

## Cabinet Paper material

### Proactive release

Minister & portfolio	Hon Penny Simmonds, Minister for Vocational Education
Name of package	Funding reprioritisation to support strategically important vocational education and training
Date considered	31 March 2025
Date of release	22 July 2025

#### These documents have been proactively released:

##### **Funding reprioritisation to support strategically important vocational education and training**

Date considered: 31 March 2025

Author: Office of the Minister for Vocational Education

##### **Cabinet Social Outcomes Committee Minute SOU-25-MIN-0027**

Date considered: 26 March 2025

Author: Committee Secretary

##### **Cabinet Minute CAB-25-MIN-0085**

Date considered: 31 March 2025

Author: Secretary for the Cabinet

#### Material redacted

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>

Office of the Minister for Vocational Education

Cabinet Social Outcomes Committee

## **Funding reprioritisation to support strategically important vocational education and training**

### **Proposal**

- 1 This paper seeks agreement to reprioritise savings of up to \$15 million per annum within Vote Tertiary Education to support the viability of strategically important provision in a redesigned vocational education and training system.
- 2 A companion paper seeks decisions on the policy settings and implementation of the funding as part of broader changes to the funding system for vocational education.

### **Relation to government priorities**

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

### **Executive Summary**

- 4 I propose a fiscally neutral reallocation of baseline savings to establish a fund to support the retention of strategically important provision following the disestablishment of Te Pūkenga.
- 5 These savings will come from within Vote Tertiary Education, and include operational savings from the Tertiary Education Commission (TEC) and Education New Zealand (ENZ).
- 6 Further savings will come from the reprioritisation of small bespoke funds. The funds affected are:
  - 6.1 The 'Tūwhitia – Accelerating Learner Success' fund (Tūwhitia) to improve student achievement. I consider that improving learner outcomes is a fundamental function of tertiary education organisations, and as such, should be funded out of their core tuition subsidies.
  - 6.2 'Te Tahua o te reo Kairangi' fund (Te Tahua) for higher-level te reo Māori programmes. This is a 'nice to have' fund that was only recently established. Tūwhitia and Te Tahua have only been in place for two and three years, respectively.
  - 6.3 Contracts with Ako Aotearoa, which support effective teaching and deliver professional development services. These services are currently underused by the sector; if the sector values these services, it will provide the necessary funding for them to continue.

- 7 To provide up to \$15 million per annum, the TEC would use its existing flexibility to transfer small amounts of funding across the funds it manages.

## Background

- 8 In December 2024, Cabinet agreed to implement legislation changes to disestablish Te Pūkenga and Workforce Development Councils and enable a more agile network of regional institutes of technology and polytechnics ('polytechnics'). I was invited to report back to Cabinet in March of this year with "options to support strategically important provision, including transitional funding reprioritised from within existing baselines" [SOU-24-MIN-0174 refers].
- 9 Due to the interdependencies, the Treasury advised that decisions on agency savings are taken alongside Cabinet decisions on changes to the vocational education and training (VET) funding system, rather than in the same paper or through the Budget process.
- 10 A companion paper seeking agreement to changes to the funding system for VET has been lodged alongside this paper. That paper outlines my proposed approach in detail. This paper focuses on the funding sources for it.

## Savings will come from agency operating baselines and reprioritised funding

- 11 I propose that savings come from agencies funded by Vote Tertiary Education, and from programmes that are not aligned with Government priorities.
- 12 At the end of 2024, I set savings expectations for the Tertiary Education Commission and Education New Zealand. The savings are in addition to the operating baseline reductions of 6% to the TEC and 8.6% to ENZ implemented through Budget 2024. The savings will be achieved by the agencies focusing their resources on core functions and some service reductions. Further savings will be found from funds that the TEC administers. The proposed savings are outlined in Table 1 below, with more detail in the following sections.
- 13 The savings are by necessity and will be achieved through a reduction in functions and services, and efficiency changes. Accordingly, they will involve a combination of trade-offs and risks. Agencies will need to reduce Full-Time Equivalent (FTE) headcounts, prioritise resources towards their core functions and reduce 'nice-to-have' expenditure.
- 14 By having a sharper focus on their core roles and streamlining functions, I am confident the agencies will continue to deliver on their statutory obligations and on our priorities.

## B U D G E T   S E N S I T I V E

*Table 1. Summary of proposed savings (\$m)*

\$m	2024/25	2025/26	2026/27	2027/28	2028/29 onwards
<b>Operating baseline savings</b>					
Education New Zealand	-	1.350	1.350	1.350	1.350
Tertiary Education Commission	-	2.900	2.900	2.900	2.900
<b>Savings from administered funds</b>					
Ako Aotearoa	-	4.131	4.706	4.706	4.706
Tūwhitia (unallocated)	7.797*	1.765	-	-	-
Te Tahua	-	1.060	2.160	3.000	3.000
<b>TOTAL</b>	<b>7.797*</b>	<b>11.206</b>	<b>11.116</b>	<b>11.956</b>	<b>11.956</b>
Use of 24/25 Tūwhitia funding	-	3.794*	3.884*	0.119*	-
Other funding				2.925*	3.044*
<b>TOTAL</b>	<b>7.797*</b>	<b>15.000</b>	<b>15.000</b>	<b>15.000</b>	<b>15.000</b>

\* \$7.797m of 2024/25 and \$1.765m of 2025/26 Tūwhitia funding is unallocated. All of the 2024/25 funding is proposed to be used to help meet the \$15m targets in 2025/26, 2026/27, 2027/28. \$2.925m in 2027/28 and \$3.044m in 2028/29 and out-years would be sourced from other funds within the Tertiary Tuition and Training Multi-Category Appropriation (MCA) managed by the TEC. These amounts are less than 0.1 percent of total funding in the MCA.

### **Tertiary Education Commission savings**

#### *Operating baseline savings*

- 15 A total of 5% (\$2.9 million) per annum will be saved from the TEC's operating baseline. This decrease in funding will result in a reduction of up to 23 of its current 336 establishment FTEs. This will return the TEC to around 2018 staffing levels. While the proposed savings will increase the TEC's overall risk profile and could impact the implementation of VET reforms, I have confidence in the TEC's risk-management and prioritisation capabilities.

#### *Reprioritisation of funding*

- 16 I propose to reprioritise funds administered by the TEC that were established by the previous government. These are 'nice-to-have' funds that provide top-ups for projects that should be business as usual for providers, for example the 'Tūwhitia – Accelerating Learner Success' fund to improve student achievement, or are recently established, for example the 'Te Tahua o te reo Kairangi' fund for higher-level te reo Māori programmes.
- 17 I also propose that the TEC exit its contracts with Ako Aotearoa (Ako). While Ako provides useful services, they are not widely used by the sector, despite the TEC's efforts. My expectation is that if the sector values Ako's services, it will provide the necessary funding for these to continue.
- 18 **The Accelerating Learner Success Fund (Tūwhitia)** was established by Cabinet in 2023 [CAB-23-MIN-0296 refers]. This contestable fund was intended to support and accelerate initiatives that are additional to existing learner success approaches, but

was established without any funding appropriated for this purpose. Instead, the TEC could transfer up to \$10 million into the fund each financial year as a trade-off on volume funding. The TEC has advised that uncommitted Tūwhitia funding of \$7.797 million in 2024/25 and \$1.765 million in 2025/26 could be used to meet the overall savings targets.

- 19 It is my view that tertiary education and training providers are responsible for ensuring the success of learners as part of their general operations and from their core tuition subsidy funding. The TEC can set stronger expectations that providers should be investing sufficiently in learner success initiatives to lift achievement, rather than expecting additional funding to support this. This expectation has been communicated to the TEC.
- 20 **The Te Tahua o Te Reo Kairangi fund (Te Tahua)** was introduced in Budget 2022 [CAB-22-MIN-0129 refers] to support new or expanded delivery that results in highly proficient te reo Māori speakers, either by teaching te reo Māori directly or by delivering education in immersion settings. A baseline of \$3 million per annum was allocated from 2024/25 for the fund.
- 21 Unallocated funds from Te Tahua in 2025/26 and 2026/27 (\$1.1 million and \$2.1 million, respectively) can be used as savings in those years. After this, I propose that the fund is disestablished, providing ongoing savings. For 2025, \$2.6 million has been contracted: \$1.9 million across the three Wānanga; \$0.350 million with two Private Training Establishments (PTEs); and \$0.350 million with a university. Of the \$1.7 million contracted for 2026, \$1 million is with two Wānanga, \$0.377 million with a university and \$0.3 million with a PTE. The contracts are clear there should be no expectation of funding continuing beyond the contract period.
- 22 The TEC has advised me that the quality of recent applications does not support the continuation of Te Tahua. This fund therefore does not seem to be an effective way to support te reo Māori learning and delivery. Moreover, tuition subsidies for te reo Māori courses have risen by greater amounts than other courses over the past few years, providing additional support for this delivery.
- 23 **Ako** is funded to be the National Centre for Tertiary Teaching Excellence (NCTTE), which is intended to support effective teaching and deliver professional development services. In addition to the NCTTE contract with the TEC, it also holds the contract for the Adult Literacy, Numeracy and Cultural Capability (ALNACC) programme, designed for educators who work with adult learners. Both of these contracts are funded through to 30 June 2026. I understand that these two contracts would be able to return \$4.131 million in 2025/26 if not renewed, followed by \$4.706 million per annum in subsequent years.
- 24 Ako are also responsible for the Te Whatu Kairangi - National Tertiary Teaching Excellence Awards. I have asked the TEC to explore transferring the \$0.2 million per annum in funding for these awards to another agency to administer.
- 25 Quality teaching is central to effective learning, and I have carefully considered retaining Ako's services. However, I consider the benefits from using the funding to support strategically important at-risk provision to be significantly greater than the

risks associated with not renewing Ako's contracts. In addition, the TEC's efforts to improve Ako's reach and performance have had limited success.

- 26 Ultimately, decisions about teaching staff, training and professional development are the responsibility of tertiary education organisations (TEOs) and educators themselves; education providers are not required to use Ako's services and materials, and they are not used by the whole sector.

**Education New Zealand savings**

- 27 I set an expectation for ENZ to contribute \$2.7 million (11%) per annum of its operating baseline, excluding any funding from outside Vote Tertiary Education and funding for Prime Minister's Scholarships for Asia and Latin America (which are subject to a separate review process led by the Treasury).
- 28 ENZ has advised it would be able to respond to the Government's economic growth agenda under a \$1.35 million reduction but would need to reduce its offshore roles to contribute \$2.7 million per annum, alongside reducing its contributions to cross-government NZ Inc initiatives.
- 29 I have consulted the Minister of Education, who has responsibility for international education and Education New Zealand, and we have agreed to progress the savings of \$1.35 million per annum.

**Providing for \$15 million from 2027/28**

- 30 As outlined above and in Table 1, I proposed to use unallocated 2024/25 Tūwhitia funding to provide \$15m per annum in 2025/26 and 2026/27. Beyond this, the TEC would use its existing flexibility to transfer small amounts across the funds it manages within the Tertiary Tuition and Training Multi-Category Appropriation (MCA).
- 31 The MCA provides TEC and the Vote Minister with the ability to shift funding to where it is most needed when there are small variances in demand and expenditure across the \$3 billion MCA. Transfers of less than 0.1 percent of the MCA are needed to provide an ongoing baseline of \$15 million.

**Other options considered**

- 32 I considered other options to implement these savings, including higher levels of savings from agencies' operational baselines and from other funds administered by the TEC. It is important to be clear that the bulk of the funding administered by the TEC comprises the tertiary education system's core funding for education delivery and research, and that funding has declined in real terms since 2020.
- 33 I am not detailing further options in this paper as I do not consider them to be viable options. Criteria for savings options included impact on the sector, severity and impact on critical functions set out in legislation, risk of system or financial failure, impact on ability to implement proposed Government changes in the sector, and alignment with core legislative functions. The other options considered were not viable from the perspective of these criteria.

**Te Tiriti o Waitangi | the Treaty of Waitangi analysis**

- 34 Officials have undertaken a Treaty of Waitangi (Treaty) analysis, investigating impacts of the proposed reprioritisation of funds administered by the TEC on the Government's obligations under the Treaty. Because this work has progressed quickly, they did not have the opportunity to do a full Treaty analysis, including identifying relevant Treaty settlement commitments. At a high level, officials consider that this proposal does not fulfil the Crown's obligations under the Treaty, with poor alignment with Article 1 in particular as a result of a lack of consultation with Māori stakeholders due to the rapid pace of this work.

**Cost-of-living Implications**

- 35 This proposal is unlikely to impact the cost of living, whether directly or indirectly, as it relates to using savings to support the delivery of vocational education.

**Financial Implications**

- 36 As set out in the recommendations below, I am proposing Cabinet agree to fiscally neutral changes to appropriations to establish a fund to support the viability of at-risk vocational education and training from 2025/26. Some unallocated 2024/25 funding would be spread across subsequent years.

**Legislative Implications**

- 37 Legislation is not required to implement these proposals.

**Impact Analysis**

**Regulatory Impact Statement**

- 38 Impact analysis requirements do not apply for this proposal.

**Climate Implications of Policy Assessment**

- 39 Climate Implications of Policy Assessment (CIPA) requirements do not apply for this proposal.

**Population Implications**

- 40 TEOs are autonomous entities responsible for making their own operational decisions about how funding allocated to them is spent. It is therefore difficult to predict the impact of funding changes on learner cohorts. However, I do not expect significant impacts on specific population groups, as the savings are either sourced from decreases to operational baseline funding or from funds that provide top-ups for projects that should be business as usual for providers. The TEC is expected to use its existing investment levers to drive improvements in achievement and delivery rather than relying on additional funding.
- 41 Tūwhitia was designed to assist TEOs who develop promising learner success initiatives to get them off the ground and achieve results quickly. Disestablishing this funding may mean it takes longer for underserved learners to see the benefits of

learner success efforts, and the expected improvements in retention and completion rates for Māori, Pacific and other learner groups. However, there is as yet no evidence that Tūwhitia has made any impact on the success of these initiatives.

### **Human Rights**

- 42 No potential inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993 have been identified.

### **Use of external Resources**

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

### **Consultation**

- 44 The Treasury and Public Service Commission were consulted on a late draft of the paper. The Department of the Prime Minister and Cabinet and Office of the Auditor-General were informed of the paper.

### **Communications**

- 45 I intend to announce funding for strategically important vocational education as part of broader announcements on Cabinet's decisions to disestablish and replace Te Pūkenga, including changes to the funding system to better support the success of a regionally focused VET system.
- 46 I expect the TEC to communicate and manage details of the decisions with Ako and other affected parties.

### **Proactive Release**

- 47 I intend to release this paper in whole within 30 business days of Cabinet decisions, subject to redaction as appropriate under the Official Information Act 1982.



## Recommendations

The Minister for Vocational Education recommends that the Committee:

1. **note** that, in December 2024, Cabinet:
  - 1.1 agreed to progress legislation changes to disestablish Te Pūkenga to enable a more agile network of regional institutes of technology and polytechnics; and
  - 1.2 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 [SOU-24-MIN-0174 refers];
- 2 **note** that this paper provides the report on supporting provision with reprioritised funding, and that a companion paper seeks Cabinet approval of broader changes to the funding system for Vocational Education and Training (VET);
- 3 **agree** to establish a fund of up to \$15 million per annum to support the viability of strategically important vocational education provision (the fund), and that the funding be sourced from reprioritisation of \$15 million per annum from:
  - 3.1 Tertiary Education Commission (TEC) and Education New Zealand (ENZ) operating baselines;
  - 3.2 The TEC concluding its contracts with Ako Aotearoa at the end of 2026;
  - 3.3 Disestablishing the Tūwhitia – Accelerating Learner Success and Te Tahua o te Reo Kairangi funds administered by the TEC; and
  - 3.4 Other funds in the Tertiary Tuition and Training Multi-Category Appropriation (MCA), in accordance with established rules for the transfer of funding within that MCA;
- 4 **note** that the fund agreed under recommendation 3 will be administered:
  - 4.1 by the TEC under funding mechanisms issued by the Minister for Vocational Education under the Education and Training Act 2020;
  - 4.2 under the ‘Qualification Delivery’ category of the Tertiary Tuition and Training MCA in Vote Tertiary Education;

**B U D G E T   S E N S I T I V E**

- 5 **approve** the following fiscally neutral changes to appropriations to give effect to the policy decision in recommendation 3 above, with no impact on the operating balance or net debt:

	<b>\$million – increase/(decrease)</b>				
<b>Vote Tertiary Education Minister for Vocational Education</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
<i>Non-Departmental Output Expenses:</i>					
Administration of and Support for the Tertiary Education and Careers Systems	-	(3.475)	(4.050)	(4.050)	(4.050)
International Education Programmes	-	(1.350)	(1.350)	(1.350)	(1.350)
Tertiary Sector / Industry Collaboration Projects	-	(3.556)	(3.556)	(3.556)	(3.556)
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Tertiary Tuition and Training MCA					
<i>Non-Departmental Output Expenses:</i>					
Access to and Success in Tertiary Education	(7.797)	(1.765)	-	-	-
Qualification Delivery	-	13.940	12.840	9.075	8.956
<b>Total Operating</b>	<b>(7.797)</b>	<b>3.794</b>	<b>3.884</b>	<b>0.119</b>	<b>-</b>

- 6 **authorise** the Minister of Finance and Minister for Vocational Education to jointly approve other technical and minor changes to appropriations that may be needed later in 2025 for the implementation of recommendations 3 and 5 above;
- 7 **note** that the Minister for Vocational Education will announce details of the fund and reprioritised funding as part of announcements of Cabinet's decisions on the disestablishment of Te Pūkenga.

Authorised for lodgement

Hon Penny Simmonds

Minister for Vocational Education



# 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.*

### Supporting Strategically Important Vocational Education and Training: Funding Reprioritisation

**Portfolio**                      **Vocational Education**

On 26 March 2025, the Cabinet Social Outcomes Committee (SOU):

- 1        **noted** that in December 2024, SOU:
  - 1.1      agreed to progress legislation changes to disestablish Te Pūkenga to enable a more agile network of regional institutes of technology and polytechnics; and
  - 1.2      invited the Minister for Tertiary Education and Skills 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;

[SOU-24-MIN-0174]
- 2        **noted** that the paper under SOU-25-SUB-0027 provides the report on supporting provision with reprioritised funding, and that the companion paper *Redesigned Vocational Education and Training System: Funding Settings* [SOU-25-SUB-0026] seeks agreement to broader changes to the funding system for Vocational Education and Training (VET);
- 3        **agreed** to establish a fund of up to \$15 million per annum to support the viability of strategically important vocational education provision (the fund), and that the funding be sourced from reprioritisation of \$15 million per annum from:
  - 3.1      Tertiary Education Commission (TEC) and Education New Zealand (ENZ) operating baselines;
  - 3.2      the TEC concluding its contracts with Ako Aotearoa at the end of 2026;
  - 3.3      disestablishing the Tūwhitia – Accelerating Learner Success and Te Tahua o te Reo Kairangi funds administered by the TEC; and
  - 3.4      other funds in the Tertiary Tuition and Training Multi-Category Appropriation (MCA), in accordance with established rules for the transfer of funding within that MCA;

- 4 **noted** that the fund agreed under paragraph 3 will be administered:
- 4.1 by the TEC under funding mechanisms issued by the Minister for Vocational Education under the Education and Training Act 2020;
- 4.2 under the 'Qualification Delivery' category of the Tertiary Tuition and Training MCA in Vote Tertiary Education;
- 5 **approved** the following fiscally neutral changes to appropriations to give effect to the policy decision in paragraph 3 above, with no impact on the operating balance or net debt:

Vote Tertiary Education Minister for Vocational Education	\$million – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
<i>Non-Departmental Output Expenses:</i>					
Administration of and Support for the Tertiary Education and Careers Systems	-	(3.475)	(4.050)	(4.050)	(4.050)
International Education Programmes	-	(1.350)	(1.350)	(1.350)	(1.350)
Tertiary Sector / Industry Collaboration Projects	-	(3.556)	(3.556)	(3.556)	(3.556)
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Tertiary Tuition and Training MCA					
<i>Non-Departmental Output Expenses:</i>					
Access to and Success in Tertiary Education	(7.797)	(1.765)	-	-	-
Qualification Delivery	-	13.940	12.840	9.075	8.956
<b>Total Operating</b>	<b>(7.797)</b>	<b>3.794</b>	<b>3.884</b>	<b>0.119</b>	<b>-</b>

- 6 **authorised** the Minister of Finance and Minister for Vocational Education to jointly approve other technical and minor changes to appropriations that may be needed later in 2025 for the implementation of paragraphs 3 and 5 above;
- 7 **noted** that the Minister for Vocational Education will announce details of the fund and reprioritised funding as part of announcements of Cabinet's decisions on the disestablishment of Te Pūkenga.

Jenny Vickers  
Committee Secretary

**Attendance: (see over)**

**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

Proactively Released



# 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-0027

**Supporting Strategically Important Vocational Education and Training: Funding Reprioritisation**  
Portfolio: Vocational Education

CONFIRMED

Out of scope

Rachel Hayward  
Secretary of the Cabinet

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