



Tertiary Education Report: Update on pilot Centres of Vocational Excellence and confirmation of funding mechanism

To:	Hon Chris Hipkins, Minister of Education		
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

This briefing updates you on the stakeholder engagement and co-design process for the Primary and Construction sector pilot Centres of Vocational Excellence (CoVEs). This paper also seeks your confirmation that a funding determination issued under section 159L of the Education Act (1989) (the Act) will be used as the mechanism to fund CoVEs.

Recommended Actions

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

- a. **note** that the TEC is planning a range of engagement and co-design activities that will involve industry, educators, employers, researchers and other key stakeholders to inform the shape of the Primary and Construction sector pilot CoVEs

Noted

- b. **agree** that officials draft a funding determination for CoVEs that sets out the purpose of CoVEs, who can apply to be a CoVE, the application process that TEC must run, the assessment criteria that TEC must use to select a CoVE, etc., for your approval

Agree / Disagree

- c. **note** that the TEC will review the performance of each CoVE during the duration of their funding

Noted

- d. **agree** that a provision is included in the funding determination that gives the responsible Minister the ability to identify (at a high-level) particular areas, such as the Primary and Construction sectors, and that the TEC must run a process to establish a CoVE in each of those areas

Agree / Disagree

- e. **note** that the Ministry and TEC will develop a set of guidelines to inform decisions on prioritisation of future investment in CoVEs, for your agreement

Noted

- f. **note** that officials consider a funding determination issued under section 159L of the Act is the most appropriate mechanism to fund CoVEs, as this will:

- a. ensure a common framework for establishing CoVEs, while allowing each to have a different focus, set of functions, etc., and
- b. enable key decisions about the functions, scope, composition and location of CoVEs to be informed through a stakeholder engagement and co-design process.

Noted

- g. **agree** that while a CoVE must be located at a regional arm of the Institute or at a wānanga, CoVEs are envisaged as consortia, and the contractual lead for a CoVE may be an entity other than the Institute, its subsidiary, or a wānanga

Agree / Disagree

- h. **forward** this paper to any additional ministers you may wish to inform

Agree / Disagree

- i. **agree** that this briefing will be proactively released once decisions have been made.

Agree / Disagree



Grant Klinkum

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

3 October 2019



Gillian Dudgeon

Deputy Chief Executive, Delivery
Tertiary Education Commission

3 October 2019



Hon Chris Hipkins

Minister of Education

23/10/19

Background

1. On 29 July 2019, Cabinet considered the *Reform of Vocational Education – Centres of Vocational Excellence (CoVEs)* paper [SWC-19-MIN-0086] noting:
 - your “intention to establish two pilot CoVEs in the Primary and Construction sectors”,
 - that “officials will seek early sector input into the design for these two pilot CoVEs”,
 - “that the specific functions and scope of each CoVE will be determined on a case-by-case basis through the establishment process”, and
 - that “CoVEs will be hosted by a regional campus of the Institute or by a wānanga”.
2. Through an earlier 8 July 2019 Annotated Agenda – *Design of Centres of Vocational Excellence* [METIS: 1198562] – you agreed that:
 - “an iterative procurement process is used to select and fund CoVEs, that the TEC is responsible for managing this process and administering funds, and that there would need to be a s159L determination”.
3. This briefing provides you with information about the stakeholder engagement and co-design process for the first two pilot CoVEs. It also seeks your confirmation that a funding determination will be used as the mechanism to fund CoVEs. An alternative option of using a grant issued under section 321 of the Act is also considered, though we consider that a funding determination would be the most appropriate mechanism in this situation.
4. A third funding option would be a letter of delegation from the Minister to TEC, which would give TEC much broader scope for how it could establish and fund CoVEs. We do not consider this to be an appropriate option for CoVEs, so it is not discussed in this paper.

Update on stakeholder engagement for pilot CoVEs

5. TEC has established a project to co-design the first two pilot CoVEs with industry and other key stakeholders. Co-design workshops will take place in early November. The purpose of these workshops is to help industry and other stakeholder groups understand the concept of the CoVEs and to facilitate a discussion about how a CoVE could be used to respond to a particular issue or opportunity in their subject matter area, relating to vocational education.
6. It is intended that these workshops will also enable groups to network and make connections that could lead to consortium applications.
7. Not all interested parties will be able to attend co-design workshops. Leading up to these workshops we are also using other RoVE engagements and industry working group meetings to engage with stakeholders on CoVEs.
8. We will receive feedback and ideas via a dedicated CoVEs email address and will be informing stakeholders of this option through the main RoVE communication channels (these include regular newsletters and website information).
9. The findings from the workshops, meetings and email feedback will be collated and published on our CoVEs webpage. The findings will also inform the parameters of an Expression of Interest process, to be launched before the end of the year. Expressions of interest will be considered by a panel of industry experts. Applications considered to have merit will be given feedback from the panel and invited to take part in a Request for Proposal process.
10. Early feedback from stakeholders indicates a lack of understanding about the process, with some having mistakenly formed a view that the functions, scope and membership of the first two CoVEs have already been decided. We have developed detailed

communications material that specifically addresses these points and provides clear instructions on how interested stakeholders can get involved.

11. We expect to be in a position to inform the successful applicants in April or May next year, that their consortium has been selected to establish, host and operate the CoVE.

Opportunities for a pilot CoVE in Health

12. The Ministry and TEC are continuing discussions with the Ministry of Health regarding a potential third pilot CoVE. A paper is being prepared for you that will outline opportunities in this space.

Funding mechanism for CoVEs

13. A key factor in deciding which mechanism should be used to fund CoVEs is the degree of control you consider the Minister for Education (responsible Minister) should have, now and into the future, in determining the specific details of each CoVE (e.g. scope, functions, location, etc.) and in confirming final funding decisions.

A 159L funding determination would allow the Minister to set high-level parameters for CoVEs

14. A funding determination for CoVEs could be based on the current funding determination for Centres of Research Excellence. A CoVEs funding determination – which you would approve – would set out the purpose of CoVEs, who can apply to be a CoVE, the application process that TEC must run, the assessment criteria that TEC must use to select a CoVE, etc.
15. This would create a common framework which will ensure a level of consistency across CoVEs while allowing each CoVE to have a different focus, set of functions, etc. (similar to Centres of Research Excellence).
16. To reflect your announcements regarding the establishment of the two pilot CoVEs, we could specify in the funding determination that the responsible Minister has the ability to identify particular areas (such as the Primary and Construction sectors) and that the TEC must run a process to establish a CoVE in each of those areas. This approach would also allow the responsible Minister to shape investment in any future CoVEs.
17. The Ministry and TEC intend to develop an initial set of guidelines to help inform decisions on prioritisation of future investment in CoVEs, in consultation with industry and other stakeholders in the vocational education space. Once these guidelines are agreed with you by early-2020, it could be published (though this would not be required), and you could direct the TEC to run further application processes to establish CoVEs in line with that framework when additional funding becomes available.
18. This approach to drafting a CoVEs funding determination would allow the responsible Minister to set the high-level objectives and parameters for CoVEs (including which sectors or type of provision they will cover), while enabling the selection and establishment process to involve industry and other stakeholders to determine the specific scope and functions of each CoVE.
19. This approach is likely to result in CoVEs that are targeted towards specific issues or opportunities identified by stakeholders, and are likely to have greater buy-in from the sector as they will have played a key role in shaping the design of the CoVE.
20. However, this approach would not enable the Minister to make final decisions regarding the specific scope, functions, and location of each individual CoVE, beyond the parameters set out in the funding determination and the high-level priorities outlined in the investment framework.

The Ministry and TEC considers that a funding determination is preferable

21. The Ministry and TEC recommend that a 159L funding determination (as described above) should be used to fund CoVEs, and that any future investment in additional

CoVEs beyond the Construction sector and Primary sector CoVEs is directed via a prioritisation guidelines developed by TEC and the Ministry in consultation with relevant stakeholders and approved by the responsible Minister.

22. If you agree to this approach, we will draft a funding determination for CoVEs for your approval. TEC will continue to work with the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, education and industry stakeholders to refine the parameters for the Construction and Primary sector CoVEs prior to an application process being commenced later this year.
23. A high-level timeframe for this process is as follows:
 - *October* – confirm funding mechanism for CoVEs
 - *Oct-Nov* – TEC continues to work with industry and other stakeholders to refine the scope of the Construction sector and Primary sector pilot CoVEs, feeding relevant information into draft funding determination
 - *Late Nov* – provide draft funding determination to Minister for agreement
 - *Dec* – open application process for Construction and Primary sector CoVEs and run for three months
 - *First half of 2020* – Construction and Primary sector pilot CoVEs selected and commence using their funding to establish their operations. Potential 2020 CoVEs budget bid
 - *Early-Mid 2020* – the Ministry and TEC design guidelines to help inform prioritising future investment in CoVEs, in consultation with industry and stakeholders, for agreement by Minister. The TEC then runs future application rounds for CoVEs in line with this framework (should budget be available).

Funding under section 321 of the Act

24. The Act places certain limitations around the Minister's ability to direct funding to specific organisations. This is to ensure an appropriate level of separation between policy and operational decision making. We consider a funding determination would be the most appropriate mechanism for funding CoVEs as this approach would align with the intent of the Act (in terms policy/operational decision making), and will also help ensure a consistent approach to decision making across all CoVEs.
25. However, if you consider that the responsible Minister should have a more directive approach in confirming the specific scope, functions, and location of each CoVE, then an alternative approach would be needed.
26. Section 321 exists to provide the Minister of Education with the flexibility to recognise and fund educational organisations that do not fit within the standard funding provisions of the Act. The amount of the grant and the terms and conditions under which it is awarded are determined by the Minister. Current examples of organisations receiving funding through section 321 are the New Zealand School of Dance Te Kura Toi Whakaari o Aotearoa (New Zealand Drama School).
27. A section 321 grant would allow the Minister, for example, to direct a specified amount of funding to a specific Institute of Technology Polytechnic (ITP) or wānanga for the purpose of establishing a CoVE with a defined scope and set of functions decided by the responsible Minister. A separate section 321 grant would be required to establish each individual CoVE.
28. The limitation of a section 321 grant is that the responsible Minister would need to be satisfied that the payment to establish that CoVE was "in the national interest". This approach may also be seen by stakeholders as less of a 'co-design' process focused around an industry-identified issue or opportunism, which may reduce buy-in.
29. Another disadvantage of using a section 321 grant to establish a CoVE is that it would set a precedent for what these Grants can be used for, potentially shifting the threshold in stakeholders' eyes of what constitutes a 'national interest'. Overall, we consider s321

grants to be appropriate for specific, discrete circumstances, and not well-suited to implementing a key policy initiative across multiple providers.

CoVE contractual lead

30. While CoVEs will be a consortium that includes multiple parties, for the purposes of funding negotiations and signing contracts with the TEC, there will ideally be a single lead for each CoVE.
31. This lead could potentially be the regional arm of the Institute (or before 1 April 2020, an ITP), a wānanga, a private training establishment (PTE), an industry group, or any other legal entity or individual. As agreed previously, the CoVE would still need to be based at either a regional arm of the Institute or at a wānanga, regardless of who is the contractual lead.
32. However, the best idea for a CoVE may come from a PTE or from an existing industry organisation. The Ministry and TEC therefore recommend that the contractual lead for a CoVE should be open to any organisation (company, trust, TEI, etc.) so as not to limit potential applications.
33. To ensure that the contractual lead is credible and can be held to account for the performance of the CoVE, the TEC could include guidance in their assessment criteria of CoVE proposals regarding the credibility of the intended lead.
34. Initially, applications will not be able to have a Workforce Development Council (WDC) as a lead as they will not yet be established. However, any subsequent CoVEs established will need to allow for this. The initial applications for the first two CoVEs will need to make allowance for the inclusion of a WDC as part of the consortia.