MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

# Education Report: Funding Determination for Centres of Vocational Excellence

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| To: | Hon Chris Hipkins, Minister of Education | | |
| Date: | 6 December 2019 | Priority: | Medium |
| Security Level: | In Confidence | METIS No: | 1214703 |
| Drafter: | Nicole Rennie | Phone: | s 9(2)(a) OIA |
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| Messaging seen by Communications team: | No | Round robin: | No |

## Purpose of report

This report seeks your agreement to issue a funding determinations under section 159L of the Education Act 1989 for Centres of Vocational Excellence.

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## Recommended actions

The Ministry of Education recommends you:

a. **note** that this funding determination has been drafted on the basis of policy decisions agreed through past Annotated Agendas and the 29 July 2019 Cabinet Paper *Centres of Vocational Education*

b. **agree** to the proposed revisions to the baseline functions for Centres of Vocational Excellence and the selection criteria, as set out in Table one

with change to (d) as discussed

**Agree / Disagree**

c. **agree** that the funding determination for Centres of Vocational Excellence (attached in Appendix 1) takes effect from 1 January 2020

**Agree / Disagree**

d. **sign** the attached letter to the Chair of the Tertiary Education Commission

**Agree / Disagree**

e. **agree** to proactively release this education report.

**Agree / Disagree**

Andy Jackson
**Group Manager**
**Graduate Achievement, Vocations and Careers**

05/12/2019

Hon Chris Hipkins
**Minister of Education**

9/12/19.

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## Background

1. The Minister of Education provides instructions about tertiary education funding to the Tertiary Education Commission (TEC) in the form of determinations issued under section 159L of the Education Act 1989 (the Act). Once the Minister has issued a funding determination, the TEC develops operational details of how to implement the determination. Funding determinations are reissued from time to time to reflect changes in government policy, or if they are time limited and expire.

2. In October, we provided you with an update on the stakeholder engagement and co-design process for the Primary and Construction sector pilot Centres of Vocational Excellence (CoVEs) [METIS 1207493 refers]. You also agreed that a funding determination will be used as the mechanism to fund CoVEs.

## Funding Determination

3. We have drafted this funding determination based on previous decisions agreed through the:

   a. 8 July 2019 *Annotated Agenda – Design of Centres of Vocational Excellence* [METIS: 1198562],

   b. 29 July 2019 Cabinet paper *Reform of Vocational Education – Centres of Vocational Excellence* [SWC: 19-19-00863] (noting paper only), and

   c. 3 October 2019 *Annotated Agenda – Update on pilot Centres of Vocational Excellence and confirmation of funding mechanism* [METIS: 1207493].

4. Some aspects of the underlying policy previously agreed to have been refined through the funding determination drafting process and through engagements with industry on the design of the pilot CoVEs. These proposed changes to the baseline functions and the criteria for selecting a CoVE are set out in the table below, for your agreement.

Table one: proposed revisions to the functions of a CoVE and selection criteria

| Proposed revisions | Reason for change |
|---|---|
| **Functions** – *original wording from Cabinet paper compared with wording in CoVEs funding determination (~~red~~ = remove; green = add)*<br><br>"A CoVE must undertake both of the following baseline functions; it must support the:<br><br>a. *Growth of excellent vocational education provision* within its area of speciality, including by engaging with relevant industry experts and standard setting bodies to drive excellence and innovation within the overall network; and<br><br>b. *Development and sharing of high-quality curriculum and programme design* across the vocational education system, including across regions ~~and potentially wānanga and private training establishments (PTEs)~~ and across providers." | These changes aim to clarify that a CoVE is likely to support others in the vocational education system, including those who are directly part of the CoVE (e.g. the NZIST, WDCs, etc.) to undertake these functions, rather than directly undertake them by itself as the 'CoVE'. |
| **Selection criteria** – *original wording from Cabinet paper compared with wording in CoVEs funding determination (~~red~~ = remove; green = add)*<br><br>"To determine whether a CoVE will receive funding, the TEC must apply the following assessment criteria: | These minor edits are purely for clarification purposes. |

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| | |
|---|---|
| *Focused*<br>a. Identifies a key challenge or opportunity within the parameters set by the ~~government~~ TEC;<br>b. Demonstrates how this challenge or opportunity is of strategic importance to New Zealand;<br>c. Details solutions that are practical and time-bound and includes measures of success that are clear ~~(includes specific key performance indicators – or similar – that can be analysed at a specific point to indicate this success)~~;<br>d. Sets out a clear long-term plan for the CoVE beyond the funding period which may include integration of the CoVE's functions into business-as-usual functions of the host TEI or disestablishment of the CoVE once it has achieved its purpose;<br>*Collaborative*<br>e. Shows how the applicant will use collaborative partnership-based approaches to solve the problem or realise the opportunity, including by leveraging existing excellence within the vocational education system;<br>f. Demonstrates a commitment from relevant parties to be involved in the CoVE consortium, in particular the involvement of the relevant standard setting body(ies);<br>g. Shows evidence of sourcing financial and/or in-kind support from ~~industry and/or providers~~ partners in the CoVE consortium;<br>h. Demonstrates a commitment to share the work of the CoVE for the benefit of other parties in the vocational education sector beyond those directly involved in the CoVE consortium;<br>*Capability*<br>i. Demonstrates a governance or management arrangement that will support CoVE work programme planning and decision-making;<br>j. Demonstrates the ability of those involved to undertake the required functions of the CoVE;<br>*Additionality*<br>~~avoids duplication of existing functions within the system~~<br>k. Creates additional value within the vocational education system and minimises duplication with the functions of tertiary education organisations. This additionality may come from acting as a catalyst to speed up the process of developing networks of collaboration;<br>*Aligns with wider government objectives*<br>l. Ensures an appropriate regional distribution of CoVEs; and<br>m. Supports a unified and sustainable vocational education system that delivers the skills that learners, employers and communities need to thrive." | We have added a number of new assessment criteria that aim to ensure the CoVE has the commitment from relevant partners and operates in a way we would expect (in line with the policy intent set out in the 29 July Cabinet paper.<br>We have also revised the 'avoids duplication' criteria to emphasise the importance of 'adding value' (as some functions could duplicate, but still add value to the system particularly during the transition phase). |

Suggests CoVE only short-term

5. Furthermore, there are several aspects of the funding determination we would like to draw your attention to:

   a. **Eligibility** – the intent of paragraph 12, regarding a 'TEI that is a subsidiary of another TEI', is to ensure that, from the date the Education (Vocational Education and Training Reform) Amendment Bill (the Bill) comes into effect, proposals would need to either be submitted by the New Zealand Institute of

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Skills & Technology (NZIST) or by one of its subsidiaries with endorsement from the NZIST (or by a wānanga). Prior to the Bill coming into effect, Institutes of Technology and Polytechnics (ITPs) will be able to apply to establish a CoVE on their own accord.

The aim of this provision is to avoid competition between subsidiaries, in line with the intent of the reforms and the establishment of the NZIST.

It should be noted that because the applications to establish the two pilot CoVEs will commence prior to the Bill coming into effect, the applications will be submitted by ITPs. The application process can be continued by the subsidiary (post the Bill passing), but the requirement for endorsement from the parent TEI (as set out in paragraph 12) cannot be applied retrospectively (this is in line with other contract negotiations ITPs may be involved in during the initial transition to subsidiaries).

b. **Prioritisation of investment in CoVEs** – the intent of paragraph 19 is to reflect earlier decisions regarding the process for identifying and agreeing with you any future investment in CoVEs beyond the two pilot CoVEs. This will allow TEC and the Ministry to work with key stakeholders (WDCs, industry, the NZIST etc.) to identify priorities for future CoVEs. These priorities would then be agreed with you, published online, and the TEC would then run application rounds for new CoVEs in order of priority.

These priorities would need to be at a high-level (e.g. by sector or by type of delivery), rather than narrowly defined.

c. **Conditions that must be attached to funding** – we have included a range of fairly standard conditions that the TEC must attach to the funding for a CoVE.

## Next Steps

6. We have enclosed the new funding determination for your approval. We have also attached a letter for your signature, to the Chair of the TEC, advising him of your determination of the design of the funding mechanism.

7. Subject to your agreement, we recommend you sign the letter attached in the Appendix and send it with the funding determinations to the TEC.

8. The TEC will publish the funding determination on its website to communicate the new funding determination to the sector.

9. If you agree to the funding determination, the TEC will continue work to set up the first two CoVEs:

   a. *December and January* – open application process for Primary and Construction sector CoVEs respectively and run for four months.

   b. *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).

   c. *From mid-2020* – Construction and Primary sector pilot CoVEs selected and commence using their funding to establish their operation.

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# Hon Chris Hipkins

**MP for Rimutaka**

Minister of Education
Minister of State Services
Leader of the House
Minister Responsible for Ministerial Services


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Nigel Gould
Chair
Tertiary Education Commission
PO Box 27-048
Wellington 6141

Dear Nigel,

**Determination of Design of Funding Mechanism: Centres of Vocational Excellence**

I am writing to advise you of a determination of the design of a funding mechanism, under section 159L of the Education Act 1989 (the Act), for Centres of Vocational Excellence.

The new determination is set out in the appendix to this letter. Centres of Vocational Excellence will play a key role in the new vocational education system by driving innovation and excellence in vocational teaching and learning by strengthening links between providers, industry and communities. The determination covers the funding of provision delivered from 1 January 2020.

Under section 159O of the Act, it is the Commission's responsibility to develop the details needed to implement my determinations for the design of funding mechanisms.

I expect that the Commission will set appropriate measures as part of its statement of service performance in order to report to me on its performance in giving effect to this determination.

Yours sincerely,

**Hon Chris Hipkins**
Minister of Education

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# DETERMINATION OF DESIGN OF FUNDING MECHANISM: CENTRES OF VOCATIONAL EXCELLENCE

## PRELIMINARY PROVISIONS

### *Statutory authority*

1. This funding mechanism is made under section 159L of the Education Act 1989 (the Act).

### *Purpose*

2. The core purpose of a Centre of Vocational Excellence (CoVE) is to:

   *Drive innovation and excellence in vocational teaching and learning by strengthening links between providers, industry, and communities.*

### *Functions a CoVE must and may undertake*

3. To achieve the core purpose described in paragraph 2, a CoVE must undertake **both** of the following baseline functions; it must support the:

   a. *Growth of excellent vocational education provision* within its area of speciality, including by engaging with relevant industry experts and standard setting bodies to drive excellence and innovation within the overall network; and

   b. *Development and sharing of high-quality curriculum and programme design* across the vocational education system, including across regions and across providers.

4. A CoVE may undertake additional functions, provided that those additional functions align with the core purpose of a CoVE set out in paragraph 2. Those additional functions may include:

   a. Providing training support for employers to improve their skills-building ability;

   b. Sharing applied research with providers and industry to improve knowledge exchange;

   c. Improving pathways through vocational education, including from school;

   d. Providing learning technologies across the network to minimise cost and duplication of high-cost equipment;

   e. Providing advice to providers/employers on best practice pastoral care to support good outcomes for learners; or

   f. Other functions proposed through the application process to establish a CoVE.

### *Timeframe*

5. This funding mechanism is to fund activities from 1 January 2020.

6. The Tertiary Education Commission (TEC) may exercise any of its administrative functions as required to give effect to this funding mechanism at any time.

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***Available funding***

7. The total amount of Government funding that may be allocated under this funding mechanism will be set through the Government's annual Budget processes.

***Off-Plan funding***

8. The TEC must pay the funding under section 159ZC of the Act (funding other than via a plan).

**ELIGIBILITY AND SELECTION OF COVES**

***Eligibility***

9. The TEC must only fund a tertiary education institution (TEI) (excluding a University) as defined under section 159 of the Act to lead and host a CoVE. This TEI is the 'lead applicant'.

10. While the lead applicant must be a TEI (excluding a University), it must submit an application on behalf of a consortium of two or more parties.

11. A consortium may include vocational education providers, education experts, industry experts, relevant standard setting bodies (including but not limited to workforce development councils and occupational regulators), researchers, and other parties.

12. A TEI that is a subsidiary of another TEI may submit an application only via the parent TEI or with the endorsement of the parent TEI. In this situation, the parent TEI is the 'lead applicant' and, if the application is successful, will be funded by the TEC.

***Selection***

13. The TEC must select each CoVE to receive funding through a contestable process determined by the TEC.

14. Any eligible TEI may submit an application for selection on behalf of a proposed CoVE consortium that complies with the eligibility requirements set out in paragraphs 9 – 12. The CoVE may be hosted by a subsidiary of a TEI if this is specified in the application.

15. The lead applicant will be responsible for ensuring the CoVE complies with conditions imposed on the funding, and for reporting to the TEC on the CoVE's activities against specified milestones. Funding may be tied to the CoVE's delivery of milestones.

16. To determine whether a CoVE will receive funding, the TEC must apply the following assessment criteria:

    *Focused*

    a. Identifies a key challenge or opportunity within the parameters set by the TEC;

    b. Demonstrates how this challenge or opportunity is of strategic importance to New Zealand;

    c. Details solutions that are practical and time-bound and includes measures of success that are clear;

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d. Sets out a clear long-term plan for the CoVE beyond the funding period, which may include the continuation of the CoVE on a self-funded basis as part of the business-as-usual functions of the provider (or providers);

*Collaborative*

e. Shows how the applicant will use collaborative partnership-based approaches to solve the problem or realise the opportunity, including by leveraging existing excellence within the vocational education system;

f. Demonstrates a commitment from relevant parties to be involved in the CoVE consortium, in particular, the involvement of the relevant standard-setting body(ies);

g. Shows evidence of sourcing financial and/or in-kind support from partners in the CoVE consortium;

h. Demonstrates a commitment to share the work of the CoVE for the benefit of other parties in the vocational education sector beyond those directly involved in the CoVE consortium;

*Capability*

i. Demonstrates a governance or management arrangement that will support CoVE work programme planning and decision-making;

j. Demonstrates the ability of those involved to undertake the required functions of the CoVE;

*Additionality*

k. Creates additional value within the vocational education system and minimises duplication with the functions of tertiary education organisations. This additionality may come from acting as a catalyst to speed up the process of developing networks of collaboration;

*Aligns with wider government objectives*

l. Ensures an appropriate regional distribution of CoVEs; and

m. Supports a unified and sustainable vocational education system that delivers the skills that learners, employers and communities need to thrive.

17. The TEC may set weightings against each criteria and these weightings must be published along with relevant material to support TEIs as they develop applications.

***Selection of a CoVE focused on the Primary sector and on the Construction sector***

18. The TEC will select at least one CoVE focused on the Primary sector and at least one CoVE focused on the Construction sector, to be funded through a contestable process determined by the TEC in accordance with the assessment criteria outlined in paragraph 16.

***Prioritisation of investment in CoVEs***

19. The TEC must publish the priorities for making investments in additional CoVEs in advance of the relevant investment round. This priorities framework should specify broad areas for investment, for example by sector (e.g. Health sector)

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or by mode of delivery (e.g. kaupapa Māori or online delivery). These priorities must be agreed with the Minister before the TEC publishes them.

## FUNDING

### *Period of funding*

20. The TEC may select and fund a selected CoVE for a period of up to five years.

### *Calculation of Funding*

21. The TEC will determine the funding per year required by considering the funding available, the number of CoVEs, the scope of the proposed CoVE, and the appropriate level of alternative investment proposed.

### *Use of funding*

22. A host TEI must allocate CoVE funding to the CoVE consortium for the purpose of carrying out the CoVE's agreed functions and objectives, in accordance with the condition on funding set out in paragraphs 23 and 24.

## CONDITIONS ON FUNDING

### *Conditions that must be attached to funding*

23. The TEC must attach the following conditions to funding under section 159ZD of the Act:

    a. The host TEI must ensure that the CoVE meets the performance and achievement expectations specified by the TEC. If these expectation are not met, the TEC may suspend or revoke future funding payments, in accordance with section 159ZF of the Education Act 1989.

    b. The host TEI must ensure that the CoVE complies with any review undertaken by the TEC in respect of the performance of the CoVE, and provide any information requested by the TEC as part of this review process. The review may be directed at any aspect or aspects of the CoVE's performance.

    c. The host TEI must only reallocate CoVE funding to partners in the CoVE consortium for the purpose of carrying out the CoVE's objectives, and other activities that support its objectives.

    d. The host TEI must use the funding lawfully, responsibly, and for the purposes for which it is provided; and in a manner consistent with the appropriate use of public funds.

    e. If the host TEI receives funding under this funding mechanism that is greater than it should have been, or that it was not entitled to receive, the TEI must treat the amount of the over-funding as a debt due to the Crown that:

        i. is repayable on demand to the TEC; and

        ii. may be set-off against all or any funding, or any sum of money payable by the TEC to the host TEI.

    f. The TEC must provide the TEI with reasonable notice before exercising its right to demand repayment or set-off the debt against all or any funding.

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***Conditions that may be attached to funding***

24. The TEC may impose any other condition on the funding that it considers necessary to ensure that a CoVE is adequately accountable to the TEC for the use of funding for the purposes set out in this determination, or otherwise to give effect to this determination.

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