



Report: Revised Cabinet papers for consultation

To:	Hon Penny Simmonds, Minister for Vocational Education		
Cc:	Hon Dr Shane Reti - Minister for Universities Hon Erica Stanford, Minister of Education		
Date:	6/03/2025	Deadline:	10/03/2025
Security Level:	In-Confidence	Priority:	High
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Why are we sending this to you?

- You are receiving this as follow-up to your feedback on the two draft Cabinet papers relating to VET funding, and the discussions at the agencies meeting on Tuesday 4 March.
- VET funding material is provided with this report, and the draft savings paper (Annex B) will be provided to your office later today.

What action do we need, by when?

- We are seeking your agreement by early Monday 10 March so that both papers can be circulated simultaneously for agency and Ministerial consultation.
- As discussed with your office, we will provide the draft VET funding Cabinet paper (Annex A) to the Labour Market Ministers Group for discussion on Wednesday 12 March. Your approved version can be submitted as a late paper on Monday.

Key facts, issues and questions

- We have reflected your feedback in the revised draft papers attached to this report and seek your approval to progress to consultation.
- We understand that discussions relevant to Cabinet paper B are happening today, and we will provide this draft paper later in the day to incorporate any resulting updates.
- If no updates to the proposals are confirmed today (6 March), we will progress to consultation with the current proposals and drafting notes (pending your approval), as discussed in our meeting with you on Tuesday 4 March.

Alignment with Government priorities

1. This report supports the Government's commitment to disestablish Te Pūkenga and replace it with a more agile, regionally responsive network of vocational educational institutions.

Background

2. On 27 February, we provided you with two draft Cabinet papers, which are to be lodged together [METIS 1342946 refers]:
 - **Cabinet paper A** sets out your intentions for the funding system for vocational education and training (VET) and reports back to Cabinet with options to support strategically important provision [SOU-24-MIN-0174 refers].
 - **Cabinet paper B** seeks Cabinet agreement to reprioritise funding from within Vote Tertiary Education toward support for strategically important provision in the VET system.
3. On Tuesday 4 March we discussed your feedback on these drafts, and we have now revised them to reflect your comments. We seek your approval to progress both papers to agency and Ministerial consultation starting Monday 10 March.

Draft Cabinet Paper A – VET funding

4. We have reflected your feedback, notably in being clearer throughout the paper on how changes to funding rates relate to the rates set prior to the previous Government's reforms. We have included the estimate of provision to the value of \$33 million being removed from the system through programme cuts in paragraph 33, as part of the rationale for reprioritising volume funding for strategic provision.
5. We have not included your addition to Recommendation 1 (noting that funding will be reprioritised toward standard-setting) to avoid confusion between Recommendations 1 and 2. We consider that Recommendation 2 contains the same information.
6. We have removed details of the savings sought through Cabinet paper B from the recommendations of this paper due to the potential sensitivity when sharing a draft for consultation. Details can be added for the final version to reflect what is agreed.
7. Annex 2 now includes an additional table showing funding rates from before the previous reform, adjusted for inflation, alongside your proposed changes for 2026 for comparison. We have included both provider-based rates (based on an average of SAC funding rates that were folded into each category) and work-based rates (based on Industry Training Fund rates which were not differentiated by subject).
8. As discussed with your office, we are preparing to provide this draft Cabinet paper and Annexes A1 and A2 to the Labour Market Ministers Group. This will be submitted as a late paper on Monday 10 March, pending your approval of the revisions.

Supporting information

9. We have also prepared some material to support agencies and Ministerial consultation for your review and feedback:
 - Draft A3 on supporting strategically important provision – this provides additional information on the criteria for defining strategically important provision and how this support will be allocated.
 - Additional notes on strategically important provision, highlighting how the provision chosen aligns with broader Government priorities.

- Draft A3 on VET funding objectives and key trade-offs – this seeks to address Treasury’s questions about the transitional vs the future state, how the changes address the key issues in the VET system, and the trade-offs involved.
10. You may like to use this information to support the discussion on the VET redesign at the Labour Market Ministers Group meeting on Wednesday 12 March.

Draft Cabinet Paper B - Funding reprioritisation to support strategically important vocational education and training

11. We have reflected your feedback on this paper, including clarifying that:
- we are defunding Ako Aotearoa (Ako), not disestablishing it, and if the tertiary sector values Ako’s services it will provide the necessary funding for them to continue; and
 - Tūwhitia and Te Tahua o te Reo Kairangi (Te Tahua) are both recently established funds.
12. We have reflected your feedback that the removal of Tūwhitia and Te Tahua is returning to the funding situation before they were established. The Crown’s obligations under the Treaty of Waitangi have also been more clearly outlined.
13. As discussed in our meeting with you on Tuesday 4 March, this draft of the Cabinet paper contains several drafting notes, reflecting the need for confirmation of discussions with your colleagues. These drafting notes are largely referring to confirmation of Education New Zealand savings and Ministry of Education savings.
14. We understand there are discussions today about agency savings relevant to Cabinet paper B. If these do not occur, we will progress with the current draft as discussed in our meeting with you on Tuesday 4 March, with drafting notes.
15. If, following discussions with your colleagues, there are low or no savings from the Ministry of Education and Education New Zealand, we have added wording to make it clear that the Tertiary Education Commission (TEC) could transfer further administered funding to reach \$15 million per annum. 9(2)(g)(i)
16. This could come from the Multi-Category Appropriation (MCA). The MCA provides the TEC with the flexibility for transfers across funds so that it is able to respond to small changes in volume across providers and types of provision. Funding out of volume will increase the gap in demand that needs to be covered in 2026 to reach 99%, and also increases the pressure for funded demand that will need to be considered in future Budgets.
17. We will provide advice to you and Minister Reti on Friday 7 March, with an update on the volume cost pressure following confirmation of 2024 enrolment data [METIS 1343602 forthcoming].

Next Steps

18. Pending your approval, we intend to circulate both papers simultaneously for agency and ministerial consultation from Monday 10 March until Tuesday 18 March. Agency consultation will be carried out with:
- **Cabinet paper A** - the Department of the Prime Minister and Cabinet, the Treasury, the Public Services Commission, the Ministry of Business, Innovation and Employment, the Ministry of Social Development, the Ministry for Primary Industries, the Ministry of Health, Health New Zealand, Ministry of Disabled People, Te Puni Kōkiri, the Ministry for Pacific Peoples, the Ministry for Women, the Ministry of Justice (Te Arawhiti – The Office for Māori-Crown Relations), the Tertiary Education Commission and the New Zealand Qualifications Authority.

- **Cabinet paper B** - The Treasury, the Public Service Commission and the Office of the Auditor General.

19. We are targeting the Cabinet Economic Policy Committee meeting on 26 March, which will require both papers to be lodged on 20 March.

Annexes

The following are annexed to this paper:

- Annex A: Draft Cabinet paper - *A redesigned vocational education and training system – funding settings*
- Annex A1: Summary of proposed funding changes to the VET system
- Annex A2: Impact of proposed changes to delivery funding rates for Levels 3-7 (non-degree)
- Annex B: Draft Cabinet paper - *Funding reprioritisation to support strategically important vocational education and training*
- Annex C: Draft A3 on supporting strategically important provision
- Annex D: Additional notes on strategically important provision
- Annex E: Draft A3 on VET funding objectives and key trade-offs

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to provide any feedback on the attached documents by Monday 10 March
- Agree** Disagree
- b. **note** that as discussed in your meeting with agencies on Tuesday 4 March, we will provide the revised draft of the VET funding Cabinet paper (Annex A) for discussion by the Labour Market Ministers Group once you have approved it
- Noted**
- c. **agree** to share the two draft Cabinet papers annexed to this report for agency and Ministerial consultation from 10 March to 18 March
- Agree** Disagree

Proactive Release:

- d. **agree** that the Ministry of Education release this paper once Cabinet has taken decisions, with any information needing to be withheld done so in line with the provisions of the Official Information Act 1982
- Agree** Disagree



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Te Pou Kaupapahere

06/03/2025



Hon Penny Simmonds
Minister for Vocational Education

7/03/25