTT2, new I States by 29 September	mplementa				
officials.		negotiate	eu betwe	en senio	ſ
FFTT2 places for each ju	risdiction ar	e set out	in Table	e 6.	
Table 6: FFTT2 Places by	jurisdiction	I			
2:	2023-24	2024-25	2025-26	2026-27	Total
Estimated total places	50,300	100,300	100,300	50,300	301,200
New South Wales	24,600	49,100	49,100	24,600	147,400
Victoria	10,500	20,900		10,500	62,800
Queensland	7,200	14,500	14,500	7,200	43,400
Western Australia	3,700	7,400	7,400	3,700	22,200
South Australia	2,500	5,000	5,000	2,500	15,000
Tasmania	800	1,500	1,500	800	4,600
Australian Capital Territory	600	1,200	1,200	600	3,600
Northern Territory	400	700	700	400	2,200
Governments are comm places.	itted to del n Plans, sen	-		gree	

	Part 2: Performance milestones and payment	Under Performance Milestones and Payments for the Fee-Free TAFE Fund (FFT Fund), insert after Performance Milestone 3: Fee-Free TAFE Tranche 2			
	summary	Performance Milestones andPayments for the Fee-FreeDueTAFE Fund (FFT Fund)		Payment	
		Performance Milestone 1States agree and sign up to theDeed of Variation.Commonwealth and Statesenior officials agree to theFFTT2 Implementation Plan.	Within 30 days of signing this Deed of Variation or 1 January 2024, whichever is later	• A first payment of 40% of the State's FFTT2 funding.	
		<b>Performance Milestone 2</b> The State has provided quarterly reporting consistent with Part 3 of this Schedule which shows that the value of enrolments in eligible training places in the jurisdiction has reached a minimum of 40 per cent of the FFTT2 expenditure.	Estimated for July 2025	<ul> <li>A second payment of 30% of the State's FFTT2 funding, based on achievement of 40% of the total expenditure of FFTT2 funds.</li> </ul>	
		<b>Performance Milestone 3</b> The State has provided quarterly reporting consistent with Part 3 of this Schedule which shows that the value of enrolments in eligible training places in the jurisdiction has reached a minimum of 70 per cent of the FFTT2 expenditure.	Estimated for December 2026	<ul> <li>A final payment of 30% of the State's FFTT2 funding, based on achievement of 70% of the total expenditure of FFTT2 funds.</li> </ul>	
3.	Part 3: Reporting	Insert at end of Part 3 Reporting requirements table:			
Requirements		With respect to FFTT2, States will <b>Report</b> <b>Quarterly Reporting</b> States will o provide quarterly reports by the	Due		

		<ul> <li>Appendix F: Funding Principles for Fee-Free Priority Learners</li> <li>States will administer learner eligibility for their Implementation Plan, prioritising con Nations Australians, young people (17-24 receiving income support, unpaid carers, insecurity, women undertaking study in repeople with disability and certain categoria. In this context, States will continue to are incorporated in local eligibility and states.</li> </ul>	or FFTT2, as described in horts including First ), people out of work or women facing economic non-traditional fields, ries of visa holders. o ensure priority groups
4.	New Appendix	FFTT2 and an assessment of its effectiveness in meeting the needs of the target cohorts within each jurisdiction. The Commonwealth will collaborate with States on the evaluation of the outcome of the initiative.	29 June 2027
		Once the evaluation is finalised, the Commonwealth and the States will consider the future of Fee-Free TAFE beyond 2026, to be agreed by the Skills and Workforce Ministerial Council (SWMC). End of Fund Report States will provide an End of Fund Report which provides a stocktake and acquittal, including a review of	
		States will also report on tuition fee savings (actual or estimated where not available) for students enrolled in FFTT2. Reporting arrangements may be revised once the transition to a new VET Information Standard and new reporting pathways is completed. <b>Insights Report:</b> States will provide a review of progress, including demand for training and any changes in the economic environment. The review will also include an assessment of the effectiveness of Fee-Free TAFE Tranche 1 and 2 in meeting the needs of the target cohorts within each jurisdiction. The Commonwealth will collaborate with States on an evaluation of the initiative, incorporating the Insights Report. This evaluation is expected to be completed before the end of 2025.	alternative arrangements are agreed in Implementation Plans. 28 July 2025
		the month following the end of the quarter for the life of this Agreement using the Fee-Free TAFE Tranche 1 agreed templates at Appendix E, unless alternative arrangements are agreed in the Implementation Plan.	By the 15 <sup>th</sup> day of the month following the end of the quarter for the life of this Agreement unless

	marketing FFTT2 to those priority groups.
	b. States will advise on any changes to eligibility through their
	quarterly reports.
	Training in scope of funding
	2. States will continue to determine the courses (accredited
	qualifications and short courses) to be funded under this
	Agreement to deliver national priorities. Funding under this
	Agreement for State-priorities will be agreed in Implementation
	Plans. National areas of priority are:
	<ul> <li>care (aged care, childcare, health care, disability care)</li> </ul>
	<ul> <li>technology and digital</li> </ul>
	<ul> <li>hospitality and tourism</li> </ul>
	construction
	agriculture, and
	<ul> <li>sovereign capability (for example manufacturing, and</li> </ul>
	defence).
	3. The VET Workforce will be included as a new national priority from
	1 January 2024
	<ol> <li>States will provide estimates of the number of places for each</li> </ol>
	national priority in their Implementation Plans, based on previous
	delivery patterns. These numbers will be indicative of expected
	demand.
	5. A focus on these priority sectors would not preclude allocation to
	other priority skill shortage areas as identified and agreed through
	SWMC.
	<ol> <li>FFTT2 will be delivered by registered training providers recognised</li> </ol>
	as a TAFE or public dual sector higher education provider,
	including TAFE auspicing or partnership arrangements. In limited
	circumstances, delivery may continue to include community
	training providers or Indigenous training providers where they are
	better placed to deliver specialist training, as agreed in
	Implementation Plans.
	7. The Commonwealth and States may, by exception, agree to
	specific bilateral training delivery arrangements through
	Implementation Plans.
	8. Commonwealth Government payments under this Agreement will
	be directed to State Governments, which will manage the
	distribution of funds in line with this Agreement and according to
	their policies and procedures.
	Enrolment Period
	9. Enrolments from the time of signing this Deed of Variation to
2	31 December 2026, will be eligible unless varied in
	Implementation Plans.
	Course Pricing
	10. States will use their current pricing policies to set the price of
	FFTT2 training places. In doing so, they will be informed by advice
	from Commonwealth Government and State and Territory
	Government agencies. States' current pricing policies are subject
	to change and the price set for the training places under this
	Agreement may be adjusted through a revised Implementation
	Plan.
	Reporting Arrangements

	<ol> <li>The States will provide reports in accordance with Part 3 aligned with the reporting templates provided through the Agreement, in addition to new quarterly reports on savings (estimated or equivalent) for students enrolled in FFTT2.</li> <li>The Commonwealth may share reports set out in Part 3 with any Commonwealth entity for information, reporting and promotion purposes.</li> <li>Unused funding</li> <li>Where a student enrols in a training place funded through FFTT2 and then withdraws after the State has received the related milestone payment, the State agrees to redirect that amount back into FFTT2 to support additional places.</li> <li>Where there is unallocated funding left over at the end of 2026, States agree to invest any such amount in Fee-Free TAFE beyond 2026, where practicable, in line with the intent of this Agreement. Where this is not practicable, any such funds will be invested into delivery of TAFE courses.</li> <li>Promotion of FFTT2</li> <li>All governments will take steps to promote access to Fee-Free TAFE training.</li> <li>States and the Commonwealth will make best efforts to ensure they consult on the nature and content of any events, announcements, promotional activity, or publicity related to</li> </ol>
	FFTT2.
	Definitions:
	17. For the purposes of this Agreement:
	a. Existing Training Place means a training place identified by the State as a current place in agreed priority qualifications and/or for priority learners, where the tuition fee component is met from the Fund. States will outline their approach to managing existing places bilaterally.
	b. Implementation Plan is a bilateral plan outlining how FFTT2 will operate in practice, to be agreed with Commonwealth skills officials. The Implementation Plan template will be provided by the Commonwealth.
	Fee-Free TAFE Tranche 2 Reporting Schedule
	A formal reporting template for the new data set of student cost
· · · · · · · · · · · · · · · · · · ·	savings will be supplied.

Signed for and on behalf of the Commonwealth

of Australia by

The Hon Brendan O'Connor MP Minister for Skills and Training

Signed for and on behalf of the state of New South Wales by

The Hon Prudence Car MP Minister for Skills, TAFE and Tertiary Education Signed for and on behalf of the State of Victoria by

The Hon Gayle Tierney MLC Minister for Training and Skills, Minister for Higher Education ...../.2023

*Signed* for and on behalf of the State of Queensland by

The Hon Simone McGurk MLA Minister for Training, Water and Youth

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