



Education Report: Options to implement the extension of the Group Training Scheme Fund

To:	Hon Chris Hipkins, Minister of Education		
Date:	30 April 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1256699
Drafter:	Kate Wynands	DDI:	9(2)(a)
Key Contact:	Eleonora Sparagna	DDI:	
Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

On 8 April 2021, you agreed to extend the time for Group Training Schemes to use allocated Group Training Scheme Funding - for specified priorities, and to 30 June 2022 or until current funding is exhausted [METIS 1254420]. This report recommends a process for this extension.

Recommended Actions

The Ministry of Education recommends you:

- agree** to implement the GTS Fund extension by the TEC rolling over existing contracts (with previously established priorities and monitoring requirements), and not formally “recovering” unspent funds in the current fiscal year, for re-allocation in 2021-22
- sign** the attached letter to Mr Greg Wallace, CEO Master Plumbers and Masterlink, informing him of the extension
- note** the TEC will engage with GTSs on implementation details as soon as practicable
- note** that this Education Report will be proactively released with any information withheld done so in line with the Official Information Act 1982 and your expectations.

Agree Disagree



John MacCormick
Acting Group Manager, Tertiary Education
Te Ara Kaimanawa
30/04/2021



Hon Chris Hipkins
Minister of Education

19/5/2021

Background

- 1 Group Training Schemes (GTSs) are primarily not-for-profit industry-based organisations that employ apprentices and place them with 'host' employers. In 2020, a GTS Fund was designed to ensure GTSs could continue operating through the labour market uncertainty created by COVID-19.
- 2 In your delegation letter to the Tertiary Education Commission (TEC), the GTS Fund was to be administered by the TEC in the following order of priority:
 - *Priority A:* Maintain current apprentices employed by the scheme.
 - *Priority B:* Reconnect with apprentices let go since the impacts of COVID-19 (i.e., they must offer those apprentices their places back if possible).
 - *Priority C:* Employ any additional apprentices necessary to bring numbers up to a viable level, not exceeding their usual level, as long as training arrangements are in place for the additional apprentices and the GTS can show a viable pathway to in-work training.
- 3 GTSs were allocated funding according to these priorities. The fund was set to expire on 30 June 2021. Table 2 in Annex 2 includes the funding GTSs reported that they used for each of the respective priorities.
- 4 In April 2021, you agreed to extend the time-period in which GTSs could use their remaining allocated funding to 30 June 2022, or until current allocated funding is exhausted, for specified priorities [METIS 1254420 refers].
- 5 You requested further advice on how to implement the extension of the GTS Fund. This report follows initial advice discussed with your office.

Implementation options

- 6 The time-period of the GTS Fund can be extended for specified priorities in two ways: by adjusting current contracts; or by recovering unspent 2020-21 funds and reallocating them under revised contracts for 2021-22.

Option 1 (recommended):

Adjust current contracts to extend to June 2022, allowing faster notification to GTSs

- 7 We recommend an approach under which the TEC would not recover any funding paid to GTSs before 30 June 2021 that would usually be recovered.
- 8 The existing contracts with the GTSs would be rolled over and current TEC monitoring would continue. Contractually, funding would be limited to the priorities specified in the existing contracts. The TEC would re-negotiate with individual GTSs on how to prioritise their remaining funding within those existing priorities in a way that best supports the GTSs to continue employing apprentices while reducing their reliance on the GTS Fund. At the end of June 2022, any unused allocated GTS funding would be recovered by the TEC in the usual way.
- 9 Ministers would not need to approve any expense transfer to the next financial year, as from an appropriations standpoint the funding would remain committed by the Government in 2020/21.
- 10 This approach quickly provides GTSs certainty of funding, as the TEC will be able to negotiate with individual GTSs on how best to spend their unutilised GTS funding immediately following your agreement.

- 11 As current contracts can only be adjusted by negotiation, this approach limits the TEC's ability to change how priorities are specified and how GTSs' activities are to be reported and monitored. However, the risk of GTSs mis-spending the allocated funding is low. GTSs are mission-focussed bodies that are not likely to fail to support the needs of their apprentices and client employers. The TEC would continue to monitor GTS's performance and possibly adjust contracts to help to manage this risk.

Option 2: Recover and formally transfer GTS Funding to apply stronger prioritisation

- 12 The alternative option is for the TEC to recover any allocated unutilised funding paid to GTSs before 30 June 2021. Recovered funds would be transferred to the 2021-22 financial year (with joint approval from the Minister of Finance) and re-allocated by the TEC according to specified priorities re-negotiated with the individual GTSs.
- 13 Benefits of recovering and formally transferring underspends to 2021-22 are:
- The TEC can reallocate funding, with GTSs potentially receiving different shares.
 - New contracts could include improved reporting and monitoring requirements.
 - You could direct the TEC to specify new priorities in the contracts, for example identifying new priority skill or occupation areas.
- 14 If you wish to redefine priorities for the GTS Fund, the TEC could ask each GTS to identify a single priority area that most effectively addresses skill supply needs for a post-COVID-19 economic recovery (i.e., support for construction apprentices). However, a large proportion of apprentices are already working in areas that would be prioritised, and such a change for a one-year extension of the current fund is unlikely to significantly influence GTS apprentice numbers in any specific area for 2021-22.
- 15 The TEC could also ask GTSs to focus on a single priority area until June 2022, without changing the original contracts. However, there is a potential risk of legal challenge to any decision to treat different GTSs differently while administering funding allocated through the same initial process.
- 16 The key disadvantages of the "recover and re-contract" approach are delay and uncertainty. As the Budget moratorium is in place, joint Ministerial approval of any transfer of funds between years would occur in June 2021. GTSs would not be provided certainty of funding until then, and in the interim they may make decisions that compromise their ability to achieve the underlying objectives of your decision to extend the fund.

Comparison of options 1 and 2

Table 1: comparison of options

Options	TEC's ability to steer priorities for GTSs	Ability of TEC to monitor the GTSs spending	Time period for GTSs to plan for change
Option 1: Adjust current contracts, do not recover funding	✓	✓	✓ ✓
Option 2: Recover and formally transfer GTS funding	✓ ✓	✓ ✓	× ×

Next steps

- 17 If you agree to our recommended option to implement the extension by amending existing contracts and note recovering funding, we recommend that you sign the attached letter to Greg Wallace (Chief Executive of Masterlink and Master Plumbers), who you met with in March to discuss this issue. The letter informs Mr Wallace of the extension and that the TEC will contact all GTSSs shortly to communicate the details and next steps of the extension.
- 18 If you choose the alternative option of the TEC recovering funds and reallocating funds under new contracts, we will prepare a report seeking the Minister of Finance's agreement to an expense transfer. In this case, any formal communication to the GTSSs would be best deferred until the pre-budget moratorium ends and this transfer is approved.

Proactive Release

- 19 The Ministry of Education intends to proactively release this report as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Annexes

Annex 1: Letter to Greg Wallace

Greg Wallace

Ref: CH3884

Chief Executive, Master Plumbers & Masterlink

9(2)(a)

Dear Greg

Thank you for your email of 29 March 2021 following up on our meeting.

It was good to meet with you and Colleen Upton in March. I value your input as our education system fully implements the Reform of Vocational Education, and I agree it is important for our apprentices to be well served by competent and compliant training that meets the needs of industry.

The Group Training Scheme Fund has been successful in supporting Group Training Schemes to ensure apprentices in these schemes continue in employment and training following the COVID-19 lockdown. Following our meeting, I have decided to extend the time-period for Group Training Schemes to use their allocated funding to 30 June 2022, or until current allocated funding is exhausted, for specific priorities.

The Tertiary Education Commission will contact you and the other Group Training Schemes shortly to communicate the details of this decision and the next steps.

It is great that the Tertiary Education Commission is working with you to resolve capacity issues at block courses. I am advised officials are continuing to review block courses and the establishment of Workforce Development Councils will also contribute to this review. As you know, the timeframes for these courses are designed to suit those students who require more time to complete the course, but the points you have raised will be included in the review.

Thank you again for writing. I appreciate your continued commitment to our education system.

Yours sincerely,

Chris Hipkins
Minister of Education