Education Report: Advice on the DualPathways Pilot beyond 2018

To: Hon Chris Hipkins, Minister of Education
Date: 31 May 2018
Priority: High
Security Level: In Confidence
METIS No: 1123364
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DDI: Round Robin: No
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Purpose of Report

1. This report seeks your decision on the future of the DualPathways Pilot (the Pilot) which finishes at the end of 2018.

2. Should you agree to our recommended approach, we will include content in the forthcoming Cabinet paper on funding Education priorities from Vote Tertiary Education, which we are aiming to be considered by the Social Wellbeing Committee in June.

Summary

3. The Pilot is a two year pilot programme set up for 2017-18. It enables senior secondary school students to access vocational education and training by studying part-time in school and part-time in tertiary education. It is intended to broaden learning options for young people at school and provide a clear pathway to transition into higher-level education, training, or employment post-school.

4. The Pilot has the same overall policy objectives as Trades Academies, but it uses a different funding and allocation model. The tertiary component is funded from underutilised Youth Guarantee fees-free tertiary places.

5. To enable schools and tertiary education organisations to plan and to apply for funding for 2019 delivery, an early decision is required on whether the Pilot should continue in 2019, or if not, how we can enable learners to continue to access secondary-tertiary dual enrolment learning opportunities.

6. Trades Academy places continue to have strong demand, the programme has good buy-in from schools and tertiary education organisations, and students have good outcomes, including for employment. In contrast the Pilot is viewed by the sector as overly complicated and has had lower up-take.

7. For these reasons we recommend that the Pilot is discontinued at the end of 2018 and that funding currently set aside for it is transferred to support over 1,000 additional additional Trades Academy places for 2019 and outyears.

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8. The Treasury advise that you would need to seek Cabinet agreement to this approach, as transferring funding that had been agreed for a two-year Pilot to fund additional Trades Academy places on an ongoing basis is a policy change.

9. Longer-term policy work on the future of secondary-tertiary programmes and initiatives will be undertaken alongside the pathways and transitions theme in the NCEA Review.

Recommended Actions

The Ministry of Education recommends you:

a. note that the DualPathways Pilot will finish at the end of 2018 unless a decision is made to continue it in 2019

b. agree in principle that some under-utilised Youth Guarantee fees-free funding (from the Tertiary Tuition and Training Multi-Category Appropriation) continues to be available to fund secondary-tertiary learning options from 2019 and outyears

Agree / Disagree

c. note that should you agree that some under-utilised Youth Guarantee fees-free funding continues to be available for secondary-tertiary learning, this funding would not be available to meet other education priorities

Noted

d. agree in principle to either:

(i) Option One: Discontinue the DualPathways Pilot at the end of 2018 and transfer $7.5 million from Youth Guarantee fees-free to provide additional Trades Academy places from 2019 (Ministry and TEC recommended)

Agree / Disagree

or

(ii) Option Two: Continue the DualPathways Pilot for one further year in 2019, while longer-term work on secondary transitions is undertaken alongside the NCEA Review

Agree / Disagree

e. note that should you agree to Recommendation d(i) above, Cabinet agreement would be required and we will draft content for inclusion the forthcoming Cabinet paper on funding Education priorities from Vote Tertiary Education

Noted

f. agree that this Education Report is proactively released once Cabinet decisions on this proposal are made.

Agree / Disagree

Andy Jackson
Group Manager
Tertiary Education
31/05/2018

Hon Chris Hipkins
Minister of Education
27/6/18
Background

The DualPathways Pilot is intended to enable students to combine learning in school and tertiary education outside the more formal Trades Academy model

1. The Dual Pathways Pilot (the Pilot) was introduced for two years (2017-18), as a way to support students to dual enrol in school and tertiary education. The Pilot shares the same overall policy objectives as Trades Academies, but uses a different funding and allocation model. The shared overall objectives are to:
   • motivate more students to stay engaged in learning and training by offering them more options for study
   • provide clear pathways from school through to a head start on training for vocational qualifications and smoother access to employment
   • improve the ability of education to meet local and national business/economic needs.

2. The Pilot was set up for 2017-18. It was preceded by a small scale Secondary-Tertiary Programme Pilot (2014-16), which largely had the same funding model as the current Pilot. The rationale for introducing the original Pilot was to:
   • test a more cost-effective funding model than Trades Academies, and
   • provide another way for schools and tertiary providers to collaborate to deliver dual secondary-tertiary learning outside a formal Trades Academy.

3. The current Pilot builds on the original Pilot but was also intended to provide more opportunities for dual enrolment learning at Level 3. With the increase in NCEA Level 2 achievement, there has been more interest in dual enrolment options at Level 3, to provide wider learning options for students in Year 13. The new Pilot is also trialling a ‘success payment’ for tertiary providers and schools when a learner transitions into employment.

4. The tertiary component of both Pilots has been funded from underspends in Youth Guarantee fees-free funding (Vote Tertiary Education), made possible due to declining demand for Youth Guarantee fees-free places.

Key features of the Trades Academy model compared to the Pilot model

Trades Academy funding model and allocation process

5. Trades Academy students are funded through a learner-centred funding model. Funding for this sits in the Secondary Tertiary Interface appropriation (Vote Education) from where it is allocated to schools and TEOs. It includes additional pastoral care and co-ordination funding paid per learner, and transport funding paid based on transport needs. The funding rate has not increased since 2012.

6. The Ministry of Education allocates places annually to 24 Lead Providers. Currently 6,190 funded places are available each year, and these are over-subscribed. Lead Providers are not required to report unfunded students, but we know some schools and TEOs carry unfunded students. For example, the Eastern Institute of Technology (EIT) (a Lead Provider) is funded for 500 places, and has officially reported 58 unfunded students. EIT also has Pilot funding, but indicates that it is challenging to fully utilise Pilot places.

Pilot funding model and allocation process

7. Pilot students are enrolled part-time in school and part-time at a tertiary provider. Schools receive normal school funding, reduced based on proportion of time a student is not at school. The tertiary portion is funded from Youth Guarantee fees-free funding. Pastoral care and transport funding is paid to the tertiary provider as part of the equivalent full-time

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1 23 Trades Academies, and one tertiary high school.
2 The 24 Lead Providers indicated demand for 8,300 places for 2018. This is based on information submitted for 2018 funding, from partner schools (who individually predict their student demand).
3 See Annex One for summary information on Trades Academy and Pilot participation.
student (EFTS) based funding rates. However, this means transport funding is not targeted based on actual costs for schools, including those with rural students.

8. Under the Pilot the Tertiary Education Commission (TEC) allocates funding to tertiary providers. In 2017 up to $5.98 million was available for the Pilot, but this underspent by around $2.01 million (1,066 students participated, with 285 EFTS delivered). In 2018 up to $7.5 million is available, with $6.66 million allocated to date.\(^4\) The current allocations would fund a minimum of 1,300 students, but it is too early to know actual up-take. A success payment paid to the provider (and school) is available where a student moves into employment before the end of their programme.\(^5\)

**Current state of secondary-tertiary dual enrolment learning options**

There is a strong case for continuing to reprioritise underspent Youth Guarantee fees-free funding to enable students to combine school with learning in tertiary education

9. There is strong demand for secondary-tertiary learning options and students have positive outcomes from these programmes, particularly Trades Academies. In contrast, demand for Youth Guarantee fees-free places continues to decline and outcomes are more mixed for learners in full-time foundation-level tertiary education.

10. In 2017 around 7,560 EFTS were delivered in Youth Guarantee fees-free.\(^6\) While some Youth Guarantee fees-free funding has been reprioritised as part of Budget 2018, we consider that there will still be sufficient funding for Youth Guarantee fees-free in 2019 and outyears to meet demand if we continue to use the $7.5 million for dual enrolment learning.

11. We recommend that the $7.5 million of Vote Tertiary Education funding currently set aside for the Pilot continues to be available to fund dual enrolment secondary-tertiary arrangements. This would continue a funding stream for some TEOs that have declining demand for full-time tertiary provision, including institutes of technology and polytechnics.

**The Pilot was introduced to meet additional demand for dual enrolment and support progression, however it does not have strong buy-in from schools and providers**

12. The Pilot was introduced to provide more opportunities for dual enrolment, including at Level 3, to encourage progression to higher-level education, training and employment. In 2017 Level 2-3 provision was funded, with 2018 funding prioritised to Level 3.

13. We have limited outcomes information on the Pilot, so we cannot compare outcomes of Pilot students with Trades Academy students. In 2017 739 students (69% of Pilot learners) achieved an additional level of qualification than they had the year prior to entering the Pilot. Of these learners, 395 achieved this at Level 2, and 306 learners at Level 3. Only four success payments have been made as at May 2018 for 2017 Pilot participants.\(^7\)

14. However, the Pilot does not have strong buy-in from the sector. Key reasons for this are:

- schools and tertiary providers have found the Pilot administratively complex
- schools have raised concerns about the sustainability of the Pilot funding model.

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\(^4\) $0.46 million of unallocated funding is planned for reallocation to providers where extra demand.

\(^5\) The first instalment ($2,000) payable at the time the learner transitions into employment, the second instalment ($2,000) payable if the young person is still in employment six months later.

\(^6\) This was a further decline from 8,765 EFTS delivered in 2016 and 9,515 EFTS delivered in 2015.

\(^7\) The payments made to date are for the first instalment when a student first moves into employment.
15. In 2017 Pilot participation largely involved the same schools and tertiary providers as Trades Academies. Only a small number of schools and providers participating in the Pilot are not also participating in a Trades Academy. Schools and providers that are participating in both have two application processes and two different funding models (and consequential impact on school funding) to navigate. Some tertiary providers indicate they have found delivering the Pilot a heavy administrative burden for a relatively small programme, exacerbating the challenge of working across the school and tertiary systems, rather than making it easier for schools and providers to collaborate.

16. In addition the Pilot funding model is likely to be a disincentive for schools to participate, as many consider they lose funding through having part-time students. A key design principle of dual enrolment funding models is to minimise double funding when students are carrying out some learning in school and some in tertiary. However, under the current funding model schools are likely to be limiting the number of students participating because of the funding impact (and some may not be participating at all).

Trades Academies continue to show good outcomes for learners and there is strong evidence of unmet need for places

17. In 2015 ERO found that Trades Academies engaged and motivated students, and this was instrumental in changing their attitudes to learning. Available performance data shows that Trades Academies are effective at keeping young people engaged in education and increasing NCEA Level 2 (or equivalent) achievement. They also have good employment outcomes. However, Trades Academies have not been as effective at increasing progression to higher-level study at Level 4 and above.

18. To support the previous Government's Better Public Services target, Trades Academy places were prioritised to Level 2 (and one year, rather than multi-year programmes). With the increase in NCEA Level 2 achievement in school there has been an increased interest in dual enrolment secondary-tertiary options at Level 3. Under Trades Academy policy settings it is possible to undertake Level 3 study, however, given places are oversubscribed at Level 2, there has been limited opportunity to fund Level 3 provision. Increasing Trades Academy places can help to address this issue, and we consider may improve pathways for Trades Academy learners into higher-level study.

A decision is required now on the dual enrolment learning in 2019, while longer term work is underway alongside the NCEA Review

19. Longer-term policy work on the future of secondary-tertiary programmes and initiatives will be undertaken alongside the NCEA Review. Depending on the outcomes of the Review, the earliest longer-term changes could begin to be implemented would be 2020, with a longer lead-in time for major change.

Options for changes to 2019 delivery

20. We have assessed two main options for secondary-tertiary learning from 2019. Either:

- **Option One**: Discontinue the Pilot, but continue to provide the same level of funding for combined secondary-tertiary learning through additional Trades Academy places (Ministry and TEC recommended), or

- **Option Two**: Continue the DualPathways Pilot for one further year in 2019, while longer-term work on secondary transitions is undertaken alongside the NCEA Review.

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8 See Annex One for summary information on overlaps/gaps between Trades Academies and Pilot.
21. We have considered the following principles to assess these options:

(i) Reducing administrative complexity for schools and tertiary education organisations.

(ii) Balancing the impact of dual enrolments on school funding, and number of funded places.

(iii) Enabling progression to higher-level education, training, and employment.

(iv) Encouraging a strong network of provision for regions which align to labour market needs.

**Table One: Assessment of options against four key principles**

<table>
<thead>
<tr>
<th>Principles</th>
<th>Option One: Discontinue Pilot, and fund additional Trades Academy places</th>
<th>Option Two: Continue Pilot for one further year in 2019</th>
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</thead>
</table>
| (i) Reducing administrative complexity for schools and tertiary education organisations. | Rating: Strong
Moving to one allocation and funding model would reduce (but not completely remove) administrative complexity for schools, TEOs and operational agencies. | Rating: Weak
No change to status quo. Schools and TEOs would continue to access funding through two annual application processes, with separate monitoring and reporting requirements, and different funding rates. |
| (ii) Balancing the impact of dual enrolments on school funding, and number of funded places. | Rating: Mixed
- Trades Academy places oversubscribed in recent years, indicating the funding model recognises the additional costs associated with dual enrolments and provides sufficient incentives for schools to participate.
- Over 1,000 additional Trades Academy places a year could be funded.
- Higher funding rate per place, so in theory would fund less places than Pilot, but all additional places likely to be fully subscribed. | Rating: Mixed
- In 2017 Pilot funding was underspent; Funding model is a disincentive for schools to participate.
- In theory up to 1,700 notional places could be funded; but this is based on an estimate only, rather than realising any savings in Vote Education.
- Lower funding rate per place, so would notionally fund more learner places (theoretically); however, we do not have confidence that funding will be fully utilised. |
| (iii) Enabling progression to higher-level education, training, and employment. | Rating: Strong
- Additional Trades Academy places could be prioritised to programmes at Level 3 - without reducing availability of places at Level 2.
- Expanding Level 3 through Trades Academies would enable more learners to undertake two year learning programmes, and provide clearer progression pathways to higher-level education, training, employment. | Rating: Mixed
- Pilot would continue to provide opportunities for learners to undertake dual enrolment learning at Level 3, and encourage progression post-school.
- It would continue to be challenging for learners to undertake a coherent and co-ordinated two year learning pathway (e.g. year one Trades Academy, year two Pilot). |
| (iv) Encouraging a strong network of provision for regions which align to labour market needs. | Rating: Strong
- In most cases, Trades Academies are a collaborative partnership between multiple schools and TEOs in a region.
- Aligns well with the Government's interest in the development of regional education strategies to meet local labour-market needs. | Rating: Weak
- Some TEOs may have more individualised relationships school by school, rather than broader partnerships across multiple schools and TEOs. This is less conducive to joined-up planning and oversight of programmes to align with regional labour market needs. |
We recommend Option One: Discontinue the Pilot at the end of 2018 and provide the same level of funding for dual enrolment through additional Trades Academy places.

22. We do not consider that there is a strong case for continuing to fund to two separate programmes given overall they have the same objectives, and there is a significant overlap of participating schools and TEOs. Stopping the Pilot would reduce the number of different secondary-tertiary initiatives, and consequently reduce some of the complexity for schools and TEOs. While some schools are taking up the Pilot option, overall it is unlikely to be a funding model that would get widespread take up for large numbers of learners, and nor could it be rolled out as an alternative to Trades Academies.

23. The Trades Academy funding model has a higher cost per place than the Pilot, which means in theory we can fund fewer Trades Academy places than Pilot places with the $7.5 million. However in practice given Trades Academy places are over-subscribed we know that any additional Trades Academy places will be fully utilised, whereas Pilot places are unlikely to be fully utilised, particularly because schools do not find the funding model attractive.

24. We consider that the types of learners currently participating in the Pilot could be accommodated through Trades Academy provision from 2019. In addition, this approach provides the opportunity to bring the operational approach of Trades Academies more in-line with the original policy intent, including the potential for more multi-year programmes and for more learners to achieve industry relevant NCEA Level 3 or NZ Certificates. In turn this would provide clearer pathways for transitions to higher-level education and training, and employment.

25. The Treasury advise that you would need to seek Cabinet agreement to this approach. While the proposed funding transfer would be fiscally neutral, it would be transferring funding on an ongoing basis for dual enrolment secondary-tertiary learning, rather than being available to fund full-time tertiary education. Should you agree to this approach we will draft content for inclusion in the forthcoming Cabinet paper on funding Education priorities from Vote Tertiary Education, which we are aiming to be considered by the Social Wellbeing Committee in June.

26. If Option One is progressed, this would mean the $7.5 million we propose for additional Trades Academy places would be transferred to Vote Education for 2019 and outyears (and likely to be fully utilised), whereas under Option Two if the funding remained in Vote Tertiary Education to fund the Pilot any potential underspends could be available to fund other tertiary education priorities.

Risks

27. Based on the two funding models, in theory the number of additional learner places that could be funded under Option One through Trades Academies is less than under the Pilot. This could mean reduced access to dual enrolment secondary-tertiary learning options in 2019 than currently available.

28. In practice, as outlined above in paragraph 23, we expect that any additional Trades Academy places would be fully subscribed where as we have less confidence that Pilot funding will be fully utilised. Around $2.01 million (of $5.98 million available for the Pilot) was underspent in 2017. While it is too early to estimate what 2018 Pilot up-take will be, we do not expect funding to be fully utilised.

29. Unless managed carefully, there is a risk that enabling more Level 3 provision through Trades Academies could crowd out Level 2 provision, and as a result we could lose some
of the important gains we have made with increased NCEA Level 2 (or equivalent) achievement. We are confident that we can mitigate this risk by carefully managing the balance of provision funded in 2019, including prioritising additional Trades Academy places to Level 3. Having an early decision on the approach for 2019 will also help to mitigate this. Subject to Cabinet agreement, we could communicate with schools and TEOs in late June to enable them to work together to plan and apply for 2019 funding.

30. There is also a risk, if the Pilot is discontinued that a small number of schools and providers currently participating in the Pilot but not a Trades Academy could miss out on access to dual enrolment learning opportunities. The TEC will communicate the approach for 2019 to providers currently funded for the Pilot, and the Ministry (including regionally-based staff) will communicate with Trades Academy Lead Providers and schools in late June. This would enable those providers and schools that are not already in a Trades Academy engage with a Trades Academy for 2019 where possible.

Communications and Implementation

31. Should you agree to Option One and subject to Cabinet agreement, the Ministry and TEC will communicate the decision to schools and TEOs in late June, so they are aware of the approach for 2019. TEC will communicate the approach with tertiary providers currently funded for the Pilot and other TEOs, and the Ministry will communicate with Trades Academy Lead Providers, and more broadly to schools in late June. Ministry regionally-based staff will play a key role in communicating the approach and encouraging partnership arrangements for 2019.

32. This should allow schools and TEOs enough lead in time to estimate the number of places and plan proposed learning programmes for 2019, including where possible transitioning into a Trades Academy for those that are not already, before the Lead Provider submits an application for 2019 funding.

Consultation

33. The TEC has been consulted on this report, and is supportive of the recommended approach.

Proactive Release

34. We recommend that this Education Report is not released at this time. This is because a proposal contained in this report is subject to Cabinet agreement. We recommend that this paper could be proactively released once final decisions are made on this proposal (following any Cabinet agreement).

Annexes

Annex 1: Summary Trades Academy and DualPathways Pilot participation and overlaps/gaps between the programmes
Annex 1: Summary of Trades Academy and DualPathways Pilot participation and overlaps/gaps between the programmes

Summary of Trades Academy and DualPathways Pilot participation

**Trades Academies**

- In 2017 there were 6,190 funded Trades Academy places available, and 7,029 students participated,\(^{11}\) across 338 schools.
- In total there are 24 Secondary-Tertiary Programmes in NZ (23 Trades Academies and one Tertiary High School). This includes at least one Trades Academy based in each region, and a small number that deliver in multiple regions. Of the 23 Trades Academies, 12 are TEO-led (10 ITPs, two PTEs and one ITO), and 11 are school-led.
- There is significant variation in delivery models. Even if a Trades Academy is school-led, it will have at least one TEO delivery partner (typically the main TEO delivery partner is an ITP), and may have other TEO delivery partners for smaller scale delivery. In total 36 TEOs were involved in Trades Academy provision in 2017 (15 ITPs, 16 PTEs, three ITOs, one wānanga and one university).
- In 2018 Trades Academy place allocations and provision is broadly in line with 2017.

**DualPathways Pilot**

- In 2017 1,066 students from around 155 schools participated in the DualPathways Pilot. In 2017 18 tertiary providers (11 ITPs, six PTEs, one wānanga) were funded for Pilot provision in 12 regions (some tertiary providers delivered in two regions).
- In 2018 up to $7.5 million of funding is available for allocation for the tertiary component. Funding has been allocated to 20 tertiary providers including five new providers (in total 13 ITPs, and seven PTEs). Three providers funded in 2017, did not receive funding for 2018. Funding allocated to date could fund at a minimum around 1,300 learner places (depending on trades/non trades split, proportion of EFTS delivered per learner). Some unallocated funding (around $0.46 million) likely to be reallocated where extra demand.

Summary of overlaps/gaps in DualPathways Pilot and Trades Academy participation

**2017 school summary**

- Only 12 of the 155 schools participating in the Pilot did not also participate in a Trades Academy in 2017; only two of these 12 schools had not previously participated in a Trades Academy at some point between 2013 and 2016.

**2017 tertiary provider summary**

- In 2017 14 of the 18 tertiary providers funded for Pilot were also participating in a Trades Academy, nine of the 18 Pilot providers are a Trades Academy Lead Provider.
- The four tertiary providers not in a Trades Academy had 175 Pilot students in 2017, (although most of the schools from which these students were from would have had students participating in other Pilot provision and/or a Trades Academy).

**2018 allocations summary**

- In 2018, 16 of the 20 providers allocated Pilot funding are also participating in a Trades Academy, 11 of 20 Pilot providers are a Trades Academy Lead Provider, five are a Trades Academy delivery partner. Four Pilot providers are not also in a Trades Academy in 2018. We do not know yet which schools are participating in the Pilot in 2018.

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\(^{11}\) This includes a small over-allocation of places, and where one students leaves part way through a programme and is replaced by another student. Does not include unfunded students.