



Tertiary Education Report: Annotated Agenda to support RoVE Strategy Session on 10 April 2019

To:	Hon Chris Hipkins, Minister of Education		
Date:	8 April 2019	Priority:	Medium
Security Level:	In Confidence	METIS No:	1183856
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

An Annotated Agenda is attached to support your reform of vocational education (RoVE) Strategy Session on Wednesday 10 April at 7.30pm. This cover briefing provides a summary of the RoVE consultation and submissions analysis process and the proposed workplan leading up to Cabinet consideration on 24 June.

Recommended Actions

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

- note** the attached Annotated Agenda for your RoVE Strategy Session on Wednesday 10 April at 7.30pm

Noted

- note** that to prepare for your report back to Cabinet in June 2019 on your proposed reform of vocational education, officials would like to discuss with you a series of policy and design aspects for your direction

Noted

- forward** the attached annotated agenda to any additional ministers you may wish to include in the discussion

Agree / Disagree

- d. **agree** that this briefing will be proactively released once you have agreed the reform of vocational education at Cabinet.

Agree / Disagree



Grant Klinkum

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

08/04/2019



Tim Fowler

Chief Executive
Tertiary Education Commission

08/04/2019

Hon Chris Hipkins

Minister of Education



Strategy Session on 10 April

1. Officials propose that the Strategy Session on 10 April includes discussion on the factors critical to the success of the overall reforms, along with two pivotal issues that would shape the vocational education system (should the reforms proceed), the:
 - future of Industry Training Organisations' (ITOs) responsibilities for arranging training
 - factors to consider when designing the business model for a New Zealand Institute of Skills and Technology (NZIST).
2. We are also seeking feedback on two secondary issues related to the NZIST charter and its regional boundaries.
3. The attached Annotated Agenda provides further detail on these topics.

Summary of the RoVE consultation process

Who we engaged with

4. During the RoVE consultation, we have engaged with and heard the views of approximately 5,500 people through more than 185 stakeholder events held across the country. These events included:
 - 23 meetings with business and industry groups, attended by 177 people representing a broad range of industries including apiculture, civil contracting, motor trades, maritime, wood processing, casinos, aged care, meat processing, primary industries, construction, tourism, retail, technology, transport, aviation, standard setting bodies (for example, Teachers Council, Nursing Council, Master Plumbers, Master Electricians, etc.) and more
 - 94 meetings at Institutes of Technology and Polytechnics (ITPs), attended by 2,419 people representing ITP Councils, leadership teams, staff, and various learner groups
 - 32 meetings with ITOs, attended by 539 people representing ITO Boards, leadership teams, staff, apprentices and stakeholders
 - 11 hui, attended by 115 people representing Māori and iwi across learners, whanau, economic development, employment and other perspectives
 - 4 fono, attended by 94 people representing the perspectives of Pacific peoples
 - 15 community events, attended by 1,525 people representing a full range of community perspectives including Maori and iwi, Pacific peoples, industry bodies, standard setting bodies, employers, apprentices and trainees, students, local government, regional economic development, private training entities, learners with disabilities, learners with other learning support needs, and people who support learners
 - meetings with the three wānanga to understand how they consider reforms would best meet the needs and aspirations of Māori
 - several meetings with the wider education sector.

Process for submissions analysis

5. As at 8 April, we have received more than 1,750 online submissions on the RoVE. These included approximately¹:
 - 400 completed surveys

¹ The exact count will be confirmed after all submissions are analysed and tagged.

- 900 unique email submissions
 - 450 template submissions.
6. A dedicated team is managing the submissions analysis process, coding each 'free text' submission² so that opinions, themes and suggestions can be drawn together with feedback through the consultation survey.
 7. The submissions analysis process will also feed into the material we provide you through the Annotated Agendas on RoVE policy and design decisions (detail below).
 8. The advice in the attached Annotated Agenda notes relevant themes arising from feedback, drawing on what we heard at the events we organised, and the submissions received early in the consultation period.

Process for confirming policy and design aspects of RoVE

Officials propose a suite of RoVE Cabinet papers

9. You are due to report back to Cabinet on 24 June on the detailed policy and design aspects for RoVE. Officials are currently organising the work as a suite of Cabinet papers covering six areas, although this structure will remain open as we write and consult on them.
10. The current suite of Cabinet papers would include material on the following topics:
 - **Overview:** to tell the whole story about the system change for RoVE
 - Material for **each proposal:**
 - Proposal 1: Redefined roles for industry bodies and education providers: Setting out the high level objectives and rationale, as well as the detailed decisions required to support legislative change
 - Proposal 2: Create the NZIST: Again, high level decisions plus detailed legislative work
 - Proposal 3: Unified funding system: Addressing the principles and scope of the new funding system, and the sequencing of the work to design it.
 - **System implications:** This will explain the implications of the proposals for a range of actors. Whilst these will be built into the decisions above, this paper aims to concisely explain the overall effect of what is proposed for different groups. We are currently working on the implications for 14 different areas, including:
 - Apprentices and trainees
 - Māori, including iwi, Māori learners, business
 - Pacific learners, communities and businesses
 - International education
 - Disabled learners and those with additional learning support needs
 - Wānanga
 - Secondary schools and secondary-tertiary programmes.
 - **Financial implications,** including the cost of establishing the NZIST (supported by a Business Case), and the phasing of future financial decisions on Proposals 1 and 3.

² 'Free text submissions' include email submissions, template submissions, free-text components of survey submissions, and notes taken at the more than 185 stakeholder events

11. Cabinet will also be provided on 24 June with a Business Case for the NZIST, a Regulatory Impact Statement (RIS), and a full summary of RoVE submissions.
12. The detailed design for the role change proposal (including detailed costing and modelling) will not be completed by June. Following Cabinet decisions on 24 June, officials will undertake further work to collect data from ITOs and providers, undertake modelling, etc., to develop the design for Cabinet consideration in December 2019.

Confirming policy and design aspects of RoVE through a series of Annotated Agenda

13. To draft the above suite of Cabinet papers, the Ministry of Education (MoE) and the Tertiary Education Commission (TEC) will provide you with a series of Annotated Agendas to support discussions on the detailed policy and design aspect of RoVE.
14. The table below outlines the timeframe for the Annotated Agendas and the topics that are likely to be included in each.

Annotated Agenda	Policy and design aspects	Due with MO
AA1 – RoVE Strategy Session on 10 April	<p>Discussion on the factors critical to the success of the overall reforms.</p> <p>High-level design decisions on:</p> <ul style="list-style-type: none"> • where the 'arranging training function' sits within the new system • features of the business model for the NZIST • whether an 'enabling approach' is taken to the design of the RoVE legislation. 	Tuesday 9 April
AA2 – Design of role changes (Proposal 1)	<p>Test the high-level objectives and rational for the changes in light of consultation feedback. Specific policy decisions, with a focus on legislative change:</p> <ul style="list-style-type: none"> • who should arrange training? • who provides support for learners and employers? • Industry Skills Bodies (ISB) formation and recognition: how many should there be, and how much of a role is there for government? • ISB formation and recognition process • role of ISBs: skills leadership, moderation & assessment, qualifications and programmes, investment advice • operating funding for ISBs • transition arrangements for role changes to education providers and ITOs. 	18 April (for Minister's return on 23rd)
AA3 – Design of the NZIST (Proposal 2)	<p>Test the high-level objectives and rational for the changes in light of consultation feedback. Specific policy decisions:</p> <ul style="list-style-type: none"> • organisational form of the NZIST: type of Crown entity, relationship with government, accountabilities of national office to regional structure and vice versa • governance: design of council, appointment process, inclusion of student, Māori, industry and other stakeholder voices 	Wednesday 1 May

	<ul style="list-style-type: none"> • design of the charter, approach to structure of NZIST's administrative regions [these items may not be needed depending on discussion on 10 April]. • approach to Regional Leadership Groups (following on from the discussion between Labour Market Ministers on 13 March) • regulatory framework: statutory interventions (e.g. monitoring) required to manage Crown risk, approval of borrowing, acquisitions and disposals, design of capital framework, process for Investment Plans, etc. • Centres of Vocational Excellence • transitional arrangements for ITPs 	
AA4 – Design of a unified funding system (Proposal 3), financial implications, and wider system implications	<p>Unified funding:</p> <ul style="list-style-type: none"> • outline principles for the design of the unified funding system • set out the scope and sequencing for reforming the funding system. <p>Fiscal implications:</p> <ul style="list-style-type: none"> • approach for estimating and managing near-to-medium term fiscal implications via Budget 2019 contingency • approach for managing longer-term / ongoing fiscal implications <p>This agenda will also provide a summary of system implications for different population groups, providers etc. (e.g. for Māori, Pacific, wānanga).</p>	Wednesday 8 May

15. The structure and content of the Annotated Agendas may change as work progresses. Following the 10 April session, we will seek to agree topics for discussion at the next Strategy Session on 24 April.

Annexes

Annex one: Annotated Agenda for RoVE Strategy Session on 10 April.

AGENDA

Reform of Vocational Education 10 April Strategy Session, 7.30pm

Attendees

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

Purpose

1. Work is underway to analyse the feedback collected from over 185 meetings with more than 5,500 people, along with 900 unique email submission, 450 template submissions, and 400 submitted surveys collected during consultation on the reform of vocational education (RoVE). This stakeholder feedback will inform our advice on policy and design aspects of RoVE which will be provided to you through three briefings from mid-April onwards¹.
2. This Annotated Agenda seeks to support an early discussion about the factors critical to the success of the overall reforms, along with two pivotal issues that would shape the vocational education system (should the reforms proceed): the future of Industry Training Organisations' (ITOs) responsibilities for arranging training, and the potential business model for a New Zealand Institute of Skills and Technology (NZIST).

Item one: Factors critical to the success of RoVE

Feedback from stakeholder events

3. Through the more than 185 stakeholder events, officials have received considerable feedback and a diverse range of views on the proposed reforms. Key themes that have emerged include:
 - a. stakeholders generally support the need for change in the vocational education system and agree with the high-level objectives of RoVE
 - b. ITOs and some employers are concerned that shifting the 'arranging training' function from ITOs to providers (who may not currently have the capability to deliver this) could reduce the quality of work-based training and employers' willingness to train, potentially leading to a reduction in the skills pipeline
 - c. ITPs (and some other regional actors) are concerned that a highly consolidated model for the NZIST could reduce the flexibility necessary to cater for the unique needs of regions and learner groups, and could reduce local support for their regional arm of the NZIST that has been critical in its success to date.
4. Further detail on stakeholder feedback is incorporated throughout this Annotated Agenda (see paragraphs 17 and 27). Please note that these summaries of view are based on an initial review of submissions and feedback from events. A full assessment of stakeholder views will be incorporated in future advice.

¹ There is more detail on this in the cover briefing

Key principles and outcomes of the reform

5. Stakeholders generally support the high-level objectives of the RoVE, as set out in the consultation document. These outcomes were to create a vocational system which:
 - a. **delivers to the needs of all learners** – i.e. learners have access to vocational education that is relevant, adaptable, high-quality, and which leads to successful employment outcomes for all learners (in particular those underserved by the current system, such as Māori and Pacific learners)
 - b. **responds to the needs of employers** – i.e. employers find it easy to access training that is suitable for their changing needs, is adaptable, and that increases the productivity of their business and their ability to attract talent
 - c. **is collaborative, flexible and sustainable for all regions of New Zealand** – i.e. there is more integration between class-based and work-based learning, the system is adaptable, regional stakeholders have a strong voice, and there is more regional delivery
 - d. **builds on New Zealand's reputation** as a great place to study – i.e. our vocational education system is internationally recognised, consistently branded, and is attractive to both domestic and international learners.
6. In addition, many stakeholders identified areas of emphasis and/or principles that expand on the high-level objectives. A working summary of these is that the reforms should aim to:
 - a. create an **integrated system** which gives voice to the users of the system: learners, employers, regions, communities, and the staff within it
 - b. deliver **more and better vocational education** across all regions that is relevant to the changing needs of employers and learners
 - c. uphold and **enhance Māori-Crown relationships** and the principles of the Treaty of Waitangi, which includes imbedding the implications of this partnership in governance and structural arrangements across the new system
 - d. take into account **the transition risks**, and the potential effects of uncertainty and/or disengagement by learners, employers, tertiary education staff, and other stakeholders
 - e. create **clear roles** to support integration, strong specialist functions, and avoid conflicts of interest
 - f. ensure the new system is **future proofed** so that it can respond effectively to new challenges and opportunities as they arise.
7. RoVE is one of the major system design components of your *Education Work Programme* and we will be taking a whole-of-system lens as we analyse submissions and step into more detailed option development. We will assess where particular functions and their corresponding accountabilities are best placed across local, aggregated and/or national levels. This will include questions about regionalisation and connectedness with other sectors and priorities, and maximising opportunities to make better connections with other social services, employers and communities.

Views on the potential for reform

8. As noted above, there is very broad (although not universal) agreement with the overall objectives of the reform and with the need for some form of change. Some of the key themes from this are:
 - a. support for a system that gives its users a stronger voice. For example:
 - employers and industry groups generally agreed they wanted more say over

provider-based learning, and had mixed views about their influence over industry training

- Māori stakeholders (including iwi, providers, and communities) supported a stronger voice for Māori, built in through structural and governance design
- Pacific stakeholders also sought influence to drive a culturally competent sector that responds to the diversity of Pacific people

b. support for a more integrated system, including more coherent qualifications and programmes – especially from the users of the system

c. a desire to see more and better vocational education:

- employers seek training that better meets their needs, for example through increased flow of skilled workers from provider-based (especially school) education and from increased training activity across their industry
- learners want to know that they will be supported to achieve, and that what they learn is in demand from employers.

9. However, there is much greater diversity of views as to the desirability of each proposal, or of specific components of these.

10. Based on our understanding of the ITP sector, and engagements and consultation feedback to date, officials consider that the ITP component of creating the New Zealand Institute of Skills and Technology (NZIST) (i.e. bringing the functions and activities of the current ITPs into one organisation) is deliverable. Key points that officials have taken to date include:

- a. the creation of the NZIST can deliver against some of the goals of the system reform, particularly in relation to promoting collaboration instead of competition between ITPs; improving quality and consistency of delivery across the network; and securing efficiencies across the network through consistency of good practice and where it makes sense to only perform a function once, rather than 16 times
- b. other gains that are not strictly dependent on structure, could be secured at the same time, for example: accelerating the development of new programmes and content; the use of Centres of Vocational Excellence to drive new programme content; and applied research
- c. the business model and internal structure chosen for the NZIST will impact on the likely deliverability of these gains. Genuine local responsiveness and connectedness - a key goal of the reforms - requires substantive operations and people located in the region. Within those regions, relevant staff must have some ability to make decisions locally, rather than having to continually refer to a central organisation. This implies an approach to the NZIST that is more devolved and retains a significant degree of (earned) autonomy locally. This will not be the lowest-cost option compared to the status quo, but will maintain the platform for improved local responsiveness
- d. the transition costs and risks (especially disruption to student enrolments, management and staff restructuring and ICT integration) are very significant, and easily underestimated
- e. maximising stability and certainty for students and staff, including by setting up an establishment entity to take forward the transformation work, will be vital in managing the transition, from the moment Cabinet decisions on a way forward are announced.

11. However, the creation of the NZIST, in and of itself, is unlikely to fully deliver on the goals of RoVE. To achieve system change, Proposal 1 – Role Changes, also needs to progress. Key points on implications for the NZIST of the Role Changes reform are:

- a. in transferring some or all of the ITOs' current arranging training functions to providers, a material proportion needs to be transferred to the NZIST if there is to be a genuinely seamless in-work/out-of-work education and training environment, and fully align the

NZIST to industries' and employers' needs

- b. there are very significant challenges to this, not least in developing the necessary culture and capability within the NZIST (even if staff were to transfer directly from ITOs). From what officials have seen, very few ITPs truly grasp the magnitude of change to current culture and operations that this requires, or the likely timeframe that a true transition may take
 - c. it is also worth noting that the level of support for the NZIST from the current ITP sector is heavily dependent on Proposal 1 proceeding.
12. Similar challenges would exist for wānanga and Private Training Establishments (PTEs) who seek to take on responsibilities for apprentices and trainees.
13. In relation to the creation of Industry Skills Bodies (ISBs) more generally, officials still consider that the addition of the "bookend" roles to current ITO roles would strengthen the system. But there are still a number of critical themes under consideration:
- a. whether there are viable "half-way" options for arranging training functions that would create the best prospect of delivering on the reform's goals – some that could generally be kept within ISBs, and others that should generally be transferred
 - b. how responsibilities for employer support should be divided between ISBs and providers; if ISBs remain in regular contact with employers it could strengthen the feedback loops into their other functions and help employers navigate the education system, but it could create double-handling for employers
 - c. how the transition could operate, given the aspiration that arranging training functions transfer to a wider group of providers than just the NZIST, and in the face of likely strong resistance to the changes from current ITOs s 9(2)(g)(i)
- This creates a high risk of disruption to employers' use of the education and training system, and a dip in the volume of training through transition.
14. The rest of this paper explores these issues in more detail.

Item two: Where 'arranging training' could sit within the new system

15. **Proposal 1** of RoVE, as outlined in the consultation material, proposes changes to the roles of industry and providers, including that:
- a. new ISBs would have a much stronger influence over all vocational education provision compared with the current ITOs, but industry bodies would no longer arrange training in workplaces
 - b. providers would be responsible for all training, including in workplaces
 - c. there was openness as to whether support to employers was undertaken by providers, ISBs, or some other party.
16. The purpose of these role changes was to:
- a. establish clear roles and responsibilities for industry and providers that removed the undesirable competition that currently exists between these organisations
 - b. achieve a unified system, where learners could move between study and work without disruption to their learning
 - c. address the growing conflict of interest between ITOs' responsibility for qualifications design and standards setting and their reliance on revenue from arranging training in the workplace.

Initial assessment of what stakeholders think

17. Based on our stakeholder engagement on Proposal 1 throughout the consultation period, and a preliminary assessment of online submissions, officials consider that:
- a. **providers** are:
 - generally supportive of the proposed expansions of their responsibility into workplace learning
 - not always clear about what this would actually involve, in particular the change in their capabilities and practice that would be required.
 - b. **ITOs** are:
 - supportive of the need for change and the overarching goals of the RoVE and in expanding the skills leadership functions of industry through the creation of ISBs
 - significantly concerned about the proposal to transfer the arranging training function from them to providers. Concerns include the evidence base for the change, and the ability of providers to meet employers' needs (they have not built trust relationships with employers and/or cannot advise on training in the workplace and/or have a culture that is not receptive to building these relationships)
 - concerned about the high cost of change, and how the ISBs would access employer/industry financial support.
 - c. **employers:**
 - generally support the reform of the ITP sector and the creation of a unified funding system, but their support or opposition to the role changes proposal depends strongly on their experience with their current ITO(s)
 - are concerned about the potential for disruption to the system and the flow on effects this would have on acquiring skilled workers; for example, they are concerned that new employers may not engage with a system undergoing change and that some employers may not engage with the formal qualifications system in the future because of negativity toward it
 - are concerned about the ability of providers to support on-job learning and the extent of culture change that would be required within providers to deliver this. They also raised concerns about the potential for an increase in provider-based learning components (i.e. off-job during regular business hours) which would create a significant cost to employers.

Options for where the 'arranging training' function would sit

18. In light of their concerns, several ITOs have suggested alternative approaches to the future of arranging training function. They have also suggested ways to manage the transition of this function.
19. The diagram below sets out a range of options between the status quo and the proposals set out in the consultation document. We want to discuss these with you, along with any other options you would like us to explore. Two new options are included that reflect ideas discussed with officials during stakeholder consultation – other ideas may be identified from submissions analysis.

Status quo	Options presented by the sector		Options proposed in consultation documents		
1. Industry sets standards and arranges workplace training	2. ITOs as purchasers Status quo, but ITOs cannot spend arranging training funds on themselves, and must outsource provision from providers	3. Transition via a holding company As per consultation proposal, but ITO arranging training function transitions into single company that (eventually) merges with providers (BCITO proposal)	4. ISBs also support employers ISBs set standards, but also brokers provision & supports employers. Providers deliver training	5. Providers arrange training Industry sets standards, influences all provision, but providers deliver training	6. Extended transition Same as 5, but slow transition (e.g. 5 years)

20. Table one below assesses the options against principles and outcomes for RoVE proposed in paragraph 6.

Table one: analysis of options for where the 'arranging training' function would sit

Assessment criteria	1. Status quo	2. ITOs as purchasers	3. Transition via a holding company	4. ISBs also support employers	5. Providers arrange training	6. Extended transition
Integrated system	XX	XX	X	✓✓	✓✓	As 4 or 5.
More and better vocational education	X	✓	--	--	✓✓	As 4 or 5.
Enhanced Crown-Māori partnership	XX	X	✓	✓✓	✓✓	As 4 or 5.
Minimises transition risks	✓✓	--	✓	X	XX	✓
Clear roles for providers that avoid conflict of interest	XX	✓	✓	✓	✓	As 4 or 5.
Future proofed system	XX	--	✓✓	--	X	As 4 or 5.

21. Attachment one provides further detail on this assessment.
22. We would like to discuss these options with you, to help us identify what further information and advice would support you in reaching a decision.
23. In consultation, we received significant feedback about the transition challenges associated with shifting responsibilities for arranging training. We will explore this further in future advice, but they include communicating directly with all employers (especially those currently served

by ITOs) throughout the change so that they understand and have confidence in the new system, fundamental capability and cultural changes within providers, and ensuring providers' training offerings continue to offer the diversity of approaches currently available through ITOs.

Recommendations

24. It is recommended that you:

discuss with officials what further information and advice would be helpful to understand the strengths of different options for arranging training (from Table one)

seek officials' views on a preferred option.

NOTED

Item three: NZIST business model

25. **Proposal 2** of RoVE, as outlined in the consultation material, proposes changes the ITP sector, including the:

- a. transfer of the functions and activities of the ITPs into entity single new entity, under a single council
- b. on-going provision of regional delivery together with centralised support services
- c. establishment of regional leadership groups (RLGs) to provide input into regional skill settings
- d. creation of centres of vocational excellence (CoVEs), where expertise in a particular area is recognised and developed.

26. The purpose of consolidating ITPs into a single organisation was to:

- a. create a balance between national and regional needs and promote more collaboration between regions and between stakeholders involved in vocational education
- b. ensure strong regional involvement in skill settings, and better connected education at a regional level (between the institute and regional groups)
- c. address competition within the vocational education systems between providers (including ITPs) and industry groups.

Initial assessment of what stakeholders think

27. Based on our stakeholder engagement on Proposal 2 throughout the consultation period (including engagements with the 16 ITPs and other providers) and a preliminary assessment of online submissions, officials consider that:

- a. **submitters** in general are:
 - supportive of the need to change the delivery of vocational education and how ITPs currently operate (or fail to operate)
 - very supportive of the need to reduce competition, bring separate training and funding systems together, and incentivise collaboration (both within the ITP sector, and between the ITP sector and other vocational education groups).
- b. **ITPs** are:
 - in the majority of cases, supportive of the need for change (in that the current system cannot continue as it is)
 - sceptical that the change being proposed will accomplish the outcomes being

sought

- thinking of the proposal as more 'of 16 into 1' rather than 'a new entity' with completely different skills and capabilities
- in a handful of cases, not convinced of the need for change at all, or are supportive of only a limited amount of change that retains the status quo of regional autonomy.

c. **Concerns** have focussed on:

- the mix of authority and decision making between the newly formed consolidated council, and the regions
- how the new consolidated council would be formed, how regions would have a say in its formation, and how regions would be represented on that council
- how the RLGs would be formed and what authority they would have (i.e. their level of influence within the system)
- what controls would exist to monitor and manage the performance of the new entity
- a desire to retain regional culture and branding, and in some cases, the potential of retaining local assets.

28. The analysis below assumes that a version of the NZIST will go ahead. We acknowledge that any decision to proceed with this reform is subject to Cabinet consideration.

The business model for the new NZIST

29. When considering what business model may be appropriate for the creation of the new NZIST, we are seeking to balance the concerns heard through our engagement with the need to ensure that a robust and accountable organisation is developed.

30. *Attachment two* contains some of our initial thinking about the key functions we consider are required for a successful NZIST operation, and subsequently, the success factors which may imply whether functions should be held nationally or regionally.

31. While the balance between autonomy and consolidation within the NZIST has been the topic most widely raised during the consultation process, we believe this conversation should be principally framed around the approaches most likely to deliver the goals of the reform. Within this, regional responsiveness, and the ability for the NZIST to deliver and connect at a regional level, is a critical part of our consideration.

32. In addition to considering which option might be best suited for achieving the overall system reform required for vocational education, there is also the question of whether or not a standardised model is applied across the entire system, or some form of variable approach is taken.

33. Feedback from the sector has noted that well-performing ITPs have developed strong and productive relationships within their region, across all levels of their organisation. They have highlighted the importance of maintaining these regional connections and buy-in from the local community, to help ensure that volumes of delivery are retained. Taking a highly-consolidated approach to the NZIST could make it more difficult to maintain these relationships.

34. As we get further into this process, we will be able to drill deeper into business models and their functions, including where different levels of functions apply across local, aggregated and national levels. This is the same approach we are taking with other system design parts of the work programme, in particular the Tomorrow's Schools review, so that schooling and vocational education can function as a connected and mutually supporting parts of an overall education system.

35. We are also considering:

- a. the appropriateness of an earned autonomy model, and how this could potentially be applied across different organisational structures,
- b. how governance could apply within any potential new NZIST model, including the risk and monitoring function of the NZIST and whether this is an external or internal function.

Recommendations

36. It is recommended that you:

discuss with officials your thoughts on the key functions required for an NZIST

seek officials' views on a preferred potential option for the NZIST business model.

NOTED

Secondary issues

37. There are two further items we seek your direction on:

- a. design and drafting of the NZIST charter
- b. approach to determining the regional structure of the NZIST.

38. While these decisions are not as critical to the overall shape of the RoVE as decisions regarding the 'arranging training' function and the consolidated versus devolved models for the NZIST (discussed previously), a timely decision is required on both these aspects.

Design and drafting of NZIST charter

39. This section outlines issues related to the design and drafting of the NZIST charter (the charter) including possible 'principle level' requirements for inclusion in the charter.

40. We require your direction on this decision at an early stage, to ensure that we have sufficient time for follow up work prior to legislation drafting, if required (and should Proposal Two progress as outlined).

Options for developing the proposed charter

41. You have indicated that the charter should be included in the legislation, and that it would set out key principles and expectations of the NZIST, at a high level. We note that this would therefore be a different type of charter than others currently in place (or have historically been used) in the education system; for example, school charters (which are developed by the school), and Tertiary Education Organisation (TEO) charters, which are minister-approved statements on the role and mission of the TEOs.

42. Officials consider there are two main options for building the NZIST charter into legislation:

- a. **Option one – enabling legislation:** a provision is inserted into legislation that would allow for the co-design, drafting, and placement of a charter into secondary legislation (e.g. by order in council) at a later date, but with a clear timeframe for this process. This could either endure in secondary legislation, meaning it could be adjusted over time more easily as needs require, or subsequently folded into primary legislation, e.g. when the Education Act is next amended.
- b. **Option two – full charter built into legislation:** a full charter is drafted into the Bill and would take effect at the time the legislation is passed. The Bill would refer to the charter as a guiding document for the NZIST. The guiding principles would be clearly in

the proposed legislation as further work is done on implementation. However, consultation on the specifics of the charter would need to be achieved through the parliamentary process of consultation on the proposed Bill.

43. Feedback from consultation will be critical to identify the content and requirements for the charter. Stakeholders are likely expect to seek a reflection of their fundamental principles and values in the charter, in order to set the direction and tone of the new entity. Significant involvement and agreement from stakeholders, including iwi-Māori, Pacific communities, regions and industries would create buy-in and assurance that the NZIST will respond to their needs.
44. *Option one – enabling legislation* would provide greater opportunity to gain strong buy-in from key stakeholders to the NZIST charter, and this will be critical to the long-term success of the NZIST. We would provide further advice on this process, including who should lead the co-design.

Academic freedom

45. The protection of academic freedom could also be included in the charter, although there may be some merit to having it as a separate legislative provision (i.e. as its own section of the Act). Having a separate provision for the protection of academic freedom would allow it to sit on an equal footing to other provisions in the Act - including the charter itself. It is likely that the existing provisions would be sufficient, although we will explore this further and during the legislative drafting process. If the charter is to be secondary legislation set by order in council (Pathway one), we would recommend protections of academic freedom remain in primary legislation.

Recommendations

46. It is recommended that you:

discuss with officials your preferred approach for drafting of the NZIST charter:

- a. Option one: insert a provision providing for the drafting and confirmation of a charter, e.g. by order in council to be made once the Bill is passed, or
- b. Option two: draft a charter of guiding principles for inclusion in the bill, which would take affect when the bill is passed.

NOTED

Approach for determining the regional boundaries of the NZIST

47. You have indicated that government would have a role in determining the regional structure of the NZIST, in order to improve alignment across government. To do this, officials would work with the State Services Commission (SSC) and other government agencies to align boundaries, in particular:
- a. SSC's review of administrative boundaries across government
 - b. work of the Ministry of Business, Innovation and Employment and the Ministry of Social Development on their regional skills responses
 - c. any regional structure established following the review of Tomorrow's Schools (next step in this work is a report to you by 30 June).
48. Officials' current preferred approach would be to include provisions in the legislation to allow the government to subsequently instruct the NZIST as to its regional structure. This would leave time to work through the regional alignment matters across government, and to sequence the changes in regional boundaries within the NZIST network with the wider transition programme. There would otherwise be a risk of adding significant complexity into the transformation process.

Recommendations

49. It is recommended that you:

discuss with officials your preferred approach for determining the regional boundaries of the NZIST.

NOTED

Proactively Released