



## Education Report: Annotated agenda for the next discussion of Reforms of Vocational Education

To:	Hon Chris Hipkins		
Date:	23 November 2018	Priority:	High
Security Level:	In confidence	METIS No:	1168566
Key Contact:	Vic Johns Amy Russell	DDI:	s 9(2)(a)
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Messaging seen by Communications team:	No	Round Robin:	No

### Purpose

This note provides you with an annotated agenda to support your next discussion with officials of Reforms of Vocational Education.

### Recommended Actions

The Ministry of Education and the Tertiary Education Commission recommend you:

- note** the contents of this briefing for your next discussion with officials about Reforms of Vocational Education

**Noted**

- note** that, at the time of finalising this report, the date and time of the next discussion was still to be confirmed

**Noted**

- circulate** this report to the Minister of Finance and Associate Education Ministers

**Noted**

- d. **agree** that this Education Report will not be proactively released until you have agreed to vocational education reforms (and consultation on these) with your Cabinet colleagues.

Agree / Disagree



Claire Douglas  
**Deputy Secretary, Graduate  
Achievement, Vocations and Careers  
Ministry of Education**

23/11/2018



Tim Fowler  
**Chief Executive  
Tertiary Education Commission**

23/11/2018



Hon Chris Hipkins  
**Minister of Education**

25/11/18

## Annex

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Annex 1    Annotated agenda



## AGENDA

### Reforms of Vocational Education Date TBC

<b>Attendees</b>	Minister of Education, Hon Chris Hipkins Other Ministers to be confirmed Ministry of Education: Claire Douglas, Andy Jackson, Vic Johns Tertiary Education Commission: Tim Fowler, Gillian Dudgeon, Amy Russell New Zealand Qualifications Authority: Grant Klinkum Other agencies to be confirmed
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You have signalled your proposals for the key functional, structural and funding reforms of vocational education. This annotated agenda asks you to confirm your proposals and signal your preferences on some matters arising as a consequence. It also presents some key risks and discusses a change programme.

#### Item 1: New Zealand will have one ITP

##### *Your proposals*

1. To restructure the ITP sector to form one ITP, with:
  - A single governing council and supporting organisation to manage capital and operational budgets, staffing, student and learner managements systems, etc.
  - Regional arms that are responsible for delivery
    - There may be more or fewer regional arms than the current number of ITPs
    - Each region would have a local advisory committee or steering group with very strong local government and local industry participation, which would focus on identifying local skill needs and linking with local and regional development strategies.
  - The ITP (likely the regional arms) would host Centres of Vocational Excellence, which are partnerships between industry skills groups (ITOs) and the ITP
  - The Open Polytechnic of New Zealand will be incorporated into the ITP (along with the other 15 ITPs) for the provision of online learning
  - Over time, regional arms would forge a presence in parts of the country where ITP presence is currently weak, and education would be better joined up at the regional level, particularly with schools.

**Confirm** that this reflects your proposals for structural change to ITPs.

☒ YES / NO

##### *Consequential matters*

2. You have signalled that you want to propose that New Zealand have one ITP. Legislative change will be required to achieve this.

3. The ITP could be a TEI in much the same way as they are currently conceived in legislation – i.e. a category of Crown Entity with institutional autonomy. Among other things, this would mean that the ITP would have a council partially appointed by you, and its autonomy would be protected under section 161 of the Education Act 1989, potentially with new limitations.
4. Legislation regarding the roles of the ITP, the functions and duties of its council, and monitoring and intervention settings could be reshaped to ensure the Crown can protect its interests. For example, it would be particularly important for legislative settings and other policy mechanisms to ensure that the ITP council and its head office pursued regional outcomes as well as national outcomes. The Crown would also need sufficient oversight of (and potentially veto power over) major financial transactions in order to manage public risk in the new institution; at present, it has veto power over ITP borrowing and asset disposals, but not other types of major transaction including capital outlays.
5. You would have decisions to make about how much the legislative settings for the ITP could differ from existing legislative settings for TEIs. Depending on your choices, the result could be a unique kind of Crown entity with its own provisions for governance, accountability, Ministerial direction, etc.
6. A limitation of the current TEI model is that the Crown's ability to proactively direct the organisation to achieve particular policy goals is limited, and its ability to intervene comes mainly after performance problems, rather than to prevent them or to encourage good performance. This risk is more concentrated in a system with one ITP rather than 16.
7. Given this risk, you may wish to consider other models for the form of the organisation that is closer to Ministers and more subject to Ministerial direction:
  - Another kind of Crown entity added to the current TEI group through amendment to the Education Act with different provisions for governance and Ministerial direction.
  - An Autonomous Crown Entity or Crown Agent: This would have less autonomy than TEIs currently have. You could appoint most or all members of the governing body and set a letter of expectation each year, and the ITP "must have regard to" policy and objectives if directed by you. The governing body would be responsible for the operations of the organisation. The organisation would be monitored by Parliament and by a government department.
  - A Government Department (or part of one): This means that there would not be a board, and the chief executive would be appointed by the State Services Commissioner. You and the chief executive would be responsible and directly accountable for the operations of the organisation. The organisation would be monitored by Parliament.
8. Under all of these three models, a key question for consideration will be the relationship between the regional arms and the head office and governing body. There are options for the degrees of autonomy that regional arms could have, and there are a number of issues for us to think through in providing you with advice on this. We think it will be important seek feedback during public consultation on options for this structure.
9. We have not undertaken significant analysis of these, and we will work with the State Services Commission to prepare advice for you. One issue that requires more thought is how to protect the principle of academic freedom, particularly for provision at degree and postgraduate levels.

s 9(2)(f)(iv)

**Indicate** whether (in advance of further advice):

- you envision that the ITP will be similar to a TEI

YES / NO



- you would like us to explore one or all of the other models

YES / **NO**

s 9(2)(f)(iv)

## Item 2: Changes to industry leadership of vocational education and the role of industry training organisations

11. **Your proposals** To strengthen industry skills bodies' standard setting and purchase responsibilities (currently undertaken mainly by ITOs), through the following changes:

Industry skills bodies gain:

- responsibility for setting standards across all sub-degree vocational education qualifications
- responsibilities for quality assurance at the start and end of off-job provision (and maintain responsibilities for quality assurance at the start and end of on-job provision), including programme approval (by "start and end" we mean ex ante standards-setting and ex post moderation of assessment, in contrast to quality assurance of educational processes as overseen by NZQA)
- funding responsibility across all on- and off-job provision (either a purchase or an advisory role – see paragraph 12)
- a stronger skills leadership role in coordinating industry efforts to identify and plan to address future skills needs.

In addition:

- Industry skills bodies lose the facilitation of training function and cannot provide education or training
- TEC would purchase vocational education in fields without industry skills bodies
- Industry skills bodies could be hosted at CoVEs.

**Confirm** that this reflects your proposals for role change to ITOs.

YES / **NO**

### Consequential matters

12. You have indicated that you would like to propose that industry skills bodies (ITOs) gain funding responsibility across all on- and off-job provision (i.e. an extended purchasing role). But you asked us for further advice on whether this responsibility should include purchasing directly, or whether it should be an advisory function to TEC as the purchasing body.

- If industry skills bodies (ITOs currently undertake this role) **purchase provision directly** from providers, industry skills bodies would have a strong focus on industry need in making purchasing decisions, but they would have weaker incentives to focus on social and network objectives (though this could be required in legislation). Additionally, providers would have complex funding relationships – i.e. funding relationships with a number of industry skills bodies. The ITP local advisory committees would need to have a role in purchasing decisions across all industry skills bodies. In all, this option would require a complex matrix of relationships between providers, ITP local advisory committees, and industry skills bodies that could result in significant confusion and duplication.
- If industry skills bodies **advise TEC** about its purchasing decisions, TEC would be expected to have a stronger focus on social and network objectives, and industry skills bodies could advise TEC on industry need. Additionally, providers would have simpler funding relationships – i.e. exclusively with TEC). The ITP could also advise TEC on regional needs (e.g. potentially via the local advisory committee). While TEC would have a number of relationships to manage,

there would be less complexity than in the first option, particularly for providers, industry skills bodies, and ITP local advisory committees. This option would require capability and capacity changes to TEC to undertake this role.

**Agree** that to propose in your Cabinet paper that TEC should purchase vocational education from providers, including on- and off-job provision, and that industry skills bodies should be responsible for advising TEC as part of its decision-making processes and not purchasing provision directly from providers.

**AGREE / DISAGREE**

13. We are working on advice for you regarding the number of industry skills bodies and CoVEs in the vocational education system. To help us shape this advice and to help Cabinet understand the scope of change, we seek a signal from you as to whether you envision keeping the current groupings of industries roughly as they are currently at ITOs, or whether you envision a larger number of new, more granular groupings of industries. For example, there are six recognised vocational pathways; there are 11 existing ITOs that generally represent industry sectors (one subscale); there were 52 industry groupings in the 1990s, comprising a mix of trades, occupations and sectors; and there may be as many as 300 standards-setting bodies at present recognised by ITOs (e.g. Primary ITO has 15 standards-setting bodies and Careerforce has 11 standards-setting bodies).

**Indicate** whether you envisage that industry skills bodies:

- will consist of the groupings of industries roughly as they are currently at ITOs

*But with the possibility of new industries joining the mix.*

**YES / NO**

- will consist of a larger number of new, more granular groupings of industries.

**YES / NO**

14. We have previously advised you that the increased responsibilities of industry skills bodies (ITOs) could include setting and/or moderating capstone assessments, either only where industry so desired, or across the whole system. You have not indicated whether you wish to include this in your proposal for change. We suggest you signal this as a possibility and indicate that you wish to seek public feedback on it, especially from industry.

**Agree** to propose in your Cabinet paper that industry skills bodies could have a role in setting and/or moderating capstone assessments, and that you intend to seek feedback on this idea through public consultation.

**AGREE / DISAGREE**

15. You signalled that you want to propose that industry skills bodies approve programmes, similar to existing models of occupational regulation such as the Education Council. This is not something that we have provided you advice on previously. We are thinking through this proposal and we will provide you with advice shortly. This could have considerable implications for quality assurance responsibilities across the system. In the meantime, we note that one option could be a "co-quality assurance" role between NZQA and industry skills bodies, as is currently the practice with the Teachers' Council, for example.

**Note** that we will provide you with further advice about your proposal for industry skills bodies to gain quality assurance responsibilities for off-job provision, including programme approval.

**NOTED**

16. Your proposal would result in ITOs becoming significantly different organisations than they currently are. The name, industry training organisations, may not be appropriate for the new type of organisations, particularly given that they will no longer be supporting employers to deliver education and training in the workplace. Given this, we suggest that your proposal does not refer

to ITOs as existing under that name in the future. For now, we suggest referring to "industry skills bodies".

**Agree** that your proposal for the vocational education system refers to "industry skills bodies" rather than ITOs.

**AGREE / DISAGREE**

### Notes

17. You signalled that you want to propose that existing regulatory systems and structures for professions like teaching and nursing remain unless there are reasons why this cannot be made to work. We do not immediately see any conflicts, but we will test this further over the coming months and through public consultation.

### Item 3: Other matters

18. **Your proposals** To make two further changes:

- Providers gain the responsibility for facilitating training (i.e. supporting employers to deliver in the workplace).
- Create one funding system for vocational education, which incentivises a blend of work- and provider-based delivery, and may include base and/or regional adjustment grants.

**Confirm** that this reflects your proposals for facilitating training and funding reform.

**YES / NO**

### Item 4: Matters for consultation

19. As you requested, we have identified issues that will need to be worked through. Items 1-3 have sought your views about issues we think should be resolved prior to consultation. We believe that a number of further matters are best considered following consultation. We seek your agreement to acknowledge these impacts in the Cabinet paper and work through them via public consultation. They include:

s 9(2)(g)(i)

- Impacts on degree and postgraduate provision: Our assumption is that the quality assurance described in item 2 will not affect degree and postgraduate provision. This will mean different quality assurance processes exist at sub-degree level and at degree and postgraduate levels. This could result in complexity for providers delivering both sub-degree- and degree-level provision.
- Design of ITP local advisory committees: We would like to seek public feedback on how the ITP local advisory committees should be constituted, and also to consider from a government perspective how they could interrelate with regional skills planning for economic development and immigration/social welfare decision-making.

s 9(2)(f)(iv)

**Agree** that these issues be signalled in your Cabinet paper as issues for further consideration, including via public consultation.

**AGREE / DISAGREE**



## Item 5: Risks

20. The new system being developed would create significant opportunities for improving skills for New Zealand and responding to future labour market needs. Disruption in the nature of skills demand is coming, and there is a need to take advantage of this disruption to create a new vocational education system that will be fit-for-purpose for the Future of Work. But given the significant scale of the proposed changes, there are a number of risks to work through.
21. We seek your agreement to signal some key risks in your Cabinet paper that you intend to manage during the process, including the following:
- ✓ The level of proposed change, in particular the shift toward more government steering of parts of the system, will elicit a significant response across the sector, including from universities.
  - Māori and iwi have significant interests in the vocational education system, including in providing education for Māori learners and in supporting Māori economic development goals and Māori employers. While consultation with some Māori groups and individuals has occurred as part of the VET system review and ITP Roadmap 2020 projects, the proposals now under consideration have not been developed in partnership with Māori and iwi. The Crown may be at risk of a claim under the Treaty of Waitangi if it does not undertake sufficient consultation with Māori and iwi on these proposals before public announcements and before taking decisions.
  - ✓ Given the scope of the proposed change, the risk is high that learners, employers and communities will experience significant disruption in educational services during the change process. This risk can be mitigated, but not eliminated, via resourcing strong change management across all existing ITPs and ITOs.
  - These proposals would result in significant disruption to ITP and ITO workforces. Tertiary education unions and ITP and ITO employees may have significant concerns about job losses and changes in employment terms and conditions. The change processes involved for ITPs and ITOs are likely to result in significant numbers of employees seeking new employment.
  - ✓ These proposals will require funding in order to deliver. While we will work carefully to identify likely financial implications up front, the scope of the changes mean that this will be difficult. There is a risk of uncertain costs and significant financial implications across multiple budgets.
22. These risks can partially be mitigated through careful consultation and implementation.

**Agree** that these issues be signalled in your Cabinet paper as key risks with your proposals.

**AGREE / DISAGREE**

## Item 6: Communications

23. Announcements in early 2019 about the proposed changes will command significant and prolonged media attention. The communications of your proposals will be complex and will require a number of stages, and different approaches with different stakeholder groups (including iwi and other Māori groups, industries, regions, unions, learners, etc.). We will provide you with advice soon about communications strategies.
24. Our advice will suggest that you make an announcement in December to the sector to update them on the progress of the VET system review and the ITP Roadmap 2020. At this stage, we envision that this announcement could explain that the two projects have joined together, and that you expect to announce in early 2019 what your vision is for the vocational education system.

**Note** that we will provide you with advice about communications shortly and that our advice will likely recommend an announcement in December signalling the creation of the new project and a likely further announcement in early 2019.

**NOTED**

## Item 7: Change plan

25. You indicated that if your proposals proceed you would like changes to be in place in 2020. We have prepared a high-level implementation plan which:

- allows time for engagement and consultation prior to making policy decisions and issuing drafting instructions for legislative changes
- allows for "Day One" of the new ITP to occur by July 2020.

This will be further tested and refined over the coming months, but we seek to understand your level of comfort with this draft approach and any key timing/sequencing matters.

Date	Activity
By January 2019	Cabinet agreement to high-level direction for change
January to June 2019	Planning, analysis, engagement, co-design (both on policy design and on operational details) Formal public consultation (March and April) Contingency established for funding transition
July and August 2019	Policy decisions by Ministers and Cabinet (including drawing down contingency) Approval to issue drafting instructions
September 2019 to May 2020	Legislation: Drafting, Introduction, Select Committee, Report Back, Royal Assent Continuation of detailed transitional planning for ITPs and ITOs
January 2020	ITP Establishment Board and transitional organisation set up
July 2020	Day One of new ITP <ul style="list-style-type: none"> <li>• ITP head office opens</li> <li>• New governing council in place</li> <li>• Bespoke funding arrangements for ITP begins in part (to support head office)</li> <li>• Heritage delivery arrangements still in place (although shift of training arrangement role from ITOs to ITP may be possible – if a simple lift and drop is feasible)</li> </ul> Other <ul style="list-style-type: none"> <li>• Instigation of government power to recognise industry skills bodies to allow industry skills bodies to form</li> </ul>
July 2020 onwards	<ul style="list-style-type: none"> <li>• Transition from heritage ITP administrative, student management, budget systems etc. to new ITP – noting that some ICT changes may be multi-year</li> <li>• Development of new regional delivery network and associated regional committees</li> <li>• Shift of arrangement role from ITOs to ITP (if a simple lift and drop from ITOs is not feasible)</li> <li>• Standard setting bodies begin funding and programme approval roles (following capability development)</li> <li>• Single funding system introduced from 2021</li> </ul>

26. We will need to align this with the proposed Education and Training Bill.

**Note** this initial indicative timeframe for reforms to vocational education.

**NOTED**

**Note** that this is an ambitious timeframe and part of our work to test and refine it will involve determining whether it is achievable.

**NOTED**

**Provide** feedback on any elements that you would like changed.

*Discuss*  
**YES / NO**

27. This is a significant change project and government agencies may need additional resources to deliver on it. We are working through what the work programme for this could look like and what it will mean for our capability and capacity needs.

**Note** that we will provide you with further information about our resourcing needs to deliver on this work.

**NOTED**