



Tertiary Education Report: Proposal to fund Direct Careers Guidance Services

Date:	3 July 2020	TEC priority:	HIGH
Security level:	Budget Sensitive	Report no:	B-20-00440 (TEC) METIS 1233842 (MoE)
		Minister's office No:	

ACTION SOUGHT

	Action sought	Deadline
Hon Chris Hipkins Minister of Education	<p>Note that EET Ministers agreed to two proposed direct careers advice services at their meeting on 24 June 2020.</p> <p>Note that Treasury has a strong view that decisions on the proposed services be sought from Cabinet as it considers them to be a significant policy change that requires funding appropriated for a different purpose</p> <p>Indicate whether you wish officials to draft a Cabinet paper seeking approval of the implementation and funding a temporary TEC-delivered direct careers guidance service.</p>	6 July 2020
Enclosure: No	Round Robin: No	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)

Name	Position	Telephone	1st contact
Nina Ive	Manager, Strategic Engagement (TEC)	9(2)(a)	✓
Mark Leeming	Manager, Financial & Business Performance (TEC)		

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT

- DPMC MPI ENZ ERO MBIE MoE MFAT
 MPP MSD NZQA NZTE TEC TPK Treasury

- Minister's Office to Complete:**
- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Recommendations

Hon Chris Hipkins, Minister of Education

It is recommended that you:

1. **note** that Employment, Education and Training Ministers agreed to two proposals to support careers guidance services for displaced workers at their meeting on 24 June 2020:
 - a. over-the-phone careers advice and guidance for a period of six months; and
 - b. pop-up career services in malls or regional community locations for three months;
2. **note** that:
 - a. the Tertiary Education Commission (TEC) is unable to fund these services within its baseline funding for 2020/21; and
 - b. the proposals could be funded by reprioritisation of funding appropriated for Youth Guarantee programmes, which officials consider likely to underspend in 2020/21
3. **note** that the Treasury has a strong view that decisions on the implementation and funding of these proposals be sought from Cabinet on the basis of it being a significant policy change funded by reprioritisation of funding appropriated through Budget 2020 for a different purpose
4. **Indicate** whether you want officials to draft a Cabinet paper seeking approval of the above reprioritisation of funding to the TEC to deliver the proposed direct careers guidance services, with the paper to be lodged on Thursday 16 July for consideration by Cabinet's Social Wellbeing Committee (SWC) on Wednesday 22 July

YES NO

5. **agree** that the TEC release this briefing in full once decisions have been finalised and information on these decisions is publicly available.

AGREED NOT AGREED



Ian Lee
Deputy Chief Executive
Strategy & Design Directorate
Tertiary Education Commission

03 July 2020



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

03 July 2020

Hon Chris Hipkins
Minister of Education

11 / 07 / 20



Purpose

1. This paper seeks your direction on seeking Cabinet decisions to implement and fund the Employment, Education and Training (EET) Ministerial Group's decision to progress two direct careers guidance services to support workers displaced by the impacts of COVID-19.

Background

2. On Wednesday 24 June 2020, the EET Ministerial Group agreed to two proposals from the Tertiary Education Commission (TEC) for careers guidance services for displaced workers:
 - over-the-phone career advice and guidance for a period of six months
 - pop-up career services in malls or regional community locations for three months.
3. That paper followed a discussion at your meeting with education agency officials on Monday 8 June [B-20-00254 refers]. At that time, education officials thought it may have been possible to fund the services through the reallocation of 2019/20 underspends. Delivering these two services has been costed at a total of \$3.200 million.
4. However, as the Supplementary and Additional Supplementary Estimates for 2019/20 had been finalised, it was not possible to use remaining 2019/20 underspends (which are expected to be \$14 million across all of Vote Tertiary Education). Further, as the services would be delivered in 2020/21, Joint Ministers would not have had the necessary authority to approve reprioritisation of funding across appropriations and fiscal years.¹
5. The TEC is unable to fund implementation of the two services within its baseline funding for 2020/21 due to them being an additional service offering and the need to manage increased costs in other areas of its operations arising from responding to COVID-19. The TEC is currently expecting to post an operating deficit of \$4.975 million in 2020/21, although its final budgeted deficit is subject to the approval of its board of Commissioners. Implementing the two services is therefore dependent of reprioritisation of appropriated 2020/21 funding.
6. In progressing the EET Ministerial Group's agreement to the above two direct careers guidance services for displaced workers, the Treasury has advised that it has a strong view that the proposal be submitted to Cabinet for final decisions. This is on the basis that the proposed services are a significant policy change because:
 - the TEC does not currently provide direct careers guidance services, which would be part of this initiative; and
 - it requires the reprioritisation of funding appropriated for another purpose in Budget 2020.
7. Treasury has also noted that the EET Ministerial Group's secretariat has commenced a significant workstream to identify and map employment services across government, in part to identify areas of overlap and potential gaps before making recommendations about new policy programmes. Treasury would prefer this work is completed before a new careers advice service is commissioned.
8. The TEC currently does not currently deliver direct (over-the-phone or face-to-face) careers guidance services, and the Cabinet decisions of 2016 that incorporated Careers New Zealand (CNZ) into the TEC included discontinuing CNZ's direct careers services. However, the TEC's

¹ Cabinet Office (CO) Circular 18(2) provides Joint Ministers with authority to approve transfers of funding across appropriations *within* a fiscal year (if doing so is not to implement a significant policy change), but not across appropriations *and* fiscal years.

statutory mandate, 'to provide a publicly available careers information service that includes a database of information about occupations and tertiary education and training'², does not specifically preclude the provision of direct services.

Reprioritisation of Youth Guarantee funding

9. We consider that \$3.200 million of 2020/21 Youth Guarantee (YG) funding could be reprioritised to fund the services. Expenditure on YG has been declining in recent years – in part due to increased achievement and retention of at-risk youth in the school system. For the 2019 calendar year, the TEC reported expenditure on YG of \$57.0million on allocated funding of \$87.0 million.
10. In normal circumstances, we would expect an increase in unemployment resulting from adverse labour market conditions to lead to increased demand for YG places. This may occur due to the impact of COVID-19. However, it is possible that the much broader range of fees-free training options and other initiatives under the Government's \$1.6 billion Trades and Apprenticeships Training Package and wider COVID-19 Response and Recovery Fund investments, will suppress demand for YG places in the short to medium term.
11. The TEC currently expects to have \$71.9 million available to allocate to YG providers for the 2021 calendar year. Given the 2019 level of expenditure, we propose that \$3.200 million of YG funding be reprioritised to fund the proposed careers guidance services to support workers impacted by COVID-19. Provided Joint Ministers agree the proposed services are not a significant policy change, Joint Ministers could approve changes to appropriations via this paper to reprioritise this funding to the TEC.
12. There is a risk that demand for YG places will increase significantly as unemployment increases. If \$3.200 million were to be reprioritised, TEC would have approximately \$68.7 million available to allocate to providers for the 2021 year – more than \$11 million more than expenditure on YG in 2019. This would be able to fund an increase in demand for YG of around 20 percent.
13. Meeting a significant increase would require the TEC to reallocate funding from other funds in the Training for Designated Groups (TDG) category of the Tertiary Tuition and Training Multi-Category Appropriation (MCA), or elsewhere in the MCA, if unallocated funding is available. TEC could also choose to not fund the full increase in demand for YG places. In the high-unemployment environment that will follow COVID-19, the TEC will likely need to prioritise the funding available rather than fund all demand for tuition and training.

Next Steps

14. We ask that you provide decisions and feedback on whether you wish to commission a Cabinet paper seeking approval to implement and fund the proposed careers guidance services as soon as possible – potentially as part of your meeting with education officials on Monday 6 July.
15. Should you commission a Cabinet paper, officials would provide you with a draft for Ministerial consultation by the end of Thursday 9 July for Ministerial consultation, with a view to a final version being lodged with Cabinet Office on Thursday 16 July for SWC's meeting on Wednesday 22 July 2020.

² Section 159F(1)(bc) of the Education Act 1989