

Tertiary Education Report: draft Cabinet paper – Targeted training and apprenticeship fund

To:	Hon Chris Hipkins, Minister of Education		
Date:	22 May 2019	Priority:	High
Security Level:	In Confidence	METIS No:	1228971
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

Attached to this briefing is a draft Cabinet paper: *Budget 2020 – targeted training and apprenticeship fund* (the Fund). This Cabinet paper seeks:

- authorisation for you to make necessary amendments to the policy settings for funding tertiary education organisations in order to implement the policy framework for the Fund, and
- agreement to the vocational areas that the Fund will initially target for the 2020 year.

The aim is for a brief ministerial consultation process to be conducted prior to lodging the Cabinet paper on Monday 25 May, for consideration by the Cabinet Social Wellbeing Committee (SWC) on Wednesday 27 May and Cabinet on Tuesday 2 June.

Recommended Actions

The Ministry of Education recommends that you:

- agree** that the scope of the *targeted training and apprenticeship fund* (the Fund) be aligned with the intent of the proposed Apprenticeship Support initiative by extending coverage of the Fund to all apprenticeships, not just those within the targeted areas,

Agree **Disagree**

- agree** to lodge the Cabinet paper on Monday 25 May, for consideration by the Cabinet Social Wellbeing Committee (SWC) on Wednesday 27 May and Cabinet on Tuesday 2 June,

Agree **Disagree**

- c. **note** that agreement to the recommendations in the attached draft Cabinet paper are required by 2 June to enable agencies to progress the changes to the policy settings and to communicate with tertiary providers and learners about what programmes will be free through this Fund from 1 July 2020 (i.e. to inform learner decisions),
- d. **note** that the Ministry is working with the Tertiary Education Commission and the New Zealand Qualifications Authority to confirm implementation costs associated with the Fund, and whether this can be met within their existing baselines or whether within-Vote Tertiary Education transfers may be required, and
- e. **agree** that this briefing and the final Cabinet paper will be proactively released once associated announcements have been made, with any redactions in line with the provisions of the Official Information Act 1982.

Release Not release



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22/05/2020



Hon Chris Hipkins

Minister of Education

24 / 5 / 2020

Background

1. The Budget 2020 initiative *Targeted training and apprenticeship fund* (the Fund) was funded through the COVID-19 Response and Recovery Fund Budget Package to fund targeted provision free from 1 July 2020 to 31 December 2022. This had been brought forward to 1 July 2020 from start of the 2021 year, to provide more immediate support and lessen the risk of people deferring study until 2021.
2. Through the Budget 2020 process and in an education report [METIS: 1228253] you confirmed the key policy settings for how the Fund would operate, the initial vocational learning areas the Fund would target, a simplified funding approach for 2020, and agreed to take a paper to Cabinet seeking confirmation of these decisions.
3. The attached draft Cabinet paper:
 - a. sets out the policy framework for the Fund,
 - b. seeks authorisation for you to make necessary amendments to the policy settings for funding tertiary education organisations (TEOs) in order to implement this policy framework for the Fund, and
 - c. seeks agreement to the vocational areas that the Fund will initially target for the 2020 year.
4. **Annex one** provides a draft Cabinet paper for your comment.

Key points to note in draft Cabinet paper

Modifications to the key policy settings for the Fund

5. The key policy settings for how the Fund will operate, set out in the attached Cabinet paper, reflect the settings you confirmed in the previous Education Report [METIS: 1228253]. However, some modifications have been made to these settings, including that the Fund will:
 - a. be available for all apprenticeship-based learning, and
 - b. specify that it makes study and training free to learners by covering course fees, compulsory course costs, and compulsory student services fees payable by learners (or in some cases employers) to TEOs.
6. In regards to the first change, we consider that allowing the Fund to support learners undertaking any type of apprenticeship, not just those within the targeted vocational learning areas, would ensure consistency with the intent of the proposed new Apprenticeship Support initiative which is not targeted at specific apprenticeships.
7. Without this alignment, a business may receive support for their apprentice through the Apprenticeship Support funding, but then the employer and the learner will have to pay fees to their Transitional Industry Training Organisation, if they are not in the targeted industries.
8. The main rationale for having targeted industries is to invest in skills needed by industry for the economic recovery. For apprenticeships in non-targeted industries, these learners already have employment even if these areas are not expected to see employment growth. If they have been able to be retained, or gain employment in these industry areas, then their on-job training is still a skill that industry needs.
9. It is estimated that around 80 percent of apprenticeships training volumes would already be covered under the set of targeted areas, particularly through construction.

Given the economic impact of COVID-19 is expected to reduce employment and industry training volumes, the targeted areas could in the future cover a higher share of all training since these areas are expected to have more skill needs than other industry areas.

10. The change to cover all apprenticeships would mainly benefit apprenticeships in: auto-engineering, hairdressing, and food and hospitality. An approximate estimate of covering the additional apprenticeships not in the targeted areas, is an additional \$10-\$15 million per annum, depending on the expected volume reduction within industry training. We estimate that this could be met through the current appropriated funding (additional funding through the COVID-19 Response and Recovery Fund Budget Package and baseline funding within the Tertiary Tuition and Training MCA).
11. In regards to the second change, this is further detail to ensure that it is clear which fees are covered by the Fund (not just standard course fees, but also some other compulsory course costs). This will mean the Fund covers the range of compulsory fees for the course that a learner would otherwise incur. This aligns with the current approach for covering fees within the 'first-year' Fees Free policy.

Modifications to the initial targeted areas for 2020

12. The wording of some of the vocational learning areas initially targeted by the Fund for 2020 has been modified, though this is only to clarify what is included within each area and has not changed the proposed scope of the area (e.g. clarifying that aquaculture and viticulture are covered as part of the 'Primary industries' area).
13. One new target area has been added (Road transport (vehicle operations)) following our discussion with you on Tuesday 19 May. This area will cover commercial road transport (e.g. training towards heavy vehicle licences) and passenger services (e.g. bus drivers). However, currently most bus driver training is undertaken by urban bus companies, towards the required New Zealand Transport Agency licence, without industry training being accessed.

Agency consultation

14. The draft Cabinet paper was circulated for agency consultation on Friday 15 May. The Ministry of Social Development (MSD), the Treasury, the Department of Prime Minister and Cabinet, New Zealand Qualifications Authority, and TEC provided comments and feedback that has been incorporated as appropriate in the version of the paper attached. Feedback included:
 - Treasury wanted to ensure that the Minister of Finance was involved in the approval process for confirming the set of target industries for 2021, especially as the list, if expanded, may have financial implications. The Minister of Finance will be included in those decisions, potentially as part of the newly formed *Employment Education and Training Ministers Group* that will agree to the list for 2021s.
 - DPMC indicated they were comfortable with what was being proposed, but suggested some targeted engagement with stakeholders. As part of implementing the Fund, there will be ongoing engagement and feedback from the sector on the list of qualifications within the targeted industry areas. The process for refining the set of targeted areas for 2021 also supports wider engagement with industry stakeholders, including Workforce Development Councils (WDCs) and Regional Skills Leadership Groups (RSLGs), given the longer timeframes.
 - MSD supported clearer alignment between wider government initiatives that support retention and recruitment of trainees. They also noted that free training may lessen the incentives for employers of taking on MSD clients through some

of MSD's initiatives that supported transitions into employment. The change around apprenticeship coverage, would support alignment of wider government initiatives.

Next steps for Cabinet paper

15. The intention is for the paper to be confirmed by Cabinet on 2 June. The main urgency for these decisions is so that the Ministry can prepare the specific policy changes to TEO funding conditions for your approval, and so that TEC can begin to operationalise these settings and communicate the programmes that will be covered by the Fund to providers and learners.
16. To meet these timeframes, the following steps are required:
 - **22 May** – Draft Cabinet paper provided to your office for feedback, then brief Ministerial consultation,
 - **25 May** – updated Cabinet paper lodged with the Cabinet office by COP,
 - **27 May and 2 June** – Paper agreed by SWC then confirmed by Cabinet,
 - **Early June** – Announcements made on the coverage of the Fund. The Ministry provides you with the detailed policy changes to TEO funding conditions for your approval.
 - **1 July** – Fund begins covering the costs of eligible vocational programmes.
17. The Ministry and TEC will continue detailed implementation planning on the basis of the settings and targeted areas in the attached draft Cabinet paper.
18. Later in the year, the Ministry will work with the TEC, other agencies, and industry groups (including WDCs and RSLGs as these are established) to refine the set of industries to be targeted by the Fund from 1 January 2021.

Annexes

Annex one: draft Cabinet paper: Budget 2020 – Targeted training and apprenticeship fund

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Proactively Released