



Education Report: Timing of RoVE fiscal implications Cabinet paper

To:	Hon Chris Hipkins, Minister of Education		
Date:	14 October 2019	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1208763
Drafter:	s 9(2)(a)		s 9(2)(a)
Key Contact:		DDI:	
Messaging seen by Communications team:	No	Round Robin:	No. For forwarding.

Purpose of Report

This report proposes that you seek agreement to defer the 'by December' report to Cabinet on managing the fiscal implications of the Reform of Vocational Education to February 2020.

Recommended Actions

The Ministry of Education recommends that you:

- 1) **note** that deferring the 'by December' report-back to Cabinet on managing the fiscal implications of the Reform of Vocational Education (RoVE) to February 2020 would enable the report-back and subsequent Cabinet decisions to be informed by better estimates of the costs of RoVE and the funding available within Vote Tertiary Education to manage those costs
- 2) **forward** a copy of this Education Report to the Minister of Finance
- 3) **agree** to seek Cabinet's agreement to defer the 'by December' report on managing the fiscal implications of RoVE to February 2020

Agree / Disagree

- 4) **note** that you may be asked to present an oral item to Cabinet as part of seeking agreement to the deferral, which could be done at Cabinet's meeting this coming Monday 21 October 2019
- 5) **note** that we propose:
 - i) providing you and the Minister of Finance with a draft Cabinet paper on managing the fiscal implications of RoVE on Wednesday 11 December 2019 for initial feedback
 - ii) providing a final draft of this Cabinet paper for Ministerial consultation by the end of January 2020
 - iii) lodging the paper with Cabinet Office on Thursday 13 February 2020, for consideration and decisions from Cabinet's Social Wellbeing Committee (SWC) in the week of 17 February 2020

- 6) **agree** that this Education Report is proactively released following the agreement or otherwise of the Minister of Finance to your request

Release / Not release



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

23/10/2019



Hon Chris Hipkins
Minister of Education

23/10/19

Proactively Released

Background

- 1 You met with the Minister of Finance on Wednesday 25 September to discuss the potential content and scale of education portfolio initiatives for Budget 2020, including the fiscal implications of the Reform of Vocational Education (RoVE) [METIS 1205931 refers]. s 9(2)(f)(iv)
- 2 Ministry and Treasury officials' understanding of this decision is that managing the fiscal implications of RoVE is now de-coupled from the Budget 2020 process. s 9(2)(f)(iv)

We propose delaying the RoVE fiscal implications report-back to Cabinet

- 3 As part of Cabinet's decisions to implement RoVE in July 2019, you were invited "to report to Cabinet by December 2019 with a more detailed strategy for managing the fiscal implications of the Reform of Vocational Education, including managing costs through reprioritisation of existing funding for similar functions" [CAB-19-MIN-0344 refers].
- 4 In proposing 'by December' for this report-back, we had assumed a need to link it with Budget 2020 processes, particularly submitting Budget initiatives to the Minister of Finance in early December. With this driver for the report-back removed, there is an opportunity to re-consider the best timing of it.
- 5 Considerable progress has made across the RoVE programme since Cabinet's decisions in July. Our focus has been on engagement with the sector, particularly on Workforce Development Councils (WDCs) and standing up the New Zealand Institute of Skills and Technology (the IST) Establishment Board and its Christchurch-based Establishment Unit. Given the significant amount of engagement and planning work underway, our capacity to develop refined estimates of the fiscal implications of RoVE has been constrained.
- 6 This means that robust updated estimates of RoVE costs are unlikely to be available in time to inform a 'by December' Cabinet paper. Better information about some components of RoVE is likely to become available between November and February.
- 7 To ensure that Cabinet's decisions are based on the best possible information about the fiscal implications of RoVE, we recommend seeking Cabinet's agreement to defer its consideration of the paper to February 2020 – though we also propose providing you and the Minister of Finance with a substantive draft for feedback in December.
- 8 In particular, Cabinet considering the paper in February would allow it to be informed by better information about:
 - the range, scale and potential sequence of costs and investments needed by the IST for 'day one' and during the transition period, including potential support for at-risk ITPs/subsidiaries
 - the estimated costs and funding of various functions within and across WDCs
 - potential initial investments ahead of the implementation of a unified funding system

- funding needed to build the functions and number of Centres of Vocational Excellence (CoVEs)
 - the capability needed to successfully manage the implementation of the reforms.
- 9 Importantly, we also consider that the proposed delay would enable better-informed decisions about the amount of funding within Vote Tertiary Education that could be safely used to fund RoVE investments. In particular, an update of the Ministry's forecast of demand for Student Achievement Component (SAC) EFTS units will be generated once Treasury's Half-Year Economic and Fiscal Update data is confirmed in November. This will enable a better estimate of the SAC funding that might be unspent in the future.
- 10 We consulted the Executive Director of the IST Establishment Unit on the proposed deferral. Mr Strong agreed that more time to update and refine estimated costs would improve the quality of information presented to Cabinet, s 9(2)(g)(i)
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Next Steps

- 11 We recommend forwarding this report to the Minister of Finance for his consideration. Treasury officials have been consulted, and support deferring Cabinet's consideration of the fiscal implications Cabinet paper.
- 12 Should you agree to seek deferring the 'by December' Cabinet paper to February 2020, your Office will need to liaise with Cabinet Office to formalise its deferral.
- 13 To deliver this Cabinet paper in February, we propose providing you with a draft in December to share the Minister of Finance for his consideration and feedback. We would then refine the draft and cost estimates to address feedback from you and the Minister of Finance and provide you with a proposed near-final draft by the end of January 2020 for Ministerial consultation in early February. We recommend aiming for Cabinet decisions in mid-February.
- 14 The attached letter to the Prime Minister notes that the December draft will be shared with the Department of the Prime Minister and Cabinet.

Paragraph 14 was included as an error, no letter was provided.

Proactive release

- 15 It is intended that this Education Report is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.
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