

Regulatory Impact Statement: extending the scope of national student numbers

Coversheet

Purpose of Document	
Decision sought:	Agreement to amend schedule 24 of the Education and Training Act 2020 so that national student numbers can be used for work-based training when funding is not administered through a provider.
Advising agencies:	Ministry of Education
Proposing Ministers:	Hon Chris Hipkins, Minister of Education
Date finalised:	02.08.2021
Problem Definition	
<p>Schedule 24 of the Education and Training Act 2020 (the Act) allows the Secretary for Education (the Secretary) to issue national student numbers (NSNs) to any student enrolled with an education provider. The Act specifies the purposes for which the NSN can be used.</p> <p>NSNs cannot currently be used for work-based training initiatives when the funding is not administered through a provider, including tertiary education organisations.</p>	
Executive Summary	
<p>In response to the impact of the COVID-19 lockdown on employers, the Apprenticeship Boost Initiative was developed and implemented quickly to help employers retain and employ new apprentices by providing timely financial support.</p> <p>Eligible employers receive \$1000 a month for first year apprentices and \$500 a month for second year apprentices, for a maximum of 24 months per apprentice, paid in advance. As of 30 June 2021 (after 11 months of operation), the Apprenticeship Boost Initiative has supported 29,931 apprentices and 13,143 employers. As the Act does not currently allow NSNs to be used for work-based training initiatives when the funding is not administered through a provider, the NSNs could not be used for the Apprenticeship Boost Initiative as the funding was provided directly to the apprentices' employers by the Ministry of Social Development and the Tertiary Education Commission verified apprentice eligibility. As a result of the inability to use NSNs, agencies had to develop bespoke and manual processes which were time consuming and made it more difficult to monitor funding and recover it if necessary.</p> <p>Currently, determining if there should be any recovery of the funding, requires a manual process between agencies and individual employers.</p>	

The proposed change is needed to allow government agencies to use the NSN to administer and monitor funding for work-based training initiatives when the funding is not administered through a provider. The change will support agencies to:

- better monitor resourcing purposed to support learners in work-based training
- administer funding more effectively and efficiently
- improve the consistency of reporting figures between agencies
- support agencies to seek recovery of funding, if necessary

Note that the Ministry of Social Development have indicated that the bespoke manual processes developed for the Apprenticeship Boost Initiative could be used as a template for future initiatives if the NSN could not be used. However, these bespoke processes would be time consuming and limit the ability to monitor the use of resourcing for initiatives.

The Tertiary Education Commission worked with the Ministry of Social Development to verify apprentice eligibility (i.e., checking that an apprentice was enrolled with a provider). The manual processes and associated challenges were more acutely experienced by the Tertiary Education Commission than for the Ministry of Social Development.

Without the proposed change, it may be prohibitive for some agencies to implement potential work-based training initiatives, similar to the Apprenticeship Boost Initiative, in the future.

Limitations and Constraints on Analysis

This Regulatory Impact Statement has been informed by:

- understandings about the use of NSNs
- privacy principles
- discussions with officials from the Tertiary Education Commission and Ministry of Social Development, and
- public consultation held between 21 April and 16 June 2021

While we are confident in the evidence that is set out in this Regulatory Impact Statement, the costs outlined in Section 2 are subject to some uncertainty, and there is little information about the monetised value of potential benefits and costs.

The uncertainties are a result of the proposed change being technical in nature. It is difficult to determine the monetised value of more efficient administration of funding by agencies. However, manual processes are more costly to develop and utilise than if the NSN was available. Additionally, the proposed change will also support improved monitoring which increases the likelihood agencies will recover funds not used as intended.

Assumptions for the future use of the proposed change

The proposed change is a response to issues identified during the implementation and operationalisation of the Apprenticeship Boost Initiative. The proposal has been developed under the assumption that there will be future initiatives where learners will be in work-based training when funding is not administered through a provider. For example, when there is a national or local state of emergency or through future initiatives that may result from the Reform of Vocational Education.

Responsible Manager(s) (completed by relevant manager)



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Position: Senior Manager

Team: Vocational and skills policy

Agency: Ministry of Education

Eleonora Sparagna

02.08.21

Quality Assurance (completed by QA panel)

Reviewing Agency: Ministry of Education

Panel Assessment & Comment: The Ministry of Education's Quality Assurance Panel has reviewed the Regulatory Impact Statement: *Extending the scope of national student numbers* dated 2 July 2021. The panel considers that it **meets** the Quality Assurance criteria. The Regulatory Impact Statement provides a clear, concise and convincing case for the proposed extension of NSNs when funding is not administered through a provider.

Although there are no current initiatives that would utilise this extended use of NSNs, the proposal is an appropriate response to avoid the need for the manual processes previously required for the Apprenticeship Boost Initiative. Stakeholder views on these proposals have been sought and, while there was limited feedback, are reflected in the RIS. This includes the view of the Office of the Privacy Commissioner that there are no adverse impacts on the privacy of personal information identified in this analysis.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. The National student number is a unique number assigned and given to every student by the Secretary for Education. NSNs help to ensure that funding is allocated effectively, efficiently, and equitably. They also support monitoring of the impact of learner support and the use of student loans and allowances. The Act currently allows the use of NSNs only for the following specified purposes:
 - monitoring and ensuring enrolment and attendance
 - encouraging attendance at early childhood services
 - ensuring education providers and students receive appropriate resourcing
 - statistics
 - research
 - ensuring that student educational records are accurately maintained
 - establishing and maintaining student identities to support online learning
2. The use of the NSN is governed by the Education and Training Act 2020. Authorised users are allowed to use NSNs for specified purposes, in order to facilitate the accurate use and transfer, by authorised users, of information relating to individual students. The Secretary must give notice of each authorisation, requirement, condition, and restriction in the *Gazette*. Students may use or disclose their NSN for any purpose, but authorised users are restricted in their use or disclosure.
3. The Act does not currently allow NSNs to be used for work-based training initiatives designed to support learners when the funding is not administered through a provider, including tertiary education organisations.
4. For instance, for the Apprenticeship Boost Initiative, funding was provided directly to employers of apprentices with the intent to support apprentices in work-based training. However, NSNs could not be used by government agencies to administer and monitor funding for the Apprenticeship Boost Initiative (as of June 2021, the Apprenticeship Boost Initiative had distributed \$156.22 million to employers).

What is the policy problem or opportunity?

5. Government agencies cannot use NSNs for learners in work-based training initiatives when the funding is not administered through a provider.
6. When the NSN cannot be used, agencies require more time and resources to find alternative ways to collect, store, and share information. Agencies have reduced ability to monitor the use of funding to ensure effective, efficient, and equitable use.
7. As a result, there are:
 - constraints that limit the monitoring of funding
 - bespoke arrangements for initiatives with several agencies involved
 - limits on an agency's ability to assess the equity and effectiveness of initiatives and to administer and monitor funding

8. For instance, the Apprenticeship Boost Initiative, a COVID-19 response, is a direct payment to employers to help them retain and employ new apprentices.
9. Without the NSN, a time consuming bespoke and manual process is required between agencies to identify if funding for the initiative is being used as intended and if there should be any recovery of funding.
10. The Ministry of Social Development, the agency that made the payments, could not collect NSN information, even though the payments were to employers of apprentices with the purpose of supporting apprentices to remain employed (or for new apprentices to be employed). The inability to use the NSN made it difficult for the Ministry of Social Development and Tertiary Education Commission to verify:
 - the eligibility criteria was met, that is, there were active apprenticeships with a transitional Industry Training Organisation or provider
 - there were New Zealand Apprenticeships or Tertiary Education Commission-approved managed apprenticeships
 - the number of months of apprenticeship training left at the time of application
11. It took many meetings and emails between Ministry of Social Development, the Tertiary Education Commission, and Ministry of Education to firstly identify the likely issues and secondly, to establish how the agencies would work together to administer the Apprenticeship Boost initiative. This included the two agencies establishing a manual matching process to enable verification of the validity of the apprentice and their apprenticeship.
12. It is estimated that between 80-100 hours were required from end to end solution design, development, and testing. There were also an additional 20-40 hours required by the Tertiary Education Commission to create and update a Memorandum of Understanding in relation to use of the NSN (including the time of senior staff).
13. The inability to use the NSN also caused discrepancies between the information provided to the Ministry of Social Development in Apprenticeship Boost Initiative applications and by the Tertiary Education Commission. This occurred for 10-20 applications each week (out of about 1,000 new applications and 21,000 reconfirmations), taking the Ministry of Social Development about 30 minutes per application, or 5-10 hours in total per week.
14. Several options, both non-regulatory and regulatory, were considered to resolve the problem:

Non-regulatory options:
15. The first option was to maintain the status quo. Current legislation would be maintained and bespoke arrangements, developed for work-based initiatives when funding is not administered through a provider, would be continued. This option was discounted due to the limitations described previously.
16. It was concluded that it would not be possible to use a non-regulatory approach to reduce the manual processes required by agencies for work-based initiatives not funded through a provider. Non-regulatory options also do not allow the NSN to be used for learners in work-based training initiatives when the funding is not administered through a provider.

Regulatory change options:

17. A second option is to amend Schedule 24 of the Act, National student numbers, to allow the scope of NSNs to be extended for work-based training initiatives when the funding is not administered through a provider. This option best addresses the problem while also ensuring privacy. It is the proposed option and the potential future benefits of enabling use of NSNs in these specific circumstances outweigh the negligible cost associated with this legislative change.
18. The Ministry of Education consulted with the Tertiary Education Commission, the New Zealand Qualifications Authority, and the Ministry of Social Development on the proposed option. These agencies support the proposed option and change to the legislation.
19. The Office of the Privacy Commissioner was consulted on the proposed change and identified no concerns about impacts on privacy.
20. The Ministry also publicly consulted on the proposed change over a six-week period. Two submissions were received. One submission was from the Tertiary Education Union and the other from an individual submitter. Both submitters supported the proposed change. No explanatory comments for their support were provided.
21. The public consultation period on the proposed change was from 21 April to 16 June 2021, alongside nine other proposed changes to the Education and Training Act 2020. The discussion documents and information on how to make a submission were published on the Kōrero Mātauranga | Education Conversation website. The consultation was also promoted across Ministry social media channels and communicated to all schools (including private schools) via the School Bulletin.

What objectives are sought in relation to the policy problem?

22. The key policy objective is to allow agencies to effectively administer and monitor funding for work-based training initiatives when funding is not administered through an education provider.
23. The change may also have secondary trickle-down benefits for learners and employers by improving the efficiency of funding allocation. However, the objective of the change for learners and employers, is to enable an option that could facilitate smoother processes for potential future initiatives that are similar to the Apprenticeship Boost Initiative.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

24. Five criteria have been developed to compare options to the status quo.

Efficiency

Relevant government agencies will be able to efficiently administer and monitor work-based training initiatives when funding is not administered through a provider. The effectiveness and efficiency of inter-agency collaboration will be better supported.

Ability to measure the effectiveness of initiatives

Relevant government agencies will be able to efficiently measure the effectiveness of work-based training initiatives when funding is not administered through a provider. Agencies and the public will have assurance that the funding for initiatives is being used effectively and as purposed. Agencies would be better able to seek recovery of the funding if it is not being used as purposed.

Ability to measure the equity of initiatives

Relevant government agencies will be able to efficiently measure the equity of work-based training initiatives when funding is not administered through a provider. Note that in this context, equity refers to the use of funding as intended for different learner demographics.

Support for learners in work-based training

Learners and employers of learners in work-based training when funding is not administered through a provider could experience increased efficiency in the provision of funding and/or communication with agencies because of increased efficiency within/between government agencies. Agencies will have the administrative ability to easily implement and monitor work-based training initiatives when funding is not administered through a provider.

Maintaining the appropriate scope of the NSN

The scope of the NSN:

- is consistent with the New Zealand Bill of Rights Act 1990
- continues to meet the purpose of the NSN according to Schedule 24(2) of the Act 'to authorise the use by specified users of national student numbers for specific purposes, in order to facilitate the accurate use and transfer, by specified users, of information relating to individual students'
- has no adverse impacts on privacy

What scope will options be considered within?

25. The scope of options is limited by the Education and Training Act 2020. Regulatory and non-regulatory options were considered. Options must meet the overall purpose of the NSN and be consistent with the listed specified purposes of the NSN (i.e., any amendment/addition to specified purposes aligns with the other specified purposes).
26. The scope of options has been limited to amending the Education and Training Act 2020.

What options are being considered?

27. A range of options were considered and discounted before public consultation. Options included broadly extending the scope of the NSN to be a national identifier or extending the use of another identifier such as the IRD numbers. These possibilities

were not explored further due to immediate issues identified regarding the principles of information privacy.

28. Additionally, use of IRD numbers (as used in the Apprenticeship Boost Initiative) in lieu of the NSN is not appropriate as IRD numbers are for tax purposes.
29. Non-regulatory options to address the policy problem were also considered but were rejected as they do not allow for issues to be easily identified and responded to. The costs of monitoring the use of funding and recovering funding would also be much higher as non-regulatory solutions are inefficient and expensive.

Option one – maintain the status quo

30. The first option is to maintain the status quo. The Act would not be amended, and agencies would continue to invest time and resources in developing bespoke arrangements to administer and monitor funding for work-based training initiatives when funding is not administered through an education provider.
31. The status quo does not allow for effective and efficient monitoring. Without the NSN, a more manual process between agencies is required to identify if funding for these initiatives is being used as intended and if there should be any recovery of the funding.
32. If the status quo is maintained, learners and employers of learners will not experience possible increases in the efficiency of funding provision and communication with agencies for work-based learning initiatives when funding is not administered through a provider.
33. The manual systems currently used to verify learner details are time consuming for government agencies. Manual systems are not as time efficient to implement as non-manual processes. Without change, learners will not experience possible efficiency increases in the verification of their details. For instance, a non-manual system to verify learner details could reduce the number of interactions between the employer and the administering agency.
34. Without change, learners and employers in work-based training may also miss out on potential future initiatives that could be prohibitive for some agencies to implement due to administrative implementation challenges.
35. However, this option does ensure that the NSN continues to be used within the privacy legislation requirements and considerations, and the scope of the Act.

Option Two – Extend the scope of NSNs

36. The second option extends the scope of NSNs specifically so they can be used by agencies for work-based training when the funding is not administered through a provider.

37. This option increases administrative efficiency by enabling faster implementation (i.e., through not having to create a bespoke manual system). Agencies would be more easily able to implement new initiatives, verify learner eligibility, administer and monitor funding, and review the effectiveness and efficiency of initiatives.
38. Note that agencies will not be required to use NSNs for existing or future work-based initiatives when funding is not administered through a provider. Instead, the purpose of the proposed change is to enable agencies to choose to do so if appropriate and desired.
39. It is possible that learners and employers of learners could experience increased efficiency from agencies as a result of the change (i.e., decreased wait times for funding and faster communication with agencies) as agencies will no longer need to develop bespoke manual arrangements for initiatives. For instance, if the NSN was able to be used in the Apprenticeship Boost Initiative, the Ministry of Social Development and the Tertiary Education Commission could have used the NSN information to more easily match eligibility criteria for apprentices and reduce administrative burden.
40. Unlike the status quo, this option supports government agencies to implement work-based training initiatives not funded through a provider, where without the NSN, it may be administratively prohibitive for some agencies to implement.
41. The proposed change will also support agencies to more easily determine if funding is being used as intended, and more easily seek recovery of funding if necessary. For instance, while the success of the Apprenticeship Boost Initiative could be determined at an overall level, without the use of the NSN, manual processes were required to determine if the funding received by individual employers of apprentices was being used as intended.
42. This option maintains the appropriate scope of the NSN as it aligns with the information privacy principles of the Privacy Act 2020. Future use of the NSN must align with the specified uses in the Education and Training Act 2020. A full privacy analysis must also be carried out for any new initiative, where it is agreed to make use of NSNs, to ensure privacy is maintained.
43. Additionally, this option also aligns with the purpose of Schedule 24 (2) of the Act 'to authorise the use by specified users of national student numbers for specific purposes, in order to facilitate the accurate use and transfer, by specified users, of information relating to individual students'. This option will enable initiatives that support learners/students in work-based training, regardless of how the funding is administered, which aligns with the purpose of Schedule 24.
44. Agencies would be legally prohibited from using the NSN for other purposes. For instance, if the Ministry of Social Development was interested in using the NSN for other purposes, they would need to make the policy case for additional legislative changes at a later date.

45. It is likely that this option will require an amendment to the listed specified purposes of the NSN in section 4(1)(c) of Schedule 24. The amendment will be consistent with the listed purposes. For instance, it is similar to purpose 4(1)(c)(iii) 'ensuring education providers and students receive appropriate resourcing'.

How do the options compare to the status quo/counterfactual?

	Option One – Status quo	Option Two – Extend scope of NSN
Administrative efficiency	0	++
Measuring effectiveness of initiatives	0	+
Measuring equitability of initiatives	0	+
Support for learners in work-placed based training	0	+
Maintain appropriate scope of the NSN	0	0
Overall assessment	0	5

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

46. Option 2, extending the scope of the NSNs, addresses the problem and meets the policy objective, and has the best overall assessment against the evaluative criteria defined above.

What are the marginal costs and benefits of the option?

Regulators

47. The regulators impacted by the proposed change to the NSN are the government agencies involved in work-based training initiatives when funding is not administered through a provider. These agencies are:

- The Ministry of Education
- The Tertiary Education Commission
- Other agencies that could make direct payments including, but not limited to:
 - i. The Ministry of Social Development
 - ii. The New Zealand Qualifications Authority

48. The benefits of the proposed change will be on-going. The change will support agencies to more efficiently implement, administer and monitor initiatives when funding for work-based initiatives is not administered through a provider.

49. Initiatives designed to support work-based learning where funding is not administered through a provider, that may be administratively prohibitive for some agencies otherwise, will be more easily implemented (if appropriate) as a result of the change.
50. The cost for regulators is initial familiarisation with a new operating method. However, the long-term efficiencies gained by extending the scope of the NSN are expected to outweigh the initial transition costs. Agencies will not be required to use the NSN for existing or future initiatives but will be enabled by the proposed change to do so if appropriate and desired.
51. There are no anticipated monetised impacts from the proposed NSN change to the regulator groups other than increased agency efficiency, and increased ability to recover funds not used as purposed and intended, if appropriate.

Regulated groups

52. The proposed change will increase assurance that funding is being spent as purposed. Employers of learners in work-based training could perceive increased monitoring of funding use. In some instances, employers may be required to return unused funding. No adverse action would be taken against apprentices on the basis of the proposed use of the NSN.
53. There are no anticipated monetised impacts of the proposed change to the NSN to regulated groups. However, reimbursement could be sought from employers if they have received funding that is no longer needed. This would likely involve minor administrative costs.
54. Employers of apprentices will not have additional access to NSN information other than the NSN number that the learner optionally provides their employer. For any future initiative to support learners in work-based training when funding is not administered through a provider, the employer would collect the NSN from their trainee/apprentice and supply the number to the funding agency. Funding agencies would then be able to share the NSN to efficiently monitor the resourcing. If a risk was identified, agencies may take action by recovering funds.
55. For any potential future initiatives, the proposed legislation change would enable time and efficiency savings and this could benefit the public (e.g., by speeding up delivery, requiring less detailed information from applicants) without additional compliance costs. Any potential future benefits outweigh any negligible cost associated with this legislative change.

Section 3: Delivering an option

How will the new arrangements be implemented?

56. The proposed change to the NSN will be given effect by amending Schedule 24 of the Education and Training Act 2020 through the Education and Training Amendment Bill (No 2) .
57. The proposed change will not be used for the Apprenticeship Boost Initiative as the window of opportunity to apply the proposed change will have closed. The Education

Amendment Bill (No 2) is not likely to be passed until August next year. This is the same time the Apprenticeship Boost Initiative payments will be discontinued (note that if the Apprenticeship Boost Initiative was extended, the Ministry of Education would work with the Tertiary Education Commission and the Ministry of Social Development to explore the application of the proposed change for the Apprenticeship Boost Initiative).

58. At this time, there are no specific work-based initiatives for which the NSN will be used. The proposed change is enabling for agencies so they can choose to use the NSN for work-based initiatives where funding is not administered through a provider, where appropriate and if desired. There are likely to be future work-based initiatives as a result of the changes from the Reform of Vocational Education, where the NSN could be used by agencies.

How will the new arrangements be monitored, evaluated, and reviewed?

59. NSN users are required to ensure that they comply with the Act and related policies.