

Cabinet Paper material

Proactive release

Minister & portfolio	Hon Penny Simmonds Minister for Vocational Education
Name of package	Redesigned Vocational Education and Training System: Funding Settings
Date considered	31 March 2025
Date of release	22 July 2025

These documents have been proactively released:

Redesigned Vocational Education and Training System: Funding Settings

Date considered: 31 March 2025

Author: Office of the Minister for Vocational Education

Cabinet Minute CAB-25-MIN-0085.01

Date considered: 31 March 2025

Author: Secretary of the Cabinet

Cabinet Social Outcomes Committee Minute SOU-25-MIN-0026

Date considered: 26 March 2025

Author: Committee Secretary

Material redacted

Some deletions have been made from the documents in line with withholding grounds under the Official Information Act 1982. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

The applicable withholding grounds under the Act are as follows:

Section 9(2)(f)(iv) to protect the confidentiality of advice tendered by Ministers of the Crown and officials

Some deletions have been made from the documents as the information withheld does not fall within scope of the Minister's portfolio responsibilities, and is not relevant to the proactive release of this material.

You can read the Official Information Act 1982 here:

<http://legislation.govt.nz/act/public/1982/0156/latest/DLM64785.html>

[In Confidence]

Office of the Minister for Vocational Education

Cabinet Social Outcomes Committee

A redesigned vocational education and training system – funding settings

Proposal

- 1 This paper seeks agreement to changes for vocational education and training funding, to support structural changes agreed by Cabinet in December 2024. My proposals include transitional support for strategically important provision and fiscally neutral redistribution of existing funding, including to provide for industry standard-setting.

Relation to government priorities

- 2 This report aligns with Government priorities as part of the work programme to disestablish Te Pūkenga.

Executive Summary

- 3 This paper proposes changes to funding for vocational education and training. These changes will support the decision to disestablish Te Pūkenga as agreed by Cabinet in December [SOU-24-MIN-0174].
- 4 As part of the December paper I noted that further decisions will be needed on:
 - 4.1 changes to funding to support both the transition to the new vocational education and training system and ensure its long-term viability (this paper);
 - 4.2 changes to work-based learning (to come in April); and
 - 4.3 The final number and form of institutes of technology and polytechnics (to come in June).
- 5 This paper includes three funding proposals to:
 - 5.1 **Establish a strategic transitional fund.** This will support institutes of technology and polytechnics ('polytechnics') to continue delivering strategically important training where these are at risk of closure. This will be achieved by reprioritising up to \$20 million, primarily from agencies funded by Vote Tertiary Education and programmes not aligned with Government priorities. This would be a short-term initiative over 2-years. I have lodged a companion paper alongside this one which sets out how I propose to do this.
 - 5.2 **Establish ongoing funding for industry-led standard setting.** This is a critical function in the vocational education sector for which current funding is due to end on 30 June. I propose to achieve this by reducing delivery funding rates for work-based learning. This will deliver \$30 million per year to support industry-led standard setting. I believe that this presents minimal risk to the delivery of work-based learning, as funding rates for work-based learning will remain higher than they were prior to the previous reforms, and work-based learning is currently operating at a surplus.

- 5.3 **Increase funding for provider-based learning.** This will make a small but important contribution to increasing provider-based learning rates toward their levels prior to the previous reforms. This will be achieved by reprioritising approximately \$6.5 million currently allocated for Māori and Pacific learners.
- 6 Vocational education and training is critical to economic productivity, and supports the government's employment target. However, many of the existing polytechnics are not financially viable. Significant work is underway to improve their financial performance while balancing the needs of key sectors and communities. Reductions in their provision are likely to have flow-on effects for individuals and communities.
- 7 The proposed funding changes are likely to have the following impacts:
- 7.1 Strategic transitional fund – the impacts of the savings proposed to support this fund are set out in the accompanying paper *Funding reprioritisation to support strategically important vocational education and training*. The key risk is whether \$20 million will be sufficient to maintain the provision of strategically important vocational education. This will be closely monitored as a part of the transition to the new vocational education and training system.
- 7.2 Funding for industry-led standard setting – it is critical to fund standard setting, and work-based learning rates are currently resulting in annual surpluses. I consider redirecting this funding necessary and this is the lowest-risk option available.
- 7.3 Increasing provider-based funding – this is a relatively small reduction (8 percent) to the overall learner-based funding component, which retains rates for learners with disabilities and low prior achievement but removes the much lower rate for Māori and Pacific learners.
- 8 Overall, I consider these impacts and risks to be manageable and necessary to achieve the broader changes to vocational education and training. I have focused on achieving fiscally neutral changes and consider these impacts can be managed within the existing baseline of Vote Tertiary Education.
- 9 Once agreed, these changes will be implemented by the Ministry of Education and Tertiary Education Commission as a part of existing funding processes. I intend to announce proposed funding settings after the publication of Budget 2025. This will allow me to announce the cumulative effect of decisions for the vocational education sector, including April decisions on the model for work-based learning.

Background

- 10 In December 2024 the Cabinet Social Outcomes Committee agreed to changes to the Education and Training Act 2020 to enable the disestablishment of Te Pūkenga and Workforce Development Councils, and a more agile network of regional institutes of technology and polytechnics ('polytechnics') [SOU-24-MIN-0174]. The specific number and nature of polytechnics to be established is to be agreed in June 2025.
- 11 Cabinet invited me to report back, in consultation with the Minister for Social Development and Employment, on options to support strategically important provision, including transitional funding reprioritised from within existing baselines. I include this information here along with funding proposals to support the redesigned

system from 2026. Funding settings need to be confirmed now to enable accurate analysis of polytechnics' financial viability, which will inform decisions in June.

- 12 Cabinet decisions on the future of work-based learning have not yet been taken. Additional targeted consultation with industry stakeholders was carried out between 27 January and 21 February 2025. I will report back to Cabinet in April on the preferred model for work-based learning and proposed transition processes.
- 13 A series of funding decisions will contribute to the overall vocational education and training (VET) funding landscape in 2026. These decision points and my proposals for them are summarised in Annex 1.

Analysis

Funding needs to support a sustainable vocational education and training system which meets learner and industry needs

- 14 Legislative amendments currently underway will enable the significant structural change required to support a high quality, fit for purpose VET system. Funding changes are also needed to support the stability of VET during the transition, and the financial sustainability of the future system.
- 15 I am proposing time-limited transitional support for strategically important provision alongside modest, fiscally neutral changes to the way VET is funded. These changes are in addition to the 10 percent increase already achieved for provider-based funding rates, funded by disestablishing the Strategic Component of the VET funding system and reinvesting that funding into core delivery.
- 16 The changes I am proposing are designed to ensure that funding is targeted towards the education and training that New Zealand needs to achieve the goals of 'Going for Growth' and is allocated in a way that better reflects the cost of delivery across the system. I also intend to support strategically important provision while decisions about the future of the polytechnic sector are made. In the longer term I intend to consider what core provision should be required as part of a polytechnic's role to serve its community, including foundation education.

Defining strategically important provision

- 17 My redesign of vocational education will result in significant system change, including delivery being rationalised, delivered in new ways, or ending in particular regions. This is part of my intention, as the network of provision needs to be more sustainable and focused on delivery that is well supported by both industry and learners. However, there is some training that we do not want to lose, even if it is not financially sustainable for the individual institution. Examples include critical agricultural and forestry provision serving more remote regions.
- 18 I propose to provide extra support for strategically important provision in polytechnics for a transition period of two years. This will help preserve provision we do not want to lose while these institutions work to reduce their costs. The timing also recognises our current point in the economic cycle, with unemployment at 5.1 percent and training needed to support job seekers (see Annex 3 for regional demographics). I expect that continuing support will be required for some provision, but this is best assessed once the new network state has emerged. Some provision will no longer be at risk once organisations become more sustainably focused, and there will be opportunities for new organisations to begin offering some training.

- 19 For the purposes of transitional support to preserve existing provision, I have defined ‘strategically important’ provision as provision which is:
- 19.1 currently provided by an institute of technology or polytechnic which is at risk of non-viability; and
 - 19.1.1 is provision at Levels 3-7 on the New Zealand Qualifications and Credentials Framework which is both in a priority industry (including science, engineering, trades, primary industries and selected health fields), and is not offered by another provider in the region; or
 - 19.1.2 is a foundation education (Levels 1-2 on the New Zealand Qualifications and Credentials Framework), Youth Guarantee, or secondary-tertiary programme.
- 20 Foundation education and Youth Guarantee provide pathways for adults looking to re-engage with education and/or improve skills needed to retain or regain employment, including literacy and numeracy. Secondary-tertiary programmes (including Trades Academy, STAR¹, and Gateway) help to retain young people in education by supporting strong connections between secondary schools, vocational education, and the world of work. Annex 4 shows the locations of Trades Academy provision.
- 21 This provision is included as strategically important because it provides opportunities for learners at key transitional stages. It connects school learners with work experience and provides pathways for adults who left school without qualifications to upskill. A local provider is particularly important for this provision as evidence shows that online delivery is less effective and affects learner outcomes.
- 22 Polytechnics deliver approximately 35 percent of foundation education programmes, with approximately 65 percent delivered by private providers. As part of future planning, I intend to consider how other providers could be incentivised to take on more strategically important provision where needed. My current focus is on supporting critical provision delivered by polytechnics while the system transitions at pace from Te Pūkenga to a network of regional providers.
- 23 9(2)(f)(iv) [REDACTED] This includes considering how to strengthen industry-based learning in schools and kura.

Protecting provision which is strategically important

- 24 I have explored two options for supporting strategically important provision, as defined above, through the system transition. These are:
- 24.1 a fund administered by the Tertiary Education Commission (TEC), with funding distributed between eligible providers based on the proportion of their overall provision which qualifies as strategically important vocational delivery (as per the definition outlined above); and
 - 24.2 grants under section 556 of the Education and Training Act 2020 (the Act), provided to an educational body where I am satisfied that the payment is in the national interest.

¹ STAR – Secondary Tertiary Alignment Resource

- 25 There are advantages to each of these approaches. Grants would allow funding to better respond to the specific circumstances of institutions. This mechanism allows for greater Ministerial discretion. I consider that grants under section 556 would be appropriate as preserving access to education and training which supports priority industries and has importance for regional communities is in the national interest.
- 26 Criteria-based funding has the advantage of distributing funds more transparently, with all eligible providers subject to the same criteria. This would make provision the key driver and send a clear signal about what the Government considers strategically important. Initial modelling suggests that the proposed criteria would channel funding into regions we know need support, including Northland, the central North Island, Taranaki and the West Coast. Excluding provision available from another provider in the region supports polytechnics while allowing other providers to compete.
- 27 My preferred option is a combination of these two approaches. I propose that \$10 million be allocated to eligible polytechnics through criteria-based funding, administered by the TEC. Linking the timing of this allocation into the existing investment plan process would bring it into the context of the TEC's existing accountability processes. Funding would be provided on the basis that providers continued to deliver the provision identified through the criteria.
- 28 Additionally, I propose to reserve \$5 million from funding for learner volume. This, along with the remaining \$5 million from agency savings, would allow me, as Minister, to allocate grants of up to \$10 million under section 556. These grants would be used in specific circumstances, which the criteria for strategically important provision will not identify. This could include additional support for regions that have a higher proportion of at-risk learners or people not in employment, education or training, or where there are obstacles to learning due to lower population density.
- 29 These supports would be based on indicators of need and direct funding toward those polytechnics that already focus on strategically important provision. It is important to note that transitional funding will not make the difference in whether a polytechnic is viable – financial improvement plans and rationalisation of provision will do this.
- 30 I cannot be certain that this funding will preserve all strategically important provision, as there is continuing uncertainty. However, I expect this to inform polytechnics' ongoing cost-cutting decisions. The TEC will monitor for any changes which would go against the conditions of funding (including ending targeted provision).

Funding can be reprioritised for this purpose

- 31 To support strategically important provision without reducing funding to the rest of the VET system, I am proposing to reprioritise funding from agencies funded by Vote Tertiary Education and programmes not aligned with Government priorities. I have lodged a companion paper which seeks approval to reprioritise \$15 million in savings.
- 32 In addition, I propose that \$5 million of funding for Qualification Delivery in the Tertiary Tuition and Training Multi-Category Appropriation be held in reserve to support strategically important provision.
- 33 Reserving funding for this purpose will require a trade-off with volume. I anticipate reduced volume in the VET system in 2026 due to programme cuts, which as of estimates in late 2024 are likely to reduce provision to the value of approximately \$33 million. I intend for grants to reinvest part of this anticipated savings into the system.

Retaining the funding under Qualification Delivery would allow some flexibility for this funding to be used for volume if high learner demand eventuates.

- 34 These combined funds will provide up to \$20 million to support strategically important provision, and to support polytechnics in circumstances that are not represented in my criteria for strategic importance, but where there is a national interest in preserving provision. I propose to use reprioritisation for this purpose while using the funds held in contingency for the disestablishment and transition of Te Pūkenga, along with its divisions' reserves, to fund the recapitalisation of polytechnics and establishing Industry Skills Boards. More work will be needed in future to ensure the continuation of this provision in the redesigned VET system.

Long term plans for an effective and sustainable system

- 35 Change is already well underway in the VET system. Polytechnics have begun implementing their financial improvement plans, which as of late 2024 indicated reductions of approximately 550 programmes, up to 900 FTE and approximately 30 delivery sites. The final model for work-based learning will also change the spread of training provision between polytechnics, Wānanga and private providers. It would be premature to commit to long-term plans to support important provision when there is potential for delivery to look very different once these processes are completed.
- 36 My funding proposals aim to balance short-term preservation of key provision now with the flexibility to respond to new conditions as they emerge. By the end of my proposed transition period (two years), I expect that the redesigned system will settle into its new shape and funding policies can be designed to fit. Support is needed for where important provision will be, not necessarily where it has been.
- 37 Decisions on the structure of the ITP network and the future of work-based learning will be made this year, with legislation changes enabling the new structure to come into effect beginning 1 January 2026. However, this is just the starting point, and I expect that the network will continue to evolve as we progress towards a regionally focused, industry and community led VET system.
- 38 I intend to review support for strategically important provision in the second half of 2026, including long-term options to support the organisations that provide it and how to incentivise delivery of the provision that regions need, through either polytechnics, Wānanga, or private providers who may be able to fill gaps.
- 39 In the meantime, my proposed increases to funding rates (here and through the Budget) provide some longer-term certainty of funding, targeted to areas of importance to the New Zealand economy.

Rebalancing the distribution of other funding

- 40 The delivery of VET is currently funded according to the subject it relates to, and the mode of delivery. Modes include provider-based learning (taught in classrooms and education sites, or extramurally) and work-based (apprenticeships and other 'on the job' learning). These funding categories are outlined in Annex 2 along with an indication of my proposed changes for 2026.
- 41 The previous Government's reform of vocational education reduced funding for provider-based training while providing higher subsidies for work-based training. This has led to surpluses for the work-based learning divisions of Te Pūkenga while the polytechnic divisions saw reduced government support. Increased funding for

work-based training has been used to balance out reductions in provider funding within Te Pūkenga, rather than to support improved outcomes for work-based learners. While private work-based training organisations may have benefitted more, this comes at the cost of reduced funding for the majority of private training establishments that only offer provider-based learning programmes.

- 42 My objectives in rebalancing vocational education funding are to support a network of providers that are responsive to their regions along with work-based learning which is responsive to industry needs. Learners need access to training options where they live, as well as support to realise the social and economic benefits of a qualification.
- 43 To achieve this, I am proposing some fiscally neutral reprioritisation of funding by:
- 43.1 Reducing funding rates for work-based learning by approximately 10 percent in order to reprioritise \$30 million per annum to fund standard-setting. The reduced rates will still, on average, be higher than those available for work-based learning before the previous Government's reforms. Industry Skills Boards will be responsible for setting standards, and a dedicated funding stream with appropriate accountability will ensure this function is given the priority and focus required to keep training standards relevant to work.
- 43.2 Reducing Learner Component funding by approximately 8 percent by removing Māori and Pacific learners as an eligible category, and reprioritising this funding toward provider-based delivery rates. This will support public and private providers. Learners with disabilities and/or with low prior achievement will continue to attract the higher funding rates introduced in 2023.
- 44 It is important to note that funding rates for work-based learning will generally remain higher than the funding rates that previously supported apprentices and trainees. An apprentice in the 'trades' category would attract over \$500 more in subsidies under my proposal than the inflation-adjusted apprentice rate of 2021, even after a ten percent reduction to the current rates (as shown in Annex 2).
- 45 Funding is required for standard-setting as the funding allocated to Workforce Development Councils ends on 30 June 2025. The Minister of Finance and I are currently discussing options for time-limited funding for standards-setting to ensure the stability and continuity of this critical function during the transition period. This would be funded from within the Vote Tertiary Budget package.
- 46 I intend to target provider-based funding rate increases to provision which aligns with Government priorities, including priority industries identified for the transitional fund.
- 47 Low prior achievement (meaning learners who have not previously achieved a qualification at Level 3 or above on the New Zealand Qualifications and Credentials Framework) and disability are evidence-based indicators of learners who may require additional support to succeed. I propose to retain funding rates for these groups at current levels, while removing the lower Māori and Pacific learners rates.
- 48 While the Learner Component is allocated to tertiary education organisations based on the volume of priority learners they enrol, these learners serve as a proxy for overall learner need - funding is not tagged directly to individual learners or learner groups. It is my expectation that organisations support learner success as part of their general business. I also intend to remove separate performance requirements for this funding to reduce compliance costs so that it can more directly benefit learners.

Implementation

- 49 The provider divisions of Te Pūkenga, some of which will become new polytechnics, have assessed their provision and the changes required to improve their financial performance. Financial improvement plans have been approved and are being implemented. I will report back to Cabinet in June 2025 with more information about which of these institutions can be established as viable independent entities.
- 50 I intend for transitional funding and funding rate changes to come into effect on 1 January 2026, aligned with the annual cycle of tertiary education funding. This will be implemented through updated funding mechanisms under section 419 of the Act, which I must confirm before the end of September to take effect in January. Grants under section 556 of the Act can be prepared for this time or provided as need arises.
- 51 Final funding rates will be impacted by Budget decisions. At this stage I anticipate a modest cost adjustment targeted to funding rates in priority areas, which will provide a signal of Government priorities and a small increase in funding for both provider-based and work-based training in these fields.
- 52 Some decisions about the structure of the future VET system are yet to be confirmed, including the model for work-based learning and the polytechnics network. These decisions will have impacts for funding, but my proposals are designed to be flexible for the future while still providing certainty of funding for the VET system in 2026.

Cost-of-living Implications

- 53 The changes I propose do not have significant implications for New Zealanders' cost of living, as they relate to funding to support the delivery of vocational education and training rather than the cost to learners. Protecting regional access to a range of training will allow more learners to study in their home regions, reducing the cost-of-living barriers to learning which include travel and accommodation costs.

Financial Implications

- 54 The proposals in this paper are fiscally neutral and will be delivered within baselines, with some reprioritisation from other areas of Vote Tertiary Education including agency savings. New funding for a cost adjustment to VET funding rates in priority fields will be considered separately through Budget decisions.

Legislative Implications

- 55 There are no legislative implications to these proposals. Once agreed, funding changes can be implemented through secondary legislation.

Population Implications

- 56 The organisations delivering VET are autonomous entities which make their own operational decisions about how the funding allocated to them is spent. This makes it difficult to predict the impact of funding changes on learner cohorts with confidence.
- 57 However, I have made clear my expectation that the TEC continues to work with these organisations to create educational environments where all learners receive the support they need to succeed and gain the benefits of education and training.
- 58 I am committed to minimising the negative impacts of the redesign on learners, particularly those historically underserved by the VET system. The Minister for Social Development and Employment and I will report back to Cabinet in June with

an interim analysis on the impacts of the proposals on disadvantaged learners, the Government's Jobseeker Support targets, and the continued operation of Trades Academies and vocational learning in secondary schools. This will include options for maintaining strategically important provision in the event of polytechnic closures.

- 59 The following table outlines the potential impacts on learner groups. I expect these risks to be mitigated by my expectation, supported by TEC investment decisions, that lifting learner achievement across the board is part of organisations' core functions.

Population group	Potential impacts
Māori and Pacific learners	Tertiary education organisations may see the removal of the Māori and Pacific learner criteria from the Learner Component as a signal that programmes tailored to support these learners are no longer needed and can be substituted with more generic student support programmes. This may negatively impact on Māori and Pacific learner outcomes.
Women	The proposals do not differentiate by gender and are therefore unlikely to negatively impact women specifically.
Disabled learners	Disabled learners will remain a proxy category for the Learner Component, signalling that they are a priority group. Reduced funding for work-based learning could impact support offered to disabled people learning 'on the job'.
Learners with low prior achievement	These learners will continue to be used as a proxy category for the Learner Component, meaning organisations receive additional funding for serving this cohort. I include foundation education in my definition of strategically important provision to support these learners gaining the skills to transition into further education or employment.

Human Rights

- 60 These proposals do not have human rights implications.

Use of external Resources

- 61 No external resources have been employed in the development of these proposals.

Consultation

- 62 The following agencies were consulted on drafts of this paper: 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, 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.

Communications

- 63 I intend to announce proposed settings for VET funding after the publication of Budget 2025. This will allow me to announce the cumulative effect of decisions made here and through the Budget process, minimising confusion for the sector. This

approach will also allow the communication of funding settings to take into account decisions on the model for work-based learning, which are expected in April.

- 64 Details of the proposed settings will be included as proposed variations to my determinations of funding mechanisms under section 419 of the Act. Draft versions of these documents will be made available for consultation, providing the VET sector with an opportunity to give feedback on the implementation of Cabinet decisions.

Proactive Release

- 65 I intend to delay the proactive release of this Cabinet paper until after decisions have been announced. These funding decisions interact closely with my proposed Budget package and some contents of this paper will be Budget-sensitive.

Recommendations

The Minister for Vocational Education recommends that the Committee:

Protecting strategically important provision

- 1 **agree** to define 'strategically important' provision for the purposes of transitional funding support as provision which is:
 - 1.1 currently provided by an institute of technology or polytechnic which is at risk of non-viability; and
 - 1.1.1 is provision at Levels 3-7 on the New Zealand Qualifications and Credentials Framework which is both in a priority industry, and is not offered by another provider in the region; or
 - 1.1.2 is a foundation education (Levels 1-2), Youth Guarantee or secondary-tertiary programme;
- 2 **note** that a companion paper seeks agreement to establish a fund of up to \$15 million per annum to support the viability of strategically important vocational education provision, sourced by reprioritisation of \$15 million per annum from other areas of Vote Tertiary Education including agency savings;
- 3 **agree in-principle** that, if reprioritisation is approved by Cabinet, the TEC will develop a process to allocate \$10 million in reprioritised funds to institutes of technology and polytechnics which are at risk, based on the proportion of that institution's total delivery which is identified as strategically important provision;
- 4 **agree** to reserve up to \$5 million, Qualification Delivery funding, in addition to the remaining \$5 million from agency savings, for grants under section 556 of the Education and Training Act 2020 that can support institutes of technology and polytechnics where there is additional need;

Rebalancing the distribution of funding

- 5 **agree** to reduce funding rates for work-based delivery by approximately 10 percent;
- 6 **note** that this reduction would still leave almost all work-based delivery funded at a higher rate than it was prior to 2023;
- 7 **agree** to reprioritise funding from work-based delivery to provide \$30 million as dedicated funding for the system function of standard-setting;
- 8 **agree** to remove Māori and Pacific learners as a category for Learner Component funding and reinvest this funding into provider-based delivery funding rates.

Hon Penny Simmonds
Minister for Vocational Education

Annexes

Annex 1 – Summary of proposed funding changes to the VET system

Annex 2 – Impact of proposed changes to delivery funding rates for Levels 3-7 (non-degree)

Annex 3 – Regional overview of ITP campuses and main benefit numbers

Annex 4 – Overview of Trades Academies

Annexes withheld in full under 9(2)(f)(iv).



Cabinet Social Outcomes Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Redesigned Vocational Education and Training System: Funding Settings

Portfolio Vocational Education

On 26 March 2025, the Cabinet Social Outcomes Committee:

Protecting strategically important provision in polytechnics

- 1 **agreed** to define ‘strategically important’ provision for the purposes of transitional funding support as provision which is currently provided by an institute of technology or polytechnic which is at risk of non-viability, and is:
 - 1.1 provision at Levels 3-7 on the New Zealand Qualifications and Credentials Framework, which is both in a priority industry, and is not offered by another provider in the region; or
 - 1.2 a foundation education (Levels 1-2), Youth Guarantee, or secondary-tertiary programme;
- 2 **noted** that the companion paper Supporting Strategically Important Vocational Education and Training: Funding Reprioritisation [SOU-25-SUB-0027] seeks agreement to establish a fund of up to \$15 million per annum to support the viability of strategically important vocational education provision, sourced by reprioritisation of \$15 million per annum from other areas of Vote Tertiary Education, including agency savings;
- 3 **agreed** in-principle that, if reprioritisation is approved by Cabinet, the Tertiary Education Commission will develop a process to allocate \$10 million in reprioritised funds to institutes of technology and polytechnics which are at risk, based on the proportion of that institution’s total delivery which is identified as strategically important provision;
- 4 **agreed** to reserve up to \$5 million of funding for Qualification Delivery, in addition to the remaining \$5 million from agency savings, for grants under section 556 of the Education and Training Act 2020 that can support institutes of technology and polytechnics where there is additional need;

Rebalancing the distribution of funding

- 5 **agreed** to reduce funding rates for work-based delivery by approximately 10 percent;
- 6 **noted** that this reduction would still leave almost all work-based delivery funded at a higher rate than it was prior to 2023;

- 7 **agreed** to reprioritise funding from work-based delivery to provide \$30 million as dedicated funding for the system function of standard-setting;
- 8 **agreed** to remove Māori and Pacific learners as a category for Learner Component funding and reinvest this funding into provider-based delivery funding rates.

Jenny Vickers
Committee Secretary

Present:

Hon David Seymour
Hon Nicola Willis
Hon Louise Upston (Chair)
Hon Dr Shane Reti
Hon Tama Potaka
Hon Nicole McKee
Hon Casey Costello
Hon Chris Penk
Hon Penny Simmonds
Hon Karen Chhour
Hon Scott Simpson

Officials present from:

Office of the Prime Minister
Officials Committee for SOU
Office of the Minister for Vocational Education



Cabinet

Minute of Decision

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Report of the Cabinet Social Outcomes Committee: Period Ended 28 March 2025

On 31 March 2025, Cabinet made the following decisions on the work of the Cabinet Social Outcomes Committee for the period ended 28 March 2025:

Out of scope		

SOU-25-MIN-0026

Redesigned Vocational Education and Training System: Funding Settings
Portfolio: Vocational Education

Separate minute:
CAB-25-MIN-0085.01

Out of scope		

Out of scope



Rachel Hayward
Secretary of the Cabinet

Proactively Released



Cabinet

Minute of Decision

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Redesigned Vocational Education and Training System: Funding Settings

Portfolio **Vocational Education**

On 31 March 2025, following reference from the Cabinet Social Outcomes Committee, Cabinet:

Protecting strategically important provision in polytechnics

- 1 **agreed** to define ‘strategically important’ provision for the purposes of transitional funding support as provision which is currently provided by an institute of technology or polytechnic which is at risk of non-viability, and is:
 - 1.1 provision at Levels 3-7 on the New Zealand Qualifications and Credentials Framework, which is both in a priority industry, and is not offered by another provider in the region; or
 - 1.2 a foundation education (Levels 1-2), Youth Guarantee, or secondary-tertiary programme;
- 2 **noted** that the companion paper *Supporting Strategically Important Vocational Education and Training: Funding Reprioritisation* [SOU-25-SUB-0027] seeks agreement to establish a fund of up to \$15 million per annum to support the viability of strategically important vocational education provision, sourced by reprioritisation of \$15 million per annum from other areas of Vote Tertiary Education, including agency savings;
- 3 **agreed in-principle** that, if reprioritisation is approved by Cabinet, the Tertiary Education Commission will develop a process to allocate \$10 million in reprioritised funds to institutes of technology and polytechnics which are at risk, based on the proportion of that institution’s total delivery which is identified as strategically important provision;
- 4 **agreed** to reserve up to \$5 million of funding for Qualification Delivery, in addition to the remaining \$5 million from agency savings, for grants under section 556 of the Education and Training Act 2020 that can support institutes of technology and polytechnics where there is additional need;

Rebalancing the distribution of funding

- 5 **agreed** to reduce funding rates for work-based delivery by approximately 10 percent;
- 6 **noted** that this reduction would still leave almost all work-based delivery funded at a higher rate than it was prior to 2023;

- 7 **agreed** to reprioritise funding from work-based delivery to provide \$30 million as dedicated funding for the system function of standard-setting;
- 8 **agreed** to remove Māori and Pacific learners as a category for Learner Component funding and reinvest this funding into provider-based delivery funding rates;
- 9 **agreed** to fund Budget 2025 Initiative ‘Funding for Workforce Development Councils’ as a pre-commitment against Budget 2025, to provide \$15 million for Workforce Development Councils’ (WDCs) functions between their funding ceasing on 30 June 2025, and their disestablishment on 31 December 2025;
- 10 **agreed** that WDCs can be informed of the funding decision before Budget 2025 is announced, mitigating the risk that WDCs rapidly wind-down functions in preparation for disestablishment when appropriated funding ends on 30 June 2025;
- 11 **approved** the following change to appropriations to give effect to the decision in paragraph 9, with a corresponding impact on the operating balance:

	\$million – increase/(decrease)				
Vote Tertiary Education Minister for Vocational Education	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
<i>Non-Departmental Output Expenses:</i>					
Workforce Development Councils	-	15.000	-	-	-

Rachel Hayward
Secretary of the Cabinet

Secretary’s Note: This minute replaces SOU-25-MIN-0026. Cabinet agreed to add paragraphs 9 to 11.