



Report: VET funding Cabinet papers for lodgement

To:	Hon Penny Simmonds, Minister for Vocational Education		
Cc:	Hon Shane Reti, Minister for Universities Hon Erica Stanford, Minister of Education		
Date:	19/03/2025	Deadline:	20/03/2025
Security Level:	In-Confidence	Priority:	High
From:	Katrina Sutich General Manager, Tertiary Policy	Phone:	04 463 7638
Drafter:	Liz Haynes	METIS No:	1344825

Why are we sending this to you?

- You are receiving this because the two attached Cabinet papers are due to be lodged for Cabinet committee consideration on Wednesday 26 March.

What action do we need, by when?

- To meet timelines your office will need to lodge both Cabinet papers by 10am on Thursday 20 March.

Key facts, issues and questions

- The Cabinet papers annexed to this report have been updated to reflect Ministerial and agency feedback received.
- We will follow up with talking points to support you ahead of the Cabinet Social Outcomes Committee meeting.

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. We have prepared two Cabinet papers related to funding for vocational education and training (VET), which are to be lodged together as companion papers:
 - **Cabinet paper A** sets out your intentions for the VET funding system, 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 within Vote Tertiary Education to support strategically important provision in the VET system.
3. We provided you with initial drafts on 27 February [METIS 1342946 refers], versions responding to your initial feedback on 6 March [METIS 1343932 refers], and new versions on 14 March which incorporated feedback from your discussion with Ministers Stanford and Upston [METIS 1344604 refers].
4. Both papers were circulated for simultaneous Ministerial and agency consultation, which closed on Tuesday 18 March 2025. Agency consultation for Cabinet paper B was limited to central agencies, with the 14 March version also being shared with the Ministry of Social Development.
5. The intended timeline is for both papers to be considered by the Cabinet Social Outcomes Committee (SOU) on Wednesday 26 March, with Cabinet confirmation of decisions on Monday 31 March.

Feedback on funding for standard-setting

6. The Treasury has indicated that they have concerns about the arrangements for standard-setting, including transition risks and a lack of certainty about ongoing funding. Other agencies have also expressed concerns in this area, including the extent to which funding for standard-setting is reduced. The Minister of Finance would like to discuss options for additional funding, and we will provide you with an Information Update later today with advice on options.
7. Should you and the Minister of Finance agree to additional funding to support standards-setting, you can table a recommendation seeking Cabinet's agreement to a pre-commitment at SOU on Wednesday.

Feedback from agency and ministerial consultation

Cabinet Paper A – VET funding

8. We have incorporated the minor changes requested by Minister Upston, primarily adding text to paragraph 15. Minister Hoggard indicated he supports the paper in general. He suggested more information about priority industries and how they will be identified, and correctly presumed that food and fibre primary industries would be included.

New Zealand Qualifications Authority

9. The New Zealand Qualifications Authority reiterated concerns that the \$30 million to fund standard-setting is less than half of what was previously available for Workforce

Development Councils, and the implications of this are not discussed. As above, we have noted that funding arrangements are under discussion with the Minister of Finance.

The Ministry for Social Development

10. The Ministry of Social Development (MSD) provided feedback that the wider context of funding changes, available funds (for example reserves) and the trade-offs involved in the proposals are not always clear or fully outlined. They were also of the view that the reduced level of funding for standard-setting when compared to previous arrangements should be made clearer.
11. MSD expressed that more evidence of how transitional funding would support all strategically important provision was needed, and it should be clearer that substantial cuts in provision will still occur. This concern is somewhat mitigated by changes to the paper which highlight the context of financial improvement plans. MSD were concerned that there would be ongoing uncertainty for the VET sector, given the focus on short-term measures.

The Ministry for Primary Industries

12. The Ministry for Primary Industries (MPI) was supportive of the paper and proposals. They suggested more clarity about the different decisions being undertaken for different parts of the VET system, and about how the current proposals were reached. They asked for confirmation of how 'priority industries' are defined for the purposes of strategically important provision. Rather than add a further annex with a detailed list, we have included some of the major priority categories as examples in paragraph 16.1.1.
13. MPI also expressed concern about proposed programme closures at NorthTec which would affect agriculture and forestry delivery. While these issues are outside the scope of the current Cabinet papers, MPI recommended that (if agreed) the availability of transitional funding be communicated to NorthTec swiftly, before these decisions are taken.

The Treasury

14. In addition to the points raised at paragraphs 6-7 above, The Treasury asked that the paper ensure that Ministers are aware of the scale of the rationalisation occurring as a result of institutes of technology and polytechnics' (ITPs) financial improvement plans. As new data is not yet available from Te Pūkenga we have included figures from late 2024 in paragraph 31, which we have been advised by Tertiary Education Commission (TEC) are still relevant.
15. As well as the impacts of programme cuts, the Treasury would like to see more planning for the long term stability of the system and support for strategically important provision. We have emphasised that this will be dependent on subsequent decisions, and that consideration of providers beyond ITPs would be part of long-term planning.

The Ministry of Disabled People – Whaikaha

16. The Ministry of Disabled People – Whaikaha expressed appreciation that their previous feedback had been taken on board, particularly in regard to not reducing the Learner Component funding rate for disabled learners. They noted that key learning areas for the disabled workforce come under categories F2 (which is a targeted category) and F1 (which is not).
17. Whaikaha expressed some concern that Learner Component funding is not required to be used for supporting priority learners, particularly in the context of organisations seeking cost-saving measures. Whaikaha recommended that guidance is provided to tertiary education organisations (TEOs) about continued support for Māori and Pacific learners, noting that disabled learners are diverse.

The Ministry for Pacific Peoples

18. The Ministry for Pacific Peoples had no additional feedback beyond its response to your previous Cabinet paper of December 2024.

Cabinet Paper B – savings for reprioritisation

19. Paper B underwent targeted consultation with central agencies. No feedback was received that required changes to the paper, including Treasury not seeking to include a Treasury comment.
20. We are not aware of any Ministerial feedback requiring changes to the paper beyond what was agreed with Minister Stanford and included in the 14 March version.

Additional changes

21. Previous drafts have indicated that these papers would be lodged with the Cabinet Economic Policy Committee (ECO) for consideration. To comply with the report back on strategically important provision, and to keep phased VET redesign decisions with the same Cabinet committee for consistency and clarity, we have changed this to the Cabinet Social Outcomes Committee (SOU). This does not change the timelines.
22. The Ministry of Social Development has provided an updated version of Annex 3, which includes jobseeker data sourced from March 2025.
23. 9(2)(g)(i) [REDACTED]
24. Some further minor changes have been made to Cabinet paper A to improve the clarity of the proposals and to remain within the ten page limit.
25. Cabinet paper B has been updated to remove drafting notes alongside some minor editorial changes to the recommendations. Paragraph 15 (relating to TEC operating savings) has been amended to reflect updated advice from the TEC that the savings will result in a reduction of up to 23 establishment FTEs (not 27).

Next Steps

26. To be considered by SOU next week, the two papers will need to be lodged by your office on Thursday 20 March for the Social Outcomes Committee meeting on 26 March.
27. We will provide talking points to support your presentation of these papers, which will include responses to feedback you have received from other Ministers. Any additional feedback received today can be addressed through talking points.

Annexes

The following are annexed to this paper:

- Annex A: Cabinet paper A: *A redesigned vocational education and training system – funding settings*
- Annex A1: Summary of proposed funding changes to the VET system
- Annex A2: Total impact of proposed changes to delivery funding rates for Levels 3-7 (non-degree)
- Annex A3: Regional overview of ITP campuses and main benefit numbers
- Annex A4: Overview of Trades Academies
- Annex B: Cabinet paper B: *Funding reprioritisation to support strategically important vocational education and training*

Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to lodge the annexed Cabinet papers (Cabinet paper A and annexes A1-A4, and Cabinet paper B) with Cabinet Office by 10am on Thursday 20 March 2025, for consideration by the Cabinet Social Outcomes Committee on Wednesday 26 March

Agree / Disagree

- b. **agree** to forward this report and the annexed papers to the Minister for Social Development and Employment

Agree / Disagree

Proactive Release:

- c. **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



Katrina Sutich

General Manager, Tertiary Policy

Te Pou Kaupapahere

19/03/2025

Hon Penny Simmonds

Minister for Vocational Education

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