



Tertiary Education Report: Annotated agenda to support discussion of RoVE on 23 January 2019

Date:	17 January 2019	TEC priority:	Medium
Security level:	In Confidence	Report no:	B-19-00020
		Minister's office No:	7R19.9925

ACTION SOUGHT		
	Action sought	Deadline
Hon Chris Hipkins Minister of Education	<p>Note the attached annotated agenda for your discussion with officials at a meeting on Tuesday 23 January 2019 at 2.00pm</p> <p>Forward the attached annotated agenda to any additional ministers you may wish to include in the discussion</p>	
Enclosure: Yes	Round Robin: No	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)			
Name	Position	Telephone	1st contact
Gillian Dudgeon	Deputy Chief Executive Delivery, TEC	9(2)(a)	✓
9(2)(a)	Policy Director, Ministry of Education		

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT						
<input type="checkbox"/> DPMC	<input type="checkbox"/> MPI	<input type="checkbox"/> ENZ	<input type="checkbox"/> ERO	<input type="checkbox"/> MBIE	<input checked="" type="checkbox"/> MoE	<input type="checkbox"/> MFAT
<input type="checkbox"/> MPP	<input type="checkbox"/> MSD	<input type="checkbox"/> NZQA	<input type="checkbox"/> NZTE	<input checked="" type="checkbox"/> TEC	<input type="checkbox"/> TPK	<input type="checkbox"/> Treasury

Minister's Office to Complete:	<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Declined
	<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
	<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
	<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments:

Recommendations

Hon Chris Hipkins, Minister of Education

It is recommended that you:

1. **note** the annotated agenda attached to support your discussion with officials at a meeting scheduled for Tuesday 23 January 2019 at 2.00pm
2. **forward** the annotated agenda to any additional ministers you may wish to include in the discussion
3. **agree** that this briefing will not be proactively released until you have agreed to vocational education reforms (and consultation on these) with your Cabinet colleagues.

AGREE / DISAGREE



Tim Fowler

Chief Executive
Tertiary Education Commission

17 January 2019



Grant Klinkum

Acting Deputy Secretary, Graduate
Achievement, Vocations and Careers
Ministry of Education

17 January 2019



Hon Chris Hipkins

Minister of Education

19/01/19

AGENDA

Reform of Vocational Education
Wednesday 23 January 2019,
2.00-2.45pm

Attendees Minister of Education, Hon Chris Hipkins
Other Ministers to be confirmed
Officials to be confirmed

This annotated agenda is to support a discussion with you about the next set of decisions for the Reform of Vocational Education (RoVE). It presents advice and recommendations on the following main topics:

1. The indicative costs of different change scenarios
2. How we refer to the new ITP in our consultation documents
3. Potential impacts on non-ITP and non-ITO providers
4. Areas of delivery
5. Further design choices about ISBs and the qualification system
6. Where brokerage and training advisory services would sit in the new system
7. TEC's purchasing role
8. Approach to consultation and legislative proposal development

9(2)(f)(iv)

9(2)(f)(iv)

9(2)(f)(iv) and 9(2)(g)(i)



9(2)(f)(iv)

Item 2: How we refer to the new ITP in our consultation documents

21. We recommend that we proactively refer to the proposed new ITP organisation in consultation materials as "a new national Institute of Technology". This emphasises the creation of a new organisation rather than just the melding together of existing ITPs. We seek your advice on whether to use this label in the Cabinet paper too.
22. We recommend that you run a public process in mid 2019 (the details of which can be determined later) to identify possible names for the new ITP / Institute of Technology. This will provide a positive opportunity for the public to engage in shaping the new organisation while the details of the legislation are being worked through.

Skills+
Transition name: NZ Institute of Technology
~~on~~

Agree that all future communications and collateral refer to a proposal to create a new national Institute of Technology

AGREE / **DISAGREE**

Indicate whether you would like your Cabinet paper to refer to a new national Institute of Technology

NZ Institute of Skills & Technology

YES / **NO**

Agree to run a public consultation process in mid 2019 to identify possible names for the new Institute of Technology.

AGREE / **DISAGREE**

Item 3: Potential impacts of the RoVE programme on different providers

23. This item works through each provider type and proposes how they would be affected by RoVE.

Wānanga: Take a partnership approach to consulting them on RoVE

24. There are two areas of changes with the potential to affect wānanga:

- a. ISBs could set standards for wānanga as well as other vocational providers, and advise TEC on purchase from them. Te Wānanga o Aotearoa is the most affected (in particular if ISBs also have coverage of foundation learning, as discussed below), although the other wānanga may be concerned about the potential impact on their autonomy. They may also be concerned to ensure that there is sufficient flexibility in standards to respond to different Māori approaches (eg across iwi or business models) and to delivery (or partial delivery) in te reo Māori and following their kaupapa.
- b. Allowing providers to deliver in-work, and the creation of a single funding system, could be extended to wānanga. This would offer opportunities for wānanga (and for New Zealand) for example to bring in more Māori businesses to vocational education.

25. These two changes are interdependent, and it will be important to maintain that connection in the way they are implemented in the wānanga sector.

26. You have already agreed that consultation on Centres of Vocational Education (CoVEs) will include the possibility of wānanga-hosted CoVEs.

We will need to manage conflicts with other work with wānanga on priority issues

27. Each wānanga has its own distinct characteristics in terms of size, educational provision, and organisational goals and objective. It is therefore important that we take a partnership approach with the sector to ensure we identify any concerns they may have collectively. During the RoVE consultation period we will also be working with the wānanga sector on:

9(2)(f)(iv) and 9(2)(j)

RoVE changes will affect Te Wānanga o Aotearoa's operations and market directly

28. The most immediate and direct effect of RoVE on the wānanga sector would be felt by Te Wānanga o Aotearoa. Aotearoa is one of the largest tertiary providers, a major vocational education provider, and has a comprehensive regional presence (~80 locations). Awanuiārangi and Raukawa have much smaller vocational offerings and only a few physical locations.

9(2)(b)(ii) and 9(2)(g)(i)

9(2)(g)(i)

Early engagement and co-design of solutions will be key to a good outcome

31. In addition to specific and technical concerns re the role of ISBs and other changes, engagement with the wānanga will be needed to understand any perceived implications for their autonomy. It is likely each wānanga will have a different stance on this, 9(2)(g)(i)

9(2)(g)(i)

9(2)(g)(i)

Universities: RoVE changes will not apply to them

32. The reforms as proposed have limited direct application to universities but will be significant to them as a signal of Government's appetite for change.

33. The ISBs would not affect the autonomy of the Committee on University Academic Programmes (CUAP). CUAP approves sub-degree programmes at universities, but all university provision is currently out of scope, even certificate and diploma provision that might otherwise fit the definition of VET.

34. Following RoVE, universities would continue to approve vocational programmes below degree level. It would be desirable to align standards with ISBs in these cases, but we do not consider it appropriate to 'hard-wire' this, because of the importance of the academic independence of universities and CUAP.

35. As discussed below, the role of the regional advisory committees for the ITP will be of interest to universities. They will also be interested in the proposed funding changes. However, we recommend that any application to universities be considered only after the RoVE reforms have been designed, to avoid increasing the scope and complexity of the work.

36. The RoVE proposals will demonstrate to the universities that the Government has an appetite for substantial reform in at least some parts of tertiary education. The universities will appreciate an early opportunity to engage on the proposals and announcements. They may seek reassurances as to the Government's intentions with regard to university education, with a particular focus on their institutional autonomy.

Agree that consultation is clear that RoVE change proposals do not apply to universities, but that we are interested to explore the system effects with them.

AGREE / DISAGREE

PTEs: Reforms apply to them in full

37. Where PTEs are delivering vocational education, it is under much the same terms and conditions as ITPs. Therefore, we propose that RoVE should affect PTEs in the same way as ITPs (with the obvious exception of the structural reforms).
38. This would mean that consultation would propose that PTEs would be bound by the ISBs' standard-setting role, and that ISBs' purchase advice would discuss all need for their industry (and hence include PTE delivery, although ISBs would not typically be advising on individual providers). Consultation would leave matters about funding reform and CoVEs open for feedback.
39. We are currently considering how best we can engage with PTEs early in the consultation period, given most have not been involved in any ITP Roadmap 2020 or VET review consultation to date.

Agree that consultation would propose that PTEs are fully affected by RoVE, through the ISB, funding reforms and their potential participation in CoVEs.

AGREE / DISAGREE

Regional planning: Focus initially on the new ITP

40. A final matter that has the potential for cross-sectoral impacts is the regional advisory committee that plans for the ITP's response to regional need. This function could be part of a wider regional skills and labour market function (e.g. tied into the proposal for regional skills planning arising from the recent Immigration Cabinet paper). And it could be structured to oversee vocational education within the region, including oversight of learner pathways, and the quality and level of support (including any gaps) provided to employers and their employees.
41. However, in the first instance, we think it is important to retain the character of a group that 'owns' its regional arm of the ITP, and that it should be set up to focus on this task alone. TEC's role would be to consider wānanga and PTE delivery alongside the ITP's offerings (based on the ISB's purchase advice – see also item 7). Some regional committees would also need to take account of university offerings, since much of ITP provision is at degree level.

Agree that consultation would propose that regional advisory committees are limited to ITP planning.

We want joined-up/collaborative approaches.

AGREE / DISAGREE

Item 4: Areas of delivery

42. The VET review focussed on vocational education in the following areas:

- a. industry training
- b. provider-based provision at levels 3-7 (non-degree) funded via the Student Achievement Component, excluding te reo and tikanga Māori, English for speakers of other languages (ESOL), and university provision.

43. This excludes foundation learning and degrees; it also creates boundaries to manage with the schooling system, and finally we need to make sure that *all* provision has a home in the new system, regardless of whether it is 'vocational' or currently covered by an ITO.

VET delivered in schools, or in partnership with schools

44. RoVE will have an impact on secondary schools and TEOs involved in secondary-tertiary learning. Currently there can be challenges in the articulation between foundation vocational education and training and higher-level VET. RoVE provides the opportunity to improve the ease of navigation of pathways for schools, students and providers into higher-level VET.
45. For example, students would be able to get a head start on industry-relevant qualifications while at school and transition into higher-level VET more smoothly without having to repeat learning, and they would be able to transfer more easily between providers. There is also potential for improvements through more joined-up planning at the regional level. ✓

46. The connections between vocational education standards and the NCEA are not affected by RoVE. One key connection relates to the role and function of the ISBs. Currently Unit Standards set by ITOs can contribute to NCEA, including secondary-tertiary/workplace learning programmes. Assessment of these standards varies, with either schools or TEOs having consent to assess.

9(2)(f)(iv)

48. We will also need to ensure that good communication and transition management is in place to ensure existing programmes are not disrupted through the transition, and to assure current participants that it is 'business as usual' for these programmes. This includes:

- a. Trades Academies, of which 10 out of 23 are led by ITPs, and ITPs are typically key delivery partners of the school-led Trades Academies. Over 335 schools are currently involved. Transition planning will need to ensure that the current agreements with ITPs are taken up by the new ITP (this is true across many parts of the ITP's business).

One Trades Academy is led by the Primary Industries ITO, to be managed as part of the ISB reforms.

- b. Gateway. ITOs work with schools to support Gateway placements to students. In 2017 around 13,500 students from over 370 schools participated. The transition of this support to providers will need to be managed alongside transition of responsibilities for apprentices and trainees.

49. In the first instance it will be important to engage with schools during the consultation period, to explain the implications and how they will be managed, and to give them an opportunity to raise any further matters to be managed (alongside any other feedback they wish to give).

50. We would also need to ensure any implications for Vocational Pathways are managed (currently these are co-owned by ITOs and the Ministry of Education). Vocational Pathways consist of recommended assessment standards identified as relevant to working in certain industries, and they provide ways for students in schools, Trades Academies, Gateway and foundation tertiary education to achieve NCEA. The ITOs' role would transfer to ISBs.

Agree that RoVE will include positive communications with schools about the effects of RoVE and how it aligns with the wider Education Work Programme.

AGREE **DISAGREE**

Foundation learning

51. Foundation learning – tertiary education at levels 1 and 2 – is delivered by providers, and through industry training. Provider-based foundation education generally focuses on generic skills (including NCEA) or language learning. Level 1 and 2 industry training is often more focused on small "chunks" of learning that employees require to do their jobs, rather than a broad foundation for further education.

52. In 2017, providers delivered 21,000 EFTS at levels 1 and 2 in 2017. In industry training, around 6,900 STMs were delivered in 2017 (although some of these trainees may have also been enrolled in higher-level training at the same time).

53. The number of learners in provider-based foundation education has reduced as fewer people leave school without NCEA, and as the labour market has strengthened. In the case of ITPs, the proportion, of level 1-2 EFTS they deliver decreased from 33% in 2014 to 21% in 2017.

54. Young learners enrolling in provider-based foundation education have higher learning and pastoral care needs than past cohorts. They may need a higher level of support to progress to further study (whether on or off-job). This, in conjunction with funding rates not increasing in line with providers' costs, has meant that providers are struggling to maintain quality and to keep

foundation provision economic. Some PTEs have stopped offering Youth Guarantee provision.

9(2)(f)(iv)

58. You have indicated an interest in establishing an ISB for foundation skills.

59. We envisage that ISBs would set standards and approve programmes at levels 1 and 2 within their industries, as ITOs currently do. This would ensure they consider skill needs and learner/employee progressions across their industries.

60. A lot of non-vocation-specific foundation education are programmes leading to NCEA – 40% of Youth Guarantee EFTS in 2017 were in NCEA programmes. We therefore propose that the decision about the structure and quality of non-vocational specific foundation education, and its relationships with ISBs, is considered in the context of the implementation of the NCEA review. In the meantime, we propose that providers would retain ability to develop qualifications where there is no ISB with relevant coverage.

Agree that how foundation education is funded is considered as part of the development of a unified funding system for vocational education

☒ **AGREE** ☐ **DISAGREE**

9(2)(f)(iv)

9(2)(f)(iv)

Non-vocational education at levels 3-7 (diploma): Be consistent with the approach to foundation learning

66. As discussed above, there is some delivery at levels 3 to 7 that was excluded from the VET review, because it was not vocational. This includes te reo and tikanga Māori, and English for speakers of other languages (ESOL).
67. It seems appropriate to treat this provision in a consistent manner to the approach to foundation learning. Both areas are interwoven with vocational education provision, but in large part are unrelated to industry. NZQA currently sets standards specific to tikanga and mātauranga Māori.
68. A consistent approach would mean:
- Initially, providers would retain standard-setting responsibilities. We would allow for the possibility for an ISB-type standard-setter to be established over time. Under any such approach, special care will be required to ensure that Māori education providers, and especially wānanga, retain leadership of te reo and tikanga Māori.
 - Funding reform work would need to take account of this provision, to ensure it continues to be supported within the system.

Agree that we will consult on an approach for non-vocational education at levels 3 to 7 that is consistent with our approach to foundation learning – leaving open the possibility of consistent standard-setting through an ISB, and ensuring funding reforms maintain support for this delivery.

AGREE / DISAGREE

Vocational education with no current ITO coverage: ISBs to extend coverage over time

69. The final area to consider is vocational education with no current ITO coverage (e.g. information technology, business studies and performing arts). This type of provision would be enhanced through the ITP structural change and the creation of a single funding system, but there will be some gaps in ISB coverage initially.
70. In line with the approach agreed at the meeting on 13 December (B-18-00942 refers), the coverage of ISBs will be proactively extended (either within existing ISBs or through establishing new ones) to fill gaps in industry coverage.

Note that consultation will propose that where there is a gap in ISB coverage of an industry, providers will initially retain standard setting responsibilities, and TEC will work to facilitate ISBs to take over these responsibilities over time.

AGREE / DISAGREE

Item 5: Further design choices about ISBs and the qualification system

71. Reform of the VET system aims to increase the consistency, relevance and quality of vocational education and training. In this context it may be timely to consider existing settings for qualifications / programmes and standards.
72. If core VET training is increasingly delivered in work place settings, the need for long-duration provider based programmes may reduce. Industry may seek shorter initial training and more upskilling of staff over time. Currently some VET programmes may be over-specified to reflect the need for maximum revenue by providers.
73. Strong and effective ISBs and highly capable CoVEs will be critical in better understanding industry need and ensuring there is innovative pedagogy that supports more consistent core programme content. There is no benefit in tightly prescribing every aspect of curriculum, but there is an opportunity for improve scale and quality to support the development of core curriculum of core VET programmes.
74. There may also be value in considering whether the current prescriptive approach to unit standards is working for industry and for providers.
75. A strength of the current setting is that each provider is free to develop their own programme to deliver the high-level graduate profile of a New Zealand qualification. This can allow for innovation in provision and local context to be taken into account. It also leads to duplication and potentially more variation in core vocational training than is necessary in a small country.
76. It may be possible for industry, ISBs and providers to jointly design the core of each New Zealand qualification to apply to all VET provision in that field, while allowing for 10-20% variation for local context. This would involve moving away from multiple programme versions of each qualification. Employers could be more confident about the core curriculum of such a qualification.
77. Moving in this direction could reduce complexity and duplication in the system, and increase consistency. A risk is that it would come at a time where the targeted review of qualifications (which is predicated on the qualification / programme split) is not yet complete. Ultimately though vocational qualifications must be fit for the needs of employers and take account the changing nature of work.
78. The consultation process could seek explicit feedback on the qualification, programme and standard settings or alternatively all issues related to qualification, programme and standards could be left to the new ISBs to work through.

Agree that the consultation process include questions about qualification, programme and standard settings.

AGREE / DISAGREE

Item 6: Where brokerage and training advisory services would sit in the new system

79. You have agreed to consult on a proposal whereby the "arranging training" function of ITOs transfers to providers.
80. We need to do more detailed analysis on exactly which "arranging" activities should transfer to providers and which to the new ISBs. For example, ITOs currently provide brokerage and training advisory services to employers as part of their "arranging training" function. This advisory and brokerage could transfer:
 - **to providers**, who would have an incentive to recommend their own provision in the maximum quantity possible
 - **to ISBs**, who would be impartial as they would not themselves be funded for delivery ✓
 - **to new "education to employment hubs"** which are mooted in current Immigration proposals.

81. We seek your agreement that we work out these details with the sector during the consultation period.

Agree that officials can work out details with the sector, during the consultation period, about where training advisory or brokerage activities should sit in a future system.

AGREE / DISAGREE

Item 7: TEC's role in acting on purchasing advice from ISBs

82. In comments on your draft Cabinet paper on 15 January, you noted that "the role of TEC in implementing the recommendations of the ISBs is still up for debate in my view".

83. In December 2018 we provided you with information on how the Plan-based funding system could work for RoVE in the short term, subject to review after two or three years of operation (B-18-00942 refers, "TEC purchasing instruments" under item 6). We explained that a Plan is not a granular purchasing contract, but rather a means of funding an overall mix of provision (at the course level, rather than by qualification) within which the provider can adjust delivery at the margins to meet learner demand. Within the Student Achievement Component 3+ fund, TEC stipulates minimum or maximum delivery thresholds for fields or levels of study only by exception – that is, only where there is a clear mismatch between supply and demand that can be addressed using a volume lever (rather than price or information levers).

84. You agreed in principle, subject to consultation and further advice, that the legislation governing Plans should be amended to provide that, in assessing the new ITP's proposed Plan (and, we now suggest, the Plans of any other vocational providers), TEC must take account of any relevant advice it has received from ISBs and from regional advisory committees. We noted that advice from these two sources would sometimes be incompatible, and/or would collectively seek more funding than was available in the system; the TEC Board would be responsible for reconciling the tensions in a funding approach that gave best effect to the Tertiary Education Strategy (as per its existing statutory function).

85. We are keen to discuss with you what other options might exist, so we can provide you with further advice as required.

Discuss with officials how best to ensure that the recommendations of ISBs are meaningfully implemented in the current funding system.

Item 8: Approach to consultation and legislative proposal development

86. Your proposals for change to the ITPs have been consulted on with the sector through the ITP Roadmap 2020 project in 2018, so are much further advanced than your proposals for wider vocational system change.

87. You propose to proceed with all proposals (whatever you and Cabinet determine them to be post-consultation) on the same implementation timeline. This involves Cabinet agreeing detailed proposals and referring legislative proposals to Parliamentary Counsel Office in early May. This allows 18 working days between the close of consultation (27 March) and the lodging of the final Cabinet paper (24 April).

88. Given this timeline, a risk exists that some commentators may consider that you have not allowed yourself time to meaningfully consider alternatives to the main system reform option you propose in your consultation document, and that therefore the consultation process about these changes isn't meaningfully open.

89. Similarly, the ITPs may consider that the Government's prior commitment to involve them meaningfully in the design of the new ITP cannot be met on the timeframes proposed. This may be exacerbated by the fact that we will, of necessity, be seeking detailed information from the ITPs, during the consultation period, about their business activities and costs, as noted at paragraph 8.

My original Cab paper also noted if the co-design process failed to produce a meaningful and credible change proposal we reserved the right to act.

90. A separate risk is that officials working at a high pace on complex issues have a higher likelihood of overlooking important issues or making other design mistakes. These can generate significant long-term costs, fiscal and otherwise. We will mitigate this as best we can via a well-managed process with peer review; but the complex nature of the issues, and the limited number of people available with relevant expertise and experience, means a heightened risk of human error.

Note these risks in proceeding with the proposed timeline for legislative proposal development

NOTED

Confirming Minister Davis is comfortable with the six-week engagement timeframe

91. We met recently with Te Arawhiti, the new Crown-Māori relationship agency, to discuss our proposed means of engaging with Māori stakeholders on RoVE. Te Arawhiti endorsed our proposed approach, which is modelled on the ITP Roadmap 2020 engagement with Māori and will comprise a mix of targeted and general engagements with Māori and iwi stakeholders. However, Te Arawhiti also noted that the timeframe was challenging, and suggested confirming that Minister Davis was comfortable with this timeframe.

92. We therefore recommend you confirm (if you have not already done so) that Minister Davis, in his capacity as Minister of Crown-Māori Relations, is comfortable with the proposed six-week consultation timeframe for RoVE.

Agree to confirm that Minister Davis, as Minister of Crown/Māori Relations, considers the proposed consultation length is satisfactory

AGREE / DISAGREE